

COTTON MARKET DEVELOPMENT STRATEGY FOR CENTRAL TANZANIA

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ACRONYMS

ARI	-	Agricultural Research Institute
ASDP	-	Agricultural Sector Support Program
BMO	-	Business member organization
BOFA	-	Busangwa Organic Cotton Farmers; Association
CDTF	-	Cotton Development Trust Fund
CORDAID		Catholic Organization for Relief and Development Aid
CTI	-	Confederation of Trade and Industries
CRDB	-	Cooperative rural development bank
CFC	-	Common Fund for Commodities
ECGA	-	East Cotton Growing Area
FFS	-	Farmers Field Schools
HH	-	Household
IFAD	-	International Fund for Agricultural Development
KCB	-	Kenya commercial bank
LGA	-	local Government authority
LITI	-	Livestock Training Institute
MoU	-	Memorandum of Understanding
MT	-	Metric Tons
MVIWATA		Muungano wa Vyama vya Wakulima Tanzania
PHS	-	Plant Health Services
RCU	-	Regional Cooperative Unions
RFA	-	Radio Free Africa
RLDC	-	Rural Livelihood Development Company
SCOTT	-	SCOTT Enterprises Limited
SDC	-	Swiss development cooperation
SIDI	-	Solidarity International Development Investment
SUA	-	Sokoine University of agriculture
Tan Cert		Tanzania Organic Certification
TCA	-	Tanzania Cotton Buyers Association
TCCIA	-	Tanzania chamber for commerce, industry and agriculture
TACOGA		Tanzania cotton growers association
TCB	-	Tanzania Cotton Board
TIB	-	Tanzania Investment Bank
TIC	-	Tanzania Investment Centre
TGT	-	Tanzania Gatsby Trust
TIB	-	Tanzania Investment Bank

CHAPTER I: OVERVIEW OF THE COTTON SECTOR IN TANZANIA

1.1 Introduction

The cotton sector is a major source of employment and income in Tanzania employing about 500,000 rural households. Production is primarily by smallholder farmers owning between 0.5 to 10 acres (Average 1.5 acres) prevailed by hand-work based and rain fed. The total land under cotton cultivation in Tanzania is estimated between 400,000 to 500,000 ha characterized by high fluctuations in production; 350'000 tons and more in good years to hardly 100'000 tons of seed cotton in bad weather years.

The cotton growing area is divided into west and east as Western Cotton Growing Area (WCGA) and Eastern Cotton Growing Area (ECGA) respectively. The WCGA encompass regions including Mwanza, Shinyanga, Singida, Mara, Kagera and Tabora producing 95% while ECGA include Morogoro, Manyara, Tanga and Kilimanjaro with a low production of 5% of the total cotton produced.

Cotton production in Tanzania is mainly conventional, largely for export with a total earning of \$90-100 million TSh p.a. where about 80 % is exported mostly to Asia as lint. In the beginning, the business was government regulated through the marketing board which was the sole exporter. However, the economic reforms that took place in 1990s liberalized the market for cotton thus engaging new traders and encouraged competition which has acted as a catalyst to increased production and improved quality thus building a more competitive market system.

Despite the advantages that exist in such a liberalized market the system has not fully worked better for the cotton producers to improve their welfare. The system has a pile of challenges including insufficient inputs and poor agronomic practices which lead to the lowest productivity and poorest quality of our cotton in the world, price risk and volatility in the world market, lack of incentive for grading during buying, stiff competition among cotton buyers due to mismatch between production and ginning.

Cotton sector has a huge potential to increase income and employment to rural community in the Central Corridor if sufficiently nurtured to gain a higher yield and high quality.

1.2 Production and the Market System

1.2.1 Cotton Growing and Processing

Cotton growing calendar follows the rain pattern of the respective areas. Seed distribution, field preparation and sowing are made just before the main rain falls, weeding and pest control are necessary during plant growth, from planting to harvest cotton needs approx. 6 months. In the WCGA harvest time is from June to August, the EGCA follows the same trend two months later.

Table 1: Cotton production calendar in the West Cotton Growing Area (WCGA)

