



# FAIRTRADE AND COTTON

Millions of small-scale farmers in developing countries depend on cotton for their livelihoods. This briefing provides an industry overview, and explores why Fairtrade is needed and what it can achieve...

# COTTON AT A GLANCE

## FAIRTRADE FACTS



There are 26 Fairtrade certified cotton producer organisations located in nine countries around the world: Benin, Brazil, Burkina Faso, Egypt, India, Kyrgyzstan, Mali, Nicaragua and Senegal



More than 7.4 million Fairtrade cotton items were sold in the UK in 2013, with an estimated retail value of £23.4m



Fairtrade cotton producer organisations represent almost 60,000 farmers. In 2013 they sold 15,900 tonnes of Fairtrade seed cotton, generating €644,000 in Fairtrade Premium

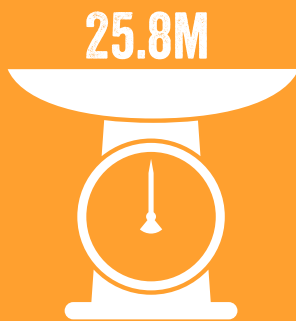


54 percent of Fairtrade Premium expenditure was invested in strengthening producer organisations (e.g. human resources and administration; facilities and infrastructure) and providing services to members (e.g. credit and finance schemes; agricultural tools and inputs)



46 percent of Fairtrade Premium expenditure was spent on community services, mainly education projects

## GLOBAL FACTS



25.8m tonnes of cotton lint were produced globally in 2013



Around a third of this production was exported, with an export value of \$20.2 billion



It takes approximately 2,720 litres of water to make just one cotton t-shirt

# COTTON AT A GLANCE

## GLOBAL FACTS CONTINUED...



Cotton production accounts for the use of \$2bn of chemical pesticides each year



Cotton is grown in more than 100 countries on 2.5 percent of the world's arable land – some 35m hectares



The global textile trade was worth \$294bn in 2011, while the clothing trade was worth \$412bn



Government subsidies for domestic cotton production totalled \$6.5bn in 2013-14, led by China with \$5.1bn



100m rural households are directly engaged in cotton production – 90 percent of them in developing countries



An estimated 350m people work in the cotton sector



Over 150 countries are involved in exporting or importing cotton



Genetically modified cotton accounts for 81 percent of global planting (2012)

31.8%

Polyester dominates the global fibre market with cotton's share dropping from 38.5 percent in 2008 to an estimated 31.8 percent in 2013

\$1.73/KG

Cotton prices are volatile and in long-term decline – real cotton prices, taking inflation into account, have fallen from more than \$3.00/kg in the 1960s to \$1.73 in 2014

# 1. THE ECONOMICS

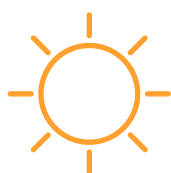
Cotton is the world's oldest commercial crop and one of the most important fibre crops in the global textile industry. It is grown in more than 100 countries on 2.5 percent of the world's arable land – some 35m hectares – making cotton one of the most significant crops in terms of land use after food grains and soybeans.<sup>1</sup>

Cotton is also a heavily traded agricultural commodity with over 150 countries involved in exporting or importing it. Cotton plays a major role in the economic and social development of developing and newly industrialised countries. It is an especially important source of employment and income within West and Central Africa, India, Pakistan and Central Asia, accounting for 35.6 percent of Mali's exports, 63.2 percent of Benin's and 71.5 percent of Burkina Faso's.<sup>2</sup>

As many as 100m rural households – 90 percent of them in developing countries – are directly engaged in cotton production. An estimated 350m people work in the cotton sector when family labour, farm labour and workers in connected services such as transportation, ginning, baling and storage are taken into account.<sup>3</sup>

China and India account for around 53 percent of global cotton production; the United States and India account for around 50 percent of global cotton exports; and China accounts for around 35 percent of global cotton imports. Additional data on the global cotton market is available in the Appendix (page 18).

## FROM COTTON PLANT TO CLOTHING



1 Cotton is primarily grown in dry tropical and subtropical climates at temperatures between 11°C and 25°C.



2 The flower of the cotton plant (genus *Gossypium*) produces seeds and surrounding white downy fibre known as bolls.



3 After harvesting – by hand or mechanically – the bolls are transported to a ginny where the fibres, known as lint, are separated from the cottonseed.



4 The lint is compacted in bales and stored before being spun into yarn or thread and processed into a range of textile products...



5 ...whether that's through weaving, knitting, dyeing and printing or being sewn into garments, accessories and homeware products.



6 The cottonseed is used in animal feed or pressed to make cooking oil.

**IN 2013, 25.8M TONNES OF COTTON LINT WERE PRODUCED,<sup>4</sup> AROUND A THIRD OF PRODUCTION WAS EXPORTED, WITH AN EXPORT VALUE OF \$20.2BN IN 2012.<sup>5</sup> IN 2011, THE LARGER TEXTILE TRADE WAS WORTH \$294BN, WHILE THE APPAREL OR CLOTHING TRADE WAS WORTH \$412BN.<sup>6</sup>**

## 2. THE CHALLENGES

The cotton industry faces a number of challenges to its long-term sustainability – from the intensive use of hazardous chemicals to climate change and low cotton prices. Many of these contribute to the fact that cotton is failing to provide a sustainable and profitable livelihood for the millions of small-scale farmers predominantly in Asia and Africa who are responsible for growing the seed cotton the global cotton textile industry depends on.

### Industry challenges

#### Competition from synthetic fibres

The decline in prices for consumer goods is placing increased pressure on suppliers along the cotton textile value chain, and eventually on prices paid to growers for their seed cotton. Suppliers are increasingly sourcing cheaper man-made fibres, with polyester now dominating the global fibre market and cotton's share dropping from 38.5 percent in 2008 to a projected 31.8 percent in 2013.<sup>7</sup>

#### Government subsidies

Intended to shield domestic producers from volatile and low cotton prices, government subsidies include direct support to production, border protection, crop insurance subsidies and minimum support price mechanisms.

