



MONITORING THE SCOPE AND BENEFITS OF FAIRTRADE: COTTON

Monitoring Report 10th Edition



FAIRTRADE
INTERNATIONAL



About Fairtrade International

Fairtrade International is a non-profit, multi-stakeholder association that promotes fairer conditions for international trade, empowers small-scale farmers and workers, and fosters sustainable livelihoods.

Fairtrade International develops and maintains the internationally-agreed Fairtrade Standards, owns the FAIRTRADE Mark, and supports the international Fairtrade system. Three regional Fairtrade producer networks representing 1.6 million farmers and workers co-own the international Fairtrade system, which also includes the independent certification body FLOCERT, and Fairtrade organizations in more than 30 countries that promote Fairtrade to business and consumers.

For more information, visit www.fairtrade.net



About FLOCERT

FLOCERT is a global certification body offering verification and supply chain services to ensure social and environmental standards. Founded in 2003 as the single certifier for Fairtrade, the company has six international offices, 125 employees and more than 120 auditors worldwide.

For more information, visit www.flocert.net

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Editorial and Data team: Harveen Kour, Verónica Pérez Sueiro, Subindu Garkhel, Emily deRiel, Gerrit Walter, Daniel Castro, Miyako Takahashi, and Luis Pastor

Design/layout: Alberto Martínez, [Renderparty](#)

Proofreading: Laura O'Mahony

Disclaimer

The monitoring data in this report are based on data collected by FLOCERT, and reported in some cases by producer organizations through the audit process and in other cases by other supply chain actors. Fairtrade International is not responsible for the accuracy of the data. The report has been compiled to the best of our knowledge and is provided for informational purposes only. Fairtrade International reserves the right to update the monitoring data as new information becomes available. The data are provided 'as is' and no warranty of any kind is given for the accuracy and reliability of the data. Fairtrade International will not be liable for any claims or damages related to the quality and completeness of the data, as far as it is permitted under law.

Cover Photo:

Women cotton farmers, Agricultural Commodity and Service Cooperative, Kyrgyzstan

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20 COTTON
PRODUCER ORGANIZATIONS
REPRESENTING
45,153

FARMERS IN 8 COUNTRIES



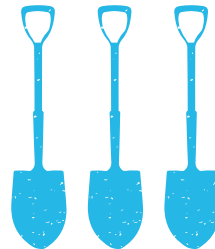
74% OF ALL
FAIRTRADE COTTON
FARMERS LIVE IN
INDIA



88% OF ALL
FAIRTRADE
PREMIUM
FOR COTTON GOES TO
INDIA



FAIRTRADE COTTON
FARMERS INVESTED **58%**
OF THE FAIRTRADE PREMIUM



IN AGRICULTURAL TOOLS,
INPUTS AND FARM
BEST PRACTICES

1. KEY DATA: FAIRTRADE COTTON



20 PRODUCER ORGANIZATIONS

↑ 11% since 2016



45,153 FARMERS

↓ 2% since 2016



62,899 HECTARES

↑ 26% since 2016



52,763MT OF COTTON PRODUCED BY FAIRTRADE PRODUCER ORGANIZATIONS

↑ 10% since 2016



7,986MT OF COTTON SOLD AS FAIRTRADE

↑ 39% since 2016



€1,096,505 PREMIUM EARNED

↑ 33% since 2016

Notes:

Data from 2017.

Numbers above 10,000 are rounded to the nearest hundred.

Metric tonnes abbreviated to MT.

The source for the cotton sales volume figure reported here is different from the previous year, hence a direct comparison is not possible. The 2017 figure comes from the producer sales, reported by their customers and collected by FLOCERT, which is the same source used for the other products in this report. Due to the highly complex nature of the cotton supply chain, some transactions may not be reflected in the above figure. For reference, using the same market sales-based data source as in the previous report, the volume recorded in 2017 was 10,799 metric tonnes giving a grow rate of 33 percent.