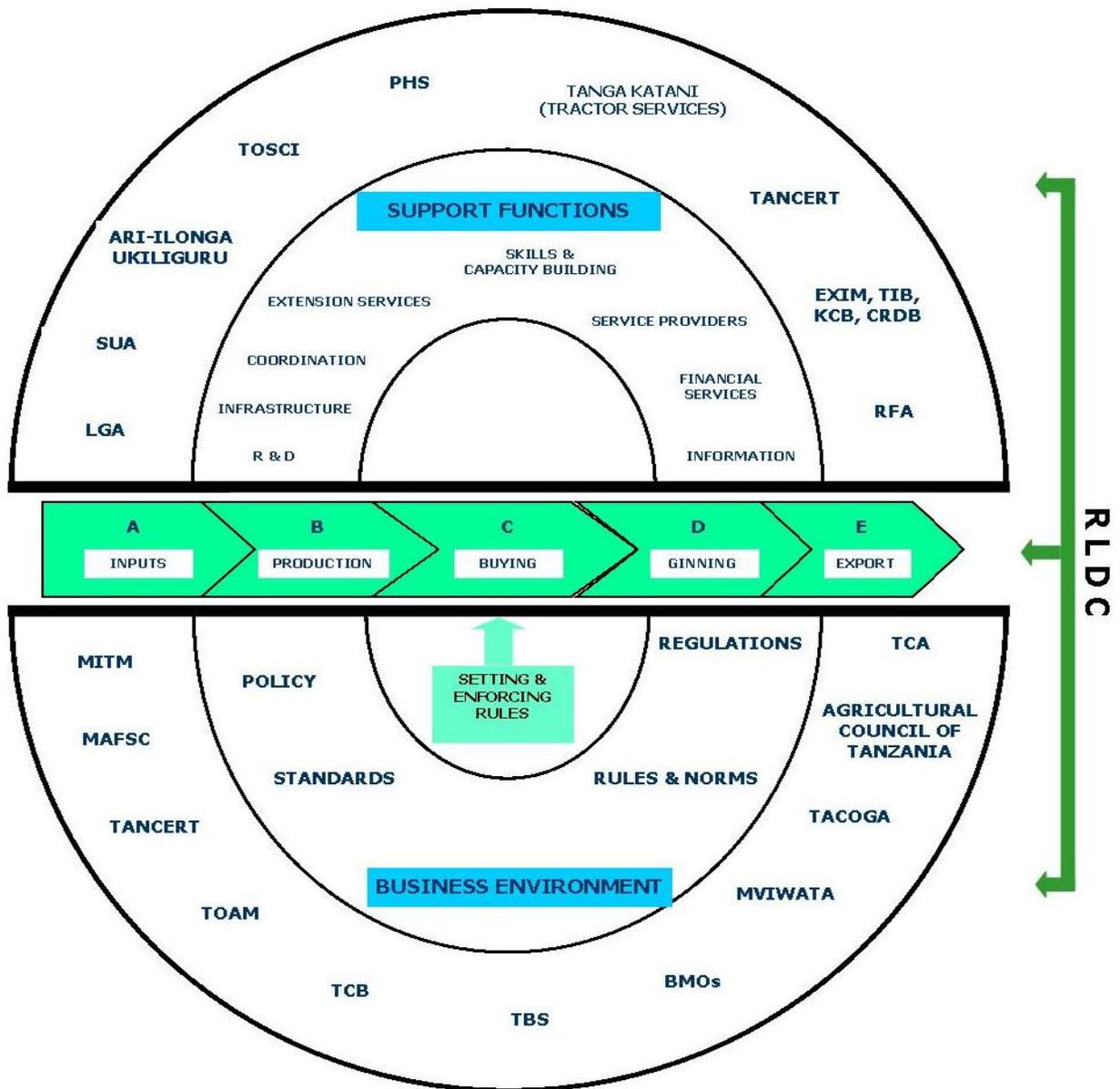
Activity	Month											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1 Farm Preparation												
2 Spread compost												
3 Planting												
4 Weeding												
5 Pruning												
6 Spraying pesticides												
7 Harvesting and grading												
8 Cotton selling/buying												
9 Farm clearing (uprooting and burning)												

1.2.2 The Core Market Transaction

A. Inputs

- Seed procurement and distribution is regulated by Tanzania Cotton Board (TCB) who predetermines district quota to ginners for seeds to be delivered.
- Seed Sourcing: All operational ginners are required to reserve a specified quantity of cotton seed for planting as prescribed by TCB every season based on the following
 - Location where the seed cotton was bought from
 - Disease infection status of seed cotton
 - Proximity/availability of ginning capacity (seeds, chemicals)
 - Type of gin in Tanzania
- Seed dressing: The reserved seeds are transported to ginners or dusted as fuzzy seed by the individual ginner with Nordox 40%, packed into 10 kg or 25 kg bags and distributed to farmers under TCB supervision
- Seed distribution: TCB determines the requirement at the village level and allocate to ginners. Distribution is organized by district councils in collaboration with the ginners.)
- Pesticide Distribution System in Tanzania: Through the Cotton Development Fund (CDFT) a stakeholder body of TCB, Tanzania Cotton Association (TCA) and local authorities-most of the country's chemicals needed are bought (by tender) and distributed through buyers and/or ginners. Farmers and ginners have to contribute to the CDFT.
- The delivery mechanism and monitoring of pesticides at grass root level engages district task forces (district agricultural, extension and cooperative department and ginners) which coordinates the whole distribution exercise in all cotton growing areas.

Fig 1: Cotton Sector Market System



B. Production

Small –scale farmers predominantly carry out all cotton production in subsistence agricultural with an average of 1.5 acres. The farmers use a limited amount of inputs and the majority use hand hoe, animal tracking for tillage. No large scale commercial cotton farming is carried out in Tanzania. Out of the cotton grown in Tanzania Mainland, more than 95% of the crop comes from WCGA. Shinyanga is the leading cotton region, producing in average around 60 % of Tanzania’s cotton. The yields in Tanzania are the lowest world wide with an average of approx 270 kg per acre or 215 kg of lint/ha; against 280 of neighboring Zambia or Zimbabwe, in West Africa yields vary around 440.

