



BCI

Better
Cotton
Initiative



Section 2/B Farmer Support

www.bettercotton.org

Orientation

To help farmers adopt practices consistent with the BCI Production Principles, BCI will coordinate a programme of farmer support activities, delivered through experienced implementing partners. Programmes will enable knowledge sharing and skills development on Better Cotton, help small holder farmers to organise and advocate more effectively, and facilitate equitable access to responsible financial services.

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Overview of the Better Cotton System





INTRODUCTION

The majority of cotton cultivated worldwide is grown by smallholder farmers. In order for smallholder farmers to participate and adopt better practices consistent with the Production Principles, BCI will coordinate a programme of activities. These are framed as Enabling Mechanisms and cover three globally relevant areas of activity identified by BCI in its consultation to date. They provide the focus for how farmers will have the means to grow cotton in accordance with the Production Principles, and consider the issues that the BCI needs to focus on to enable farmers to grow Better Cotton while improving their access to market.

ENABLING MECHANISMS

- BCI enables knowledge sharing and skills development
- BCI enables effective producer organisation
- BCI enables equitable access to responsible financial services

In line with this philosophy, the initial emphasis of the BCI is on improving production practices, rather than excluding farmers who do not yet undertake practices consistent with the Production Principles, while recognising the need for demonstrable and continuous improvement over a specified period of time.

The BCI seeks to develop strong and supportive partnerships with different organisations that are experienced and interested in working with smallholder farmers, to enable them to grow Better Cotton and make continuous improvement. In working with such Implementing Partners, a Step by Step Guide to Implementation – for both smallholders and large farms is provided, with annual workshops delivered to share best practices, improve BCI's materials, and get further advice and understanding about growing Better Cotton.

The Business Case for Cotton Farmers

The Better Cotton Initiative depends on the effective realisation of Better Cotton by farmers. One important factor determining the take-up of Better Cotton is the extent to which farmers

perceive the cultivation of Better Cotton to be in their interest.

WWF has been running cotton projects in India and Pakistan since 2006. Their work promotes Better Management Practices (BMPs) to improve environmental conditions specifically. These projects have been instrumental in collecting field data and scientifically proving facts about Better Management Practices and their positive environmental, social and economic impacts. Both projects have successfully achieved a considerable reduction in water, pesticide and fertilizer use in cotton while at the same time improving profitability for the farmer. The savings from reduced use of inputs had a direct impact on the cost-benefit ratio and therefore on farmers' livelihood. WWF has recently decided to fully align these projects with all of the BCI Production Principles (including the other components of the Better Cotton System) from the 2010 growing season onwards. Other programmes conducted in the past have achieved similar results. For example, impact assessment studies from the FAO-EU Integrated Pest Management Programme for Cotton in Asia, implemented from 1999 to 2004 (in Bangladesh, China, India, Pakistan, Philippines and Vietnam) attributed impacts in terms of farmer's return, improved health of farming communities and reduced environmental contamination from heavy pesticide use to the programme. By targeting small-scale farmers and relying on ecological processes rather than extensive inputs, the programme contributed positively to poverty alleviation. The Farmer Field School (FFS) graduates were shown to benefit from significantly higher profits which could be used for better nutrition, child education or debt reduction, ensuring a brighter future for their families. In Pakistan, for example, the impact study showed that before the FFS education 71% of the participants were below the poverty line while after the FFS, this number fell to 55%¹.

¹ FAO, 2004. 'FAO-EU IPM Programme for Cotton in Asia: Environmental education for Poor farmers'. FAO Regional Office for Asia and the Pacific, Bangkok, Thailand: 74 pp. Khan, M.A., Z. Satti, I. Ahmad & M.H. Soomro (2004). Impact of FFS based IPM knowledge and practices on rural poverty reduction in Khairpur, Sindh, Pakistan. Pakistan Agricultural Research Council, National IPM Programme, NARC, Islamabad. Food and Agriculture Organisation, 2004.



