



**Enabling Growth and Raising Producers
Incomes in the Cotton Sub-sector :**

Lessons and Experience from the Central Corridor of Tanzania





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LIST OF ABBREVIATIONS

DALDO	District Agriculture and Livestock Development Office
FFS	Farmer Field School
FAO	Food and Agriculture Organisation
FO	Farmers' Organisation
KIMAHA	Maswa Organic Farmers' Association
LGA	Local Government Authority
M4P	"Making Markets Work for the Poor"
MKUKUTA	National Strategy for Growth and Poverty Reduction
PPP	Private-Public Partnerships
RLDC	Rural Livelihood and Development Company
SACCOS	Savings and Credit Cooperative Society
T	Tonne
TZS	Tanzanian Shillings (Approximately 1 USD = 1500 TZS)
TCB	Tanzania Cotton Board
WRS	Warehouse Receipt System





ABOUT THE RURAL LIVELIHOOD DEVELOPMENT PROGRAMME (RLDP)

The Rural Livelihood Development Programme (RLDP) is an initiative of the Government of Switzerland and supported through the Swiss Agency for Development and Cooperation (SDC). The main concern of RLDP is the high rural poverty in the Central Corridor of Tanzania which is manifested by very low incomes and frequent food shortages including lack of reliable/sustainable markets and employment. The programme aims at making market systems work better for the welfare of rural producers applying the 'Making Markets Work for the Poor' approach (M4P). The programme is currently addressing market constraints in six sub-sectors, namely Cotton, Sunflower, Dairy, Rice, Poultry and rural radio.

RLDP is jointly managed by two Swiss International NGOs, Intercooperation and Swisscontact. It is implemented through the Rural Livelihood Development Company (RLDC), a non-profit organisation that has been established in 2005.

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EXECUTIVE SUMMARY

This document intends to share RLDC’s experiences and lessons learnt in the promotion of the cotton sub-sector in the Central Corridor of Tanzania. It also offers a perspective on how the “Making Markets Work for the Poor” (M4P) strategy can be applied to improve the livelihoods of project beneficiaries. Five interventions were carried out by RLDC, all with the aim of improving the livelihoods of small producers and contributing to the economic growth of the sub-sector:

- four of the interventions were in partnership with private companies focusing on improving the collaboration between them and the producers (core transaction) and the provision of services to the producers (supporting functions);
- one in collaboration with a District Local Government Authority and the Tanzanian Cotton Board, emphasising on improving the business environment for the producers.

All interventions contributed to the creation of win-win situations. The producers could improve their access to information, knowledge, inputs, market and other services, which ultimately contributed to generate additional

incomes and, on the other hand, through further investing in the sub-sector, the processors could enhance their business while the public sector could become more effective in establishing partnership with the private sector.

This evidence-based learning exercise highlighted a range of aspects that are crucial in promoting the cotton sub-sector and increasing income of producers.

One of the main conclusions is the utmost importance of providing services, particularly in terms of inputs, farm implements, training, storage or control of the products (weight, quality). Among the producers, the provision of services boosted the cotton production, productivity, and quality of products. On the buyers’ side, it contributed to securing access to products of increased quantity and quality. The adoption of contract farming systems reinforced productive and fair collaboration between producers and buyers.

It was also shown that facilitating and supporting initiatives from the private sector can promote the growth of the sub-sector benefiting both producers and buyers. The private companies realised that they had interest in further





Meeting with farmers

investing in their businesses, instead of simply purchasing products from the farmers. These investments covered not only “hardware” (ginnery, warehouses, etc.), but also “software” (extension services, inputs distribution systems, etc.).

RLDC’s experience has been that sharing vision and fostering trust between stakeholders requires constant and open communication, a long-term commitment and clearly defined roles. Trust relationship between producers, private and public actors remains a critical factor for the development of the sub-sector at all levels.

The system of pricing remains a challenging issue in order to develop the sub-sector. Many of the partners took the price fixed by the TCB as a reference, generally adding a premium on it. Despite this bonus, the price proposed to the farmers remained far below the market price, led to problems of side-selling or simply discouraged farmers to cultivate cotton. It was also noticed that secured

market for the buyers led to unfair price for the farmers, while high and unfair competition would discourage processors investing in the sub-sector.

The formation of farmers’ organisation greatly facilitated the collaboration between farmers and buyers, particularly for the distribution of inputs and the provision of advisory services. But the level of ownership of farmers on their own organisation generally remained low.

In conclusion, it can be said that the M4P analytic framework guiding RLDC has proven to be useful in the strategic assessment and planning phase, and has resulted in successful innovative interventions. However, the role as market facilitator has been very challenging to communicate, and some of the interventions did not trigger genuine systemic change, which is questionable in regard to sustainability. On the other hand, market facilitator like RLDC remains highly dependent on other, contingent factors completely beyond its control, such as the highly volatile world market prices for lint cotton as well as climate, in particular episodes of severe drought.

1. INTRODUCTION

Cotton is the second largest agricultural export product in Tanzania with over 80% of cotton produced in Tanzania being exported. The financial volume earned from the export of cotton amounts annually to USD 115 million¹. As a cash crop, cotton represents a major source of income and employment, offering economic opportunities to 500,000 rural households and as such was selected by RLDC as a target sector to improve rural livelihoods.

Most producers are smallholders who own between 0.5 to 10 acres and grow mostly in rain-fed areas². Main production areas encompass the Regions of Mwanza, Shinyanga³, Singida, Mara, Kagera and Tabora. According to the Tanzania Cotton Board (TCB), production has tripled in three years from 44,000t in the 2006/07 season to 124,000t in the 2008/09 season. However production can drastically change from year to year depending on weather (drought) and the volatility of the international market price.⁴

An initial assessment by RLDC of the cotton value-chain showed that several constraints had to be addressed in order to unlock the potentials of the sub-sector. These included:

- limited access of producers to inputs and services,
- low productivity and quality of cotton,
- strong volatility of prices in local and international markets,
- competitive business environment,
- weak organisation of farmers' groups,
- lack of access to ginning facilities, and
- Lack of access to credit.

The Districts in which RLDC interventions take place are highlighted in the map of Tanzania.



“As a cash crop, cotton represents a major source of income and employment, offering economic opportunities to 500,000 rural households”

Though the cotton market was liberalised in the nineties, the sub-sector remains quite strongly regulated by the TCB who determines the price floor of seed cotton and issues permits to seed cotton buyers and traders. There are however several opportunities to boost the sub-sector. The national strategy for poverty reduction and the agricultural policy are favourable to the transition from subsistence to commercial production.

1 Source: TCB

2 Source: TCB

3 The newly created Region of Simiu has also to be considered

4 Source: TCB



The strategy developed by RLDC follows the M4P⁵ approach. It aims to address constraints and to generate opportunities to benefit stakeholders in the central corridor of Tanzania on all levels and includes the following elements:

- Promoting the establishment of contract farming systems between producers and buyers
- Improving access to advisory services and inputs for producers by promoting public-private partnerships
- Strengthening farmers' organisations (FOs) in order to enhance capacity to collaborate with public and private actors
- Promote the production of organic cotton as an economic opportunity
- Promote collaboration between local government authorities, TCB and private sector.

This document intends to share the experiences of and lessons learnt by RLDC and its partners; it will also offer a perspective on how the M4P strategy can be applied to the cotton sub-sector to improve livelihoods of project beneficiaries.

It first introduces and compares the five major interventions carried out in the sub-sector, develops the lessons learnt through the different interventions in a second step, and concludes by elaborating on challenges and perspectives for the future.

The five interventions that are presented in this document are the following:

- Collaboration with BioRe Tanzania Ltd (organic cotton) for the strengthening of KIHAMA (Maswa Organic Farmers' Association) in Maswa District.
- Collaboration with BioSustain Tanzania Ltd in the promotion of organic cotton in Singida Region.
- Collaboration with MSK Solutions Ltd for the revival of cotton in Nzega District
- Collaboration with Oridoy Rural Cooperative Society aiming at improving economic opportunities for farmers in Babati District.
- Collaboration with TCB and the District Authorities in Bariadi District for community quality and weight control committees.

⁵ M4P is a quite recent market development approach that aims at making sustainable changes in market systems through a facilitation role at three levels of the systems: core transactions between demand and supply, supporting functions and rules (business environment). Overview on M4P is presented in annex 2.

2. INTERVENTIONS AND ACHIEVEMENTS

RLDC cotton sector interventions were implemented in the central corridor of Tanzania, focusing primarily on Shinyanga, Tabora and Singida Regions. Interventions were selected based on a sub-sector assessment and subsequent proposals submitted by private sector actors. Below is an overview of the five major interventions carried out with an outline of the overall achievements.



2.1 BIORE

BioRe Tanzania Ltd was founded in 1994 by the BioRe foundation of the Swiss company REMEI AG and is credited with pioneering organic cotton production in Shinyanga Region. BioRe considers its decision to support organic cotton production as both a business opportunity and a means to improve the farmers' livelihoods. The rationale being that organic cotton offers a 10% price premium compared to conventional cotton.

In order to secure the procurement of organic cotton in Shinyanga Region, BioRe adopted the system of contract farming whereby it provided inputs⁶ and extension services⁷ to farmers. BioRe and farmers also agreed on a price fixed by the TCB with the addition of a premium of 10% for organic cotton. Contract farming usually stipulates that inputs are provided on a loan basis, however, in order to secure the purchase of cotton, BioRe opted for a system in which the cost of inputs for the next season would be deducted at the time of buying the seed cotton; implements were provided for free.

One of BioRe's major activities was to make sure that cotton was effectively cultivated in an organic manner. This required intensive monitoring of individual farmers, culminating in an official certification process. The requirement for strict monitoring proved to be costly and when agreements had been reached with 1,750 producers, BioRe reconsidered the extension of activities. BioRe took steps to help develop a commercial FO which would be responsible for all internal aspects of organic cotton cultivation under the contract farming system, as well as the process of organic certification. It was agreed that BioRe should buy a bulk amount from the new FO rather than from individual farmers. KIHAMA was then created in May 2008 and has today a total number of 605 producers. The extension services originally offered by BioRe are now provided by lead farmers within KIHAMA that work on a voluntary basis.

⁶ Inputs: includes the provision of seeds and pesticides

⁷ Extension Services: includes technical training, coaching and advisory services on cotton cultivation

An overview of contract farming

Contract farming can be defined as agricultural production carried out according to an agreement between a buyer and farmers, which establishes conditions for the production and marketing of a farm product or products.

Typically, the farmer agrees to provide agreed quantities of a specific agricultural product. These should meet the quality standards of the purchaser and be supplied at the time determined by the purchaser. In turn, the buyer commits to purchase the product and, in some cases, to support production through, for example, the supply of farm inputs, land preparation and the provision of technical advice.

Both partners engaged in contract farming can benefit. Farmers have a guaranteed market outlet, reduce their uncertainty regarding prices and often are supplied with loans in kind, through the provision of farming inputs such as seeds and fertilizers. Purchasing firms benefit from having a guaranteed supply of agricultural products that meet their specifications regarding quality, quantity and timing of delivery.

Source:

FAO, Contract Farming Resource Centre,
www.fao.org/ag/ags/contract-farming

The collaboration between RLDC and BioRe began in late 2009 in order to boost KIHAMA as an independent organisation. Initial support provided by RLDC lasted two months and concentrated on the management of an internal control system to ensure that cotton is produced under organic practices. This initial intervention did not address organisational issues and it is therefore not surprising that one year later KIHAMA's organisational development remains weak, still heavily depending on support from BioRe.

The lack of good communication and understanding between KIHAMA, individual farmers and BioRe is a possible reason for the failure of KIMAHA to move towards Independence. This is evident in the fact that some members of KIHAMA are not even aware of the Association, and some of the leaders think they are agents of BioRe, rather than KIHAMA. In turn, BioRe is not used to working with an FO and does not yet have the capacity to ensure a shared vision and mutual understanding. With the renewal of the BioRe and KIHAMA collaboration in 2011, and with the continued support of RLDC, the issues of weak organisational structure will be addressed and an institution specialising in organisational development will support KIHAMA.

Another challenge faced by BioRe was ensuring delivery of cotton as agreed upon with farmers. For example; in 2009/10 BioRe purchased 650t of organic cotton from the 1,750 individual smallholders and 690t from KIHAMA's farmers, below the planned procurement quantity. This was a result of fierce and unfair competition in Shinyanga Region which provoked considerable side-selling by the producers contracted to BioRe. The company tried to offer incentives to producers by proposing an even higher price than the prevailing one at a daily basis, and authorised them to sell up to 20% of their production to other buyers. This short-term measure ensured a small supply of cotton but did not help to improve the already low level of trust between producer and buyer. As a trust-building measure, BioRe plans to strengthen personal relations with each farmer that has not complied with the contract in order to avoid side-selling in the next season.

