



# TextileExchange Organic Cotton Round Table

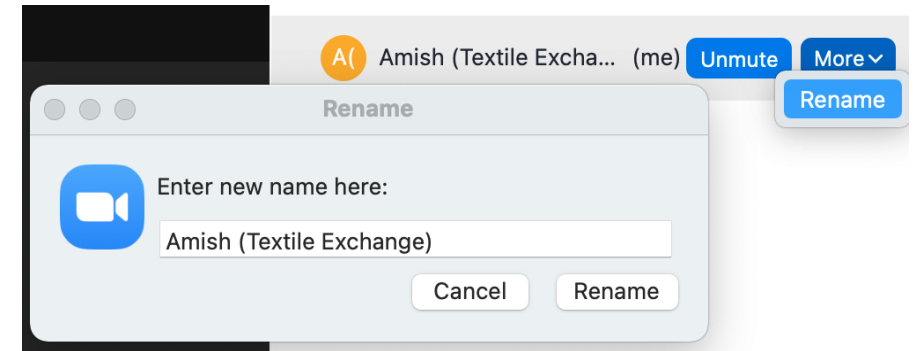
## OCRT e-Learning series: Part 1

“How to incorporate in-conversion cotton into your preferred materials strategy”

March 2, 2021

# Zoom guidance and requests

- Please update your Zoom name to include your **full name** with your **organization** in parenthesis.
- Please **introduce yourself in the chat box** and tell us where you are joining from.
- Please **type your questions** into the chat box.
- Please note that this meeting is being **recorded**.



# Anti-Trust Statement

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Textile Exchange convenes the textile community and values diversity of views, expertise, opinions, backgrounds, and experiences. It is expected that members of this community will collaborate by sharing ideas, information, and resources of publicly available information only and avoid discussions on price, strategic plans or other private and sensitive information.

# OUR MISSION

Textile Exchange inspires and equips people to **accelerate** adoption of preferred materials in the textile value chain. We focus on **carbon reduction, soil health, water and biodiversity** as part of our holistic approach to drive positive impact for the entire industry.

# OUR VISION

We envision a global textile industry that **protects and restores the environment**, while enhancing lives. **By 2030** we aspire to guide the textile industry to **reduce** GHG emissions (CO2 equivalents) by **45% from a 2020 baseline**.

# OUR STRATEGY

Our strategy is to **accelerate climate action** in the textile industry by providing **trusted data and reporting, market-based solutions**, and a **community** that can do what no single company or organization can do alone.

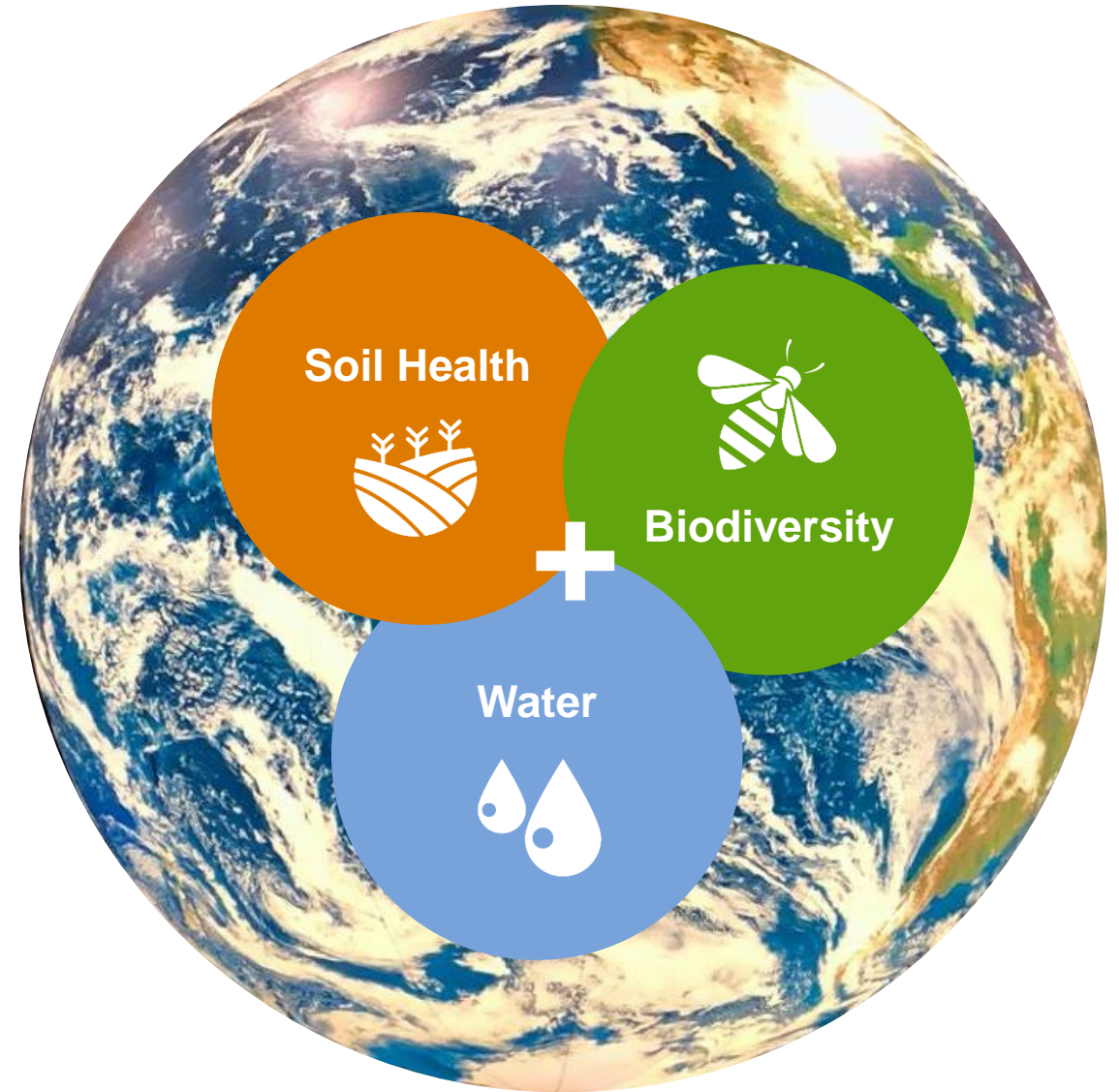
# CLIMATE

**TextileExchange • VISION 2030**

Textile Exchange's strategic intent over the next 10 years is to be a driving force for urgent climate action in textile fiber and materials production, specifically:

Enabling and guiding the textile industry to reduce GHG emissions (CO2 equivalents) **45% by 2030** in the pre-spinning phase of textile fiber and materials production.

