



Challenges and Opportunities of Organic in China

Global Organic Textile Standard (GOTS)

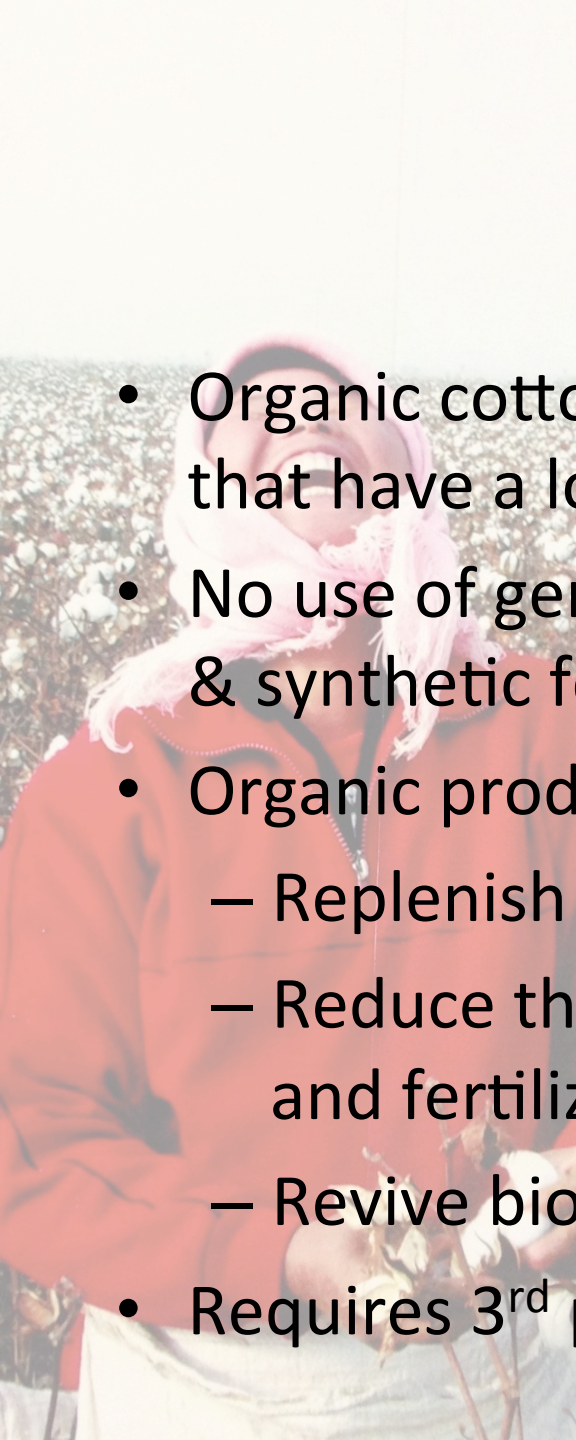
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Prepared for Planet Textile Shanghai 2013

What is Organic

- Organic cotton is grown using methods and materials that have a low impact on the environment.
- No use of genetically modified seed, toxic pesticides & synthetic fertilizers.
- Organic production systems
 - Replenish and maintain soil fertility
 - Reduce the use of toxic and persistent pesticides and fertilizers
 - Revive biologically diverse agriculture
- Requires 3rd party certification