Government subsidies for cotton farmers in rich countries create a market with artificially low prices that small-scale farmers in developing countries are unable to compete in. Studies have estimated that cotton price deflation caused by subsidy schemes in developed countries is associated with an annual loss of income to African farmers of \$250m.<sup>8</sup>

Government policies and direct government interventions in cotton markets contribute to high price volatility which negatively affects

the competitiveness of cotton. This can have disastrous consequences that threaten the future of the cotton economy, including pushing retailers to shift to higher blend textiles.<sup>9</sup>

#### Child labour and forced labour

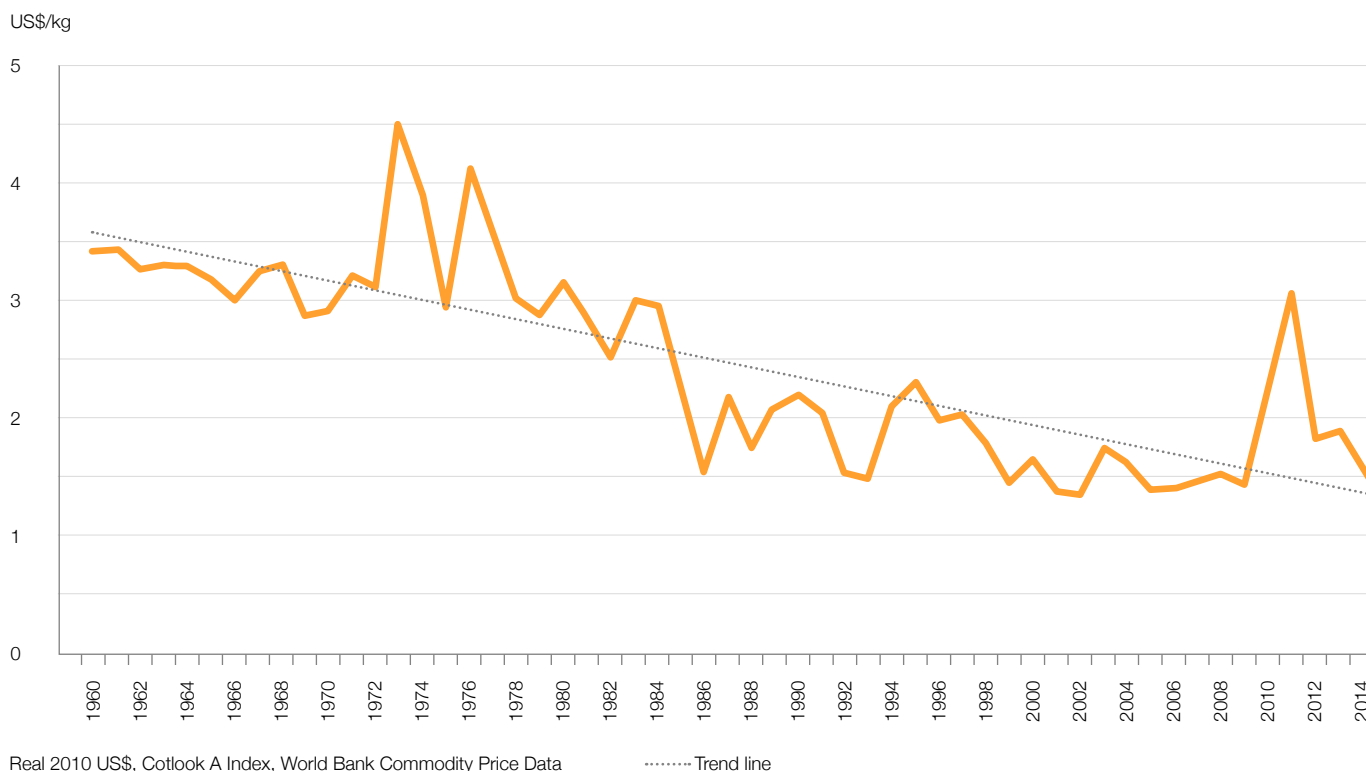
Child labour in cotton has been reported in several countries and is most prominent on small-scale farms, particularly at planting and harvesting times. In India, over 400,000 child workers have been reported as working in the cottonseed industry, some working 9-12 hours a day and suffering from health problems related to exposure to pesticides.<sup>10</sup> The employment of child labour is aggravated by the use of piecework (where work is paid according to the amount picked) which incentivises parents to bring their children to the fields as a way to boost their income for the day.<sup>11</sup> An estimated 100,000 children in Andhra Pradesh, India, work 13-hour days in cotton fields as bonded labour, paying off loans taken out by their parents.<sup>12</sup>

Forced and child labour are major concerns in Uzbekistan, Turkmenistan and Tajikistan where tens of thousands of children, students and adults are forced out of school, college or workplaces for several weeks a year and mobilised to pick cotton to meet government-imposed production quotas.<sup>13</sup>

**GOVERNMENT SUBSIDIES TOTALLED \$6.5BN IN 2013-14, DOWN FROM A RECORD \$7.4BN IN 2012-13, LED BY CHINA WITH SUBSIDIES WORTH \$5.1BN. THE US FARM BILL WILL END DIRECT PAYMENTS TO US COTTON FARMERS IN 2015 BUT THEY WILL CONTINUE TO RECEIVE SUBSIDIES FOR CROP INSURANCE PREMIUMS – THEY EFFECTIVELY PROTECT FARMERS FROM LOW HARVESTS CAUSED BY WEATHER, PESTS, FIRE AND OTHER NATURAL DISASTERS AND AMOUNTED TO \$1.8BN IN THE THREE YEARS 2011-12 TO 2013-14.<sup>14</sup>**



**Figure 1: Cotton prices in real terms 1960-2014**



### Challenges for farmers

#### Low incomes, low investment, high dependency

Cotton farmers are at the end of a long and complex supply chain in which they are virtually invisible and wield little power or influence. With high levels of illiteracy and limited land holdings, many cotton farmers live below the poverty line and are dependent on the middle men or ginners who buy their cotton, often at prices below the cost of production.

