

DUNAVANT AFRICA

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WHY AFRICA?

- ***The Last Frontier*** in world cotton production
- ***Great potential*** for improvement in Africa's farm efficiency and yields
- Dunavant has an interest in securing a ***long term supply*** of cotton
- We believe that the developed world's agricultural ***subsidies will decrease*** and thereby give agriculture in ***Africa a better chance***
- Investing in Africa to make a «reasonable» or «minimum» net profit and at the same time to be an instigator of sustainable development is ***morally and ethically rewarding.***
- We are collaborating with major donors such as German Development Bank (DEG), USAID, Gates Foundation and others.

Dunavant leverages their grants by delivering training in cotton growing and HIV/AIDS programmes through our extensive infrastructure in the countryside in Zambia, Uganda and Mozambique.

DUNAVANT'S INVESTMENTS IN AFRICA

- **Dunavant has invested in 3 African countries :**
 - **Zambia since 2000 (6 gins)**
 - **Uganda since 2002 (3 gins)**
 - **Mozambique since 2003 (1 gin)**

Uganda

- 3 gins
- 34 permanent employees plus 600 seasonal workers
- Supply extension services and inputs to 40-70'000 farmers each year
- Total yearly crop financing of US\$ 800'000 - 1'000'000
- 2 Organic cotton projects in cooperation with USAID and German Development Bank (DEG) to encourage «Internally Displaced People» to return to their fields and home which they abandoned during the 20 years rebel activity by the Lords Resistance Army.
- Helping 50'000 families to relocate and to take the first steps toward sustainable agriculture

Mozambique

- 1 gin
- 130 permanent employees plus 200 seasonal employees
- Pre-finance 28 -35'000 farmers each year
- Total yearly crop pre-financing US\$ 400-600'000
- Ambitious «Cotton Value Chain Improvement Project» with the Gates Foundation aiming at providing cotton extension training to 35'000 existing farmers plus 25'000 newly recruited ones at the same time as achieving following additional objectives:
 - Increasing overall farm input
 - Creating new market linkage (food crops)
 - Introducing third party input financing
 - Providing access to literacy and business training
 - Setting gender participation targets

Zambia

- 6 gins
- 640 permanent staff plus 2'000 seasonal employees
- Pre-finance 100-180'000 farmers each year
- Total yearly pre-financing of US\$ 5-10 Mln

THE SMALL SCALE FARMING SECTOR

- Poorly maintained & inefficient rural infrastructure (roads, power, communications, schools & hospitals) which all increase costs for both the farmer & the agri-processor.
- Over 800'000 small scale farmers, the majority of whom live below the poverty line on less than US\$ 1 per day.
- Small scale farmers & their dependants represent more than half the total population of Zambia.
- 280'000 small scale cotton farmers in 2005/06 who produced almost 100% of the cotton crop - as a major source of cash.
- Average area farmed per family is about 6.0 acres, of which about 2.0 acres are planted to cotton in rotation with a larger maize and a smaller legume crop.
- **We believe that sustainable agriculture development is a must to reduce poverty “for the majority” in Africa.**

THE DUNAVANT CONTRIBUTION TO SOLVING THE PROBLEM

We recognised that higher yields (productivity) are the key :

- Following a pilot project in 2004/05 (100% funded by Dunavant) we introduced a new on-farm peer education extension training model, called the YIELD Programme – which was 2/3^{rds} co-funded by the German Development Bank (DEG).
- The model has proved to be highly successful & cost effective in improving farmer yields & has now been adopted by other organisations & in a Gates Foundation project with Dunavant in Mozambique.

Yield Improvement through Empowerment, Learning & Discipline Programme (YIELD)

The 5 Basics of Cotton Growing which are taught :

They are all obvious to anyone with experience in cotton production – but not to most of our small scale farmers, many of whom are not literate :

1. Early & proper land preparation - to allow planting with 1st good rains (minimum tillage ripping & not ploughing is one key to achieving this).
2. Early planting (to allow a full season of growth & thus maximum boll size & full boll maturity)
3. Correct plant population (thinning & gap filling for best yield potential)
4. Timely weeding (unnecessary weed competition causes daily yield loss)
5. Integrated Pest Management (IPM) embracing scouting, pest identification, reduced pesticide usage & the use of the safer & more labour efficient Micron Ulva+ sprayer.

