USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.09

Required Report - public distribution

Date: 3/16/2006

GAIN Report Number: IV5010

Cote d'Ivoire

Cotton and Products

West Africa Region: Benin, Burkina Faso, Cote d'Ivoire, and Mali

2005

Approved by:
Antoine Anzele

Prepared by:
Susan Reid

Report Highlights:
Burkina Faso, Mali, Cote d'Ivoire, and Benin account for about 80 percent of cotton production in West Africa and 90 percent in Francophone West Africa. While domestic cotton lint consumption is less than 10 percent of the region's cotton distribution, exports, primarily destined for Asia, account for the remainder. Collectively, Burkina Faso, Mali, Benin, and Cote d'Ivoire are the third largest world exporter of cotton behind the United States and Uzbekistan. In line with the World Bank/IMF recommendations, all four countries are pursuing, albeit at varying stages, steps to liberalize state-controlled cotton sectors.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Abidjan [IV1]
[IV]

Table of Contents

Overview

Economic Dependence

Extremely high dependence on cotton production and exports within the region expose enormous economic vulnerabilities to movements of international cotton prices. According to West Africa's central bank, the BCEAO, cotton contributed significantly to the export earnings of Burkina Faso (57 percent), Benin (34 percent), and Mali (25 percent) in 2003. Other estimates for these countries have indicated cotton represents roughly 10 percent of GDP. The weight of cotton in the Ivorian economy is relatively small, accounting for about 3 percent of total export revenue and an insignificant proportion of GDP. In all four countries, cotton has been the major revenue source for the greater proportion of the rural population and a contributor to economic development in the production zones.

Production

Burkina Faso, Mali, Cote d'Ivoire, and Benin account for about 80 percent of cotton production in West Africa and 90 percent in Francophone West Africa. Total cotton lint production in 2004/2005 was 808,432 MT and is expected to reach 869,000 MT in 2005/2006. Production from cultivated area expansion is forecast to increase in Burkina Faso, Benin, and Mali due to satisfactory rainfall and input availability. Production in Cote d'Ivoire was expected to fall in 2005/2006 from reduced area cultivated, poor rainfall, and insufficient input availability. However, reports from the BCEAO have indicated seed cotton production may have risen in all four countries during 2005/06: Benin (450,000 tons, 5.3 percent); Burkina Faso (715,700 tons, 13.4 percent); Cote d'Ivoire (308,400; 2.8 percent); and Mali (600,000 tons, 2.5 percent).

Consumption

Domestic cotton lint consumption is less than 10 percent of the region's cotton distribution. None of the four countries have the sufficient facilities to export processed cotton products to the United States under AGOA (African Growth and Opportunity Act). Additionally, Cote d'Ivoire has not yet gained AGOA eligibility. However, Mali does export cotton yarn to a Mauritian partner who then exports products to the United States under AGOA.

Trade

Exports, primarily destined for Asia, account for more than 90 percent of cotton distribution. Collectively, Burkina Faso, Mali, Benin, and Cote d'Ivoire are the third largest world exporter of cotton behind the United States and Uzbekistan. Originally spurred by the 1994 regional currency (Franc of the African Francophone Community, FCFA) devaluation, the following years featured rapid growth for both regional production and exports. However, since the FCFA is pegged to the Euro, the relative strength of the Euro against the U.S. dollar over the past five years has consequently hindered francophone West African cotton export competitiveness. However, the weakening of the Euro as compared to the U.S. dollar since January 2005 has recuperated some of the lost West African export competitiveness.

Transportation costs are significant barriers to West Africa cotton competitiveness. This is especially the case for land-locked Mali and Burkina Faso who largely depend on trucks for transportation. The limited rail service available is widely considered unreliable and corrupt. Currently, the only rail line traveling out of Mali connects Bamako to Dakar, Senegal. Likewise, only one rail line leads out of Burkina Faso, connecting Ouagadougou to Abidjan, Cote d'Ivoire. In an effort to improve regional rail line interconnection, a project, AFRICARAIL, was conceived. While not yet underway, the project will link Niamey, Niger to existing lines in Benin and Burkina Faso, and link the ports at Cottonou, Benin and Lome, Togo. This will constitute the first phase of a two-year, 1,300 km project at an estimated cost of 1.5 billion Euros. The second phase would expand interconnections to link Senegal to Chad, the Port of Abidjan to the Port of Lagos, and establish a direct route south out of Ouagadougou via Togo.

Civil conflict in Cote d'Ivoire, the primary trade route for Mali and Burkina Faso, has added additional constraint to export earning potential for all three countries involved as additional costs or taxes must be incurred to transport cotton through alternative trade routes or hostile territories.

Quality concerns have also posed a significant barrier to regional competitiveness. While handpicked, potential premiums have been eroded from an increased perception of contamination and poor quality standards among cotton spinners. These concerns appear to be better acknowledged outside the region, appearing in industry publications and empirically supported from surveys conducted by the International Textile and Manufacturers Federation.

Policy

In line with the World Bank/IMF recommendations, all four countries are pursuing, albeit at varying stages, steps to liberalize state-controlled cotton sectors. Cotton production throughout Francophone West Africa was developed through the establishment of quasi-governmental parastatal cotton companies. These companies maintained monopolistic and monopsonistic powers over input supplies, seed cotton purchases, ginning services, transport, and marketing of lint. In turn, parastatals have provided extension services, social services, and research activities.

Privatization in Cote d'Ivoire and Burkina Faso resulted in the geographic zoning of the cotton-producing regions from which privatized cotton companies had reserved rights to operate within. While a liberalized cotton sector in Cote d'Ivoire has allowed one group of producers to establish a cotton company of their own, Burkina Faso strengthened the role of all producers by granting them 10-30 percent ownership in the privatized cotton companies. In Benin, liberalization has arguably gone the furthest as geographic zoning was avoided and input distribution was taken away from ginner control. Unique to Benin is a clearing house that arranges and distributes credit among all entities within the cotton sector, avoiding capital transactions. While producer groups in all four countries are well-organized, powerful, and wield political power in their respective countries, producer empowerment in Benin is the weakest of the four. Mali is attempting to privatize their state-run cotton company by 2008. However not established, the Mali cotton sector is expected to most closely resemble that of Burkina's after privatization. Common perception indicates the Burkina Faso privatization has been the most successful within the region to date.

Each of the four countries has an organized inter-professional working group, representative of sub-sectors within the local cotton industry to manage national cotton issues. Common to each country's working group is representation from the ginners and producers. Producers' organizational structure has many levels from the village to national level. For the most part, producer groups have become the main counterparts to the local cotton companies and likewise assumed more responsibility and control within the cotton sector.

Within these inter-professional working groups, each country manages a slightly different price fixing mechanism to set seasonal pan-territorial producer prices. The price mechanisms use similar formulas to calculate seasonal prices: international prices, average seed cotton yield, average ginning rate, production cost per hectare, and the U.S. dollar exchange rate. After subsequent international price declines relative to contracted seasonal producer prices, each cotton sector has become witness to financial hardship. As the local governments have also been under budgetary constraints, the cotton sectors have turned to institutional reform while pleading for international assistance to cover financial deficits. Consequently, delayed payments to farmers, unpaid government reimbursements to ginners, and debts to vendors have all become common place. In the meantime, the cotton sectors have rebuilt price mechanisms better instill a price risk management philosophy.

The United States announced the West Africa Cotton Improvement Program (WACIP) on November 10, 2005. Benin, Burkina Faso, and Mali will be direct beneficiaries under this program, others to benefit in the region include Chad and Senegal. Currently funded at $7 million, the WACIP focuses on the following seven areas within the local cotton industries: reducing soil degradation and expanding the use of good agricultural practices; strengthening private agricultural organizations; establishing a West African regional training program for ginners; improving the quality of C-4 cotton through better classification of seed cotton and lint; improving linkages between U.S. and West African agricultural research organizations involved with cotton; improving the enabling environment for agricultural biotechnology; and supporting policy and institutional reform.

Biotechnology

Currently, Burkina Faso is the only country in the region field-testing Bt cotton. Field trials began July 2003 in collaboration with Monsanto, and as a result, commercial production is expected to be approved for the 2008 crop. Throughout the trials, Burkina Faso has continued to welcome regional visitors who have expressed an interest in biotechnology. Among others, these invitations have been accepted by representatives of Benin, whose current moratorium prohibits genetically modified products until legislation is put in place. In addition to Burkina Faso, Mali has also contacted both Monsanto and Syngenta, expressing interest to develop its own field tests. The current political instability has diverted Cote d'Ivoire's attention away from biotechnology. Currently, the government has yet to ratify the Cartagena Protocol on Biosafety, and a draft bill covering biosecurity is before the National Assembly. However, CNRA (Cote d'Ivoire Agricultural Research Institute) has suggested that if peace is restored and a legal framework established, Cote d'Ivoire will be a leader in biotechnology research. Along with the local civil rights group, Social Alerte Burkina, many foreign groups including INADES-Formation, Agroecology Consultation Framework (CCAE), ACCORD-Sahel, and GRAIN have expressed their concern on Bt development in Burkina Faso. These concerns stem from a number of factors including, field trials undertaken without biosafety legislation in place, high priced royalties paid for GM technology, mutation of pests, and genetic contamination in neighboring countries.

Seed Cotton Producer Prices (FCFA/KG)

	2002/2003			**2003/2004**			**2004/2005**			**2005/2006**		
Quality Grade	**1st**	**2nd**	**3rd**	**1st**	**2nd**	**3rd**	**1st**	**2nd**	**3rd**	**1st**	**2nd**	**3rd**
Benin	200	150		190	140		200	150		n/a	n/a	
Burkina	175	140	120	185	150	130	210	175	155	175	140	120
Mali	180	155	125	200	175	145	210	185	155	160	135	115
Cote d'Ivoire	180	150		185	155		185	155		n/a	n/a	

Note: Benin and Cote d'Ivoire do not have 3rd grade cotton quality.

Lint Cotton Exports (Million Exports FCFA, FOB)

	1993	1995	1996	1997	1998	1999	2000	2001	2002	2003
Cotton Exports (Million FCFA, FOB)										
Benin	32.5	66.6	111.6	89.9	119.2	114.2	102.9	89.8	98.8	94.5
Burkina	22.2	47.9	62	74.6	120.9	86.7	72.4	96	88.8	111.9
Cote d'Ivoire	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mali	39.4	126.8	137.6	148.4	159.7	153	112.2	83.2	148.7	131.3
Total Exports (Million FCFA, FOB)										
Benin	108.6	209.6	269.9	247.5	244.4	259.5	279.3	273.9	295.8	280.3
Burkina	64	137.6	119	133.6	190.4	156.2	146.4	163.8	164.2	196.8
Cote d'Ivoire	713.2	1899.7	2274.3	2597.9	2717.6	2870.1	2768.2	2892.5	3601	3521.5
Mali	105.3	220.5	221.4	327.7	328.1	351.6	388.1	531.6	660.2	525.1
Percent of Total Exports: Cotton (Million FCFA, FOB)										
Benin	29.9%	31.8%	41.3%	36.3%	48.8%	44.0%	36.8%	32.8%	33.4%	33.7%
Burkina	34.7%	34.8%	52.1%	55.8%	63.5%	55.5%	49.5%	58.6%	54.1%	56.9%
Cote d'Ivoire	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mali	37.4%	57.5%	62.1%	45.3%	48.7%	43.5%	28.9%	15.7%	22.5%	25.0%

