

# Small Farmer Participation In The Cotton Supply Chain

Vivek Vyas

Agriculture and Organic  
Farming Group India





What are major issues in supply and demand side of Indian cotton sector?

And what can the ethical sector do to help?

# THE SUPPLY SIDE

## Cotton Farming In India \*

- Cotton is one of the most important fiber crop of India and backbone of our textile industry.
- It accounts for 70% of total fibre consumption in textile sector, and 38% of the country's export, fetching over Rs. 42,0000 million.
- Area under cotton cultivation in India (8.9 million ha) is the highest in the world, i.e., 25% of the world area and employs seven million people for their living.
- Cotton productivity in India is very low as compared to world standards despite heavy use of fertilizers and chemicals to control insect pests, diseases, weeds and growth regulators
- Cotton cultivated on 5% cultivable land consumes 54% of total pesticides used in Indian agriculture, and in some pockets, the rates are higher than this, leaving immense ecological and human hazards as reported by World Health Organization.

## Cotton Farming In India cont'd.. \*

- Use of chemicals at such scale causes a lot of hazards, i.e., poisoning, pollution, bad soils and agro-ecology and poor profitability in cotton farming. This has basically prompted the interest in

**Organically cultivated,  
eco-friendly or 'green' cotton.**

- *\*[1] Organic Cotton Farming In India, A. T.P.RAJENDRAN, Senior Scientist, Central Institute for Cotton Research, Nagpur, B.M.V.VENUGOPALAN, Senior Scientist [Agronomy], National Bureau of Soil Survey and Land use Planning, Nagpur. C. P.P.TARHALKAR, Retired Principal Scientist [Agronomy], Central Institute for Cotton Research, Nagpur.*

## Cascading problems[\*] for small farmers

### Small farmers are most vulnerable because

- Small land holdings, low productivity
- Dependency on informal credit sources with high interest rates
- High production risks
- High price risks, no negotiation position
- Low quality awareness, high contamination levels
- Input risks

Production risks include the vagaries of nature like erratic rainfall, climate change etc.

Input risks include inadequate germination of seeds, ineffective pesticides, inadequate water supply.[2]

- [\*] Issues in Cotton production , N. Lalitha, Gujarat Institute of Development Research , Ahmedabad

# Social Exploitation

- Cotton farming has become synonymous with ecologically distressed agriculture. Occupational health hazards for whole farming families:
  - Young children working as labor in the field
  - Women filling up sprayers
  - Men taking up the spraying operations
  - Livestock feeding on the cotton seed -adding genetically modified organisms beside conventional synthetic toxins.
- Major areas of labour exploitation which have been so far neglected by any intervention including Fairtrade Labeling Organisation are seed production and ginning, which occur in unorganised sectors.

**THERE STILL IS CHILD LABOUR IN OUR FAIRTRADE SUPPLY CHAINS!**

# THE DEMAND SIDE

- Indian government's market interventionism has created a culture of dependency and low sense of responsibility in the rural communities.
  - small farmers are not organised to form a common platform
- In the supply chain from farmer to ginning, spinning, & fabric mills, dyeing, garmenting factory, brand, retailer and consumer every link is separated by specialised traders / agents, resulting in
  - lack of transparency, and “passing the buck” attitude.
  - leaving the raw material suppliers powerless in trade negotiations.

**THERE IS STILL NO PREFINANCING IN OUR FAIRTRADE SUPPLY CHAINS!**

# THE ETHICAL SECTOR

- Does this mean the end of the road for Indian cotton farmers?

## ANSWER is No

- A global **movement** on Organic Farming, Fair Trade and Social Accountability is taking shape.
- Standards have been developed by the sector, but **standards** alone do not automatically impact behaviour among all players and result in increased prices and profits for small producers.
- All the experiences and expertise of the various players involved in ethical cotton chains should be brought on to a **common platform**
- We need a **policy dialogue** for sustainable cotton farming involving companies, NGO's and governments.
- And we need pilots to try out **best practices**

# AOFG India

What does AOFG India do?  
and what do we need from the sector?



