



Pilot Project

Fairtrade Organic Cotton India

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List of Acronyms

CP:	Contract Production
FI:	Fairtrade International
FMP:	Fairtrade Minimum Price
FP:	Fairtrade Premium
NFO:	National Fairtrade Organizations
SC:	Standards Committee
SPO:	Small-scale Producer Organization
S&P:	Standards & Pricing
NAPP:	Network of Asia and Pacific producers

1. Background

- Approximately 75% of all Fairtrade cotton sales come from India and about 70-75% of Fairtrade cotton is also certified organic.
- Over the last 5-6 years, the market prices for cotton in India have been much higher than the Fairtrade Minimum Price (FMP). The Government of India (GOI) has been implementing and vigorously increasing the minimum support price YOY for cotton. Hence, the FMP even for organic has not come into effect over these last years. Please note that the cotton FMP has not been revised since 2011.
- Organic cotton production is more complex and not very attractive for farmers because of the restrictions in the use of pesticides and other sustainable practices required for organic production and certification. In the current situations where market and governmental prices are well above FMP, Fairtrade producers do not see much incentive and benefits to be engaged with Fairtrade and continue producing organically.
- While all other cotton certification schemes try to grow their markets, organic is the only certification, which has a very high demand. Organic cotton has seen some growth in the last few years but is still not able to match the demand. Market analysis show that brands are willing to pay a higher price for organic cotton.

2. Terms and conditions of the pilot project

The following section describes the terms and conditions of this pilot project for introducing a Cotton Organic differential for Fairtrade organic seed cotton in India.

- o **Scope:** The pilot aims at introducing an Organic differential to be paid on top of the FMP for organic cotton or the market price whichever is highest. The pilot applies only for Fairtrade certified SPO and CP producers in India. The current values of the FP remain the same as well as all other standards and pricing conditions.
- o **Cotton Organic Differential:** The Organic differential is set at €0.03 (INR 2.50) per kg of seed cotton. The Fairtrade organic differential is the price paid on top of the organic FMP or the market price whichever is highest, when purchasing Fairtrade organic cotton. The table below summarizes the new price model to be applied in the pilot.

Product	Quality	Form	Country / Region	Producer Scope	Price level (INCOTERMS)	Currency / Unit	Fairtrade minimum price	Fairtrade premium	Date of validity	Specific Product Standard	Product specific information
Seed Cotton	Organic	Gossypium	India	SPO / CP	EXW	EUR/kg	0,64 + 0,03	0,05		Fibre crops	e.g. Giza; PIMA



		barbade nse					organic different ial				
Seed Cotton	<i>Organic</i>	Gossypium hirsutum ; herbaceum; arboreum; staple length of 24.5 mm and shorter.	India	SPO / CP	EXW	EUR/kg	0,47 + 0,03 (organic different ial)	0,05		Fibre crops	
Seed Cotton	<i>Organic</i>	Gossypium hirsutum ; herbaceum; arboreum; staple length of 25 mm and longer.	India	SPO / CP	EXW	EUR/kg	0,53 + 0,03 organic different ial	0,05		Fibre crops	

- **Rationale:** The organic differential value proposed represents 7% of the FMP for India. The value was discussed with Producer groups and NAPP representatives in December 2019. NAPP is supporting the pilot. The stakeholders involved in the discussion agreed that having a fixed amount would be easier to manage rather than a percentage. The agreed Organic differential was discussed with the Producers in the Cotton network meeting.
- **Time lines:** This pilot project will have an initial duration of 22 months. The pilot project will start on April 1st, 2021 and will end on December 2022. If the pilot project is considered successful, the intention is to extend the duration of the pilot or incorporate in a global cotton price review a proposal for including an organic differential and potentially also extend to other origins. By September 2022, the SC will be asked to decide on the extension or not of the project. In case the pilot is not extended, participants will be communicated about the termination of the pilot. If the pilot project is considered successful, the intention is to extend the duration for one more year and analyze adopting the new price model for all origins and supply chains producing and trading organic cotton.
- **Additional Requirement:** The contracts with the producer groups participating in the pilot will need to reflect the new price requirement and the suppliers and buyers will

need to keep all evidence of records of purchased organic Fairtrade cotton that shall be subsequently checked by FLOCERT. The pilot is voluntary and restricted to India.

- **Monitoring & success criteria of the pilot:** during the pilot key indicators will be collected to evaluate the pilots. The KPIs / Indicators to be collected and evaluate are:
 - 1) Seed cotton sales volumes and value sold under the pilot conditions → to evaluate impact of new price model.
 - 2) # newly certified organic producers who joint the pilot → to evaluate the impact on organic farming incentive.
 - 3) # voluntary decertification (with reason for that) → to evaluate the potential negative impact on organic farming incentive.
 - 4) # Queries from brands about the pilot → assess the interest from Organic sourcing brands, wider industry. This would be anecdotal feedback to support the 1st indicator on actual increase in sales.

The collection of the indicators mentioned above will be under the responsibility of GPPP and NAPP and will be managed (lead) by Subindu Garkhel (Global Cotton Manager – Responsible/ Accountable) and Ranjith Kumar (RGM NAPP, with support from other team members like the Supply Chain Manager).