

Comments of Bayer CropScience to the report 'Seeds of Change' by Dr. Davuluri Venkateswarlu, June 2007

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Introductory comment

Bayer CropScience welcomes that D. Venkateswarlu gives credit to the company for its efforts and achievements in bringing down the incidence rate of child labor in the cotton seed supply chain following the acquisition of Bayer BioScience Pvt. Ltd.¹ by Bayer CropScience in 2002.

However, the overall picture painted by the 'Seeds of Change' report comes across as sobering and negative. It does not reflect the current situation in the field and falls short of acknowledging the tremendous progress made. The information presented in the report is often selective. Many conclusions drawn are biased and sometimes unfounded. Some information is simply wrong.

In addition, 'Seeds of change' lacks important pieces of most recent information such as monitoring results of the main production season in Karnataka and the Rabi season in the same state². This information is pertinent as it provides convincing evidence that the Child Care Program (CCP) is highly effective in eliminating child labor from the fields of Bayer CropScience supply chain partners. In our response, we will supply some critical summarizing data which prove the overall success of the Bayer CropScience program.

In spite of previous expert discussions between Bayer CropScience and D. Venkateswarlu, the logic employed and the statistical approach used by the author to arrive at conclusive child labor figures remain flawed. The numbers presented in the report do not reflect the progressive and drastic decline in child labor incidents. Instead, the approach taken seems to still reflect the way of counting child labor under the false assumption that children would work continuously during an entire season. In the supply chain of Bayer CropScience, however, child labor has become a rare and isolated event. As a consequence, 'Seeds of Change' grossly overstates the child labor situation in the supply chain of the company. Where cases of child labor still occur, they are being followed immediately and consequently by trained company staff (see also table 6 of 'Seeds of Change', page 22).

As a result of the Child Care Program, the percentage of child labor in the total workforce of the cotton seed supply chain of Bayer CropScience in 2006/07 ranged from less than 0.5 % to under 3 % depending on the production period³

¹ The acquisition of Bayer BioScience Pvt. Ltd. was part of a major global acquisition. The company came under the Bayer roof in 2002. Until early 2007, when the integration into the Bayer CropScience organization was finally completed, the company was called Proagro.

² The Rabi season follows the main season, i.e., after the monsoon. Sowing is towards the end of the year.

³ Main season or Kharif season / Counter season or Rabi season

and the types of monitoring visits⁴ included in the evaluation. Compared to literature figures of over 50 % laboring children in the workforce or more than 6 working children per acre, this is a reduction in excess of 1 or 2 orders of magnitude or greater than a factor of 10 – 100!

During the season 2006/07, a total of over 2,100 farms and 2,600 farmers have been monitored by CCP and company teams. During these visits, a cumulative workforce of over 12,000 people has been counted.⁵

THE INFORMATION BELOW BY BAYER CROPSCIENCE ADDRESSES SOME PROMINENT STATEMENTS AND ALLEGATIONS MADE IN THE 'SEEDS OF CHANGE' REPORT.

Allegation / Statement (Seeds of Change, page 4)

In 2005-2006 around 20% of the workers employed by contract partners of Bayer CropScience to produce hybrid cotton seed in Andhra Pradesh were children under 15. This percentage dropped to roughly 11% on farms of Bayer contract farmers in 2006-2007.

Facts & Figures

Bayer CropScience does not agree to the summarizing figures presented by D. Venkateswarlu and has repeatedly challenged the logic and science behind the calculations brought forward.

