

ITOCHU Corporation and kurkku: Supporting Transition to Organic Cotton Production in India



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Initiative Description

In August 2012, one of Japan's leading general trading companies, ITOCHU Corporation, and the sustainable lifestyle company kurkku joined the Business Call to Action with a commitment to improve the incomes and health of Indian cotton farmers through the Pre Organic Cotton (POC) Program.

ITOCHU and kurkku's goals:

- Scale up the POC Program, enabling 8,500 farmers in India to make the transition to organic cotton production by 2015; and
- Convert 30,000 acres to agrochemical-free land while improving farmers' health and increasing their incomes by 20 percent.



Business Model

Cotton occupies just 5 percent of all farmland in India, yet accounts for nearly half of the country's agrochemical use. Agrochemicals frequently used in conventional cotton farming create a financial burden for farmers and cause serious health concerns, including skin and respiratory diseases.

India accounts for 70 to 80 percent of the world's organic cotton production, but despite the tangible financial and health benefits of producing organic cotton, the transition to organic farming remains financially unfeasible for most farmers. Certification takes three years, during which farmers can experience 20 to 30 percent decrease in crop yields, besides cotton produced in transitional period is treated as uncertified cotton without any additional values. In addition to lost revenue, the certification process entails significant fees, which many farmers cannot afford.

ITOCHU – a trading company with 125 offices in 67 countries – runs the POC Program in collaboration with two Indian companies in Madhya Pradesh and Maharashtra States to identify

Through implementation of the POC Program, ITOCHU is able to integrate ecologically sustainable business practices in the supply chain, thereby maintaining corporate social responsibility.

Hitoshi Okamoto
Director and Senior Managing Executive Officer
ITOCHU Corporation

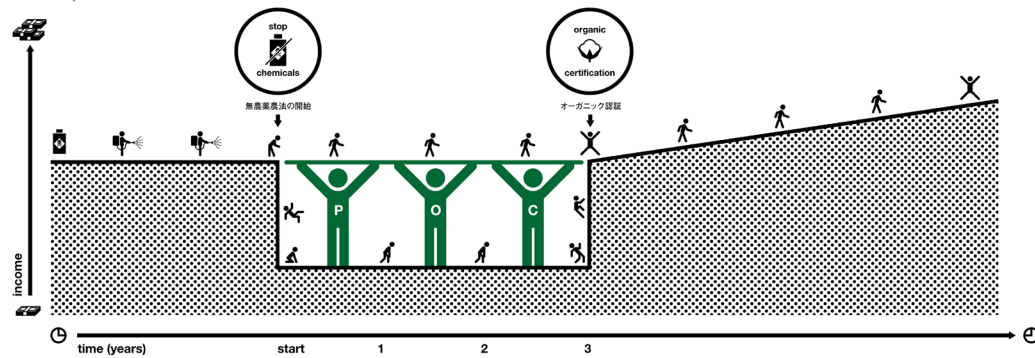
Since 2008, the POC Program has demonstrated clear benefits for people in need, and we have been able to build trust between the different program partners.

Takeshi Kobayashi
President
kurkku

farmers who are interested in converting to organic cotton farming, supply these farmers with the necessary training and non-genetically modified seeds, and get the farmland certified organic. ITOCHU provides guarantees it will purchase the POC through the two local companies at a higher price than farmers could obtain for uncertified cotton.

kurkku – the company that promotes sustainable lifestyles by selling eco-friendly products – links POC Program farmers with environmentally conscious Japanese consumers by promoting and selling POC to apparel brands. Through innovative partnerships such as this, kurkku is promoting consumers' preference for environmental sustainability, which helps to build a healthier future for farming communities in India.

Pre Organic Cotton program



Innovations

that improve lives

How it Works

Globally, organic cotton is attracting increased attention in the textile market. With 70 to 80 percent of organic cotton now produced in India, organic cotton from India plays an important role in the global market; however, organic cotton still makes up only 1 percent of total cotton production in India.

While the demand for organic cotton is growing, farmers face challenges in the shift to organic farming, including:

- a decline in yields by 20 to 30 percent during the three-year transition period;
- a reduction in income; and
- a burdensome organic certification process, especially for farmers who lack education and financial support.

To address these challenges, The POC Program was designed to support farmers by:

- providing purchase guarantees to farmers before seeding, and purchasing harvested cotton with a price higher than that of conventional cotton during the three-year transition period;
- assigning organic farming instructors to train farmers in organic farming;
- supporting farmers in obtaining organic; and
- providing farmers with non-genetically modified seeds.

ITOCHU and kurkku work with the local companies Raj Ecofarm, a cotton ginning company in Madhya Pradesh, and Deesan Industries, a textile company in Maharashtra. The two partners who have direct contacts with cotton-farming villages visit those villages and introduce the POC Program to farmers; interested farmers are selected to join. The local partners provide training to participating farmers on organic farming along with non-genetically modified seeds. They also get the farmland certified organic and purchase the cotton for sale to ITOCHU and other domestic buyers.

In addition, ITOCHU manages supply chains, performs inventory control and sells the POC to kurkku and other companies in Japan. kurkku promotes the widespread use of POC through its networking with apparel brands and at various marketing events.



Results Achieved

Since the POC Program was initiated in 2008, the POC has been harvested every year, and in 2010, the first group of farmers completed the three-year transition period to organic farming.

Business Impact

Since the initial phase of the POC Program in 2008, ITOCHU Corporation's annual sales of the POC in 2012 have more than tripled. In 2012, sales from the POC added USD3 million to ITOCHU's textile income with the volume of 1,000 tons. The expected 5,000 tons of POC produced by farmers awaiting certification by 2015 will further drive ITOCHU's cotton sales by USD23 million, and USD50 million with 10,000 tons by 2017.

In addition, kurkku's total sales increased by 500 percent between 2008 and 2012 as a result of the POC Program. The company added USD2.8 million to its sales in 2012 by the program.

Development Impact

Because organic farming does not require chemical fertilizer and pesticides, the living conditions of participating farmers have improved. Farmers also have less of a financial burden as they no longer need to purchase agrochemicals. Once their farms are certified organic, cotton prices increase and farmers' incomes gradually increase.

What began with 608 farmers in 2008 had expanded to 2,848 farmers by end 2012, with 1,184 farmers receiving organic certification in that year. The number of participating farmers is expected to increase annually.

Besides cotton farming, participating farmers use crop rotation for their own consumption and cattle feed, further benefiting from the chemical-free land. This land has continued to expand since 2008 to 6,700 acres in 2012, while organic-certified land reached 7,400 acres.



Key Success Factors

Providing support to farmers interested in organic farming

The POC Program provides supports conventional cotton farmers, who wish to transition to organic farming, by providing them training on organic farming and non-genetically modified seeds

Providing purchase guarantee to farmers

ITOCHU's volume and guarantee for the purchase of the POC provide farmers with greater financial security when converting to organic farming.

Transforming consumer market

With kurkku as a key partner, the POC concept has spread within the Japanese market, particularly among young consumers who support sustainable agriculture and its environmental benefits.

Next Steps and Spin Off Effects

ITOCHU and kurkku plan to scale up their partnership with Indian farmers, enabling an additional 6,000 farmers to transition to organic cotton production by 2015. The initiative will also aim to improve conditions on an additional 30,000 acres of land, which will be free from harmful agricultural chemicals, thereby improving the incomes and health of many more farmers. The two companies are also planning to expand the POC to markets beyond Japan, so that they can support more Indian farmers who wish to transition to organic farming.



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