

Cotton Farming & Textiles

CONSULTATION AND STATUS REPORT

SELCO FOUNDATION

INDIA - MAY, 2020

Based on consultations held with practitioner experts in the cotton farming and textile value chain in India on 20-21st May, 2020

This document is the result of a Consultation Sessions held between the SELCO Foundation staff and prominent experts and practitioners in the cotton farming and textile value chain. The discussion took place covering the challenges across three key aspects- the effects of COVID-19 on the practice and market, main challenges in the said value chain and the ecosystem of solutions which can be devised to overcome them using technology, finance and linkages. The consultation was held with the following people:

Mr. Channu Hiremath

Cotton Production Consultant, WWF India

Mr. Swaminathan

Vice President , Organic Farming
Association of India (OFAI)

Mr. Anshul and Ms. Prerna

Urmul

Mr. Sundarraj

Motherland Cotton

Mr. Benudhar Pradhan ,

Development Officer,
KVIC- Kalahandi. Odisha

Lockdown

Cotton Farming

Mr. Swaminathan

Vice President , Organic Farming Association of India (OFAI)

In Tamil Nadu cotton is cultivated during South west monsoons which will start in June (second round) and the north east monsoon (first round). **Cotton prices for sales of the first round have dropped.** The minimum selling price, both for long and short staple cotton has fallen - with collection at 25 - 30 INR a kg. **The exorbitantly low prices have forced farmers to feed their produce to cattle.** Farm labourers are not readily available as .National Employment Guarantee Scheme has started. Transportation is also an issue. Ginning centres are closed.

Cotton Farming-Textile Integration

Mr. Sundarraj

Motherland Cotton

We are trying to protect farmers by giving grocery materials and half months salary in advance. We have also supported 16 weavers by giving them one months payment in advance and groceries and medical supplies. The morale of weavers has fallen and since two months there has been no work done. We tried providing yarn to generate weaving activity though the weavers are not responding as they are deeply affected by the ongoing crisis. We need to restructure our team and plan ahead. We are currently trying to secure market linkages for the incoming diwali festival. Some people are willing to give advance payment for services where 200 families are linked to weavers and tailors.

We need to wait for another 18-24 months to stabilise our orders and business. We are not very sure where the new markets will come from. We rely on exports and Italy, Germany and other countries in the EU have collapsed and they were huge buyers of Indian material. Moreover, clothing is being regarded as a non essential expenditure which people are not ready to make due to the crises. The falling prices have forced 20 farmers sell off their cotton to the market before lockdown out of fear and emergency. For the next season we have given seeds to 6 farmers who will start sowing in June- July. We are planning on how to support them with awareness, business plan, and linkage.

Farmers and weavers need loans from govt or pvt banks as they have had no savings and get paid on a daily or monthly basis. The government is saying rations are given but people are not getting it. Since the past 3 months they don't have food, hence they will also need some capital for school fees and other future domestic expenses. I am planning to sell my own land to protect the people with some capital. **We approached some banks who keep saying they will try but we cannot trust them. Schemes are there for MSME so we are trying to apply for it. We have registered both pvt ltd and a trust.**

Textile

Mr. Anshul and Ms. Prerna

Urmul

PRODUCTION

We have had 3 months of no work, nothing has moved. There are no raw materials, hence no output and no sales. Moreover previous orders are getting cancelled and delayed. Our artisans don't care about the healthcare aspects of COVID since the economic aspect is greatly burdening. **We procure our raw material - yarns from the regular market as the hand spun yarn in our local areas doesn't work** due to the dryness in air and quality that market demands. procure from market. We thus procure from Delhi and Ajmer, linkages to which are blocked. Our looms are parts broken down, probably due to lying idle. **Weavers who stay in other villages and travel to the unit are not able to attend to their livelihoods.**

The value chain from procurement of yarn to finished cloth within urmul ecosystem is complex - with turn around cycles in the range of 3-6 months. **This disruption in our cycle is not going to smoothen out with lockdown being lifted and will continue to be a sustained problem till december. By mid june we would have run out of raw material with out work in progress. Our orders will come in but production capacities wont be enough.**

MARKETING

Even if in the 3rd or 4th stage of the lockdown, the markets open up no one will participate. With no exhibitions, and the absence of collective market selling places for a year, large markets will be lost. Are the artisan groups ready to sell online? They are not. Even if they are able to set this up, how many people will buy? Market and incomes for consumers have also depleted.

