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## Senegal

### Cotton and Products

### French Speaking-West Africa Cotton Annual

## 2008

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**Report Highlights:**

Final seed cotton production estimates across the region indicate that 2007/08 was the worst year for production since 1994/95. In most producing countries, rains were late and insufficient, and low yields, low cotton prices and high input prices continued to place financial burdens on the sector. 2007 was also a poor year for reform of the largely state-owned cotton companies. Initial forecasts for 2008/09 see a slight rebound in area and production. However, cotton production will have to compete with cereal crops for all the factors of production – such as land, water, labor and fertilizer - in an era of spiraling food prices.

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## Executive Summary

This annual report updates cotton production estimates for 2007/08 and forecasts production for 2008/09 for six countries in French speaking West Africa; Senegal, Mali, Burkina Faso, Benin, Cote d'Ivoire and Chad. It remains very early in the year to forecast production, and concrete data is very difficult to obtain for some of the countries included in this report (Chad and Cote d'Ivoire). In most production areas in the band from the coast to the lower Sahel, rains are just beginning. In addition to rain, farmers need inputs and announced prices for both inputs and seed cotton in order to make planting decisions. Many of these factors – such as the establishment of national input prices – remain to be resolved. While cotton prices are already announced in all countries – and are higher than last year's level – cotton will have to compete with cereals for area and inputs as all countries are simultaneously putting significant effort into increasing cereal production. These are not conditions which would suggest an increase in yields, which is what the sector most desperately needs. The financial health of the cotton sector in most countries remains quite fragile, and the financing burden (and debt) of some cotton companies (and producers) will weigh on producer decisions.

Across the region final 2007/08 seed cotton production numbers are revised lower again, as year-to-year production fell 40 percent in Mali, and nearly 50 percent in Burkina Faso. Benin has the distinction of being the only country to increase production year-to-year in 2007/08. Production is expected to rebound across the region in 2008/09 due to higher farm gate prices, although in post-conflict Chad and Cote d'Ivoire, financial debts and structural problems paint a more uncertain picture. Burkina Faso and Benin stand out as two producing countries that are expected to be best positioned to take advantage of increasing world prices and increase cotton production significantly in 2008.

In addition to going on the record as one of the lowest levels of regional production in over twelve years, 2007/08 was not a particularly good year for cotton reform in West Africa. The privatization of CMDT in Mali has all but stalled, and the state-owned company is heavily laden in debt. The announcement of an extremely high pre-season seed cotton price at 200 CFA outside of the normal protocol has baffled donors and reform proponents. Stakeholders indicate that the privatization will go forward, but buyers are scarce given the current conditions. Benin's privatization of SONAPRA was initially approved and then rejected by the government in the fall of 2007. While there is no lack of opinion on the failure, most signs point towards the political importance of SONAPRA, and its gins and farmers across the country, and primarily in the north. On a somewhat brighter note, Burkina's cotton sector underwent an important recapitalization, and state subsidies, concessional loans, and development assistance continue to keep the cotton sector afloat. The effect of the privatization of DAGRIS, which was the former French parastatal that owned important shares of cotton companies around the region, remains to be seen.

For more detail on the structure of the cotton sector in each country, please see the [2007 Annual West African Cotton Report, GAIN SG7011](#).

## Mali

The final 2007/08 seed cotton production estimate is 232,000 MT, which represents a 44 percent reduction from the previous season and a 60 percent reduction compared to Mali's peak production of 600,000 MT in 2005/06. Many farmers abandoned cotton to grow cereals in 2007<sup>1</sup>, and many farmers who did grow cotton have yet to be paid. Higher world cotton prices may not be enough to revive the sector which faces significant structural and institutional constraints. Mali's target area for 2008/09 is 450,000 ha; however the result will likely be significantly lower. The lower range for potential area is 250,000 ha and cotton production in Mali for 2008/09 is likely to fall within a band of 250,000 to 450,000 tons of seed cotton. Based on the totality of information available, FAS Dakar is forecasting seed cotton area at 350,000 ha, or approximately 580,000 bales. While it is very early to have a more precise forecast of production, there are numerous factors that need to be resolved before farmers make their final planting decisions. A more accurate forecast will be available in mid-June. Key to their decision will be the availability of inputs - a factor which is tied to the financial health of CMDT and the entire sector. Currently, there are enough fertilizer and pesticide inputs to plant approximately 250,000 hectares. These inputs were left over from the 2007/08 campaign and were refinanced by the local National Bank of Agricultural Development (BNDA). CMDT is having difficulty financing the remaining balance of inputs needed and will likely need a sovereign guarantee from the Government of Mali (GRM) to back-up the needed bank financing. Due to the large debts accumulated over recent years, provision of the needed credit may be very difficult to obtain.