# AOFG India strategy and approach

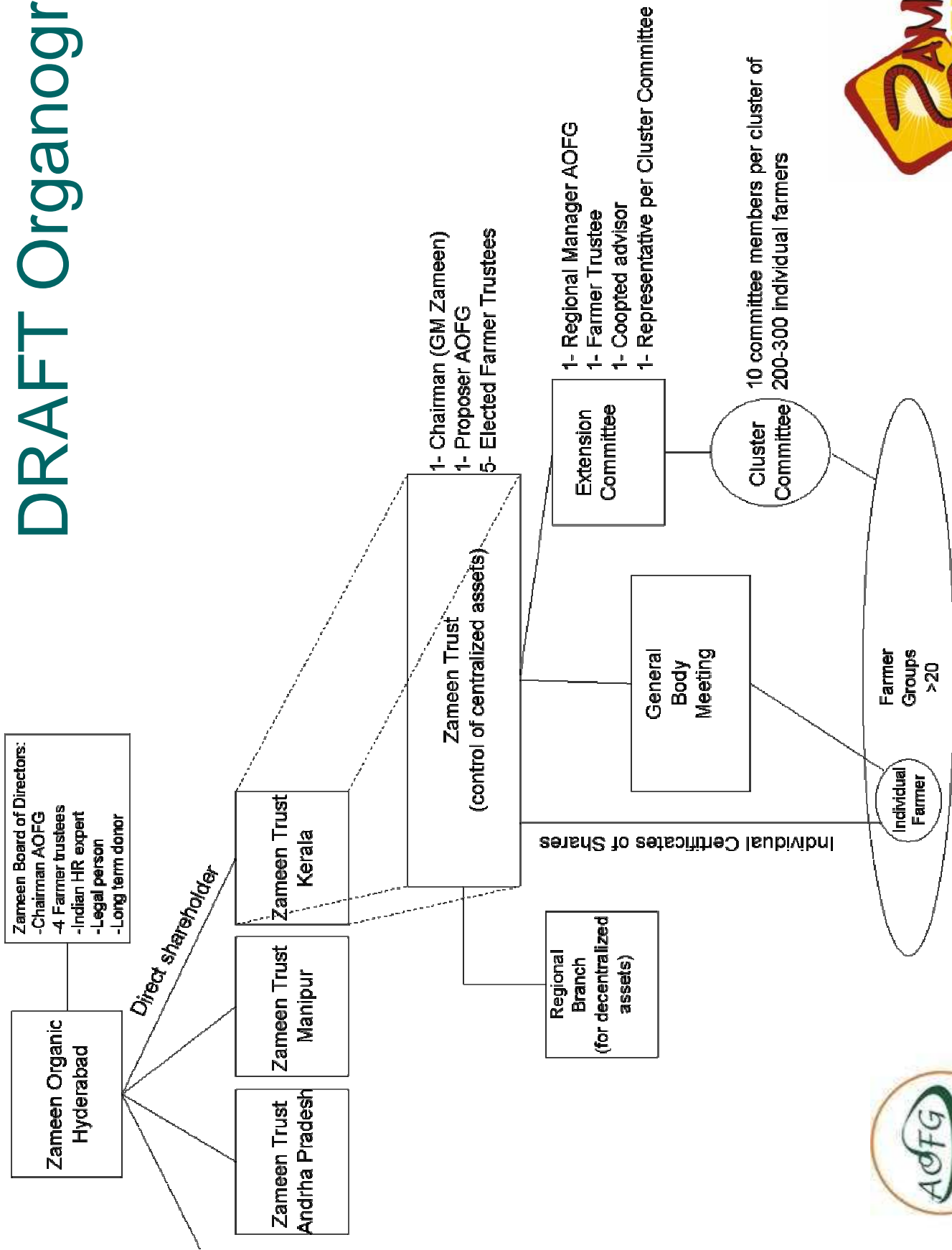
- Empower farmers to reduce their costs
- Empower farmers to choose their technology
- Empower farmers to organise their own organic & fairtrade certification
- Empower farmers to control their own processing
- Empower farmers to have their own company with professional managers
- Empower farmers to speak directly to consumers



# Agriculture & Organic Farming Group

- AOFG is a network organisation registered as a Trust.
- It has 35 member organisations, consisting of NGO's and CBO's (farmer organisations).
- As part of this project an elaborate extension system is set up, to be taken over by small farmer organisations.
- The farmer organisations are together owning up a processing and trading company called Zameen Organic (Zameen is Hindi for "Earth").
- AOFG is appointing the CEO and Chairman of the Board of Directors as well as having guardian status in the state level farmer organisations.