Rising costs of production, fluctuating market prices, decreasing yields and climate change are daily challenges, along with food price inflation and food insecurity. These factors also affect farmers' ability to provide decent wages and conditions to the casual workers they employ. In West Africa, a cotton farmer's typical smallholding of 2-5 hectares provides the essential income for basic needs such as food, healthcare, school fees and tools. A small fall in cotton prices can have serious implications for a farmer's ability to meet these needs. In India many farmers are seriously indebted because of the high interest loans needed to purchase

fertilisers and other farm inputs. Unstable, inadequate incomes perpetuate the situation in which farmers lack the finances to invest in the infrastructure, training and tools needed to improve their livelihoods.

#### Price volatility

Like many commodities, cotton is traded on international markets in US dollars, while the Cotlook A Index is the recognised barometer of world prices. Market prices are volatile and show a long-term downward trend – technology-driven productivity gains, competition with polyester and increased competition at the retail level add to the downward price pressure along the value chain, ultimately affecting the prices received by farmers of seed cotton. Global cotton prices hit a five-year low in summer 2014, with slowing demand from China contributing to a glut in the market – prompting the International Cotton Advisory Committee (ICAC) forecast that low cotton prices are likely for several years.<sup>15</sup> Figure 1 shows that real cotton prices, taking inflation into account, have fallen by 45 percent – from more than

\$3.00/kg in the 1960s to \$1.73 in 2014.<sup>16</sup> Low prices have seen farmers exiting production as it has become less profitable, with a 35 percent drop in production in African, Caribbean and Pacific (ACP) countries between 2005 and 2010.<sup>17</sup>

Research shows that a small increase in the seed cotton price would significantly improve the livelihood of cotton farmers but with little impact on retail prices. Depending on the amount of cotton used and the processing needed, the cost of raw cotton makes up a small share of the retail price, not exceeding 10 percent. This is because a textile product's price includes added value in the various processing and manufacturing activities along the supply chain. So a 10 percent increase in the seed cotton price would only result in a one percent or less increase in the retail price – a negligible amount given that retailers often receive more than half of the final retail price of cotton finished products.<sup>18</sup>



### Agrochemical use and the environment

There are increasing concerns about the sustainability of cotton production as the environmental impacts of conventional cotton production become more apparent. Cotton farmers rely heavily on agrochemicals such as herbicides to eradicate weeds and pesticides to control the numerous pests which destroy around 15 percent of world production.<sup>19</sup> Cotton production accounts for the release of \$2bn of chemical pesticides each year, of which \$819m are classified as hazardous by the World Health Organization.<sup>20</sup>

The consequences of intense chemical use include deterioration in soil quality and productivity; contamination of groundwater – the main source of drinking water for most rural populations in developing countries; increasing resistance of pests; negative effects on biodiversity; potential health risks of cooking oil and animal feed made from cottonseed; while poor storage, inadequate or unused personal protective equipment and lack of training in safely handling hazardous chemicals results in widespread pesticide poisoning among cotton workers, ranging from headaches, nausea and vomiting to loss of consciousness and seizures.<sup>21</sup>

### Water use

Cotton production and processing is highly dependent on water – it takes about 2,720 litres of water to make one t-shirt and 10,850 litres to make a pair of jeans.<sup>22</sup> Smallholders in India and in western and southern Africa generally rely on natural rainfall to water their crops, made possible by favourable wet and dry seasons.

Other major cotton producing regions, such as Pakistan, China, Uzbekistan and the US, use artificial irrigation, particularly in large plantations. Artificially irrigated areas represent about half the global area under cotton cultivation but, because of higher yields, account for 73 percent of the global cotton production.<sup>23</sup> Inefficient irrigation systems can deplete local water sources, making water a scarce commodity for many cotton growing communities. Traditional techniques such as flood irrigation can be wasteful and also lead to the runoff of fertilisers and pesticides causing the pollution of rivers, lakes and water tables. Similarly, cotton processing industries in many countries pollute natural water sources by pumping untreated waste flows into them.

### Climate change

Cotton's dependency on water makes cotton growth and yields very vulnerable to water shortages resulting from higher temperatures and changes in the volumes and patterns of rainfall caused by climate change. Rising temperatures can also lead to cotton plants suffering heat stress. This is likely to reduce yields and increase the prevalence of pests and diseases, particularly in hotter growing environments (e.g. India, Pakistan and Sudan).

Agricultural areas in China, Pakistan, India and Central Asia which depend on fresh water from the Himalayan glaciers are very vulnerable to the effects of climate change. The rapid retreat of glaciers caused by higher temperatures is significantly reducing the amount of fresh water released into rivers and streams and,

consequently, available for agricultural use. In India, farmers are experiencing erratic and extreme weather patterns, including delayed monsoons, and dry spells and floods during the same season, which have a huge impact on livelihoods. Similarly, in Pakistan, above-average summer monsoon rains have resulted in damaging floods alternating with extended droughts that reduce fresh water supplies even further.

Similar changes in weather patterns are also likely to have a negative impact on agriculture in many parts of Sub-Saharan Africa. In particular, dependence on rain-fed agriculture and natural resources for livelihoods, combined with limited knowledge on climate change and limited resources for adaptation, make this region especially vulnerable to higher climatic variability and climate change.<sup>24</sup>

### GM cotton

In 2012, genetically modified (GM) cotton accounted for 81 percent of global planting.<sup>25</sup> Farmers are planting more GM cotton in the hope of increasing yields and incomes. In reality they are tied into buying expensive seeds and pesticides each year from multinational companies amid concerns that yields actually decline after initial gains.<sup>26</sup> In India an epidemic of farmer suicides has been blamed on high levels of indebtedness controversially linked to the rising costs of GM cotton seeds, fertilisers and insecticides<sup>27</sup> and declining yields, while question marks remain over the long-term effect of genetically modified organisms on the environment, biodiversity and human health.