Another factor which may further affect the financial health of the sector is the early announcement of the cotton price in Mali, which was announced at 200 CFA. At 200 CFA/kg, the price announced in Mali for the 2008/09 campaign is the highest in the region and was made outside of the normal price calculation formula. Previously, a protocol was in place between the GRM, CMDT and National Union of Cooperative Producer's Societies (UN-SCPCM) to use a formula for the calculation of the preliminary producer price. This protocol expired at the end of 2007, and prior to its renewal, the new price was recently announced. While the new price (which is 25 percent higher than the previous year's price) will certainly motivate producers, it also places the burden of financial risk on CMDT, which is currently in the midst of a privatization. The World Bank and other donors are concerned about the price which may risk tapping into the stabilization fund, which was just replenished with funds from the European Union.

Depending on the source, the privatization of CMDT is not proceeding in an optimal environment, or at an optimal pace. The privatization is hampered, among other things, by large debts held by CMDT (estimated at \$65 million for 2007/08), the declining state of capital equipment and farmers who are discouraged and have yet to organize into effective cooperatives. As a result of these challenges, the timetable for privatization continues to slip.

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<sup>1</sup> Farmers which abandoned cotton production to grow cereals helped contribute to a very successful cereal campaign, in which Mali harvest 3.4 million tons of corn, rice, millet and sorghum. As a result, Mali is much less dependent on imported cereals – in a time of escalating world prices - when compared to neighboring countries.

## Mali Cotton PSD Table

	2006 USDA Official	Post Estimate New	2007 USDA Official	Post Estimate New	2008 USDA Official	Post Forecast New	
<b>Market Year Begin</b>		08/2006		08/2007		08/2008	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARES)
Area Harvested	460	460	300	284	0	350	(HECTARES)
Beginning Stocks	271	271	190	190	117	117	1000 480 lb. Bales
Production	792	792	475	436	0	580	1000 480 lb. Bales
Imports	0	0	0	0	0	0	1000 480 lb. Bales
MY Imports from U.S.	0	0	0	0	0	0	1000 480 lb. Bales
Total Supply	1063	1063	665	626	117	697	1000 480 lb. Bales
Exports	850	850	525	486	0	570	1000 480 lb. Bales
Use	23	23	23	23	0	23	1000 480 lb. Bales
Loss	0	0	0	0	0	0	1000 480 lb. Bales
Total Dom. Cons.	23	23	23	23	0	23	1000 480 lb. Bales
Ending Stocks	190	190	117	117	0	104	1000 480 lb. Bales
Total Distribution	1063	1063	665	626	0	697	1000 480 lb. Bales
Stock to Use %	21.76	21.76	21.35	22.98	0	17.5	(PERCENT)
Yield	375	375	345	334	0	361	(KG/HA)

Note: Export data are estimates, as 2007 export statistics are not published yet.

## Burkina Faso

Like Mali, Burkina Faso experienced an extremely disappointing cotton campaign in 2007/08. In addition to low prices, and the late arrival of inputs, rains arrived somewhat late and were sporadic enough to result in a significant decrease in area planted. As the ginning campaign has just come to a close, the final production figure is reported to be approximately 354,000 tons of seed cotton, or 665,000 bales, which is a reduction of nearly 50% compared to the previous year. At the end of the season, and as a result of the appreciation of world cotton prices, farmers received a supplemental payment of 10 CFA/kg. As the rains begin to fall in southern Burkina Faso, and the 2008/09 planting season is about to begin, farmers are slightly more optimistic and motivated. The pre-season price was announced at 165 CFA/kg and the government has announced that the price of inputs will be maintained at 2007/08 levels, even though fertilizer and pesticide prices have appreciated significantly over that period. As a result of reduced acreage in 2007/08 two of the three cotton companies have significant input stocks remaining which help the sector maintain lower prices for the upcoming campaign. Still, the government is expected to provide a subsidy of 6 billion CFA, or USD 14.6 million. After three years of significant debts built up by the cotton companies, they each underwent a recapitalization program which improved their financial health and solvency. The cotton sector in Burkina Faso has established a smoothing fund which is intended to protect producers and ginners from large price fluctuations and will be financed by assistance from the EU, the French Development Agency, and payments made by the cotton companies.