Source: BCEAO

West African Cotton Quotes

Month	FZA 1-1/8" 1/	FZA 1-3/32" 2/
Aug-00	n/a	59.95
Sep-00	n/a	61.81
Oct-00	n/a	61.77
Nov-00	n/a	63.95
Dec-00	n/a	65.44
Jan-01	n/a	62.74
Feb-01	n/a	59.29
Mar-01	n/a	53.60
Apr-01	n/a	48.24
May-01	n/a	50.06
Jun-01	n/a	48.29
Jul-01	n/a	46.80
Aug-01	n/a	43.81
Sep-01	n/a	42.28
Oct-01	n/a	38.35
Nov-01	n/a	38.67
Dec-01	n/a	43.24
Jan-02	n/a	43.44
Feb-02	n/a	42.16
Mar-02	n/a	41.26
Apr-02	n/a	40.73
May-02	n/a	40.07
Jun-02	n/a	42.43
Jul-02	n/a	45.23
Aug-02	n/a	50.24
Sep-02	n/a	49.21
Oct-02	n/a	49.36
Nov-02	n/a	52.45
Dec-02	n/a	55.34
Jan-03	n/a	55.82
Feb-03	n/a	57.70
Mar-03	n/a	61.26
Apr-03	n/a	60.60
May-03	n/a	57.16
Jun-03	n/a	57.81
Jul-03	n/a	59.05
Aug-03	n/a	60.32
Sep-03	n/a	63.34
Oct-03	n/a	72.65
Nov-03	n/a	76.83
Dec-03	75.33	74.49
Jan-04	78.00	75.35
Feb-04	75.74	73.03
Mar-04	74.03	72.40
Apr-04	73.18	70.09
May-04	73.00	70.45
Jun-04	69.31	65.38
Jul-04	62.64	57.38
Aug-04	57.93	54.75
Sep-04	58.77	54.75
Oct-04	55.48	53.73
Nov-04	51.04	50.14
Dec-04	49.89	48.97
Jan-05	52.37	51.47
Feb-05	52.87	51.97
Mar-05	56.63	55.71
Apr-05	57.20	56.31
May-05	55.83	54.95
Jun-05	53.65	52.81
Jul-05	54.24	53.41
Aug-05	52.65	51.80
Sep-05	52.88	52.03
Oct-05	57.62	56.79
Nov-05	56.79	55.97
Dec-05	56.79	55.97

Source: Cotton Outlook and Reuters

1/ Franc-Zone Africa SM 1-1/8", CIF, NW Europe

2/ Franc-Zone Africa SM 1-3/32", CIF, NW Europe

Exchange Rates

Note: 655.95707 FCFA (BCEAO) pegged to 1 Euro

Annual		Marketing Year		Local Marketing Year	
Jan-Dec	USD : FCFA	Aug-Jul	USD : FCFA	Oct-Sep	USD : FCFA
2000	712	2000/2001	741	2000/2001	738
2001	733	2001/2002	725	2001/2002	716
2002	698	2002/2003	623	2002/2003	609
2003	583	2003/2004	548	2003/2004	540
2004	528	2004/2005	517	2004/2005	516
2005	525	2005/2006	541	2005/2006	548

Month							
Month	USD : FCFA		Month	USD : FCFA		Month	USD : FCFA
Jan-00	648		Jan-02	742		Jan-04	519
Feb-00	667		Feb-02	754		Feb-04	518
Mar-00	680		Mar-02	749		Mar-04	534
Apr-00	693		Apr-02	742		Apr-04	545
May-00	722		May-02	718		May-04	547
Jun-00	691		Jun-02	688		Jun-04	540
Jul-00	698		Jul-02	660		Jul-04	534
Aug-00	724		Aug-02	671		Aug-04	541
Sep-00	753		Sep-02	669		Sep-04	537
Oct-00	767		Oct-02	669		Oct-04	528
Nov-00	767		Nov-02	655		Nov-04	505
Dec-00	729		Dec-02	657		Dec-04	484
Jan-01	699		Jan-03	629		Jan-05	499
Feb-01	712		Feb-03	609		Feb-05	505
Mar-01	721		Mar-03	608		Mar-05	497
Apr-01	735		Apr-03	606		Apr-05	505
May-01	748		May-03	568		May-05	517
Jun-01	768		Jun-03	560		Jun-05	539
Jul-01	763		Jul-03	576		Jul-05	546
Aug-01	728		Aug-03	587		Aug-05	535
Sep-01	719		Sep-03	589		Sep-05	533
Oct-01	724		Oct-03	560		Oct-05	544
Nov-01	740		Nov-03	562		Nov-05	556
Dec-01	735		Dec-03	536		Dec-05	553

Benin

Production

Post forecasts increased cotton production in 2005/2006 due to sufficient and well-distributed rainfall in cotton producing areas, expanded cultivated area, efficient extension services, increased use of inputs and improved seeds, and reduced delay in seed cotton payments. The rainfall in 2005 has been well distributed in all producing areas and has permitted crop planting on schedule. In the regions of Collines, Zou, Couffo, and Plateau, the rains came as early as March, but it was in May and June that precipitation became more regular in all producing areas. In the regions of Borgu, Donga, Alibori, and Atacora, the rains started in June and allowed plantings and crop development throughout the growing season. The favorable climate and availability of chemical inputs have permitted area expansion in all producing areas. The 2005/2006 season is considered to be a decisive turning point in Benin's cotton production through the continuation of PARFC (the local support program for reforms in the cotton sector) and the start of the second phase of the improvement program for cotton productivity. Seed cotton price disputes that marred the 2004/2005 season within the cotton sector among industry stakeholders are expected to be settled.

In 2004/2005, good rainfall situation, efficient extension services, and adequate chemical input applications contributed to the increased production. Production was substantial in Borgou-Alibori and to some extent in the regions of Atacora-Donga and Zou-Colline. However, cultivated area fell due to the drop in planted area in the Mono-Couffo region as a result of drought conditions from the beginning of July 2004.

The seed variety, H-279-1 accounts for 98 percent of the area cultivated. The total seed supply in 2004/2005 was estimated at 10,668 MT. Based on the area cultivated, only 6,288 MT was planted at a rate of 20 kg/ha. The remainder of the seeds were used in re-sowing, destroyed, or stocked in farmers' warehouses.

The fertilizer need on cotton area in 2004/2005 was reported to be 82,609 MT of NPK (nitrogen, phosphorus, and potassium) and urea. However, the quantity of fertilizer supplied to farmers was 89,946 MT and total use was estimated at 93,050 MT. This application level was due to the non-respect of dosage, the use of past stocks, and the shift of fertilizer to uses other than cotton, such as food crop production. As in entire region, soil degradation is a problem in Benin and is due to limited use of organic material, rather than from a lack of fertilizer.

The total need for insecticide use on cotton area was estimated at 2,344,122 liters or 8 liters/ha, but because of indebtedness, the quantity supplied was only 2,186,222 liters, and use was only 6.9 liters/ha. Despite the low insecticide use, insect damage was minimal during 2004/05. Three insecticides are normally used and include Endosulfan, Binaire Acaricide, and Binaire Aphicide for protection against aphids and acarids.

Herbicide needs are estimated at 226,949 liters, while quantity supplied was 324,621 liters and the quantity used was 324,926 liters. Not all cotton producers utilize herbicides.

In general, about 4.6 percent of area cultivated was abandoned as a result of unavailability of inputs and extreme changes in climate including droughts and floods.

The local 2004/2005 marketing year was officially launched on January 17, 2005 at Sirarou in the district of Borgou. The marketing year was declared transitory due to the different disruption from splinter groups among the producers. The government recognized the transitory nature of the 2004/2005 marketing year in Ministerial decree No. 061/MICPE/MAEP/MFE/DC/SG/DCCI of November 15, 2004 which sought to regulate the course of the marketing operation. This decree included the creation of a national monitoring and control committee which has branches at the district level to support it. Despite this decree, MCI, a ginner, disrupted the marketing operation by purchasing seed cotton from splinter producer groups in contravention to the previously agreed marketing mechanism under the CSPR (Group Securing Payments and Debt Recovery, institution that arranges credit facilities for farmers' input supply against seed cotton delivery to ginneries). At the beginning of the 2004/2005 marketing year, MCI decided not to participate in the marketing operation and encouraged the formation of splinter producer groups by purchasing seed from them. It purchased about 14 percent of total seed cotton production. MCI's action reduced revenue from check-off funds for marketing institution operations and also encouraged farmers to default payment of inputs acquired on credit.

Benin has 18 gins of which 10 remain owned by SONAPRA, the cotton parastatal. The other 8 gins are owned by foreign and local private companies including LBC/Aiglon, Louis Dreyfus, Kamsal, IBECO, MCI, Talon, and Sodicot. The privately held gins account for about 47 percent of Benin's total seed cotton ginning capacity estimated at 600,000 MT and lint production. SONAPRA is a 35 percent stakeholder in each of the privately held ginning companies.

In 2004/05, about 95 percent of seed cotton was declared first quality, either Kaba (50 percent) or Bela (45 percent), with remainder classified as 2nd grade quality. Within 1st grade cotton, Kaba is the highest quality cotton, followed by Bela. The quality from the SONAPRA ginneries was considered to be lower than those from the private gins. SONAPRA had delayed transporting (resulting from indecision on privatization) most of its seed cotton which got wet from the early rains.

Due to the low world market price, producers and ginners failed to agree on an acceptable producer price in 2004/2005 through their price fixing mechanism. The government intervened to break the deadlock by providing a subsidy of 43 FCFA/kg to set the producer price at 200 FCFA/kg. The government subsidy was estimated at about 19.5 billion FCFA. This meant that the ginners paid 157 FCFA/kg for seed cotton purchases, and the government subsidy covered the difference.

Consumption

Government sources put domestic lint consumption at 5 percent of production and quoted them as stable since 1985. However, the current situation shows lower consumption rates due to slow economic activities. Additionally, increased competition from China has forced spinning companies to close down. Only two spinning companies, CBT (la Compagnie Beninoise des Textiles) and COTEB (Complexe Textile du Benin) are currently operating.

The CBT operating capacity is 3,900 MT, but it is only currently operating at an estimated 2,000 MT. CBT is located in Lokossa, in southwestern Benin. CBT is a joint-venture of Chinese investment, 51 percent, and the Benoise government, 49 percent. CBT started production at the end of 2002. It produces 100% cotton yarn and >50" gray wax (high-quality African print) fabric. Fabric is used primarily for African-type apparel but also used for western apparel, bed sheets, and packaging material.

COTEB is located in Paracou, northern Benin. It is partially operational and involved in producing fine yarns, fabrics, and garments, as well as dyeing and printing.

Trade

Cotton accounted for 34 percent (94.5 Million FCFA) of total Benin export revenue in 2003. Gins typically operate into April. Exports begin as early as November or as late as February, but primarily occur from December through June. By the end of June, Benin normally has exported 75 percent of its production. Old crop exports will continue a couple months into the following marketing year. Due to the disputed seasonal price in 2004/2005, exports were seriously delayed with only about 50 percent exported from January to June.

Policy

The economic crisis in the 1980's compelled Benin to undertake structural reforms. From 1990, in line with agreement signed with the IMF, Benin was committed to liberalize and undertook vast reform programs in the cotton sector. These programs meant to transfer a number of responsibilities from the state to the private sector. For a longtime, SONAPRA (la Société Nationale pour la Promotion Agricole), a state-owned company, had a monopoly on all cotton activities including importation and distribution of agricultural inputs and seeds, provision of services to cotton producers, seed cotton purchases for ginning, and exportation of cotton lint. From 1991 to 1999, the liberalization process passed through the following stages:

- Transfer of competence to producer associations;
- Liberalization of the agricultural input sub-sector;
- Liberalization of the cotton gin sub-sector to allow private economic operators to build cotton ginneries and export cotton lint produced; and
- Transfer to the private sector importation and distribution of agricultural inputs.

To insure an effective transition of SONAPRA's responsibilities, the private sector operators formed professional associations for each cotton sub-sector which regrouped to set up an inter-professional technical institution known as the AIC (Association Interprofessionelle du Coton) to manage the main functions of the cotton sector. The mission of AIC is to facilitate interaction among actors in the cotton sector, to serve as a contact point between the state, stakeholders in the cotton sector and development partners, and to manage and to monitor all activities and functions relative to the survival and good performance of the cotton sector. AIC arbitrates all contract disputes and negotiates all pre-set seasonal seed cotton prices. They coordinate all activities to improve cotton development, including production. AIC arranges transportation, determines seed cotton allocations among the gins, and advises each gin where to buy its cotton. It coordinates strategy, including the placement of gins in production regions. It coordinates consultations among stakeholders and distributes cotton information.