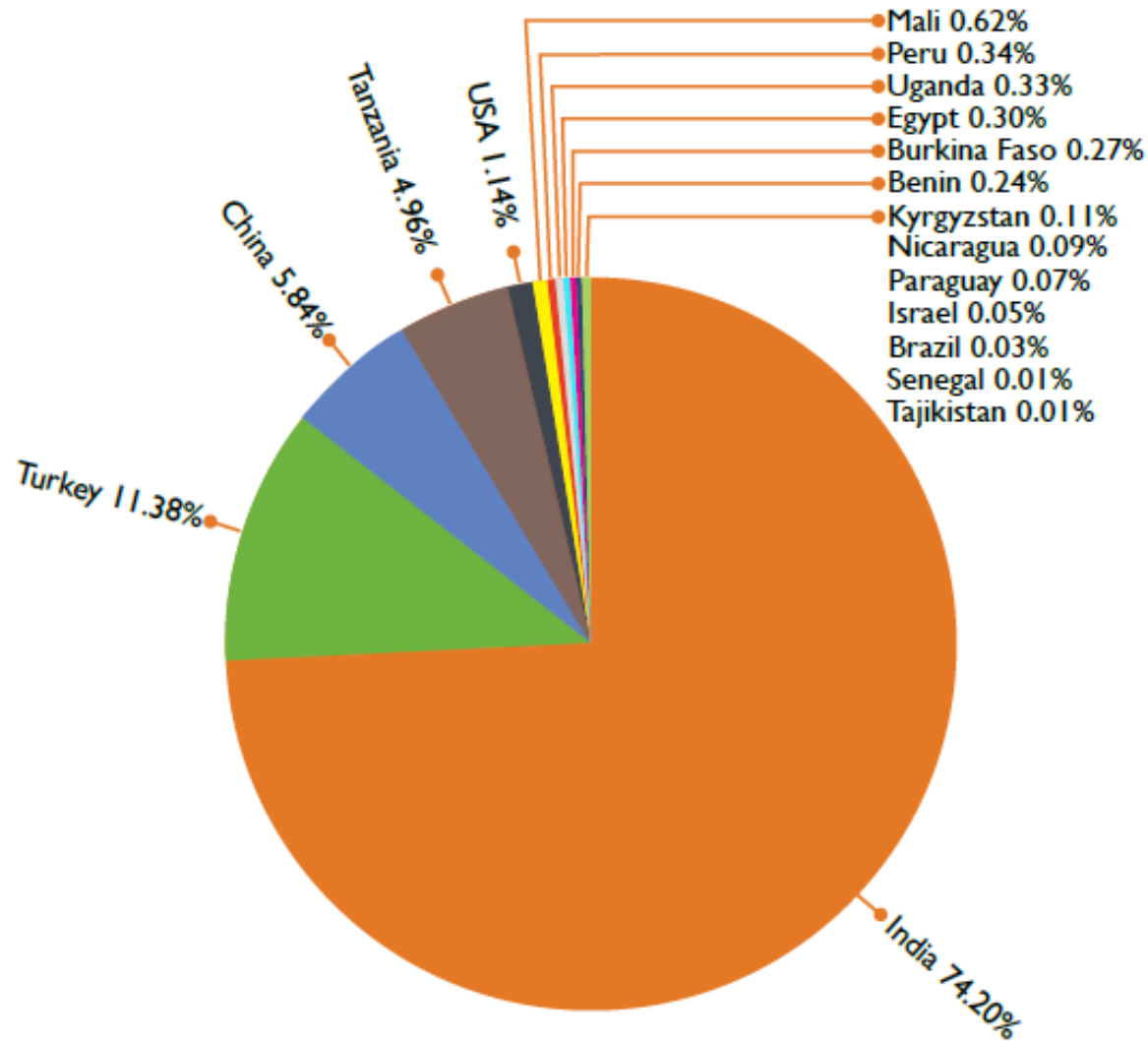


Have you cottoned on yet?

The Organic Cotton Initiative



Top Growers



Source: Farm & Fiber Report 2011 – 2012, Textile Exchange



Top Buyers



All each consumed over 2,000,000 pounds of organic cotton
79% planned to increase use of organic cotton in 2013



Benefits VS Hurdles



- Gives control to Farmers
- Market Premium or Minimum Price to farmers
- Better working condition
- Livelihood



- Access to non-GMO Seeds
- Higher Planting cost
- Limited Financial Capacity for Cert.
- Weather
- Pest Control



In China: Statistics & Reality

- 37,204 bales of cotton fiber grown on 4,218 acres in China in 2011-2012; 8,106 Mt. of fiber produced
- Ranked 3rd in the world
- Main players are Esquel & Mecilla
- Production is market-driven
- Lack of policy support
- Little price advantage

