



## Cotton Projects

The ICAC serves as the International Commodity Body for Cotton and Cotton Textiles with the Common Fund for Commodities (CFC). Since the Fund became operational in the early 1990s, a total of 20 cotton projects valued at \$63 million have been supported. The CFC has provided \$5.7 million in loan financing and \$22.9 million in grant financing for the projects. Co-financing has accounted for \$16.3 million and counterpart contributions have accounted for \$18.8 million in total project costs. As of June 2008, the Secretariat is working on two proposals for the January 2009 meeting of the Consultative Committee (CC) of the CFC, and it is working to implement proposals that have recently been approved. The Secretariat has also approached the EU to seek funding for a project to facilitate inter-hemisphere cooperation among research facilities.

### Updated Five-Year CFC Plan: 2008-2012

A stakeholders meeting organized by the CFC and the ICAC was held in Goiania, Brazil on September 9, 2006 just before the start of the 65<sup>th</sup> Plenary Meeting. Based on that meeting, and based on input from governments, ten themes were sent to the CFC in December for inclusion in their next five-year plan. The Secretariat was asked to develop a "5-year Plan of Indicative Projects" for the ICAC to cover the period from 2008 through 2012. It is understood that the indicative projects can be revised or even eliminated and changed as circumstances develop, but this list provides a baseline to the CFC for financial planning.

The Secretariat updates the five-year plan on a rolling basis consistent with current activities. The order of projects below has been revised to reflect the status of proposals received to date.

#### 1. Production and Marketing of Uncontaminated Cotton in Mali

This proposal was sent to the CFC on May 2, 2008 but the proposal was deemed by the CFC Secretariat to be inadequate for consideration by the CC. The Secretariat is cooperating with the Secretariat of the CFC to use funds available from the Project Preparation Facility to hire a consultant to ensure the proposal meets CFC criteria. It is hoped that the project will be re-submitted to the CFC for consideration by the CC in January 2009.

Conduct the project during 2009-2013  
Country: Mali

#### 2. Vertical Integration to Improve Cotton Production Efficiency in Small-Scale Farming Systems in Kenya and Mozambique

This proposal was sent to the CFC on May 1, 2008 but the proposal was deemed inadequate for consideration by the CC. The Secretariat is cooperating with the Secretariat of the CFC to use funds available from the Project Preparation Facility to hire a consultant to ensure the proposal meets CFC criteria. It is hoped that the project will be re-submitted to the CFC for consideration by the CC in January 2009.

Conduct the project during 2009-2012  
Countries: Kenya and Mozambique

#### 3. Producing Organic Cotton in New Areas of Pakistan

Complete this proposal in 2009 for consideration by the CC in January 2010  
Conduct the project during 2009-2012  
Cost estimates are not yet developed

#### 4. By Product Uses of Cotton in Zambia

Complete this proposal during 2009 for submission to the CC in July 2009  
Conduct the project during 2009-2011  
Cost estimates are not yet developed

5. Cotton Processing in West Africa

Complete this proposal in 2009 for consideration by the CC in January 2010.

Conduct the project during 2009-2012

\$3.6 million, including a grant of \$2.4 million from the CFC

6. Elimination of Insecticides from Intensive Farming Practices

Complete this proposal in 2008/09 for consideration by the CC in July 2009

Conduct the project during 2009-2012

\$5.0 million

[The Secretariat does not have a proposal in the pipeline to fulfill this concept. Countries are invited to consider this idea and develop a project proposal in cooperation with the Secretariat.]

7. Supply of Certified Planting Seed to Small Growers

Complete this proposal in 2009 for consideration by the CC in January 2010

Conduct the project during 2010-2012

\$2.0 mil (grant), 5.00 million (loan)

[The Secretariat does not have a proposal in the pipeline to fulfill this concept. Countries are invited to consider this idea and develop a project proposal in cooperation with the Secretariat.]

8. National Cotton Classification Systems in Syria & Nigeria

Complete this proposal during 2010 based on results of the CSITC, for consideration by the CC in January 2011

Conduct the project during 2011-2014

\$4.0 million

## I. New Proposals or Proposals Under Development

### Production and Marketing of Uncontaminated Cotton in Mali

This is a continuation of the CFC/ICAC 32FT 'Production and Marketing of Uncontaminated Cotton in Mali' undertaken by the Cotton Program, Institute of Rural Economy, Bamako, Mali from July 1, 2006 to February 29, 2008. The CFC/ICAC 32FT project established the level and type of contamination in seedcotton and lint, and found out how and why these contaminants are added to cotton. The new project will implement recommendations of the Fast Track project CFC/ICAC 32FT. A CFC/ICAC project stamp on each bale produced in the San region of Mali will provide assurance to buyers that the cotton has little or no contamination compared to other regions.