Instead, the company agrees to the following statement made on page 21, para 2 of the report: "*Since CCP⁶ field visits data covered 100% of the farms in AP for*

⁴ There are two major types of visits, 'joint monitoring visits' (JMV) and 'follow-up visits' (FUV). Both are conducted unannounced meaning farmers have no information as to when the field inspection teams come out to inspect their fields. JMV are conducted jointly by independent CCP staff, NGOs and company staff. In 2006/07, JMV covered several times the entire production area of Bayer CropScience. FUV are mainly conducted by CCP and company staff. In contrast to JMV, FUV have the sole purpose to follow-up on proven cases of child labor which have been positively identified during JMV. Alternatively, they address suspected cases of child labor following a suspicion or a lead or concrete hint given by, e.g., company production or quality staff. Following an identified case of child labor, monitoring teams will do FUV until the working child has been removed from the field or replaced with adult labor. FUV are typically done in intervals of one to two days. During the main production season, farmers will not be able to replace workers from one day to another. Therefore, FUV will often find the same children during consecutive visits. Good examples can be seen in table 6 of the 'Seeds of Change' report, page 22. Since FUV are biased towards proven or suspected areas/cases of child labor incidents they are bound to produce a larger number of child labor incidents per number of visits compared to JMV. They cannot be considered as random sampling. Consequently, JMV are a much more objective and useful base for the purpose of assessing the child labor situation through random sampling and establishing trends over time.

⁵ Figures include all visits, incl. follow-ups.

⁶ Annotation: CCP is the acronym for 'Child Care Program' which is the Bayer CropScience initiative started under the name of CLEP (Child Labor Elimination Program) and the roof of ASI. The CCP organization has independent full time technical staff to conduct field visits. Visits jointly conducted by

both Monsanto and Bayer and CCP has done multiple rounds of data recording through joint inspections during the season, for the purpose of understanding the magnitude of child labour one can best rely on CCP data."

The results of the CCP/company monitoring program are summarized below covering the total of all data collected during *joint visits* and/or *joint visits plus follow-up visits* in Andhra Pradesh and Karnataka during the main (Kharif) and the counter season (Rabi) of 2006/07. It is obvious, that the incidence rate of child labor in the cotton seed supply chain of the company has declined drastically and continuously over the past 2 years. This is a direct result of the Child Care Program of Bayer CropScience.

Table 1: Performance indicators of child labor in the contract cotton seed production of Bayer CropScience vs. literature values

Season	Child labor cases per acre monitored	Child labor cases in total workforce
Literature (NGO Reports)	≥ 6	≥ 50 %
Main season 2005/06 Andhra Pradesh (AP)	0.6*	14 %*
Main Season 2006/07 AP/Karnataka	0.08* / 0.15 **	1.5 %* / 2.8 % **
Rabi Season 2006/07 Karnataka	0.025 **	0.35 % **

* Figures indicated by one asterisk include the findings from joint monitoring visits only. Figures indicated by two asterisks include the findings from joint and follow-up visits. The latter include multiple counting of the same children (see also footnotes re. types of visits) and are therefore biased towards increased findings of child labor incidents. They must therefore be considered as conservative figures.

CCP staff, company staff and NGOs are called "joint monitoring visits". They form the basis to calculate the progress made in eliminating child labor from the fields of supply chain farmers. In addition to those, Bayer CropScience has also reported the total numbers of child labor cases which include those found in 'follow-up visits'.

Allegation / Statement

Bayer chooses to report only selected data (joint monitoring visits) which underestimate the real magnitude of child labor in the field (Seeds of Change, page 21 and 22)

Facts & Figures

This statement is incorrect. Bayer CropScience does neither report nor interpret data selectively. Bayer CropScience' results have been generated by independent teams including NGOs, scrutinized by the company and externally confirmed by Ernst & Young, a respected international company of auditors.

Bayer CropScience has always shared the available information freely and will continue to release or actively communicate data.

Table 1 in this document (see above) contains the most current and comprehensive summary of child labor indicators available at the CCP and the company level. The indicators summarize the results of the 2005/06 and 2006/07 cotton seed production season and reflect the rapidly improving child labor situation on contract farms of the company's supply chain. The data include all findings from joint and follow-up visits conducted.