### Burkina Faso Cotton PSD

	2006 USDA Official	Post Estimate New	2007 USDA Official	Post Estimate New	2008 USDA Official	Post Forecast New	
<b>Market Year Begin</b>		08/2006		08/2007		08/2008	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARES)
Area Harvested	700	700	425	400	0	520	(HECTARES)
Beginning Stocks	360	360	306	306	202	177	1000 480 lb. Bales
Production	1300	1300	750	665	0	950	1000 480 lb. Bales
Imports	0	0	0	0	0	0	1000 480 lb. Bales
MY Imports from U.S.	0	0	0	0	0	0	1000 480 lb. Bales
Total Supply	1660	1660	1056	971	202	1127	1000 480 lb. Bales
Exports	1350	1350	850	790	0	950	1000 480 lb. Bales
Use	4	4	4	4	0	0	1000 480 lb. Bales
Loss	0	0	0	0	0	0	1000 480 lb. Bales
Total Dom. Cons.	4	4	4	4	0	0	1000 480 lb. Bales
Ending Stocks	306	306	202	177	0	177	1000 480 lb. Bales
Total Distribution	1660	1660	1056	971	0	1127	1000 480 lb. Bales
Stock to Use %	22.6	22.6	23.7	22	0	18.6	(PERCENT)
Yield	404	404	384	362	0	398	(KG/HA)

Note: Export data are estimates, as 2007 export statistics are not published yet.

## Benin

The 2007/08 Cotton Campaign final production estimate is 268,000 tons of seed cotton, or approximately 504,000 bales of cotton. With these results, Benin is the only country in this report to increase production over the previous year. Still, production was lower than pre-season targets and expectations and Benin hopes to increase production again in 2008/09.

The current targeted range of seed cotton area in 2008/09 is 300,000 to 400,000 hectares. FAS Dakar is using the lower range to forecast production due to the fact there will be significant competition for area and inputs with cereal crops such as corn, as well as other food crops. At the same time, the 2008/09 seed cotton price has been announced at 190 CFA/kg which will likely encourage additional area, depending on the price (and availability) of inputs. As of mid-May, the government had not certified the price of fertilizer and pesticides which always creates uncertainty in advance of the production season. While credit exists for these inputs, rising prices are increasing the cost of production for farmers which rely on production of seed cotton to repay the debts to the ginning companies.

### Benin Cotton PSD

	2006 USDA Official	Post Estimate New	2007 USDA Official	Post Estimate New	2008 USDA Official	Post Forecast New	
<b>Market Year Begin</b>		08/2006		08/2007		08/2008	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARES)
Area Harvested	231	231	250	234	0	300	(HECTARES)
Beginning Stocks	183	183	148	148	163	142	1000 480 lb. Bales
Production	475	475	500	504	0	620	1000 480 lb. Bales
Imports	0	0	0	0	0	0	1000 480 lb. Bales
MY Imports from U.S.	0	0	0	0	0	0	1000 480 lb. Bales
Total Supply	658	658	648	652	163	762	1000 480 lb. Bales
Exports	500	500	500	500	0	620	1000 480 lb. Bales
Use	10	10	10	10	0	0	1000 480 lb. Bales
Loss	0	0	0	0	0	0	1000 480 lb. Bales
Total Dom. Cons.	10	10	10	10	0	0	1000 480 lb. Bales
Ending Stocks	148	148	138	142	0	142	1000 480 lb. Bales
Total Distribution	658	658	648	652	0	762	1000 480 lb. Bales
Stock to Use %	29	29	27	27.8	0	22.9	(PERCENT)
Yield	448	448	435	469	0	450	(KG/HA)

Note: Export data are estimates, as 2007 export statistics are not published yet.

**Cote d'Ivoire**

Insufficient information exists to provide a detailed analysis of the Ivorian cotton sector, other to say that it continues to suffer a decline precipitated by the civil conflict which dates back to 1999. Yields in 2006/07 and 2007/08 declined significantly from previous years, due primarily to a diversion of fertilizer inputs to other crops and the late arrival of rains (which also led to a reduction in area). Seed quality has also been degenerating since national seed production capacity has been disrupted due to the civil conflict. Significant debt held by both producers and cotton companies alike has also destabilized the sector. Higher world cotton prices are forecast to lead to a rebound in area and production in 2008/09.