The AIC was formed in 1999 by the federation of producers' union (FUPRO/Benin) and the association of professional ginners (APEB). Following the suppression of SONAPRA's monopoly in seed cotton marketing in 2000, CSPR was created to function as the credit distributor and financing guarantor among the AIC associates and the banks. Lastly, GPDIA, the professional association of agricultural input distributors joined the AIC in 2002.

Within the West Africa region, the separate entities of CSPR and GPDIA are unique to Benin. CSPR serves as a clearing house for all financial transactions associated to cotton production.

It ensures seed cotton payments by ginners, seed cotton supplies for the gins, and input credit reimbursement by producers. At the start of the season, CSPR collects 40 percent of the expected seed cotton revenues from the gins to guarantee credit from banks. CSPR arranges the purchase of inputs from the input distributors for farmers. This is credited against the producers' future seed cotton revenue, paid for by the ginners. At the end of the year, everything is then settled between farmers, ginners, and input distributors.

SONAPRA's privatization started in 2003. The privatization process divided the 10 cotton gins into four lots to be sold in packages of two, two, three, and three gins. In 2004, the Technical Commission of Denationalization decided to sell all four lots at 33 billion FCFA to SONAPRA's former debtors. The sale sparked off protest from social groups including trade unions and farmer groups which considered the bids too low. This situation compelled the President to order the suspension of the sales for a review of the bidding. Since this, further events of the privatization process have been put on hold.

Since depressed world market prices have resulted in lower preset seasonal prices, price fixing mechanisms have drawn resistance from producers. Factors taken into consideration during price determination (commonly referred to as the WADEL system) are as follows: African regional quote (published by Cotton Outlook), average national seed cotton yield, average national ginning rate, production cost per hectare, and the U.S. dollar exchange rate.

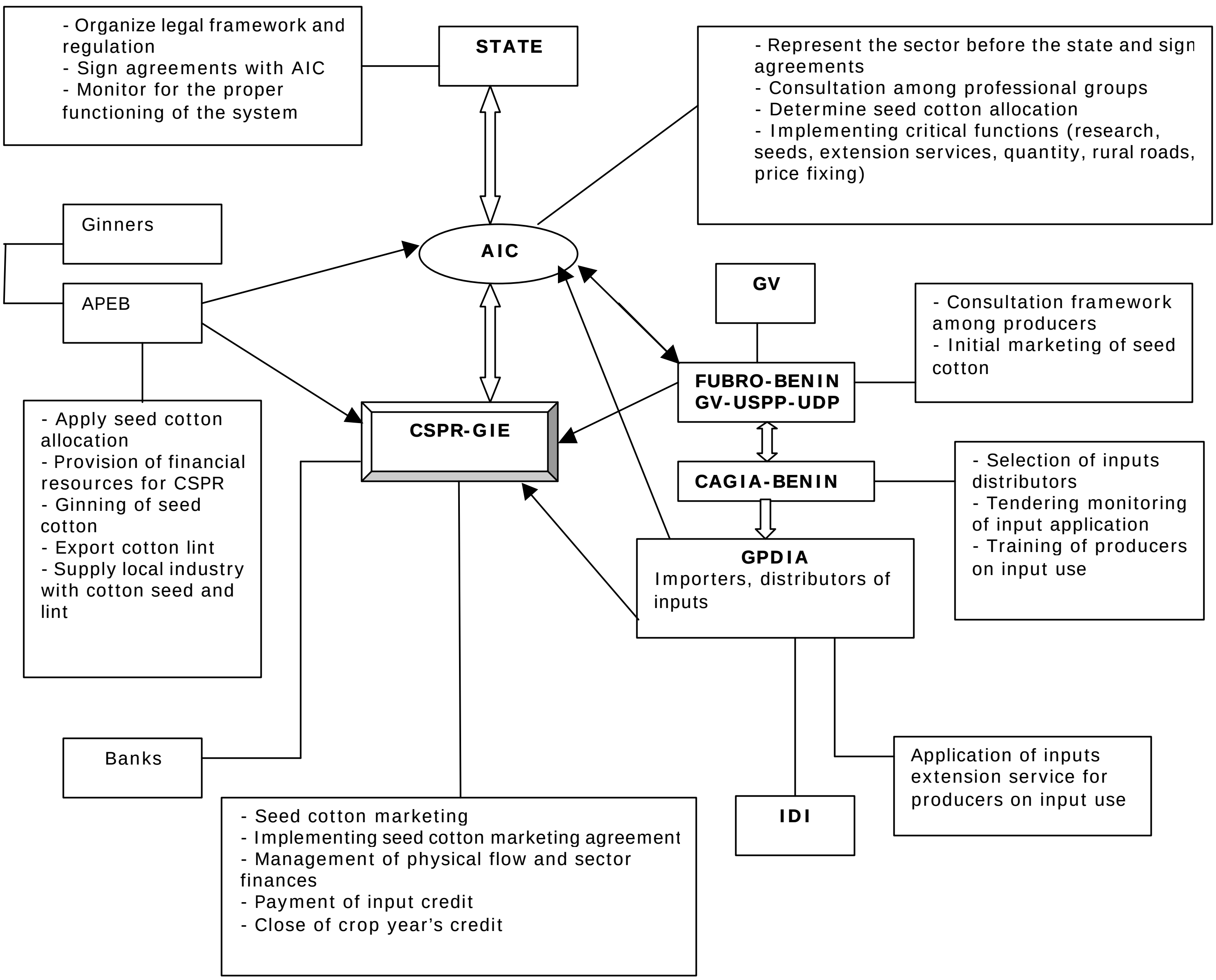
Seed cotton price is determined through negotiations between cotton producers and ginners with AIC (Cotton Inter-professional Association) acting as a facilitator. Normally, for the upcoming marketing year, a base price is set in March-May and a final producer price is fixed in October when harvest is about to start. However, no price has yet been fixed for the 2005/2006 marketing year. Producers are delivering their seed cotton to the gins and will be paid after negotiations are completed. According to sources, producer price will be reduced, causing opposition from producers.

Benin PSD Table

PSD Table

Country	**Benin**					
Commodity	**Cotton**					
	2004 USDA Official [Old]	Revised Post Estimate [New]	2005 USDA Official [Old]	Estimate Post Estimate [New]	2006 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		08/2003		08/2004		08/2005
Area Planted (HA)	0	0	0	0	0	0
Area Harvested (HA)	314000	314096	300000	313083	300000	388000
Beginning Stocks (MT)	51383	36143	40497	53361	59004	70300
Production (MT)	138256	140262	145877	164439	130636	200000
Imports (MT)		0		0		0
MY Imp. from U.S. (MT)		0		0		0
TOTAL SUPPLY (MT)	189639	176405	186374	217800	189640	270300
Exports (MT)	146965	120544	125193	145000	136079	185000
USE Dom. Consumption (MT)	2177	2500	2177	2500	2177	2500
Loss Dom. Consumption (MT)		0		0		0
TOTAL Dom. Consumption (MT)	2177	2500	2177	2500	2177	2500
Ending Stocks (MT)	40497	53361	59004	70300	51383	82800
TOTAL DISTRIBUTION (MT)	189639	176405	186374	217800	189639	270300

Diagram for Benin Cotton Sector



Source: AIC

Burkina Faso

Production

Seed cotton production reached a record of about 630,000 MT in 2004/2005 due to area expansion and good rains. Production is expected to increase again in 2005/2006 due to producer confidence in the marketing system and remuneration within the sector. Producer confidence has been boosted by a financial management that has attracted involvement of the banking sector, efficient operation of cotton companies, good working relationships with organized producer organizations, and a large influx of expatriates returning home.

Cotton production is the main economic activity for farmers in the rural areas and averting rural-urban drift. As a result, new farmers' entry into the industry has been increasing, leading to a continuous expansion of area cultivated. This situation has been aided by the massive return of Burkinabes from Cote d'Ivoire, many of whom have experience in cotton production. Privatized ginning companies with expanding capacities are also encouraging new area to be put under cultivation. For instance, on October 2005, SOCOMA (one of the new private companies, operating in east Burkina Faso) opened its second gin in Diapaga of the Tapoa district with a third gin expected to be begin operations in time for the 2006/2007 marketing season in the Kombienga district. SOFITEX's (ginning company that controls roughly 85 percent of national production, the primary ginning company) efficient financial management of the cotton sector has enabled it to maintain producer prices despite unfavorable world market price. Area expansion is comforted by producers' conviction of at least receiving the pre-seasonal prices for seed cotton and having input costs restrained to the previous year's level. SOFITEX's performance has given the cotton sector strong credibility with banks.

The rainfall situation was satisfactory in 2005. It was sufficient and well-distributed in the producing areas throughout the planting period in June through the growing period in July. In pockets of areas where the rainfall was considered precarious, the soil humidity was generally sufficient for soil preparation and planting.

The 2004/2005 local marketing year started on October 15, 2004. Marketing problems were characterized by disputes from producers pre-weighing their seed cotton and refusing any other weighing; anarchy in opening new marketing places by certain cotton producer groups using unauthorized scales to weigh cotton; insufficient storage facilities at the village level adversely affecting seed cotton quality; and the poor state of rural roads that delayed cotton deliveries to weighing stations, and thereafter resulted in rain damage from unprotected storage.

In the wake of the 2004/2005 problems, for the 2005/2006 marketing year silos were constructed to ensure proper storage and quality preservation of seed cotton prior to weigh station deliveries. Additionally, farmers were encouraged to use more organic manure to improve soil fertility but respect the suggested dosage of chemical fertilizer.

In 2004/2005, fertilizer use (NPK and Urea) was estimated at 102,000 MT and insecticide use at 27,000 hectoliters. In 2005/2006, fertilizer use is expected to be 120,000 MT and insecticide use to remain at 27,000 hectoliters. Currently, organic fertilizer is applied on only 400 Ha.

Opening bids of input supplies for the 2005/2006 crop showed a 40 percent price increase in both Urea and NPK. This increase was attributed to the rise in petrol prices and the increase in transport cost due to the situation in Cote d'Ivoire. SOFITEX, acting on behalf of the other two private cotton companies, undertook several steps intended to obtain a reasonable price or to maintain prices at previous level. SOFITEX first approached the government to absorb the input price increase but could obtain only a 3 billion F CFA subsidy. It took 34 percent ownership of SIPAM (fertilizer manufacture plant at Bobo-Dioulasso in Burkina Faso) where it ordered 20 percent of their fertilizer needs at a reduced price. SOFITEX had already ordered half of the fertilizer needs in February 2005, at the time when the international fertilizer price had fallen by 25 percent for Urea and 15 percent for NPK. These steps led to a total saving of about 7 billion F CFA and brought the cost of a bag of fertilizer down from 18,000 F CFA to 12,950 F CFA, only a 450 F CFA increase over the previous year's price. The price of other inputs remained unchanged with the exception of herbicides which prices went up.

Burkina Faso produces high quality cotton, which draws premium prices on the international market. Representatives within the Burkina cotton sector did not view cotton contamination, specifically regarding polypropylene, as a problem. In the 2005/2006 marketing season, cotton sacks began being used to harvest cotton. However, the proportion of cotton sacks expected to be used is less than one-percent.

Lint and seed cotton samples are taken at the gins and their weighing stations. Burkina Faso has one HVI (High Volume Instrument) unit, which classes approximately 30 percent of the ginned bales country-wide.

Consumption

Local consumption of cotton yarn is very small and currently estimated at about 2 percent of cotton lint production. FILSAH (Filature du Sahel, located in Bobo-Dioulasso) is the sole spinner of cotton yarn in Burkina Faso. Spinning 100 percent cotton is its specialty. FILSAH employs 150 workers from Burkina and their management has previous experience within the textile industry from both Africa and Europe. It is a private joint-venture of 97.5 percent Burkinabe (Fonds de Developpement et Social and SOFITEX) and 2.5 percent French ownership.

