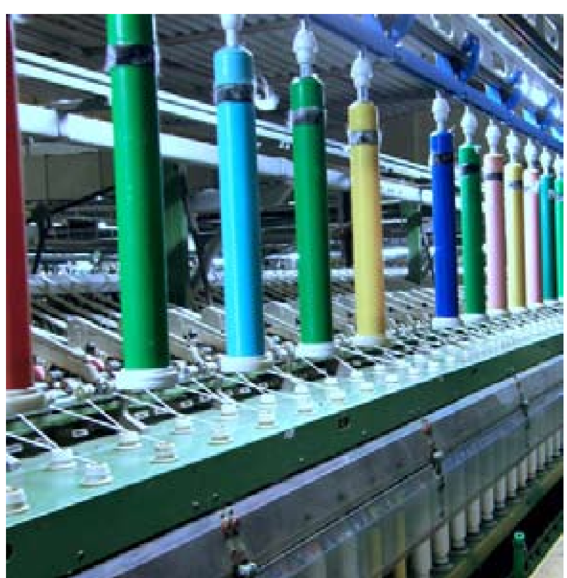
Organic Cotton Market Report 2009
Executive Summary



Executive Summary

Overview

Organic Exchange's (OE) *Organic Cotton Market Report 2009* provides:

- An overview of the global organic cotton market with additional data for 2009
- An in-depth look at the organic cotton programs of leading companies, products available in the market, and key developments in standard setting, labeling, company, and industry approaches to traceability and company integration of social, environmental, and economic standards implementation
- Possible market scenarios for 2010 and 2011
- Recommendations for action in the coming years.

The report provides examples of almost two dozen brands and retailers that launched or expanded their organic fiber programs and/or leading innovative work around farm development partnerships in 2009.

