

THE ORO BLANCO STORY

FARMERS PROFITING FROM COMPANY SHARES

Oro Blanco is a joint venture between the Dutch ecumenical development agency Solidaridad and farmers in Peru. Oro Blanco supports 71 organic cotton farmers in Cañete and Chincha Valleys on about 275 hectares of organic land. Oro Blanco farmers grow other organic crops on their land as well as cotton, but organic cotton is by far their most successful and profitable crop. Oro Blanco supplies organic cotton to socially responsible local manufacturers that export organic garments to fashion brands like the Dutch brand 'Kuyichi'. Oro Blanco has also got shares in Kuyichi. This means that if Kuyichi are successful farmers benefit directly.

Oro Blanco was launched in 2000, by the Dutch ecumenical development agency Solidaridad as part of their global initiative to produce and market organic, fair trade cotton products.

The Oro Blanco philosophy is based on: transparency and credibility, and social and environmental responsibility.

Oro Blanco works with small farmers in the Cañete and Chincha Valleys, 150km south of Lima, Peru.

Each farmers own about 4 ha and produce an average of 55 Quintiles/ha of seed cotton.

In 2006 farmers working with Oro Blanco also became shareholders in the company.

During the crop year 2008-2009 farmers planted 182 ha of cotton and 92 ha of rotation crops (beans, maize, okra, cassava or sweet potato), some farmers have border crops such as king grass.



Fact File:

- Oro Blanco currently works with 71 small independent farmers from the valleys of Cañete and Chincha, covering an area up to 275 certified hectares of cotton.
- Farmers age ranges from 40 to 50 years, have limited income and low education levels.
- Each farmers owns about 4 ha and produce an average of 55 QQ/ha of seed cotton.
- Oro Blanco is the owner of the Control Union provided organic certificate for cotton fiber. It also has GOTS certification.
- Oro Blanco is jointly owned by farmers and Solidaridad (see Farmers as shareholders).
- The harvesting process is supervised and financed in accordance with SA800, an internationally recognized code of conduct based on the norms of the International Labour Association.
- Oro Blanco supplies organic cotton to socially responsible local manufacturers that export organic garments to fashion brands like Kuyichi.

Success Factors:

Oro Blanco has chosen to work with very marginalised farmers on this organic cotton project. Success factors include...

- Farmers are becoming more financially independent and involved in decision-making.
- Knowledge exchange has resulted in farmers being competent in the control of pests using alternatives to chemicals.
- During hard economic times farmers worked with Oro Blanco and agreed to prices that enabled all parties in the value chain to survive.
- Farmers are now share holders of the ethical fashion brand Kuyichi (that they grow for) and profit from the brand's success.

Farmer benefits

Organic Premium and Annual Contracts

Contracts between Oro Blanco and farmers are agreed on an annual basis. In addition to price guarantees, the contract agrees additional benefits such as credit lines (including 60-70% advance money for production costs), technical assistance etc. This minimum price is 25% higher than the average market price for conventional cotton. However, during last cropping season (2009-10), price adjustments had to be made due to the external financial crisis. Oro Blanco focussed on sustainable development and competitiveness, securing favorable prices for farmers without risking the company-farmer relationship.

Business training and support -

Farmers receive assistance and information from Oro Blanco on technical issues such as, fertilization, pest management and certification related obligations. Technical assistance is also provided on business development and how to work in competitive markets.

Support price policy

Five years ago Oro Blanco defined a contract type with a support price policy, usually above the conventional cotton price. Every year, Oro Blanco executives meet the four zonal farmer representatives and together, define contract details, price follow-up, agronomic labors, harvest and training. Oro Blanco buys seed cotton mainly to produce yarns for national and international markets. The most important aspect for farmers is cotton price, which can be a risk as farmers could migrate to other, more profitable crops. For this model to be sustainable, it is necessary to properly manage market fluctuations and to

“The task of Oro Blanco is to support the farmers and to treat everyone involved as equals, whether they are producers or staff. Organic agriculture is based on trust and responsibility -- responsibility for the environment, the community, and the society as a whole.”

Roger Vasquez, Agronomic Engineer

offer a price and premium policy consistent with the economic structure in the relevant area. The impact of this business model has been positive on the farmers because they get a better price, but the problem is sustainability.

Farmers as shareholders

In 2006, 30% of company shares were transferred to the organic cotton farmers. Solidaridad, as co-owner of Oro Blanco, still owns 70% of the shares. Facilitating shareholding by farmers is gaining popularity amongst planners and practitioners of corporate social responsibility and development. To date, there is very little literature available on the subject but a literature review conducted by Maurits de Koning and Bart de Steenhuijsen Piters identifies the following four potential benefits: 1 Influencing company governance and negotiating price policy 2 Benefit sharing 3 Access to credits and other farm-related services 4 Binding farmers to a procurement/marketing company, assuring quality control in the value chain.

For more information on farmers as shareholders, please refer to Bulletin 390 of Development Policy & Practice, Farmers as Shareholders: A close look at recent experience by Maurits de Koning and Bart de Steenhuijsen Piters.

“It was difficult when we first started with Oro Blanco because most of the seeds we planted died. But we’ve been learning a lot, like using garlic and molle, which are both plants that repel insects. Knowledge like that has helped a lot, and there’s a lot of support from Oro Blanco, so things have gotten easier.”

Julio Cartagena Anicama and Irma Moreno Fajard,
Chincha Valley, Peru

Fashion with respect for people and planet

Much of Peru’s garment manufacturing takes place in the informal sector, where workers may be subject to unsafe working conditions, forced overtime, lack of sick leave and pay below the legal minimum wage. Oro Blanco maintains relationships with socially responsible textile processors and manufacturers certified or in the process of becoming certified by SA8000. In 2004 Solidaridad launched Made-By an umbrella network that links Oro Blanco and other fair trade organic cotton producers around the world with European fashion brands, like the Dutch ‘Kuyichi’. Oro Blanco has also got shares in Kuyichi. This means that if Kuyichi are successful farmers benefit directly.

For more information visit:

- Oro Blanco <http://www.oroblanco.com.pe/index.html>
- Solidaridad website: <http://www.solidaridad.nl/>
- Made by: <http://www.made-by.nl/>



Harvest time



Beautiful long fibre cotton



Field training day



Organic ELS cotton bales



Made-By / Kuyichi



A Unique Focus on the Entire Value Chain - Improving the Lives of Over One Million People

Through the work of Textile Exchange, and funding from our key partner ICCO, we now positively affect the lives of over 220,000 organic cotton farmers worldwide. Conservative estimates show that each farmer in the Global South has responsibility for a household of five people. This means that TE programs have directly and positively impacted the lives of over 1,110,000 people in developing countries.

TE's methodology is unique and innovative in many respects, including:

- Textile Exchange takes a global approach to developing markets. This is particularly effective given the global nature of cotton production and consumption.
- We build demand and supply simultaneously. Engaging with farmers through to brand and retailers to help increase fiber production and enables suppliers to create short- and long-term production schedules. Our efforts culminate in consumer education, highlighting farmers and farming innovations, beautiful yarns and fabrics, and highly desirable products.
- TE is unique in that we focus on the entire value chain, from seed procurement through to retail. We provide models and tools for collaborative planning, problem solving, product development, and point of purchase materials.