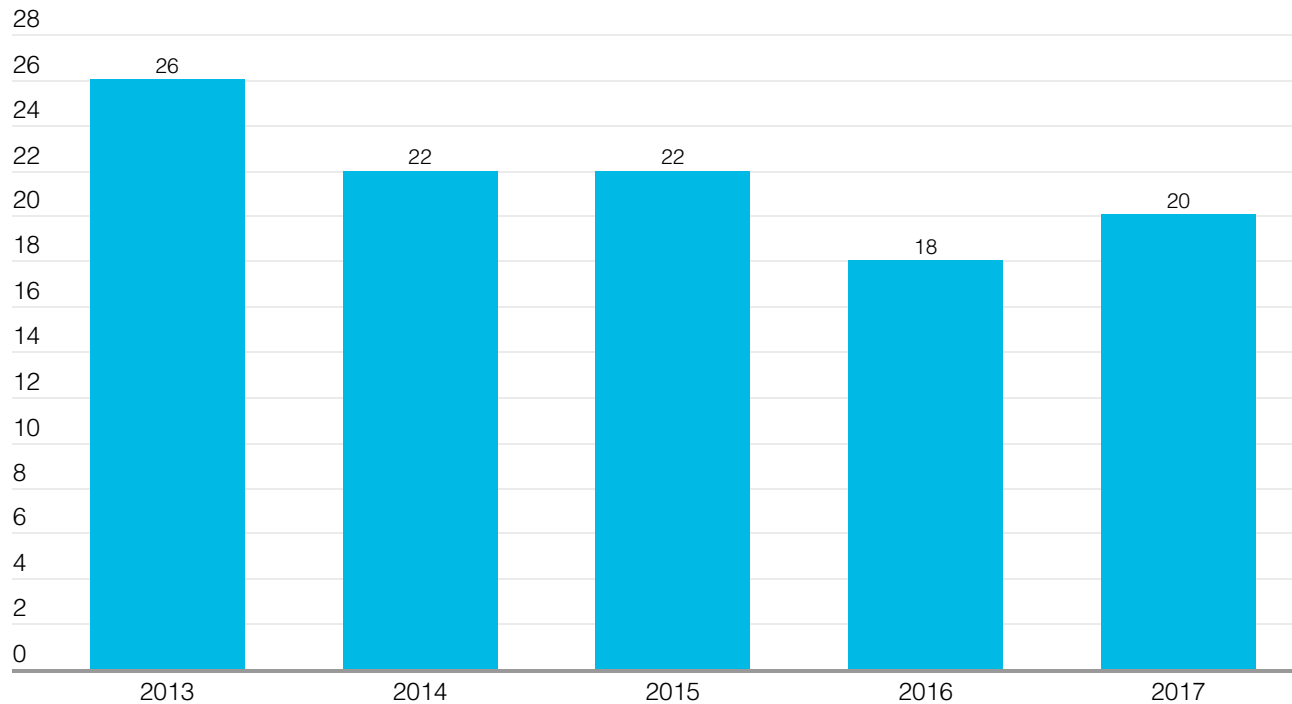
THE CONTEXT FOR FAIRTRADE COTTON

The Fairtrade Cotton Standard was launched more than a decade ago to benefit the farmers at the end of a long and complex supply chain. Over this period, we have succeeded in raising awareness of the problems faced by cotton farmers, empowering and training producers to comply with the Fairtrade Standards and attracted more and more companies in the textile sector to source Fairtrade cotton. Thanks to our efforts, sales of Fairtrade certified cotton is on the rise, increasing by 39 percent during 2016-2017.

The number of Fairtrade certified cotton producer organizations has remained stable over the years, encompassing more than 45,000 farmers across eight producing countries. Those Fairtrade farmers are members of small producer organizations are part of contract production organizations¹ in the process of forming independent cooperatives. The highest number of Fairtrade cotton organisations are in West Africa, but the majority of Fairtrade certified cotton is grown in India.

¹ This is the standard for small-scale producers who are not yet democratically organized. As a temporary measure, they can join Fairtrade if they have a partnership with an organization (such as an exporter or NGO) that will assist them to form an independent organization.

2. NUMBER OF FAIRTRADE CERTIFIED COTTON PRODUCER ORGANIZATIONS (SEED COTTON) 2013-2017





WHAT ARE THE MAIN ISSUES FACING FAIRTRADE COTTON AND WHAT ARE WE DOING TO ADDRESS THEM?

Cotton farmers in developing countries, including leading producers like India, live in hardship. They are virtually invisible in the supply chain and wield little power or influence. With high levels of illiteracy and limited land holdings, many cotton farmers live below the poverty line and depend on the middlemen or ginners who buy their cotton, often at prices below the cost of production. Rising costs of production, fluctuating market prices, falling yields and climate change pose 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 two to five 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 fertilizers 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.

Fairtrade cotton was launched to highlight the problems, to provide farmers with an alternative route to trade and higher, more stable incomes, and support them in addressing environmental challenges in their communities. Both the Fairtrade Minimum Price and the Fairtrade Premium for cotton, as well as targeted support and training for producers, are aimed at helping producer organisations to become stronger and more resilient businesses.