As a research-based company with an obligation to science, Bayer CropScience has produced an objective and statistically valid approach to evaluating the monitoring data of child labor incidents found in the fields of its supply chain farmers. The recommended company approach allows to transparently analyze and document the development of child labor over time and to describe the progress with has been made with sufficient reliability and accuracy. In contrast, Bayer CropScience is unable to fully understand and verify the calculation methods used by Mr. Venkateswarlu and questions them in some instances.

The joint (monitoring) visits provide a solid basis for describing the trend in child labor. This view is underpinned by a number of factors.

- Joint visits are the "highest form" of independent monitoring in the CCP program and should therefore be considered as the most credible and comparable source of information. Results obtained, for example, by field visits conducted by Mr. Venkateswarlu alone and in the absence of any third party participation are in clear contravention of the principle of transparency which Mr. Venkateswarlu himself has called for. The neutrality of data obtained in this way is not guaranteed.

- In contrast to the follow-up visits (see below for further information), the joint visits represent true random samples from which viable statistical conclusions can be drawn and trends can be analyzed.
- By definition, the follow-up visits are not randomized field visits but targeted inspections of farms in response to documented, possible or assumed violations of the zero child labor policy. However, follow-up visits may also be conducted due to a suspicion on behalf of inspection teams or lead which the inspectors have received. In such cases the monitoring teams may find children working in a field even though the same field gave no rise to negative findings in a preceding joint visit. Table 1 on page 22 of the "Seeds of Change" report illustrates very clearly that this system works and is highly effective. The cases of child labor listed in the table were discovered by targeted follow-up visits outside the regular, routine joint visits. The data also show very clearly that if the inspectors find isolated incidences of children working in a field, they do return to the same field every one or two days to advise the farmer and to motivate him to stop using child labor and replace the children with adult labor.

Follow-up visits thus typically monitor the same suspected fields repeatedly and at short intervals. These visits are continued until a situation of child labor use (policy violation) is completely eliminated. As the example of farmer Sankar Reddy (Nattampadu village) in Table 1 of the "Seeds of Change" report shows, a relative shortage of labor during the peak season may mean that it takes several days for a farmer to replace children with adult workers. In such case, it is normal for inspection teams to go out repeatedly to the same field for follow-up visits finding the same children for a limited number of days.

While Bayer CropScience also communicates the combined results of joint and monitoring visits, one must bear in mind that the combination of those two different visit categories will typically produce a higher average number of child labor incidence per acre (or higher percentage in the workforce) than results from either of these visits alone.

It is pertinent to note that the numbers of "child labor incidents" reported by Bayer CropScience do not imply the continuous employment of children throughout a season. Rather, these numbers reflect the isolated appearance of children in the cotton fields of contract farmers. In such cases, the company responds immediately and rigorously.

However, Bayer CropScience has deliberately chosen not to distinguish between working children and child labor incidents even though the number of working children is typically lower than the number of child labor incidents. However, Bayer CropScience treats each proven incidence of child labor, including the repeated presence of the same children on the same fields, as a statistically

independent event, regardless of the identity of the children (repeatedly) found. To the company, each violation of the policy is recorded as an unacceptable event and included in the evaluation. Bayer CropScience thus pursues a conservative yet systematic approach to evaluating its field monitoring data and the evaluation of the progress made in the Child Care program.

Allegation / Statement (Seeds of Change, chapter 'Background', page 5)

Bayer responded only to outside pressure of NGOs which had been exerted since 2001.

Facts & Figures

This statement is incorrect. In 2001, Bayer CropScience did not have any seed business. The company purchased Proagro in 2002 as part of a major acquisition of Aventis CropScience.

In spite of the integration process which started in 2003 and went onto until early 2007 (Proagro was recently renamed into Bayer BioScience Pvt. Ltd.), Bayer CropScience has responded immediately to the practice of child labor in the supply chain of its new subsidiary. This was a direct consequence of the requirements and stipulations of the Bayer policy, not the result of pressure from NGOs.