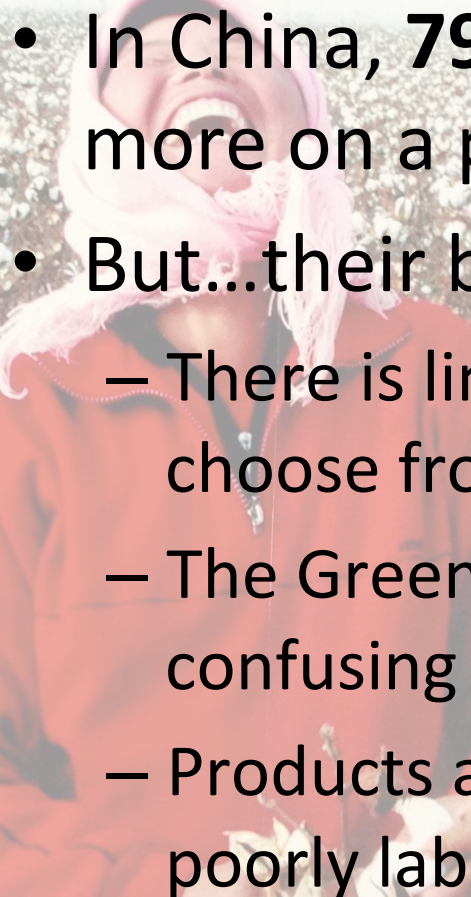


Certification and Accreditation Administration (CNCA国家认证认可监督管理委员会)

- Authorizes & Registers Certification Bodies
- Sets up standard in various industries
- Requires certification
- Issues Organic Certificate to crops including cotton
- Figures?



Green Consumer Market

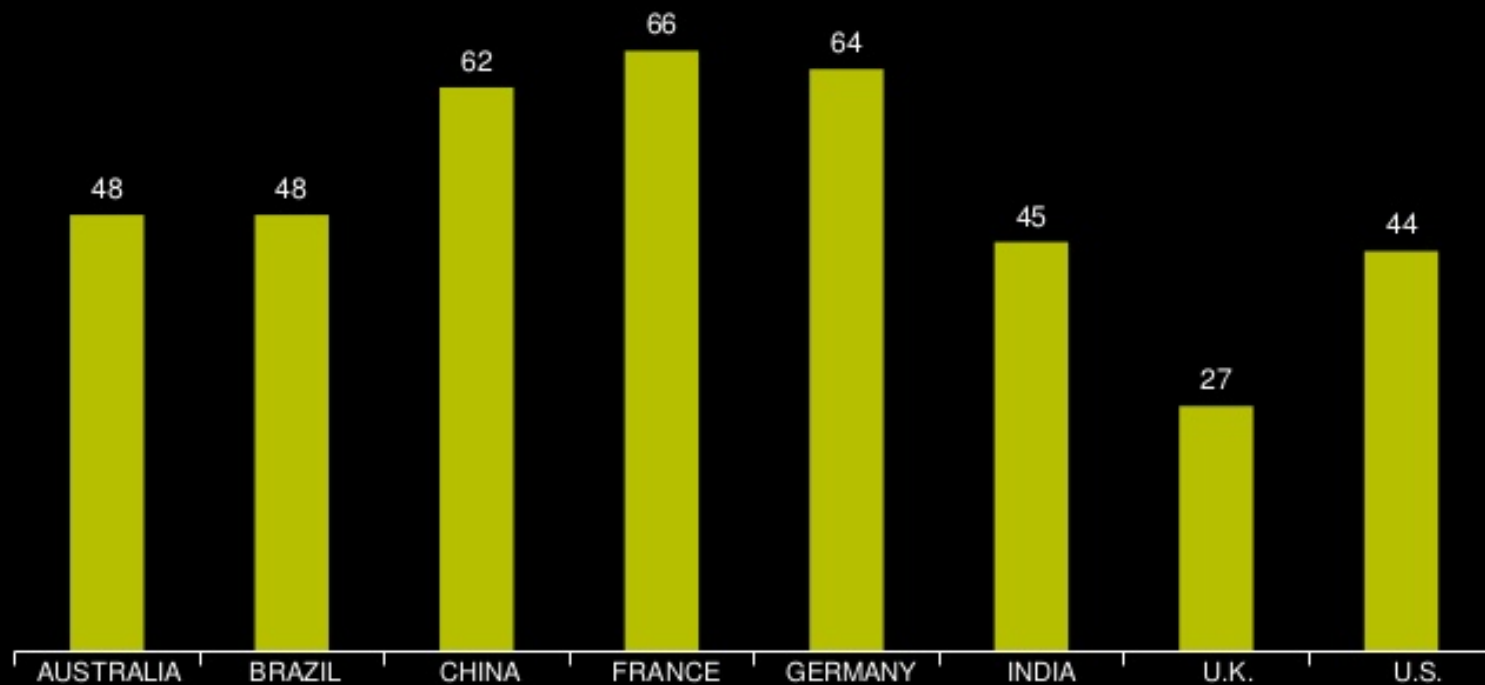
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- In China, **79%** consumers are willing to spend more on a product because it is **green**.
 - But...their biggest concerns are:
 - There is limited selection of items where to choose from
 - The Green Labeling or production information is confusing or not trustworthy
 - Products are difficult to identify because they are poorly labeled