YIELD I PROGRAMME RESULTS

Average of 2005/06 and 06/07

	Non Programme (NPF) Farmers	YIELD Prog. Collaborating Farmers (*)	YIELD Prog. Lead Farmers (**)
Average seed cotton yield & % yield increase vs NPF	448 lbs / acre	677 lbs / acre +51%	1'221 lbs / acre +173%
Net margin per acre for farmer & % improvement vs NPF	US \$ 37	US \$ 62 +68%	US \$ 131 +254%
US \$ / day return on labour	US \$ 0.91	US \$ 1.42	US \$ 2.57
Number of Farmers trained		59'055	5'746

() Collaborating Farmers are farmers who attend the in-field training sessions conducted by (**) Lead Farmers «peer extension trainers»*

HIV/AIDS THREAT TO AFRICA

HIV / AIDS

- HIV / AIDS is a very serious issue in Sub-Saharan Africa with a very high level of the population being HIV positive.
- **Dunavant** is therefore running HIV/AIDS project in Zambia, Uganda and Mozambique.
- Projects are directed not only to our employees and their families but also to our farmers. These projects will cover various areas such as awareness and prevention, Voluntary Counselling and Testing, treatment of sexually transmitted infections, prevention of mother to child transmission, access to available health care and treatment facilities.

CONCLUSION

To invest in agriculture in Africa you must:

- a) Have a keen interest in sustainable development
- b) Be prepared to invest a lot of management time
- c) Have a good sustainable development program which will gain your company confidence and trust with the farmers, as well as with governmental and regulatory authorities.
- d) Gain the confidence of donor community
- e) Have a hands-on management style, as few things happen the way they were planned

Thank you very much!

DUNAVANT ENTERPRISES, INC.

William B. Dunavant , III
President & CEO

Washington DC, February 22, 2008

POPULATION INCREASES, 1978 TO 2008

	<u>Absolute Increase (millions)</u>	<u>Percentage Change</u>
INDIA	501	77.5%
CHINA	365	37.9%
U. S.	83	37.3%
INDONESIA	88	63.0%
BRAZIL	79	69.9%
BANGLADESH	77	91.3%
PAKISTAN	83	107.1%

WORLD COTTON PRODUCTION % SHARES OF TOP 7 PRODUCING COUNTRIES

	<u>1978/79</u>		<u>2008/09</u>
U. S CHINA	} 34.9%	CHINA INDIA	} 49.9%
UZBEKISTAN INDIA BRAZIL TURKEY PAKISTAN	} 34.8%	U. S PAKISTAN BRAZIL UZBEKISTAN TURKEY	} 34.4%
TOTAL	69.7%	TOTAL	84.3%