2.2 BIOSUSTAIN

BioSustain was founded in 2006 as an organic cotton business in Singida Region. Many cotton producers in Singida Region had abandoned the crop in the late 1990s because they found that the buyers (primary cooperative societies) were no longer reliable. Another reason why many cotton farmers abandoned the crop was because external buyers were hesitant to conduct business due to

the poor road infrastructure in the Region. BioSustain's objective was to invest in the revival of cotton production in Singida Region through the promotion of organic production methods. The young company experienced a slow start in the 2007/08 season and into the following season and was able to only purchase a meagre total of 115t of seed cotton. However, during the 2009/10 season volumes grew rapidly and the company bought cotton from 3,500 farmers (about 3,400 men and 100 women) in 20 villages. BioSustain expects to increase this number to 5,000 farmers and 4,000t of cotton in the 2010/11 season.

BioSustain started collaboration with RLDC in 2007 with the aim to strengthen BioSustain's relations with smallholders. Since the beginning of their collaboration, RLDC and BioSustain have worked to strengthen groups, invest in extension services and promote agronomic practices.

BioSustain acknowledges several factors for the success of the intervention. This includes the heavy investment by BioSustain in holding awareness raising meetings to explain to farmers the advantages of organic cotton production, including environmental benefits and price premium. Another important element of business success was the establishment of warehouses in collaboration with RLDC. Finally, a distinguishing characteristic of BioSustain is its good relations with the Local Government Authority (LGA) at District level as well in the Regional government. Initially promoted by RLDC, BioSustain strengthened these relations further by their commitment to invest in organic cotton production and to run the ginnery in Singida town. Despite the success of the past harvest year, BioSustain does face some challenges. One such challenge is the lack of competition resulting from the exclusivity agreement. The price paid to cotton producers is relatively low and this results in many producers feeling undervalued and underpaid. Another challenge that BioSustain faces is the availability of extension services and farm implements for all producers.

Reviving cotton production in Singida:

Dr. Riaz Haider, Executive Director of BioSustain



After having done my PhD in Germany in the framework of the textile industry I decided to come back to Tanzania in 2006 and revive the cotton business in the Singida region. My objective was actually to promote the cultivation of organic cotton, which I saw as an opportunity to contribute to the local socio-economic development and the welfare of the population. Since I was new in the business, I implemented the model developed by BioRe: the establishment of a contract farming system where I provided seeds, technical advisory services, training on organic fertilizers and bio-pesticides to the farmers, and where the farmers would sell their production to BioSustain at a predefined price.

“I saw the cultivation of organic cotton as an opportunity to contribute to the local socio-economic development and welfare of the population”

Challenges faced by BioSustain in reviving cotton production in Singida:

Dr. Riaz Haider, Executive Director of BioSustain

Reviving the cotton cultivation in Singida has been rather challenging. Many cotton producers were previously members of primary societies that accessed loans from ginneries, but never paid back the money. As a result, the ginneries went bankrupt and closed. When I shared my project idea with the local authorities, I was more than welcomed. I also invested a lot in discussing with community leaders. I felt that I had to develop good and strong relationships with communities and producers to make my business sustainable. This was also necessary to make them understand the principle of contract farming where trust between partners is the foundation of the system.

The first activities went quite well, but soon I realised that the extension workers I was working with could jeopardise the whole system. The chosen extension workers were lead farmers who had good technical capacities, but not always the right attitudes in delivering the services to the farmers. There were delays in delivering inputs, or in the quality of advisory services to the producers on organic cotton cultivation. This created tensions between the producers and BioSustain. I learned that the selection of extension agents is crucial and has to be done carefully with the communities, on the basis of common understanding.

My business is growing year by year. I first had to secure a sufficient level of organic cotton production to access an improved export market. That was facilitated by the provision of services to the producers. An important success factor was the establishment of warehouses where producers could store their cotton, which greatly facilitated the marketing of products. Galvanised by the expansion of my business, I decided to invest in the rehabilitation of a ginnery. This cost me a lot, including the burden of interest I have to pay to the organisations that provided me with loans, but I am sure that it was a good decision.

“An important success factor was the establishment of warehouses where producers could store their cotton, which greatly facilitated the marketing of products.”

To sustain my business, I also heavily invest in building relationships with local authorities and the Tanzanian Cotton Board. They appreciate the fact that BioSustain contributes to the economic development in the region. This helped me secure exclusive buying rights for cotton products in Singida region. I also invest in maintaining a good relationship with the communities, and take time to visit and discuss with them. The commercial relationship that BioSustain has with farmers is established either individually or with groups. In the future, I think that it would be easier to work only with groups, but it would require them to strengthen their organisational capacities.

2.3 MSK SOLUTIONS LIMITED

MSK Solutions Limited is a cotton ginning and export company that was started in 2005 and works mainly in Mwanza Region. In 2009 MSK began working to revive the cultivation of cotton in Nzega District in order to increase its production. Cotton had been previously cultivated in the area but had been abandoned because of the mismanagement of primary cooperative societies who acted as the sole buyers authorised to buy seed cotton from farmers and who often neglecting to pay them. In December of 2009 MSK started to receive support from RLDC to implement its new project in Nzega District which was to work with 1,850 cotton producers, each agreeing to cultivate cotton on 2 to 3 acres.

In collaboration with RLDC, MSK agreed to adopt the contract farming system. With the help of RLDC, the company also worked closely with the LGA in regard to project supervision and distribution of inputs through the voucher system. Extension services were provided similarly to BioSustain. The lead farmers (extension workers) received a commission from MSK based on the quantity of inputs distributed or cotton sold. The farmers who could not afford buying inputs were provided with loans by MSK. The company also constructed a warehouse to help facilitate better storage and quality of the cotton produced.

The revival of cotton cultivation not only profited MSK but also the farmers involved in the production. Farmers were able to generate new sources of income, which encouraged other producers to join the project. From the season 2010/11 the number of producers involved in the initiative amounted to around 4,000. For the District the revival of cotton production also brought a benefit in terms of new levies.

“The revival of cotton cultivation not only profited MSK but also the farmers involved in the production. Farmers were able to generate new sources of income, which encouraged other producers to join the project.”

While the new system has produced some success, MSK also faced some challenges, generally created through a lack of trust and communication. One main challenge faced was side-selling. Unlike BioSustain’s standard practice of formalising arrangements with producers using written contracts, agreements between MSK and producers (63 groups) were concluded verbally. An additional problem MSK faced was obtaining a loan from the bank in time to purchase cotton from farmers’ groups. This created some issues at the time of cotton procurement and some groups sold their products to other buyers. Despite the problem of side-selling, for the season 2009/10, MSK was able to procure 72t of seed cotton in Nzega District alone.

Revival of cotton production in Nzega: Voices of farmers from Mbogwe village

MSK motivated us in 2009 to resume cotton production after we had abandoned it for many years. There are several reasons why we decided to plant cotton: First, there is no other cash crop in this area. Also, we saw that the price of cotton got a bit better compared to previous years, and finally we were motivated by the fact that MSK promised to provide us with a ready market and immediate cash payment at the time of selling our cotton to them.

Things we received from MSK were seeds, pesticides, training and finally the market outlet. But we also face some challenges. For example, there is only one spraying pump and one power tiller available. We would also like to have access to fertilisers.



Farmers from Mbogwe village sharing their experiences working with MSK Solutions

2.4 ORIDOY

Oridoy Rural Cooperative Society was established in 1996 in Babati District, Manyara Region. The society started with 20 members and continued to increase up to the current number of 90 members. The Cooperative also works with a network of about 700 independent ‘non-member’ cotton growers with whom it has established informal contracts.

The members and non-members of Oridoy benefit in various ways from the cooperative society, including inputs on credit basis, advisory services, and storage facilities. Oridoy also acts as a guarantor for renting tractors. Members of Oridoy have additional advantages such as accessing financial loans for instance to buy pump sprayers.

Oridoy is working to expand cotton production in Babati District by working to increase the number of farmers producing cotton and the cotton crop yield, as well as making cotton production one of the important income generating activities in the District.

Collaboration between Oridoy and RLDC started in the production season of 2008/2009. The main objective of the project was to increase cotton production and the yield per acre using state-of-the art and improved agricultural practices. The society is not only expecting to get more cotton but also cotton of better quality and farmers are expecting to get adequate services including reliable input supply. The project continued with the extension of five to 15 villages in the 2009/2010 season.

“Oridoy works beyond a normal FO and has evolved into a real collective enterprise. It gins the cotton in Moshi and then sells it to an export company in Dar es Salaam. It is remarkable to see that such an organisation can organise the whole process from the production to selling of cotton.”

To date the project has been a success, particularly in the areas of extension services. Lead farmers trained on extension services have been capacitated to provide services to other farmers on a voluntary basis. One warehouse has been constructed at Mwada village and one collection centre at Mayoka village to enhance buying of cotton and enable storage of cotton. At the time of harvesting, the cotton is weekly transferred from the collection centre to the warehouse which is managed under a Warehouse Receipt System (WRS). While not yet officially registered, this allows Oridoy to access loans from a bank in order to pay the producers. Against the receipts of farmers’ cotton storage in the warehouse, the bank provides the loans, and producers can be paid 2-3 weeks after they have stored their products.

Oridoy works beyond a normal FO and has evolved into a real collective enterprise. It gins the cotton in Moshi and then sells it to an export company in Dar es Salaam. It is remarkable to see that such an organisation can organise the whole process from the production to selling of cotton.

Despite the success, there are still some challenges to the Oridoy system. To become a member of Oridoy, the candidate has to buy at least 5 shares (TZS 10,000 each). To date, Oridoy has disbursed a dividend to their members only once. Though having promised to share the profits a second time in 2008, they cancelled the process due to the international economic crisis. They now have a plan to share the dividend from 2011 and will include measures to pay a premium on the cotton purchased in 2010. The plan is also to share the benefit between members and non-members, which raises some questions concerning the benefits of joining Oridoy. For example, why should individuals pay membership fees when members and non-members alike receive similar benefits?

Achievements of Oridoy cooperative and way forward: A word from Oridoy board members



We believe that Oridoy has experienced several successes in the last two years. One success is that we can now store cotton in a warehouse, which protects it from rain and sunlight. A second success is that we have been able to motivate other farmers to join and are now working in 10 more villages. Furthermore, the trainings on agronomic practices that have been imparted by 20 lead farmers have resulted in improved yield. We also see that cotton producers started to construct their houses with bricks and to cover them with corrugated iron sheets. This shows us that they are able to improve their livelihoods thanks to cotton production.

Our future plans include the official registration of the warehouse under a WRS in order to access bigger loans. We also intend to start paying allowances for the lead farmers who provide extension services, but we are not sure when that will be possible.

2.5 BARIADI

Bariadi District produces 20% of the cotton in Tanzania, making it the “top District” for the sub-sector. However, production has declined since the 1980s, when the District contributed up to 40% of the national production. Many stakeholders still depend on cotton cultivation as it contributes up to 80% of household incomes, and 80% of District revenues⁸. Considering the economic importance of the sub-sector for the District, the TCB and the District Council approached RLDC in 2010 requesting support in addressing two main constraints that were faced by the cotton sub-sector.

The first constraint, which directly affected the cotton producers, was cheating by buying agents who were using tampered weighing scales. Though some companies (e.g. BioRe) have their own buying agents and use scales that are checked by the official Weight and Measures Authority, many buyers and ginners hire external agents paid by commission per kilo of cotton bought. Often wanting to increase their earnings, they tampered the scales, fixing them to indicate a lower weight than the actual to the farmers. For the latter, the loss of earning can represent up to 40% of what could have been paid.

Cotton crops are graded in two categories (Ar and Br) and the low quality of cotton produced in Bariadi was the second main constraint. The quality of cotton is affected by several factors such as late harvesting, harvest with foreign matters, dirty harvesting tools and poor storage amongst others. The main problem of quality is actually the contamination of cotton by farmers themselves. Knowing that the buying agents generally cheat them, farmers add foreign objects to their products such as white sand, water and salt to artificially increase the weight.

As a result of these practices everyone, apart from the buying clerks, is losing: the producers do not get the right price for their products and the buyers and ginners do not get the right quality. In order to reverse this loss-loss situation to

⁸ Source: Local Government Authority of Bariadi & TCB



a win-win one, in April 2010 the TCB, District Council/LGA and RLDC piloted the establishment of a “village cotton development committee”. The responsibility of the committee was to check the weight of farmers’ products with standard weighing scales before they go to a buyer. In this way producers knew the exact weight of their product and the committee could ensure quality control by checking whether the cotton had been contaminated.