We are unsure of how export markets are going to be impacted - currently the premium value chain has taken a hit. We are reconsidering our product lines for this market as our current production chains have stopped. **Export channels are are much longer than domestic and local ones and they have not stopped but reduced drastically. However, it is still moving in comparison to our domestic markets. More growth in exports may take place.** Organisations like IKEA and others committed to moving their as they have already paid for their orders.

BUSINESS PLANNING & FINANCE

This crises has forced us to think on the lines of realigning proposals requesting for transforming collectives from trade market practices to tech preparedness. Now, only those who are capable and investing are going to survive, the systems are not ready and the artisans will suffer. **The crises will further affect a lot of our current planning & key investements - with business models, and human resources all compromised. Plans which we had made earlier were with certain assumptions which have now changed- example: urmul seemanth - pitched to Ministry of Small and Medium Scale Industries and won a grant for setting up a dyeing unit via grant cum loan model. This was based on an assumption of growing demand of natural products which is not going to be relevant anymore in our economy as surplus incomes wont be spent on these products. This new investment puts on a new kind of liability proving to be a bad investment.**

COVID 19 in the Cotton Farming Value Chain

Mr. Channu Hiremath

Cotton Production Consultant, WWF India

INPUT CAPITAL & SEEDS

In the current input supply chain, farmers don't have any stake. To give the smaller farmers more of a choice, the current systems of supply of input like seeds and fertilisers will have to be replaced. Further, farmers groups can be made well versed with the cost of the seed, comparison of seeds and further calculations so they manage their money effectively. They should be monitored and their ideas should be encouraged.

In the case of hybrid cotton farming, a cluster of approximately 100 farmers can be selected and the best suited hybrid variety can be selected. Programs like this have been encouraged however middlemen and traders mix the seeds with other varieties affecting the produce.

PRODUCTION & STORAGE

Hybrids are encouraged as other varieties give very poor yields. Seed costs for non BT have now heavily increased with 1000 INR for 450 grams and may not be viable. One would need to make the selection of the appropriate seed suited for the area and build supply chains locally.

PROCESSING

We are currently working with 6000 farmers in Madhya Pradesh where we are converting some land to organic cotton growing lands. Here it would be extremely beneficial to farmer to have a ginning machine so that seeds can be recirculated back with the community. They had tried this model before for a period of one year where 25 quintals of cotton was procured - which after ginning came to 1200-1300 quintals seeds and got good organic lint. Linkages for these were built in Tamil Nadu from where it was further sent abroad. This model can work with poor farmers anywhere if market linkages for organic cotton exist. This model is more beneficial in the organic cotton space than BT cotton as that system is well in place with pre-established ginning mills and systems.

In Madhya Pradesh however, only 2 percent grow organic cotton. Thus, most of the ginning mills are dedicated to BT Cotton. To help increase the incomes of farmers working with BT Cotton, the ginning unit's role in the chain would need to be assessed and replaced with a more decentralised system, or one with more information. **In the case of cotton, yard sales don't take place, only the ginning point would decide the price of cotton based on international trends and storage capacities, there should be more awareness building on the pricing of produce and ways in which it can become more democratic - as well as bidding on produce through which this can be facilitated. If farmer doesn't know rate of seed and rate of cotton, they will remain oppressed.**

In another location of Ranibennur - buyers have their own units in Agricultural Producer Market yards where farmers bring cotton and purchasers take them to mills. Here, village communities should themselves collect and aggregate the cotton and take them to ginning units for price negotiation and better prices with volumes.

Co-operative mills have been successful in the past for other aspects of the value chain. For example in Davangere, Karnataka, yarn making communities were flourishing but later started depleting after challenges with the externally sourced cotton linkages. If they sourced local cotton by identifying small farmers, processing and taking the yarn it would lead to overall development of the region.

There are also opportunities in processing cotton by-products - **SIRCOT in Mumbai has done a lot of work on cotton stock to make cardboard. Farmers could have a small unit with 500-1000 farmers contributing their stalks through which they can carry out this process.** This stalk would be otherwise burnt on the field and now will fetch them good money.

