

BLCF Case 3: Regenerating the smallholder cotton sector in Malawi

Intervention:	Cotton Seed Treatment Programme (BLCF)
Country:	Malawi
Date:	September 2003 to August 2006
Challenge:	To improve the quality and the yield of Malawi's cotton crop.
Objectives:	(1) Promote a three-fold increase in cotton smallholders' average income. (2) Double the number of smallholders registered with the program. (3) Increase the capacity utilization of ginneries.
Approach of the Intervention:	For many years before this intervention the smallholder cotton sector in Malawi had been in decline, reaching a low of 16,000 tonnes in 2002, with poor yields, badly managed advisory services, and limited access to key inputs. The two largest private sector companies engaged in cotton ginning, Great Lakes and Clark, joined forces with chemical production and marketing companies and the National Association of Smallholder Farmers to improve the quality and availability of pre-treated seeds. The seeds, together with other inputs, are sold to pre-registered farmers who contract to sell their cotton at fixed prices to the participating ginners. Treated seeds are sold to registered smallholders at less than the market rate. The difference between the commercial price and the subsidized price of the seed is recovered through an end-of-season levy charged by the ginners. The wedge between the commercial price of seed and the subsidized price is reduced progressively over several seasons.
Benefits and Impacts:	Production increased from 16,000 tonnes in 2003 to 43,000 tonnes in 2004, largely attributable to the project. During project implementation the number of casual labourers employed increased from 10,000 to 35,000. The number of smallholders registered with the programme increased from 100,000 to 180,000. Capacity utilization at ginneries increased from 20% to 80%. Producer incomes increased two to three times.
Lessons learned:	<ul style="list-style-type: none"> □ The challenge fund approach is a sound way to leverage private sector investment for poverty-alleviating and productivity-enhancing projects. □ In order to reduce free-riding by unregulated third-party cotton buyers it is important to reduce the subsidy element in the price of treated seed.
Implementing agency & partners	Great Lake Cotton Company; Clark Cotton Malawi; Chemical and Marketing Company; Syngenta, AG; NASFAM; DFID BLCF
Contact person:	Details at www.challengefunds.org