Despite these successes, there were several drawbacks:

- It was initially thought that farmers should pay for receiving “control of weight services”. However, because of time pressure, and due to the piloting aspects of the intervention, it was decided to provide the committee members with an allowance (TZS 2,000 per day) paid by RLDC. In the future, this approach will be revised in relation to the sustainability of the intervention.
- The second problem encountered in the intervention was related to social issues. Through their work, the members of the committees introducing themselves as “TCB Committee, felt “empowered” in the community. This raised tensions with the Village Chairman and Executive Officer, who felt that they were key and equally important actors in the village. To appease the tension and avoid conflicts, it was decided that both of them would also receive allowances as key actors in the intervention. This, obviously, would create more challenges in regard to sustainability.
- In some cases, farmers continued to contaminate the cotton. Since committee members were relative or friends of them, they occasionally relax their standards when checking the produce.

Benefits of village cotton development committees for farmers: Voices of farmers from Ikungulyabashashi village

Thanks to the Bariadi project, compared to last year, we could increase the sale of our product. Before, when we came with our cotton, the buyers told us that the load of our ox cart corresponded to 7 to 8 bags [of 90kg each]. Now that the weight of our cotton is checked by the control committee, an ox cart load corresponds to 10 bags. This is an important increase. Many of us have a production equivalent to at least two cart loads; the additional incomes generated through the system amounts to a minimum of TZS 200,000. We understand that now we have to develop an ownership on the system, so that it can continue working in the long run.



A village cotton development committee for farmers in Bariadi

At the beginning of the season 2010-2011, a workshop was organised and attended by farmers' representatives, LGA, TCB and ginnery workers in order to share the experience of the pilot intervention. They concluded that the intervention was a success and could be replicated in new villages of the District of Bariadi. The pilot in Bariadi showed that with a relatively modest budget (TZS 50,000,000), the intervention could benefit more than 26,000 producers. At the level of a producer, the cost of the intervention (including the functioning of village committees and of local partners for monitoring) amounts to TZS 2,500; this corresponds to the price of less than 5 kg of seed cotton. This amount could easily be provided in kind by each producer, thereby contributing to the sustainability of the system. Unfortunately, the workshop did not raise the issue of sustainability and the financial support system remains the same.

Further discussions will therefore be held on how the intervention could be made sustainable. Different ways have already been identified such as organisational development and strengthening of FOs, contributions from the private sector (if quality of cotton improves), Human and Institutional Development at different levels, and payment made by farmers for control service on commercial transaction.

Benefits of village cotton development committees for the buyers:



**Mr Mombasa Gweso,
Cashier at NGS Ginnery,
Bariadi town**

The Bariadi initiative is a very good project that directly benefited our company. Apart from a few people that still continued to contaminate their produce, the cotton producers of the villages covered by the project have stopped the practice of adding water and sand to increase the weight. After ginning cotton from both the project area and the non project area, it is really easy to recognise the two different sources of cotton: the bales from the project area are white and bright, while those from the non project area are reddish. The increase in the quality of cotton is obviously an advantage for us on the market: we can have a better price and attract more buyers. We were also able to increase our production of cotton oil, since the cotton seeds are not wet because farmers have stopped adding water. When the seeds are dry, the processing performances are higher, and we can extract more oil.

The farmers have also understood the advantages of the system. After having checked the weight of their produce with the control committee, they go to all buyer agents in the village. When they come to our agent, since we use weight scales that were controlled by the Weight and Measures Authority, they find that what is weighed corresponds to what was checked by the control committee. They then decide to sell to our company. This is also an advantage for us, since we can procure more cotton than before.

Personally, I would encourage the project to expand to new villages. Since the farmers benefit from the system, I think they should in the future financially contribute to it. The project should accordingly better inform them on the potential profits from which a very small portion could contribute to making the system sustainable.

2.6 COMMON ACHIEVEMENTS IN THE MARKET SYSTEM

The achievements in the cotton sub-sector will be summarised according to the M4P framework that divides the market system into core function, supporting functions and rules (see diagram in the annex 2).

2.6.1 CORE FUNCTION

- Cotton supply increased due to the revival of cotton production through contract farming in Nzega District (MSK purchased 109t from 1,850 farmers in 2009/10, its first season of operation) and Singida Region (BioSustain purchased 2,900t (organic and in conversion) from 3,500 farmers in 2009/10 season, after having started operations in 2006).
- Implementing partners have injected funds at different levels of the value chain to improve the market system. Investments vary from input supply (seeds and pesticide), implements (spraying pumps and tractors), establishment of extension services systems, establishment of storage facilities (warehouses and collection points of varied capacity), and processing facility (ginnery).
- Cotton farmers have improved access to inputs and implements due to provision on credit basis as part of contract farming arrangements. Consequently, farmers are encouraged to increase acreage and timely planting.
- Expansion of organic cotton farming (BioSustain purchased 2,750t organic cotton in 2009/10 and BioRe 690t from KIHAMA farmers).
- Improved market access for 6,650 small cotton producers through Oridoy, MSK, BioSustain and BioRe interventions.
- Buyers have assured availability of cotton supply
- Good quality cotton produced as a result of improved skills in agronomic practices in both organic and conventional farming.

“Improved market access for 6,650 small cotton producers...”

2.6.2 SUPPORTING FUNCTIONS

- Improved availability of local advisory services: 85 lead farmers have been trained on improved agronomic practices in order to provide extension services to their fellow farmers. Twenty-seven Farmer Field Schools (FFS) have also been established. Farmers consider access to extension services one of the most important factors contributing to increased yields and therefore income.
- Public extension services are actively involved in providing advisory services to smallholders.
- New and improved services are available, such as organic farming practices and certification, and control of weight (and to a lesser degree quality) in commercial transactions
- Reduced level of cheating in weight due to the intervention with Bariadi LGA and TCB benefits up to 20,900 producers in 33 villages
- Implementing partners gained creditworthiness to financial institutions and hence have been able to access loans. For example BioSustain was able to access credit for the rehabilitation of a ginnery in Singida.
- Storage facilities are available and improve the quality of product, transparency in commercial transactions and access to finance against warehouse receipts.

“85 lead farmers have been trained on improved agronomic practices in order to provide extension services to their fellow farmers. Twenty-seven Farmer Field Schools (FFS) have also been established.”

“Reduced level of cheating in weight due to the intervention with Bariadi LGA and TCB benefits up to 20,900 producers in 33 villages”

2.6.3 RULES (BUSINESS ENVIRONMENT)

- Contract farming, which was promoted by RLDC, has been taken up by TCB who wants to make this mode of collaboration between cotton producers and buyers compulsory on a national level from 2011 onwards
- District authorities are supportive of cotton promotion projects because they have seen a rise in levy earnings due to an increase in cotton production as a result of adoption of improved agronomic practices
- Private-public partnerships (PPPs) have been established for input distribution, extension service provision and control of unfair competition
- More conducive environment because of vision building and increased collaboration between stakeholders

“Private-public partnerships (PPPs) have been established for input distribution, extension service provision and control of unfair competition”

2.7 COMMON ACHIEVEMENTS IN POVERTY REDUCTION

Unlike other crops that are sold over a few months, cotton is purchased within a short timeframe by buyers, providing significant one-time revenues to farmers which can be either utilised for building assets, reinvesting in other productive activities, or other households needs.

2.7.1 ACHIEVEMENTS IN RELATION TO SMALLHOLDERS

- Improved access to inputs, technical advice, storage facilities and implements as a result of contract farming and mutually beneficial collaborations.
- Increased production (up to 10-20 acres) and yields (up to 1t/acre) due

to better access to inputs, implements and technical advice.

- Reduction in transport costs and improved access to markets through contract farming relationships.
- Creation of new opportunities through cash crops and increased economic activity due to the revival of the cotton sub-sector (MSK and BioSustain).

“Increased production (up to 10-20 acres) and yields (up to 1t/acre) due to better access to inputs, implements and technical advice.”

2.7.2 ACHIEVEMENTS IN RELATION TO LIVELIHOODS

Increased household incomes have led to improved livelihoods. Access to a new disposable income means that farmers can improve their general living conditions, replacing thatched roofs with corrugated tin, or building entirely new houses. They are also able to invest in the future of their families through increased access to education and health care. Farmers can develop a new sense of food security, using their new income to not only procure new agricultural tools, inputs, assets and land, but also to start new crops, purchase cattle and start entirely new economic activities. Farmers are also able to free themselves of any personal debt and begin saving income to secure their future livelihoods.

“improved livelihoods have also benefited whole communities with the investment in community health care, clean water and local schools...”

Improved individual livelihoods have also benefited whole communities. The increase in wealth has meant that individual farmers are able to reinvest their earnings in local institutions, for example helping with the rehabilitation of local schools, investing in community health care centres or building water tanks to ensure safe, clean drinking water.

**Advantages of a strong cooperative society for cotton producers:
Voices of Oridoy registered farmers from Ngole Village**



We are men and women farmers from Ngole village and some of the women are head of households. We have been producing cotton already before starting collaboration with Oridoy, but decided to join the cooperative because there are several advantages for us being registered with Oridoy. Now we receive seeds and pesticides on loan basis and have easier access to spraying pumps and tractors. Furthermore, Oridoy sometimes provides interest-free cash loans and we get trainings on agronomic practices throughout the season. Oridoy then buys the cotton at the end of the season, so we can be assured of the market outlet. Since there is no warehouse close, Oridoy comes to pick up the cotton at our homes.

For us, there were two important changes as a result of these arrangements. First, thanks to the trainings we received, we saw our yield increasing from 300-400kg per acre to currently 800kg per acre (2009/10 season). Second, now we do not have to pay for transportation of cotton to the place of sales anymore, so our costs were reduced. At present, our impression is that cotton production is more profitable than other crops.

We used the additional income that we got from these improvements for constructing better houses, paying for school fees and other household needs. Some of us also invested the money in other economic activities, notably a restaurant and a clothes shop. We are convinced that in the long run the earnings from cotton production can reduce poverty here.

3. ANALYSIS AND LESSONS LEARNT

RLDC has gained a great deal of experience through the implementation of each individual intervention and this experience has resulted in lessons learnt for the future. Several essential issues are highlighted and analysed below; in particular, lessons learnt from the interactions with private and public sector investment, the development and sustainability of FOs, price differentials and market competition, open and honest collaborations and stakeholder relationships, access and availability of services and inputs and the adaptability of the M4P approach. Gender issues were raised throughout the analysis of each intervention, however RLDC strategy currently does not address this issue and as such it will be discussed further in the challenges section.

3.1 PRIVATE SECTOR INVESTMENT

Three types of private sector investments in the cotton sub-sector have been experienced in RLDC interventions: investments in cotton production means, investments in storage facilities and investments in processing facilities. All three types of investments are essential to the promotion of the cotton sub-sector and can create value for both producers and businesses. Due to its close collaboration with the private sector, RLDC has been able to encourage some of these important investments with its interventions in the cotton sub-sector. It should also be born in mind that the revival of cotton production and/or the introduction of organic production methods require an investment in time spent on building trust relations and generating long-term visions. In some cases, investment also needs to be made in protection from market competition. These issues are discussed in their respective chapters.

“It should also be born in mind that the revival of cotton production and/or the introduction of organic production methods require an investment in time spent on building trust relations and generating long-term visions.”

3.1.1 INVESTMENT IN COTTON PRODUCTION

3.1.1.1 PRODUCTION MEANS: INPUTS AND IMPLEMENTS

Most smallholders face difficulties in mobilising the necessary cash at the beginning of and during the production period, the reason being that cotton production requires substantial investment in agricultural inputs and farm implements. To facilitate such investment, RLDC encouraged partners to adopt a contract farming model which can include the provision of inputs and farm implements. In the cases of BioSustain, Oridoy and MSK, inputs are provided on a credit basis, meaning that the initial investment is shouldered by the private sector. Oridoy also provides farm implements on a loan basis, while BioRe and BioSustain let farmers use these implements for free. It is sometimes the case that farmers expect partners to invest more in farm implements such as spraying pumps and tractors but are not themselves always willing to pay for such services. It is therefore necessary to build the commercial awareness of producers in order for them to understand the need to pay for services to facilitate investments that are sustainable and meet demand.

“Extension and advisory services are essential for increasing production and productivity and ultimately for reducing poverty.”

3.1.1.2 EXTENSION SERVICES

Extension and advisory services are essential for increasing production and productivity and ultimately for reducing poverty. However, the establishment of an extension service system that ensures availability, quality and proximity of services is costly. The government is unable to bear these costs and efforts alone. Therefore, the private sector needs to invest in service provision. Such investments include training local service providers (lead farmers), allowances,

and improving transport facilities, among others. While most of RLDC partners see the importance of such investments, the day-to-day running costs have not yet been internalised: BioRe and Oridoy rely on voluntary work by lead farmers, while BioSustain, MSK and Bariadi LGA/TCB extension workers receive allowances paid by RLDC's financial contribution.

