

Cotton Production

The World Bank experience in Uzbekistan and the Agricultural Competitiveness Project in Kazakhstan

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Content of Presentation

- The achievements of the Cotton Sub-sector Improvement project in Uzbekistan
- The design of the Agricultural Competitiveness Project in Kazakhstan

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UZ – Cotton Sub-sector Improvement Project

- Total cost \$84 m, with a \$66 m Loan
- Implementation period: 1995-2002 (7 years)

MAIN ACHIEVEMENTS

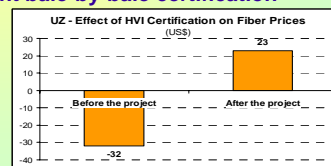
It contributed to modernization of the cotton sub-sector by:

- Improving marketing efficiency with a benefit of \$50 million per year
- Developing private seed industry
- Strengthening applied research on Integrated Pest Management (IPM)

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UZ – Cotton Grading Agency

- Center for Certification of Cotton Fiber (SIFAT) was established in 2000 (<http://sifat.sbn.bz/>)
- 14 accredited laboratories with 35 HVI units to implement bale-by-bale certification



- Benefit of around \$50 million per year in reduced price discounts for Uzbek cotton, but yields did not increase for lack of policy reforms

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UZ – Creation of 6 Private Seed Companies

- 6 private seed production companies were set up with capacity to produce around 22,000 tons of seed
- All joint ventures with foreign partners
- Strengthened seed quality
- Promoted introduction of delinted seed
- Reduced seeding rates and farms' costs of seed as well as labor for thinning out

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KAZ – Agricultural Competitiveness Project (ACP)

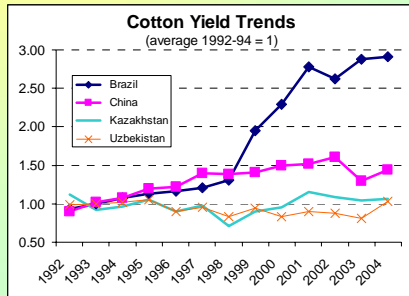
- Total Project costs: \$83 m, of which \$24 m WB Loan
- Implementation Period: 2005-2010
- Prepared by the Ministry of Agriculture

OBJECTIVE

A competitive agriculture by facilitating access to markets and knowledge

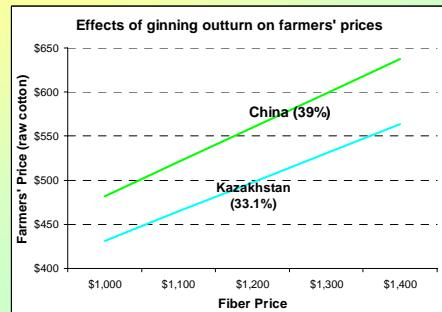
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KAZ – Farmers’ Inefficiency: Stagnating Cotton Yields



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KAZ – Ginning Inefficiency: Low Outturn



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Why are KAZ Yields Stagnating?

- Climatic conditions are not ideal
- Soil salinity and inadequate drainage (IDIP in Makhtalar)
- Limited adoption of modern farming technologies:
 - No Genetically Modified cotton (GMO)
 - Topping instead of chemical growth regulators
 - Limited use of Integrated Pest Management
 - No use of the plastic film technology
- Fragmented small farmers have no control over the cotton supply chain

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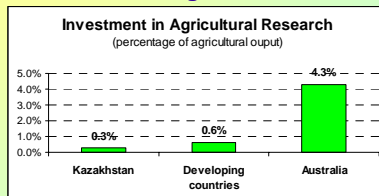
World Adoption of GMO Variety

- Currently, 25% of world cotton area is under GM varieties, accounting for 35% of production, with strong increasing trend
- GM cotton has not been subjected to negative consumer reaction (but potential implications in the livestock sector)
- GM technology has been utilized mainly by developed and middle income countries

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KAZ – Limited Access to Knowledge and Markets

- Low investments in agricultural research



- Limited adoption of results. New cotton varieties cover only 50,000 ha (out of 200,000)
 - ✓ Pakhtalar 3044 (1998) 3031 (2000) and Makhtalar 4005 (2005)
- Limited cooperation among farmers

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Actions planned under ACP affecting cotton

- Establishment of a National Reference Laboratory
- Modernization of public laboratories comprising adoption of HVI equipment
- Competitive Grants for private laboratories
- Competitive Grants for marketing infrastructure to farmers' associations
- Applied Agricultural Research on cotton production, ginning, and marketing
- Establishment of an extension network to improve cotton producers' access to technology and information

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ACP – Competitive Grants

- An innovative implementation mechanism which is:
 - Compliant with WTO agreement
 - Creating incentives for competition between private and public providers
 - If well implemented, it creates incentives for private sector participation in research and development

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Conclusions

- Scope for efficiency gains at farmers' level:
 - Sustained public investments in research and extension (e.g. China)
 - Retaining value of production in Kazakhstan requires proper testing (e.g. Uzbekistan)
- Efficiency gains in ginnery will require attracting private sector investments (joint ventures, investment conditions, reliability of supply, trade policies, etc.)

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