Smallholder cotton farmers can directly benefit from the implementation of the Better Cotton System. By implementing the Production Principles promoted by the BCI, and being supported in their implementation through the enabling mechanisms, they can be economically better-off due to reduced input costs while achieving equal or increased yields. In addition to the direct economic benefits to farmers involved in more sustainable cotton practices, a range of other benefits are possible to achieve through the implementation of the Better Cotton System. In particular BCI intends for Better Cotton to bring about the following benefits to farmers and their communities:

Higher quality standards. BCI aims to promote cultivation and harvesting practices which give rise to cotton of greater and more consistent quality.

Empowering farmers through organisation (to negotiate/advocate). A key way for BCI to begin to realise Better Cotton is to provide practical support for, and strengthening of, smallholder producer organisations. Through such organisations, farmers can advocate and negotiate more effectively, as well as better participate in policy and decision making processes. Producer organisation is also the foundation for sharing and improving collective knowledge, business skills and resources.

Meeting market demand. Our regional working groups, made up of farmers and farm partners in our key regions, have all agreed that the market for Better Cotton is a vital issue for them. BCI is working to build a significant level of demand for Better Cotton, by seeking to increase the number of retailers, both directly involved in the Initiative, and who are interested in buying Better Cotton as soon as it becomes available.

Better access to affordable finance. BCI intends to harness resources in order to support and extend the provision of affordable forms of financing for cotton farmers through local banks and micro-finance institutions.

Long-term sustainability of agricultural activity (soil fertility, environmental health). BCI aims to coordinate the provision of information and direct

support to help farmers maintain and build the fertility of the soil over time, which in turn has positive impacts on the health of the environment in the communities and ensures high yield and productivity over long-term. An emphasis on promoting management practices that aim to conserve soil fertility has several positive implications: improved yield; reduced accumulation of toxics/heavy metals in the farming environment; higher organic content of soil; reduced water-logging/salinisation; and vitally, the increased sustainability of agricultural activity – the opportunity for farmers to hand over a farm to their children which can still be farmed productively.

Improved health conditions for farmers/workers and the family/community.

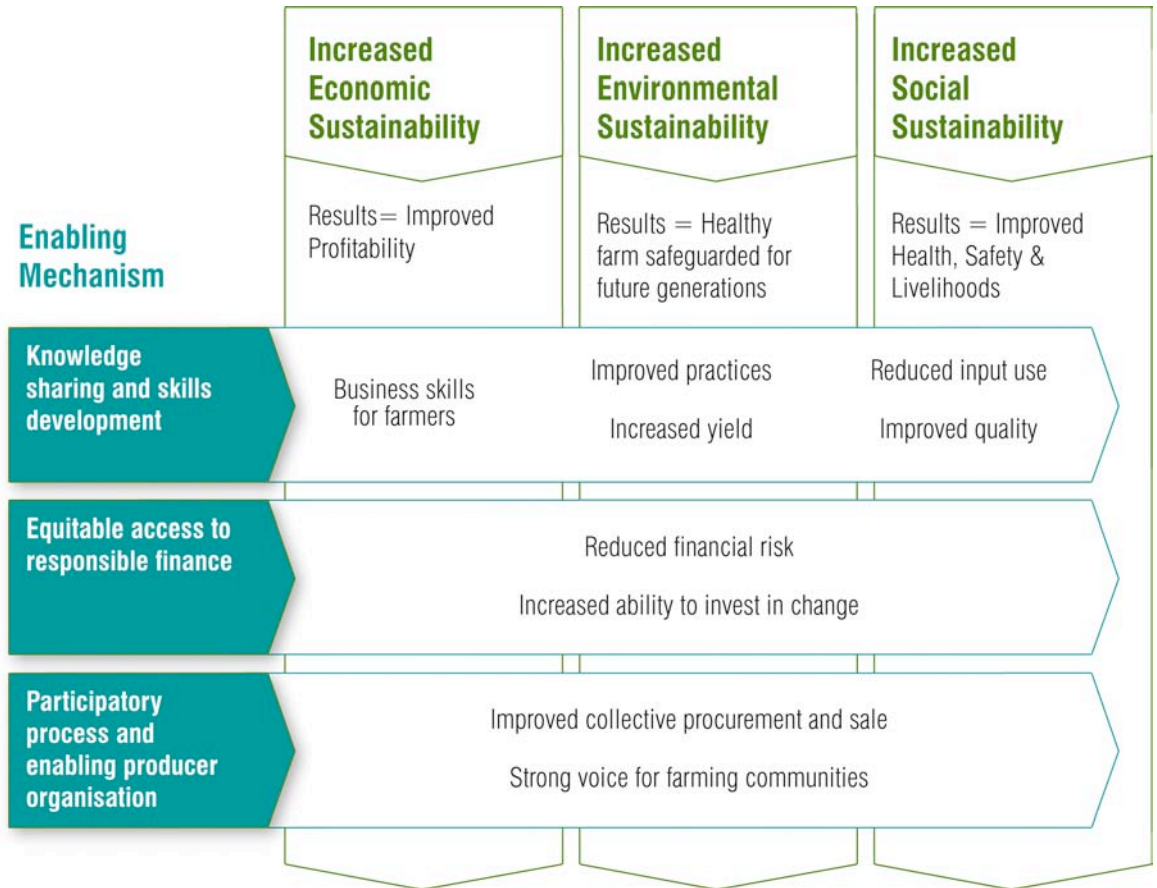
BCI aims to coordinate the provision of information and direct support to promote reduced and sound use of pesticides. This reduces the risk of poisoning and the contamination of food crops. In addition, correct storage of farm chemicals, handling of pesticide washings and disposal of empty chemical containers reduce health risks through spillage and inappropriate use of empty containers (e.g. water carriers & children's toys).