*Amplifying positive impacts in soil health, water, +biodiversity.*



# **TextileExchange** **Organic Cotton Round Table**

**Platform for Collective Action & Incubator for Great Ideas**

- A **global stakeholder platform** that supports and brings together the organic cotton community to be inspired, mobilized, and equipped to act
- Annual **Global OCRT Summit**
- **Regional OCRT Summits** held throughout the year
- **14 OCRT Summits** held since first established in **2012**, involving over **1,500** people from across the sector and the globe
- The OCRT has **catalyzed and incubated a number of initiatives** including the Organic Cotton Accelerator, Chetna Coalition, [aboutorganiccotton.org](http://aboutorganiccotton.org), OCRT Innovation Award, OCRT HUB, Organic Cotton Producer Directory.
- Today - first part of our **OCRT e-Learning series**





# What are you hoping for from this session?



# Today's agenda

- **Setting the scene:** a tea talk on in-conversion cotton with Amish and Liesl
  - Why is there a shortage of organic cotton in 2021?
  - What are the risks associated with such a high demand?
  - What is in-conversion cotton?
  - Why is it important?
  - Why do you need to think about sourcing it?
- **Organic Content Standard:** updates regarding in-conversion
- **Recommendations** on how to secure a reliable supply of organic & in-conversion cotton