Organic cotton production in Tanzania is still very small, it is estimated to be approx. 4’000 tons. There are three known companies promoting organic cotton: BioRe, BOFA and Biosustain (T) Ltd. The first two are in Meatu, Shinyanga while

Biosustain (T) Ltd is active in Singida rural. Tanzania accounts for around 0.5 % of world cotton production and a 6 to 7 % of Africa's production.

Table 2: Cotton Production in Tanzania (Tons)

Zones	Regions	IOD							
		2000/1	2001/2	2002/3	2003/4	2004/5	2005/6	2006/7	
WCGA	Shinyanga*	9'913	80'030	119'009	88'352	204'625	234'193	82'740	
	Mwanza	41'376	46'685	43'699	31'306	90'974	91'871	29'087	
	Mara	4'286	13'091	11'361	11'349	24'128	28'288	4'734	
	Kagera	2'087	3'117	2'309	3'476	7'091	14'197	1'992	
	Tabora *	5'725	4'613	11'409	4'332	10'560	5'089	9'997	
	Kigoma	4	18	19	62	542	697	208	
	Singida *	27	21	8	39	481	484	507	
	Total		123'418	147'575	187'814	138'916	338'401	374'819	129'265
%		99.9%	99.6%	99.6%	99.4%	99.1%	99.5%	99.0%	
ECGA	Manyara *	6	130	119	224	829	781	404	
	Morogoro *	35	242	349	523	1'948	875	852	
	Kilimanjaro	4	21	16	36	26	6	11	
	Pwani	6	9	122	33	100	45	12	
	Tanga	89	15	103	70	140	58	41	
	Iringa	29	150	59	17	54	7	0	
	Total		169	567	768	903	3'097	1'772	1'320
	Total		123'587	148'142	188'582	139'819	341'498	376'591	130'585

RLDC	regions *	75'706	85'036	130'894	93'470	218'443	241'422	94'500
	% National	61.3%	57.4%	69.4%	66.9%	64.0%	64.1%	72.4%

Source: Tanzania Cotton Board 2008

C. Seed Cotton Buying

Primary cotton marketing constitutes the transaction and movements of seed cotton from the farmers to the final ginnery.

Cotton buying season starts in June in the WCGA and in August in the ECGA.

There are 60 cotton buyers registered with TCB and the district. TCB through a stakeholder consultation process sets the floor price at the beginning of each season basing on the prevailing world market price of lint (70%), estimates of prices of oil and cake (30%), agreed applicable levies, ginning and marketing costs.

Pricing: This 2008/9 season the floor price was set at Tsh 400/- per kg of seed cotton. By September seed cotton price had reached Tsh 480/- per kg in some buying posts in Shinyanga. Prices increased in the 2006/7 season by 50%, from Tsh 250/- (2005/6) to Tshs 450/- and had closed in Shinyanga higher than tshs 500/- due to competition by private buyers to meet their contracts.

In Tanzania seed cotton is purchased by private ginners agents (through commission agents), private buyers (independent middlemen); and primary cooperative societies.

- i) Private ginners agents – these are commission agents who receive seed cotton procurement funds directly from ginners to purchase seed cotton directly from farmers at village level. They usually receive a commission per

kilogram from the ginner. This is the most prevalent cotton trade method in Tanzania.

- ii) Private buyers – are independent middlemen who invest their own funds to purchase seed cotton from farmers and sell directly to ginneries at a profit. Their aim is profit maximization by striving to buy at comparatively lower farm gate prices and sell at ex-ginneries prices. These usually use hired transport facility.
- iii) Primary societies – these were formed under the cooperative system which each society was attached to a cooperative union to which they deliver their cotton. However, with liberalization, primary societies are not obliged to deliver all their cotton to unions. They can sell to any buyer at their own discretion.