3.1.2 INVESTMENT IN STORAGE FACILITIES

Investment in storage facilities was an element in three out of the five interventions. In total, 6 warehouses were constructed, in which TZS 79,500,000 was contributed by RLDC and TZS 27,500,000 contributed by partners. The analysis of the experience shows that warehouses constitute important links between private enterprises and farmers. The fact that they are all in active use is a sign that a real need has been identified and addressed by the intervention. Main advantages of investing in storage facilities, both for farmers and enterprises, include the following.



For farmers:

- **Improved storage conditions** – collaborations with BioSustain, MSK and Oridoy have shown that access to warehouses results in fewer risks to harvests, including post harvest losses in value from bad weather and inappropriate storage conditions. Farmers also appreciate being able to store their produce outside of their private homes.
- **Improved selling conditions** – warehouse storage facilities result in improved cotton quality and quantity being acknowledged by buyers, making transactions more transparent and honest.
- **Improved transport options** – locally situated warehouses result in reduced transport costs, in turn helping to reduce the overall production costs of farmers.
- **Improved market relations** – storing cotton in a buyer's warehouse results in a more secure market connection for producers. It also helps to foster trust between buyers and producers. For example, MSK farmers in Mbogwe village report to be more motivated since they have the warehouse.

For buyers:

- **Improved produce quality** – by providing a secure and protected storage facility, buyers can secure better quality cotton.
- **Reduced transaction costs** – group storage of produce in the warehouses provide the buyer with a single transaction point, reducing costs that would be incurred through individual producer pick-ups.
- **Assured supply** – warehouses involve the buyer from the beginning, giving them up to date market knowledge and assuring them of a stable supply. Thus, warehouses can act as commitment devices.

How the warehouse receipt system works

Warehouse receipts are a part of the broader term of inventory finance whereby the inventory of a commodity or asset serves as the guarantee. A WRS provides both secure storage and access to credit to the value chain actor that 'owns' the inventory – usually a commodity. For example, a producer, trader or processor can store grain in a certified public or private warehouse, receive a receipt for the deposit, and use the stored commodity as collateral against a loan from a lending institution. Because these commodities are stored in a licensed warehouse, the receipt proves both that the commodities are physically in the warehouse and that they are safe and secured. This receipt forms the collateral basis of the collateral for financing, whereas in traditional lending, the underlying collateral is only a secondary source of repayment that needs to be mobilised when something goes wrong. In collateralized commodity lending, it is the first source of repayment.

Warehouse receipts are used extensively around the globe. A typical WRS involves a managed warehouse that issues receipts for stored commodities, the owner of the stored commodity who acquires the receipt to use as collateral, and a financial institution that accepts the receipt as collateral and provides loans against the receipt.

Source:

Miller, C. and Jones, L. (2009), Value Chain Finance in Agriculture: Approach, Instruments and Lessons

The results show that investing in a simple method such as a storage facility can hold important benefits for producers and enterprises. However, warehouses can serve as more than just storage and buying points. Under a WRS they can also facilitate access to financial services. This was the objective in the intervention with Oridoy cooperative society. However, experience has shown that the WRS is quite complex to implement, and Oridoy still lacks the necessary certification for the warehouse to serve as a guarantee pending the fulfilment of conditions. Thus the warehouse has not yet eased their difficulty to access bigger loans.

Another critical point is the long-term financing and investment in storage facilities. From the farmers' side in particular, there is a need for more warehouses. Building and renovating warehouses can be costly; with RLDC support, some of the interventions were able to create storage facilities, however there is uncertainty as to whether partners will continue to finance the rehabilitation and/or construction of warehouses without RLDC support. One way for RLDC to increase the probability of long-term investment in storage facilities was to propose simple methods to encourage replication. In the MSK intervention, for example, renovation of old warehouses was favoured over of building new ones. MSK financed one warehouse with their own funds while RLDC financed two.

It should also be noted that the warehouses constructed in RLDC interventions are owned by buyers. It would be more beneficial for producers to have ownership themselves over the warehouses. In this way, they would also be able to take full advantage of the WRS. However, since they usually don't have the capacity to invest, this has not yet materialised.



3.1.3 INVESTMENT IN PROCESSING FACILITIES

To invest in processing facilities, enterprises need vision, good business skills, savings and access to loans. Among the RLDC interventions, BioSustain’s rehabilitation of a ginnery in Singida remains the one substantial example of private sector investment with very little RLDC financial contribution. This important investment is intended to increase capacity and profit by value addition. At the same time, it also has the benefit to act as a trust-building measure, with farmers seeing the buyer as more reliable and committed, as illustrated by the witness story from Sambaru village.

This example shows that RLDC support can encourage private sector investment without substantial financial contribution, but through improvement in competitiveness and development of the capacity of the partner. Also, RLDC can facilitate access to financial services by acting like a reference, as in the case of BioSustain.

“To invest in processing facilities, enterprises need vision, good business skills, savings and access to loans.”

3.2 FARMERS' ORGANISATIONS

3.2.1 ADVANTAGES OF FARMERS' ORGANISATIONS

In all five interventions, experience has shown that FOs present advantages for both producers and buyers.⁹



At the producers' level, FOs help farmers to work together on a specific issue as a group at large, rather than as individuals with specific agendas. This can help farmers to share a common view on how to collaborate with the private and public sectors in order to improve cotton production.

“being in a group can facilitate access to training and coaching services, to the provision of inputs and farm implements and to improved markets.”

Farmers also have more bargaining power and decision making power regarding issues that concern them when in a group rather than as individuals. For individuals, being in a group can facilitate access to training and coaching services, to the provision of inputs and farm implements and to improved markets.

⁹ Farmers' Organisations (FOs) differ from farmer groups in that organisations have been purposely formed and created with the purpose of increasing group production and output (for example Oridoy and KIHAMA). Farmer groups are loosely formed and have developed by the informal grouping of individual farmers.

At the buyers' level, FOs enable enterprises as well as actors from the public sector to easily reach a critical mass with less effort and fewer resources in terms of input distribution, purchase of product, capacity building, and organisation of FFS. It is also easier to identify groups willing to collaborate in the field of cotton cultivation promotion than to identify individual farmers. The FOs also help buyers to reach an increased number of farmers through member relationships with other producers in the community.

“FOs...ease the flow of information from farmers to enterprises on topics such as input requirements, production and perception on services offered. Buyers also find it easier to buy in bulk from a kind of “one stop centre.”

For example, the creation of KIHAMA by BioRe allowed them access to 600 additional individual farmers, leading to a reduction in their transaction costs. FOs can contribute to building trust between the farmers and the buyer. It also eases the flow of information from farmers to enterprises on topics such as input requirements, production and perception on services offered. Buyers also find it easier to buy in bulk from a kind of “one stop centre”.

3.2.2 OWNERSHIP AND SUSTAINABILITY OF FARMERS' ORGANISATIONS

Apart from the case of Oridoy, ownership of farmer's organisations still remains weak. The groups supported by RLDC interventions were mostly formed by actors from the private sector in order to ease their system of service provision and product purchase. While interested in being a part of these groups, most producers in the RLDC interventions did not develop any group ownership. Producer-formed groups were often initiated by producers either having a high degree of social recognition in the community or natural leading abilities but lacking organisational capacities. Producer-led groups often still rely on outside support and cannot be sustained by their own capacity and resources. As a result, this could jeopardise the sustainability of the interventions. For example, while BioRe facilitated the creation of KIHAMA with a vision of triggering the

creation of an independent organisation, but there was not enough effective support and it failed to evolve towards its planned vision.

3.2.3 STRENGTHENING FARMERS' ORGANISATIONS

The sustainability of each intervention relies partly on the strength of individual FOs. Set aside the Oridoy case, where a strong FO existed prior to the intervention, little was done to encourage the growth and strength of organisations. This was in part due to limited private sector investment in increasing the capacity of FOs (though some mentioned that strong FOs greatly facilitate their work), or a lack of the relevant competencies to invest. Some stakeholders still do not perceive FOs as key drivers towards the development of the cotton sub-sector, but see them solely as recipients of inputs/ advice and providers of products.

Although the Oridoy intervention shows a good level of initiative and organisation, they still need support in order to improve the way they function, as well as to address governance issues. Different approaches for strengthening FOs will be tested for the season 2010/11. They include the recruitment by buyers of competent staff to lead and work closely with the farmers, assisting them in group formation/ group strengthening (in the case of BioSustain and MSK) and the use of services from specialised organisations (in the case of BioRe and KIHAMA). A combined approach could also be adopted, in which buyers are coached in organisational development by a specialised institution and then in turn coach FOs.

3.3 FAIR AND TRANSPARENT PRICE FOR ALL STAKEHOLDERS

When promoting the benefits of engaging in the cotton sub-sector to stakeholders, an important issue to consider is the prevailing pricing structure. The definition of what is a "fair" price for all stakeholders can of course vary. In this case, RLDC's objectives of increasing the competitiveness of the cotton sub-sector and improving livelihoods of producers entails that all stakeholders

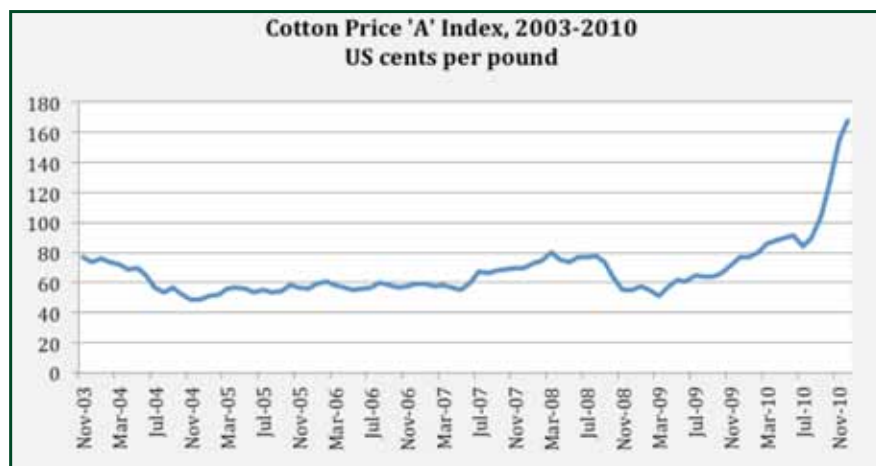
are able to at least cover their costs: the costs of production for producers and the costs of investment for buyers. In the central corridor, the price for seed cotton depends on three factors:

- The minimum price set by TCB based on the international market price.
- The addition by some partners of a price premium, for example on organic cotton and long-term relationship guarantees.
- The influence of local competition and the evolution in the international market price.

3.3.1 NATIONAL GOVERNMENT REGULATIONS AND PRICE PREMIUMS

The Tanzanian Government, through TCB, regulates the cotton sub-sector by setting a minimum price for seed cotton decided by a stakeholders meeting at the beginning of each season. This price floor is based on the world market price minus average expenses and margin at each level of the value chain up to the production level (resulting in a TZS 600/- per kg minimum farm-gate price set by the TCB in 2009/10). The volatility of the world cotton price puts local stakeholders in the cotton sub-sector in a situation of high risk and vulnerability. In the cotton sub-sector assessment, the regulatory role of the government on price issues has not been considered a priority area for RLDC involvement. A lesson from RLDC's experiences is that the success or failures of interventions in the cotton sub-sector are strongly influenced by factors that are beyond the control of the implementer and the stakeholders involved.

As far as organic cotton is concerned, usually a premium is paid on the price.



Evolution of the world price for cotton, Source: Cotton Outlook,
<http://www.cotlook.com>

However, this price premium is not fixed on the international level; it is either decided by the buyers or negotiated between them and the producers. According to the joint web platform of the organic cotton community worldwide (www.organiccotton.org), farmers usually receive an organic premium of 10-20%. In 2009/10, RLDC's two partners in organic cotton, BioRe and BioSustain, paid a price premium of 10% and 5% respectively, with the latter planning to increase it to 10% in 2010/11.

3.3.2 COMPETITION AND MARKET EVOLUTION

This section concentrates on the issue of local competition, where cotton prices fluctuate at not only at the national level each season, but also during the course of the season and geographical within Tanzania. In the five RLDC interventions, important price differential were observed. The price paid to the producers per kilogram of raw cotton from the 2009/10 harvest varied between TZS 600/- (MSK, Nzega District) and TZS 1,200/- (BioRe, Maswa District). The price

difference puts an emphasis on the third determinants of price – competition and fluctuations in international market price. As mentioned before, the latter cannot be influenced by RLDC and its partners.

