

Documentary Report on Supply Chains

■ Vol.1 From Raw Cotton to T-shirts



PRE-ORGANIC COTTON PROGRAM

Introducing organic farming to resolve issues

In order to solve various problems caused by chemical fertilizers and agricultural chemicals, moves have been made to breathe new life into organic cotton cultivation through the use of fertilizers made from cow dung and other materials and insecticides made from plants. Together with Kurkku, ITOCHU is engaged in a Pre-Organic Cotton Program to promote the organic farming of cotton.

1. Project outline

This program was announced by ITOCHU Corporation and kurkku, represented by the music producer Mr. Takeshi Kobayashi, in approval of the initiatives of Mr. Rajesh Tanwar (photograph) of RAJ ECO FARMS, a support cooperative for farmer education. Mr. Tanwar is teaching organic farming methods and the advantages of organic farming to cotton farmers to persuade them to shift. With organic farming, only cow dung and herbs and trees which the farmers of India can supply by themselves are used instead of chemical fertilizer and agrochemicals.

After the shift to organic farming, it takes three years until a farmer is granted the "organic" certification. Further, production quantities drop by approximately 20% in the short term. The raw cotton in this intermediate phase before being authorized as organic is called "pre-organic cotton" and the drop in the production quantities compensated by a premium price. Supported by this framework, more than 600 farmers are currently participating in this program.

2. Role of ITOCHU Corporation

ITOCHU Corporation makes estimations on the sales quantities and a commitment regarding the purchase (support) quantity before the planting. Then, ITOCHU procures this full quantity of pre-organic cotton from Patspin India Ltd. (photograph). The risks regarding the sales quantity and market prices, etc. is borne by ITOCHU, which sells the raw cotton, cotton yarns and products that are made in many directions. The cooperation with kurkku in this initiative improves the visibility of pre-organic cotton among consumers.

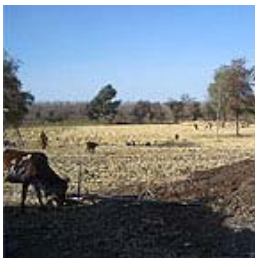
Cultivation

The cotton in the PRE-ORGANIC COTTON PROGRAM is cultivated by the farming households supported by Raj Eco Farms, the largest organic agriculture cooperative in India.

Farmer

Mr. Nanka, Umaldat village

"The best thing is that my skin does not itch any more since I have stopped using agrochemicals. Apart from cotton, I am growing wheat and corn, and I switched everything to organic cultivation."



Farming land of Mr. Nanka



Mr. Nanka(Front, right)

Mr. Patel and others, Boparupura village

"I was introduced to RAJ ECO FARMS by another farmer at the market. This is a village of 300 people, and 70% of them are now using organic farming methods."



Village houses with cows



Together with the people of Boparupura village

RAJ ECO FARMS — Guidance in organic farming and primary processing of raw cotton



RAJ ECO FARMS



Mr. Rajesh Tanwar

Mr. Rajesh Tanwar, Managing Director

"My goal is to generally improve the health and living of the farmers and the environment of the farming land, and to spread this throughout India."

Issues in cotton farming

The harvests in Indian cotton farming dramatically improved around the 1960s, when chemical fertilizers and agrochemicals were widely introduced. However, while the production quantities increase, problems are spreading, including a deterioration of the natural environment in the soil and skin or lung diseases caused by directly inhaling agrochemicals sprayed in excessive quantities.

From the economic aspect, the standpoint of farmers in the market is weak, and the reality for many farmers in India is that they do not have sufficient income, and that they cannot escape poverty even if their harvest improves because of a structure where the costs for chemical fertilizer and agrochemicals are too high compared to the income.

Spinning

Cotton spinning takes place at Patspin India Ltd., an environmentally friendly company that uses its nine windmills to generate the electricity it needs.

Patspin India Ltd.



Mr. Umang Patodia, Managing Director

"I agreed with the policy of Rajesh. In addition, this business is supported by ITOCHU Corporation earnestly trying to promote organic farming."



Cotton before spinning



Spinning machine



The company's wind turbine

 **Shipped to China**

Knitting fabric

After spinning, the cotton yarn is exported from India to China. The pre-organic cotton is knitted at weaving factories.