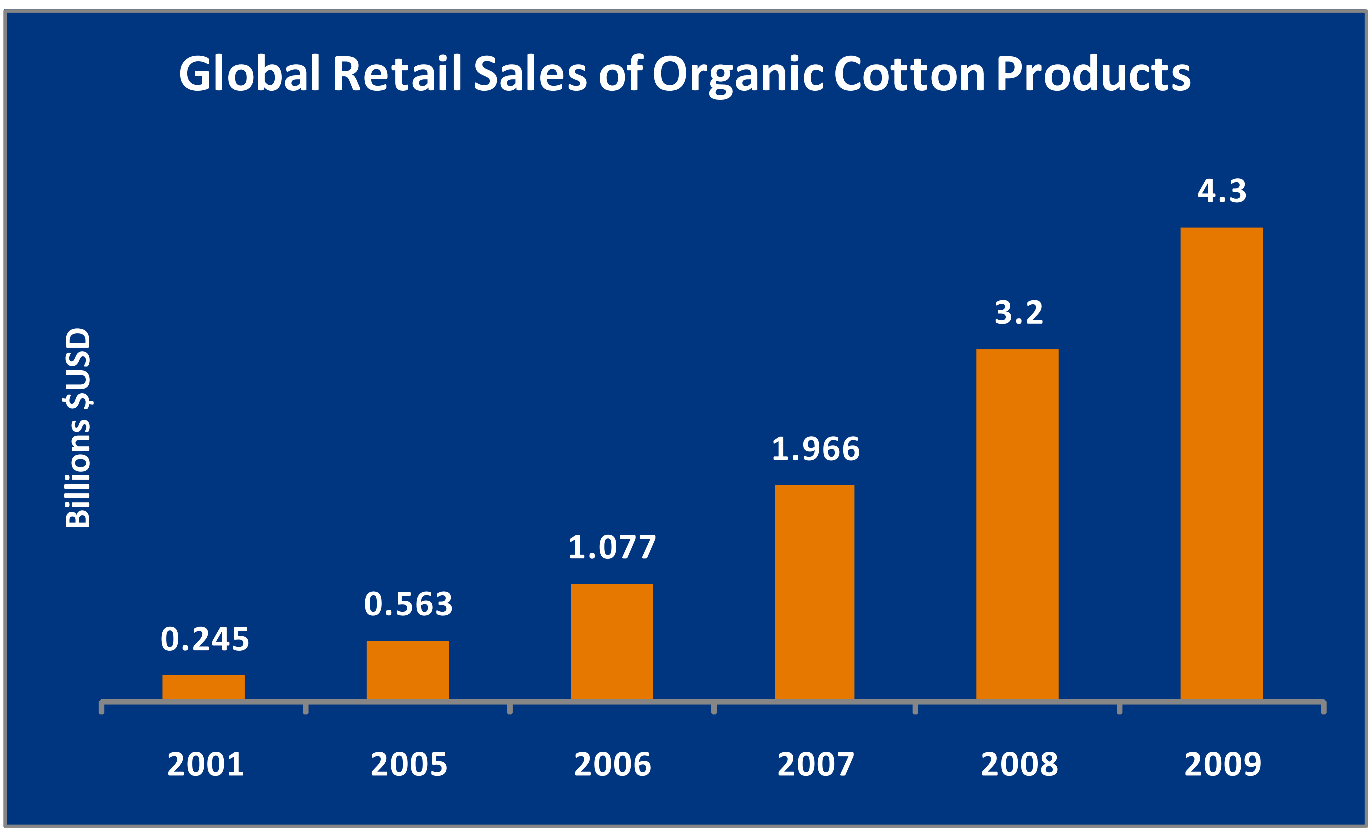
The Global Organic Cotton Market 2009

Despite the recession, 2009 continued to be a dynamic year for the organic cotton sector. Companies reported significant, and in some cases phenomenal, growth of their organic cotton programs and increased adoption of standards addressing organic product integrity and textile processing.

According to OE's research, global retail sales of organic cotton apparel and home textile products reached an estimated $4.3 billion, representing a 35 percent increase from the estimated $3.2 billion market in 2008.

This growth figure indicates little change from the 40 percent average annual growth rate from 2001 to 2009. It also shows considerable growth when the overall global apparel and household textiles market decreased almost 7 percent from 2008.

Chart 1: Global Retail Sales of Organic Cotton Products



Organic Cotton Industry Leaders 2009

According to the results of OE surveys and interviews, the Top Twelve organic cotton-using brands and retailers globally in 2009 were: C&A (Belgium), Nike, Inc. (Oregon, USA), Walmart (Arkansas, USA), Williams-Sonoma, Inc. (California, USA and recorded last year as Pottery Barn), H&M (Sweden), Anvil Knitwear (New York, USA), Coop Switzerland, Greensource Organic Clothing Co. (Washington, USA), Levi Strauss & Co. (California, USA), Target (Minnesota, USA), adidas (Germany), and Nordstrom (Washington, USA).

Chart 2: Top Brands and Retailers Using Organic Cotton

2005	2006	2007	2008	2009
1. Nike, Inc.	1. Walmart/Sam's Club	1. Walmart/Sam's Club	1. Walmart/Sam's Club	1. C&A
2. Coop Switzerland	2. Nike, Inc.	2. Nike, Inc.	2. C&A	2. Nike, Inc.
3. Patagonia	3. Coop Switzerland	3. Coop Switzerland	3. Nike, Inc.	3. Walmart/Sam's Club
4. Otto Group	4. Patagonia	4. C&A	4. H&M	4. Williams-Sonoma, Inc.
5. Walmart/Sam's Club	5. Otto Group	5. Woolsworth's South Africa	5. Zara	5. H&M
			6. Anvil Knitwear	6. Anvil Knitwear
			7. Coop Switzerland	7. Coop Switzerland
			8. Pottery Barn	8. Greensource
			9. Greensource	9. Levi Strauss & Co.
			10. hess natur	10. Target
				11. adidas
				12. Nordstrom

While the recession had a significant impact on the overall economy, OE nonetheless found substantial growth in the use of organic cotton on the part of several of the Top Twelve companies. This was particularly the case with C&A and Nike, Inc., in which cases the amount of cotton the companies used in 2009 was significantly more than in 2008 and will continue to grow dramatically in the coming years. However, it also applied to several other companies in the Top Twelve and 'up and coming' companies outlined in the report, including adidas, Anvil Knitwear, H&M, and Williams-Sonoma, Inc.