# 3. HOW FAIRTRADE WORKS IN COTTON

Fairtrade Standards cover all three pillars of sustainability – economic, social and environmental.

## FAIRTRADE IN BRIEF

- Fairtrade Minimum Price protects against volatile market prices
- Fairtrade Premium for strategic investment (fertilisers, pesticides, fuel, yield and quality)
- Fairtrade Premium for community investment in essential infrastructure (healthcare, education, clean water)
- Facilitates access to export markets
- Supports strong, entrepreneurial and representative farmer organisations
- Access to training and capacity building
- Environmentally friendly and long-term sustainable practices

## What differentiates Fairtrade from other certification schemes?

The negative aspects of conventional cotton production are causing concern to both consumers and industry. Social and environmental accountability and sustainability issues are becoming increasingly important for major brands and retailers. This has seen a growth in the number of certification schemes that aim to improve the economic, social and environmental conditions within cotton production – the Eco-Textile Labelling Guide 2014 lists more than 60 sustainable textile labels and standards. In 2012, 933,000 tonnes of standard-compliant cotton were produced (3.4 percent of global production) of which almost half (448,000 tonnes) was sold as standard-compliant.<sup>28</sup>

While other certification schemes aim to protect the environment or enable companies to trace their products, Fairtrade certification is unique in being the only scheme whose primary aim is to tackle poverty through

better terms of trade as well as giving farmers greater power within their trading relationships.

Small-scale cotton farmers have limited options for improving their economic and social situation within the conventional supply chain. Fairtrade supports farmers with fairer, more stable prices and additional income to invest in infrastructure, training, farm equipment and business improvements as well as programmes such as healthcare, clean water and education that contribute to flourishing communities. Fairtrade supports farmers in managing the environmental and health risks from cotton production and in building stronger organisations with increased bargaining power and a more active role in global supply chains.

## Fairtrade Standards for cotton

Fairtrade cotton was launched in 2005 to offer cotton producers an alternative to the volatile and unreliable conventional market. Producer organisations are audited against Fairtrade

**“ FAIRTRADE IS ABOUT EMPOWERMENT AND LONG-TERM DEVELOPMENT, AS FARMERS AND WORKERS TRANSFORM DEEPLY INGRAINED PROBLEMS STEP BY STEP TO BUILD A BETTER FUTURE FOR THEMSELVES, THEIR FAMILIES AND COMMUNITIES. WE CAN AND WILL CHANGE THE RULES OF TRADE, AND ENABLE PRODUCERS AND WORKERS TO MAP OUT THEIR OWN FUTURE. ”**

*Marika de Peña, Chair of the Fairtrade International Board and director of Banelino co-operative in the Dominican Republic*



Standards, which provide a framework for a sustainable approach to production that can have long-term economic, social and environmental benefits for farmers and their communities. The Standards include a guaranteed Fairtrade Minimum Price for seed cotton and the additional Fairtrade Premium for farmers to invest in strengthening their organisations, developing their businesses and improving the infrastructure of their communities.

The main provisions and objectives of Fairtrade Standards are:

### Minimum Price and Premium payment

- Producer organisations are paid a Fairtrade Minimum Price for seed cotton. Set by region and variety, it ranges from €0.66/kg in Kyrgyzstan to €0.39/kg in South Asia
- The Fairtrade Minimum Price aims to cover average costs of sustainable production and provides a safety net when market prices fall below a sustainable level
- When the market price is higher than the Fairtrade Minimum Price, the buyer must pay the higher price. Producers and traders can also negotiate higher prices on the basis of quality and other attributes
- Producer organisations are paid an additional Fairtrade Premium of €0.05/kg to invest in business development and community and environmental projects chosen by their members
- Trade standards aim to encourage fairer negotiations and include signing contracts that allow for long-term planning and sustainable production practices.

### Organisational development and strengthening

- Fairtrade certified seed cotton is open to small producer organisations that are owned and governed by their members
- A democratic decision-making process must be in place, with all members having an equal right to vote on key issues

- Farmers in India who are not organised to this level can be certified under the Contract Production Standards. Farmers must be contracted to an intermediary organisation (usually an exporter or NGO), known as a Promoting Body, which will support them in the process of forming a functioning independent organisation
- Producer organisations can request pre-finance of up to 60 percent of the negotiated contract value. This is vital in providing small-scale farmers' organisations with the capital to purchase their members' crop and provide agreed services.

### Environmental and social production standards

Environmental standards promote best agricultural practices that are sustainable, minimise risks and protect biodiversity:

- Minimised use and safe handling and storage of pesticides, herbicides and hazardous chemicals
- No use of chemicals included in the Fairtrade Prohibited Materials List
- Integrated pest management including non-chemical pesticides and biological pest controls
- Appropriate and safe use, storage and disposal of hazardous waste
- No use of genetically modified organisms
- Improve soil fertility, reduce and prevent soil erosion
- Efficient and sustainable use of water resources
- Maintain buffer zones around bodies of water and conservation areas where pesticides and hazardous chemicals must not be used
- Re-use of organic waste for composting, mulching and manure

- Protect and enhance biodiversity by identifying and protecting natural ecosystems, protected areas and conservation areas
- Work towards efficient energy use and reduction in greenhouse gas emissions
- Forced labour and child labour are prohibited
- No discrimination of members or workers on the basis of race, colour, religion, gender, sexual orientation, age, marital status, disability, HIV/AIDS status, nationality or social origin, political opinion, trade union membership.

Fairtrade Standards include core requirements which must be met by all producer organisations (e.g. training in handling pesticides) and development requirements, which are a process for making continuous improvements within realistic timeframes (e.g. reducing the use of herbicides). Fairtrade International provides training and guidance in meeting standards, supported by training manuals and in-country liaison officers.