# Setting the scene: a tea talk on in-conversion cotton

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**Liesl Truscott**

Director of European & Materials Strategy  
Textile Exchange | UK



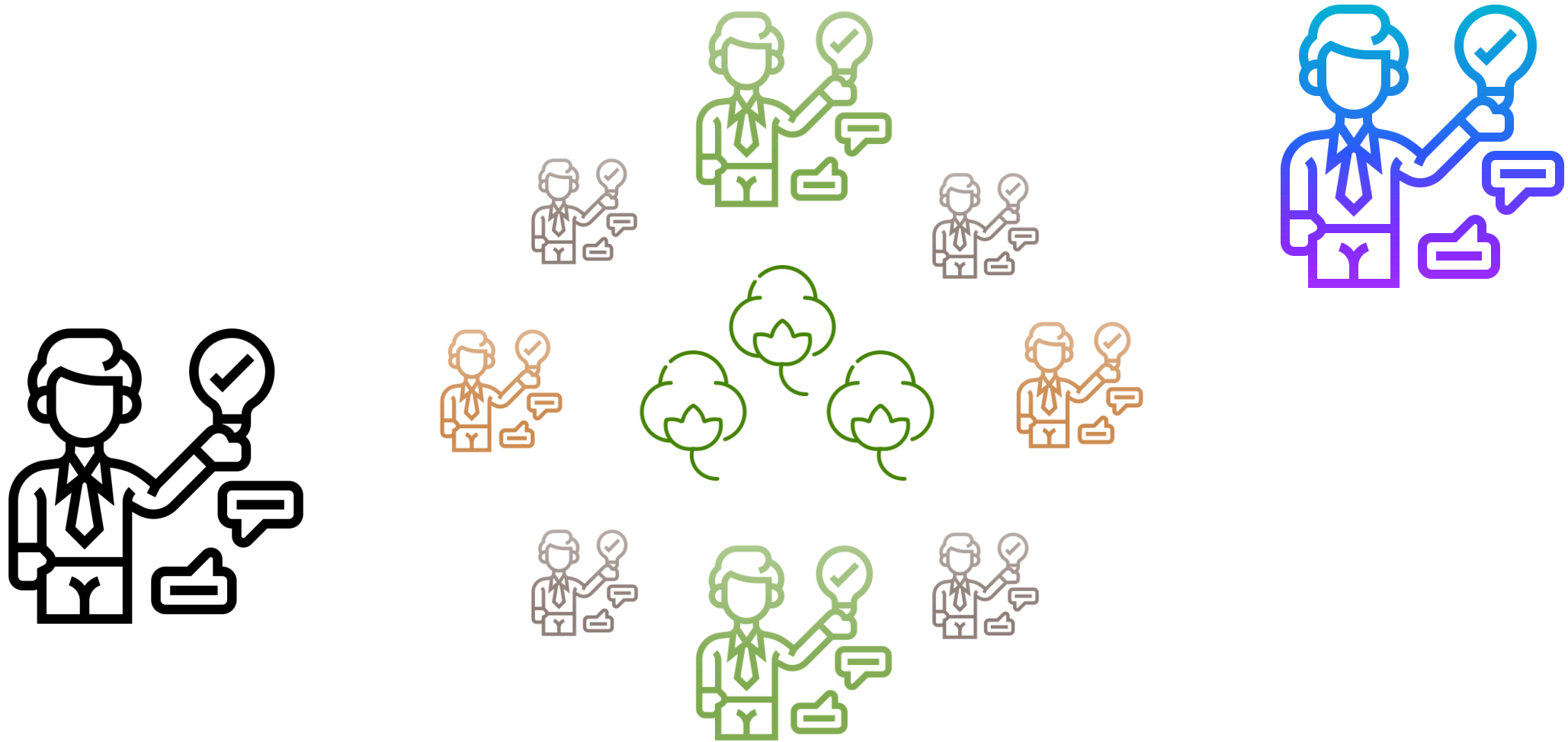
**Amish Gosai**

South Asia Manager,  
Textile Exchange | India

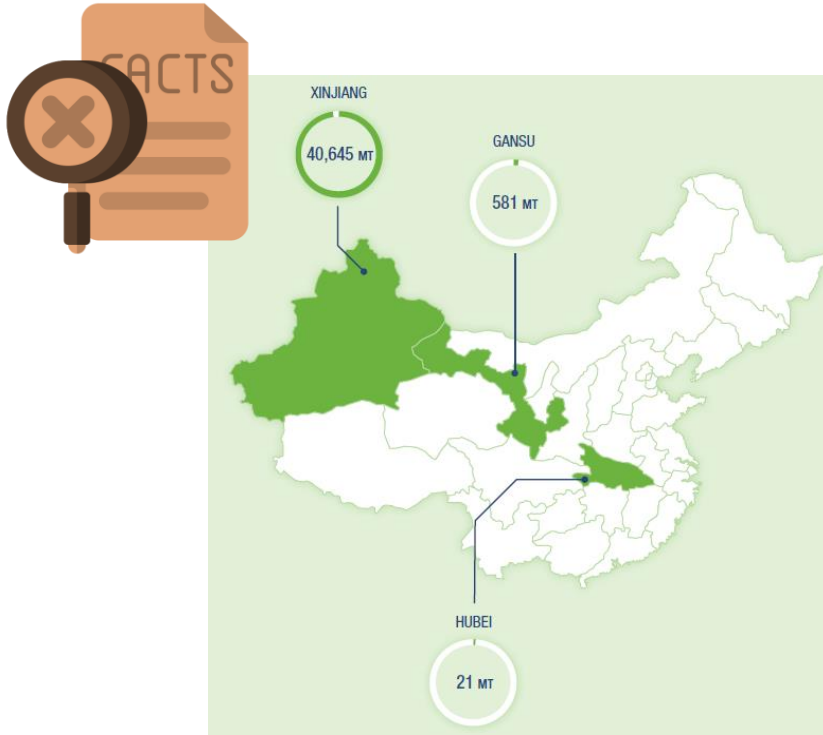
# Why is there a shortage of organic cotton in 2021?

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# Demand in 2020-21



# Supply shortage in 2020-21



- ✓ Xinjiang, China:
  - US Treasury Department Sanction on XPCC
  - Withhold Release Orders and Findings (WRO) list
- ✓ Fraud detection in India 2020
- ✓ Lack of capacity building

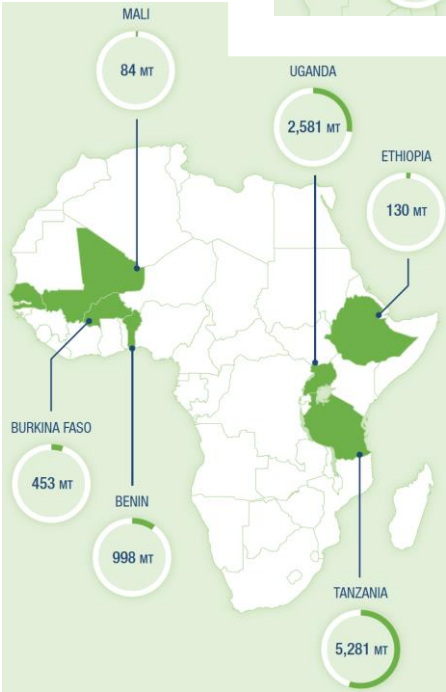
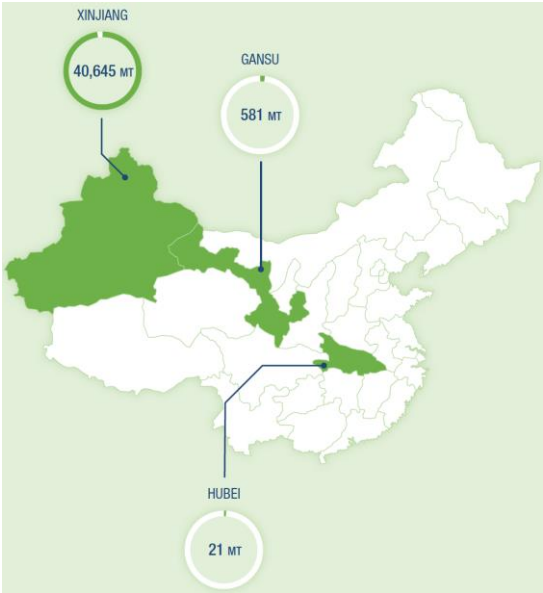
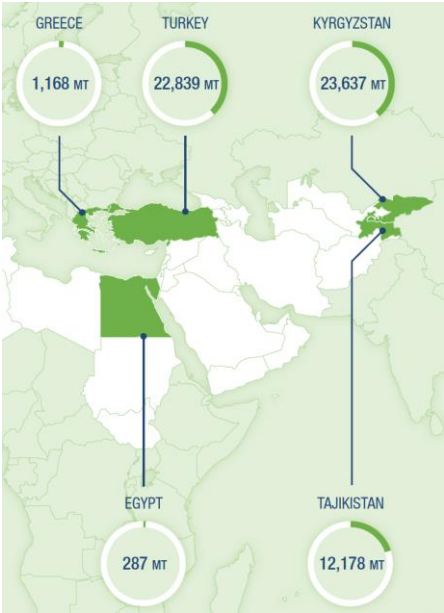
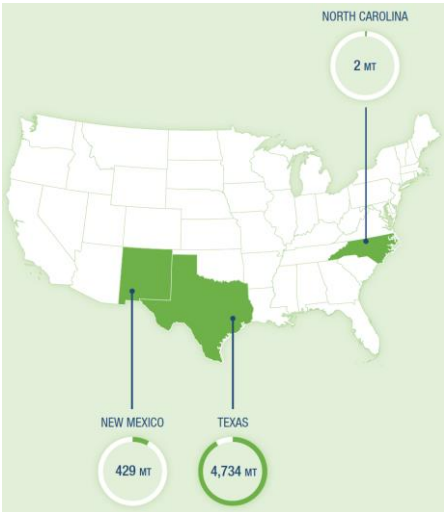
# Cotton price

	March 2019	March 2021	March 2020	%
<b>Global Production</b> Million MT	27.18	25.21	24.12	
<b>Cotlook 'A' Index</b>		98.5	74.30	24.2 (32%)
<b>Ne 30 Combed yarn</b> – Knitting medium quality		3.77 USD/kg	2.77 USD/kg	1 USD (36%)