It has to be clearly stated that neither Bayer CropScience nor any of its subsidiaries employ children. As a founding member of the United Nations Global Compact Initiative, Bayer CropScience does also not tolerate child labor in its supply chain following a strict 'no child labor' policy. Therefore, the company has immediately responded to the practice of child labor in the supply chain of its newly acquired business in India and explicitly prohibited child labor on farms of contract partners in its cotton seed supply chain.

Since 2003, the company policy has been clearly and consistently communicated to farmers, organizers and village communities. A great number of concerted activities to raise awareness of and communicate the 'no child labor' policy has been undertaken by the company. This was done in cooperation with, e.g., the ILO, Indian officials and prominent NGOs.

In 2005, after thorough preparation, the company launched a major program which consists of many program elements. These include a sophisticated monitoring program and incentives scheme, a micro credit program in cooperation with the State Bank of India, a training program for the enhancement of farmers' productivity and training elements to educate cotton seed farmers in the safe and proper use of crop protection products.

With its commitment, Bayer CropScience has taken the lead among the companies in the Association of Seed Industry, ASI. It has been their main driver of all major activities and new initiatives. Today, Bayer CropScience is proud to be the most advanced company in the fight against child labor in cotton seed production and in the protection of children's rights in a decentralized agricultural supply chain.

Since 2003, Bayer CropScience has gradually developed into a center of excellence regarding child care in agriculture. It is now in the position to impart its extensive knowledge to other companies and act as a role model for the cotton seed industry.

Allegation / Statement (Seeds of Change, Chapter 'Child Labor Rehabilitation Programme', page 10)

Creative Learning Centers (CLCs) were ineffective and have not been able to attract the children working on cottonseed farms as a lack of community motivation and mobilisation activities at village level.

Facts & Figures

This statement is incorrect. Bayer CropScience, through and in cooperation with its Indian partner organization Naandi Foundation, has conducted many activities at the village level to mobilize the local population. This includes Kala Jata folk performances, Rangoli competitions, poster campaigns, observation of teachers day, youth mobilization, conducting baseline surveys in the villages where CLCs were established, and so forth. These activities are ongoing.

Until May 2007, a little more than 1000 children have been enrolled and prepared for mainstream school education in the 19 bridge schools operated by Naandi for Bayer CropScience. Naandi is the prominent NGO partner of Bayer CropScience's in the company's 'Learning for Life' program which aims at providing access to school education for working drop-out and out-of-school children. School attendance, age of children, working background of children, mainstreaming, etc were always meticulously recorded by Naandi Foundation. This information has been consistently communicated to the CCP steering committee of which D. Venkateswarlu is a member.

Roughly 50 % of the children mainstreamed so far have come from a cotton seed production background.

Initially, a larger proportion of the children in the CLCs came from farms of Bayer CropScience contract partners. However, with the rapid success of the Bayer program, soon there were only few children still left working on fields of the Bayer CropScience supply chain. Due to the swift success, Naandi and Bayer

CropScience have decided to continue to keep the CLCs open to children outside the Bayer CropScience supply chain, the company's sphere of influence and the original target age group. This approach is widely recognized and appreciated by the local communities.

Allegation / Statement

The training on productivity improvement did not help many of the farmers to improve their yields. (Seeds of Change, Chapter 'Productivity and safety training for farmers, Target 400 scheme, page 23)

Facts & Figures

This statement is incorrect. The average per acre productivity of the area covered under the Target 400 training program increased by over 60 % between 2005/06 and 2006/07. The enterprise resource planning and accounting system of the company which captures that information is audited regularly by statutory auditors. Target 400 has been a grand success and helped farmers to keep producing for the company.

Allegation / Statement

The 'reluctance' of Bayer CropScience to review the procurement price is still a hurdle to achieve zero child labor. (Seeds of Change, Chapter 'Productivity and safety training for farmers, Target 400 scheme, page 23)

Facts & Figures

This statement does not measure up to the facts and the overwhelming success of the Child Care and monitoring program.