Fairtrade certification includes regular audit by FLO-CERT ([www.flo-cert.net](http://www.flo-cert.net)), a global certification and verification body with the main role of independently certifying Fairtrade products. Producer organisations and traders pay a certification fee which contributes to the cost of the service and which is compulsory for ISO65 accreditation.<sup>29</sup> Producer organisations that lack sufficient financial resources to pay the full Fairtrade certification or renewal fee can apply for a grant of up to 75 percent of the fee. Certification provides the scrutiny that motivates producer organisations and traders to actively and effectively ensure compliance with Fairtrade Standards. It also helps producers to progressively strengthen their organisations by developing and adapting internal systems and processes.

## 4. THE DIFFERENCE FAIRTRADE MAKES TO FARMERS AND THEIR COMMUNITIES

There are now 26 Fairtrade certified cotton producer organisations representing almost 60,000 farmers across nine countries – Benin, Brazil, Burkina Faso, Egypt, India, Kyrgyzstan, Mali, Nicaragua and Senegal.



**IN 2013 FARMERS' ORGANISATIONS SOLD**

**15,900**

**TONNES OF FAIRTRADE SEED COTTON, GENERATING**

**€644,000**

**IN FAIRTRADE PREMIUM TO INVEST IN BUSINESS AND COMMUNITY IMPROVEMENTS.**

**“BUYING A FAIRLY TRADED GARMENT IS NOT GIVING TO CHARITY, BUT IS A MUCH MORE POSITIVE STATEMENT OF FULFILLING ONE'S COMMITMENT TOWARDS ALL THE PEOPLE WHO ARE ULTIMATELY RESPONSIBLE FOR THE GARMENT.**

**FAIRTRADE HAS HELPED CHETNA TO LAY ADDITIONAL FOCUS ON SETTING UP FARMERS' INSTITUTIONS AND BUILDING THEIR CAPACITIES ON LEADERSHIP AND SELF-SUSTAINABILITY. OTHER CERTIFICATIONS DO NOT FOCUS ON BUILDING PRODUCERS' INSTITUTIONS AND YET, THIS IS THE KEY TO LONG-TERM SUSTAINABILITY. WITH SETTING UP OF FARMERS' INSTITUTIONS, INVOLVEMENT OF WOMEN HAS ALSO SLOWLY STARTED TO INCREASE, THOUGH THERE IS STILL A LONG WAY TO GO.**”

*GS Rao, State Co-ordinator for Chetna Organic Farmers' Association, Odisha, India*

## RESEARCHING THE IMPACTS OF FAIRTRADE COTTON

In 2012, the Fairtrade Foundation published a study of Fairtrade cotton impacts. The research was conducted by the Natural Resources Institute (NRI) and the Institute of Development Studies (IDS) during 2009-10 covering Senegal, Cameroon, Mali and India. The study provided clear evidence that Fairtrade can make a real, practical difference for cotton farmers:

- The Fairtrade Minimum Price for cotton was significantly higher than the national base price in all three West African countries (up to 49 percent higher in Senegal and Cameroon and up to 78 percent higher in Mali)
- Although the same effect was not visible in India on account of high market prices for cotton, farmers were appreciative of Fairtrade's role in ensuring timely and regular above-market prices paid to them by the Promoting Body
- Fairtrade price incentives and technical assistance brought improvements in the quality of cotton produced by farmers in all four countries, enabling them to sell their cotton for a higher price.

The study highlighted how a requirement in the Fairtrade Standards for seed cotton stipulating that women farmers should be paid directly (rather than through their husbands or other male family members) had encouraged more women in West and Central Africa to cultivate cotton and led to increased membership of women in cotton

producer organisations. They considered that this had given them more influence over their household resources.

The Fairtrade Premium income had been used to support a range of priority community projects in each country. They included water wells and primary healthcare services in Senegal, food and water security in Mali and supporting children's education in India.

Many projects focused on mitigating the impact of climate change by the efficient use of natural resources: digging and deepening village ponds to harvest rainwater, drip irrigation systems for efficient water use, land levelling resulting in water flowing uniformly on the farm improving yields, construction of check dams to prevent rainwater runoff and soil erosion.

Fairtrade Standards have led to significant environmental benefits (sometimes in combination with organic certification) in the reduction of the use of harmful pesticides, better disposal of chemical containers, and the introduction and strengthening of sustainable farming methods.



Farmers also felt that Fairtrade had made a positive contribution to community solidarity, with 90 percent of interviewed farmers in Senegal saying that reinforced solidarity between and within villages was a unique contribution of Fairtrade.

The summary report and full research report are available [here](#).



# FAIRTRADE AND COTTON IN INDIA

## A. PRATIMA ORGANIC GROWER GROUP

Pratima Organic Grower Group is an association of 2,000 cotton farmers from the Balangir district of Odisha in eastern India. The district is predominantly agrarian, with more than 70 percent of the population dependent on agriculture for their livelihood, and is known for its extreme poverty, with more than 62 percent of households identified as living below the poverty line (official estimate 2001).

The area experiences extreme temperatures, ranging from 5°C-49°C, and an average rainfall of around 1,200mm which is erratic and unevenly distributed. Farmers don't have access to irrigation facilities so unreliable rainfall and crop failures force many to migrate for seasonal work.

Most farmers have to take loans from local cotton traders/moneylenders at exorbitant interest rates – up to 100 percent for cash and 30 percent when jewellery or land is put up as collateral. They are further exploited by these traders who pay low prices and under-weigh their crop when farmers sell their cotton to them to repay the loans.

Pratima Agro and Paper Ltd operates a ginning unit and works with 4,000 farmers from more than a hundred villages in the contract production of organic cotton. It provides services such as pre-finance for seeds and inputs which enables farmers to bypass local traders. The company began working with the Balangir farmers in 2007, first organising them into village self-help groups. The farmers gained Fairtrade certification in 2010, with the company acting as the Promoting Body, supporting the farmers to strengthen their organisation with the aim of eventually becoming Fairtrade certified in their own right.

Less than four years on, and Pratima Organic Grower Group has now become the second Fairtrade cotton producer organisation in India to transition from contract production to a fully-fledged, farmer-owned small producer organisation.