Established in 2000, FILSAH has since produced 1,900 MT (2000); 3,200 MT (2001); and 1,600 MT (2002) of cotton yarn. It ceased production in 2003 and restructured in 2004. FILSAH currently has an installed capacity of 5,000 tons of yarn per year. However, production in 2005 is expected to be no more than 1,500 tons. Only five percent of yarn production is further used or processed in Burkina. FILSAH exports cotton yarn to Europe and Cote d'Ivoire.

Since the Ivoirian conflict in 2002, FILSAH has exported product through to the port of Lome instead of Abidjan. This has increased its transportation costs from 600,000 F CFA to 1,100,000 F CFA. Costs of electricity and of obtaining credit are extremely high in Burkina Faso, further burdening profitable operation.

To help minimize on-farm contamination, mostly from polypropylene sacks, FILSAH was to begin cotton sack production using cotton waste (cotton motes) for the 2005/2006 harvesting on a trial basis. The waste of this process is sold locally as stuffing material.

Trade

Cotton is the mainstay of Burkina's economy, accounting for 57 percent (111.9 Million FCFA) of their total export revenue in 2003. Cotton exports normally begin in December. Rail is only used when cotton is transported to the ports for export. Port destinations used by Burkina Faso since the Cote d'Ivoire conflict have been Lome (Togo) and Tema (Ghana). Shipments to the ports follow demand. Burkina Faso exports to 53 countries in the world. China accounts for a growing percentage of these exports, 28 percent in 2004/05.

Export Trade Matrix

Country Burkina

Commodity Cotton

Time Period	Aug-Jul	Units:	MT
Exports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
China	34597	China	77346
Bangladesh	18267	Pakistan	20586
Thailand	16449	Indonesia	16633
Indonesia	16069	Bangladesh	12032
Pakistan	12826	Taiwan	9641
Colombia	9267	Vietnam	7465
Taiwan	8073	Thailand	6992
Italy	6886	Bahrain	6240
Vietnam	6246	Arab Emirate	5452
India	6061	Morocco	4692
Total for Others	134741		167079
Others not Listed	28860		32407
Grand Total	163601		199486

Source: SOFITEX

Policy

The government has cooperated with an IMF/World Bank-administered structural adjustment program since 1991, to scale down state intervention in production and marketing of its major exports for rapid economic recovery and export competitiveness. This includes liberalizing the cotton sector by creating conditions for private sector participation and leaving the role of the state to monitoring, controlling, arbitrating, and maintaining order in the sector.

The state promoted and supported the cotton sector through the development of a local ginning company, SOFITEX that held monopoly and monopsony powers. SOFITEX was created by decree in 1979 with three stakeholders: the State (65 percent); DAGRIS (34 percent), formerly Compagnie francaise pour le developpement des fibres textiles (CFDT), a French public holding company responsible for cotton production in the franc zone; and local banks (1 percent). It has been the driving force behind the sector's development and responsible for most of the commercial, industrial, and various social support services in the sector. It has 14 ginning plants spread throughout the producing area with a combined total ginning capacity of about 500,000 MT seed cotton. Other facilities include a seed de-linting plant and a seed farm.

In line with the reform process, the government sold shares in SOFITEX to the UNPCB (National Union of Burkina Faso Cotton Producers) in 1999. This cut the share of SOFITEX held by the State to 35 percent. The privatization process continued in September 2004 when SOFITEX sold some of its assets to two foreign private companies: FASO Coton in the central zone and SOCOMA in the eastern zone. The two zones combine to account for 15 percent of national seed cotton production. These zones had been characterized by the existence out-dated and little agricultural equipment; a low literacy rate among the producers; an insufficient number of extension agents; and little knowledge of agricultural production techniques and management.

SOCOMA bought the eastern zone at a cost of 1.1 billion F CFA, covering the provinces of Tapoa, Gourma, Kompienga, Koulpelogo, Komondjari, and Gnagna. This area consists of 25,000 cotton producers in 1,600 producer groups (GPC). Seed cotton production in this area in 2004/2005 was estimated at 70-90,000 MT. The shareholder of SOCOMA are Dagris (80 percent) and UNPCB.(20 percent).

FASO Coton bought the central zone at a cost of 5.527 billion F CFA, covering the provinces of Bam, Bazega, Boulgou, Ganzourgou, Kourtittenga, Nahouri, Namentenga, Oubritenga, Sanamatenga, Zoudwéeogo, Kourwéeogo, and Kadiogo. Production is undertaken by 24,000 farmers in 1,300 farmer groups. Production in 2004/2005 was estimated at 44,000 MT but expected to reach 70,000 MT in the near future. Shareholders of FASO Coton include Paul Reinhart AG, a Swiss trader, 31%; Ivoire Coton (of the group IPS), 29%; SOBA (Burkinabe import, export, and transport company), 20%; AMEFERT (Burkinabe agricultural input marketing firm), 10%; and UNPCB, 10%.

SOFITEX continues to control cotton production in the western zone.

The 2004/2005 marketing year was the first year under the current privatization structure. Presently, the three ginning firms will have a common national policy for setting the pre-seasonal price and purchasing inputs. However, SOFITEX is the leader among the three and often acts on their behalf in undertaking certain services as financing of input purchases, provision of logistics for input delivery and other operations pertinent to cotton production.

Initially, the cotton producers will use SOFITEX accounting system until a gradual break up for individual system

The UNPCB was set up in 1998. It is the producers' group umbrella organization that coordinates various initiatives for its members at the local, provincial, and national level. Thirty-six of the 45 provinces and approximately 240 of the 350 of the departments are involved in cotton production and have representatives on UNPCB. There are over 8,000 producers' groups (GPC). UNPCB's activities have allowed producers to assume responsibility for a growing number of functions within the sector. It has become the primary counterpart to the ginners. Producers' involvement took a big leap in 1999, with the signing of the Accord Inter-professional and the purchase of a 30 percent share in SOFITEX. Although SOFITEX buys input on farmers' behalf, UNPCB chairs the bidding process for input decisions.

Research activities concerning cotton production are undertaken by INERA (Institute of environmental and agricultural research). It operates 16 programs, one of which is cotton. There are approximately 700 people in INERA, 100 of them are assigned to the cotton program. Many of the employees at INERA come from university ranks, and others have previous experience at the Ministries of Agriculture and Environment. They maintain a working relationship with these and other technical agencies. INERA has research groups specializing in phytosanitary, technical assistance, soils, and social-economic activities, all of which contribute to cotton. While INERA headquarters is located in the capital, Ouagadougou, their cotton research office is based in Bobo-Dioulasso. Here, seeds are produced and the varieties are renewed every three years.

In the past, INERA has provided technical assistance to SOFITEX, but is extending this facility to the other two ginning companies. They are jointly funded by the ginners (90 percent) and the government (10 percent). SOFITEX's contribution to funding has progressively increased. Its funding rate has risen from near 800 FCFA per ton of cotton exports ten years ago to 1,300-1,500 CFA per ton of cotton exports currently. In such time, cotton production has risen from 200,000 tons to 600,000 tons.

INERA foresees that any further privatization must allow current nationalistic policies to be maintained for another ten years to allow for a sufficient level of stability in the country. It also recognizes that farmers must maintain national representation throughout the cotton chain.

While SOFITEX only purchases approved UNPCB input supplies, INERA advises UNPCB in their decisions. Fertilizer and insecticide are the two most expensive input costs. Fertilizer expenses have become 20 percent more than insecticide. INERA suggests the application rate of 5,000 kg/ha of organic fertilizer or 200 kg/ha of chemical fertilizer. They suggest spraying insecticide 6-7 times throughout the year.

The bollworm is viewed as the largest problem facing Burkina cotton. The problem developed six years ago. INERA began collaborating with Monsanto three years ago to combat this problem. The 2005/2006 cotton harvest will feature the third field trial of Bt cotton produced in Burkina Faso. Monsanto contributed $35,000 to the second field trial, although this only accounted for 2-3% of their budget. One or two more years of field trials will still be needed before commercialization will be possible; however, it is expected to be no later than 2008 before this is realized.

INERA authored the proposed bio-safety protocol that was initiated in 1998. The bio-safety bill was to be sent to the Assembly in August 2005; however, it has not yet been approved. The proposal covers three main conditions: import regulations, export regulations, and sanctions for policy infringements. Among others, the 15-chapter proposal contains detailed field trial and import/export procedures.

INERA wants to establish and headquarter within Burkina, a West Africa Biotechnology Center. Burkina is looking for financial and structural assistance. Ghana and Senegal are competing with Burkina for this Center.

Seed cotton prices for the 2005/2006 marketing year, which started on October 20, 2005, have been maintained at the base price level (1st grade: 175 FCFA/kg) and in line with the farmers agreement. The stabilization fund has become depleted after having gone without any resource allocation to its balance since 2002/2003. If the management committee would have relied on the financial situation of the three cotton companies and the world market situation, the base price would have been set at 130 FCFA/kg for 1st grade seed cotton. However, to maintain the stability in Burkina cotton sector and sustain cotton production, the management committee has decided not to pass the effects of this crisis on the farmers. This situation will require great efforts from the three cotton companies, the government, and development partners. For SOFITEX, initial estimates put the 2005/2006 deficit at 19.4 billion FCFA.

The seed cotton producer prices are fixed on at a pre-set price calculated off a three-year basis. Bonuses or deductions are applied to the following year's pre-set base price when unaccounted revenues or expenses occur. In addition to the seasonal producer price, a supplemental 1,500 CFA per ton of cotton is paid to cooperatives to alleviate social-economic needs (e.g., hospitals, schools, etc).