MARKETS

To develop markets and clusters for cotton processing, one can look at where assured markets lie and build backwards from there. **For example, Ikal saree makers in Karnataka require a steady supply of yarn and cotton is grown in the immediate region. Here farmers could be identified and lined with the saree weavers via a processing and spinning.**

COVID 19 in the Cotton Farming Value Chain

Mr. Swaminathan

Vice President , Organic Farming
Association of India (OFAI)

INPUT CAPITAL & SEEDS

Control over seeds has to be with the farmers and they need to be given choices. In the past we have got seeds, distributed these to farmers for cultivation, ginned the produce, got seeds back and sent back to farmers. - farmers are now sharing seeds amongst each other based on who needs how much. It is slowly starting. Now farmers either goes to agri clinic or depends on merchants based on loads. There is no other institutional support for seeds. Hybrid seeds are not provided by the local agricultural university and would only come from private companies.

To ensure a steady supply of seeds, ginning systems are critical.

There are more traditional systems still prominent as well in North Karnataka where short staple cotton is sold in Anigeri market. The seeds are reused, the waste is fed to cattle - this model can be looked at. It is 100% non BT cotton - Jaydar and Suyadar cotton.

PRODUCTION & STORAGE

Farmers have local storage systems however there are bugs coming. We should take up cow dung based system of storage. There will be labour going into it, it can be a local chain with local participants. It can be as local as a 100 km radius and not even a full district.

In most cases however farmers would like to sell immediately and wouldn't like to store for a long time. Cotton if stored for a long time, can lose its weight. As of now there has been no intervention for storage keeping a lockdown in mind. Unlike other crops, cotton can be stored at home. A particular region can also have a common storage facility. However, it is only during a pandemic that this need has come up drastically.

PROCESSING

The **problem here does not lie solely with the ginning community but also because cotton prices are an international factor - the MSPs are fixed on that basis.** Farmers however many a times sell below the MSP. Moreover, there are no specialised mills for non BT cotton, so at the processing stage there is a good chance it would get mixed.

Many farmers today only have the option to drop their cotton at ginning factories in stores and take smaller amounts of money in return. The same cotton can actually be used for local production itself however centralised processing is the issue. Groups of farmers over 25 acres can be created to set up decentralised processing centres to produce lint cotton from raw cotton. This would provide the much needed benefit to small farmers. Some areas can thus be identified to pilot decentralised ginning units. The collective or entrepreneurs can sell seeds and inputs and collect cotton from farmers.

In some places ginning factories for a 20 km work directly however for larger catchments middleman who sells to ginning factories at a margin. The problem is with the system, and not with ginners. The intervention has to be decentralised socially as well. After a pandemic, people are realising the value. **People who export for fashion brands in Tirupur are suffering. Brands relying on domestic consumption are still surviving.**

We need to build cases of such models who are practicing decentralised models. Small interventions can be carried out - small collective of farmers with a small ginning unit. If it wants to be bailed or unbailed - different forms of processing - both can both work. **Only way possible for the scale we are looking to reach many small and marginal farmers is that they will become processors and sellers as well, where they also have linkages for spinning yarn.**

The idea of such a system was initiated by Khadi. However today, even khadi concept is not functional entirely and has to be taken forward. You have an area growing cotton, collected and processed there and made as yarn. Financing can be carried out for and through these units and clustered approaches can be taken up.

MARKETS

To develop this industry **further appropriate technologies would be needed for short staple cotton as this cannot be put into big mills.** Due to the lack of technology, produce is being sold to vendors at throwaway prices.

Working capital and additional marketing planning for clusters is needed as well. **There is a market where people buy for the cause of handloom or organic however this market is scattered and not organised. The products have to reach to multiple strata of society from the marketing perspective and not be limited to the elite.** For this planning has to happen along with capacity building for new designs and product lines.