3. FAIRTRADE COTTON PRODUCING COUNTRIES

	Country	Premium received (€)	Volume sold as Fairtrade (cotton lint) (MT)	Number of POs	Number of farmers
	India	€960,085	7,047	12	33,542
	Rest of the World	€136,420	939	8	11,611
	Total	€1,096,505	7986	20	45,153

Fairtrade also works with farmers to reduce their use of agrochemicals, help them adapt to changing climate patterns and encourage organic farming. Requirements in the Fairtrade Standards also protect farmers' health and safety, and ban genetically-modified cotton seeds. A large percentage of Fairtrade cotton is also certified as organic, and Fairtrade encourages and supports cotton farmers to protect the natural environment as an integral part of their farm management.

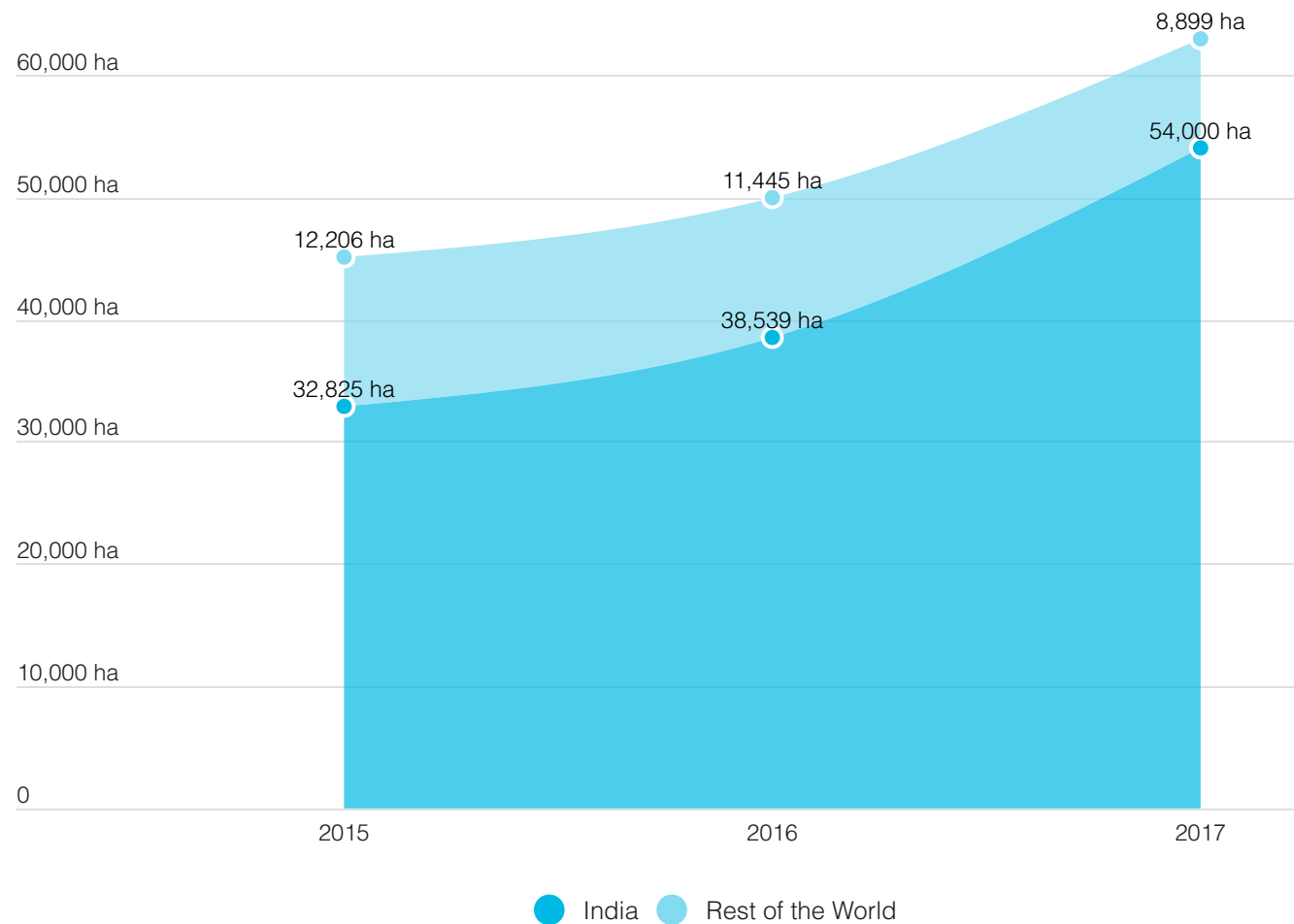
Data from 2017.

