

COTTON DEVELOPMENT PROGRAMME

OCTOBER 2011

Since 2007, Gatsby has worked with the Tanzanian Cotton Board to drive up productivity in Tanzania's cotton sector. Three years of pilot initiatives, research and coalition-building have enabled the programme to reach a point where it can scale up, benefiting up to 400,000 smallholder farmers

Africa's cotton growing countries have struggled to develop functional markets providing farmers with the inputs necessary for productive smallholder cotton.

Gatsby has developed a contract farming model as a potential solution in Tanzania. Three years of pilots have convinced stakeholders to endorse reform of the whole industry along contract farming lines.

This scale-up will require a huge amount of work to implement over the coming years, including the registration of thousands of farmer business groups.

However, contract farming is a pragmatic solution for current circumstances, meaning the most important task is to build the institutional and human capacity necessary to respond to changing circumstances, leaving in place a resilient and sustainable sector.



PROGRAMME DESIGN

Cotton in Tanzania is a crop which exemplifies Gatsby's approach to selecting a sector in which to work. It benefits huge numbers of people in a region with poor soils and unreliable rains. International market dynamics suggest farmers are likely to benefit from high prices. Most importantly for the way Gatsby works, cotton is a crop where local partnerships can be built: particularly with the Tanzanian Cotton Board (TCB), the sector regulator, which is engaged and collaborative.

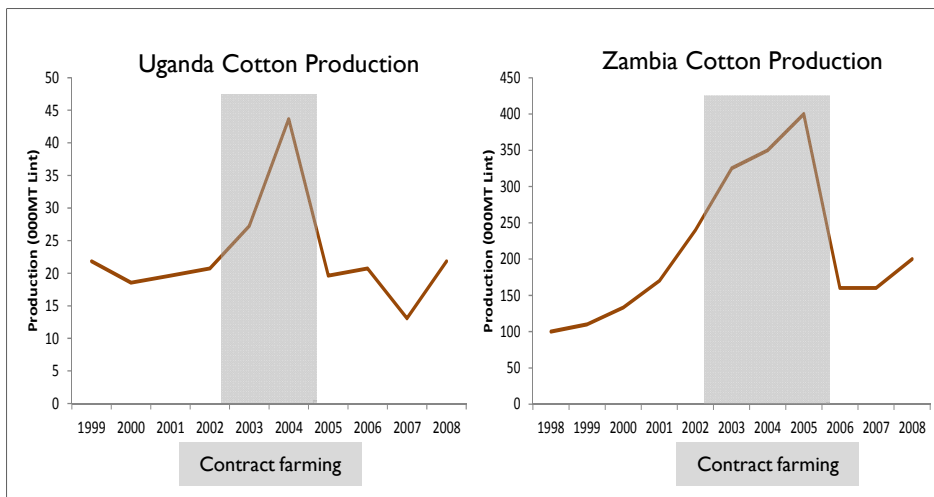
As is typical of Gatsby's approach, the programme is structured as a local initiative. It is managed by a Tanzanian affiliate institution, Tanzania Gatsby Trust (TGT), in partnership with the TCB, so all decisions are taken with and guided by senior TCB staff, and built on local knowledge. The management team are

based within the TCB offices, and the programme is guided by a Steering Committee comprised of representatives from key government Ministries and stakeholders.

COTTON MARKETS

Productive cotton is hard to achieve without a substantial application of inputs – especially on the over-worked soils of northwest Tanzania. However, developing sustainable markets to finance inputs is very difficult, as the World Bank has highlighted.¹

Contract farming offers one approach: ginners finance inputs and are repaid at harvest time. Experience suggests such systems are fragile. Charts on the next page show how in Zambia and Uganda contract farming led to temporary production booms followed by collapse,

