

ORGANIC COTTON IN INDIA

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With global organic cotton prices at an all-time high, India is experiencing a volatile and challenging market. In this latest **Insights Paper** from CottonConnect, we explore the current challenges and how they might be overcome.



Summary

- Global organic cotton prices continue to fluctuate, causing ongoing uncertainty.
- Price increases in India are a result of lower production, possible inflation through speculative trading and the projection of open interest by the Multi Commodity Exchange platform.
- Ten certifying bodies, accredited by the Agricultural and Processed Food Products Export Development Authority (APEDA) have been suspended/terminated.
- APEDA recently issued fresh guidance for all certification bodies to accelerate process of issuing/renewing scope certificates within stipulated time period
- CottonConnect approaches organic cotton problems in systematic, traceable and realistic way. Through analysing and bridging the gaps throughout the supply chain, we aim to provide authentic organic cotton to brands.

Fluctuating organic cotton prices causing uncertainty

The global 2021-22 season saw the cost of lint cotton fluctuating every month. At some points, prices climbed to their highest in 11 years.

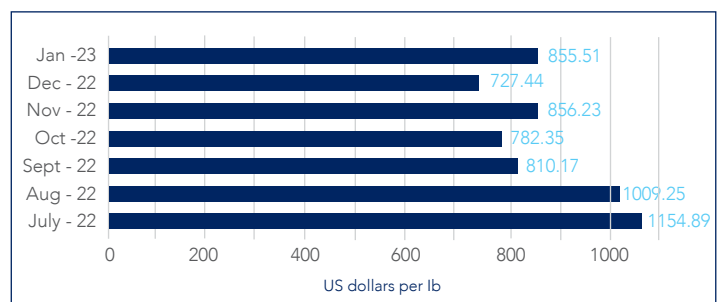
While in January cotton arrivals into market picked up, the price is not stabilising due to weak demand from spinners. The cost of organic cotton at 31 December 2022 was hovering between INR63,400 (US\$773) to INR65,000 (US\$793) per candy – a better price for the industry when compared to the start of the month 1 December 2022 (between INR70,750 (US\$863) and INR72,000 (US\$878) per candy).

However, there are suggestions the price will rise again in the coming months, based on current trends. The amount of organic cotton being produced in Madhya Pradesh has fallen by up to 15% due to poor yields caused by untimely rains. The Maharashtra cotton is expected to balance the situation, however this depends on how much cotton arrives in the market on a daily basis. If cotton arrivals increase by the end of January, which is what the market is expecting, the candy price may settle down to around INR65,000 (US\$793).

One solace at this time is that the organic premium for National Programme for Organic Cotton (NPOP) remains at INR3,000-3,500 (US\$36.61-42.70) and IC2 (in conversion within two years) is between INR1,500-2,000 (US\$18.50-24.40) per candy. The premium may not go beyond this.

Meanwhile, the Cotton Association of India has also reduced its earlier projection of there being 37 million bales of cotton produced in the 2022-23 season to 330.50 lakh bales.

The average candy price trend in India is given below:



The certification conundrum

The volatile cotton market has drastically impacted organic lint prices. Plus, there have been a number of issues involving organic product certification. APEDA (the Agricultural and Processed Food Products Export Development Authority) – the organisation responsible for certifying organic produce in India – has accredited 32 certification bodies. Out of these, 10 certification bodies have either been suspended or terminated, or they are not eligible for category A&F, as per EU regulations. This has caused severe stress on organic projects, especially those certified as per NPOP standards.

Projects looking to migrate to other certification bodies have also been delayed in getting their ICS (Internal Control System) renewed, which in turn has increased the organic premium. Those ICS organisations that lost renewal due to time lapse further contributed to the non-availability of organic cotton coming on to the market.

However, of late, the APEDA intervened and issued fresh guidance for all certification Bbdies to accelerate the process of issuing and renewing the scope certificates within a stipulated time period.

Challenges remain with organic cotton in India

The integrity of the Indian organic cotton sector has been a concern for the last few years. This was again escalated in November 2021, when the EU voted to de-list five certification bodies from India. This was a result of the presence of ethylene oxide being found as a contaminant in sesame seeds used on some fields. In India, as in other cotton-growing countries, the GOTS (Global Organic Textile Standards) and Textile Exchange certification begins at the gin. A paper transaction certificate is issued each time the cotton is sold along the supply chain – from the gin to a certified spinner, to a certified mill. until it is converted into a shirt or sheet set. Transaction certificates are intended to be the key to the integrity process. The challenge is in maintaining the accuracy of how many certificates there are and the volume of cotton and textiles to which they relate.

Building a traceable and sustainable organic cotton supply chain in India

We recently met with India's leading organic ginner and other representatives from across the cotton supply chain in Indore, in the Indian state of Madhya Pradesh. The meeting heard from various stakeholders who explored the current barriers to growth of organic cotton in India – and the solutions, tools, techniques and interventions that might unlock this growth. Among the suggested solutions were:

Challenge: Neighbouring plots and farms

Many neighbouring farms don't practice organic farming which then contaminates the farms that are practicing organic farming.