Where there are fewer than three Fairtrade certified producer organizations in a country, the data are aggregated into the 'Rest of the World' category to protect the organization's data confidentiality.

Producer Organizations abbreviated to POs.

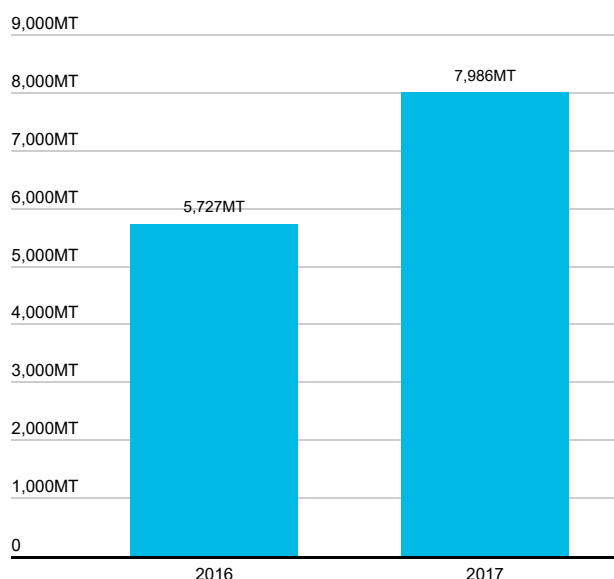
4. AREA UNDER FAIRTRADE COTTON CULTIVATION 2015-2017

In 2017, the area of land under Fairtrade cotton certification was **62,899 hectares (ha)** - equivalent to forty times as big as the Central Park in New York.

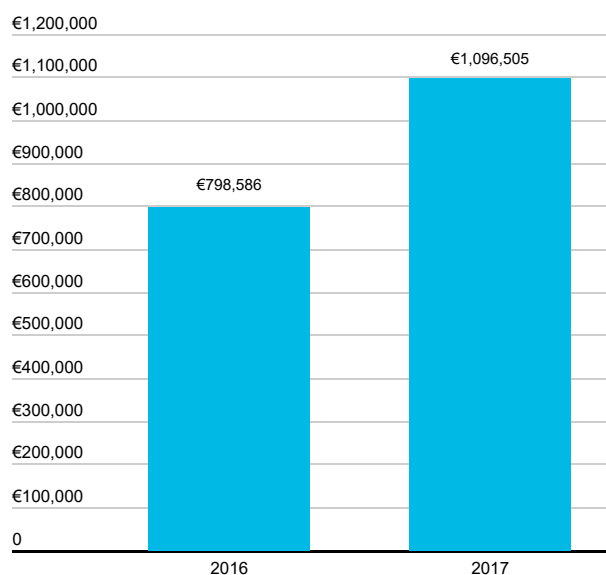


5. FAIRTRADE COTTON SALES VOLUMES AND PREMIUM EARNED 2016-2017

Fairtrade cotton lint volumes sold (MT)



Fairtrade Premium received (€)



Note:

Data rounded to the nearest hundred.

POSITIONING FAIRTRADE COTTON WITHIN THE TEXTILE INDUSTRY

Interest in Fairtrade cotton continues to grow and we continue to forge fairer partnerships between producers and businesses. We have seen brands increase their Fairtrade commitments and new brands join us and source Fairtrade cotton. Last year, we welcomed many new brands to Fairtrade, including British lifestyle brand White Stuff, and Norwegian brands BikBok and Princess.

But much still needs to be done to extend the benefits of Fairtrade to the farmers we are working with and reach other cotton-producing communities struggling to make a decent living. We need to keep encouraging the textile industry to increase its uptake of Fairtrade cotton and build new partnerships to address the sector's multi-faceted challenges.