D. Processing/Ginning

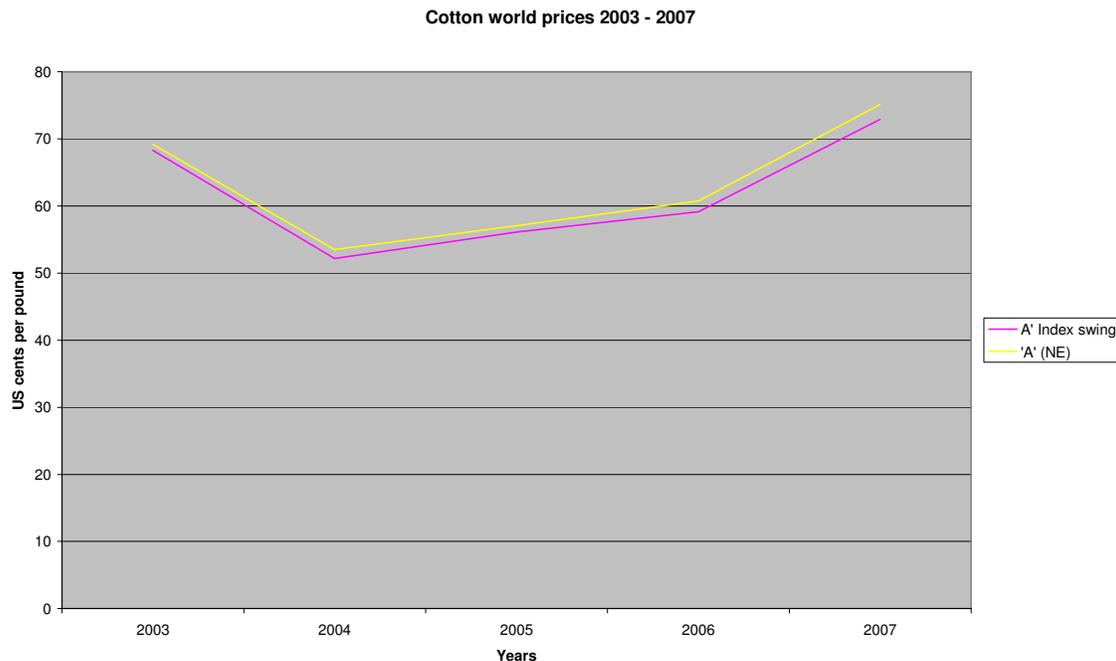
Ginning is the process of removing lint from the seeds. There are two systems of ginning operating in Tanzania; the modern roller ginning and older saw ginning system. The ginning period would be at least 6 months. Currently, private individuals who are able to solicit sufficient crop finance from financial institutions and operate in economically viable modes are dominant in cotton ginning.

- 60 Ginneries are registered with TCB; out of which 14 are saw ginneries and 46 are roller ginneries with an overall ginning capacity of 3,958 bales per day/shift.
- RCU own 50% of the ginneries mostly installed in the 1950s are weak by production of 750,000 bales.
- About 17 new ginneries were built (16 in WCGA and 1 in ECGA) after the 1990s reforms.
- Out of the registered cotton ginneries (46 in the WCGA and 14 in the ECGA) only 30 are operating each season.
- During the 2007/8 season 200,229 MT of seed cotton was purchased and delivered to various ginneries in WCGA whereby 292,599 bales of cotton lint were ginned. In 2006/7 season – 127,693,371 kgs were purchased through 28 registered seed cotton buyers. In 2005/6 season – 374, 818,713 kgs were purchased ready for ginning through 29 registered seed cotton buyers.

E. Export

- Cotton and coffee are the largest export earning agriculture commodities of Tanzania.
- US\$ 90 million worth of export earnings are from cotton.
- 80% of cotton purchased and ginned in the country is exported;
- 60% of cotton lint is exported to Far East countries; including Bangladesh, China, India, Malaysia, Indonesia, Pakistan, Taiwan, Philippines, South Korea,
- Others are Portugal, Italy, United Kingdom, Germany, Spain, Turkey, Kenya, Rwanda and Democratic Republic of Congo.

- Price determination in the world market: The price of lint in Tanzania is pegged to the CIF Western Europe lint price. The FOB Dar es Salaam price is US cents .74 per pound less the CIF Western Europe price while the Ex-ginnery price is US cents 1.91 per pound less the CIF Western Europe price. The reference price of lint used for formulation of the floor price in 2007 was US cents 72.9 per pound (ex – ginnery) based on the 'A' index (NE) Cotton Exchange in the year 2007 was US cents 75.13 per pound. In 2008 the cotton prices have drastically fallen and are currently on a long term low 42 cents per pound. The repercussions on the local market can already be felt as buyers have reduced the quantity they buy or are waiting to see how the market develops further.



1.2.3 Supporting Services

- There are two cotton research centers in Tanzania; the Ukiriguru Agricultural Research Institute (ARI) Mwanza for the WCGA and the Ilonga Research Institute –Morogoro in the ECGA. They develop the now widely used UK 901 variety and disseminate findings relevant actors in the sector.
- Ministry of Agriculture & Food Security – employ extension workers, sensitize and train farmers on plant health and improved agronomic practices; e.g. IPM.
- RCU – primary societies at village level are input supply distribution channels.
- Tractor services are available for tilling and sometimes weeding in areas where contract farming is practiced.
- TanCert – provides training, inspects and certifies organic cotton farming.
- Financial services offer credit to cotton buyers during buying season.

1.2.4 Business Environment

This includes government ministries whose policies have influence on the cotton industry. These are the Ministry of Agriculture, Ministry of Industries, Trade and Marketing for regulating and licensing the existing textile industries.