	July 2018 June 2019	July 2019 June 2020	%
OCS sites	4658	7255	55%

➔ Organic price ++

# Sourcing Strategy



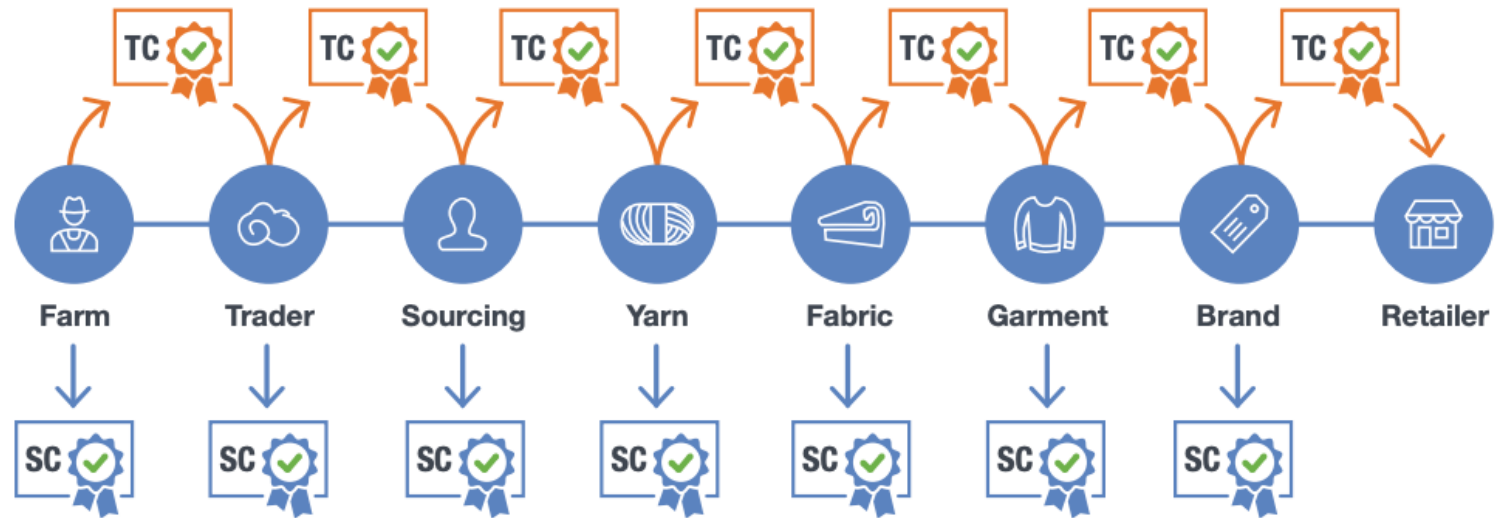


# What are the risks associated with such a high demand?

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# Risks with such high demand

- Shortage of supply,
- Increase in the cost,
- Highest probability of fraud if a buyer is not using an entire chain of custody.



**What is in-conversion cotton?**

**Why is it important?**

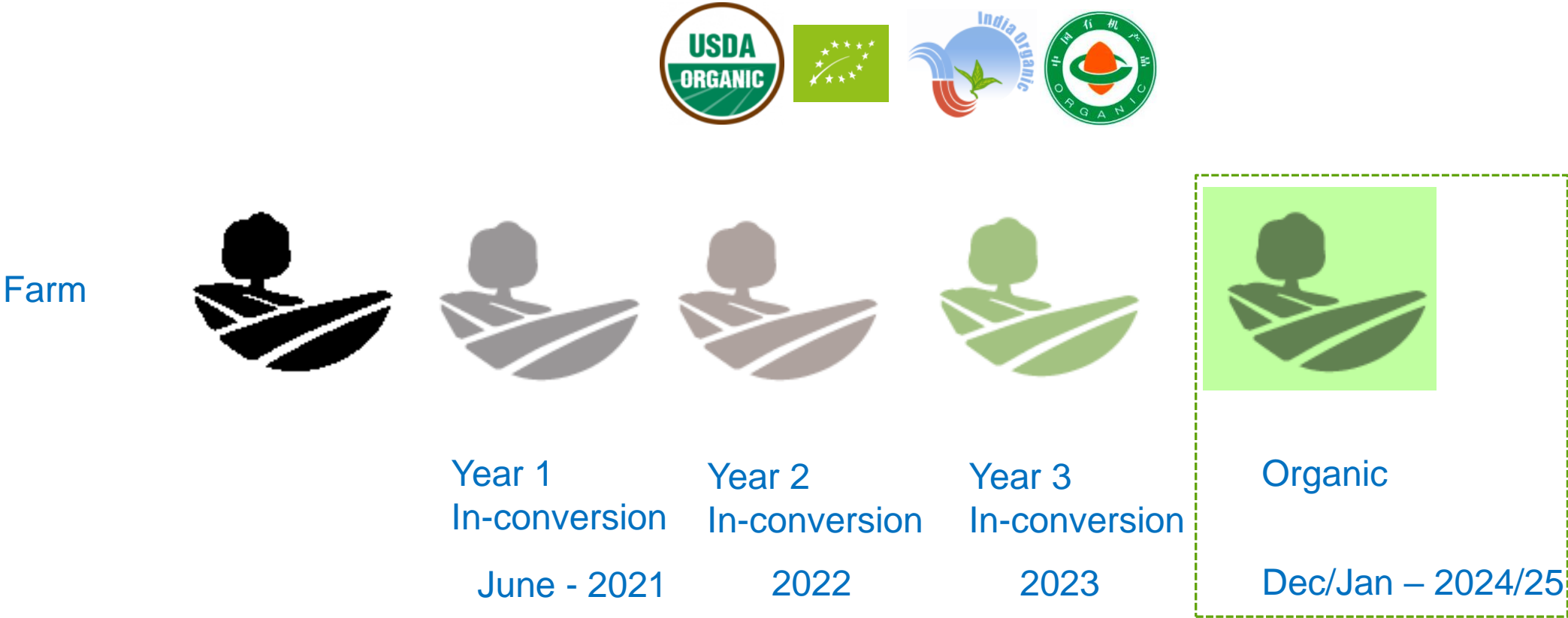
**Why do you need to think about sourcing it?**