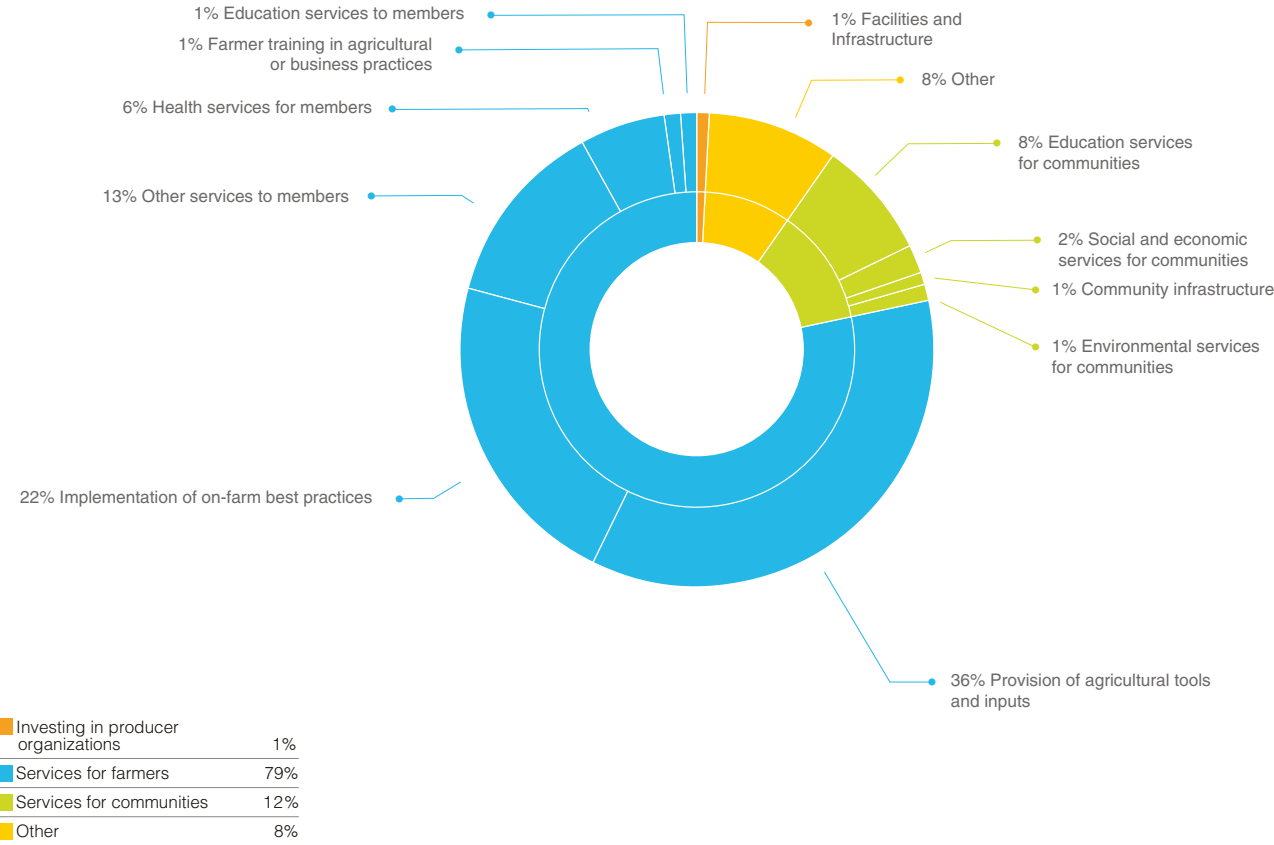
To improve our engagement with businesses, Fairtrade, along with other partners, supported the launch of the Cotton UP² guide in 2018, a tool aimed at enabling companies to better understand and source sustainable cotton.

Also in 2018, Fairtrade, in collaboration with APROCA, ECOS and FIBL launched 'The Organic and Fairtrade Cotton Coalition (CCBE) West Africa'. This new multi-stakeholder coalition aims to establish reliable market access for more than 500,000 small-scale organic and Fairtrade cotton farmers across Mali, Burkina Faso, Benin and Senegal. We hope that, by 2025, those producers will be earning a fair and sustainable income from farming and processing approximately 40,000 MT of cotton fibre.

Throughout 2018, Fairtrade was busy leading talks with new business partners to increase the uptake of Fairtrade cotton and held concrete discussions with several global brands. Fairtrade also had a strong presence at industry events such as the Better Cotton Initiative Conference, the United Nations Forum on Sustainability Standards (UNFSS) conference, the Organic Cotton Round Table (OCRT), Innovation Forum and the Textile Exchange Conference among others.