RLDC experience has shown that the presence of cotton buyers – and thus competition – is directly correlated to the concentration of production in a given location. In Shinyanga Region, where BioRe and Bariadi interventions are located, production has been high for many years and thus competition among buyers is very high as well. In Manyara Region (Babati District), production has also been traditionally high but the remoteness and difficulty of access has naturally kept Oridoy as the sole buyer in the area. The two remaining interventions – MSK and BioSustain – are similar in that they both revived cotton production in areas where cotton had been largely abandoned and therefore production was low.

Generally it is possible to expect the arrival of other buyers with an increase in production. This did happen in MSK intervention areas which are easily accessible, leading to side-selling by farmers under contract arrangements. However, in remote villages with high levels of production, buyers sometimes pass-by due to poor infrastructure and access. This can sometimes lead to natural protection from competition, as in the case of BioSustain. BioSustain has also ensured that they will remain protected in the future through their relationships with the local and Regional government authorities. Thus, when planning and implementing interventions targeting the promotion of cotton, the concentration of production and the ease of access have to be considered closely as factors influencing the competition situation.

“...when planning and implementing interventions targeting the promotion of cotton, the concentration of production and the ease of access have to be considered closely as factors influencing the competition situation.”

3.3.3 ADVANTAGES AND DISADVANTAGES OF COMPETITION

RLDC experience provides evidence of both advantages and disadvantages of competition for the promotion of a cotton sub-sector that brings benefits to all stakeholders.

There are two advantages to competition among cotton buyers. First, and most importantly, farmers get better prices. For instance, farmers supplying organic cotton to BioRe in a situation of high competition got more than TZS 1,200/kg while in the protected environment of BioSustain the maximum price was TZS 660/kg. This enables farmers to improve their livelihoods due to increased income. Secondly, competition promotes efficiency. For example, MSK learnt that efforts should be made to get loans in time for buying; otherwise producers will be tempted to sell to the competition. Also BioRe was forced to establish an efficient, modern price tracking monitoring system in order to adapt the price offered to farmers on a daily basis.

There are also several disadvantages to competition. Companies engaging in contract farming may find their agreements with producers difficult to enforce in the presence of high competition, as some traders do not hesitate to resort to unfair competition practices to convince farmers to sell to them. Some traders have for instance lured BioRe farmers into ignoring their contractual obligations and sell to them instead by promising a better price, but using tempered scales to weigh the cotton, which left both farmers and BioRe worse-off. This situation was noted and addressed by RLDC with the Bariadi intervention. As a result, RLDC decided to integrate elements of the Bariadi intervention into the collaboration with BioRe and KIHAMA. A second disadvantage relates to competition after a revival of cotton production, which may discourage the initial investment for the necessary promotion efforts. MSK, BioSustain and BioRe all considered unfair that other buyers would reap the fruits after they had heavily invested in promotion activities. A third disadvantage is the risk of side-selling in the presence of strong competition, which undermines

contract farming arrangements. For example, as a result of the competition in their areas, BioRe and partly MSK currently have more difficulties in making contract farming work; conversely, BioSustain as a sole buyer has little issue with convincing producers to sell directly to them. Competition can therefore hamper efforts to introduce contract farming arrangements, especially in the initial phase, in the presence of unfair competition and/or when trust is low.

Given the disadvantages of competition for the promotion of cotton – is protection an alternative? Especially considering that in situations of heavy investment to revive cotton production, enterprises actively seek to find protection, limiting competition from newly arriving buyers. This is the case with BioSustain. As a drawback of such a protection farmers feel that production is not profitable; when they hear about price differentials with other areas where competition is strong, they feel cheated because they only get the TCB minimum price decided at the beginning of the season, far less than the market price paid to producers in other Regions at times when world market prices are soaring. This again can hamper trust relations with the buyer and lead to producers abandoning the crop for other alternatives.

Does the facilitator have a role/responsibility concerning regulation of competition and price? So far, RLDC has not interfered in this issue, with the exception of the interventions aiming at reducing unfair competition. As far as protection is concerned, the experience shows that it is better to facilitate trust building than to promote exclusivity. However, some temporary protective measures are useful to encourage initial investment for promoting or reviving cotton production as a cash crop opportunity for poor farmers.

3.4 PROMOTING TRUST AND LASTING RELATIONSHIP FOR WIN-WIN COLLABORATIONS

Developing win-win collaborations between different actors of the cotton sub-sector was a key aspect of the facilitation role played by RLDC. However, positive and long-lasting collaborations between stakeholders require open communication and trust. There are various ways in which stakeholders can build trust: through planning, sharing visions and goals, open communication and showing long-term commitment by investing in the cotton sub-sector. Investment in the cotton sub-sector has been discussed in section on “private sector investment”. This section will focus on the importance of planning, sharing goals, open communication and mutually beneficial contract agreements as well as a closer examination of the benefits of collaborations between various stakeholders.

3.4.1 LONG-TERM PLANNING AND SHARING OF VISION AND GOALS

In many of the RLDC interventions not only were roles not clearly defined, but there was a distinct lack of shared vision and goals, leading to problems of misunderstanding, misinterpretation and the impeding of intervention activities. The reaction of RLDC and its partners to these challenges highlight a range of possible solutions to such situations.

BioSustain experienced misunderstandings with producers caused by lack of information on mutual goals. The lead farmers selected by BioSustain failed to communicate with their fellow farmers and this resulted in poor service delivery and a lack of understanding for the collaborative goals. MSK faced similar problems in the form of side-selling because they lacked liquidity at the time of buying, but also because they failed to share their vision of new income opportunities that could be provided with the revival of cotton cultivation. However, MSK has come to grips with this problem, improving its communication and relationship with producers, leading to a strengthening of the collaboration and improved trust in the company. Collaborations sometimes require a long-term commitment in order to produce real institutional change.

Accordingly, partners should plan and agree not only on one agricultural season, but on a timeframe that allows for the necessary time required to reach the shared vision and make any necessary institutional changes. For example, it was unrealistic to suggest that KIHAMA could become a strong and independent FO in only three months of collaboration with BioRe, having only trained KIHAMA leaders on the process for the certification of organic cotton without giving them tools and capacity required to strengthen and solidify their organisation. Better planning may have resulted in a longer timeframe that could address the institutional issues related to the creation of an organisation like KIHAMA.

“...positive and long-lasting collaborations between stakeholders require open communication and trust.”

3.4.2 OPEN COMMUNICATION AND MUTUALLY BENEFICIAL CONTRACTS BETWEEN PRIVATE COMPANIES AND PRODUCERS

Maintaining positive communication with all stakeholders is important to help develop and sustain trust. Constant communication can help to calm any fears that may exist in terms of contractually agreed activities – for example side-selling or delayed payments. MSK understood this well and their Project coordinator does not hesitate to go into the field and keep regular contact with FO, but there is more reluctance to comply with contract conditions where contact is not well maintained and there is a lack of communication between farmers and buyers, for example in remote areas. This is illustrated by the different experiences of the farmers from Msai and Sambaru – the former having had sustained communications with their partner while the later experienced erratic support and contact.

**Experience of producers in close contact with BioSustain:
The voices of farmers from Msai**



For more than 15 years we have cultivated conventional cotton. The market was never ensured and we had sometimes to struggle to sell our produces at reasonable prices. We were still sceptical when BioSustain presented us its project of organic cotton production, but

became convinced once we received training and inputs. BioSustain was always there at the time we had problems.

With the support received from BioSustain, we were able to enhance the productivity, for instance by sowing in rows and adopting improved cultivation practices. That encouraged us to increase the acreage of cotton production. For instance, our production passed from 500 to 1,000 kg. The premium given by BioSustain encouraged us to shift to organic cotton. However, the promised 10% in the contract are not yet reached. On the other hand, we are paid in due time. Because of the support provided by BioSustain, we should not sell our products to buyers offering a better price, but only to BioSustain.

“Due to this good collaboration, we encourage other farmers who still cultivate conventional cotton to shift to organic one”

We particularly appreciated that BioSustain invested in the construction of a warehouse in our village to store our cotton in good conditions. This helped us a lot. If in the past we could have sold our cotton to buyers offering better price than BioSustain, now it is sure that we will respect our commitment towards BioSustain, because we have realised the importance of their support in training and inputs. Due to this good collaboration, we encourage other farmers who still cultivate conventional cotton to shift to organic one.

In the village, there are still farmers producing conventional cotton. We think that we should try to convince ourselves rather than BioSustain to shift to organic cotton. Visits and exchanges between farmers should be more effective than mobilisation sessions

The most important element of good collaboration between producers and buyers is the establishment of an agreement that mentions mutual commitments such as the provision on inputs and advisory and other services (e.g. storage facilities) and the exclusivity of sale. There are several different ways that contracts are established. For example, BioSustain signs contracts with individual producers. BioRe signs individual contracts with its “own” farmers, while signing a group contract with KIHAMA. MSK has “verbal contracts” with groups of farmers but will formalise them from 2011, and Oridoy keeps an informal system with individual farmers.

“The TCB understands this modality of collaboration between cotton producers and buyers by contract farming.”

Despite the benefits inherent in contractual agreements, the experiences of each intervention show that the signing of contracts does not necessarily guarantee that each party will respect its commitment. Problems previously discussed, such as side-selling and late payments do occur regularly. However, RLDC has noticed that the presence of strong FO tends to strengthen contract farming relationships and helps avoid these issues.

Despite its strengths and weaknesses, the contract farming system remains an interesting means to develop mutually beneficial relationships between producers and buyers. The TCB understands this and wants to make this modality of collaboration between cotton producers and buyers compulsory on a national level from 2011 onwards. Overall, what the interventions have shown is that when creating trusting relationship, it is advisable to start small, produce good results and together set more ambitious objectives based on a common vision.

Experience of producers in intermittent contact with BioSustain: The voices of farmers from Sambaru



When BioSustain came for the first time here, we appreciated the project they proposed: cultivation of organic cotton, payment in cash at the time of selling seed cotton, provision of seeds and pesticides on a loan basis – something that we could not get before. However, they came here only two times, and we did not trust them too much.

They just told us to use the seeds and pesticides that were distributed, and to shift from conventional cotton to organic cotton. In the past, we had bitter experience with buyers coming here, taking our products and never paying us. Accordingly, if we could produce cotton on 5 acres, we decided to plant only 2 acres since we do not know too much about BioSustain. In addition, when we came to know that in Shinyanga the cotton was paid up to the double of what BioSustain proposed, this did not much encourage us. Recently, we were informed that BioSustain had rehabilitated a Ginnery in Singida. This time, we realise that we have a partner that invests in the cotton business, and we are very much satisfied about it.

3.4.3 COLLABORATION BETWEEN THE PUBLIC AND THE PRIVATE SECTORS

Collaborations between various different stakeholders within the private and public sector is an important aspect in regard to the creation of win-win situations and the promotion of the cotton sub-sector. As discussed above, positive relationships between producers and companies are vital for success. However, the importance of private-public sector collaboration was also made apparent.

The importance of private-public collaboration is illustrated by the example of BioSustain, that understands the necessity of keeping Region and District Authorities well informed of their project, including their intention to contribute to the socio-economical development of the sub-sector. Besides regular meetings, the company also sends the authorities quarterly reports. This strategy, which was encouraged and facilitated by RLDC, helped BioSustain to receive support from the District Agriculture and Livestock Development Office (DALDO) in the form of promotion of the project by agricultural extension agents at village level, training of lead farmers and producers, monitoring of technical activities and help in distributing inputs. Through agreements signed at the Regional and District level, the LGA favoured BioSustain to become the sole buyer in the Region. This exclusivity is a sign of recognition for the investments made by BioSustain for promoting the cotton sub-sector in Singida Region. However such a monopoly position should not be permanent, as it is in the long run detrimental to the interests of the producers.

On a local level, working with the village officers also allowed BioSustain to keep track of decisions and agreements made with farmers, helping them to consolidate what was agreed in the original contracts. The purchase and the rehabilitation of the ginnery in Singida by BioSustain was also facilitated by the network created by the company with different government authorities.

In addition, government partners of BioSustain and MSK mentioned that the collaboration with the private sector allowed them to better perform their job through the provision of financial (e.g. field allowances) and material (e.g. motorcycle) means. Private-public collaborations also help farmers; in the case of MSK, the farmers expressed that they benefited from the collaboration between the company and DALDO through increased access to pesticides and seeds at a subsidised price.

Collaborations between the private and public sectors can include different types of stakeholders. For example, the case of Oridoy shows how well a strong FO can collaborate with the LGA to benefit from training and other services provided by the agricultural extension agents. The initiative taken in Bariadi to organise of workshop attended by farmers, LGA, TCB, ginners and cotton buyers in order to address the misunderstandings between extension agents and producers is another excellent example of a multi-stakeholder approach that will contribute to establishing an enabling business environment. The participants developed a common vision on how the pilot intervention should be improved for a scaling up and decided that a steering committee, including representatives from different parties, will regularly meet and monitor how the replication of the pilot initiative is implemented. Though it is too early to judge how effective this committee will be, it is a positive initiative aimed at sustaining and improving the intervention.