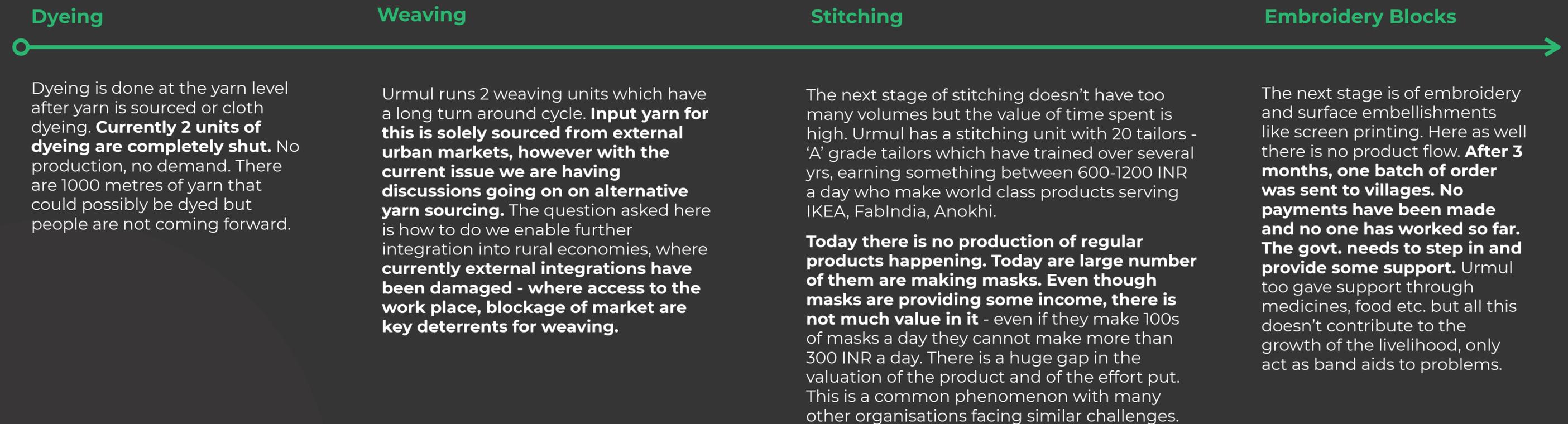
To extend this khadi model and brand - new strategies are being devised. The Khadi mark can be used only by the KVIC and others are not allowed to use it. There is a concerted movement on an umbrella brand that can be used by more industries.

Currently all circular economy models and interventions are more suited to the business of cotton rather than for the villagers and farmers, which needs to come in. The governmental Khadi movement as well is taking cotton from merchants and not from farmers. They can start collecting from farm groups instead to support them.

COVID 19 in the Textile Production Value Chain

Mr. Anshul and Ms. Prerna
Urmul

The urmul crafts production value chain, further divided has components ranging from weaving to dying to stitching to surface embellishments - across the regional blocks where the support functions are operating. As the base weaving system is affected, a lot of the upward points are affected as well.



COVID 19 and Financing for Textiles

Mr. Anshul and Ms. Prerna
Urmul

The structural issue of the textile Industry

The government has been strongly pitching and talking about MSMEs. If you look at crafts you are still talking about a huge unorganized sector - like bamboo, pottery etc. In trades such as these there is no access for them to avail moratoriums and loans.

Moreover a lot of structured craft collectives are not social enterprises. In North East, Central India, Himachal Pradesh and Rajasthan - craft collectives are largely organised as Trusts, NGOs or Societies - not MSMEs technically. They may not be a registered pvt. ltd. but collectives such as SHGs could be 5-15k a month earners. **The share for organised production, marketing & financial effort going on are efforts made through soft funds via NGOs and Trusts like our own - Urmul seemat or urmul marusthali bunkar sanstha which are both registered under societies act and none of them are registered MSMEs. With the current development support offered, none of our associated enterprises and organisation will be able to garner support.**

Being registered as an MSME is something that Urmul seemath has been deliberately doing, to operate differently and not as a conventional business as the margin it is drawing is not of a business. Humple equity premiums and artisans incomes wont be secured under a businesses point of view. But now the problem of not being able to get support is larger. We now cannot use debt facilities, cannot incubate as startups, cannot utilize govt schemes. This problems are going to be multifold. We need to act in areas beside short term support like in policy advocacy - where organisations with common interests, involving multiple stakeholders need to make a concerted effort towards inclusion of such communities. In terms of investments and capital we need to open an allaince which looks at all these stakeholders - social enterprise funds while also considering trusts and societies. We need to look at how social change efforts made by these organisations is being measured. Consultation and discussions regarding this subject are missing.