The Secretariat has worked with the head of cotton research for CMDT, the cotton company in Mali, to develop the full project proposal. The Standing Committee approved this project in principle at the 492nd Meeting, subject to the condition that the Secretariat will work with the CFC to ensure that the project does not duplicate other efforts underway in the region. The proposal was sent to the CFC for consideration by the Consultative Committee (CC) at its meeting in July 2009. The CFC Secretariat indicated that they are concerned that the impending privatization of CMDT will disrupt project implementation. They are also concerned about projections for co-financing. The Secretariat is cooperating with the Secretariat of the CFC to use funds available from the Project Preparation Facility to hire a consultant to ensure the proposal meets CFC criteria. It is hoped that the project will be re-submitted to the CFC for consideration by the CC in January 2009.

### Vertical Integration to Improve Cotton Production Efficiency in Small-scale Farming System

The profitability of cotton production for small producers in Sub-Saharan Africa is often marginal, due to average yields that are well below the potential of current varieties under rain-grown conditions [average seed cotton yields among smallholders in southern and eastern Africa range from 400 – 750 kg/ha, while yields in research plots can reach over 3000 kg/ha]. There is wide scope for improvements in production efficiency in the smallholder sector, placing the initial emphasis on profitability for the grower, rather than on increased yields. This can be addressed by ensuring that systems are in place to maximize the benefits of input use through promoting integrated crop management, backed by greater investment in the provision of technology and associated support services. One way to do this is to encourage input and service delivery by the private

sector through a vertically integrated commodity chain. Improved access to technology and the support to improving farmer's knowledge of cotton ICM will improve the efficiency of input use, which, in turn, will encourage more farmers to grow cotton and lead to increases in national production as well as raising the average seed cotton yield.

The Secretariat worked with a researcher from the Natural Resources Institute in the UK to develop the full project proposal. The Standing Committee approved this project in principle at the 492nd Meeting, subject to the condition that the Secretariat will work with the CFC to ensure that the project does not duplicate other efforts underway in the region. The proposal was sent to the CFC. However, the CFC Secretariat did not believe that the proposal was sufficiently developed and demanded more specific estimates of costs and benefits. The Secretariat is cooperating with the Secretariat of the CFC to use funds available from the Project Preparation Facility to hire a consultant to ensure the proposal meets CFC criteria. It is hoped that the project will be re-submitted to the CFC for consideration by the CC in January 2009.

### **Promotion of Cotton Processing in West Africa**

The Secretariat received a proposal in early 2007 from the United Nations Industrial Development Organization (UNIDO) on the Promotion of Cotton Processing in West and Central Africa. The project aimed to help French speaking cotton-producing countries in West and Central Africa to process more cotton locally through expansion and improvement of handicraft weaving, dyeing and sewing activities.

The UNIDO Secretariat, the ICAC Secretariat and the Ministère du Commerce, de La Promotion de L'entreprise et de L'artisanat, of Burkina Faso are collaborating on the proposal. A representative of the Government of Burkina Faso has agreed to work with the Secretariat to develop such a project proposal for submission to the CFC. The Secretariat is waiting to hear from this official about his ideas for improvement of the project.

### **Boll Weevil Control in Argentina**

Argentina prepared a proposal for a Fast Track Project to test the feasibility of minimizing the boll weevil population by attracting and killing the weevils during the off-season rather than spraying and killing the weevils during the growing season. The proposal was discussed and approved at the January 2007 meeting of the Consultative Committee of the CFC. Unfortunately, latest reports from the project indicate that implementation has been behind schedule for various administrative reasons. Accordingly, the test may be extended for one year through the harvest in 2009. Results will be evaluated at that time to determine whether additional work is recommended.