**Cote d'Ivoire Cotton PSD**

	2006 USDA Official	Post Estimate New	2007 USDA Official	Post Estimate New	2008 USDA Official	Post Forecast New	
<b>Market Year Begin</b>		08/2006		08/2007		08/2008	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARES)
Area Harvested	214	214	200	200	0	250	(HECTARES)
Beginning Stocks	323	323	223	223	148	173	1000 480 lb. Bales
Production	312	312	275	225	0	375	1000 480 lb. Bales
Imports	0	0	0	0	0	0	1000 480 lb. Bales
MY Imports from U.S.	0	0	0	0	0	0	1000 480 lb. Bales
Total Supply	635	635	498	448	148	548	1000 480 lb. Bales
Exports	362	362	300	225	0	375	1000 480 lb. Bales
Use	50	50	50	50	0	0	1000 480 lb. Bales
Loss	0	0	0	0	0	0	1000 480 lb. Bales
Total Dom. Cons.	50	50	50	50	0	0	1000 480 lb. Bales
Ending Stocks	223	223	148	173	0	173	1000 480 lb. Bales
Total Distribution	635	635	498	448	0	548	1000 480 lb. Bales
Stock to Use %	54.1	54.1	42.3	62.9	0	46	(PERCENT)
Yield	317	317	299	245	0	327	(KG/HA)

**Senegal**

After achieving record yields and production in 2006/07, Senegal's final figures for 2007/08 reflect a 12 percent reduction to 88,000 bales due to reduced yields due to poor rainfall. Production in 2008/09 is expected to rebound slightly, although yields will be constrained due to the expected competition for fertilizer inputs used for food crops.

**Senegal Cotton PSD**

	2006 USDA Official	Post Estimate New	2007 USDA Official	Post Estimate New	2008 USDA Official	Post Forecast New	
<b>Market Year Begin</b>		08/2006		08/2007		08/2008	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARES)
Area Harvested	44	44	44	43	0	45	(HECTARES)
Beginning Stocks	41	41	41	41	36	34	1000 480 lb. Bales
Production	100	100	80	88	0	95	1000 480 lb. Bales
Imports	0	0	0	0	0	0	1000 480 lb. Bales
MY Imports from U.S.	0	0	0	0	0	0	1000 480 lb. Bales
Total Supply	141	141	121	129	36	129	1000 480 lb. Bales
Exports	80	80	65	75	0	90	1000 480 lb. Bales
Use	20	20	20	20	0	0	1000 480 lb. Bales
Loss	0	0	0	0	0	0	1000 480 lb. Bales
Total Dom. Cons.	20	20	20	20	0	0	1000 480 lb. Bales
Ending Stocks	41	41	36	34	0	39	1000 480 lb. Bales
Total Distribution	141	141	121	129	0	129	1000 480 lb. Bales
Stock to Use %	41	41	42	35.8	0	43.3	(PERCENT)
Yield	495	495	396	446	0	460	(KG/HA)

**Chad**

Insufficient information exists to provide a detailed analysis of the Chadian cotton sector, as the country continues to suffer from national and regional conflicts. Anecdotal information suggests that approximately 130,000 bales of cotton were produced through May, and a significant amount of cotton remains to be collected from farmers (this explains the significant drop in an already low yield). While the cotton producing area is in southern region, which has been spared most of the violence, Cotton Chad remains a state-owned company and the sector continues to suffer from a lack of financial support and reform. In addition to low yields due to lack of inputs and adequate extension, farmers are often paid late or in reduced amounts (if at all). All of these trends support declining area in the country. Area is forecast to decline slightly in 2008/09 while production is forecast to increase slightly – assuming all of the cotton is collected. No price has been announced for 2008/09.

**Chad Cotton PSD**

	2006 USDA Official	Post Estimate New	2007 USDA Official	Post Estimate New	2008 USDA Official	Post Forecast New	
<b>Market Year Begin</b>		08/2006		08/2007		08/2008	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARES)
Area Harvested	250	250	200	200	0	180	(HECTARES)
Beginning Stocks	93	93	63	63	58	58	1000 480 lb. Bales
Production	200	200	225	130	0	140	1000 480 lb. Bales
Imports	0	0	0	0	0	0	1000 480 lb. Bales
MY Imports from U.S.	0	0	0	0	0	0	1000 480 lb. Bales
Total Supply	293	293	288	223	58	198	1000 480 lb. Bales
Exports	215	215	215	140	0	140	1000 480 lb. Bales
Use	15	15	15	15	0	0	1000 480 lb. Bales
Loss	0	0	0	0	0	0	1000 480 lb. Bales
Total Dom. Cons.	15	15	15	15	0	0	1000 480 lb. Bales
Ending Stocks	63	63	58	38	0	38	1000 480 lb. Bales
Total Distribution	293	293	288	223	0	198	1000 480 lb. Bales
Stock to Use %	27	27	25	35	0	41	(PERCENT)
Yield	174	174	245	174	0	169	(KG/HA)