

Striving to Resolve the Problems of Cotton Farmers in India through the Supply Chain

Pre Organic Cotton Program

Since the Green Revolution in the 1960s, genetically modified (GM) seeds and agrochemicals, such as pesticides, have been used in large quantities in India. As a result, the purchase and use of agrochemicals are imposing a heavy burden on the finances and health of cotton farmers, many of whom are impoverished. Aiming to improve this situation through business, in 2008 ITOCHU launched the Pre Organic Cotton Program. This section provides information about the amount of cotton handled through this program, which is growing each year, as well as the conditions of the farmers participating in the program.



What is the Pre Organic Cotton Program?

The Pre Organic Cotton (POC) Program, which has been jointly operated by ITOCHU and KURKKU Co., Ltd., since 2008, helps cotton farmers in India to make the transition to organic cultivation methods. The program aims to stop the vicious circle of environmental damage, health hazards, and economic burdens on farmers caused by agrochemicals and chemical fertilizers. To that end, the program includes giving guidance on organic farming methods and supporting the acquisition of organic farming certificates during a three-year transition period.

Expanding the Scale of POC Operations

Since the program was launched in 2008, farmers from 2,346 households have participated, and 1,184 of those households have acquired organic farming certificates. In addition, more than 40 companies, including apparel and natural cosmetics companies, have introduced products using cotton procured through the program, and in 2012 the program handled 1,000 tons of POC. The initiatives of major customers are expected to drive further growth in sales of POC and in the scale of the market, and in 2013 the volume handled is expected to reach 1,500 tons. The program aims to expand to overseas markets, such as Europe and the United States, with targets for 2017 of 10,000 tons in

volume handled and about ¥5.0 billion in sales. Through continued growth in the volume of POC handled, the program aims to enhance the living environment for more cotton farmers by increasing the number of farmers practicing organic cultivation methods in India.

	Volume Handled and Sales of Related Products	
2012	1,000 tons	¥300 million
2015	5,000 tons	¥2.3 billion
2017	10,000 tons	¥5.0 billion

Commitment to the Business Call to Action

Because it contributes to the Millennium Development Goals (MDGs)*, in 2012 the POC Program was approved as an initiative responding to the Business Call to Action



(BcTA). BcTA, which is a global initiative hosted at the United Nations Development Programme (UNDP), promotes businesses aimed at achieving both commercial success and sustainable development. As a result of this approval, the POC Program has enjoyed increased international recognition. The program is seen as an example of a successful inclusive business originating in Japan that fairly incorporates people in developing countries into the supply chain.

* Millennium Development Goals (MDGs): Eight development goals, such as eradicating extreme poverty and hunger, that international society will strive to achieve by the target year of 2015.

Comments from Companies Using POC

Linking to Business that Contributes to the Environment and Society

Awareness of environmental and social contribution is growing and in this setting I believe that in 2013 the market will be very receptive to cotton products that were spun using power generated by the wind. In April 2012, I visited India with the program manager from ITOCHU, and was able to confirm the conditions of the POC farmers and the wind power generation. We began sales of women's, men's, and children's apparel at the end of March 2013, and started sales of underwear in April. In 2013, we plan to sell one million units, and next year we plan to increase sales even further.



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On-site, Third-party Report

This is the report of an on-site investigation by Hidemi Yoshida, an associate professor at the Graduate School of Social Governance, Hosei University. In December 2012, Ms. Yoshida investigated the conditions of farmers participating in the POC Program in India.



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Recent research theme: Reducing poverty through CSR activities and social business

From the viewpoint of international cooperation, the POC Program has been highly evaluated as an example of a unique initiative targeting improved livelihoods and lifestyles for farmers in India. A general trading company has a number of strengths in terms of contributing to the support of farming villages in emerging countries. First, it is

not restricted by a budget that is available only for a specific implementation period, such as with official development assistance (ODA) projects. Accordingly, to the extent that a project is successful in terms of both business and development, there is a high probability that the project activities will be continued. Second, a general trading company can use its transactional relationships with large customers to expand the scale of sales. Consequently, there is a strong potential that support can be provided to more farmers in the future. On the other hand, what do the farmers think about this situation? In December 2012, I conducted an on-site investigation with the cooperation of Indian researchers.

In Madhya Pradesh, which has been a site for program activities since they were first commenced, Raj Eco Farms, which promotes organic farming, is responsible for promoting the adoption of technology for the POC Program and for sales of cotton. The field staff visit villages and recruit participants. Native varieties of seeds are distributed at no cost, and guidance is given on techniques of making fertilizer and insecticide using cow manure and herbs. Moreover, support is provided for receiving organic farming certification from the certification organization. In my investigation, I collected data on such factors as income / expenditures and lifestyle changes. This information was collected from 120 households that were participating in the POC Program and 60 households that were not participating. This made clear, on a quantitative basis, that (1) farmers participating in the POC Program substantially reduced their expenditures for cotton production goods (agrochemicals, fertilizers, seeds), (2) excess funds were allocated to improving housing, children's education, and paying back debt, and (3) more than half of the participants reported improvements in their health (especially pruritus, etc.).

Also, feedback from participants included comments that organic cultivation resulted in higher yields of all crops. There were hardly any participants who mentioned any of the drawbacks that are commonly heard in regard to these types of programs, such as lower crop yields or an increase in work. (Probably, these responses were obtained because appropriate organic farming techniques were introduced into areas where there was insufficient knowledge and techniques regarding traditional agricultural methods, and yields were low to begin with.)

The effectiveness of the POC Program, as described above, will likely be highly evaluated as an example of changing the status quo regarding the resolution of social problems in India. There is also the issue of suicide among cotton farmers who are struggling to repay their debts. This could be considered a symbol of India's poverty crisis. There are many cases where farmers have borrowed money at high rates of interest to purchase GM seeds, fertilizer, and agrochemicals, but with a poor harvest due to unseasonable weather or other reasons, they become unable to repay their loans and end up committing suicide. In the POC Program, the seeds distributed free of charge are native varieties, and seeds that are subsequently produced by the farmer will germinate in the following year, so the farmers do not face the expenses of purchasing seeds or agrochemicals. The fertilizer used in the program, which uses cow manure and other locally available materials, is less expensive than chemical fertilizer. The POC Program is taking the opposite direction from the Green Revolution, which involved the introduction of modern agricultural techniques, but I would like to emphasize that the program is steadily promoting stable livelihoods for the farmers.

Reasons for Participating in POC Program: Top Five

(116 respondents selected the top 3 reasons from among possible answers.)

Major reasons for participation	Number of responses	%
No need to purchase agrochemicals / fertilizer	85	79.3%
Seeds distributed free of charge	57	49.1%
Training in organic cultivation	47	40.5%
Reduction in production costs	42	36.2%
Increased yields for all crops	32	27.6%

Improvement of Health (Number of Respondents: 116)

	Overall physical condition	Cough	Headache	Dizziness	Condition of eyes	Condition of skin
Improved	41	21	25	21	9	63
%	35.3%	18.1%	21.6%	18.1%	7.8%	54.3%

Comments from the POC Program Manager

Connecting Farmers in India with Consumers

Five years have passed since ITOCHU started the POC Program. The number of farmers participating in the POC Program has steadily increased, but still we have not yet been able to help many farming families escape from a debt spiral due to their poverty. The POC Program is an activity that connects farmers in India, who are the producers, with consumers. In major consumer markets, such as Japan, Europe, and North America, these products will lead to increased awareness of the issue of poverty around the world and will promote change in society. We are advancing this program because we believe it is part of our responsibility to society as a company with strengths in the textile raw material trade, such as a long track record and key platforms.



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