² Sourced from: <http://cottonupguide.org/>

6. FAIRTRADE COTTON PREMIUM USE IN SMALL PRODUCER ORGANIZATIONS 2016-2017



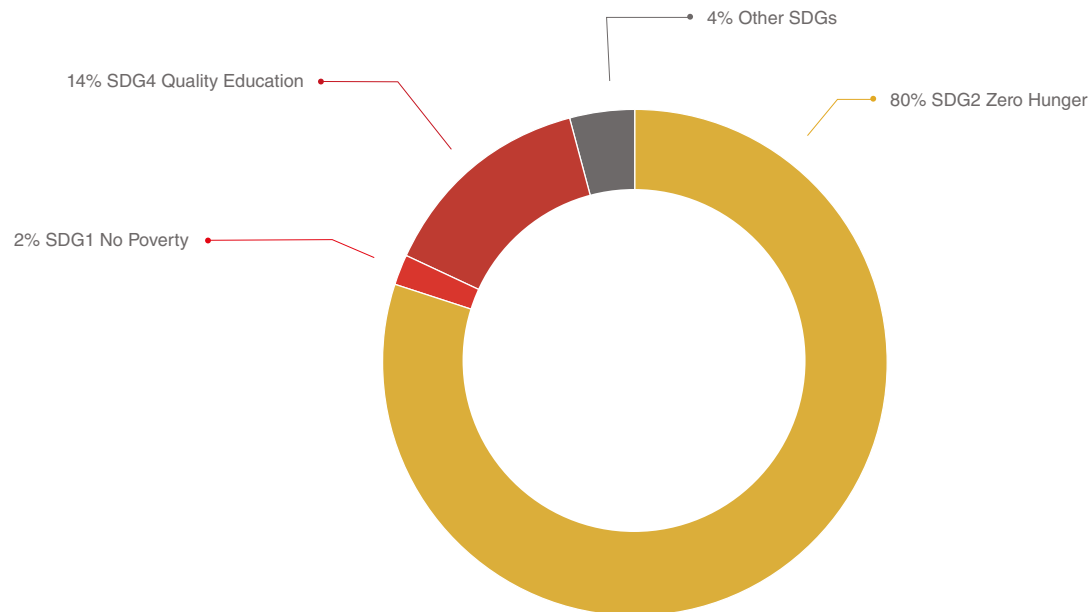
PREMIUM USE

The Fairtrade Premium is a key driver of impact for cooperatives, farmers and their communities and has been invested by cotton producers in diverse ways. In 2017, 79 percent of Premium funds was spent on services for farmer members. The bulk of this was made up of investments in agricultural tools and inputs and the implementation of best practices on their farms. This type of spending not only reduces farmer expenditure but also contributes to enhancing their capabilities.

Cotton producers also spent 12 percent of the Fairtrade Premium they earned on services for their communities, notably education services.

Note:
Percentages may not sum due to rounding.

7. FAIRTRADE PREMIUM USE IN RELATION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGS)



HOW FAIRTRADE PREMIUM USE CONTRIBUTES TO THE UN SDGS

Fairtrade Premium investments made by cotton producers contribute to several of the UN Sustainable Development Goals (SDGs). While most activities can apply to more than one SDG, here we have mapped each category of spending to a unique SDG for the sake of simplicity.

Most (80 percent) of the Fairtrade Premium investments by cotton producers contributed to SDG2 (zero hunger). Primarily, these included activities that contributed to sustainable agriculture and the strengthening of producer organizations through the provision of agricultural tools and inputs, loans for farm improvement and implementing best practices. Investments like these also help reduce overall household expenditure for farming families.

Fourteen percent of Fairtrade Premium investments went on school infrastructure and contribute to SDG4 (quality education). That goal aims to ensure inclusive and equitable quality education and the promotion of lifelong learning opportunities for all.

SDG1 (no poverty) is central to Fairtrade's mission to connect disadvantaged producers and consumers, promote fairer trading conditions and empower producers to combat poverty, strengthen their position and take more control over their lives. Two percent of Fairtrade Premium spending in the cotton sector – primarily in the form of direct cash payments to members and other welfare payments – contributed to this goal.

IMPACT STORY

RDFC: A GROWING MEMBERSHIP

An increasing number of farmers reap the benefits of Fairtrade

Founded in 2015, the Rapar and Dhrangadhra Farmers' Producer Company (RDFC) is a cotton cooperative that operates in the districts of Kutch and Surendranagar in Gujarat, India. The co-op is 100 percent owned by smallholder farmers who grow cotton, sesame, peanut and other crops.

RDFC became a Fairtrade certified in April 2016. Before that, it had been certified as a Fairtrade contract production project

Initially, the organization had 498 members. This number has since grown to 798 shareholding members, all of whom are small and marginal farmers.

"We opted for Fairtrade certification to support our sustainable development goals and to ultimately reap benefits for our farmers. Fairtrade has enabled the organization to increase the income and profitability of the farmers. Due to this development, there are numbers of farmers who are interested in joining Fairtrade and opting for membership in our organization," explains Shailesh Patel, founder and director of RDFC.

The co-op's main goal is to increase the well-being of its members and improve their incomes. In order to do this, it has used the Fairtrade Premium to invest in business development, environmental protection and education. Particular projects include:

Training on increasing productivity and income and adopting new technologies at farm level.