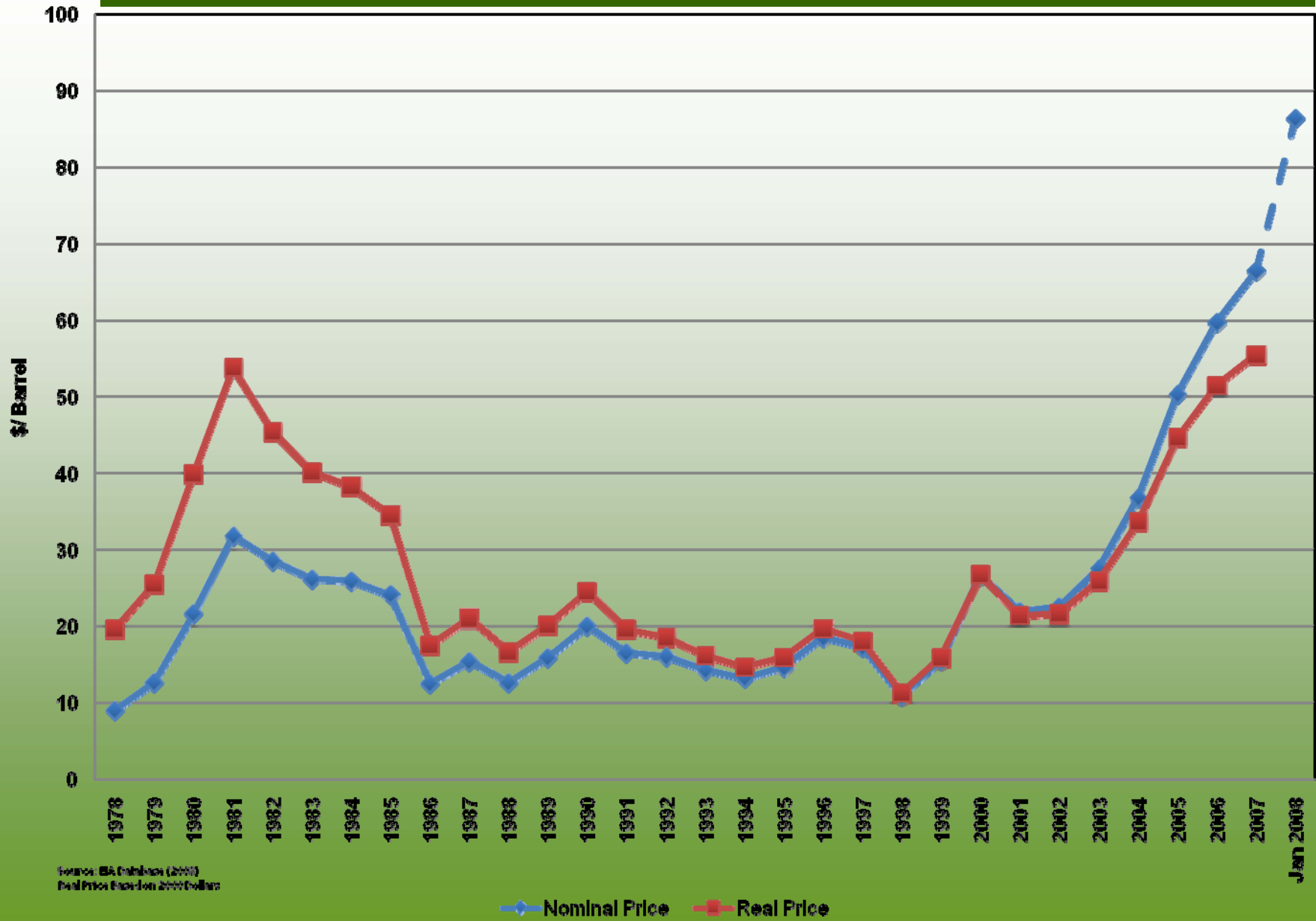
WORLD COTTON CONSUMPTION % SHARES OF TOP 7 CONSUMING COUNTRIES

		<u>1978/79</u>			<u>2008/09</u>
CHINA U.S.	}	30.7%	CHINA INDIA	}	59.1%
INDIA BRAZIL PAKISTAN TURKEY EGYPT	}	20.1%	PAKISTAN TURKEY BRAZIL U.S. BANGLADESH	}	23.7%
TOTAL		50.8%	TOTAL		82.8%

COTTON AND GRAIN PRICES, 2008 versus 2003

	<u>2/ 14/ 2003</u>	<u>2/ 14/ 2008</u>	<u>% Change</u>
DEC COTTON	57.79	77.03	33.3%
NOV SOYBEANS	534 1/4	1305 1/2	144.4%
SEP CORN	244 1/2	533 1/4	118.1%
JUL WHEAT	322 1/2	941	191.8%
SEP RICE	550	1573	186.0%

CRUDE OIL PRICES, NOMINAL AND REAL



Source: EIA Database (2008)
Real Price Expressed in 2000 Dollars