

Case Study Proposal

Texas Organic Cotton Marketing Cooperative / Organic Essentials company

A- Background

The Texas Organic Cotton Marketing Cooperative was founded in the Fall of 1993 by forty producers who “made a commitment to each other and the industry to work together to create a winning situation for producers, mills, and manufacturers.” The majority of the producers in the cooperative live within a 100 mile radius of Lubbock, Texas on the High Plains. The goals of the Cooperative are to provide a central contact point for raw organic cotton, stable and consistent supply of certified cotton, quantity and quality to meet custom specifications and timely delivery and arrangements for special shipment requirements.

One of the major challenges of the cooperative was to sell lower grades of cotton. They had to move lower grades of cotton on conventional markets, losing the organic premium. In order to create a market for these grades, two of the farmers in the cooperative started “Organic Essentials,” a company that manufactures and markets a brand organic cotton personal care products such as tampons, pads, swabs, cotton balls, cosmetic rounds and nursing pads.

<http://www.organicessentials.com/index.html>

B- Organization form and scale.

The Texas Organic Cotton Marketing Cooperative is a true farmer-owned cooperative. From the time of their start, the number of farmers in the coop has decreased to 25. They are the largest organic cotton marketing cooperative in the country with 10,000 acres. Producer's farms range in size from 6 acres all the way up to 3,000 acres. In 1991, the cooperative sold 400 bales on the certified market. The bale total for 2002 was 5,971. 2002 Harvest prices ranged from \$.95 to \$1.15 depending upon quantity and quality of fiber.

Other crops that are organically grown by our producers include various vegetables, soybeans, peanuts, corn, grains, sesame, alfalfa and wheat. Other products sold from the cotton fiber process are the seeds that are usually sold to dairies for organic feed. Occasionally the waste fiber from the ginning process (motes) is sold for paper processing.

Organic Essentials is a privately owned company. The TOCMC has “bought” shares of organic essentials by offering organic cotton below cost (although above the conventional cost) and so is part owner of Organic Essentials. Their products are sold at over 1,000 Natural health food stores, drugstores and pharmacies throughout the U.S. and Canada.

C Nature of products and the "value chain" (production, processing, distribution/marketing- including strategic alliances with other organizations)

This value chain includes the entire chain, from producer to consumer. The TOCMC is involved strictly in the marketing of raw organic cotton. Organic Essentials contracts the ginning and manufacturing of products, and then works with natural products wholesalers and retailers to move the product into stores. One of the elements of this chain is that it turns what was a liability (low-grade cotton) into a high value product. Historically, the raw organic cotton market has been very volatile, and several major US manufacturers who have made a commitment to organic cotton, such as Patagonia, have begun to source organic cotton overseas, undercutting the US producers. By controlling the product through the chain, they are able to gain access directly to the consumer market, which is much more stable.

D. Economics of the enterprise (pricing strategies, nature of competition/competitors; rough gross and net incomes for the enterprise and for enterprise members)

There are multiple levels to the economics of this enterprise / partnership.

E. Key opportunities & challenges engaged (strategies for recognizing and engaging opportunities and challenges)

The TOCMC did a great deal of work to steady the organic cotton market. Several years ago, they tried to work out a guaranteed fair price with buyers that would take them out of fluctuating markets, but found that buyers were willing to take lower prices when it went their way, but not to reciprocate when prices dropped. The youth and fluctuations in the market have been one of the biggest challenges.

Organic Essentials has grown significantly, but as a majority farmer-owned enterprise, they have had significant issues with raising operating capital. They have now developed a significant market, but lack the financing to grow to the next level, which would mean profitability. Much of the business has been financed with loans based on the farming operation, and they now must find investment capital in order to grow. This is a very difficult issue, risking the loss of control of the business, and therefore probably the benefits to the farmers involved.

F. Replicability in other settings (How adaptable is the enterprise to other settings? How generalizable is the strategy? What are the implications for sustainable agriculture and alternative commodity chain activities elsewhere?)

This combination of farmer cooperative and privately-owned business is probably as close to the model that we have been discussing as we are going to get. It features several of the elements that we have been discussing – farmer ownership into the supply chain, access to specialty markets, economic benefits based on environmental production practices, and mechanisms for family farmers to access markets together. These enterprises benefit from very energetic leadership and market analysis, and so provide a solid example. The challenges that they have faced are also faced by many enterprises of this kind, such as the instability of emerging markets and undercapitalization.

G. Research, education/demonstration, or policy changes that would strengthen the enterprise or similar enterprises (What inputs from research, education, or policy institutions were drawn on and found useful? What research, education, or policy inputs would strengthen enterprises like the one being described?)