Pravakar Meher, Pratima Project Director, explained what Fairtrade means to the members:

'The most interesting part about Fairtrade for the farmers is leadership and ownership. It is a dream for them, owning their own organisation and commanding all the responsibilities. This dream is about to come into effect.

'We've been three and a half years in Fairtrade. Normally Fairtrade talks about a transformation from contract production to small producer organisation in six years. We've done it in only three and a half.



**“ WE’VE BEEN THREE AND A HALF YEARS IN FAIRTRADE. NORMALLY FAIRTRADE TALKS ABOUT A TRANSFORMATION FROM CONTRACT PRODUCTION TO SMALL PRODUCER ORGANISATION IN SIX YEARS. WE’VE DONE IT IN ONLY THREE AND A HALF. ”**

'It's been great to be a part of Fairtrade. Producers are really enjoying being a part of it. We are setting an example for government to follow in our path. We are ensuring a minimum support price, which is so important but the government hasn't yet been able to implement.

'Right now we have a kharif crop, which means it is rain-fed so we only have one cotton harvest in the year during the rainy season. Resources are very limited for the producers and many don't have any other source of income.

'Now we are planning water projects, including plastic pipes that would give drip irrigation to the cotton fields. Then the farmers could have a second crop, and we could stop the migration of farmers away from the region. My message to consumers: buy more Fairtrade so we can develop more!'

Members of Pratima have invested the Fairtrade Premium in the construction of warehouses also used as community centres, the renovation of village ponds for community water needs, purchase and distribution of non-GM seeds, purchase of tractors and provision of student scholarships. The Premium is currently earmarked for setting up a pulses processing unit for villagers to mill dal and other pulses ready for cooking. This will end the costly and time-consuming need to take the dal to another town that has a mill.

# FAIRTRADE AND COTTON IN INDIA

## B. PRATIBHA-VASUDHA

The 1,500 cotton farmers from Vasudha Farmers' Society work with Pratibha Syntex Ltd to produce and market Fairtrade and organic cotton. They are located in very remote villages around Karhi in the Khargone district of Madhya Pradesh in central India.

The problems faced by farmers range from extreme summer temperatures and erratic rainfall to a lack of agricultural infrastructure such as irrigation systems, cowsheds, safe storage and transport. The many social challenges include child labour, lack of equal opportunities for women and the practice of open defecation caused by the lack of toilets, which is particularly problematic for women.

Many village children live in areas too remote to attend school so spend their time working in the fields. The farmers agreed that the most important change for the region would be for

their children to receive a better education and learn to communicate in English to improve their employment opportunities. They took a big step towards their dream in 2010 by using the Fairtrade Premium to buy land and set up Vasudha Vidya Vihar School, initially with just a small number of children and very basic infrastructure. The school has been expanded and now provides quality, affordable education for 425 students, employs 25 teachers and staff and generates enough revenue to cover its expenses. And five school buses have been purchased to bring more children into the school from surrounding villages and reduce rural child labour.

### Premium social projects

- Construction of public toilets in five villages
- Provision of eight stitching centres and vocational training in knitting, sewing and weaving to empower women, promote entrepreneurship and increase incomes
- Mobile health clinics providing free health checks in more than 140 villages
- Water tanks to provide clean water for nine villages
- Solar street lighting installed in 47 villages to provide lighting at night

### Premium farmer projects

- Training farmers in best organic practice
- Crop insurance scheme to protect farmers from crop failure
- Construction of warehouse to provide safe, long-term storage for crops
- Distribution of seeds and drip irrigation kits
- 36 cattle troughs to combat high summer temperatures

### EXTENDING FAIRTRADE IMPACT FOR TEXTILE WORKERS

Fairtrade currently only certifies the cotton used in Fairtrade clothing to ensure farmers receive a better price for their cotton. But once it has left the hands of the farmer, cotton passes through a long and complex supply chain of workers who gin, spin, knit, dye, cut and trim the raw product into consumer items such as t-shirts, bed sheets and baby clothes.

Textiles workers throughout the supply chain are often squeezed to deliver more products on short deadlines for lower pay and fewer benefits. Fairtrade, in close collaboration with trade unions, industry experts and advocacy groups, is therefore developing a Fairtrade Textile Standard. This standard will set requirements at the different levels of the textile supply chain with the intent of improving livelihoods for workers through greater worker empowerment and decent wages and working conditions. It will also provide businesses with the opportunity to have a tangible and positive impact for workers through the entire cotton supply chain.



# 5. WHY WORK WITH FAIRTRADE? A SUSTAINABILITY OPTION FOR COTTON SOURCING COMPANIES

The success of Fairtrade is due to the rise in public demand for sustainable and ethical sourcing, including procurement tenders. This has encouraged businesses to be responsible for the integrity of their supply chains and to consider carefully how they purchase products.

Enlightened business leadership understands that investing in long-term sustainable practices and more resilient producer communities is a sound business strategy, especially in commodity markets such as cotton where prices and yields can fluctuate greatly.

Fairtrade can offer solutions which meet these consumer demands and give businesses the opportunity to demonstrate their commitment to sustainability through a widely recognised and understood scheme, both in-store and through other channels.



## FAIRTRADE OFFERS THE FLEXIBILITY OF TWO MODELS:



The FAIRTRADE Certified Cotton Mark provides physical traceability of the cotton from a labelled end garment back to the farmers who grew it, with the assurance to consumers

that all cotton in a finished product is Fairtrade certified.



The Fairtrade Cotton Sourcing Program<sup>30</sup> provides flexibility

and scalability to businesses to achieve their sourcing commitments to sustainable cotton volumes on Fairtrade terms. It is in line with their CSR goals with options for corporate and consumer communications.

Sourcing Fairtrade can have a significant business benefit – 77 percent of UK consumers are familiar with the FAIRTRADE Mark and of

these 82 percent understand what it means.<sup>31</sup> Globally, more than three quarters of those surveyed say that Fairtrade has a positive impact on their impression of brands that carry the Mark.<sup>32</sup> It is this balanced win-win – for producers, companies and consumers – that makes Fairtrade unique.