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# THE JOURNEY TO REGENERATIVE AND ORGANIC AGRICULTURE



# In-conversion cotton: first step to organic





# Is in-conversion cotton part of your sourcing strategy





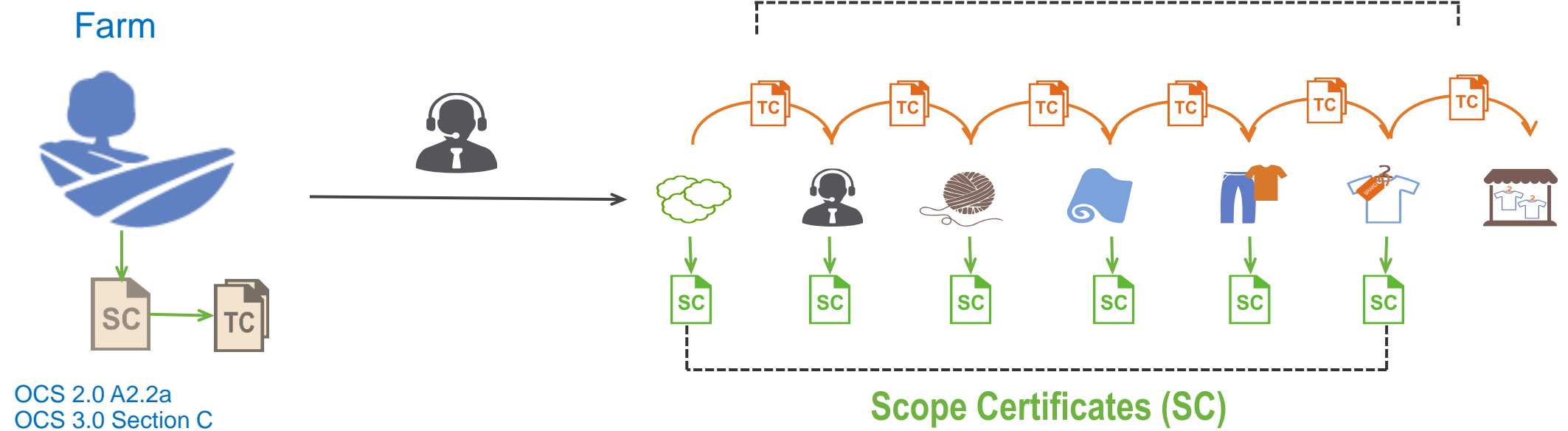


# Organic Content Standard (OCS)

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Updates regarding in-conversion

# Farm & supply chain certification



## In-Conversion to Organic Cotton: The Basics

### 1. Introduction

Whether small T-shirt manufacturing operations or the major fashion houses of Milan and Paris, brands and retailers today are increasingly incorporating organic cotton into their supply chains. Perhaps it's to meet the [United Nations Sustainable Development Goals](#) or [Textile Exchange's 2025 Sustainable Cotton Challenge](#) which calls for brands and retailers to commit to source 100 percent of their cotton from the most sustainable sources by the year 2025. Or because the companies are concerned that cotton production is both pesticide- and fertilizer-intensive and the majority of its production globally is genetically modified.

Whatever the reason, it is clear the demand for organic cotton is there, but sufficient incentives to convert, or transition, to organic production may not be.




To help ensure a brand's journey to their organic cotton targets are smooth and secure, we address below the rules and regulations regarding "in-conversion" programs that support farmers and brands alike along their journey to organic certification. These programs - or a combination of programs - can provide verification of in-conversion claims all along the supply chain from field to finished product.

### 2. Organic cotton production

Before discussing in-conversion cotton, it is important to understand the fundamentals of organic agriculture.

[IFOAM-Organics International](#), the worldwide umbrella organization for the organic agriculture movement, defines organic agriculture as that which is grown within "a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles

### In-Conversion Claims for OCS and GOTS

	 				
	Organic Content Standard (OCS)			Global Organic Textile Standard (GOTS)	
Raw Fiber Input	IFOAM-approved national organic farming standards				
Chain of Custody	OCS Chain of Custody			GOTS Chain of Custody	
Content	100%	95% or more	5% to 94%	95% to 100%	70% to 94%
General Marketing Claims	Contains in-conversion/ transitional cotton.  We commit to sourcing 100 percent of our cotton from in-conversion sources by 2025.  Brand ABC is sourcing 100% of our cotton from in-conversion sources.			Certified companies can use the GOTS logo to refer to the operation, without the label grade.	
Product-Related Claims	Not allowed			“Organic”  or  “Organic in-conversion”	“Made with (x)% organic materials”  or  “Made with (x)% organic in-conversion materials”
				If farm standards permit such claims.	
Verification	Third-party certified from farm through finished product.				
Resources	<a href="#">Supplier Toolkit</a>  <a href="#">Brand &amp; Retailer Toolkit</a>  <a href="#">In-conversion in the Organic Content Standard</a>			<a href="#">GOTS Licensing and Labelling Guide</a>	

# Organic Content Standard (OCS)

- Input in OCS Ginning -> IFOAM Family of standards.
- Year 1,2,3 output accepted.
- Dedicated Transaction Certification template for in-conversion cotton.
- Farm/Group farms need to submit the audit report and scope certificate of farm to the certification body.
- Product claim not allowed.
- Only general marketing claim allowed.

## In-Conversion in the Organic Content Standard

For many years now, “in-conversion” crops (or “in-transition/transition” crops in the U.S.) have been allowed to be certified and claimed to Textile Exchange’s Organic Content Standard (OCS). However, very few instances of in-conversion material have been certified.

The goal of the OCS is to increase organic cotton agriculture production. In order to accomplish this, incentivizing farmers to make the switch from conventional cotton production requires economic incentives to do so. With this in mind, Textile Exchange is working to recognize in-conversion cotton regardless of when it was harvested during the three-year conversion period. This includes material from OCS-recognized national organic standards that do not allow claims for in-conversion material.