The importance of functional collaboration between public and private sector:

Interview with Mr Msafiri, DALDO

Mr Msafiri works for the agricultural extension agency of Singida. Though being a livestock specialist, he has a good knowledge of BioSustain activities as Senior Officer.

As a government organisation, we are always challenged to provide services in response to the many

demands from farmers. We appreciate that companies from the private sector, like BioSustain, also offer additional resources such as extension agents, fertilisers, seeds and pesticides. They assisted us to train the farmers on the cultivation of organic cotton, which is an excellent economic opportunity for the producers, and is environment friendly.

Since everything is recorded by BioSustain regarding the production of organic cotton, we collaborate with them to establish our agricultural statistics in terms of farmers' needs, distribution of seeds, fertilisers and pesticides, number of bags produced and acreage, etc.

“The collaboration with the private sector allowed us to establish a win-win situation”

The collaboration with the private sector allowed us to establish a win-win situation. We eagerly proposed our field colleagues to help develop the capabilities of their extension workers. By rehabilitating a ginnery in Singida, they will contribute to boost the cotton production in the region. When we go together in the field, we speak as a sole body. This is I think what we can call a real private-public partnership.

“This is I think what we can call a real private-public partnership”

3.5 ACCESS TO, AND AVAILABILITY OF, SERVICES FOR PRODUCERS

One of the most successful approaches taken in all five interventions is the provision of services. RLDC interventions have proven that access to varied inputs allows farmers to improve the production, the productivity and the quality of cotton, as well as improve access to markets. For producers who generally have limited access to these services, the provision of inputs is vital to crop success. Without such inputs, the producers would be unable to farm a cash crop like cotton. Buyers also understand that financially investing in the provision of services has positive economic returns and will contribute to the growth of their business. Based on RLDC interventions, it can be suggested that the provision of services constitutes leverage for the development of the cotton sub-sector.

3.5.1 ACCESS TO INPUTS AND FARM IMPLEMENTS

Different approaches were used by RLDC partners in the provision of inputs and farm implements. Oridoy and BioSustain provide inputs on a loan basis, deducting the cost of inputs at the time products are purchased. BioRe deducts the cost of inputs in advance of the next season from the previous years' payment as a measure to secure its market. Farmers not willing to continue the collaboration with BioRe are reimbursed. MSK's collaboration with LGA for the distribution of inputs means farmers have to pay cash for largely subsidised inputs (voucher system). MSK also allowed farmers who were unable to afford inputs and implements the opportunity to access loans. The company contributes for instance a maximum of 50% towards the costs of tractor services. The two first approaches (loan basis) have contributed towards building a trusting relationship and win-win situations between farmers and buyers, while MSK's cash payment approach resulted in the development of a relationship with less trust, leading to problems of side-selling (despite their facilitation of inputs and implements for poorer farmers). MSK has acknowledged that and now provides seeds and pesticide on a loan basis for farmers who cannot afford to pay for them, and has offered to lend 50% of the cost of fertiliser to farmers.

"...the provision of services constitutes leverage for the development of the cotton sub-sector."

Local service providers: An emerging potential



Julius Karatu (Oridoy lead farmer)

I am a member of Oridoy and was selected in my hamlet to be a "zone trainer". I received training on good agronomic practices in cotton production from an LGA extension officer so that I can myself train my fellow cotton producers in the hamlet I live in. Five FFS were also established here in Babati district, each grouping 30 cotton farmers. I give my trainings to one of these groups of 30 and then visit their farms individually. Some of them also come to see me for advice. Personally, I also volunteer for providing these extension services to some more farmers than the 30 that were assigned to me.

I do not get any money for these trainings, advice and coaching on agronomic practices. I am motivated by the vision of seeing people improve.

3.5.2 ACCESS TO, AND PROVISION OF EXTENSION SERVICES

Throughout the initiative, RLDC has put an emphasis on the facilitation and provision of extension services for farmers. Extension services are provided in addition to inputs in order to ensure best practice and correct usage.

In the RLDC interventions, extension services were provided to producers through trained lead farmers (called extension workers) but also extension officers from Government Agencies (e.g. LGA ward extension officers). Lead farmers were selected from the community primarily by the partners and the extension officers. Because of a lack of criteria for the selections, many of the lead farmers were unmotivated and failed to understand both the project itself and their role within it. BioSustain faced such issues and had to select new lead farmers for the upcoming season. The extension workers of BioRe and Oridoy eagerly took up their roles despite the commitment involved because they would benefit from both training and a new found sense of prestige within their communities. Like with the case of BioSustain, it is possible that this initial enthusiasm will fade over the course of their role – generating an imbalance between the benefits they receive and the time they commit.



Local service providers:

An emerging potential

Musa Sahini,

Executive Secretary, KIHAMA

Our organisation selected the extension workers amongst lead farmers. In order to provide quality extension services, those were trained by BioRe with support from RLDC in seeds and bio-pesticides distribution, mixture of bio-pesticides and the 10 steps that are necessary for organic cotton production. Each one of them is now distributing inputs and providing training, advice and coaching in 2 hamlets to between 35 and 75 farmers. They are in close contact with these farmers, so they know about their needs. It is good to notice that they like their job as extension workers that they do as volunteers. However, a challenge they face is transportation between the individual farms.

Amongst the five interventions, the lead farmers of BioRe (KIHAMA) and Oridoy worked on a voluntary basis while the community people involved in the interventions of BioSustain, and Bariadi received an allowance largely subsidised by RLDC. MSK is an exception, the lead farmers being paid on a commission basis by the company. Apart of BioRe, The extension workers of LGA involved in the interventions also received an allowance subsidised by RLDC – causing concerns about sustainability. Therefore, it is questionable whether they will keep the system alive once the phase out from RLDC is concluded. In all cases, a solution could be for farmers to pay for services. This approach will be tried in the case of Bariadi intervention.

Despite these problems, the availability and the effectiveness of advisory services improved. However, the long-term quality of service remains a challenge and measures need to be taken in order to control the quality of services (e.g. feed-back from farmers) and to keep the skills and knowledge of extension workers regularly updated.

3.5.3 ACCESS TO LOANS

Of the five interventions only Oridoy provided cash loans to its members. Loans given during the production season are then repaid during the selling season. In the other interventions, some of the producers were members of SACCOS, and could access loan services independent of their partners.

Despite access to loans being an important factor of production, such activities require specific professional competencies and organisation. Access to loans was therefore not addressed by RLDC or its partners despite it being a common concern for producers. In the future, RLDC and its partners could facilitate links between FOs and micro-finance institutions and/or promote self-saving together with the process of FOs strengthening.

3.6 A SYSTEMIC VIEW – PLANNING AND IMPLEMENTING M4P

RLDC used the M4P approach for assessment of the cotton sub-sector and planning of interventions. The experience has shown, however, that the implementation of interventions does not automatically lead to systemic changes and that the facilitation role was difficult to communicate. In turn, innovation has proven to be a valuable asset when approaching systemic change.

3.6.1 IMPLEMENTING M4P

In relation to the “doughnut concept” (see diagram in annex 2), the interventions were undertaken at all three levels:

- Support functions (e.g. inputs and skills development, loans, control of weight and quality of products)
- Core transactions (e.g. establishment of contract farming between producers and buyers)
- Business environment (e.g. collaboration between stakeholders in Bariadi (PPP), influencing policy makers to render the contract farming system compulsory)

While interventions have achieved improvements in stakeholder relationships and livelihoods, the changes on a systemic level are still limited. As such, they did not work on the whole market system, but rather with individual actors within the system. It would have been better to maintain a systematic view

in case parallel interventions done in the same geographical area would provide additional benefits to stakeholders. For instance, the introduction of the Bariadi model in the area where BioRe works would have prevented the latter from suffering from unfair competition and ensured the right return on its investment. This learning has been incorporated into the new collaboration with BioRe in 2010/11.

3.6.2 COMMUNICATING THE M4P APPROACH

While the interventions helped to facilitate communication and understanding between different stakeholders, RLDC found it difficult to explain to their individual intervention partners their overall role as a market facilitator. Rather than seeing RLDC as a source for advice, information and technical support, intervention partners assumed RLDC was acting solely as a donor who provided additional funds to run activities that would increase their businesses. There were also issues in communicating the overarching M4P goal of poverty reduction for smallholders. Although it was clearly stated in the agreements, the concept was not explicit in the implementation of the activities. This did not really affect the project activities, but lowered the importance given to the changes that RLDC wanted to achieve and the monitoring of those changes. The lack of understanding in terms of final achievements also meant that interventions were automatically renewed from one season to another without addressing sustainability issues, in particular failing to address the gradual phasing out of RLDC support.

3.6.3 THE IMPORTANCE OF INNOVATION

Market perspectives should also include innovation as an important factor of changes and improvement of livelihoods for the small farmers. The M4P approach is already an innovation and it attracted the interest of both private and public sectors, allowing the creation of PPPs which resulted in successful

and encouraging results at the different stakeholder levels. Technical innovations such as organic cotton, improved agricultural practices, and the provision of new services such a cotton weight control, were well received by farmers who benefited through additional incomes and new economic opportunities. The promotion of lead farmers – a fairly new concept – was similarly appreciated by the producers, who enjoyed new access to advisory services. Methodological or institutional innovations, such as the contract farming system and the creation of control village committees, also provided new advantages for the farmers. The innovative aspects of the interventions, including the simplicity of innovations, also contributed to their replication: for example the BioRe system adopted by BioSustain, and the expansion of the Bariadi model to the whole District.

“Technical innovations such as organic cotton, improved agricultural practices, and the provision of new services such a cotton weight control, were well received by farmers who benefited through additional incomes and new economic opportunities.”

4. CHALLENGES

While the interventions proved to be successful in various ways, there remain some important challenges which need to be addressed in future projects. The three main challenges RLDC faced are the issue of sustainability (financially, organisationally and environmentally), the issue of facilitating system change through the M4P approach and addressing gender issues. These challenges represent areas that need to be better integrated in to the overall project approaches; below is a reflection on these challenges and the various opportunities available to address them.

4.1 SUSTAINABILITY

4.1.1 FINANCIAL SUSTAINABILITY

RLDC’s contribution mostly covered costs related to awareness raising, mobilisation of farmers’ groups, extension services, establishment of demonstration plots, FFS activities, strengthening FOs, supervising and monitoring, and organising meetings and workshops (“software” activities). In specific cases RLDC also contributed to “hardware” (e.g. construction of warehouse). The partners generally contributed by recruiting additional “project staff”, providing input distribution systems, investing in processing facilities (e.g. ginnery) or other infrastructure, and strengthening FOs.

The level of respective contribution can vary according to the intervention strategy or the partner. For the season 2010-2011, the respective contribution amounted to around 50% for “software activities”. The contribution of RLDC falls to 20% when investments by partners are taken into account, for example .the improvement of a ginnery (BioSustain, MSK). In contrast, the case of BioRe resulted in a relatively high contribution (94%) as a result of the sole focus on KIHAMA; but, when compared to the other interventions, the actual amount invested in KIHAMA is quite low.

As a general rule, RLDC fixed its level of contribution in partnerships with the following gradual exit strategy: 70% in the first year, 50% in the second year and 30% in the third year or in case of replication. In practice this strategy was not systematically applied. In most cases the reduction of RLDC subsidies was due more to budget constraint (with the increase in the number of interventions) rather than motivated by a real exit strategy. The latter should be developed carefully to ensure that the financial capacities of partners match the vision established for the sub-sector; this will help to avoid

“partners are not accustomed to budgeting for their own funds for these activities, generating a risk that they will not be considered at the time of RLDC exit.”

the abandoning of activities at the time RLDC phases out due to a shortage of funds.

Due to issues of financial control, the partnerships are established in such a way that RLDC contributes either 100% or 0% of each individual activity cost within an implementation. For instance, although paid by the partners, extension services costs are entirely subsidised by RLDC through a 100% contribution to this activity. This means that partners are not accustomed to budgeting for their own funds for these activities, generating a risk that they will not be considered at the time of RLDC exit.

There has also been an issue with accountability and access to information. Though the respective contributions are settled in the contract, RLDC has not been able to monitor the partner's actual financial contribution.