Burkina Faso PSD Table

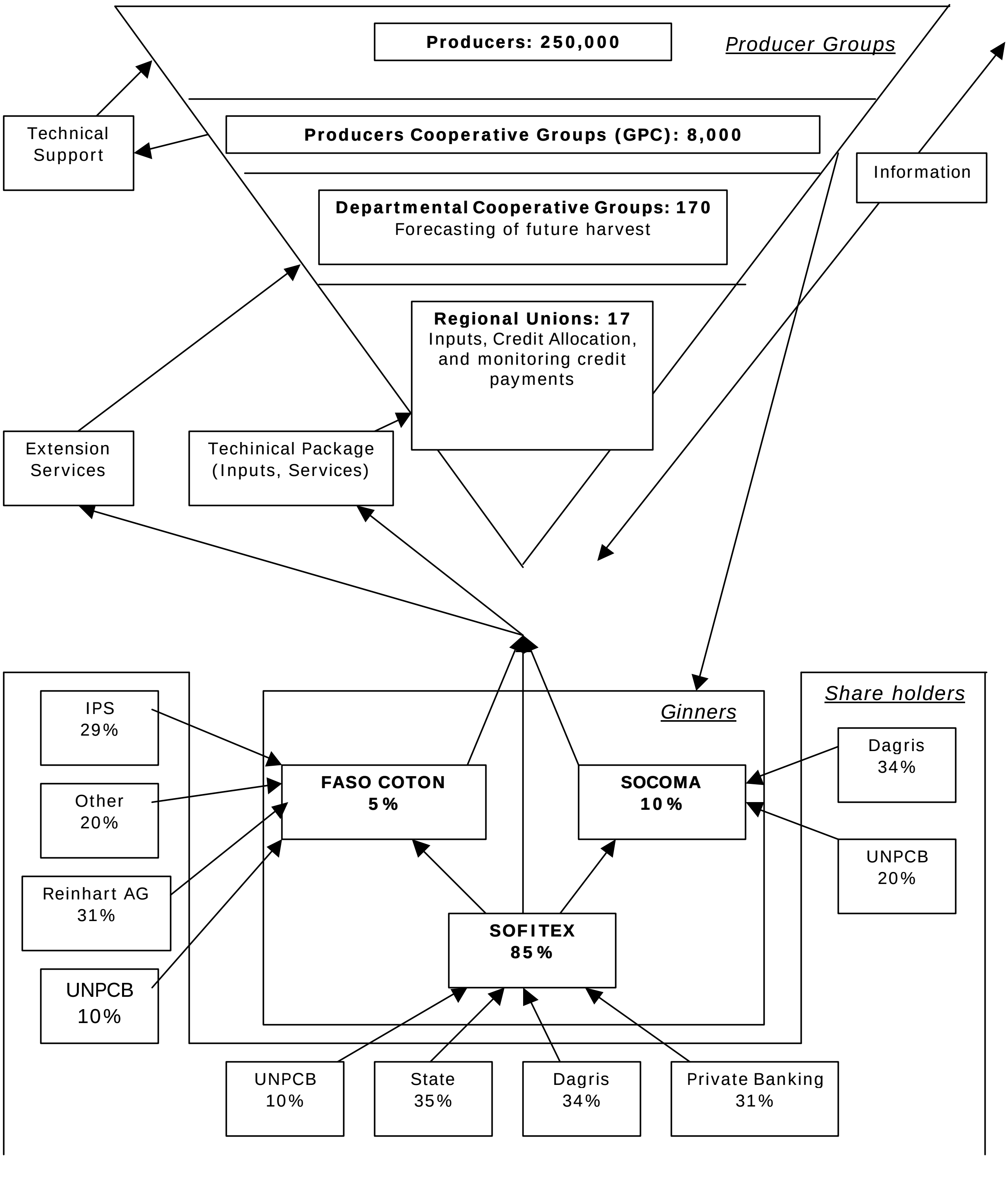
PSD Table

Country **Burkina**

Commodity **Cotton**

	2004 USDA Official [Old]	Revised Post Estimate [New]	2005 USDA Official [Old]	Estimate Post Estimate [New]	2006 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		08/2003		08/2004		08/2005
Area Planted (HA)	0	0	0	0	0	0
Area Harvested (HA)	460000	461718	550000	585000	575000	630000
Beginning Stocks (MT)	40279	42674	42674	46529	86437	46286
Production (MT)	210106	203916	256917	265020	299374	285000
Imports (MT)		0		0		0
MY Imp. from U.S. (MT)		0		0		0
TOTAL SUPPLY (MT)	250385	246590	299591	311549	385811	331286
Exports (MT)	206840	199486	212283	263000	283045	280000
USE Dom. Consumption (MT)	871	575	871	2263	871	3000
Loss Dom. Consumption (MT)		0		0		0
TOTAL Dom. Consumption (MT)	871	575	871	2263	871	3000
Ending Stocks (MT)	42674	46529	86437	46286	101896	48286
TOTAL DISTRIBUTION (MT)	250385	246590	299591	311549	385812	331286

Diagram for Burkina Faso Cotton Sector



Source: UNCTAD (United Nations Conference on Trade and Development)

Cote d'Ivoire

Production

Cotton production is forecast to fall in 2005/2006 due to poor rainfall, reduced area cultivated, insufficient input supply, and general insecurity. There were early rains at the beginning of May in most producing areas, but they became irregular and poorly distributed in the latter part of June. The poor rains adversely affected crop development in many producing areas. The rains have resumed since September and could cause boll rot and adversely affect cotton quality. Insufficient and late input supply to producers due to financial problems of the cotton companies coupled with non- payment of farmers' seed cotton have contributed to reduction in area cultivated. The cotton companies owe producers about 11 billion FCFA for unpaid seed cotton deliveries from 2001/2002 through 2004/05. The ginners have claimed that this situation has arisen due to their inability to recover funds used to pre-finance inputs because producers have delivered their seed cotton to other companies and purchasers. In 2005/2006, cotton companies had problems securing finance from banks for input payments due to national insecurity and the financial problems of the cotton sector. The government stepped in to provide inputs covering only 50,000 hectares.

Production increased in 2004/2005 due to area expansion, good rainfall, inputs availability, and a relatively improved security situation, which has allowed many extension agents to return to their posts after fleeing during the outbreak of hostilities.

Guided by the terms of reference within the privatization protocol, three cotton companies emerged from privatization in 1999. Within the protocol, companies were required to purchase seed cotton from producers within their assigned geographical zone, while providing extension services and agricultural inputs for their producers. Seed cotton marketing has become chaotic since the emergence of three new seed cotton buying groups. More than ever, farmers have begun to sell their cotton without regard to production zones. Only producer cooperatives which managed to provide extension services and inputs to their members are free to sell their seed cotton to any cotton company of their choice.

Since the initial phase of privatization, two new cotton companies have been established to further liberalize the sector. They are not restricted to any particular production zone. They are also not obligated to provide input supplies and extension services. Additionally, the black-market has been fueled by unrecognized groups, acting as front men (pisteurs), who have been actively purchasing seed cotton for cash. While the pisteur offer price is usually lower than the official producer price, it is an immediate payment option. Unfortunately for the farmers, pisteur agreements can include only partial payments up front with remaining balances that are never made good upon. Black-market cotton is smuggled to other production zones and even across the border to Mali and Burkina Faso.

This development has been detrimental to ginners who could not recover their owed credit in input purchases and investment in extension services. In addition, they have lost any returns from prior investments in social services such as road maintenance, dispensaries, and well drilling. This situation, if unchecked, will work against the cotton industry. As immediate repercussion, the cotton companies, citing financial problems, did not provide sufficient inputs for the 2005/2006 plantings.

Delayed payments for delivered seed cotton continue to persist for farmers. Before the political crisis, farmers received payment for their seed cotton between two and three weeks after delivery. An absence of banks in the producing areas, a result of the political crisis, has prolonged the payment duration. Since it is ill-advised to carry large amounts of cash due to insecurity, producers' groups are paid in checks to be drawn from banks in both government-controlled territory and neighboring countries, such as Mali and Burkina Faso. Producers unable to wait that long are the targets of the so-called pisteurs who buy seed cotton on cash basis at about half the producer price. Previous to the civil uprisings, the government had attempted to use cotton production as a development tool for the Savannah north where it evolved to be the major revenue source for a population currently living in an area under rebel-control.

The absence of banks in the producing zone also has penalized the operation of the cotton companies. These companies are always in financial difficulties because they are obliged to undertake all operations on cash basis with limited credit facilities. Banks in the government-held territory are reluctant to provide them credit facilities due to their operating environment.

Insecurity in producing areas has diminished the quality of seed cotton production. Extension agents are restricted in their movements and are unable to visit farmers regularly. They do only one visit per month instead of the required three or four visits. Likewise, farmers spend less time in harvesting which adversely impacts on the crop quality. Instead of undertaking several rounds of harvesting, they use only a few days to best avoid surprise outbreaks of hostility. Cote d'Ivoire farmers use polyethylene bags for harvest, not polypropylene like neighboring countries, but these too still pose contamination threats.

The political crisis has deprived the cotton producing areas of any government budgeted road development and maintenance programs. Conditions of roads are poor and in constant deterioration. This situation has delayed the movement of seed cotton to the gins, and with cotton mostly stored in improper conditions, high humidity can also adversely impact quality grades. The transport of cotton lint from producing areas to the ports are subject to the same delays. However, these holdups are coupled with several illegal taxes at several check-points in both the government and rebel-held areas. These problems plague cotton availability for export and increases break-even prices.

First grade seed cotton quality has fallen from 90 percent since the crisis outbreak in 2002/2003 to 60 percent currently. However, there are quality variations among the supervising cotton companies. For first grade seed cotton, 100 percent of LCCI seed cotton was first grade in 2004/05, as compared to only 26 percent for CIDT. CIDT covers the less secured southern zone where occasional skirmishes take place. LCCI's northeast zone and Ivoire Coton's in the northwest zone are relatively more secured.

Insecurity has made the cotton companies reduce lint storage at the factory areas and increase storage at the Port of Abidjan. These storage facilities are expensive, increasing further operating cost. This action is to avoid occasional loss through pillage.

Cote d'Ivoire has had three cotton lint classing stations equipped with HVI units since 2002, but their location in the rebel-held north has forced their closure since war broke out. Previously, they had sampled 25 percent of national production. Classing is currently done manually.

In 2004/2005, Ivoire Coton accounted for about 45 percent of total production and was considered the best performing cotton company. It worked with 42,514 producers and distributed 26.524 billion FCFA in total producer revenues. It claimed to have lost about 2,500 MT of seed cotton to other cotton companies in 2004/2005 because of the current disorder, but in turn received 2,600 MT from other cotton cooperatives outside its zone. It is only company that is not indebted to farmers. It spent 12 billion FCFA on input supplies for farmers in 2004/2005 and has provided in full the input needs to farmers in its assigned zone for the 2005 planting. However, total area cultivated in its zone in 2005/2006 fell by 7 percent. It spent 300-500 million FCFA on road repairs and maintenance in its zone. Only Ivoire Coton additionally operates a seed farm.

CIDT (the government parastatal) accounted for 29 percent of total production in 2004/2005. From FY 2001-2004, CIDT has lost 33 billion FCFA (estimated at $60 million). In 2002, CIDT lost $24 million, of which $14 million was attributed to the breakout of war. Before the war, CIDT had lost $9 million. CIDT is currently estimating it loses at 150 FCFA for every kilogram it sells at the world market price. Profits generated from 1994-2000 continue to fund these losses. In 2005/2006, it could provide 8,000 MT of inputs to producers covering about 60,000 Ha.

In 2004/2005, LCCI accounted for 16 percent of Cote d'Ivoire production, about half of its normal production level. Of the cotton companies, it has suffered the most from the marketing disorder, losing the greatest proportion of seed cotton from its operating zone to other entities outside the zone. It is also the company largely indebted to farmers, estimated at about 9 billion FCFA for past seed cotton purchases. It has spent 10 billion FCFA annually on inputs, 500 million FCFA on road maintenance, and provides seeds of 70 percent germination rate to farmers, above the 65 percent national average germination rate. In 2004/2005, it provided producers 20,000 MT of NPK; 5,000 MT of Urea; 2,430 hectoliters of herbicides; and 3,975 hectoliters of insecticides for an area of 79,653 hectares. In 2005/2006, it provided only 20 percent of farmers' input requirements in its zone.

In 2004/2005, the producer price was fixed at 185 FCFA/kg for first grade seed cotton and 155 FCFA/kg for second grade seed cotton. However not yet resolved, the first grade price is expected to be reduced to about 170 F CFA/kg for the 2005/2006 marketing year crop. The producer price is set through the following process:

- An Inter-professional Association of the cotton sector determines the base seasonal price immediately prior to harvest, not at the beginning of the season like other countries.
- The price is primarily based on the current and historical average price of the 'A Index' from May 1 to September 30 of the current marketing year. The Association then considers the average US dollar rate over the same time period. Other elements taken into account include input, labor, seed, transportation, technical assistance, and general operating costs. Producer and ginner costs are included in price determination.
- After the cotton companies have finished ginning, a new date range is used to calculate these averages. If this is April, the average range would be May to April. Upon the recalculation, a positive balance is paid to the producers. To accommodate for a negative balance, ginners withhold 10% of producer payments until the final calculation is made. Both losses and profits are split 50:50 between the ginners and producers.

The calculation of the base price for the 2004/2005 marketing year yielded 162 FCFA/kg. However, producers require 180 CFA/kg ($0.33/kg) to cover costs. The government intervened and raised the seasonal price at 185 FCFA/kg to ensure producers receive at least a favorable market price for their cotton. Since farmers receive 185 FCFA from the ginners, the government reimburses the ginners for the 23 FCFA above the calculated base price. After the ginning concluded in April 2005, the recalculation resulted in a calculated base price of 142 FCFA/kg, and the governments' support was to rise to 43 FCFA/kg.