Going forward in the short term the only way is immediate relief: where funding agencies, philanthropies need to provide grants. There will be a huge problem otherwise. In the medium term the system will have to start reconfiguring - like focus on digital preparation, technical capacity building and handholding.

Mr. Benudhar Pradhan ,
Development Officer, KVIC- Kalahandi. Odisha

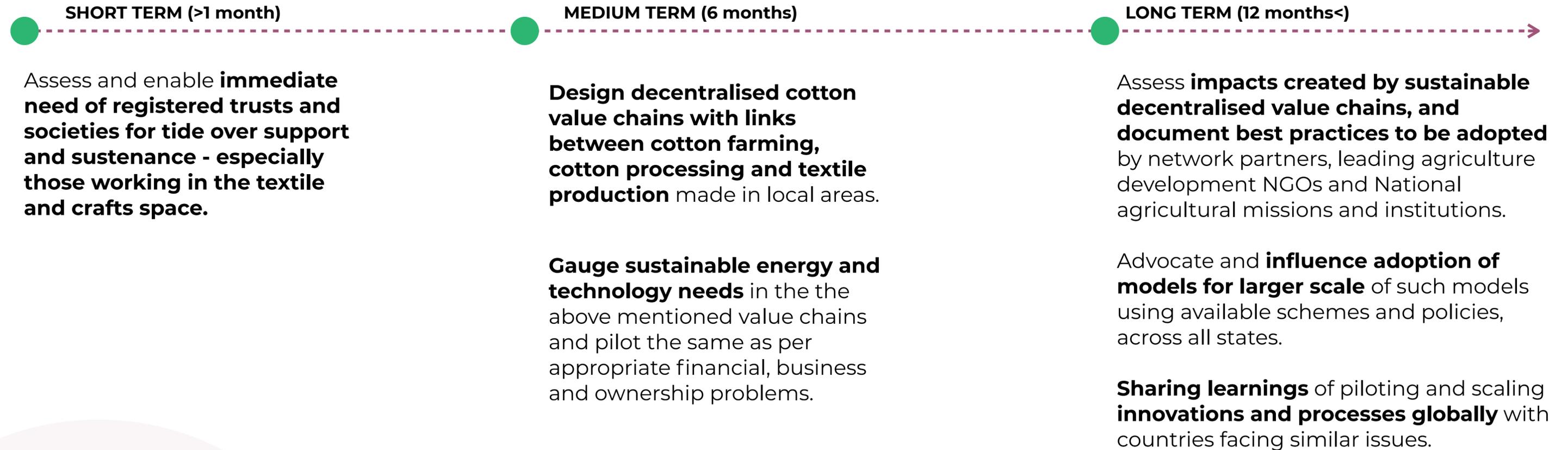
MSME identification and loan provisions are the main approach.

Through the KVIC we are supporting MSME, helping them set up, and get loans from banks. We are selecting beneficiaries from rural areas and providing them loan support, technical support, training etc to develop their industry - and special guidelines for the same have been issued by the KVIC. We are going to work with rural artisans to set up MSMEs. We are providing direct support to rural artisans via loans and subsidies - 300 approximately for all kinds of crafts.

We are providing 25-35% subsidies including grants for procuring technologies. We've done this before for setting up local industries like bee keeping. Going forward we will also carry out more marketing interventions like exhibitions to promote businesses. In the case of migrant labourers we need to identify them and approach them for loans. We are going to start production of units which are closed. Identify labourers and ask beneficiaries to hire identified migrant labourers. We will identify and ask migrant labourers to ask them what industry they want to start, approach them for offering loans and support them.

Application will be an online process. After a successful application, a meeting with DC will be conducted and beneficiary will be selected. This will then be forwarded to bank for application of loans. There will be a application. If loan is sanctioned, after first instalment we will provide subsidy to the bank. We also carry out an entrepreneurship development program where after identification of concerned individuals trainings are provided for setting up businesses and financial linkages created.

WAY FORWARD



Cotton Farming & Textiles

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Thank You!

**For more information
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