### **Price Risk Management**

The Secretariat has been working with the Secretariat of the CFC since early in this decade to develop a project to improve the capacities of cotton producers in East and Southern African countries to make use of futures and options contracts traded in New York and elsewhere. The CFC Secretariat initiated this project, and money was quickly appropriated. A consultant's feasibility study was conducted in 2001/02 and a breakout session devoted to the consultant's study was conducted during the 61<sup>st</sup> Plenary Meeting in Cairo in 2002. Despite initial enthusiasm for price risk management, the concept of small holders in Africa participating in cotton futures contracts denominated in dollars proved to be infeasible. Numerous alternative arrangements have been suggested, including facilitating domestic banks or cotton ginning companies to serve as "intermediaries" for small holders in hedging their sales of cotton. These concepts have also proven difficult to implement, and nothing concrete has been accomplished in the project in the years since. At one point, the Commodity Risk Management Group (CRMG) in The World Bank indicated an interest in cooperating with the CFC to conduct a joint project on price risk management in the target countries of Tanzania, Uganda and Zimbabwe, but accounting rules of the CFC proved difficult for implementation by The World Bank, and the project has remained dormant. Nevertheless, money remains allocated for the project by the CFC.

The Secretariat is now working with a non-governmental organization in Washington, D.C., a private price risk management-advising group in New York, the CRMG in The World Bank and the CFC to try to resurrect this project. An agreement has been reached, and documentation to operationalize the project is being prepared. The project will focus on education of cotton market participants, banking officials and government officials

about price risk management opportunities and the functioning of world commodity markets. Efforts to implement “test cases” of the use of futures and options will be delayed pending success in the education stage of the project.

### **Inter-Hemisphere Collaboration to Expedite Research Results for Small Scale Cotton Farmers**

Cotton is grown year round. While cotton growers in the Northern Hemisphere are harvesting, growers in the Southern Hemisphere are preparing to plant. Likewise, research involving field experiments is started and terminated at different times of the year in each hemisphere. Consequently, researchers in each hemisphere have to wait for the next season to confirm results or verify recommendations.

Based on a recommendation from the 66<sup>th</sup> Plenary Meeting in 2007 in Turkey, the Secretariat has developed a proposal to facilitate cooperation among research institutes in the northern and southern hemispheres so as to shorten the time required to complete seed breeding and other research projects. The ICAC Secretariat is seeking to establish sister-institute relationships between research institutes in the northern and southern hemispheres. It is envisioned that three sister-institute relationships involving six institutes (3 each in the northern and southern hemispheres) will be established.

The ICAC contacted 12 potential collaborators (institutes/countries) with a potential interest in the Inter-Hemisphere linkage project to seek their opinions on the proposed linkages. The responses have been extremely encouraging. There is no doubt that national institutes need a coordinating organization and resources to facilitate international communication and visits. The ICAC Secretariat is willing to provide the coordination facility and implement the project directly. However, the help from an outside consultant is needed.

The project proposal has been sent to the EC, and the response was not negative. The Inter-Hemispheres project is being considered under the Food Security Thematic Project, which has a large agricultural research component. The project will be considered during the fourth quarter of 2008 for funding in 2009.

## **II. Summary of Ongoing Projects Funded by the CFC:**

### **1) Commercial Standardization of Instrument Testing of Cotton**

Project Executing Agency: Faserinstitut Bremen e.V., Germany  
 Project Cost: \$7.788 million  
 CFC Grant: \$2.030 million  
 Counterpart Contributions: \$2.753 million  
 EC co-financing: \$3.0 million

The project on Commercial Standardization of Instrument Testing of Cotton (CSITC) is now operational. The CFC is contributing \$2 million to the project, and \$3 million is being provided through co-financing from the European Commission under its All-ACP Support Programme on Agricultural Commodities.

### **2) Utilization of Cotton Plant By-Product for Value Added Products**

Project Executing Agency: Central Institute for Research on Cotton Technology (CIRCOT), India  
 Project Cost: \$2.190 million  
 CFC Grant: \$918,886  
 Counterpart Contribution: \$1.377 million

This project will develop processes for the commercially feasible production of fiberboard using cotton stalk residue. A mid-term evaluation of the project was undertaken in November 2007. The project was scheduled for completion by September 30, 2008. The project has been extended to December 31, 2009 subject to the condition that project funds from the CFC are not affected.

### **3) Pilot Project on Price-Risk Management for Cotton Farmers**

Project Executing Agency: Technoserve  
 Project Cost: \$1.094 million  
 CFC Grant: \$1.094 million

This project aims to reduce the exposure of smallholder cotton farmers to short-term fluctuations in world market prices. The project will provide education about various price risk management instruments that could be of practical use to small holders and marketing organizations representing small holders.