While government reimbursements subsidize ginner production costs, unforeseen expenses in addition to the purchase of the seed cotton disadvantages farmers as compared to the set market price. Unfortunately for the ginners, they are required to immediately pass on the seasonal price to farmers, but it has taken the government 2-3 years to reimburse the ginners for the difference between the calculated price and seasonal price. This policy has been in effect since 2001; however, the government has so far only made reimbursements for the 2000/2001 and 2001/2002 marketing year crops.

Consumption

As a result of the economy slowdown and the lingering political situation, financial difficulties decreased domestic consumption of cotton in 2004/2005. A subsequent fall in 2005/2006 is also expected. Financial problems have given local spinning companies difficulties obtaining lint and other inputs for their operation. This has resulted in the shut down of UTEXI (a spinning and weaving company at Dimbokro, Center of Cote d'Ivoire) in early 2005. Cheap textile products and imported secondhand clothes have completely overwhelmed the Ivorian market. Informal imports from the sub-region and Asian countries are also on the increase. Traditional demand for clothes fashioned from local print materials has waned in the rise of desire for western wear, especially among the youth.

Trade

Exports are expected to increase in 2005/2006 due to increased local lint supply and anticipated recovery in world import demand. Exports fell in 2004/2005 due to depressed world import demand coupled with reduced lint availability. Exports for the first seven months of 2005 were 76,660 MT as compared to 97,700 MT in 2004. Cotton and product exports accounted for 2.6 percent of total Cote d'Ivoire's export earning in 2004, a fall from the 2003 level of 3.6 percent.

Informal exports of seed cotton to neighboring countries is said to have risen in 2004/2005 due to cotton companies' delay in seed cotton payments. According to ACE (Audit Control et Expertise), a consulting firm monitoring domestic cotton production and distribution, about 70,000 MT of seed cotton has been illegally exported to Mali and Burkina Faso through Ouangolodougou, Nielle, Diawala and M'bengue, all border towns in the north of Cote d'Ivoire. However, according to the cotton companies, this figure is largely overestimated and much more likely to be between 10,000 and 20,000 MT.

Export Trade Matrix

Country	**Cote d'Ivoire**		
Commodity	**Cotton**		
Time Period	AUG-JUL	Units:	
Exports for:	2004		2005
U.S.	300	U.S.	0
Others		Others	
China	76737	China	31220
Indonesia	34423	Indonesia	12920
Taiwan	15289	Thailand	6970
Thailand	12676	Taiwan	5497

Bangladesh	10632	India	4678
Pakistan	10609	Pakistan	3640
Vietnam	6730	Bangladesh	3057
Malaysia	5990	Belgium	2801
South Korea	5528	Philippines	1634
India	5025	Malaysia	1576
Total for Others	183639		73993
Others not Listed	22279		10390
Grand Total	206218		84383

NB: Trade Matrix for 2004 is from August 2003 to July 2004 and that of 2005 is from August 2004 to July 2005.

Source: Statistiques du Commerce Exterieur de la Cote d'Ivoire.

Cotton Yarn Exports (MT)

	2003	2004
Ghana	101	73
Guinea	79	103
Burkina Faso	6	76
Senegal	9	19
Mali	0	33
Others	1	0
Total	196	304

Cotton Fabric Exports (MT)

	2003	2004
Italy	1,315	1,079
Belgium	434	382
Spain	356	395
Benin	248	214
Senegal	193	285
Niger	149	67
Togo	131	51
Republic Dem. of Congo	0	183
Others	512	342
Total	3,338	2,998

Cotton Fabric Imports (MT)

	2003	2004
China	203	777
India	657	599
France	34	128
Senegal	58	50
Netherlands	105	48
Others	190	309
Total	1,213	1,911

Policy

Liberalization of Cote d'Ivoire's cotton sector started in 1990. However, it took shape in 1999 when the government privatized the former parastatal, Compagnie Ivoirienne de développement des Textiles (CIDT), which had monopoly power in the management of the sector. Three companies resulted from the break up with the government maintaining one company to be known as Nouvelle CIDT (CIDT), and the other private sector companies which became LCCI (la Compagnie Cotonniere Ivoirienne) and Ivoire Coton. The state took 30 percent share in each of the private companies. Each company was to continue the cotton promotion and development activities of the former CIDT in its operational area which included the provision of inputs, extension, and social services.

LCCI was allocated the northeast cotton producing zone with three gins. It later built an additional gin to total four. The LCCI is owned by Aiglon and a private Malian investor known as Mr. Sidi Kagnassi. It bought TRITURAF, the cottonseed crushing plant at Bouake, from UNILEVERS in 2004. Ivoire Coton operates in the northwest producing zone and has three gins. It is owned by IPS-CI (Aga Khan fund for economic development) and the Swiss Paul Reinhart AG. CIDT now operates only in the south cotton producing zone with four gins. Its further privatization has been put on hold due to the unstable political situation.

Initially, no competition among companies was envisaged as companies were given full control over their zone. The first sign of competition started in 2002 when URESCO-CI (Union Régional des Coopératives des Savanes de Cote d'Ivoire) established the ginnery, SICOSA, with the assistance of foreign partners, including Louis Dreyfus. Located within the LCCI zone at Korhogo, SICOSA has 80,000 MT of ginning capacity. URESCO-CI is the largest and most powerful cooperative group in the cotton sector, accounting for about 85% of seed cotton production. The creation of SICOSA followed URESCOS-CI unsuccessful bidding for one of the lots during the CIDT privatization process. SICOSA is managed on behalf of URESCO-CI through a private management contract currently held by Mr. Philippe VIAN.

In 2003, some spinning and weaving companies coupled with additional private investors to establish a new gin company called DOPA (Développement des Opération Agroindustrielle) in Bouake, an area under CIDT. It has 2 billion FCFA in capital held by Uninor (52%), Cotivo (42%), FTG (3%), and URESCO-CI (3%). Cotivo and FTG are local spinning and weaving companies. The ginning capacity of DOPA is 30,000 MT. DOPA was established to resolve spinning companies' difficulties in obtaining sufficient cotton lint for their operation.

There are currently 13 gins in Cote d'Ivoire with a collective ginning capacity of 520,000 MT.

The operations of SICOSA and DOPA have introduced competition into the Ivorian cotton sector resulting in the current seed cotton marketing disorder. The current situation penalizes the cotton companies which have invested in inputs and extension services for producers. To resolve this situation, the companies are developing a new system which is expected to be operational in the 2006/2007 marketing year. This new system will guarantee seed cotton supply to the cotton companies and secure reimbursement of their investment in seed cotton inputs. Under this system, the companies will sign a contract with the producers through their cooperatives for the provision of inputs and extension services. The extension services could be provided by any private company chosen by the cooperative. In return, the producers through their cooperatives will be engaged to deliver their seed cotton to the cotton company. This contract is to be signed under the supervision of ARECA (l'autorite de Regulation du Coton et de l'Anacarde), a government agency which controls and supervises the cotton and cashew nut sector.

In the 2002/2003 marketing year, URESCO-CI developed a scheme to import inputs. It consisted in selling forward a share of the forthcoming seed cotton crop to ginners and using the forward contracts to secure the credits needed to import the inputs. To facilitate implementation of the scheme, a financing institution, SOFICOCI (la Societe de Financement des Intrant cotton de Cote d'Ivoire) was created in March 2002 in partnership with FISDES (Ivoiro–Swiss Social and Economic Development fund), the cotton sector stake holders and the African Merchant Bank.

Cote d'Ivoire has supported the C-4 countries (Burkina Faso, Mali, Benin, and Chad) in their efforts to eliminate developed country cotton subsidies. It participated in ACA's (l'Association Cotoniere Africaine, African Cotton Association) meeting held at Ouagadougou, Burkina Faso from June 10-12, 2005. ACA was formed by the C-4 countries and is expected to embrace all cotton producing countries in Africa. Cote d'Ivoire's representative at the meeting was elected as an executive member of the association.

Cote d’Ivoire PSD Table

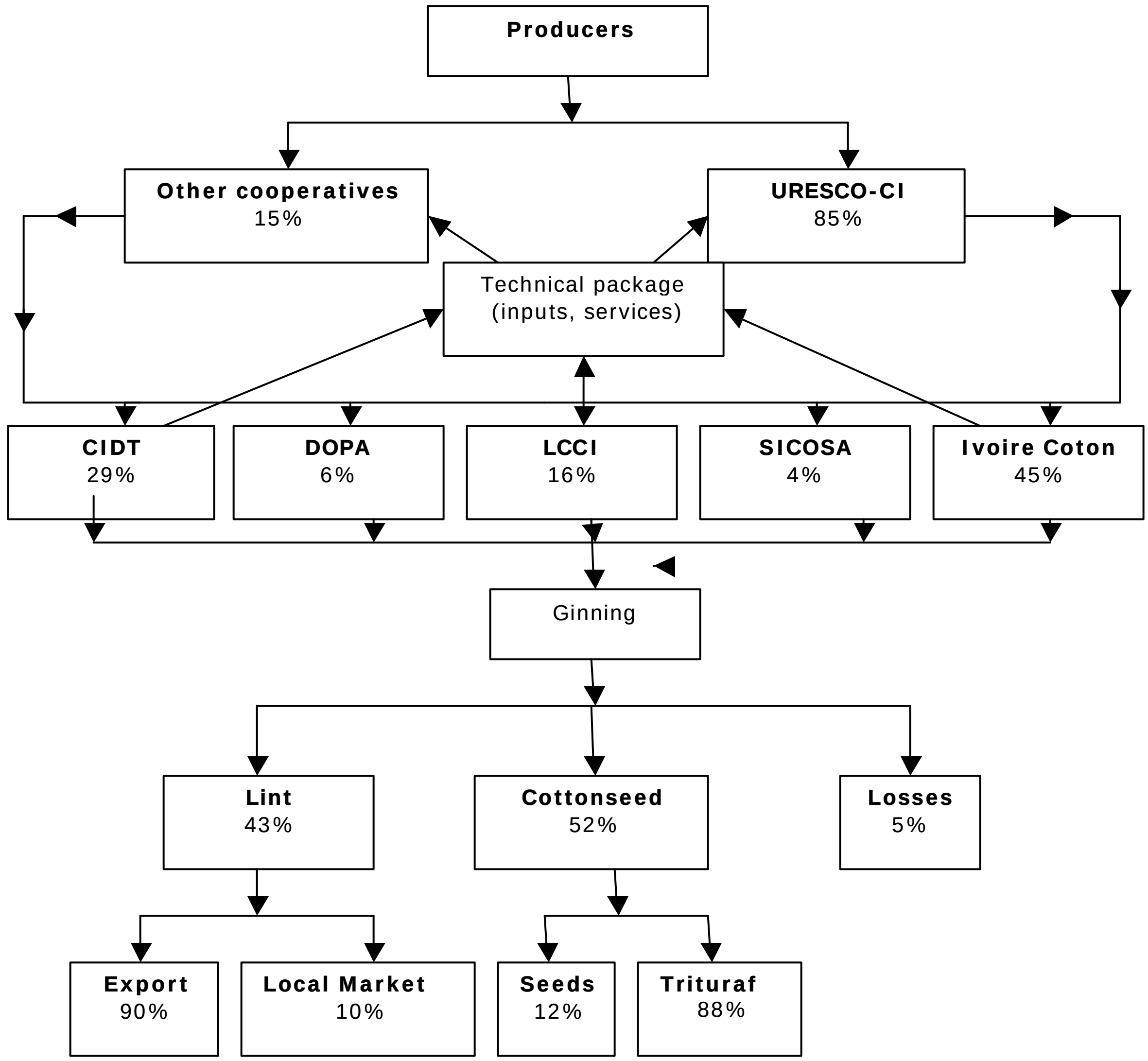
PSD Table

Country **Cote d’Ivoire**

Commodity **Cotton**

	2004 USDA Official [Old]	Revised Post Estimate [New]	2005 USDA Official [Old]	Estimate Post Estimate [New]	2006 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		08/2003		08/2004		08/2005
Area Planted (HA)	0	0	0	0	0	0
Area Harvested (HA)	230000	257564	300000	328338	265000	260000
Beginning Stocks (MT)	106251	127172	70326	1000	77946	48209
Production (MT)	87091	88746	130636	139392	124104	124000
Imports (MT)		300		200		0
MY Imp. from U.S. (MT)		0		0		0
TOTAL SUPPLY (MT)	193342	216218	200962	140592	202050	172209
Exports (MT)	108863	206218	108863	84383	119750	125000
USE Dom. Consumption (MT)	14152	9000	14152	8000	10886	7000
Loss Dom. Consumption (MT)		0		0		0
TOTAL Dom. Consumption (MT)	14152	9000	14152	8000	10886	7000
Ending Stocks (MT)	70326	1000	77946	48209	71414	40209
TOTAL DISTRIBUTION (MT)	193341	216218	200961	140592	202050	172209

Diagram for Cote d'Ivoire Cotton Sector



Source: UNCTAD

Mali

Production

Production is forecast to increase in 2005/2006 due to satisfactory rainfall, availability of inputs, and area expansion. In 2005, there were early rains in late May which encouraged soil preparation. A short period of drought set in from the beginning of June to mid-June. Since then the rains have been regular, abundant, and well-distributed throughout the planting and growing period. Area cultivated continues to increase due to new producers' entry and expansion activities of those already in production. For the 2005/2006 planting, producers had a timely delivery of inputs. Initial estimates of area cultivated after planting were 5 percent more than anticipated. To minimize the adverse effects of producer price reduction, producers have been encouraged to put more area under cereals (e.g., corn, millet, and sorghum) cultivation in cotton producing areas this year.