Solution: Buffer zones and border crops can be used to avoid and mitigate the contamination. At an administrative level, create designated areas of land allotted to only organic agriculture.

Challenge: Lack of access to good quality non-GMO seeds

The availability of pre-tested non-GMO seeds is low and the purity of the available non-GMO seeds is not fully authentic.

Solution: The seeds should be pre-tested by the seed companies and sent out along with test reports. The seeds could also be tested by those planting them and information about the best-performing seeds shared between farmers. Also, there are some local seed varieties available and these should be taken into consideration and certified on a fast-track basis so that more varieties of non-GMO seeds can be made available.

Challenge: Storage and transportation

Conventional cotton and organic are stored and transported at the same time, again causing contamination.

Solution: More training and vigilance is required to overcome this problem. Cotton storage bags can be used, vehicles can be cleaned, and systems for storing organic cotton can be implemented to avoid this issue.

Challenge: Heaping of raw cotton at ginning stage

Generally, the heaping areas in a ginning unit are commonly used for the processing of conventional cotton and organic cotton, so there are chances of contamination.

Solution: Provide more training on heaping and cleaning of the sheds. More effective demarcation and signage can be used in heaping areas, with specific days of the week defined for the arrival of organic cotton in heaping.

Challenge: Ginning and pressing

Most of the ginning factories in India (around 90%) are running on conventional cotton and organic cotton. It is really difficult to run the ginning factory entirely on organic cotton, so there is a chance of mixing conventional with organic cotton.

Solution: More systems and practices of running organic cotton can be implemented in ginning. Proper cleaning of the machines, the usage of signage/labels at ginning and pressing, and barcodes at pressing, can overcome this problem.

Challenge: A need for more support, and more accurate projections, from brands and retailers

The sector expects brands to offer appropriate incentives and funding to the local solutions in organic cotton production. Plus, inaccuracy in forecasting and discussions can lead to inflated projections.

Solution: Brands and retailers should have legal contracts with the farms and suppliers prior to harvesting. This will help to build long-term relationships. Also, the brands should share their

projections for the next year so that the farmers can expand and plan their organic cotton farming to meet the requirements.

Challenge: Market price volatility of organic cotton and its premium

This can, at times, cause losses for farmers as they try to bridge the gap between input costs and organic cotton production.

Solution: Brands should offer the premium for the organic cotton over the input costs for organic, not based on the market prices and demand situation.



Challenge: Lack of researchers to develop more indigenous cultivars

There is a dearth of collaboration between the state agricultural universities, research institutes, seed companies and scientists.

Solution: Renew the focus on finding solutions to develop organic cotton cultivars to meet the textile industry's quality standards.

Challenge: An absence of farmers' voices

There is no single, strong organisation established to raise the voice of organic cotton producers to the government, brands and other stakeholders to address the challenges of organic cotton sector.

Solution: Encourage collaboration and co-creation of a vehicle to enhance farmer voices and improve ongoing engagement with a range of stakeholders.

Challenge: Transparency and traceability solutions

Solution: Models and solutions should be established to bring added transparency and traceability into the supply chain, rather than simply rely on the certifications.

These insights are based on information gathered from external sources; we are not responsible for the authenticity of the data used. Also this should not be seen as legal or binding advice or recommendations.

CottonConnect's approach to organic cotton

We know this is a complex system and there is no simple solution. Over the past 10 years, CottonConnect has developed a number of systems and critical control points, working closely with all parties in the supply chain. This provides brands with confidence in the organic supply chain and farmers and ginners with access to local markets and the associated premiums.

Integrity: CottonConnect's approach towards organic cotton goes through a rigorous process which starts even before sowing, where non-Bt seeds are carefully sourced from the suppliers. Regular GMO and pesticide residue tests are conducted throughout the season, covering at least five stages of the crop. CottonConnect also collects and validates the scope certificates and appropriate training is given to ensure that the cotton is grown and harvested according to relevant organic certification standards.

Traceability: We ensure mapping of the farmer group to GOTS or Organic Content Standard (OCS) certified ginning unit. We verify the GOTS scope certificate from the ginning unit when the cotton is sold, after which the brands' supply chain takes over. The issue of traceability is taken care of by our proprietary traceability software, TraceBale, through which organic cotton can be tracked throughout the supply chain. Regular data is collected from the farms and is updated in TraceBale for proper tracking.

Realistic targets: Through the training, farmers understand the complete process of growing organic cotton and the difference they will observe in their yield in the first and second conversion years. By communicating the same with brands, expectations are better managed and realistic targets are set. The brands also understand the reality of the conversion process and are better prepared for the whole process.

Get in touch

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