



National Cooperative Business Association ■ www.ncba.coop

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Contact: John Dunn
Vice President, International Development
Phone: (202) 638-6222
E-mail: jdunn@ncba.coop

NCBA Awarded \$8 million Gates Foundation Grant to Improve Lives & Expand Cotton Production in Mozambique

The National Cooperative Business Association (NCBA) through its international development program CLUSA, today announced the receipt of an \$8 million grant from the Bill & Melinda Gates Foundation to improve the livelihoods of 60,000 small scale cotton farmers in Mozambique. The grant will fund *The Cotton Value Chain Improvement Project*, a 5-year project aimed at increasing Mozambican farmers' cotton yields—and profits—by improving their efficiency in producing cotton.

“NCBA is enthusiastic about this opportunity from the Gates Foundation which allows us to apply our 54-years of international experience to help raise the incomes of small-scale farmers in Mozambique,” said Paul Hazen, President and CEO, NCBA. “NCBA’s cooperative development work focuses on organizing farmers and building their capacity in production, marketing and business management.”

The Cotton Value Chain Improvement Project brings together the CLUSA International Program with business partners Dunavant Mozambique, an international cotton trading company wholly owned by Dunavant Enterprises, Inc. of Memphis, Tennessee and GAPI, Sarl, a Mozambican financial services company that promotes investment in small- and medium-sized businesses. GAPI will be providing much needed credit and financial management services to the project’s farmers.

“We believe that the combination of NCBA’s long experience in organizing farmers plus Dunavant’s progressive management approach, production expertise and long-term commitment to the African farmer, and GAPI’s unique approach to value chain lending in rural areas will create a successful model that can be replicated in other regions or countries,” said Hazen.

The key objectives of the five-year project in Mozambique are to:

- Expand the number of cotton farmers from the current level of 35,000 to 60,000.
- Increase the average income of existing cotton farmers by 35 percent and first-time cotton farmers by 130 percent, through increasing crop yields and profits.
- Increase and improve the quality of women’s participation as project beneficiaries.
- Strengthen and improve farmer incentive systems that (a) encourage farmers to proactively disseminate and adopt improved practices that increase yields and profits; and (b) are economically viable and can be sustained beyond the life of this project.
- Increase the value of overall farm production by 60 percent.

- Improve farmer access to inputs, finance, and markets through effective farmer organizations.

NCBA believes that the best approach to improving small-scale farmer incomes and productivity in isolated parts of rural Africa is to work closely with progressive companies like Dunavant, which views African farmers as a critical element to their company's success.

Small-scale farmers comprise 99 percent of all rural households in Mozambique and provide 95 percent of agricultural gross domestic product, where the country's rural economy is heavily reliant on the cotton subsector. It is the main income earner for some 300,000 rural households and generates thousands of jobs. The subsector generates nearly 40 million USD in agriculture exports per year.

This is the first foundation grant to support a cash crop value chain. Cash crops such as cotton are an important part of the average smallholder farmer's agricultural portfolio. Improvements in cash crop production enhance small-scale farmers' food security by providing additional income and increased employment opportunities in agriculture for the long term. To reduce the risk to small-scale farmers of investing in cash crops, NCBA's integrated approach will also support conservation farming and legume production.

For the foundation, while growing more food is critical to fighting hunger and poverty, increased productivity on the farm is only one link in the chain of activity that affects the success of smallholder farmers. Through its grantmaking, the foundation seeks to support smallholder farmers by enhancing the complete agricultural value chain - from planting the highest quality seeds and improving farm management practices to bringing crops to market.

"We are pleased to fund the *Cotton Value Chain Improvement Project*," said Dr. Rajiv Shah, director of agricultural development, Global Development Program at the Gates Foundation. "Through this grant, NCBA and its partners will aid thousands of small-scale farmers in central Mozambique to boost their productivity, increase their incomes, and build better lives for themselves and their families."