Business members Organizations are TCA, TACOGA, primary cooperative societies and RCU's, TCCIA, MVIWATA and CTI. Some of the directly involved are discussed below.

a) TCB - Tanzania Cotton Board

TCB replaced former TCMB (Tanzania Cotton and Marketing Board) in 2001 enacted with the Cotton Industry Act. The role of the TCB is to put in place a legal and regulatory frame to improve and develop the cotton industry. It acts as regulator but intervenes also in the market core function as service provider for inputs (seeds, chemicals) and controls seed cotton buying by registering authorized buyers. It is also aimed at improving and developing the cotton industry by promoting, facilitating and monitoring the functioning of the entire production, marketing, and processing and export chain of cotton business.

b) TCA - Tanzania Cotton Association

The association comprises of persons, firms or corporate bodies holding licenses under the Tanzania Cotton Industry and Licensing legislature as cotton buyers and ginners. It is also consists of associate members who are individuals, associations institutions, corporate bodies and exporters who are members for the purpose of supporting the objectives of the association materially and financially.

The objectives of the association are:

- To ensure sustainable growth and development of the cotton industry
- To promote, protect and further the interests of those involved in cultivating of trading in, ginning, and export of cotton from Tanzania.
- To represent the members
- To collect and disseminate statistical and other information
- To deal with matters concerning the grading and classification of Tanzania cotton and take action to encourage improvement in research, seed multiplication etc.

1.2.5 Textile Industry

Before the trade liberalization in 1986, the textile sub sector had been one of the strongest growth sectors in Tanzania and was one of the largest employers. It was also the third largest source of government revenue and exporter, and cotton was the second most important export crop. The state had over 15 textile factories using locally grown cotton as the major raw material. The trade liberalization abolished import controls giving authority to the Board of Internal Trade (BIT) to import goods for mass consumption. There was a large quantity of imported textiles and garments from South-East Asia, which were of better

quality and more competitive prices than locally produced textiles and garments, affected profitability of the local textile industries. This had a direct negative effect to Tanzania's cotton growers for losing the major buyers of their products. With few industries left, cotton grower had to strive for other export markets to address the existing mismatch between supply and demand. The falling cotton prices compelled some cotton growers to abandon the crop

- There are 19 textile industries which operate in the country.
- Out of 19 textile mills only 3 are in the project area (Morogoro canvas – tarpaulin; 21st Century Textile; and New Tabora Textile - yarn)
- These are mainly fabric manufacturer in form of Khanga, Kitenge, and drill materials (16).
- There are blankets (2), canvas (1).
Sources of other inputs to these industries apart from cotton lint; e.g. chemicals, dyes are acquired locally or are imported.

1.3 Cotton in the Central Corridor

1.3.1 Cotton Production Estimates – Central Corridor

The target regions of RLDC comprise the major cotton producing region. Leading region is Shinyanga followed by Tabora which has a relatively important production, whereas Singida, Manyara, Morogoro are minor cotton growing areas. Of the total production of the Central Corridor regions Shinyanga contributes 94%, followed by Tabora with 5.3% of the total production; Morogoro produces 0.6%, Manyara 0.3% and lastly Singida 0.2%. (*See table 2*). Average production over the last 5 years was 155'746 tons, which is two thirds of the national production.

1.3.2 Buyers and Quantities Produced in RLDC Area of Operation

- There are 12 seed cotton buyers registered by TCB in the RLDC working area.
- Registered buying in 2006/7 was 241'422 tons of seed cotton, 64 % of national production

1.3.3 Central Corridor Ginning and Quantity Produced

- There is a total of 32 ginneries in the RLDC area of operation. These are WCGA - Shinyanga (25); Tabora (1); Singida (1); ECGA – Morogoro (5); not all of them are operating
- Shinyanga is the leading region with 25 ginneries with total potential ginning capacity of 106,253 actual bales per month. It is followed by Morogoro 5,120 bales per month, Tabora 3.500 bales per month
- No ginnery is currently operating in Singida and Manyara, the cotton is hauled to neighboring regions of Morogoro and Kilimanjaro respectively.
- The ginners in the RLDC working area managed to gin 213'944 tons of seed cotton which yielded 95'150 bales of lint (approx. 181 kg per bale)

1.4 RLDC Cotton Projects

Cotton sector has a huge potential to increase income and employment to the rural community in the Central Corridor.

During phase I RLDC has supported three cotton projects. The first project with Morocot in Ulanga District failed due to non compliance of the partner; it was terminated before end of the agreement. The two other, more successful project partners were SCOTT Enterprises and Biosustain (T) Ltd, which implemented cotton projects in Morogoro Rural and Singida Rural districts respectively.

SCOTT Enterprises revitalized cotton production in Morogoro region through contract farming and vertical integration. The aim of the project was to improve conventional cotton production in Dutumi area by providing inputs and assistance to smallholder farmers in 16 villages. The SCOTT Enterprises/RLDC projects started with 774 households; with a support from RLDC of Tsh 370 Mio. At the end the project reached 2'400 Farmers (1'600 Dutumi area, 800 Ulanga)

where SCOTT Enterprises provided services such as farm tilling by tractor, distribution of high quality seeds and other inputs, improving extension services, agronomic trainings and establishment of FFS, better marketing services through construction and rehabilitation of buying posts.