Fairtrade cotton provides businesses with the ability to trace their cotton back to the farmers who grew it with transparency in the supply chain, allowing them to communicate the positive impact they are having on farmers' lives.

As the Fairtrade sector continues to grow, companies are moving from simple compliance with Fairtrade Standards to a much deeper commitment with, for example, The Co-operative and Ben & Jerry's recently going 100 percent Fairtrade with their bananas and ice cream respectively. For further information please refer to the Fairtrade Foundation business page.<sup>33</sup>

# 6. THE DATA

## Producer organisations

In 2013 there were 26 Fairtrade certified producer organisations located in nine countries: Benin (1), Brazil (1), Burkina Faso (1), Egypt (1), India (12), Kyrgyzstan (1), Mali (1), Nicaragua (1), Senegal (7).

These producer organisations represent 59,735 farmers (37,687 Small Producer Organisations, 22,048 Contract Production).

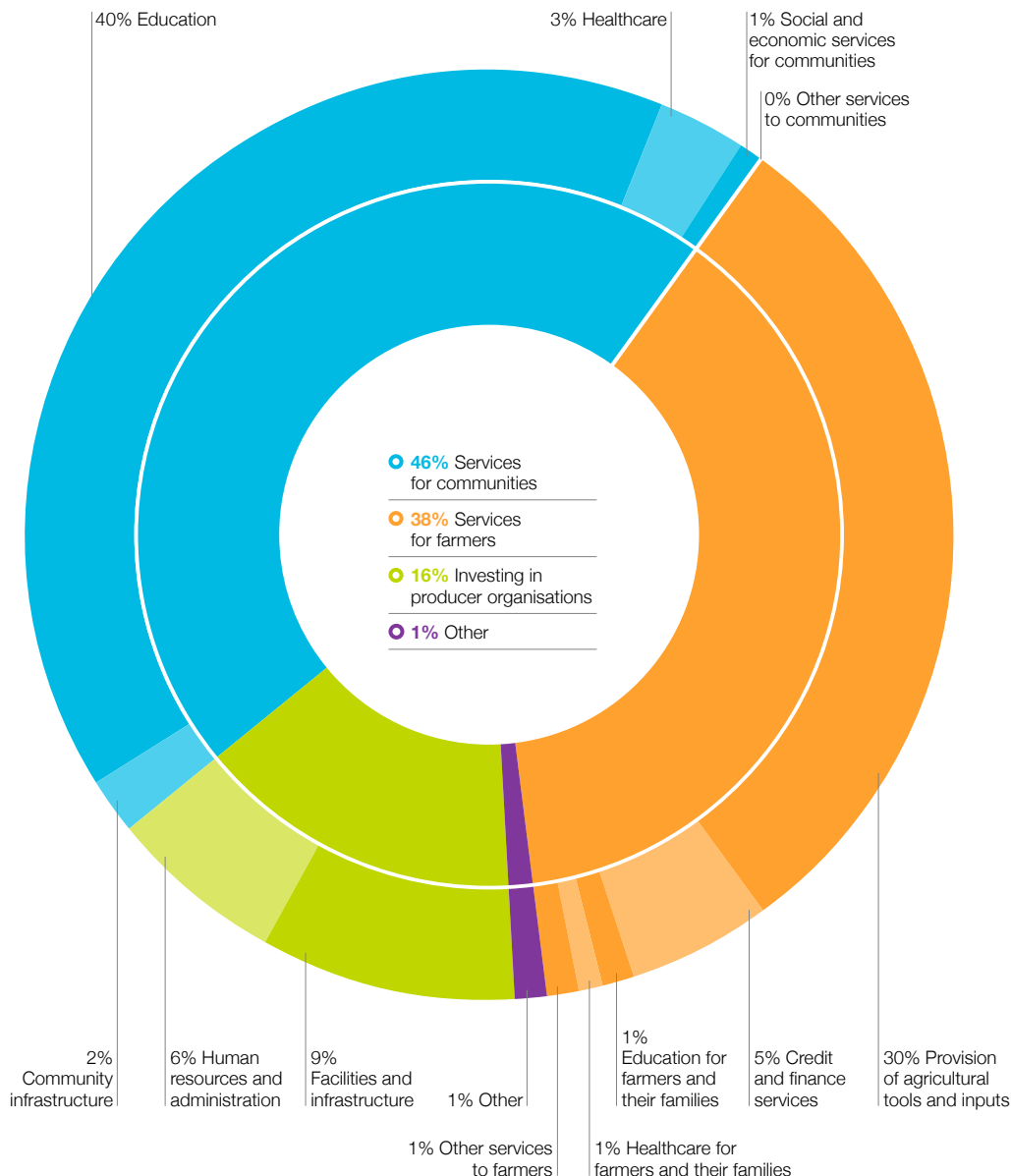
They grow seed cotton on 86,834 hectares and produce 49,949 tonnes of Fairtrade certified seed cotton. Global sales of 15,900 tonnes of seed cotton in 2013 generated €644,000 in Fairtrade Premium.<sup>34</sup>

## Fairtrade Premium

Producer organisations report that around half of the Premium is invested in farmers and their organisations and half in community projects.

- 46 percent of Fairtrade Premium expenditure was invested in community services, primarily education
- 54 percent was spent on improving producer organisations and services for farmers – agricultural tools, seeds and fertilisers; credit and finance services.

**Figure 2: Fairtrade seed cotton – Fairtrade Premium use 2012-13**



Source: Monitoring the scope and benefits of Fairtrade, Sixth Edition, 2014, Fairtrade International

# THE DATA CONTINUED...

## UK Fairtrade cotton sales

Fairtrade cotton sales grew rapidly in the early years but have slowed down since 2009-10 due to the challenging retail environment prompted by the onset of recession in 2008-09, combined with price sensitivity of the types of products sold as Fairtrade. In 2013, more than 7.4m Fairtrade cotton items, mainly garments, were sold in the UK, with an estimated retail value of £23.4m.