This is temporarily enabled by an exemption for in-conversion cotton that will last through July 31, 2021, after which time Textile Exchange will present the findings of the spring 2021 harvest to the OCS International Working Group. We will then decide whether this allowance will be a permanent part of the standard.

Textile Exchange has published a separate transaction certificate (TC) template for OCS in-conversion material, OCS-205a-V2.2 ([public PDF](#), [list of editable TC templates](#)). This template is mandatory for all sales of in-conversion material using the OCS, including material which is allowed under OCS 3.0 C1.4.

The exemption language itself can be summarized by the following:

1. Any OCS certified gin may accept cotton which is in-conversion.
2. Farmers that produce the in-conversion cotton must be in process to be certified to a standard recognized by the [IFOAM Family of Standards](#) (e.g. USDA NOP, NPOP).
3. For *year one* in-conversion cotton, the audit report for the farm will be reviewed by the gin’s OCS certification body to determine eligibility. A copy of the audit report will be provided to Textile Exchange.
4. After the first year, the gin’s certification body will provide a copy of the farm’s scope certificate to Textile Exchange.
5. The OCS logo and name (i.e. “Organic Content Standard”) are **not** allowed to be used with in-conversion cotton claims.

*Year one* refers to material sourced from a farm in its first year of transitioning to organic farming, when an audit has been conducted by an organic certification body. Typically there is no scope certificate issued at this stage, though this varies based on the organic standard.

In regards to the use of the OCS logo and OCS name, Textile Exchange has determined that the presence of the word “organic” in the OCS logo and name would be misleading to consumers with in-conversion material, as it has not yet met the three-year waiting period.

Brands wanting to communicate about their use of in-conversion material are encouraged to do so, but must comply with labeling laws in the country of sale. In the case of the U.S., it is not allowed to use “organic” or even “organically grown” in conjunction with the words “in-conversion” or “in-transition.”

Textile Exchange encourages all supply chain actors to immediately communicate with your suppliers and certification bodies in order to signal demand for in-conversion cotton which will result in more organic cotton fiber availability in the future.

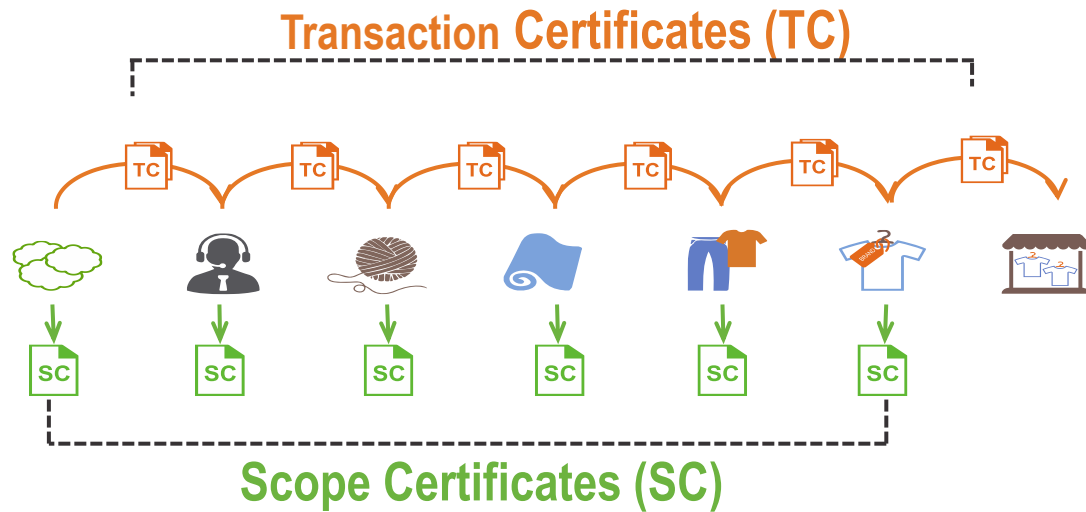
For further questions, please contact: [Assurance@TextileExchange.org](mailto:Assurance@TextileExchange.org).

# Farm & supply chain certification = same OCS sites

Input as **Organic**  
or **In-conversion**  
cotton





Farm



Output as **Organic**  
or **In-conversion**  
cotton

# Claims

- On product claims – Not allowed
- General Marking claims – Not allowed examples
  - OCS – Logo use
  - OCS logo = Organic In-conversion, Organic Transition, Organic In-transition.
- General Marking claims – allowed
  - Suggested claims

<div></div> <p>Organic Content Standard (OCS)</p>			
Raw Fiber Input	IFOAM-approved national		
Chain of Custody	OCS Chain of Custody		
Content	100%	95% or more	5% to 94%
General Marketing Claims	<p>Contains in-conversion/ transitional cotton.</p> <p>We commit to sourcing 100 percent of our cotton from in-conversion sources by 2025.</p> <p>Brand ABC is sourcing 100% of our cotton from in-conversion sources.</p>		
Product-Related Claims	Not allowed		



# Examples of general marketing claims



EILEEN FISHER

NEW ARRIVALS WOMEN PETITES PLUS SHOES + ACCESSORIES

## 99% of Our Cotton Is Organic. We Can Do Better.

### The Traceable Cotton Difference

Here's an uncomfortable fact: The 'organic' cotton that's sold each year far exceeds the amount that's actually grown. We're working to change that.

Introducing traceable cotton, a fiber that meets our highest standards for supply chain transparency. By investing in farmers who are making the **transition to organic** and working with industry leaders to track our cotton from field to factory, we're making sure that what you see on the label is what you get.

patagonia

Shop

Activism

Sports

Stories

## Cotton in Conversion

Buying this cotton helps farmers make the transition from conventional to organic cotton.



