Topic Three: Holistic Value Chain - moving from disconnection to integration

The third topic in our Collaborative Learning Series looks at the advantages - and challenges - of integrating raw material producers, such as cotton farmers, into the textile value chain. Together with our topic experts we took a look at holistic value chains; and how to connect to “tier 4” of the supply chain. Our objective was to better understand how companies can be more inclusive and work more transparently with their suppliers, that value is more equally shared, and how sustainability policies can result in improved livelihoods and ecosystem protection. Ultimately, we want to make sure the beneficiary, the client and the consumer are rewarded with a value-added product, in terms of sustainability and integrity.

What is a holistic value chain?

There is no universally agreed definition of what a holistic value chain might be. During the topic discussion we drafted the following phrase as a thought starter. What do you think?

“A holistic value chain integrates all actors into a transparent sequence from farmer to retail customer, balancing supply and demand and sharing the profits fairly amongst all in proportion to their risk”

If you have any feedback or have come across a good definition please do share!

Getting Started

These days it’s nearly impossible for businesses to operate without some sort of corporate sustainability policy. Further, sustainability policies need to reach deeper into the supply chain to ensure their values and actions are reflected throughout the entire production life cycle. It’s not only the activities within the company to consider, but the manufacturing (tier 1, 2 and 3) and the production of the raw materials (tier 4). Tier 4 includes cotton growing, cattle grazing (for leather), rubber tapping, etc.
Raw material production (tier 4) is potentially one of the biggest impact links in your supply chain

Following the threads of your garments (and other finished products) back to the cotton field, rainforest, and grazing plains where your product raw materials came from can be a time-consuming process - especially for big companies sourcing a myriad of products; and most definitely for those with no systems in place to track products through their supply chain, right back to the raw material. But data is showing that significant impacts occur at this level and supply chain integration (and collaboration) can provide an effective platform for finding pragmatic solutions.

Did you know?

Irrigation accounts for 70% of all fresh water use (UN Water)

Agriculture accounts for 14% of all carbon emissions and ~30% if deforestation is included (EPA)

PUMA worked with Trucost to identify its biggest environmental impacts and converted these to a monitory figure – the diagram below shows how Tier 4 accounts for the biggest cost – mostly due to land use and water (Trucost)
Topic thought starters...

Orlando Rivera, Bergman Rivera

Orlando Rivera holds an MBA from the Tuck School of Business at Dartmouth. After 10 years of experience working in the banking system in Lima and New York City, in 2007 he founded Bergman Rivera under the vision that the only way to promote sustainable textiles is through offering superior products to a very competitive global market. By working closely with small communities of organic cotton farmers throughout Peru, mills and small CMTs facilities, he led the company to be the first in Latin America to be GOTS certified from fiber to ready-made garments. He transformed Bergman Rivera from solely an organic cotton project to a diversified company with commercial offices in 3 countries; exporting yarns, fabrics and garments. In October 2012, Orlando joined the Textile Exchange Board of Directors.

Mani Chinnaswamy, Appachi Cotton

Mani Chinnaswamy is the Managing Partner at Appachi Cotton. Mani pioneered an Integrated Cotton Cultivation Program and launched India’s first “Ethical Fashion Label “ETHICUS”, an inclusive-growth project involving resource poor organic farmers of Kabini and traditional handloom weavers of Pollachi. Mani is an advisor to the Government of India - sitting on many boards and committees, including the Cotton Advisory Board, the Ministry of Textiles, the Sub Committee on Organic Cotton, Working Group on National Fibre Policy, the Cotton Association of India, Mumbai and the Sardar Vallabhai Patel International Institute for Textiles & Management, Coimbatore. In January 2013, Mani joined the Textile Exchange Europe Board of Directors.
Shreyaskar Choudhary and Jayanti Mishra, Pratibha Syntex

Shreyaskar Choudhary started his career as General Manager at Pratibha Syntex responsible for yarn market development and product refinement. In January 2006 he moved into the role of Managing Director & CEO of the company. Business for Pratibha is well established in India, Asia-Pacific, Europe & UK, Africa, North America and strong growth in all its markets.

Pratibha is vertical; from fiber through to finished garments. Pratibha started the ‘Vasudha’ Organic Cotton farming project with 500 farmer members. Today the project is established over 125,000 acres and with 25,000 farmer members. Vasudha directly supports over 600 villages in becoming self-reliant through growth and procurement of organic, fair-trade and Better Cotton.

Shreyaskar is a long standing member of the Textile Exchange Board and sits on the Advisory Council.