Access to information. BCI aims to provide access to information about markets, export requirements, formalities, logistics, and especially about current market prices, allowing farmers to improve management of their business.

Participatory approach. BCI is committed to an open and participatory process, and invites farmers to become directly involved in defining what sustainable cotton production practices are, from the smallholder farmer's perspective. BCI has found that this approach can prove valuable for all parties, in terms of improving understanding and knowledge about the cotton sector worldwide, and should also enable smallholder producers to develop closer links to their end market. Importantly, this process can act as an effective way of better informing cotton buyers and consumers of the pressures and constraints that face smallholder farmers.



Figure 1: The Business Case for Cotton Farmers





ENABLING MECHANISMS

BCI recognises that cotton is grown in a variety of different farming contexts, ranging from family smallholdings to large commercial farms. In order to promote change in all of these contexts, scoping work will be undertaken in each region to assess the needs of cotton farming communities, against all BCI production principles and enabling mechanisms. BCI will then provide and/or coordinate resources, based on this scoping work. The achievement of the enabling mechanisms will therefore assume different forms, priorities and scale in different farming contexts.

Furthermore, it is fully recognised that most activities undertaken under the Enabling Mechanisms are mutually self-supporting – producer organisation is commonly an important foundation for information dissemination and knowledge sharing, as well as accessing finance on equitable terms; access to finance may enable farmers to take transition risks and invest in their farm in order to realise the practices promoted as a part of knowledge-sharing.



Photo: BCI

Knowledge Sharing and Skills Development

BCI farmers need to make informed decisions about their production practices. Part of being able to make informed decisions depends on the level of access farmers have to knowledge, and to training. Providing access to existing and new knowledge often requires direct exchanges with farmers.

For small farmers, participatory education at a village or community level has often proven a successful way to do this, with producer organisations being a key structure for sharing and disseminating information. BCI recognises that for large numbers of widely dispersed farmers to become aware of BCI and understand its

principles and criteria, BCI needs to develop an effective interface with the cotton-farming community.

Currently a variety of state extension activities as well as private and non-governmental projects exists to provide support to cotton farmers. BCI does not wish to duplicate or operate in tandem to existing systems and project activities, but rather to enhance and extend these. BCI intends to work with all actors that can provide support, playing a coordinating role and recognising that the appropriate actors will vary with regional context.

BCI will gather information on existing production practices (physical technologies) and enabling mechanisms (social technologies) that meet the global Production Principles, and provide access to this information, enabling exchange, enhancement and aggregation of knowledge. Concretely, this could take the following forms:

Establishing a global knowledge exchange platform- for example, by establishing an internet portal (while recognising significant limitations on access to the internet on the part of many farmers). The internet portal could provide interactive resource materials for training trainers, as well as regionally specific guidance on the BCI Production Principles, a tool box of codified better management practices, etc.