The other project, *Biosustain (T) Ltd* had similar interventions and promoting organic cotton farming in Singida Rural. This was a one year project which started in 2006 with 275 households from 12 villages. After a slow start the company has enlarged its activities to two other districts (Iramba, Manyoni) and with support of the region authority, the project is reaching out to estimated 3'000 farmer households. Organic cotton farmer's benefit from increased income of 10% paid as premium for the increased work load they have to go through. The implementation of these two projects through partners has given RLDC an insight into the cotton market system and it is worthwhile to note some beneficial outcomes of the first phase projects:

- Since both partners operate in minor cotton producing areas, where there is less competition with other buyers, TCB is ready to give them 'protection' for their investments by providing exclusive buying permits.
- Contract farming is well received by the farmers and could be successfully replicated.
- Input services (seeds, pesticides, other services) rendered by partners were better than in many other areas, although not always sufficient.
- Outreach to farmer households increased as discussed above.
- Productivity and income increased improved agronomic practices and extension services.

Most of the successfully tested interventions such as contract farming are new to the farmers and have been practiced for one season; the groups formed during project implementation are still in their infancy stage hence needed to be strengthened. Also the appreciation and full utilization of buying posts needs to be monitored and enhanced. RLDC intends to support the replication of these interventions into new areas through existing and/or new partners due to the effectiveness in improving the cotton market system for the benefit of rural producers.

1.5 Other Development Programs

1.5.1 Tanzanian Gatsby Trust (TGT)

A large cotton development program financed by TGT has started in August 2008. The partners are TCB, MAFS and the district councils in target areas that are in WCGA - Mara: Bunda, Musoma, Serengeti and ECGA: Bagamoyo and Morogoro. Implementers are TechnoServe (TS) and Golder Associates. Private sector partners are, Badugu, Cargill, Olam, S&C and Shindika group (Scott). TGT program has 15-month duration (08/08 – 10/09 and will achieve following results:

- Approx. 3'7000 farmers organized into 48 Farmer Business Group (FBG's)
- At least 4 ginneries participating in contract farming
- An average increase in yields of 20 % over 2008 baseline

CHAPTER II: CONCLUSION, CONSTRAINTS AND OPPORTUNITIES

2.1 Conclusion

The assessment of the cotton sector employed a combination of methods including physical visits to cotton producing areas, focused group discussion with stakeholders in the market chain and personal interviews with government officials in gathering information related to the production, processing and marketing of the cotton.

It was found that the average national projected productivity is amongst the lowest (230kgkg/acre) in the world with a comparatively poor quality (leading contaminators). Best practices in Iramba and Manyoni have shown yields as high as 1000kg/acre are possible. The market still strongly regulated, and only partially liberalized. TCB stills regulates the market on input and buying level, with CDFT most of the country's inputs are procured, TCB sets the floor price and issues with the LGA the buyers permits. There is a mismatch between ginning capacity and amount of seed cotton produced which leads to unfair competition and side selling.

However, the assessment on the other hand analyzed a number of opportunities from the economies of scale that have shown that cotton production has a significant profit-margin to the market actors. There is equally ample room for improvement by capitalizing on the advantages pegged on the contract farming, organic cotton production and new low cotton producing areas. One can conclude that it is practically possible and we can improve the welfare of 20,000 rural cotton producing households by exploring the huge potential available in improving productivity and quality and reducing risks to the market actors.

2.2 Constraints

The cotton sector has been facing a number of constraints that have led to the draw backs in its development. Main constraints assessed are:

- Insufficient input supply and inefficient distribution
- Inadequate support to the farmers
- Weak farmer's organization
- Low productivity and quality
- Strong fluctuation of prices in the local and world market
- Unfair competition in the trade-invasion of buyers who do not provide extension services and side-selling
- Poor business environment
- Access to ginning facility
- Lack of financial credit

2.3 Opportunities

The following opportunities exist in the cotton sector

- Policy: The current policies in promoting agricultural sector give room for the development of the cotton sector. The agricultural green revolution policy in the country puts more emphasis on expansion from subsistence to commercial production. Programmes like ASDP, BEST, and CFC are in place to support the revolution.
- Production
Contract farming enhances extension services and provision of best agronomic practices
- Market - Organic cotton has small market niche and also is paid a premium price of 10%
- Warehouse receipt system: Enabling depositors (farmers or commodity owners) to access loans from financiers through collateralization of warehouse receipts
- Other programs supporting cotton
The TGT program is biggest in the sector (see 1.5.1). Contacts with donor, TCB and implementer have been established in order to coordinate activities (in Morogoro).