4.1.2 INSTITUTIONAL SUSTAINABILITY

The institutional sustainability constitutes another challenge for RLDC. Collaborations with partners are generally established on a short-term basis – often related to a crop cultivation season – and renewed from year to year. As a result there is a lack of clarity on RLDC's exit strategy in the collaboration and on how the partners will ensure sustainability of the intervention by generating all necessary capacities and resources before the withdrawal of support. In the case of Bariadi, the committees created for the control of weight and quality of cotton were well conceived, but little thought was given to their long-term viability without the support of RLDC. More generally, the local extension services that were created constitute key factors for sub-sector development, however if nothing is planned for their institutional sustainability, there is a risk they will collapse in the future. This is also true for the lead farmers that are currently paid through the support of RLDC as well as for the volunteers who are providing advisory service. A possible solution to address these issues would be for producers to pay for advisory services; however this constitutes a huge challenge in itself due to the financial capabilities of the farmers. Perhaps this could be facilitated through the strengthening of FOs, an area where RLDC has still to progress.

It will also be a challenge to maintain the quality of information and knowledge provided through the advisory services and to ensure continual development of skills. Without up-to-date information, producers could adapt their practices to ease their workload to the detriment of yield. It is therefore essential to ensure that regular updates and information transfers take place.

Finally, the sustainability of interventions in the cotton sub-sector is also jeopardised by the volatility of international market price. If the latter suddenly drops to a critical level, like in 2009, all efforts made for the promotion of the sub-sector could be at risk with the farmers deciding to shift to another crop.

4.1.3 ENVIRONMENTAL SUSTAINABILITY

Apart from RLDCs' support of the cultivation of organic cotton, environmental sustainability issues have not been specifically addressed. This could remain a challenge in the sense that if not considered, RLDC could support agricultural practices that are harmful for the environment.

4.2 FACILITATING SYSTEMIC CHANGES

M4P being a new approach, the implementing actions that bring changes in market systems are still in an experimental phase.

Applying the M4P concept and bringing about changes within the system remains a challenge. RLDC actions did not always have a systemic approach, but were developed based on strategic interventions in the cotton sub-sector. However, there was intent to promote systematic changes even though the interventions were limited to a specific action – for instance the promotion of the contract farming system. If the

“[the M4P approach] remains a good tool for developing vision and strategy, encouraging interventions to work through the development of specific partnerships and activities.”

systemic approach is still a theoretical concept, it remains a good tool for developing vision and strategy, encouraging interventions to work through the development of specific partnerships and activities.

If the challenge can be put at the level of systemic changes, at least in practice, RLDC was able to promote effective collaborations between stakeholders of the cotton market system that lead to win-win situations and a local improvement of the sub-sector. However, regardless of whether RLDC plays a facilitation role in developing the visions for interventions (for instance in the Bariadi experience), there remains the challenge of internalising the facilitation role, ensuring that partners understand the role of RLDC as not being limited to that of a donor.

4.3 GENDER



The M4P approach that guides RLDC interventions does not provide tools to mainstream gender nor does the private sector level of intervention allow a platform to deal with the issues (as opposed to interventions at community level). Consequently, human and financial resources were not allocated to

gender mainstreaming. As such RLDC has not particularly considered gender in its interventions, but it has tracked the involvement of women.

In comparison to the 33% of women involved across all five agricultural sectors promoted by RLDC, the cotton sub-sector interventions engage relatively few. While women do take care of cotton-related tasks, they are usually not the ones who make decisions over production and sales. In fact, some women in communities where cotton is produced complain that their lack of control over income earned from cotton production hinders spending on aspects conducive to poverty reduction, such as health and education.

The question of who should be responsible for gender mainstreaming in the current five interventions remains to be addressed. In the new collaborations for the 2010/11 season, RLDC facilitated partners to mainstream gender issues in their activities, explaining that initiatives taken by market facilitators could lead to a more sustainable change towards equal opportunities for women. However, RLDC experience shows that gender-related issues are not a priority for partners in their commercial relations; for private sector actors to show interest, the issue needs to be connected to improved production and productivity. Furthermore, prevailing gender roles need to be taken into account when designing project interventions. Meetings in the context of the intervention should take in to account the various social-cultural norms. Also, female service providers may find it easier to approach female farmers and vice-versa.

It is possible that co-facilitators would be better placed to facilitate the inclusion of gender mainstreaming in intervention activities. However, this would represent an increase in the cost of interventions and also produce the risk that the actions are unsustainable after the co-facilitator pulls out. An alternative option may be the collaboration with LGA's community development department, but this has not yet been tested by RLDC.

5 CONCLUSIONS AND RECOMMENDATIONS

This evidence-based learning exercise highlighted a range of aspects that are crucial to promote the cotton sub-sector and increase income of producers.

One of the main conclusions is the utmost importance of providing services, particularly in terms of inputs, farm implements, training, storage or control of the products (weight, quality). The promotion of such services contributed to the development of win-win situations between producers and buyers. Among the producers, the provision of services boosted the cotton production, productivity, and quality of products. On the buyers' side, it contributed to securing access to products of increased quantity and quality. The adoption of contract farming systems reinforced productive and fair collaborations between producers and buyers.

It was also shown that facilitating and supporting initiatives from the private sector can promote the growth of the sub-sector benefiting the main actors – producers and buyers – in terms of additional income and business development. The private companies realised that they had interest in further investing in their businesses, instead of simply purchasing products from the farmers. These investments covered not only “hardware” (ginnery, warehouses, etc.), but also “software” (extension services, inputs distribution systems, etc.).

Furthermore, the experience revealed that the private sector has also to invest in spending time to establish a trust relationship with producers and other stakeholders. For that purpose, there is a need to develop a common vision and understanding on what to achieve jointly, and to clarify the roles and commitments of stakeholders towards this vision and in the long-run. In this regard, the collaboration between the private and public sectors, and the establishment of PPPs, proved to be beneficial to all stakeholders; benefits include enhanced access of producers to information, training and local advisory service provision, improved access to input / output markets, investment in the sub-sector, etc.

The system of pricing remains a challenging issue in order to develop the sub-sector. Many of the partners took the price fixed by the TCB as a reference, adding a premium of 5 to 10%. Despite this bonus, the price proposed to the farmers remained far below the market price, led to problems of side-selling or simply

discouraged farmers to cultivate cotton. This issue would have to be addressed by the concerned stakeholders, including TCB and buyers.

The formation of FOs greatly facilitated the collaboration between farmers and buyers, particularly for the distribution of inputs and the provision of advisory services. On the other hand, the level of ownership of farmers on their own organisation remained low. Little attention has been paid in the field of organisational and institutional development, which should lead to better capacities of negotiation power, being able to defend and represent their interest but also taking a more active and committed role in the sub-sector development.

Partly due to the M4P approach, gender issues were insufficiently addressed. The cotton sub-sector being traditionally a male stronghold, challenges remain on how RLDC can promote gender equalities in ways that are acceptable in the prevailing socio-cultural context.

The sustainability of the interventions supported by RLDC remains another challenge. There is a lack of clarity on RLDC's exit strategy and on how the partners will ensure sustainability of the intervention by generating all necessary capacities and resources before the withdrawal of support.

The experience made by RLDC with facilitation based on the M4P approach has shown that the approach is a good tool for developing vision and strategy. However, implementation of interventions does not automatically lead to systemic changes. RLDC's facilitation role was difficult to communicate. In turn, innovation has proven to be a valuable asset when approaching systemic change.

The experience of RLDC showed that the interventions in the cotton sub-sector have brought about changes in the market system and generated benefit for the different stakeholders. However, two critical factors complexly outside all the stakeholders' control pose a major threat and could jeopardise or even ruin the efforts made. The volatility of price of cotton on the international market, and the weather conditions (drought) can easily discourage farmers to plant cotton from one season to another. For example, in a village supported by BioSustain, 70 farmers out of 75 gave up cotton cultivation for the season 2010-2011 due to the low rainfall.

Annex 1: Comparison between the five interventions in the cotton sub-sector

#	Criteria	BioSustain	BioRe	MSK Solutions Ltd	Oridoy	TCB & Bariadi LGA
1	Conventional or organic cotton	Organic (and conventional cotton in conversion)	Organic (and conventional cotton in conversion)	Conventional	Conventional	Conventional
2	Provision of seeds	Yes, on loan basis - sole supplier	Yes, against input premium	Yes, on cash payment or credit	Yes, on loan basis	No
3	Provision of fertiliser	No, but provision of training on biofertiliser	No, but provision of training on biofertiliser	Yes, offer extended to FO to finance 50% of fertiliser cost on loan basis conditional upon payment for other 50% by farmers. Not taken up on a large scale because farmers lack capital.	No	No
4	Provision of pesticides	Yes (biopesticides), on loan basis	Yes (biopesticides), against input premium	Yes, on cash payment or credit	Yes, on loan basis	No
5	Distribution of inputs	Village input committees in collaboration with lead farmers	BioRe Extension officers; KIHAMA have appointed their own extension team and they handle distribution of inputs	Lead farmers with assistance of Ward extension officers	Lead farmers with assistance of Ward extension officers	TCB
6	Farm implements: spraying pumps	Yes, service provision free of cost, but insufficient quantity	Pumps are owned by BioRe and are provided to the farmers with the assistance of BioRe own extension officers. BioRe provides solo pumps to KIHAMA villages and under scrutiny of their own extension team they are distributed to farmers as and when required	Yes	Yes, on loan basis for individual members	No
7	Farm implements: tractor services	No	Oxen driven farm implements -ox-weeder, ripper, ridger available in each biore village offices	Yes, on partial loan basis	Yes, guarantees for renting on loan basis or cash payment	No
8	Cash loans to producers	No	Yes, interest free loans given bioRe farmers	No	Cash loans are given to farmers among the 88	No

#	Criteria	BioSustain	BioRe	MSK Solutions Ltd	Oridoy	TCB & Bariadi LGA
			contracted for more than 3 years. BioRe have not yet introduced loans for KIHAMA farmers, but are looking at the possibility to support them also in near future		Oridoy members only	
9	Extension services	Yes - Collaboration with 10 LGA extension officers - Training of 22 lead farmers - Provision of allowance for lead farmers - Provision of transport facilities	Yes - Training of 15 lead farmers - Provision of free inputs for demo plots to lead farmers - Provision of transport facilities to extension team - Provision of extension services by own staff	Yes - Collaboration with 25 Ward extension officers - Training of 55 lead farmers - Provision of commissions and transport facilities	Yes - Collaboration with Ward extension officers from the 4 wards that comprise the villages they work with - Training of 20 lead farmers	LGA extension officers from season 2010/2011
10	FFS	4	4 (each village of KIHAMA)	25	5	No
11	ICS (organic cotton)	Yes (2 staff and lead farmers)	Yes (own staff and lead farmers for KIHAMA)	No	No	No
12	Provision of bags for seed cotton	Lent free of cost	BioRe own cotton bags	MSK own bags	Lent free of cost	No bags
13	Other services	Provision of certification service	Provision of certification service, farmers' group strengthening (KIHAMA)	Group formation MSK Solutions Ltd Yes (written contracts with groups from season 2010/11)		Weight and quality control service by 33 village control committees (100 in 2010/11) Collaboration with government officers (4 LGA, 1 TCB inspector, 1 weight and measures authority)
14	Contract farming	Yes, but not systematised Price not fixed (clause states that TCB price	Yes with individual "BioRe farmers" and with KIHAMA as organisation Price not fixed but a	Price not fixed but based on the minimum price set by TCB Services were not	Yes, but not formally Price based on TCB Services pre-defined in meetings but no written agreements	Yes

#	Criteria	BioSustain	BioRe	MSK Solutions Ltd	Oridoy	TCB & Bariadi LGA
		plus organic premium) Some services are pre-defined at the start of the contracts some are provided as needs arise	premium of 10% on the prevailing market price Services pre-defined for farmers who are in contract with BioRe and no predefined services with KIHAMA	pre-defined in written contracts in season 2009/10 but done for season 2010/11		
15	Strength of FOs		Rather strong - KIHAMA: 605 members, rather strong overall structure, but weak sub-groups - Other farmers: 15 BioRe representatives, groups around for managing relation with BioRe	Very weak or no groups 63 village groups (season 2010/2011) with farmers in no group.	Strong 88 members 612 registred farmers	33 village committees (season 2009/2010) 100 village committees (season 2010/2011)
16	Group strengthening activities	Weak or no groups Yes, will do from season 2010/11 on	Yes, since 2009	Yes, will do from season 2010/2011 onwards	No	No
17	Number of producers	2007/08 1,188		n/a	290 (225 M & 65 F)	n/a
		2008/09 3,245	KIHAMA: 540 BioRe: 1,983	n/a	380 (303 M & 77 F)	n/a
		2009/10 3,500	KIHAMA: 605 BioRe: 1,742	1,853	702 (549 M & 153 F)	21,400
		Target 2010/11 5,000	KIHAMA: 605 BioRe: 2,051	4,000	1,009 (670 M & 339 F)	171,900
18	Percentage of women among producers	2007/08 4%	3.5% (KIHAMA)	n/a	23%	n/a
		2008/09 4%	3.5% (KIHAMA)	n/a	21%	n/a
		2009/10 7%	3.5% (KIHAMA)	7.50%	22%	26%
		Target 2010/11 30%	3.5% (KIHAMA)	More than 10%	34%	30
19	Number of villages	2007/08 2		n/a	5	205
		2008/09 20	4 (KIHAMA)	n/a	5	205
		2009/10 31	4 (KIHAMA)	33	10	205 (33 BACODEP)
		Target 2010/11 63	4 (KIHAMA)	63	15	205 (100 BACODEP)