Source: “Green brands, global Insights 2011” by Cohn&Wolfe, LandorPenn Schoen Berland, Esty Environmental Partners

GLOBAL OUTLOOK

Many consumers use certification marks to determine if a product is green, especially in France, Germany and China

How do you decide for yourself that a product is "green"?
Showing "I look for a specific certification mark"



Additional Supporting Evidence

1. Hong Kong Trade Development Council



“Survey on China’s Middle-Class Consumers” 2013

1,600 consumers interviewed in 8 cities

Findings: frequency of buying organic products has also risen significantly

76% agreeing that, “I am willing to pay more for products

green

2. BioFach China 2013



Special attention on organic maternity and baby products

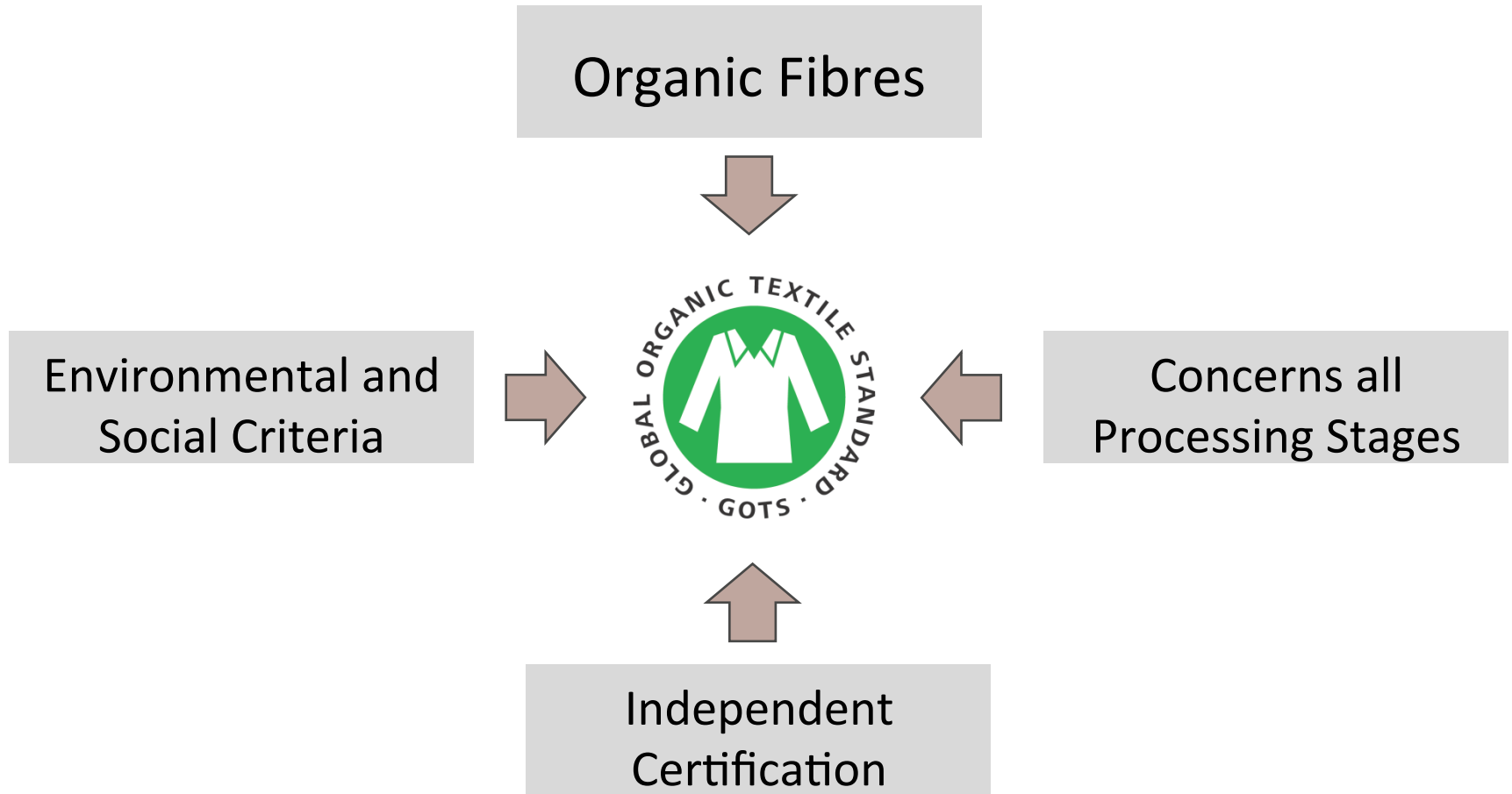
From organic consumption to organic lifestyle