Bayer CropScience does not only help farmers to effectively enhance their productivity (see above). It also helps them to get access to cheap credits (micro credit scheme with State Bank of India) while paying a bonus on top of the seed production if farmers stick to their contractual obligation to not employ children for the production of cotton seed.

The total package offered by the company has proven to be an effective and appreciated way to improve the economic situation of farmers helping them to produce cotton seed at a significantly higher productivity level.

The success of the Child Care Program and the results of the field monitoring clearly demonstrate that zero child labor can be achieved effectively without raising the procurement price.

Allegation / Statement

Bayer Bayer indicated that it is going to increase its cottonseed production area in 2007-08 crop season by nearly six times (from 281 acres in 2006-07 to about 1800 acres in 2007-08). (Seeds of Change, Chapter 'Section III – Challenges ahead', page 24)

Facts & Figures

This statement is incorrect. The targeted production in 2007/08 is below 1800 acres.

Allegation / Statement

Nunhems has not yet begun to implement a no-child labour policy (Seeds of Change, Chapter 'Section III – Challenges ahead', page 25)

Facts & Figures

This statement is incorrect. Nunhems does have a clear no-child labor policy which is part of its contracts with farmers.

Allegation / Statement

Bayer CropScience is becoming less transparent and does not share data as freely (Seeds of Change, pages 15, 16, 21, etc.).

Facts & Figures

This statement is incorrect and does not reflect the practice and willingness of the company to engage in open and fair dialogue.

Since the beginning of its child care activities in 2003, Bayer CropScience has actively sought and welcomed the participation of NGOs, interested parties and external stakeholders. The company has always communicated its activities openly and shared the results of its field monitoring freely with a diverse group of stakeholders. The company continues to do so and has ongoing consultation with interested or involved parties.

The company has always welcomed a multi-stakeholder approach characterized by openness and fairness. To maximize objectivity and transparency, Bayer CropScience has even made voluntary external auditing an inherent part of its program.

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Bayer CropScience will continue to share information freely with parties who have a serious interest in the work of the company.

In the past, however, factually incorrect information and biased conclusions pertaining to the company's Child Care Program and field monitoring results have been communicated to the public by Dr. Venkateswarlu. Disclosure of even company confidential information occurred in contravention of mutual agreements in the CCP Steering Committee dating back as far as April 07, 2005. The "Seeds of Change" report is a recent example of such unfortunate communication.

As a direct consequence and in consideration of the steadily increasing flow of data and information, Bayer CropScience took the decision to subject all company related information to an extensive and comprehensive in-house review before releasing them to external parties. Done with due diligence, this process takes time.

Quite apart from this, though, Mr. Venkateswarlu, as a member of the CCP Steering Committee, has had access to all field data at any time.

Bayer CropScience is a science-based company and does not shy away from open information sharing, discussions about its program, about data accuracy or statistics. However, the company recognizes that debates about such a difficult and emotional topic like child labor, when conducted in the limelight of public attention, will only lead to polarization and to confusion of the uninformed audience without adding to clarity. The public is left alone and, due to a lack of detailed information regarding the subject matter, has no way of making an informed decision.

Debates of that nature also fall short of addressing the real challenges of child labor in the cotton seed belt of India. The real challenges include the fact that Bayer CropScience is basically the only crop science company in India to have launched a successful child care program, develop a strong in-house expertise and being able to produce a remarkable track record of child labor elimination from the cotton seed fields of its contract farmers. The real challenges continue to include an overwhelming lack of support by the majority of Indian seed companies, the substandard mainstream education and school infrastructure in many rural communities, the wide spread and sometimes extreme poverty, the lack of vocational alternatives for children outside of work in agriculture, the lack of enforcement of child labor regulation by the state authorities, etc. Therefore, Bayer CropScience would welcome a broader and more balanced debate about ways to address those issues in order to identify options to act and to join forces among interested parties.