Environmental and infrastructure projects such as rainwater harvesting, tree plantation, seed production and road construction.

Educational support for the children of producers through the construction of new classrooms and the provision of 'smart classes' to help children access higher education.

Of all the projects undertaken by RDFC, the rainwater harvesting initiative is one of the most important for its long-term sustainability.

"Our region suffers from scarcity of water and therefore the producer members from Kutch are highly dependent on rainfall. We are currently working with our members to harvest and store rainwater, and imparting training on effective usage of water for agriculture," explains Patel.

With continued Fairtrade sales of its cotton, RDFC hopes to be able to continue to tackle this and other challenges, increase its production and keep expanding the benefits to more farmers in the region.



Teacher with students in a school supported by RDFC cotton cooperative's Fairtrade Premium.

© Sean Hawkey

IMPACT STORY

ORGANIC, FAIRTRADE AND GMO-FREE COTTON BRING A FUTURE TO OVER 1,000 FARMERS IN RURAL KYRGYZSTAN

Located in the heart of Central Asia, Kyrgyzstan has limited arable land. But despite the scarcity of suitable farm land, almost 65 percent of the workforce is employed in agriculture. With three-quarters of the country's poor living in rural areas the sector's development is critical to reducing widespread poverty and ensuring food security. Rehabilitating degraded pastures, providing extension services and improving the quality of export products are just some of the initiatives being supported by external development agencies to bring more prosperity to the country's rural population.

One such project is financed by the Swiss government through Helvetas. With technical and financial support from Helvetas and GIZ, the Bio Farmer Agricultural Commodity and Service Cooperative was set up in December 2007 and the 'Developing organic cotton trade production and promotion (Bio Cotton)' project began in 2009.

The initial support it received from the Swiss government enabled the co-op to create a value chain for organic and Fairtrade cotton. Twelve years on, it now operates as a successful business providing training, machinery and marketing to more than a thousand farmers – 16 percent of whom are women – across three regions: Jalal-Abad, Batken and Talas.

"We gained Fairtrade certification in 2008. Switching to organic and Fairtrade was guided by the increasing need in the agricultural sector to reduce costs of expensive agro-inputs, but also to improve soil fertility and increase product value and access to sustainable markets. It worked well. The organic farmers have 27 percent higher net profit compared to their fellow farmers," says director Nurbek Kannazarov.

The cooperative produces around 1,130MT of raw Fairtrade cotton. About one third is sold to the European Union each season. Besides seed cotton, the farmers also cultivate Fairtrade walnuts as well as potatoes, pulses and beans that contribute to food security for their families.

The Fairtrade Premium has enabled the organization to invest in increasing quality and production, provide financial assistance for sick farmers and orphanages, and buy machinery such as mini-trucks for transporting seeds.

One direct beneficiary from financial assistance during illness was Karimov Raimberdi, a member of the co-op since 2007. He fell off his horse and broke his leg. "I had a very bad fracture which needed surgery and special treatment. Social security is almost inexistent in Kyrgyzstan. Only inefficient or very common drugs are reimbursed. Private insurance exists but is very expensive. I was able to cover the hospital bills, including the surgery, thanks to the Fairtrade Premium funds," he explains.

As well as the benefits gained from Premium investments, the Fairtrade Minimum Price of €0.55/kg also gives greater financial security to the farmers.

"The primary benefit of Fairtrade for farmers is the security of the Fairtrade Minimum Price, which acts as a safety net against market fluctuations, and the 60 percent prepayment for their produce," explains Kannazarov.



Karimov Raimberdi, cotton farmer of Agricultural Commodity and Service Cooperative, Kyrgyzstan.

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RESEARCH INSIGHT

EXTERNALITIES FROM COTTON FARMING [2017]

By Trucost, GIST Advisory and Pi Foundation

This study assessed the environmental and social impacts of Fairtrade certification on cotton-producing households in rural India. Specifically, it undertook a benchmark comparison of Fairtrade cotton versus conventional cotton in India; identified key hotspots and material externalities of Fairtrade cotton farming and prioritized impact reduction efforts to decrease external risks.

The study used various measures to quantify social and environmental costs and benefits and the trade-offs between them.

Analysis of the social factors – such as increases in income, community benefits from the Fairtrade Premium, and levels of unacceptable labour practices like child labour – showed that Fairtrade cotton has lower social costs and higher social benefits. Most beneficial among these was the positive impact on Fairtrade farmers' incomes.

The main environmental factors where Fairtrade cotton performed better than conventional cotton included water use, Green House Gas (GHG) emissions and soil pollutants.

Land use was the only environmental factor where Fairtrade performed lower than conventional cotton.

