



## Cotton Projects Funded by the CFC

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 19 cotton projects valued at \$63 million have been supported. The CFC has provided \$5.7 million in loan financing and \$19.2 million in grant financing for the projects. Co-financing has accounted for \$19.3 million and counterpart contributions have accounted for \$18.4 million in total project costs. As of February 2008, the Secretariat is working on one new proposal, and it is working to implement proposals that have recently been approved.

### 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. Finally, 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.

1. Cotton processing in West Africa  
Complete this proposal in 2008 for consideration by the Consultative Committee of the CFC (CC) in July 2008. (previously projected for delivery to the CC by January 2008)  
Conduct the project during 2008-2011  
\$2.5 million
2. By product uses of cotton in Zambia  
Complete this proposal during 2007/08 for submission to the CC in July 2008  
Conduct the project during 2008-2010  
\$3.0 million
3. Production of non-contaminated cotton in Mali  
Complete this proposal in 2008 for consideration by the CC in January 2009  
Conduct the project during 2009-2012  
\$3.0 million
4. 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
5. 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)
6. Raising Cotton Yields in low yielding small-scale production systems  
Complete this proposal in 2010 for consideration by the CC in July 2010  
Conduct the project during 2010-2013  
\$3.0 mil (grant), 8.0 million (loan)

#### 7. 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

#### 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, dying and sewing activities.

The UNIDO Secretariat and the ICAC Secretariat have been working on a project proposal for about one year. However, the ICAC Secretariat is not satisfied that the proposal in its current form will result in the establishment of weaving, dying and sewing units that will remain economically sustainable after the project is over. There is agreement that the objective of the project is to support and expand niche market activity in the cotton textile handicraft sector of West Africa. The activities of the project would consist of developing small pilot units in the beneficiary countries, and to upgrade these pilot units, along with other handicraft units already in place, into commercially viable units operating within an organized handicraft sector. The project will aim to ensure that the handicraft units are producing saleable items profitably, and that operators are adequately trained in all relevant aspects of small business management, including input supply, product design, machinery manufacture and maintenance and product marketing, in order to ensure commercially viable continuation of manufacturing activity following project completion. This small-scale niche market approach on a pilot basis could be replicable in other countries and thus form the beginning of a modest revival of the textile industry in the region. The UNIDO Secretariat hired consultants to study the cotton textile sectors of Burkina Faso and Mali to respond to ICAC concerns. The revised proposal, when received, will be submitted to the Standing Committee for consideration.

In addition, the Ministère du Commerce, de La Promotion de L'entreprise et de L'artisanat, of Burkina Faso has indicated an interest in a project to improve the quality of handicraft production and expand marketing opportunities for artisanal weavers. According to cotton industry officials in Burkina Faso, there are thousands of handlooms already operating in villages across the country, but many are not well designed and most are narrow width. Government officials suggest that weavers need training in using larger looms and improving quality. There are numerous training centers for weavers around Burkina Faso already. A project to enumerate existing training centers and upgrade the curriculum offered at each to cover design, construction and maintenance of wider/better hand looms, improved quality of weaving, cutting and sewing, and training in business management skills including marketing could be beneficial. 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.

#### 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. Representatives of the CFC, ICAC and Argentina have signed the project agreement. Project activities have already started, and the first transfer of funds to Argentina has been made.

The latest reports from the project show that only a small number of boll weevils were found in fields where seven traps per hectare had been placed for between three and four months during the off-season.

## Contamination

A project dealing with the Production and Marketing of Uncontaminated Cotton in Mali was evaluated by the CC in January 2006. The CFC approved a grant of \$50,000 to support the Fast Track project. The Institute of Rural Economy in Mali initiated project activities in July 2006. The project will be completed by February 29, 2008. The project organized a national workshop on January 16, 2008 to discuss results of the project. The Secretariat has already received a draft of the report, and a final report will be issued prior to the completion of the project. Currently, the Secretariat is working with the CFC to hire a consultant to write a proposal for a full project to last approximately five years to produce contamination-free cotton in several countries in the region.

## 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, 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. If it is possible to move forward, 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.

## 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) Production and Marketing of Uncontaminated Cotton in Mali  
 Project Executing Agency: Institute of Rural Economy, Mali  
 Project Cost: \$90,000  
 CFC Grant: \$50,000  
 Counterpart Contributions: \$40,000

The project will quantify the status of contamination in Malian cotton and prepare the groundwork for the development of a full-scale project.

### 3) 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, and the report should be available by the end of February 2008.

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

Project Executing Agency: The World Bank

Project Cost: \$1.698 million

CFC Grant: \$1.514 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. The project has been approved but is currently dormant.

### 5) 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 promotes privately run warehousing systems and establishes a warehouse inventory receipt system to provide collateral to marketing organizations representing small holders.

### 6) 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: \$120,000

Co-financing: \$80,000

Counterpart Contribution: \$169,000

The project will minimize insecticide use against the boll weevil.

## III. Completed Regular Projects:

### 1) Regional Consultation on Genetically Modified Cotton for Risk Assessment and Opportunities for Small Scale Cotton Growers

Project Executing Agency: International Service for the Acquisition of Agri-Biotech Applications (ISAAA)

Project Cost: \$160,000

CFC Grant: \$120,000

Counterpart Contribution: \$40,000

The project highlighted the benefits and risks of biotech cotton. The project report is available on the ICAC web site.

### 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) Preparation for the Commercial Standardization of Instrument Testing of Cotton, 2005
- 2) Cotton Facts, 2004
- 3) Utilization of Cotton Plant By-Product for Value-Added Products, 2003
- 4) Improvement of the Sustainability of Cotton Production in West Africa, 2003
- 5) Investigation of the Incidence, Epidemiology and Population Dynamics of Cotton Diseases in the Southern and Eastern African Cotton Region, 2002
- 6) Resistance Management of *Helicoverpa armigera* to Pyrethroids in West Africa (Survey), 2002
- 7) Study on Price Risk Management for Cotton Farmers, 2001