

CSR Case Study: Maikaal bioRe®, India
.... giving the world an option of Green Garment

Maikaal bioRe (India) Limited is a registered company which was launched in 1991 by Remei AG, a Swiss cotton yarn company as its first organic cotton project in India. Patrick Hohmann of Remei AG initiated the project in 1991. Maikaal bioRe promotes organic cotton farming in Madhya Pradesh. The company is guided by business philosophies and principles of its mother company –the Remei AG that makes social consciousness and sustainability integral elements of its future-oriented thinking. Ecological and social problems existing within the textile chain are consistently addressed.

The bioRe organic cotton project occupies an area within a 50 kilometre radius of a spinning mill owned by Maikaal Fibres. The mill is located north of Kasravad in the west Nimar region of Madhya Pradesh, on the Narmada plains.

The Context:

Textiles occupy a pre-eminent position in India's economy; as with clothing, they account for roughly 1/3rd of our export earnings. The most important raw material for textiles viz. cotton is cultivated in 10 States in the country. About 40 lakh¹ farmers in an area of about 85 lakh hectares of land depend on cotton for their livelihood.

Indian cotton economy faces several problems. Production has not kept pace with the requirements. Despite years of research in cotton breeding and related disciplines, the country's production and productivity have shown signs of stagnation in the past five years. India's cotton economy is built around the farm and the grower. Unless the grower earns a reasonable return from cotton farming and continues to grow cotton, the textile economy will crumble.

Organic cotton farming, compared to Bt cotton farming and even conventional farming, is less economically rewarding because the yield of cotton per hectare is less in comparison to either conventional or Bt cotton farming. Under such circumstances it is really very hard to make farmers understand that organic farming is more ecological friendly. The cost benefit analysis is in favour of organic cotton farming than conventional farming as the direct cost of the pesticides and irrigation for conventional and Bt farming are very high. Whereas, organic farming requires less irrigation and saves pesticide costs. The ecological impacts of conventional farming as compared to organic farming are more disturbing. Despite all the benefits of organic farming, it is really very hard to encourage organic methods in the farming community. Farmers are more concerned about the immediate returns. The only issue that matters most for them is a bumper harvest. Clearly there is a need for affirmative actions to educate the cotton farmers on the cost benefit analysis and to build incentives to encourage them to take up organic cotton cultivation.

The effort:

Under the above circumstances, it is really interesting to learn as to how bioRe has been successful in promoting organic cotton farming in Madhya Pradesh. Without getting into outstanding conflicts against the BT cotton farming or conventional farming, the company focused more on the end of the textile chain i.e. the organic garments or green garments which are essentially manufactured from organic cotton and dyed with organic colour. Strategically, the label is promoted among the consumers which creates more demand for such products.

¹ One lakh is equal to one hundred thousand

Remei's intention is to serve the mass market instead of the echo-niche only. In searching for powerful and volume-generating customers for its organic cotton brand "bioRe®", the yarn retailer concentrated on the most powerful link in the textile value chain, the clothing retailers. One of its big deals was a long-term partnership with Swiss wholesale retailer Coop that decided to purchase high amounts of organic cotton. Afterwards, Remei expanded its activities to conclude contracts with other major European retailers. Today a lot of important retailers in the European market are interested in bioRe organic cotton.

An important feature of the bioRe project is that all resources needed for development and implementation are generated within the chain. The aim is to support small farmers to develop sustainable cotton growing systems, which produce not only high quality cotton fibre but also organic food for their families and for local markets. Going beyond the cotton fibre, the objective is to make high quality textiles from the yarn derived from an environmentally and socially sustainable system of agriculture and fibre processing. The project has established a complete chain of partners from field to finished product, from farmers to consumers. The final product should be accessible and affordable, and not aimed at a niche market or available only in 'alternative' outlets

An overview of local farming in Maikaal

The majority of farmers are small cotton growers, holding on average 2 hectares of land. Cotton is grown on about half the total land available. Heavy use of pesticides and fertilizers is common throughout the cotton growing area

A major challenge faced by the management of the company was to replace conventional with organic farming. Farmers were skeptical about the success of organic farming, as farming at that point was very much dependent on chemicals and pesticides. In April 1993, bioRe® conducted a participatory assessment for the project involving farmers, government extension workers, researchers and university professors. The study provided the basis for the development of an alternative system, which included the research and experimentation, training, democratic process for the innovation, adapted organic farming system, extension program, financial support, input supply, social fund and certification. For those initiating the project, the fundamental criterion was that farmers should not place their current income at risk but should improve it.

The experimental mixed farm is used to answer the agronomic questions of the farmers, which cannot be met by on-farm trials, and to multiply germplasm for green manures and cotton varieties. It serves as a resource centre for the project and meeting place for farmers and extension workers.

CSR at bioRe®:

The genesis of CSR at bioRe® goes back to the early 1990s when Patrick Hohmann decided to step into organic cotton farming to make the textile chain ecologically responsible. At that time, he decided that going natural was not enough: sharing with farmers the higher margins that ecologically friendly products command in the developed world was as important as shunning chemicals. The company's commitment to CSR originates from Remei's CSR policy, which is guided by the Managing Director's statement given in the backdrop of the business under globalization and states, "***Globalization, as we understand it, requires a willingness to accept social as well as ecological responsibility.***"

The philosophy of the company is "*to preserve life, to raise to its highest value life which is capable of development*". BioRe® has made CSR its core business and therefore integrates the following three guiding principles:

- The entire production process is subject to clearly defined and certified ethical criteria

- The value chain from cultivation to customers is transparent
- An added value is to be generated for each partner – from farming to sales.