# DRAFT Organogram



## THE BUSINESS IDEA

- Constraints in sourcing ethically produced products from India, due to a low level of professionalization in the sector:
- **Unreliability** in supply chain cooperation
- Lack of access to high quality **processing** facilities for both farmers and small brands
- Lack of **quality** awareness in production and processing (contamination)
- Too little **R&D** in value added activities
- Narrow **range** of ethical products on offer and inadequate supply volumes
- Lack of reliable, trustworthy **information** about farmers and their products (track & trace)
- Farmers still no access to “*the consumer pound*”

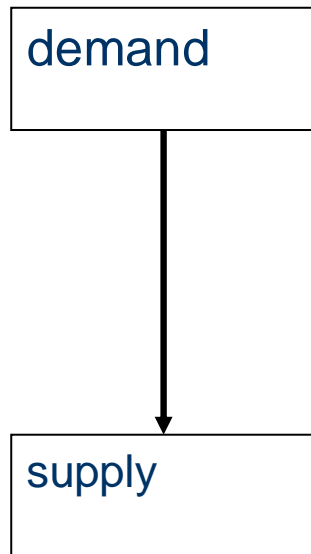
## Zameen services farmers AND brands

- help small **farmers** and **brands** understand each other
- offer brands improved **communication** tools to “tell the story behind the label”
- develop **wide range** of **high quality** products with farmers and brands together
- generate surplus for **small** and **marginal** farmers by investing in processing
- ensure **redistribution** of this **surplus** to the rural community in a democratic way

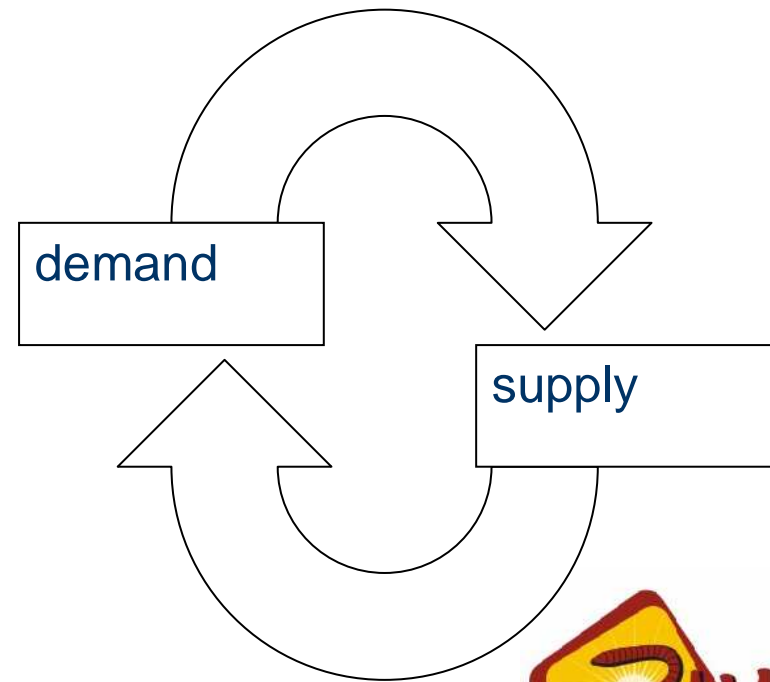


# Zameen's Supply - Demand partnership

supply chain approach (a), supply-demand partnership (b)



(a)



(b)



## Farmers pay Zameen through:

- **Fixed margins** on the gross income generated by value addition to their products will be reserved for predetermined funds – extension, quality control, village development, management of processing and marketing, etc.
- **Sharing of profits** realised after value addition and sales: e.g. assigning a budget for R & D, investing in new assets, hiring new staff, etc.



## Brands pay Zameen through:

- **Sharing investment** costs for product development / R&D
- paying a **premium** on the product price
- paying a **user fee** for our communication and track & trace tools
- **sharing the revenue** generated. In this regard we aim to introduce a novel way of redistributing margins in the supply chain: whereas premiums fixed on raw material attract increasing costs –each processor adding percentage upon percentage- we will charge on the basis of either on wholesale or retail level.

# Questions to our peers in the sector

- Most appropriate **institutional / legal** form?
  - District / State / Region? Trust / Pvt Ltd?
- **Willingness** of brands?
  - Share % of retail price in stead of farmgate?
- How to solve the issue of **child labour** in seed and gins?
- How to solve the issue of **prefinancing**?



THANK YOU