Chinese consumer on Organic Apparel

- 37% price premium over organic – RMB 230
- Top Altruistic Motivations
 - Supporting organic farmers in China
 - Improving the environment in China
 - Reduction in the use of pesticides in China
- Top self-centered Motivations
 - Reducing me and my family's exposure to hazardous chemicals
 - Bring me closer to nature
 - Improving my health or the health of my family/ Reducing my risk of allergy and rash
- Recommendation to retailers
 - Communication is crucial – buy to be an organic consumer
 - Underlying connection also create motivation



GOTS Basic Features



Organic Labels

- What is covered?
 - ⇒ Supply Chain
- What is claimed?
 - ⇒ Content of the Standard
- Who is the Guarantor?
 - ⇒ Certification
- Can products be labeled?
 - ⇒ Character



Good Better Best



Requires use of certified organic fibres
Prohibits use of hazardous chemicals, protecting workers and environment

Certified to GOTS standard
- traceability of organic fibre content +
environmentally and socially
responsible manufacture

***"Organic" claims can
legitimately be made on products***



No harmful substances on the finished products
No forced or child labor (ethical working conditions, workers safety)

Certified to OE standard - traceability
of organic fibre content only

***"Made with organically grown cotton" claims
can legitimately be made on products***

Covers from field to finished products

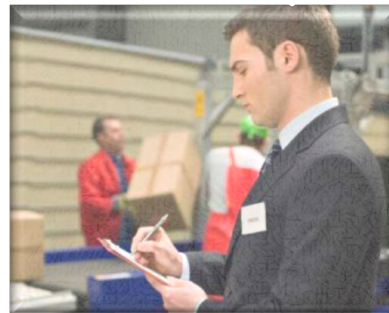
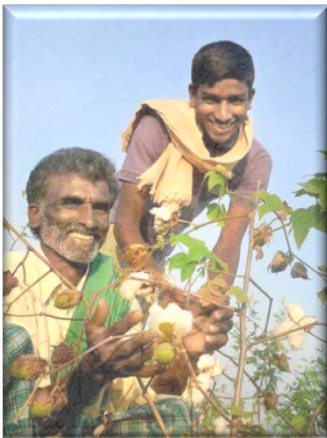


Certified Organic at farm level only

Any claims made will need to be able to be justified...

GOTS Serves Everyone

brand





Thank You