CHAPTER III: STRATEGY FOR MARKET DEVELOPMENT IN THE COTTON SECTOR

The cotton sector has come up with a strategy for the development of the cotton market system and is presented with vision, mission and assumptions in the way towards the targets

3.1 Targets

The expected outputs and outcomes of the market development interventions in the cotton sector by end of 2010 are:

Outputs:

- ⇒ 20'000 cotton producing households benefit from RLDC support for market development interventions
- ⇒ 5'000 farmers are certified organic cotton producers
- ⇒ Productivity has increased by at least 25 % in two years
- ⇒ The household's income from cotton has increased by 10 % per year
- ⇒ All farmers are under contract farming agreements
- ⇒ New ginneries in Morogoro and Singida are operational

Outcomes

- ⇒ Farmers are better organized and have formed self managed village organizations
- ⇒ The provision of inputs and services to farmers have improved and are commercially run
- ⇒ The contract farming model has become accepted model for improved buyers-producers relations and contributes to changes of business practice in the sector. This can be observed by replication of contract farming in other producing areas
- ⇒ Organic cotton farming has expanded in Tanzania and has proven to be a viable option to access premium markets
- ⇒ Through good contacts and constant communication with stakeholders, namely TCB, the business environment in the cotton sector is changing. Rules and regulations have been reviewed and changed. RLDC's role as facilitator is accepted by stakeholders

3.2 Strategy

Proposed main lines of interventions are:

- A. Scaling up contract farming concept and increase outreach to farmers
- B. Support trainings in agronomic practice to increase productivity and the quality of cotton
- C. Support the formation and management capacity of producer groups
- D. Enhance organic cotton growing
- E. Facilitate partner's access to required business services and support by other providers; namely for financial services to allow the planned investments
- F. Close networking with other programs in the sector and TCB

3.3 Partners and Activities

3.3.1 Biosustain (T) Ltd (BST), Singida:

Targets:

In 2010: 6'000 farmers, production: 6'000 tons, 2008/09 4'400 farmers, 4'000 tons, 3'000 trained organic farmers, 18 buying posts. BST will work in 3 districts: Singida, Manyoni, Iramba.

Activities supported by RLDC:

- Group establishment and strengthening (strategy line C)
- Capacity building on extension services (B + D)
- Improved agronomic practices to farmers (B + D)
- Marketing at farm level – buying posts (A)
- Linking to financial services (F)

BST investments:

- Farmers mobilization & sensitization, farmers registration and contracts
- Seed and input distribution
- Transport fleet
- Ginnery

3.3.2 Scott Enterprises Ltd (SEL), Morogoro:

Targets:

From 5 years Business plan: 10'800 farmers, production: 10'500 tons, 120 villages 2008/09: 6'000 farmers, 5'400 tons, 15 rehabilitated collection centers.50 groups formed, 33 FFS, SEL will work in 5 districts: Morogoro, Mwaya, Ulanga West, Mvomero, Kilosa including 44 new villages.

Activities supported by RLDC:

- Group formation (C)
- Strengthening rural marketing structures(A)
- Scaling up of cotton farming (A)
- Technical support in improved agronomic practices (B + D)

SEL investments:

- Seed and input distribution, sprayers
- Oil mill (2009), Ginnery (2010)

3.3.3 Oridoy Cooperative Society (OCS), Manyara

Targets: To support OCS in improving their infrastructure and market efficiency 1'000 farmers, production: 400 tons

Activities supported by RLDC:

- Construction of warehouse (A)
- Testing functionality of ware house system
- Technical support in improved agronomic practices (B + D)

OCS investments:

- Farmers mobilization & sensitization, farmers registration and contracts
- Seed and input distribution

3.3.4 BioRe Tanzania (BRT), Meatu, Shinyanga

Discussion with BioRe have started to develop and support satellite concept in 2 pilot villages (1 new partner, 1 existing) to strengthen village associations to become independent commercial partner. RLDC is expecting to receive from BioRe an outline of the concept by Dec. 2008 that can be further discussed.

3.3.5 Test contract farming in Shinyanga or Tabora

Target: introduce and test the contract farming concept in 2 – 3 districts in major producing area by 2009/10 latest.

The assessment for potential partners for a test in contract farming in Shinyanga or Tabora will continue. RLDC is expecting that TCB can help in identifying suitable partners.

3.3.6 Lobbying and Networking in the Sector

a) TCB: RLDC has established good contacts with TCB and will try to influence the board by regular exchange and dissemination of the results of our sector interventions. TCB is supporting the idea of contract farming in their search for future concepts to tackle the current problems with the input distribution and the control of quality and fair buying. TCB is interested to compare results of RLDC and TGT cotton interventions in contract farming.

b) Tanzania Gatsby Trust/Technoserve (TS) cotton project

First exchanges with TGT and TS have been taken place; and we agreed to share information regularly and where suitable cooperate.

C) Stakeholder Information

Stakeholders in the sector will be regularly informed on RLDC cotton market development and progress of the sector approach. A first stakeholder meeting is planned to take place in January.

3.4 Budget

The sector team proposes to allocate max budget of Tsh **458.8** Mio for the planned activities described as above. Details of the planned activities and budgets with partners can be seen in Annex 1 and 2.

The implementing partners are asked to contribute at least 30 % to the planned activities when testing new approaches and at least 50% in the scaling up and the replication of tested approaches.