Jayanti Mishra works alongside Shreyaskar Chaudhary to deliver sustainability initiatives at Pratibha Syntex. Jayanti has been leading the sustainability initiatives at Pratibha, starting at the farm and working right through to finished goods, in a vertically integrated way. Jayanti chairs the subcommittee on Sustainability In Textiles at ASTM and is a part of the steering committee of the Green Signal, India’s first Comprehensive Sustainability Eco Label.
What You Told Us...

During the webinar we ran two polls. Results below indicated that all webinar attendees could see the benefits of working in partnership. 56% of attendees are (knowingly) working with vertical suppliers - which should provide a good starting point for mapping supply chains back to tier 4 and for more ease in developing transparent chains.

Question 1: Are you working within vertical production systems?

a) No / don’t think so
b) Yes we have some - but have not mapped our supply chains
c) Yes - and we have mapped our business partners and know most of them

How you voted....

Question 2: Do you think working in partnership / with long term commitments is good for business?

a) No – it’s better to be free to speculate
b) Yes – partnerships are better for business

How you voted....

(a) No / don’t think so
(b) Yes we have some – but have not mapped our supply chains
(c) Yes – and we have mapped our business partners and know most of them
Farmers are moving into cities. "We need farmers in India (80%) to be happy where they are.

Social and livelihood improvements:
- Extra income for farmers and support with upfront costs.
- D. Respect and recognition for the farmer.
- He is contributing to conservation.
- He is working for all of us and must be recognized.
- The retailer has forgotten that.
- Textile/supply chain partners can invest directly (CSR) in social improvements:
  - Medical clinics, health checks
  - Nutritional care
  - Schooling
- Soil, yields, and biodiversity:
  - After initial conversion period and once established, good soil fertility practices yield gains in the same range of conventional or better.

Opportunities for farmers:

Big challenges:
- GMO seeds
- Farmers resist to align to organic farming
- Rainfed conditions
- Pay farmers fairly & apply a "premium" to the end consumer
- Building trust can take a long time
- Getting started in conversion years are tough
- Direct market access to cotton

There is skepticism about intentions & motivation.
**Monitoring Impact**

- Good business: Sustainability metrics are part of doing business for companies such as Pratibha.
- Sustainability is integrated in every part of the process.
- Working vertically improves business efficiencies.

**APACHI Cotton is finding innovative ways to monitor achievements and livelihood improvements.**

- The use of mobiles and FM radio can facilitate communication and feedback issues.

**Pricing and Contracts**

- How can we move past the concept of "premium"?
- How can the consumer understand the benefits of organic?

- Investment/CSR
- Transparency

**Tell the real story**

- Fill the gap of understanding between reality and the consumer.
- How is he supposed to know otherwise?
Tips from our Topic Leaders...

During the webinar discussion the panellists told us about their experiences with working in an integrated way – particularly of their experiences of working directly with farmers...

What inspired you and catalysed action?

A generational connection – We are a family-owned company with a local identity and pride in our country and textiles. My father was a pioneer in organic cotton in the 80s and since then we have built close working relationships with the farmers.

A spiritual connection – Seeing Jain communities farming holistically in remote parts of India. I notices how organised they were, admired their traditional knowledge, and how philosophically aligned they were with organic agricultural practice and standards.

An (organic) food connection – Eating organic pizza in Europe and thinking that the same values and care should be taken with fiber as is with organic food.

What do you see as the opportunities for textile companies?

Long-term relationship with farmers and security of supply – when everyone in the supply chain is better organised there are business efficiencies to be gained. If you are spinning fiber and want to secure supply it helps to know who is growing your cotton and where they are, and how much they are growing – so you can work together on matching supply and demand.

Working ethically and living your values – to be able to do the right thing by the farmers and the environment. If you are not a farmer but care about the rural communities around you, getting involved with the farmers and introducing organic agriculture helps you connect and take some stewardship and responsibility.

More control in terms of planning – this allows you to connect both supply and demand. Having direct contact with the brand and direct contact with the farmers is a powerful tool! We are giving brands the opportunity to invest directly in different projects that we have, not just pay a premium. This turns into more security for the farmers.
What do you see as the opportunities for farmers?

Social and livelihood improvements - Farmers can earn extra income and have support with upfront costs. Textile / supply chain partner and brands/retailers can investment directly in their fiber and businesses in ways which provide more business security to help farmers plan better and invest... and also in social improvements (CSR) such as by supporting medical clinics, health checks and nutritional care, schooling. It may be surprising how far a little can go!

Respect and recognition for farmers and their contribution to society including maintaining clean water and soil, and ecosystem diversity. Healthier, safer lifestyles with less risk of getting sick or getting into debt - alternatives to expensive and hazardous chemicals and Bt seed.