Developing appropriate communications tools to engage cotton-farming communities on practical issues relating to cotton cultivation practices. Perhaps the most effective tool in this regard is the radio, which is in widespread use in all parts of the globe. Targeted, local-language programmes could give practical advice as well as broader information and insight relating to cotton in the global context.

Promoting access to market intelligence - one of the key potential developments that can support farmers in improving their livelihoods is improved knowledge of the global supply chain in which they participate, particularly in terms of specific market intelligence. For instance, the use of mobile SMS messages to communicate current market prices is an important component of improving the business position of small farmers.



Photo: BCI

Effective Producer Organisation

BCI considers producer organisation vital to the ability of farmers to grow Better Cotton. Organisational structures provide a channel and network for information, the means by which to promote and embed systems to change farming practices, the opportunity to gain from efficiencies of scale, and a forum to advocate and defend interests collectively.

BCI considers that an effective cotton producer organisation is:

- formally tasked by its members to represent them, defend their interests, and to support them
- funded, at least in part, with monies from members' cotton farming activities
- committed to good governance, democracy and transparency

On the basis of need, BCI will work with existing producer organisations and/or actors supporting (the development of) producer organisations, to strengthen their capacity and ability to participate effectively in the supply chain. This work may take the form of developing and strengthening governance structures, training technical teams within the organisation, developing business skills, and supporting the circulation of information within the organisation.

Depending on regional context, the aim is to enable farmers to: procure and use inputs more effectively, negotiate more favourable terms of business and lending, invest in equipment and infrastructure as a group, and market the cotton harvest in their best interest.

It should be noted that producer organisation is not a pre-condition for participation in BCI; rather it is one of the key means by which Better Cotton can be promoted and realised. Because organisation is such an important foundation for delivery of other enabling mechanisms, it will likely

be at the forefront of implementation activity, particularly where producers are not organised or where existing organisations lack the capacity to operate effectively.



Photo: iStockphoto B. Ertl

Equitable Access to Responsible Financial Services

In several cotton-growing regions, limited access to institutional and transparent finance is an important barrier to farmers adopting better production practices which BCI seeks to promote. Indebtedness both creates and perpetuates unsustainable production.

BCI considers that stimulating, coordinating and extending rural lending can create enabling circumstances for farmers to invest in the long-term sustainability of their operations.

Alongside promoting equitable access to responsible lending, BCI equally strives to promote practices that optimise input use and hence reduce the need for credit. BCI also recognises that access to non-credit products, such as crop and health insurance, may be an important factor in enabling the realisation of Better Cotton.

BCI considers equitable access to responsible financial services as being:

- **fair** – the terms of lending do not increase the financial precariousness of the borrower, and are not discriminatory
- **transparent** – both parties agree and commit to the terms of lending
- **institutional** – lending is undertaken by a financial institution abiding by responsible lending principles

Financing needs differ between regions – with perhaps the greatest challenge in South Asia, where the role of informal lending and 'middlemen' is a key downward pressure. In West & Central



Africa the 'cotton infrastructure' pre-finances inputs, whereas in Brazil, the state runs schemes for family farmers, but these are not crop-specific.

In almost all cases, however, there are close links between input provision and financial service provision. It is therefore recognised that where lenders are also input providers there may exist a limited choice in how the loan is invested. In particular, BCI recognises that gins / ginners are a key stakeholder and implementing partner. African cotton companies commonly have agreements with agricultural banks/MFIs (micro-finance institutions) to pre-finance inputs on their behalf. It is also understood that, whereas the availability of credit in the West African context is directly linked to the growing of cotton, financing needs are broader – such as family needs and food security.

Through coordination with finance sector partners, BCI will seek to promote the extension of existing finance networks, ensuring that there is competition, and hence alternative financing options for farmers, other than those which perpetuate a debt-cycle within which sustainable change cannot occur.

Access to finance can be a useful tool in promoting goals seemingly unrelated to the financial sphere – be it Decent Work, IPM or biodiversity. In this way, promoting access to finance can be seen as part of 'sustainability toolkit', and a vital partner to achieving change – by allowing investment in change – in smallholder agriculture. The relationship between sustainable finance and sustainable agriculture works both ways: by working with farming communities to promote sounder, more effective farming practices and builds stronger ties to global markets, BCI can work to shape an agriculture which is a lower risk, higher value investment from the financial perspective.