Production fell in 2004/2005 despite the high producer price. This was due to a high proportion of low quality seeds planted and unfavorable rainfall during the planting and crop development period. CMDT (the Malian parastatal cotton company) supplies all inputs to producers from planting to harvest. Like the region, seeds are not de-linted and planted by hand. Typically two seeds are planted per hill, but this can vary from one to four.

Investment in gin expansion has lagged the expansion of production. Shortages of gin storage capacity delayed the collection of seed cotton from farms and resulted in quality degradation in 2004/2005. This was due to production exceeding existing ginning capacity. There are 17 gins of total capacity of 575, 000 MT, including that of Ouéléssebougou whose construction is expected to be completed in time for the 2005/2006 crop.

In the 2004/2005 season, CMDT contracted two loans totaling 148 billion FCFA. The larger of the two pooled 130 billion FCFA for seed cotton purchases as well as ginning, transport, and marketing expenses. The pool included 15 international banks from Europe, America, and Asia, led by a French bank, Société Générale. The other was an amount of 18 billion FCFA for input purchases. Led by the Mali Development Bank (BDM-SA), the loan also consisted of a bank pool, comprising nine banks from the Francophone West Africa Economic and Monetary Union (UEMOA).

For the 2005/2006 season, the CMDT has contracted a credit facility of 30 billion FCFA from the BID (Islamic Development Bank) for input purchases. This facility will enable inputs to be fully procured up front with cash at a reasonable cost instead of attempting to gain credit with typical payments every 180 days at high interest rates.

Producers are responsible for ensuring cotton quality is maintained up to the village market delivery. CMDT provides the bulk of seed cotton transportation to the gins. However, CMDT also contracts some private sector assistance for this activity. The private sector handles all the transport services of lint cotton from the gins to the port.

In the 2005/2006 crop year, CMDT pursued a quality cotton production program as the only counter against falling world market prices. Measures undertaken included improved phytosanitary treatment, early harvest and good timing of subsequent ones, sorting of seed cotton during harvest, protection against contamination in the field, improved storage and market structures, seed cotton of the same identity to be loaded in the same containers or transported together, and permanent presence of zonal technical assistance agents at market places. Ginning plant supervisors are supposed to provide transport and create sufficient storage capacity at the gins to have a maximum quantity of seed cotton stored before March. This is intended to ensure seed cotton protection during late ginning.

Similar quality measures started in the 2004/2005 season contributed to an increase in the proportion of first quality seed cotton to 60.4 percent, up from 44.2 percent in 2003/2004.

Consumption

Domestic consumption is very low, estimated at about 1 percent of domestic lint production. However, consumption is expected to increase with the operation of FITINA and BATEX-CI.

FITINA, about one year old, and COMOTEX, established in 1964, are the two current spinners of cotton in Mali. FITINA's original goal was to produce 5,000 tons of yarn per year. In 2004, it produced 259 tons, was expecting to produce 1,624 MT in 2005 and 3,756 MT in 2006.

FITINA only processes 100% cotton, including carded and combed yarn, open-ended thread, and sack manufacturing. To date, FITINA is only involved in spinning. All yarn production goes to the export market. Their shareholder in Mauritius is their largest customer. This client produces products for AGOA and has a 15-year contract with FITINA. Their other customers are, listed in descending order, are Morocco, Cote d'Ivoire, and Senegal. Combed yarn constitutes 80 percent of yarn production. FITINA's ratio of lint cotton to yarn is 1.3 for combed cotton and 1.15 for carded yarn, which is believed to be poorer than the world average. Cotton waste is recycled into carded yarn and open-ended thread. FITINA has outsourced its sack manufacturing to Senegal, but was expected in July to begin local production in October/November for CMDT.

The company has shareholders in France (65%), Mauritius (25%), and Mali (10%). There is 7.4 billion FCFA invested in FITINA, 2.6 billion FCFA is capital funded by the shareholders and the remaining 4.8 billion FCFA is loans funded by the European Investment Bank, the West African Bank, and other local banks. In addition to the current shareholders, new partners from Morocco and India will add additional investment.

There are 203 employees, all Malian. Top management includes six Indian technicians, a French technical manager, and the general director.

The equipment used is from a closed spinning mill in France. FITINA has been refurbishing this equipment to date. Additional equipment to be provided by the new Moroccan stakeholders will also be European; the Indian stakeholders' capital contributions are unknown.

Transportation and electricity are the largest constraints for FITINA. Electricity costs 68 FCFA/KwH, compared to 25 FCFA/KwH in Mauritius. On average, it takes 42 days to ship cotton yarn from FITINA to their customer in Mauritius. The Cote d'Ivoire conflict has caused FITINA to change shipping routes from Abidjan to Dakar.

BATEX-CI is less than a year old. The company operates a facility previously closed five years ago. BATEX-CI is a 48 billion FCFA investment, 34 billion under financing.

Under the first year of operation, it has focused on printing, but began spinning operations in the fall. It had overhauled old and is installing new spinning equipment. The machinery used by BATEX-CI is of European and Indian origin. BATEX-CI has several Indian engineers focused on increasing productivity.

Previous to the upgrades, spinning capacity was only 2,000 MT per annum. However, in July BATEX-CI expected its capacity to be 10,800 MT by this fall and 23,000 MT by the end of its ten-year plan. BATEX-CI will produce open-end thread (67%), carded yarn (20%), and combed yarn (13%). The cotton products to be produced will primarily be for export, estimated at 80 percent.

The government of Mali has given BATEX-CI rights to operate under a free trade zone.

Electricity and petroleum are the largest costs of BATEX-CI. Transportation constraints are also a hindrance. Since BATEX-CI has no equipment to make cotton sacks, it intends to use its cotton waste as a petrol replacement in its boiler to save costs.

Trade

Cotton lint exports account for about 25 percent (131.3 Million FCFA) of export revenue in Mali. Exports are primarily contracted to purchasers in Switzerland, France, Belgium, Germany, Italy, Senegal, India, Thailand and Vietnam. CMDT ships to the closest port available, historically Abidjan (900-1000 km). Dakar (1200 km) has been the port of destination since violence erupted in Cote d'Ivoire. CMDT has tested the port in Guinea (900 km), but problems with the port have prevented any further shipments in that direction. Additionally, CMDT has tested shipments through the Port of Lome, Togo and Tema, Ghana. Most of the cotton is transported by rail. CMDT also uses a fleet of trucks to maintain an open passage to the port by road when problems occur on the rail lines. While currently rail problems are persistent and capacity remains very low, this will become a more dominant mode of transportation as service and capacity improve.

Until 1997/98, all cotton marketing was done by COPACO, an arm of DAGRIS. In this system, CMDT responsibilities ended after delivering cotton to the port. COPACO arranged sales and terms and funneled money back to CMDT after deducting a commission. CMDT has progressively moved away from dependence on DAGRIS for marketing activities, following on the path of its neighbors who incorporate competition when accepting bids from international merchants.

Stocks

CMDT stores very little lint cotton. Almost all lint cotton is immediately shipped to the port for shipment or extended storage. Three months is the absolute longest any lint cotton is held by CMDT.

Policy

Cotton heavily supports the Malian economy and 3-3.5 million of its people. Cotton is the main source of revenue in rural Mali, accounting for 25 percent of national export earning in 2003. Stemming from financial hardship and World Bank/IMF recommendations, the Malian cotton sector has been under ongoing reform since 1990. The reforms are meant to control production and ginning costs and to render the sector more competitive. The government is stressing increased cotton productivity and quality in these reforms. The government is also encouraging farmers to diversify production so to protect the country from dependency on cotton, but attaining producer credit for other crops remains difficult.

Since banks realize prices, and therefore revenues, are not guaranteed for alternative crop production, lending credit based on such production is considerably more risky. This heightened risk has caused non-cotton based loans to become virtually unavailable and deters the farmer's incentive to switch away from cotton production. According to the government's Cotton Sector Development Paper (LPDSC), farmers were given new roles which will require new competence and responsibilities. These include provision of agricultural inputs and equipments, agricultural advisory system, and producers' participation in the share capital of cotton companies.

CMDT is a ginning company that provides technical assistance for cotton production. It buys seed cotton from farmers for ginning. The lint exports have generated much foreign exchange for Mali's economic development. CMDT is owned by the government (60 percent) and DAGRIS (40 percent). In 1989, CMDT switched from a management group to incorporated company and purchased the assets of the Malian cotton sector. This was a legal shift and brought about many changes to the sector.

CMDT provides farmers with seeds for planting. Inputs are ordered one year in advance after consulting farmers at the village level and gathering an estimated planted area. These products are delivered at the time seed cotton is picked up from the villages to save transportation costs.

CMDT proposes suggestions, but the farmers make final decisions regarding their prospective area to be planted and input requirements. All inputs (e.g., fertilizers and pesticides) are first approved and then recommended to CMDT by the research institute of the Ministry of Agriculture and a regional research group.

In addition to cotton, CMDT monitors millet, sorghum, corn, and other fodder production to ensure proper balance with cotton cultivation and food security.

Farmers are responsible for proper seed cotton storage between harvest and delivery to the local marketplace, October through April. This usually means clearing space in their homes to provide shelter for the crop. Each village is given a date to deliver its cotton to the marketplace, usually there are two or three in the neighboring area. There are roughly 6,000 villages. A schedule of gin needs revises the delivery schedule every 10 days. The best cotton in the villages is collected first.

There are several organizational levels of cotton producers in Mali: villages, production zones, sectors, regions, and national. CMDT maintains communication with producer's at all organizational levels. There are 52 sectors and numerous production zones and villages. The CMDT regions include Fana, San, Koutiala, Sikasso, Bougouni, and Kita. OHVN (the Upper Niger Valley Program) is a production region previously liberalized from CMDT's control.

Organization of producers started at the village level in 1982. From this, village associations were created. After 1991, labor unions came to existence, starting with SYCOV (le Syndicat Coton et Vivrier). SYVAC came after 2001. Two others were created in the KITA region: SPCK and SYPAMO. The four labor unions united in 2003 to form GSCVM (le groupement des syndicates cotonnier et vivrier du Mali. In July, this labor union was expected to evolve into a federation of producers' cooperatives by October 2005. This transition will strengthen its legal rights, positioning it as an economic entity and stakeholder within the cotton sector. For instance, it will gain the ability to contract credit for input expenses and marketing activities. This will also allow farmer associations to become cooperatives. Following the strengthening of these entities, an inter-professional organization will be created after 2006. This is to include immediate cotton stakeholders: ginners and producers. The creditors, input distributors, and processors would be considered associate members of the organization.