Table3. Budget Frame

Organization	Target (HH)	RLDC Tshs '000	Partner Tshs '000
Biosustain	6,000	238'800	376'920
Scott	6,000	185,000	204,801
Oridoy	1,000	35,000	15,000
Total	13,000	458,800	596,721

3.5 Assumptions

The above vision and mission hold basing on the following assumptions

- Demand for cotton in the local and international market is stable or increasing.
- Local and world market Prices will remain stable
- Demand of high quality cotton will still grow
- Partners are capable to invest and expand
- The regulations in the competition are fair

Annex 1: Biosustain (T) Scaling up cotton production in Singida Region: Proposed budget 2008/09

No.	Outputs	Unit	Unit Cost	Qty	Amount	RLDC	Biosustain
1	Mobilization and Sensitization	group	1'000	26	26'000		26'000
2	Farmers registration and contracts	group	1'000	58	58'000		58'000
3	Group establishment and strengthening	group	1'000	26	26'000	26'000	
	4.1 Training farmers on extension services	group	1'300	42	54'600	54'600	
	4.2 Motorcycle for extension supervisors	pcs	1'800	8	14'400	14'400	
	4.3 Bicycles for extension workers	pcs	110	30	3'300		3'300
4	Capacity building on extension services				72'300	69'000	3'300
	5.1 Training farmers on agronomic practices	group	1'600	58	92'800	92'800	
	5.2 Establishing Farmers' Field Schools	plot	2'000	5	10'000	10'000	
	5.3 Cotton seed distribution cost	MT	250	300	75'000		75'000
	5.4 Cotton seed distribution cost	MT	150	300	45'000		45'000
	5.5 PP bags for cotton seed dostribution	pcs			3'300		3'300
	5.6 Botanical pesticides	litres	23	1200	27'720		27'720
5	Improved agronomic practices to farmers				253'820	102'800	151'020
	6.1 Construction of buying post - Mayaha	post	25'000	1	25'000	25'000	
	6.2 Rehabilitation of buying post - Manyoni	post	8'000	2	16'000	16'000	
	6.3 Transport enhancing 10 ton trucks	trucks	34'650	4	138'600		138'600
6	Marketing at farm level - contract farming				179'600	41'000	138'600
	Total				615'720	238'800	376'920

Annex 2: Scott Enterprises: Replication in Morogoro region Proposed Budget 2008/09 season

Project Partners:
 TOTAL BUDGET TZS
 Partner's contribution (RLDC)
 Implementing Partner (SEL)

RLDC - DODOMA
389,801,150.00
185,000,000.00
204,801,150.00

Code	Activity Detailed By Budget Components	TOTAL BUDGET	RLDC	SEL	SERVICE PROVIDERS
2.6.1	GROUP FORMATION	62,054,500.00			KC (2000) SYSTEMS LTD
	Meetings for farmers to analyze problems and Needs of concerns of Farmers and identification of desired outcomes	20,754,000.00	15,000,000.00	5,754,000.00	MIN. OF AGRI (EXT. SERV. DEPT)
	Meetings leaders at village, ward and district level	21,300,500.00	16,300,500.00	5,000,000.00	
	Strengthening lead farmers to support groups	20,000,000.00	17,500,000.00	2,500,000.00	
	Sub Total		48,800,500.00	13,254,000.00	
2.6.2	STRENGTHENING OF RURAL MARKETING STRUCTURES	22,350,000.00			SCOTT ENT. LTD
	Rehabilitate 15 existing CC to become useful for storing cotton and inputs	22,350,000.00		22,350,000.00	
	Sub-total			22,350,000.00	
2.6.3	SCALING UP OF COTTON	151,297,150.00			KC (2000) SYSTEMS LIMITED
	Replication contract farming in new areas	20,000,000.00	20,000,000.00		SCOTT ENTERPRISES LIMITED
	Farmers exchange visits, Ulanga, Duthumi, Kilosa, Mvomero and Ngerengere	18,000,000.00	18,000,000.00		DVA AGRO GmbH/SEL
	Sprayers	113,297,150.00		113,297,150.00	
	Sub-total		38,000,000.00	113,297,150.00	
2.6.4	TECHNICAL SUPPORT AND ADMINISTRATION	154,100,000.00			

	Set up and enhancing Field Farmer Schools	28,700,000.00	20,000,000.00	8,700,000.00		EASTERN COTTON AGRO SERVICES LTD AGRO SERVICES LTD E mail: ndiho1998@gmail.com
	Agronomists (2) for 7months	20,400,000.00	8,449,500.00	11,950,000.00		
	Extension Officer (10) for 7months	33,600,000.00	23,000,000.00	10,600,000.00		
	Motor bikes (8)	15,400,000.00	6,750,000.00	8,650,000.00		
	Strengthening Field best Agronomic practices	56,000,000.00	40,000,000.00	16,000,000.00		
	Sub-total		98,199,500.00	55,900,000.00		
	GRAND TOTAL		185,000,000.00	204,801,150.00	389,801,650.00	