The CSR practices at bioRe® are governed by five principles – organic cultivation, fairness, ecological processing, quality and transparency which have been represented by bioRe® label on all its products. The company is committed to match economic interest with ethical responsibility along the entire textile chain. The bioRe ® textile chain is integrated and transparent from cultivation to retail.

For bioRe®, keeping afloat in the business was rather more challenging. At each process level throughout the value chain, the company had to compete with established and proven practices of modern & highly mechanised businesses of its own sector. In particular, productivity, cost of production, availability of materials and the cost of finished products are competitive and appear less expensive in the conventional setup of garment production compared to organic production methods. Under such a challenging environment, the company was not distracted from its business principles, rather focused more on socially and ecologically responsible systems that are robust. Therefore, it integrates the best and improved practices and links them with the growth and sustainability of the business. The added advantage of the company's product is that it is ecologically responsible and leaves fewer burdens on mother earth. BioRe® has made corporate social responsibility its core business and promotes a garment trade which is ecologically responsible. In addition, the production of cotton through organic farming provides the following:

- It guarantees long-term soil fertility, the farmers' most important livelihood base
- Farmers are no longer intoxicated by pesticides and benefit from additional, healthy food crops as a result of crop rotation
- Families can escape the vicious cycle of debt, since they no longer need credit to buy costly agrochemicals and pesticides.

The farmers engaged in organic cotton farming are treated as partners. There are 1200 farmers in Maikaal practicing organic cotton farming and are committed to transform the farming practices completely. In order to make these farmers competitive, bioRe® provides the following support services:

- Vocational training and advisory services in bioRe® Training Centers
- Certification, coordination, and financing
- Long-standing trade links with purchase guarantees and premiums of up to 20% above market price
- Support of community projects and loans for infrastructural development (e. g. drop irrigation, water well drilling).

Since cotton farming is labour intensive, there are many tribals and landless farmers who work on the farms as agricultural labourers. These workers are part of the bioRe ® chain. Different development activities are planned which improves their working and living conditions. In consultation with Ekta Parishad, a people-based land rights movement, the company is working to improve the socio-economic condition of these families. Similarly every year an "Open House Day" is held for customers, producers, farmers as well as family members to meet as constituent partners of a value chain

Compliance and CSR standards:

bioRe® has developed a separate CSR standard that assesses & measures the internal practices of the company. Each process stage is inspected and certified according to the bioRe® standards. Even during cultivation, the organic cotton is inspected by bio.inspectors under EU Regulation 2092/91.

The company is complying with all labour, human rights and environmental laws. Also, it is meeting all legislative requirements related with the product segments. SA 8000's social standards are already in practice. There is no child labour engaged in the processes of the value chain.

In addition to the above-mentioned, to promote organic cultivation and to support needy farmers the company has established the bioRe® Foundation. The objective of bioRe® Foundation is to improve the working and living conditions of cotton growing community. The Foundation undertakes activities in all respects: providing relevant training, supporting farmers by arranging seed capital for farming activities, and developing social infrastructure, which is inadequate in the villages. The Foundation also undertakes the fundamental needs of the poor farming community and supports activities related to education, health and nutrition.

The Foundation has also established a **bioRe® Association** in 2002 which essentially delivers social projects. The bioRe® Association is an organization of the farmers of which all bioRe farmers are members. The board of the association consists of farmers and staff from Maikaal bioRe®.

Although the bioRe® Association undertakes various projects, it aims to support farmers and thus provides interest-free credit for developing infrastructure such as biogas facilities, vermicomposts(organic fertilizer), irrigation facilities, water tanks, provision for safe drinking water, afforestation as well as other types of infrastructure projects.

Conclusion

The BioRe® chain is now functionally complete with highly capable and committed partners which include farmers, a ginnery, a spinning mill, knitting factory, clothing manufacturing companies including Calida and Sidema in Switzerland and Rakatl in Germany, and retailers. Meetings with all partners involved in the chain have been important in allowing the European links in the chain to become familiar with the farmers' problems. The meetings serve as basis for good cooperation and dialogue on matters related to product quality and price.

Taking into account the heavy dependence on agrochemicals in the cotton production systems of the area, a breakthrough has been achieved in overcoming the technical and structural difficulties. The cotton/pesticide relationship is weakening in the project area because farmers now see that it is possible to grow cotton in a different way. The next challenge is to maintain nutrient levels in the soil for optimal crops. The farmers are themselves leading for the further development of the system through individual innovation and creativity. Farmers are rediscovering confidence in their own knowledge, as well as the respect their forefathers had for their land. They have taken control of their own resources and are managing to maintain their farms on a sound financial basis with a 'progressive' outlook.

This initiative demonstrates that farmers are ready and willing to change. However, they need well-structured support in the early stages of conversion. The consumer can contribute consciously and directly by supporting such enterprises and thereby developing more sustainable livelihood options.

The company focuses on the long-term outlook and is confident that it can advance the movement of bio-products more popular by making CSR its core business, providing bioRe with its competitive advantage. By developing consumer awareness about the larger positive impacts of such products on environment and society, the company ensures its own sustainability.