## PRODUCER OWNERSHIP OF FAIRTRADE

Fairtrade International co-ordinates the Fairtrade system at the international level. It sets international Fairtrade Standards, organises support for producers around the world, develops global Fairtrade strategy and promotes trade justice internationally. Fairtrade farmers and workers are joint shareholders in Fairtrade International through their three regional producer networks. This means they share decision-making responsibilities in the general assembly, on the board of directors and in various

committees – including setting Fairtrade Standards and developing global strategies.

At the regional level, Fairtrade producer networks are beginning to take over the producer services function from Fairtrade International, giving producers a greater say in the type of services and support they receive. Fairtrade Africa now handles producer services in Africa and the Middle East, while the producer networks in Latin America and Asia are moving in a similar direction.





# 7. CONCLUSION

Despite supplying the raw commodity that the multi-billion dollar global clothing and textile industries depend on, growing cotton is failing to provide millions of rural households in developing countries with a sustainable and profitable livelihood.

Cotton farmers' incomes are being hit by low and volatile cotton prices and by the rising costs of food, fuel, transport and farm inputs, preventing investment in modern farming practices and technology. Their families' health and the environment are at risk from the widespread use of hazardous agrochemicals, child labour and forced labour continue to blight the industry, while climate change is bringing more unpredictable challenges.

Fairtrade Standards provide a framework for cotton farmers to form democratic organisations or strengthen existing organisations. This enables farmers to increase their negotiating power in the marketplace, improve business systems, access new markets, develop long-term trading partnerships and implement sustainable farming practices. Fairtrade Minimum Prices contribute to financial stability, while Fairtrade

Premium can be invested in improving cotton quality and productivity, climate change adaptation and improving community welfare.

By offering Fairtrade cotton products, businesses are contributing to a more sustainable future for cotton farmers, their communities and the environment. And by purchasing them, consumers are choosing products that change lives.



# APPENDIX

## COTTON: GROWERS AND BUYERS

### Main producing countries

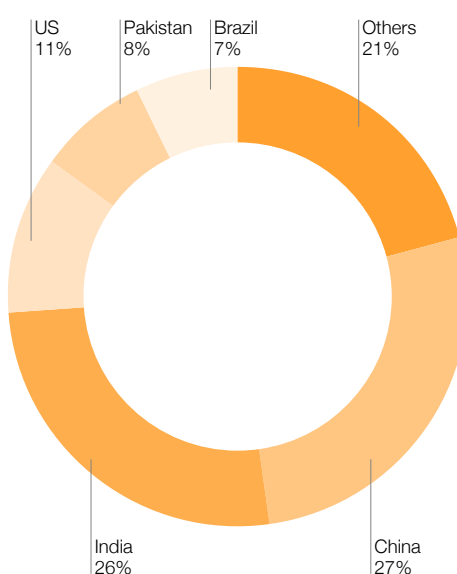
Nearly 26m tonnes of cotton were produced in 2013-14 by around 85 countries worldwide. The largest cotton producers are China, India, the US and Pakistan; in 2013-14, these four countries accounted for 72 percent of world production.

**Figure 3: World cotton production 2013-14 (1,000 tonnes)**

China	6,967
India	6,750
US	2,811
Pakistan	2,060
Brazil	1,698
Others	20,286
<b>TOTAL</b>	<b>25,844</b>

Source: Cotton world markets and trade, FAS/USDA, September 2014

**Figure 4: Largest cotton producing countries as percent of world production, 2013-14**



Source: Cotton world markets and trade, FAS/USDA, September 2014

# APPENDIX

## COTTON: GROWERS AND BUYERS

### Main exporting countries

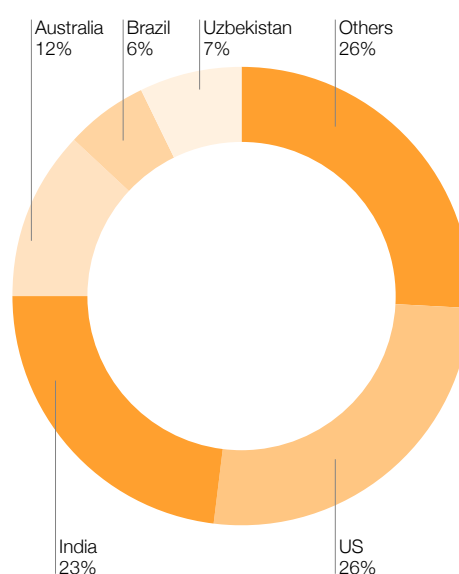
Around 35 percent of cotton production – 9m tonnes of raw fibre – is traded. The US is the largest cotton exporter, accounting for 26 percent of exports in 2013-14.

**Figure 5: World cotton exports 2013-14 (1,000 tonnes)**

US	2,293
India	2,047
Australia	1,056
Brazil	486
Uzbekistan	588
Others	2,445
<b>Total</b>	<b>8,915</b>

Source: Cotton world markets and trade, FAS/USDA, September 2014

**Figure 6: Largest cotton exporting countries as percent of world exports, 2013-14**



Source: Cotton world markets and trade, FAS/USDA, September 2014

# APPENDIX

## COTTON: GROWERS AND BUYERS

### Main consuming and importing countries

Since the 1940s, world cotton consumption has increased by an average of 2 percent a year, roughly the same as production. China is by far by the world's largest consumer of cotton, accounting for 32 percent of total consumption in 2013-14. With its huge textile industry, China is also the world's largest importer of cotton.

Figure 7: World cotton consumption and imports 2013-14 (1,000 tonnes)

Consumption		Imports	
China	7,512	China	3,075
India	5,117	Turkey	914
Pakistan	2,264	Bangladesh	893
Turkey	1,361	Vietnam	697
Brazil	914	Indonesia	577
Bangladesh	904	Thailand	337
US	773	Pakistan	261
Others	4,666	Others	2,034
<b>Total</b>	<b>23,511</b>	<b>Total</b>	<b>8,788</b>

Source: Cotton world markets and trade, FAS/USDA, September 2014

# NOTES

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