This is mainly because most of Fairtrade cotton is also organic that leads to a lower yield per acre and consequently a higher cost of land use.

The most significant social benefit for Fairtrade was increased income (89 percent of total benefits). The most significant

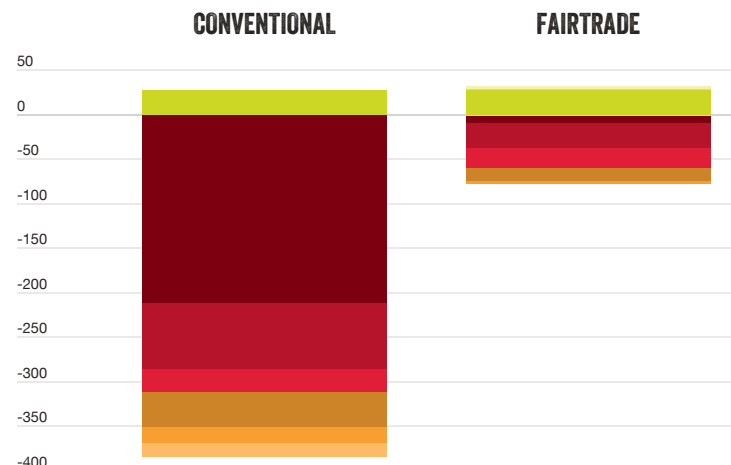
social cost for Fairtrade was child labour (13 percent of total costs) and the most significant environmental cost for Fairtrade was land use (35 percent of total costs)

Overall, this research gives fashion brands an important perspective on sustainable cotton farming, which they can use to inform their sourcing decisions. Some of the study's recommendations focused on how external

environmental costs could be further cut through enhanced soil management and increased water efficiency through drip irrigation. Other recommendations included using the Fairtrade Premium to provide credit to farmers and technical/skill training.

SUMMARY OF COSTS OF EXTERNALITIES FOR CONVENTIONAL AND FAIRTRADE CERTIFIED COTTON

INCOME BENEFITS	27	27
BENEFITS FROM THE FAIR WAGES	-	2
COMMUNITY BENEFITS	-	2
CHILD LABOUR	-212	-10
OVERTIME	-73	-
LAND USE	-25	-27
WATER POLLUTANTS	-39	-23
WATER USE	-20	-14
GHG EMISSIONS	-14	-3
SOIL POLLUTANTS	-0	-0



THE SOCIAL AND ENVIRONMENTAL COSTS OF FAIRTRADE COTTON ARE **5 TIMES LOWER** THAN CONVENTIONALLY PRODUCED COTTON

FAIRTRADE FARMING METHODS **HAD 97% LOWER SOCIAL COSTS AND 31% LOWER ENVIRONMENTAL COSTS** THAN THAT OF CONVENTIONAL COTTON

ABOUT THE DATA IN THIS REPORT

This report has two sources of data.

CODImpact is the data collected from producers during the audits. Since not all producer organizations are audited each year, the data is completed using the last available record. This is the data source for production volume, area of cultivation, number of farmers and workers, and Premium usage.

The second source of data is FLOTIS. This is the data collected from all Premium payers for all transactions in a given year for Fairtrade sales and Premium generated. The data has been extensively checked and cleaned. However, in a monitoring project of this magnitude there may be some areas of inaccuracy, such as:

- There may be missing information from Fairtrade certified producer organizations that is not taken into account because of quality.
- There may be missing information in some questionnaires from certified producer organizations that was not reported by auditors.
- There may be wrong data or data that were not validated.

The number of certified organizations is counted as the number of producer organizations at the end of the year with any of the following certifications statuses: certified, suspended or permission to trade.

Data on volumes produced, volumes sold and Fairtrade Premium income and expenditure are retrospective for a 12-month period preceding the audit. Since the majority of the audits for this data set took place during 2017, the majority of producer organizations have reported on time periods spanning 2016–2017. We thus use '2016–17' to describe these data in the report.



Under the terms of confidentiality agreements with Fairtrade producer organizations, data may be publicly reported in aggregate form, but not used in ways that expose data belonging to a single producer organization, Fairtrade Premium payer or trader. Where there are fewer than three Fairtrade certified producer organizations in a country, and market-sensitive business information could be deduced, we do not report aggregated data on the producer organizations.

DISCLAIMER

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FAIRTRADE
INTERNATIONAL

Bonner Talweg 177
53129 Bonn
Germany

Telephone +49 (0) 228 94 92 30
Fax +49 (0) 228 24 21 713

info@fairtrade.net
www.fairtrade.net