The programs that have experienced the strongest growth have one or more of the following characteristics:

- Strategic planning with clear market signals for fiber sourcing is embedded within the sourcing strategy.
- Cost and pricing mechanisms for gaining efficiency and strategy around offering the right product mix for their target customer are in place.

Drivers of Market Growth

The continued rapid expansion of the global organic cotton market was driven in large measure by consumer interest in 'green' products, significant expansion of existing organic cotton programs by brands and retailers, and the launch of organic cotton programs by new entrants to the market.

Developments in Organic Marketplace Standards, Certification, and Traceability

Companies increasingly became certified to traceability standards such as the OE Blended or OE 100 standard as it helps users track their actual use of organic fiber from the field to the finished product, contributing to the increasing integrity of the organic fiber market.

In addition, thousands of mills around the world have become certified to the Global Organic Textile Standard which addresses textile's processing stages and includes strong labor provisions. A data base with the contact information for the certified companies is now available on the Web. Companies are also looking into programs that address reducing their carbon footprint.

Fiber and Market Outlook Scenarios

According to the *OE 2009 Farm and Fiber Report*, organic cotton production in 2008/09 grew 20 percent over 2007/08 from 145,872 metric tons (MT) to 175,113 MT (802,599 bales) and was grown on 625,000 acres (253,000 hectares) in 22 countries.

Reviewing projections and commitments from the top 30+ brands, OE projects the global organic cotton market will grow 20 to 40 percent in both 2010 and 2011 to result in an estimated $5.1 billion market in 2010 and $6.0 billion market in 2011. Strongest growth will occur in key markets and programs that have both strong commitment and support from brands, and where the brands have made strong linkages for stable supplies of organic fiber. Reports also indicate that Initial sales in the first quarter of 2010 have been strong.

The large amount of carry-over from the 2007/08 and 2008/09 harvest has also been reduced due to the expansion of several key programs and, unfortunately, also due to the fact that at least 2 producers groups and one merchant had to sell fiber on the conventional market. At this time, many projects are reporting that all of their fiber is sold, as well as commitments for the upcoming harvest.

Conclusions and Recommendations

Predictions from global industry authorities and future studies analysts underscore that the integration of sustainability and business strategies on the part of several industries continues to grow at a rapid pace.

Given these trends, OE believes four key factors will influence the organic cotton market over the next two to three years:

1. commitment from brands and retailers,
2. continued consumer support for “all things green,”
3. industry integrity, and
4. the economic climate.

These factors have certainly influenced the 2009 organic cotton market. For example,

1. The organic cotton market maintained strong growth in 2009, growing far faster than the conventional market.
2. The primary drivers of this growth have been continued expansion of ongoing organic cotton programs to include new product lines as well as increased sales of current popular items.
3. Brands and retailers have remained strongly committed to their use of organic cotton, with several brands committing even more deeply to organic and sustainable product programs during the recession.
4. Many market analysts have indicated that consumers desire and expect that brands and products will include or be certified to some sort of social and/or environmental benefit.
5. Transparency and integrity will need to go hand-in-hand with growth and demand to ensure the market’s credibility and retain consumer trust.

Organic cotton remains a key aspect of a sustainable product strategy, and OE sees healthy growth ahead.

Organic Exchange
822 Baldridge Street
O’Donnell, Texas 79351
Tel: 806.428.3411
Email: info@organicexchange.org
www.organicexchange.org