Knitting machine



Knitting machine



Knitting machine

Dyeing

The knitted fabric is dyed at nearby dyeing factory. (Care is taken to avoid excessive dyeing, to retain the texture of pre-organic cotton.)



Dyeing



Dyeing machine

Sewing factories, such as Shanghai Zephyr International Trading Co., Ltd. and Shanghai Chunchao Garment Co., Ltd., import the pre-organic cotton yarn to sew products through knitting and dyeing processes at nearby subcontractor plants. They take great care to avoid mixing the pre-organic cotton with normal cotton products.

Shanghai Zephyr International Trading Co., Ltd.

Mr. Yoshifumi Iwabuchi

President (photograph on the right)

"Checks and inspection visits from the CSR viewpoint by apparel brand companies from the US and other countries that place orders with us are frequent today. For companies of the apparel industry, social and environmental considerations have become familiar issues."



Shanghai Chunchao Garment Co., Ltd.

Mr. Hokan So, President

"The regional government in Shanghai is hurrying to promote environmental and labor-related regulations, also because of the upcoming Expo, and I think that all companies will work hard to respond to this."



The president standing next to a package of pre-organic cotton from PatSpin.

Issues in the factories

For this report, we visited spinning factories in India, as well as knitting factories, dyeing factories and sewing factories in Shanghai.

The textile industry is struggling with issues such as the reduction of the energy usage and the purification of waste water in the dyeing process, and the labor environment during the sewing process.

In China, the regulative management of companies by the national government and local governments is making progress every day. There is still a large gap in the level of the regulations depending on the region, but when looking at the large picture, improvements from both the environmental and the social aspect are made from year to year.

 Exported to Japan

We focus on cooperating with kurkku in marketing and public relations activities, helping customers understand the quality of pre-organic cotton and encouraging them to purchase the products. We also sell pre-organic cotton t-shirts through Itokin Co., Ltd., which supports the program.

Itokin Co., Ltd.



Mr. Tomohiro Suga

Director

"There has been a shift from an era where companies selected consumers to an era where we propose the sense of trust and comfort required by the customers. Itokin also supports the basic philosophy of pre-organic cotton, and we are continuing our efforts to get support from as many consumers as possible."

■ [PRE ORGANIC COTTON PROGRAM](#)

Impressions from the inspection visits and interviews



CSR Consultant,
The CSR Institute, Inc.
Mr. Tomohiko Yamaguchi

Mr. Tomohiko Yamaguchi from The CSR Institute, Inc. conducted inspection visits and interviews for us at each site from the farmers up to the sewing factories.

1. The supply chain in general

Many cotton farmers in India are illiterate and not skilled in economic bargaining. Also, many of them run their farm just with their family without belonging to any organization. These are some of the reasons for their disadvantaged position and the underlying cause for various problems.

Even if it takes time, I feel that it is most important to develop social systems and the like for basic education to let farmers learn agricultural methods that are highly productive and good for their health and the environment, enabling them to realize a proper way of living in the economic society.

Meanwhile, the processes after the spinning have regulations and so forth in place, so I think that the issues from the CSR viewpoint are small in comparison with the difficulties faced by the farmers.

2. PRE-ORGANIC COTTON PROGRAM

The base of this program is the education of farmers to promote the spread of practical organic farming methods. Listening to the persons involved, I gained a good understanding of the framework for realizing the recovery of the farmers' health, an improvement of their lives, as well as a recovery of the soil environment without contradictions.

Meanwhile, organic cotton production is labor intensive. To make sure that farmers do not discontinue their efforts, it is necessary that products from this cotton are sold at a certain quantity and at fair prices. I think that the key for the success of this program lies in whether the costs for the overall operation, including the tracing down to the commercialization, are accurately communicated to the consumers so that they understand costs and purchase these products on a wide scale.

I hope that this business is brought to success through the agreement of both the seller and the buyer side, and that the shift to organic farming is expanded in the future. In addition, I would also like ITOCHU Corporation to promote social and environmental consideration that reaches all the way back to the origin in all regions of its cotton business.