- 4) Integrated Pest Management (IPM) Techniques for Sustainability of Small Cotton Growers in the Southern Cone of South America with a Pilot Project for 400 Small Farmers in Formosa, Argentina (CFC/ICAC/36FT)  
 Project Cost: \$369,000  
 CFC Grant: \$120,00  
 Co-financing: \$80,000  
 Counterpart Contribution: \$169,000

The project will minimize insecticide use against the boll weevil.

### III. Completed Regular Projects:

- 1) Improvement of Cotton Marketing and Trade System in Eastern and Southern Africa  
 Project Executing Agency: United Nations Office for Project Services (UNOPS)  
 Project Cost: \$24.811 million  
 CFC Grant: \$3.610 million  
 CFC Loan: \$5.717 million  
 Co-financing: \$14,373 million  
 Counterpart Contribution: \$1.112 million

This project promoted privately run warehousing systems and established a warehouse inventory receipt system to provide collateral to marketing organizations representing small holders.

- 2) Sustainable Control of the Cotton Bollworm *Helicoverpa armigera* in Small-Scale Production Systems  
 Project Executing Agency: Natural Resources International Ltd. (UK)  
 Project Cost: \$4.493 million  
 CFC Grant: \$2.259 million  
 Co-financing: \$1.088 million  
 Counterpart Contribution: \$1.147 million  
 Completed in 2006

This project developed agronomic systems of sustainable pest management practices to control the cotton bollworm within smallholder production systems.

- 3) Genome Characterization of Whitefly-Transmitted Geminiviruses of Cotton and Development of Virus-Resistant Plants through Genetic Engineering and Conventional Breeding  
 Project Executing Agency: National Institute for Biotechnology and Genetic Engineering (Pakistan)  
 Project Cost: \$3.927 million  
 CFC Grant: \$1.550 million  
 Counterpart Contribution: \$2.377 million  
 Completed in 2003

This project characterized Geminiviruses and developed leaf curl virus-resistant genotypes.

- 4) Improvement of Marketability of Cotton Produced in Zones Affected by Stickiness  
 Project Executing Agency: Sudan Cotton Company  
 Project Cost: \$2.060 million  
 CFC Grant: \$1.101 million  
 Counterpart Contribution: \$959,000  
 Completed in 2001

This project developed methods of handling sticky cotton.

- 5) Integrated Pest Management of the Cotton Boll Weevil in Argentina, Brazil and Paraguay  
 Project Executing Agency: National Service for Phytosanitary and Agro Food Quality, Argentina  
 Project Cost: \$8.213 million  
 CFC Grant: \$1.971 million  
 Counterpart Contributions: \$6.242 million  
 Completed in 2001

The project developed sustainable methods of boll weevil control based on the detailed studies of pest behavior under different growing conditions.

- 6) Integrated Pest Management for Cotton  
 Project Executing Agency: The Israel Cotton Production and Marketing Board  
 Project Cost: \$5.390 million  
 CFC Grant: \$3.075 million  
 Counterpart Contributions: \$2.316 million  
 Completed in 1999

This project developed new spray technologies and economical methods of whitefly control.

- 7) Cotton Production Prospects for the 1990s  
 Project Executing Agency: The World Bank  
 Project Cost: \$1.182 million  
 CFC Grant: \$530,000  
 Co-Financing: \$649,000  
 Completed in 1995

This project developed in-depth studies of production conditions and made recommendations for improving production practices and cotton productivity in targeted countries.

#### **IV. Completed Fast Track Projects**

- 1) Production and Marketing of Uncontaminated Cotton in Mali, 2008
- 2) Regional Consultation on Genetically Modified Cotton for Risk Assessment and Opportunities for Small Scale Cotton Growers, 2007
- 3) Preparation for the Commercial Standardization of Instrument Testing of Cotton, 2005
- 4) Cotton Facts, 2004
- 5) Utilization of Cotton Plant By-Product for Value-Added Products, 2003
- 6) Improvement of the Sustainability of Cotton Production in West Africa, 2003
- 7) Investigation of the Incidence, Epidemiology and Population Dynamics of Cotton Diseases in the Southern and Eastern African Cotton Region, 2002
- 8) Resistance Management of *Helicoverpa armigera* to Pyrethroids in West Africa (Survey), 2002
- 9) Study on Price Risk Management for Cotton Farmers, 2001