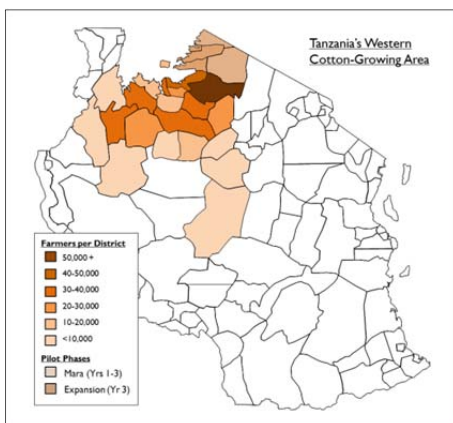


as side-marketing and loan defaults led ginners to abandon the system.²

Gatsby has promoted a hybrid approach, where collective input purchasing and competitive zoning aim to mitigate the worst risks of contract farming. Most importantly, the programme has built political consensus at national and local government level, in order to provide the private sector with the reassurance that contracts will be protected.

BUILDING CONSENSUS

Contract farming has been promoted through a pilot programme since 2008. Because of the challenges of managing side-selling, the pilot was initially run exclusively in the isolated region of Mara where side-selling could be controlled due to the limited number of ginners operating in the area. It has now grown to 38,000 farmers, including several thousand in the heartland of Tanzania's cotton zone.



Ginners have seen significant gains, as even limited inputs and training have driven up yields; farmers are even more enthusiastic about the benefit it brings them.

This level of enthusiasm has produced a very positive response from the public sector. The Minister of Agriculture has been vocally supportive, and local authorities have offered their extension staff to help with scale-up efforts. Focus on the role political support plays in markets is an essential but often overlooked part of any sector development programme.

“It is widely appreciated that cotton production requires substantial use of external inputs, specifically: treated seed, fertilizers and insecticides”³

Contract farming has been only one element of the work. Gatsby has also supported research and development to replace seed recycling with a system that delivers pure-bred varieties to farmers. Private sector investment has been encouraged into the seed market. The programme also supports dissemination of “conservation agriculture” practices which conserve and improve soils, in the long term enabling gains in fertility without major chemical use.

SCALING UP

The programme is now at a tipping point. In 2011-12, all ginners are required to provide a low level of inputs on credit; over 7,000 farmer groups have been formed and will be trained as contracting partners. This roll-out will test whether the system can work in a low-risk way across the whole sector. Conservation agriculture is also moving from research to

scale-up, with 800 lead farmers being trained to spread the technology.

This is requiring Gatsby to build partnerships with other donors. Co-funding has been agreed with the UK's Department for International Development, and the Norwegian Agency for Development Cooperation (Norad). Discussions are also underway with the European Union to coordinate their sector funding around stakeholders' agreed needs. Such engagement of other funders is something Gatsby looks to do in all its programmes.

A SUSTAINABLE SECTOR

Tanzania's cotton sector still faces three major challenges. Firstly, trust needs to be built across the sector. The pace of reform has been swift and public and private sectors do not communicate effectively.

Secondly, farmer organisations require significant further support in order to participate effectively in contract farming relationships. On the ginners side, only ginners who are committed to the sector, and invest in it, will be licensed in future.

“A stronger TCB is essential – the market must be regulated and supported effectively”

Finally, the new market structure will only work if a number of supporting functions can be developed. This includes weather insurance, pricing mechanisms, information systems; but most importantly, a stronger TCB is essential – the market must be regulated and supported effectively if it is to remain resilient to economic, climatic and even political shocks. Gatsby is collaborating with the Ministry of Agriculture to review the capacity of the TCB in the context of the sector's needs, and will be coordinating donor and government funding around a comprehensive institutional development plan.

Progress to date has brought us to the starting line for real sector transformation. Gatsby's commitment is now to scale up the programme, to leave behind a functioning and sustainable market system.

1 “Organisation & performance of cotton sectors in Sub-Saharan Africa”, World Bank (2009)

2 USDA, Foreign Agriculture Service

3 “Organisation & performance of cotton sectors in Sub-Saharan Africa”, World Bank (2009)