For example, there are two areas in which microfinance can make a significant contribution to Decent Work promotion: income generation and risk management. Conditional loans, credit with education, incentives like interest rate rebates, as well as the provision of micro-insurance, conditional cash transfers or health care can be effective ways to reduce 'Decent Work deficits', decrease vulnerabilities, raise awareness and create incentives to improve working conditions.

One important cross-cutting impact of microfinance is the empowerment of women. Experience has shown that targeted microfinance can improve women's representation and position within households and communities, particularly where land title and other socio-economic factors militate against women's access to conventional finance.

The BCI Enabling Mechanisms of Producer Organisation and Access to Finance are also linked in several ways. Many producer organisations are ill-equipped to secure funding, as they have no information on financial institutions, lack the capacity to formalise their funding needs, find it difficult to make contact with financial institutions and prepare funding applications, have poor management capacity and governance skills, and face a lack of equity or assets to offer banks as warranties. Producer organisations have put significant effort into the rural financial services sector, developing three main strategies to gain access to financing by: providing financial services for their members; creating their own financial institutions or developing partnerships with rural micro-finance institutions.

Working with Implementing Partners

The BCI seeks to develop strong and supportive partnerships with different organisations that are experienced and interested in working with smallholder farmers, to enable them to grow Better Cotton and make continuous improvement. These organisations could be NGOs, inter-governmental organisations, traders, ginners, or government departments. In BCI terminology any organisation carrying out farm support work are termed, Implementing Partners.

Such a partnership needs defined roles, responsibilities and support, which would form part of a signed agreement between the BCI and the implementing organisation. Any organisation signing an implementing agreement would be asked to also join the BCI as a member or as a public partner, whichever was appropriate. As members the organisations would receive additional membership benefits and services.

Support and advice from the BCI will be the key responsibilities of the relevant BCI Regional



Coordinator in each focus regions and Programme Managers (based in the BCI Secretariat). It is also envisaged that the BCI will set up a National Stakeholder Council which will be able to support with sharing of information, best practices, farm assessment processes etc, at a national level.

Some of the tools and supports that BCI intends to provide to implementing partners are presented below:

- **A Step by Step Guide for implementation** including information such as: (1) roles and responsibilities of BCI and implementing partners during the implementation; (2) how to conduct scoping work in a new region; (3) framework for the development and collection of national guidance material; (4) framework for the Monitoring, Evaluation and Learning component with methods for baseline data collection and impact indicators identification, etc.
- **Farm Assessment Guidelines** for both individual large farms and group of smallholder producers and other specific guidelines as appropriate (e.g. communication, supply chain)
- **Workshops** on different topics related to the Better Cotton System depending on the needs of the various implementing partners
- **Information sharing** on best practices for each production principles and enabling mechanisms (resources material gathered or researched by BCI)
- **Supply chain facilitation** to establish the farmer to the gin purchasing relationship to enable the production of segregated Better Cotton bales
- **Global Partnerships** to support the growth of Better Cotton worldwide (funding partnerships, financial institutions partnerships, connecting existing in-country projects, facilitating cross-regional learning, etc.)

Funding Farmer Support

The BCI will seek funds to support implementing partners to do farmer support. In the short-term, these funds are expected to come from both BCI members and external donors. To be sustainable over the long term, it is the intention that as BCI grows, members' contribution will cover the majority of farm support cost and reliance on external donors will be significantly reduced.

According to the principle of participation of the BCI membership association, BCI members are expected to provide direct or indirect support to farmers as part of their membership commitments. For example, retailers and brands members shall provide additional financial support consistent with their scale for activities to support smallholder farming communities, according to their identified needs and BCI goals. Suppliers and manufacturers (traders, ginners, others) members shall directly or indirectly support implementation activities that support smallholder farming communities.

In addition to BCI members' contribution to farmer support, BCI will stimulate and coordinate efforts to secure public-private partnership funding from a range of potential funding partners including bilateral and multilateral organisations as well as other funds and support organisations. Particularly, the BCI secretariat aims to support implementing partners in researching and contacting potential donors as well as writing funding proposal for implementation in the different focus regions.