#	Criteria		BioSustain	BioRe	MSK Solutions Ltd	Oroidoy	TCB & Bariadi LGA
20	Total acreage (acres)	2007/08	2,700		n/a	843	167,200
		2008/09	1,250	6,400	n/a	1,200	182,300
		2009/10	4,450	10,000	4,000	736 (Due to weather)	135,000
		Target 2010/11	14,500	9,075	8,500	1850	171,000
21	Volume of production seed cotton (tonnes)	2007/08	115		3,800 (without Nzega)	545	57,700
		2008/09	115	KIHAMA: 302,113 BioRe: 3,600,815	4,000 (without Nzega)	900	51,600
		2009/10	2,750 organic and 150 conventional	KIHAMA: 714,350 BioRe: 3,006,400	1,000 (without Nzega) & 100 in Nzega	170	33,200
		Target 2010/11	4,000	KIHAMA: 1,200,000 BioRe: 4,900,000	10,000	485	400,000
22	Average yield per producers (kg/acre)	2007/08	300		300		350
		2008/09	350	325	300		280
		2009/10	450	380	300	Ranges 150 - 700	250
		Target 2010/11	400	380	500	500	Not determined yet
23	No. of collection centres	2007/08	65		55 outside Nzega (They didn't buy in Nzega yet)	5	n/a
		2008/09	35	4	111 outside Nzega (They didn't buy in Nzega yet)	5	n/a
		2009/10	141	4	15 in Nzega and 68 outside Nzega	5	n/a
		Target 2010/11	200	4	25 in Nzega and 75 outside Nzega	5	n/a
24	No. of Warehouses	2007/08	None	n/a	7 at Ginnery (outside there is no warehouse)		n/a
		2008/09	None	4	14 at Ginnery (outside there is no warehouse)		n/a
		2009/10	5 at Ginnery	4	14 at Ginnery (outside there is no warehouse)	2 own godowns in Babati	n/a
		Target 2010/11	6 at Ginnery	4	14 at Ginnery (outside there is no warehouse)	Rent 1 godown in Moshi	n/a
25	Warehouses under WRS		0	1	0	1	n/a

#	Criteria	BioSustain	BioRe	MSK Solutions Ltd	Oridoy	TCB & Bariadi LGA
26	Transportation to buying post (godown/collection centre)	Individual transportation to buying point (godown/house rented)	Individual transportation to buying point (godown/ house rented)	Individual transportation to buying point (godown/ house rented)	Individual transportation to buying point (godown/ house rented) if possible Collection at producers' house if road is passable and godown to far away	n/a
27	Timing of payment	Cash on the spot	Cash on the spot	Cash on the spot	2-3 weeks later against receipt	n/a
28	Own ginnery or outsourced	Own	Outsourced	Own	Outsourced	n/a
29	Access to credit for buying	Yes	Yes	Yes	Yes (from CRDB bank)	n/a
30	Access to credit for investment	Yes	No	Yes	No	n/a
31	Collaboration with government	<ul style="list-style-type: none"> - voucher system for seed provision - MoU with Region and 3 Districts for exclusivity as buyer - Selected as sole supplier of cotton seeds - Extension services - Good collaboration with TCB (permit, exchange of information on input needs at sub-village level (seed demand inventory), participation in trainings offered by TCB) 	BioRe has not yet been able to access the subsidies from government and thus had to pay from own funds	<ul style="list-style-type: none"> - Voucher system for seeds and pesticides provision - Extension services - Government is represented in steering committee - Good collaboration with TCB (licence, inputs, Cotton Quality Certificate(CQC)Testing of Lints Quality at TCB, Ukiriguru Laboratory) - Tractors for hiring to farmers at Nzega District Council. 	<ul style="list-style-type: none"> - Use Voucher system for seed and pesticides provision - Extension services - Good collaboration with TCB (licence, inputs) 	<ul style="list-style-type: none"> - TCB representative stationed locally - TCB promotes interventions in the villages - LGA provided certified weighing scales - Collaboration with government officers for control services (4 LGA, 1 TCB inspector, 1 weight and measures authority)
32	Member of cotton buyer association (TCA)	Yes	Yes	Yes	No	n/a

#	Criteria		BioSustain	BioRe	MSK Solutions Ltd	Oridoy	TCB & Bariadi LGA
33	Price (TZS/kg)	2007/08	n/a	n/a	TCB Price	n/a	300 - 400
		2008/09		360 + 80 (subsidy from government) minus 5 (input subsidy to kihama farmers, all cotton in conversion)	450 (TCB Price)	450 (TCB Price)	360 - 500
		2009/10	630 based on TCB price (600TZS/kg) plus 5% organic premium	Start of the season: 600 for cotton in conversion, plus 10% for organic cotton plus 15 (seeds for next season). But because of high competition in Shinyanga, price went up to 1,200 TZS/kg.	600 (TCB Price)	600 (TCB Price)	600 - 1200
		Forecast 2010/11	TCB plus 10% organic premium (2010/2011)	1,600 TZS/kg + organic premium 70 TZS/kg plus 15 TZS/kg reserved as input premium	Open to pay min. 1500 TZS/kg		> 1000
34	Competition		No, firstly because of remoteness and absence of production, and now secured exclusivity	Yes, high	Moderate because low level of production, but could increase with the increase of production	No, because of remoteness of area	Yes, high

Annex 2: M4P Approach

THE M4P APPROACH¹⁰

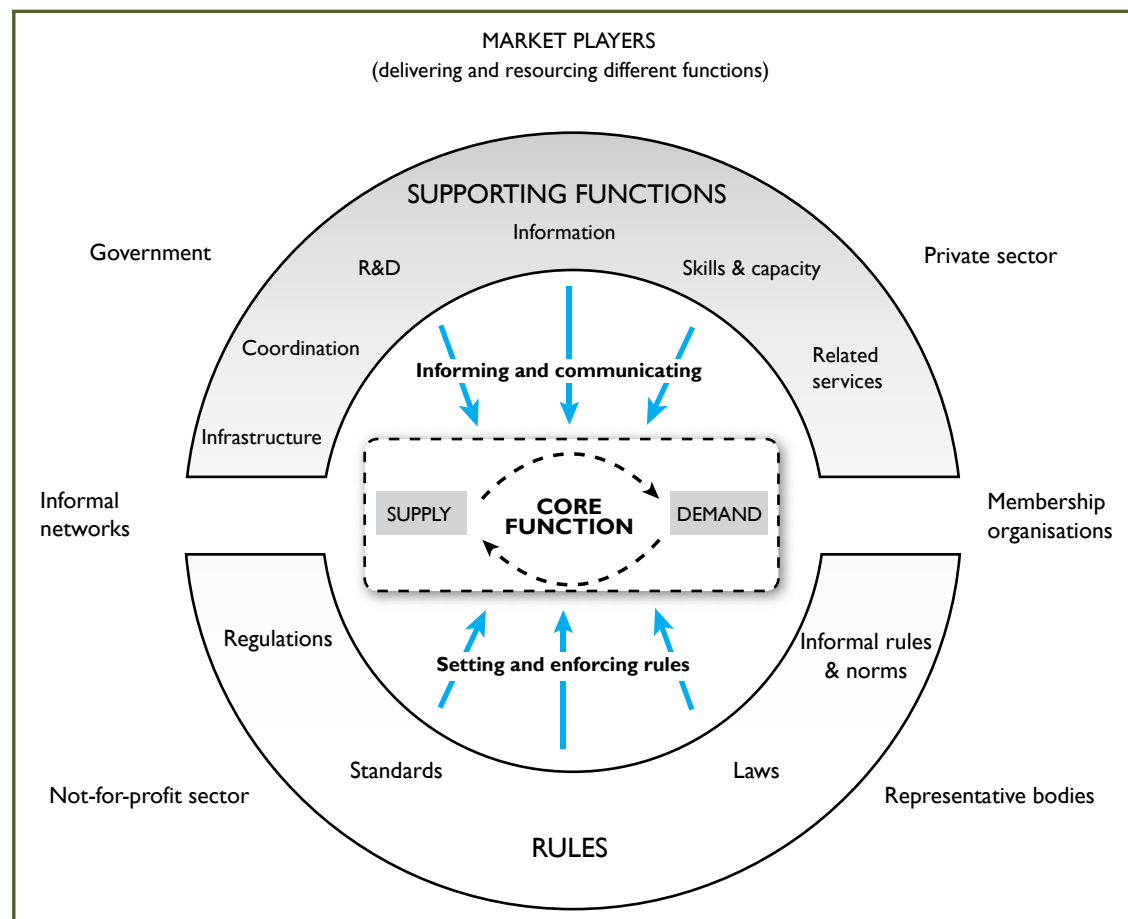
The M4P approach aims at developing market systems so that they function more effectively, sustainably and beneficially for poor people, building their capacities and offering them the opportunity to enhance their lives.

M4P is an approach to development that provides guidance not only on understanding of the poor in market systems (analysis) but on how to bring about effective change (action). Analysis should identify the underlying constraints impinging upon market systems and concentrate on addressing these.

Its focus is on developing market systems, assessed with respect to different market functions and players, public and private, formal and informal. This systemic character of M4P defines many of its most important features.

The reason for M4P's focus on market systems is clear. By bringing about change in the market systems within which people live and work it is possible to effect substantial and lasting change that can impact on many sustainably rather than a few temporarily.

Markets for land, labour, raw materials, capital, goods and services are all different but they share the same key elements. In practice, all market systems can be viewed through the same lens consisting of different sets of functions and players (see figure below).



In any market system, there are three main sets of functions – core, rules and supporting functions.

¹⁰ Extracted from “A synthesis of the making markets work for the poor (M4P) approach” a publication by the UK Department for International Development (DFID) and the Swiss Agency for Development and Cooperation (SDC), 2008”.

CORE

This is the central set of exchanges between providers (the supply-side) and consumers (demand-side) of goods and services at the heart of any market. Exchange is conventionally through money, but can be through non-financial accountability (say in government-provided services) or through informal quid pro quo arrangements (in social or business networks). In most market systems, the private sector can be seen to be the main provider.

RULES

These act to shape market outcomes and govern participation and behaviour in markets. Rules include informal rules or norms, formal rules or laws and other standards and codes of practice. Formal providers of rules are commonly governments or membership organisations. Rules are essentially a non-commercial or public or collective role in markets. However, their enforcement (often the most problematic issue) can involve private sector players (for example, in international food quality standards). Informal rules are generally a product of local culture and value systems and practices and invariably define the extent to which formal rules are accepted.

SUPPORTING FUNCTIONS

A range of other functions support the core exchange and help the market to develop and grow including, for example, consultation processes; research and development (R&D); information; and capacity development and co-ordination. The nature of these, and who provides them, varies from one context to another. Labour markets, for instance, may require information on market trends, vacancies, available skills levels and the legal framework – which is often best provided by government. Employment agencies linking supply and demand might be best provided by the private sector, while training is likely to

involve both public and private organisations. Coordination in specific skills and disciplines is always likely to involve government and business or professional associations.

Sustainability is a prime concern of M4P. This means considering not just the existing alignment of key market functions and players but how they can work more effectively in the future, based on the incentives and capacities of players (government, private sector, associations etc) to play different roles.

M4P requires that agencies and governments play a facilitating role. As external players they seek to catalyse others in the market system (while not becoming part of it themselves). For governments, except where they are playing longer-term roles within the market system, and agencies, facilitation is inherently a temporary role.

Finally, as an overarching framework M4P does not necessarily replace other specific methodologies and tools but provides a transparent and multi-disciplinary framework within which they can be utilised and adapted in order to address their limitations and so enhance their efficacy.



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This document is the first of a series aimed at sharing the experience of, and the lessons learnt by, the Rural Livelihood Development Programme (RLDP). It is the product of a “capitalisation of experience” process, meaning giving a value to the experience made, which can also be called “evidence-based learning”. While releasing this publication, the objective is to inform relevant development organisations and partners about what worked and what did not in the frame and context of RLDP interventions. Certainly, at the time of publishing this document, things are already changing in the field or at policy level. But the aim is to keep the institutional memory of what was done, as well as to share the experience. This document will be followed by others in the coming months. They will cover issues like rural commercial radio, contract farming, quality seeds, collection centres, etc.

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