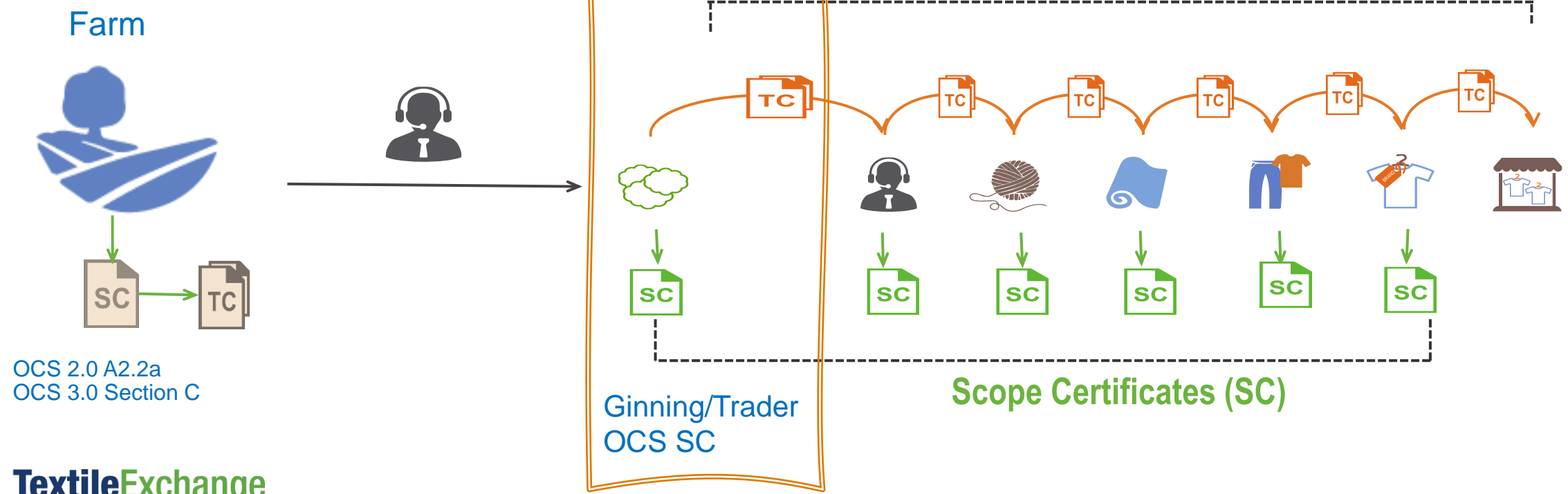
Cotton in Conversion

# We help small farmers in India to convert to organic cotton.

READ NOW

# Why is there a limitation on the date – July 31, 2021?

July 31, 2021



# OCS

- **Can I sell a product in North America under OCS?**
  - YES
- **Can I label a product as OCS In-conversion?**
  - NO
- **What about the Transaction Certificate (TC)?**
  - We have a dedicated TC template OCS 205a V2.2
- **What is the validity of In-conversion product?**
  - Once fiber/ yarn/ fabric/ garment is certified as OCS, it remains valid. However, with a current exemption, Ginning must accept & process seed cotton (Raw Cotton) on or before July 31, 2021.
- **What is the next step under OCS?**
  - Present the findings of the spring 2021 harvest to the OCS International Working Group. We will then decide whether this allowance will be a permanent part of the standard.

# Recommendations on how to secure a reliable supply of organic & in-conversion cotton

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**Sarah Compson**

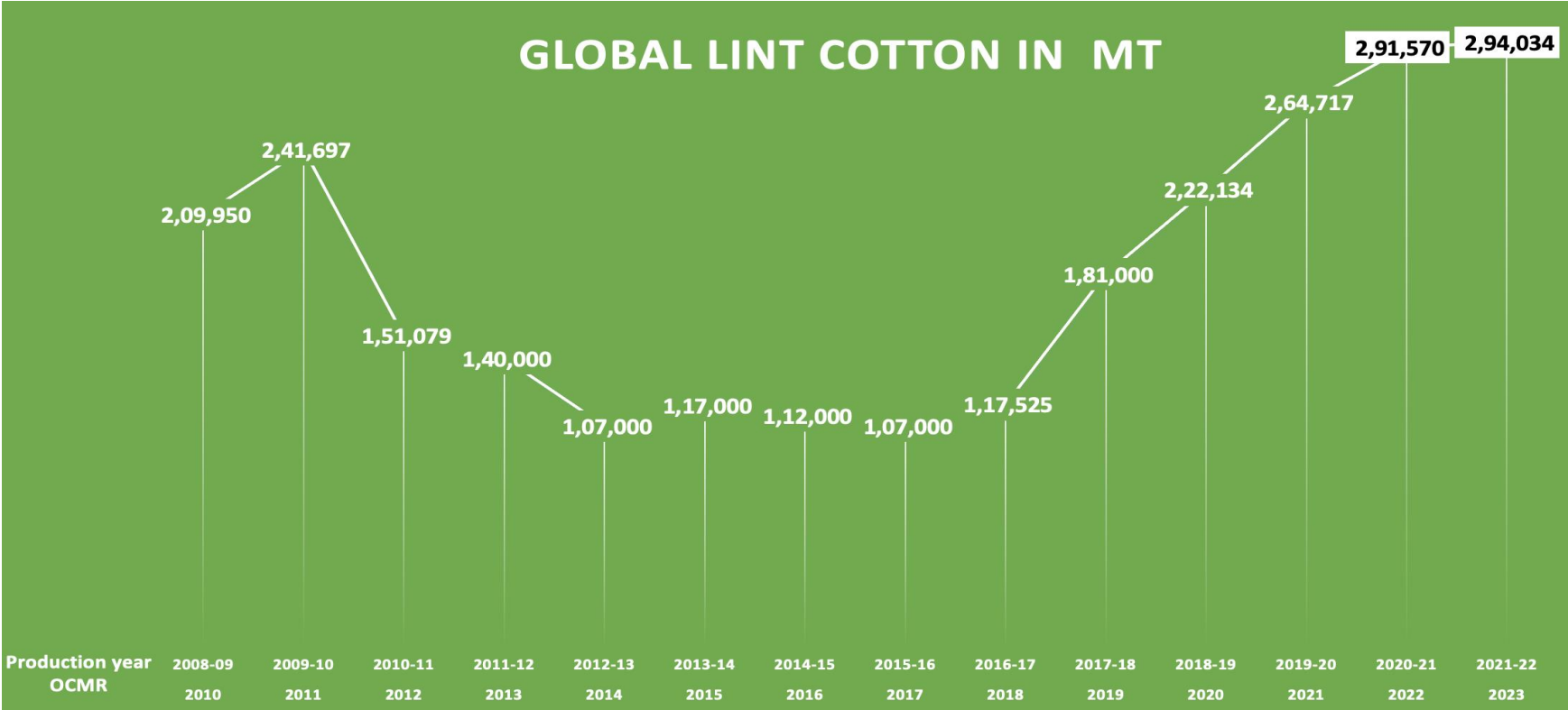
Organic Cotton Ambassador and Liaison  
Textile Exchange | UK