While the cotton industry is far from having reached its full potential, it survived the country's 18 year civil war which drastically cut cotton production from 144,000 to 5,000 metric tons per year. Production levels have since bounced back and are now about 120,000 Mtons/year with potential of up to 300,000-400,000 Mtons/year. When compared with West African cotton producing countries such as Mali (now the largest producer of cotton in Africa), the yield rates of Mozambican cotton farmers are 30 to 50 percent lower. The average yield in Mozambique ranges between 415-600 kilograms per hectare, which is the lowest in all of southern Africa.

When Dunavant began its Mozambican operations in 2004, fewer than 17,000 farmers were growing cotton for the company. By the 2006-07 cropping season, the number of cotton growers more than doubled to 35,000, which represented more than 20 percent of the rural small farmer population.

About NCBA and the CLUSA International Development Program

Headquartered in Washington, DC, NCBA has managed over 200 long-term projects in 53 countries and has performed over 1,000 short-term consultancies in 79 countries.

NCBA currently has 26 projects operating in 10 countries, helping to lift people and communities out of poverty. Its CLUSA International Program has been successful in empowering organizations - cooperatives, group enterprises, community health committees, community-based natural resource management organizations and others - to manage their own development in a participatory and sustainable manner.

NCBA's CLUSA International Program receives funding from the United States Agency for International Development, the United States Department of Agriculture, the International Fund for Agricultural Development, the World Bank, the Inter-American Development Bank, the Government of Norway, cooperatives, local banks and governments, grants from foundations and corporations, and private voluntary contributions.

Domestically, NCBA provides services to cooperative businesses in all sectors including Agriculture, Childcare, Credit Unions, Finance, Food, Healthcare, Housing, Purchasing and Utilities.

For more information, please visit www.ncba.coop.

About Dunavant

Dunavant Enterprises, Inc. is the largest privately owned cotton merchandiser in the world, handling in excess of 6 million bales of US and foreign cotton per year. It is experienced in supporting small scale farmers by providing crop inputs such as seed and equipment on credit, ginning, and creating marketing linkages to the international market.

Dunavant's offices are located in the major cotton producing areas of the US and around the world. It is a major player in small scale cotton production in Uganda, Zambia and Mozambique.

Dunavant also operates organic cotton projects in Uganda and has integrated workplace HIV/AIDS programs into their operations in Zambia, Mozambique and Uganda.

For more information, please visit www.dunavant.com.

About GAPI

Founded in 1990, GAPI, Sarl is a Mozambican investment company whose mission is to contribute to the social and economic development of Mozambique through the promotion of local small- and medium-sized enterprises (SMEs) and micro-finance institutions.

GAPI provides SMEs with the basic services and technical assistance they need to build their capacity and grow into sustainable businesses. GAPI is also a banking institution. Their main financial products are loans to SMEs, wholesale credit for micro-credit institutions (MFIs), and venture capital. In partnership with three international finance institutions, GAPI is in the process of establishing a new bank that will focus on agribusiness and rural markets in Mozambique. GAPI concurrently provides business development and management training services to SMEs.

Since 1990, GAPI has grown its total assets from \$68,000 to \$17 million today and employs 72 local staff in 11 branches throughout Mozambique.

About the Bill & Melinda Gates Foundation

Guided by the belief that every life has equal value, the Bill & Melinda Gates Foundation works to help all people lead healthy, productive lives. In developing countries, it focuses on improving people's health and giving them the chance to lift themselves out of hunger and extreme poverty. In the United States, it seeks to ensure that all people -- especially those with the fewest resources -- have access to the opportunities they need to succeed in school and life. Based in Seattle, the foundation is led by CEO Patty Stonesifer and co-chair William H. Gates Sr., under the direction of Bill and Melinda Gates and Warren Buffett.

About Mozambique

Located on the southwestern coast of Africa along the Indian Ocean, Mozambique is home to more than 19 million people. The annual population growth rate is 1.4 percent. An estimated 52.7 percent of the population is literate (2006). With foreign-financed development projects and large aid inflows, the annual GDP growth rate averaged 8.9 percent during the past five years, bringing the per capita GDP to \$1,957 (2006). Although bumper agricultural production in 2006 and favorable prospects for the next harvest season are expected to improve rural incomes, agricultural performance remains erratic and vulnerable to climatic shocks. Consequently, sustainable agricultural production remains a priority for the Government of Mozambique.