Following protests from farmer associations in 2001, the government decided that CMDT should refocus its efforts on cotton-specific activities and move out of social services that did not directly involve the commodity. Prior to 2001, CMDT services involved well drilling, education, road maintenance, clinics, and other development projects. CMDT's past contribution to social service was sometimes overstated. For instance, road maintenance only consisted of grading during harvest so that CMDT was able to transport cotton. Since these activities were taken over by the state, improvements have been seen, although more needs to be done.

Before 1989, the minister council set an arbitrary pre-set seasonal price. Thereafter and until recently, the minister council took performance into account when setting the price, creating what was known as a ristourne. In this time, the cotton sector was run on a series of three-year contracts made between CMDT and the government. In the later of these contracts, farmers were involved in the negotiation.

Since 1998, the Malian cotton sector has been in a crisis triggered by lower-than-average world market prices which compelled the government to the decision of reforming the sector. In 1999, a follow-up committee reviewing the cotton sector discovered farmers were unhappy with the price they were receiving. The committee had set the 1999/2000 pre-set seasonal price at 170 FCFA even though the farmers wanted 200 FCFA. So when the 2000/2001 pre-set seasonal price was set at 165 FCFA, determined to be reflective of world prices, the farmers boycotted. As a resulting factor of the boycott, the MRSC (Cotton Sector Restructuring Mission) was created under the Office of the Prime Minister in February 2001 as a two-year project to look into the issues affecting the cotton sector and developing a strategic plan to solve its problems.

In April 2001, the MRSC organized a brainstorming meeting among all stakeholders in the cotton sector (i.e., banks, farmers, government, and ginners) to discuss possible solutions to the problems they faced. Out of this came the "the government's Cotton Sector Development Paper (LPDSC), signed June 6, 2001. This became the working document from which MRSC based its operations. It contained four areas of reform: communication, processing sector, oilseed sector, and the cotton sector.

- To reform communication all stakeholders of the sector were to become involved and informed. The agency immediately followed this by contacting all parties involved to confirm their agreement on the mission.
- Removing impediments to the development of the domestic processing sector to eliminate Mali's dependence on raw cotton exports and add value domestically.
- CMDT sold off HUICOMA, the national cottonseed processor, with the agreement that all CMDT cottonseed was to be sold to and likewise purchased by HUICOMA. This privatization of the oilseed sector was completed June 2, 2005.
- Pertaining specifically to reform within the cotton sector, it was viewed that CMDT was financially dead, while CMDT needed to be restructured, privatization would also occur.
    - It was determined that CMDT needed to remove itself from all activities that were not inherently "cotton" (i.e., well-drilling, road maintenance, etc.).
    - The capacities of farmers were to be built up with training,

- o Privatization was to occur in steps, starting with the OHVN region in the 2002/2003 season and concluding with complete privatization of CMDT by 2005.
- o The pricing mechanism was no longer to be based on CMDT's operating costs. Instead, farmers and ginners would negotiate a pre-set seasonal price. At the end of the season (starting in 2002/2003), a consultant would be hired to compare world prices against the negotiated producer price, while accounting for standard CMDT service costs. Any positive difference would be split between a payment to farmers and a reserve fund managed by CMDT. In the case of a negative difference, CMDT would withdraw reserve funds for the farmer.

The government remains in the first phase of the cotton sector reform. This involves determining the role producers will play in the new system. The government wants to ensure their rights and voices are not overlooked. There is intention to move away from labor unions which currently represent the farmers on a national stage. Mali is also looking at other countries' (e.g., Benin and Burkina Faso) privatization successes and failures while addressing its unique needs to create a system that reflects Mali's best interests.

When a privatization draft proposal is prepared, the first step will be to distribute it within CMDT. Later, the proposal will be distributed to include the Ministry of Finance, the World Bank, USAID, IMF, etc. as a call for consultations. MRSC will also be including the farmers in these consultations to eliminate any surprises. So far, the agency has funded trips for local experts to monitor others' experiences. These trips have shaped the Malian restructuring process (i.e., a trip to Benin by farmers have increased the concern that farmers must play a powerful role in the new system). An expert was to be contracted before 2006 to determine how many zones CMDT will be split into to – three or four, as predetermined by a previous study. The farmers have expressed their preference of four companies. It has also been predetermined that the OHVN/Kita region will combine to form one zone. It was determined that the OHVN region by itself would be too small alone. Following the restructuring, a standard no-firing term will follow to protect the employment rights of all employees.

After an initial attempt to privative specific ginneries in Bamako, Ouélessébougou, and Kita (OHVN/Kita zone) from 2002 through 2003, the government decided to privatize the CMDT entirely in one single transaction to be later made in 2006. Since then, the target date has been pushed to 2008.

While the 2002/2003 pre-set seasonal price was 180 FCFA, the 2003/2004 seasonal price of 200 FCFA was challenged by the World Bank as being unrealistic. Since the price had been negotiated upon, it was legally binding. At the end of the season, the government paid only a portion of the contracted 200 FCFA, leaving the farmers 7.9 billion FCFA underpaid.

When negotiating the 2004/2005 price, the farmers reasoned they should receive at least 210 FCFA, the same amount Burkina Faso was offering. Although the World Bank again considered this price unrealistic, the government felt it could rationalize this price with both farmers and the World Bank by treating Malian farmers like those of Burkina Faso. CMDT would pay the remaining balance owed to its farmers from the previous season in the current. Based on the ICAC price forecast of the international price and a set price of 210 FCFA for 2004/2005, the government predicted a deficit of 7.6 billion on April 28, 2004. This would leave a 300 million FCFA cushion for CMDT at the end of the season. However, by July 2004 the world price plummeted and the predicted 7.6 billion FCFA deficit increased to a 36 billion FCFA deficit. Mali's stabilization fund was broke and beyond repair.

Mali's latest price mechanism was established on January 13, 2005; it has the following rules:

- The mechanism applies without recourse;
- A non-deficit farmer-managed stabilization fund will be established;
- The base price will be set low initially on intention to ensure available stabilization fund, and is determined by three indicators: world cotton price ('A Index'), sub-region price (African regional quote), and production costs;
- In August, an evaluation of the system will be conducted to possibly adjust the preset seasonal price downward if needed, but the seasonal price cannot be raised;
- In each June following, a consultant will be hired to determine the final seasonal price after analyzing world prices as compared to both prices received by Malian farmers and standard costs associated with CMDT value-added services.
- If there is a positive residual, two equal allocations to the stabilization fund will be made for future need, one on behalf of the farmers and one on behalf of CMDT. If the difference is negative, the respective reserve funds would provide compensation.

The stabilization fund is newly created and thus does not have a current balance. This is the rationale for a very conservative base price of 160 CFA for 2005/2006. In future years, the stabilization fund would cover unexpected debts that may occasionally occur. In addition, the mechanism requires that a base price of between 160 and 175 FCFA/kg be set for the initial three marketing years: 2005/2006, 2006/2007 and 2007/2008; a discount of 25 FCFA/kg and 45 FCFA/kg is applied for second and third quality respectively. Each season's base price is to be announced before the beginning of the planting period each year, April 30 at latest.

Mali PSD Table

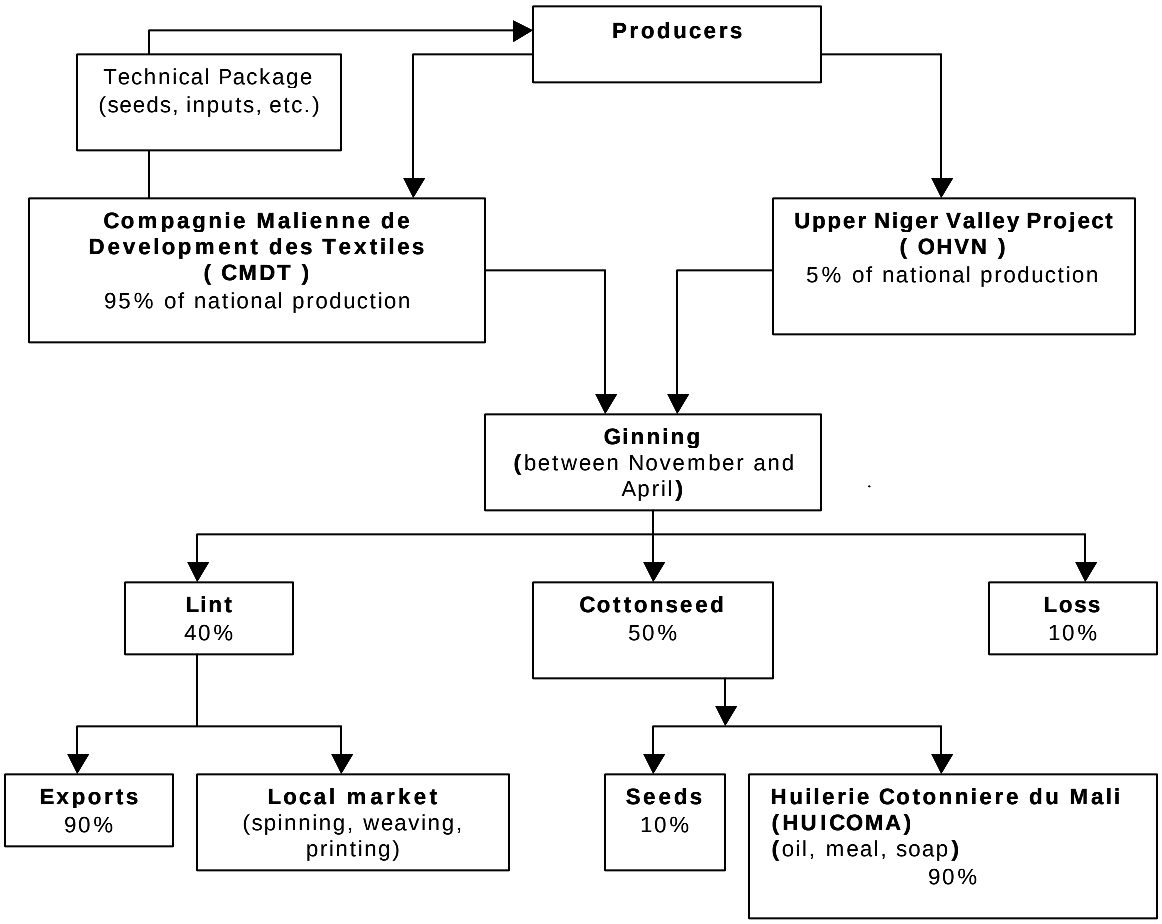
PSD Table

Country **Mali**

Commodity **Cotton**

	2004 USDA Official [Old]	Revised Post Estimate [New]	2005 USDA Official [Old]	Estimate Post Estimate [New]	2006 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		08/2003		08/2004		08/2005
Area Planted (HA)	0	0	0	0	0	0
Area Harvested (HA)	516000	539890	533000	563354	540000	580000
Beginning Stocks (MT)	54867	55956	55956	55876	84260	55551
Production (MT)	261272	259644	239499	239581	250386	260000
Imports (MT)		0		0		0
MY Imp. from U.S. (MT)		0		0		0
TOTAL SUPPLY (MT)	316139	315600	295455	295457	334646	315551
Exports (MT)	255829	258050	206840	234906	239499	260000
USE Dom. Consumption (MT)	4355	1674	4355	5000	4355	6000
Loss Dom. Consumption (MT)		0		0		0
TOTAL Dom. Consumption (MT)	4355	1674	4355	5000	4355	6000
Ending Stocks (MT)	55956	55876	84260	55551	90792	49551
TOTAL DISTRIBUTION (MT)	316140	315600	295455	295457	334646	315551

Diagram for Mali Cotton Sector



Source: UNCTAD