**Amish Gosai**

South Asia Manager,  
Textile Exchange | India

# Production & projection at-a-glance



Production year	In-conversion cotton MT	
	Min	Max
2021-22	2,464	65,000
2020-21	26,853	45,000



# Planning for the 2021/22 growing season

Demand forecasting survey: <https://form.jotform.com/210593863230352>

Textile Exchange is carrying out a **brief stakeholder survey** to better **quantify** the industry **demand** for organic cotton. Gathering this data is important so that farmers are getting **accurate demand signals** that will allow them to plan ahead, and thus ensure future availability of organic cotton. Insights will be combined, anonymized, and **reported back to the industry** alongside recommendations.

# Steps to secure a reliable supply of in-conversion and organic cotton

- ✓ **Source directly and make a forward commitment** to farmers/farm groups, or with supplier who work closely with them - Visit our [Organic Cotton Producer Directory](#) to connect directly with producers.
- ✓ **Get support from organizations and companies working on the ground with producer groups** - see the non-exhaustive list on the [2019 Organic Cotton Market Report](#) stakeholder map.
- ✓ **Buy in-conversion cotton** to support farmers/farm groups through the conversion phase, secure your supply, and help to build future supply of organic cotton.
- ✓ **Ensure that the farmers are certified to a standard** to provide verification from field to finished product to industry and consumers alike.
- ✓ **Consider other sourcing geographies and models** to diversify your supply base. See Kering's report [A World Beyond Certification: A best practices guide for organic cotton trading models](#) for information on sourcing regions, pricing, fiber qualities, and more and our next webinar.
- ✓ **Help Textile Exchange enable the industry to plan for expansion** the most efficiently by participating in our surveys requesting forecasted demand for fiber quantities, qualities, and sourcing regions. Insights are anonymized and reported back to the industry alongside recommendations.
- ✓ **Keep up to date on global production trends and forecasts** via Textile Exchange's annual [Organic Cotton Market Report](#).
- ✓ **Join our Organic Cotton Round Table** to hear and discuss sourcing and other issues with the rest of the industry.

# Next steps for Brands/Retailers/Suppliers

## Current season:

- 1) Buy Organic cotton and In-conversion cotton.
- 2) Work with supply chain or direct farm group/ ICS holder/ Implementing partner to secure supply.

## Next season:

- 1) Work on sourcing strategy.
- 2) Make a forward commitment.
- 3) Downstream purchasing strategy - Buy Organic & In-conversion cotton fiber or products close to farm.

# Q&A

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Less likely

Compared to before you joined this webinar, how likely are you to consider sourcing/working with in-conversion cotton?

2.5

More likely

# What would you like to know more about?

Network with other brands sourcing in-conversion cotton

How to encourage mills to buy from in conversion suppliers

How to source and how to involve our existing suppliers

I think we need to realize the hard work of building new supply chains needs to take place.

How does that work?

Marketing Claims, Sourcing Connections

Standards & marketing

Regenerative & Brand Commitment

Storage

market availability

converting cotton sourcing

marketing claims

How to convince farmers to go to organic

impact incentives

Logo usage on marketing/communication



# What would you like to know more about?

More on practical steps of how to please.

Finding the right partner

as a Trader how do we source

How to get our garment suppliers to "find" this cotton

Ensure that its really in-cenversation cotton.  
(standards)

How to source? How does it work with smaller brands?

Marketing claims

Info on direct sourcing

How to source ICC.

labeling claims - in conversion

Direct suppliers

Certification

Marketing claims. Measurable facts.

Marketing claims. 1 pager on how to source

Stds, 3rd party audit

# What would you like to know more about?

any idea of available stock, quality and price of both organic and transitional

What assistance is available to farmers to learn how to produce organically?

marketing in USA

List Yarn Suppliers who are already working with farmers to move in to in conversion cotton

longterm relationship of brands with farm groups

certification of conversion cotton

Expected Price evolution

Marketing

How to source the in-conversion cotton?

biological control of cotton disease

Communications & product claims

at which tier of supply chain is the most realistic to be able to source from as a medium sized brand, farm is not always feasible

# One word to sum up how you're feeling at the end of today's session



A word cloud of various feelings and reactions, centered around the words 'hopeful', 'informed', and 'interested'. The words are in different sizes and orientations, set against a background of cotton bolls and leaves.

overwhelmed but informati  
inspired  
great  
newly informed  
optimistic  
hopeful  
informed  
interested  
more informed  
more sustainable  
challenges  
exciting challenge  
inspiring challenge  
excellent  
challenged  
stressed  
empathetic  
curious  
promote  
ready  
positive  
clear  
reassured  
exciting  
underwhelmed  
perfect timing  
journey  
encouraged  
hope

Contact us at [OCRT@textileexchange.org](mailto:OCRT@textileexchange.org)



**Sarah Compson**  
Organic Cotton  
Ambassador and  
Liaison



**Liesl Truscott**  
Materials Strategy  
Director



**Amish Gosai**  
South Asia  
Manager



**Silvio Moraes**  
Ambassador, Latin  
America & the  
Caribbean



**Sandra Marquardt**  
Ambassador,  
United States



**Silvère Tovignan**  
Ambassador, Africa



**Leonard Mtama**  
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Africa



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**Ömür Suner**  
Assistant,  
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Asia



**Atila Ertem**  
Ambassador,  
EMENA & Central  
Asia



**Evonne Tan**  
Data Management &  
China Strategy  
Director



**Jun Zhao**  
Ambassador, China



**Lazare Yombi**  
Ambassador, West  
Africa



# Thank you

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OCRT@TextileExchange.org

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