Empowerment for example we talked with remote farmers and figured out that a way of empowering them was to give internet access to them and their families. This would allow them to connect with the world, learn about prices and their crops. We built a structure that could be used as a warehouse during harvest and as an Internet lab during the rest of the year. We then shared the project idea with their main clients and the level of interest was amazing. “We got more funding and donations than we needed, and we still have clients asking if we have another social project that they can be part of.”

What were your biggest challenges?

Building trust - Understandably when a textile businessperson comes to offer something to a farmer (further down the supply chain) the first reaction from the farmer can be scepticism about intentions and motivations ... Will he take my land? What is the catch? Building trust can take a long time and a lot of investment. You have to be prepared to stay around for the long haul.

Getting started - In-conversion years can be tough... before they get better. Scaling up... small clusters of farmers may have the foundations of holistic agriculture (crop rotation, livestock, local botanicals) but building capacity, improving crop quality and yields are a big investment.

Dropping or volatile cotton prices - the volatility in prices makes it difficult to plan ahead. In addition, other crops may be more profitable for the farmers (such as corn), and where urban development is increasing land prices are also increasing, dramatically.
Investment in soil - Degradation of the soil is one of the toughest aspects of farming today. After the initial conversion period to organic and once good soil fertility practices are established, yields can be in the same range as conventional or better... and with the added benefit of improving the land for the longer term.

Proud to be protecting biodiversity especially in biologically sensitive zones - it is part of the stewardship role and conservation work of the farmers. Organic agriculture sits in harmony with these principles.

Creating a culture of trust, otherwise it all breaks apart. It’s extremely important to choose the right partners, those that share a vision with you and that are willing to invest for the long term.

What are the benefits beyond business and CSR?

Good business - Sustainability metrics should be part of doing good business. Sustainability should be integrated into every part of the process. Particularly for vertical companies there are business efficiencies to be gained. Measuring the impacts of sustainability actions makes business sense.

Innovation and organisation - Innovative ways to monitor achievement and livelihood improvements will probably be necessary - especially in resource poor or isolated areas. For example the use of mobile phone technology and FM radio can help with communication and reaching farmers and for farmers to feedback issues. Women’s self-help groups are well organised and well placed to monitor and take measurements, and keep records.

What role do metrics play?

There needs to be:
- Investment and/or Corporate Social Responsibility (CSR) built-in
- Transparency at all levels
- Ideally at least a 3-5 year contract - this sort of security feeds all the chain and supports investment in growing the cotton area
- A reframing of the investment model - for example rather than calling it an “organic premium”, perhaps it should be called a “conservation contribution”

Full transcripts of Q&A with Shreyaskar, Mani, and Orlando are published separately.
Where to Start?

Textile Exchange offers a Membership Directory and Trading Post to help members connect with suppliers. Some of the sustainability leaders in textile manufacturing are working “vertically”. This means they take care of all or the majority of the supply chain for you and can help you map your suppliers. There are excellent examples in the organic cotton sector where vertical manufacturers start right back at the farm. Many of these companies understand the challenges faced by farmers and are finding ways to build a more secure business for all; including the farmers at the beginning of their chain. Please contact Liesl Truscott for more information and contact details liesl@textileexchange.org

Textile Exchange works closely with the Sustainable Apparel Coalition (SAC). The SAC’s new Higg Index measures the environmental performance (later social will be included) of apparel products. SAC provides a platform and a great starting place for companies from all links in the supply chain, and from any stage of their sustainability journey. Their new online base materials scoring tool can be viewed here: http://msi.apparelcoalition.org/#/materials

Links to the websites of our Topic Experts:
• Bergman Rivera http://www.bergmanrivera.com/our_partners.php
• Pratibha Syntex http://www.pratibhasyntex.com/vasudha.swf
• Appachi Cotton http://www.appachicotton.com/
Links to a few companies tracing products and telling stories of origin

- Jackpot [http://www.jackpot.dk/Sustainable-Fashion/](http://www.jackpot.dk/Sustainable-Fashion/)
Creating a Learning Community at Textile Exchange

Textile Exchange aims to create an inclusive learning community; drawing on the expertise and experiences within this community to share and promote a collaborative learning environment. Our hope is that there will be learning to be gained from within and also from outside our immediate networks. Collaborative Learning breaks down the barrier that can exist between teacher (or expert) and pupil (or learner) to result in a truly two way exchange of information.

In this Series, each of the 6 topics includes:
• A thought starter blog and links to further reading
• A webinar introduced by our topic leaders where the contributions by learning participants will be a vital part of the exchange
• We hope that our Collaborative Learning Series will be an incubator for ideas, and can naturally lead into pre-competitive collaboration where the whole industry benefits. At the same time individuals within participating companies can improve their skills and knowledge, feeding this back into their workplace.

http://farmhub.textileexchange.org/learning-zone/collaborative-learning-series