

## Great Lakes Cotton Company: Cotton Seeding Treatment Programme, Malawi

In 2003, Malawi's cotton industry was in a depressed state. A combination of poor quality and low cotton yields, distorting subsidies and high transport costs manifested a huge challenge to international cotton traders and some were looking into leaving the country for more competitive producers with better infrastructure. The impact on the economy and livelihoods would have been significant as cotton is one of the four major exports in Malawi.



**Reversing fortunes:** Since 2003, a private-sector led initiative entitled the Malawi Cotton Seeding Treatment Programme (MCSTP), has succeeded in reversing this depressing trend and enfranchised around 250,000 cotton small-farmers in the process. The MCSTP began in September 2003 with funding from Department for International Development (DFID) through the Business Linkages Challenge Fund (BLCF). A grant of £295,000 was deployed by the private sector cotton producers to buy down the risk of working with poor farmers without access to credit. This had previously been a stumbling block for producers that feared a high repayment default rate among the farmers if improved inputs and training are provided on credit. As success in increasing the yields and quality of cotton depended on the correct pre-treatment and planting of improved seed varieties and improved farming skills, the initial capital investment and capacity building was essential. It was also key to establish self-support networks for small-farmers to improve the equity of the supply chain and to establish a working relationship of trust between the local communities and the private company.

**Record results:** Following the launch of the programme, Malawi's national cotton crop has now increased by almost 265% in just three years. Rapid growth is attributable to a 50% cut in the need to replant seed within season. As such, the yield per ha has increased with almost 300kg, responsible in turn for driving ginnings through put from 16,600mt in 2003 to almost 46,000mt in 2006. Buoyed by this success, cotton producers are now investing with greater confidence. At the end of 2006, the private consortium had contributed almost £2 million to the MCSTP - almost eight times the original BLCF grant. For example, one of the cotton producers, a privately owned multinational called the Great Lakes Cotton Company, installed two seed treatment facilities in the country and made all its seasonal employees full-time, taking the number of permanent staff to over 460. The employees are trained, paid significantly above the minimum wage and receive health and pension benefits. The company is now expanding into Zambia without requiring any grant support.

**Community gains:** The success of the MCSTP has been felt the length of the supply chain – smallholder farmers have been able to produce more cotton and increase their incomes. The private companies' records show that over \$10,000,000 was paid to farmers in 2006. The incentive to maximise returns from the soil saw

250,000 growers plant cotton last year, a five-fold increase on numbers before the programme started. This is especially significant given each farmer on average employs the help of 3 to 4 family members or labourers, thereby spreading indirect gains among up to one million people out of a population of around 13 million.

Security of income has also been a catalyst in terms of the willingness to spend, borrow and invest to secure access to products and services. Reports suggest that cash earned from cotton is spent on agricultural inputs, food crops, school fees, bicycles and animals but also on starting small businesses as bakeries, stores, etc. In addition, small holders have been supported by the company to form social support systems: Cotton Clubs. These informal networks are essential channels for going to scale since farmers are slow to adopt to change and peer example and education works best. And in the absence of formal institutions, social hubs are also invaluable to the private sector as a means to integrate itself in the community and its traditional structures.

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