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Cote d'Ivoire

Cotton

Cotton Annual

1999

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Report Highlights:

Cotton production is forecast to increase in 1999/00 due to area expansion and continued high yields. The 1998/99 marketing year was the first year under privatization. Ivoire Cotton owned by IPS, and the Compagnie Cottoniere Ivoirienne owned by Aiglon, are the two companies which emerged from privatization. The government has set up a cotton guarantee fund to support the spinning companies.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Cotton production is forecast to increase in 1999/00 due to area expansion and continued high yields. It will be the third year in succession of record production. Farmers' acquisition of 10 percent share in each of the privatized companies will be a major boost to cotton production.

The 1998/99 marketing year was the first year under privatized companies. However, as stipulated in the privatization contract, the CIDT will continue to handle operations concerning cotton production and marketing and the impact of the privatization on production will be limited for next two years. Seed cotton purchases as of May 20, 1999 were 360,071 MT against 331,525 MT for the same period in 1998.

Producer price remained unchanged in 1998/99 at the 1997/98 level of 200 F CFA/kg for first quality seed cotton and 170 F CFA/kg for second grade seed cotton. However, farmers will receive an additional 5 F CFA/kg for both grades as incentive for higher production.

Local fiber consumption is increasing due to restructuring and investment programs. The Ivorian government's investment in restructuring is estimated at 30 billion F CFA. For 1999, it has established a cotton guarantee fund estimated at 2 billion F CFA in support of the spinning companies. The spinning firms are now buying cotton at world market price. The Ivorian government decreed a 5 percent additional premium on fiber to ginning companies to take account of high quality of Ivorian cotton, two-thirds to be paid by the government and one-third by Ivorian spinning companies.

Fiber exports are forecast to increase in 1999/00 due to rising production and the high quality fiber. Imports remain minimal.

Ivoire Cotton owned by IPS, of the Aga Khan group, and the Compagnie Cotonniere Ivoirienne, owned by Aiglon, a Swiss company, are the two companies which emerged from the privatization of two blocks of the three CIDT industrial blocks.

Exchange Rate: U.S. \$1 = 631 F CFA on June 7, 1999.

| | | | | | | |
|------------------------|---------------|---------|-------------|---------|----------------|---------|
| PSD Table | | | | | | |
| Country | Cote d'Ivoire | | | | | |
| Commodity | Cotton | | | | (HECTARES)(MT) | |
| | Revised | 1998 | Preliminary | 1999 | Forecast | 2000 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 08/1997 | | 08/1998 | | 08/1999 |
| Area Planted | 244313 | 244313 | 270000 | 271371 | 0 | 298000 |
| Area Harvested | 250000 | 244313 | 270000 | 271371 | 0 | 298000 |
| Beginning Stocks | 47682 | 17930 | 42238 | 43672 | 0 | 47742 |
| Production | 150231 | 146884 | 165000 | 160000 | 0 | 170000 |
| Imports | 0 | 110 | 50 | 70 | 0 | 40 |
| TOTAL SUPPLY | 197913 | 164924 | 207288 | 203742 | 0 | 217782 |
| Exports | 125193 | 97252 | 145000 | 130000 | 0 | 150000 |
| USE Dom. Consumption | 30482 | 24000 | 30000 | 26000 | 0 | 28000 |
| Loss Dom. Consumption | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Dom. Consumption | 30482 | 24000 | 30000 | 26000 | 0 | 28000 |
| Ending Stocks | 42238 | 43672 | 32288 | 47742 | 0 | 39782 |
| TOTAL DISTRIBUTION | 197913 | 164924 | 207288 | 203742 | 0 | 217782 |

Production

Cotton production is forecast to increase in 1999/00 due to area expansion and continued high yields from cultivated varieties. In the north, cotton production is the main source of employment, with its profitable and stable producer prices, and continues to attract new farmers into production. Farmers are further encouraged by their acquisition of 10 percent share in the two privatized companies from the government's 30 percent share. The seed cotton variety cultivated, N'TA 88.6, and the improved ISA varieties, are high yielding. Yields are further enhanced by technical supervision from the CIDT and ANADER (the government agricultural extension agency). The moderating factor to yields is the casual manner in which seeds are selected and tested for distribution to farmers, which often results in a low rate of germination.

Field visits indicate that farmers are at different stages in preparation for the next crop. While some farmers are now clearing land for planting others have finished land clearing and are ready to plant. The 1999/00 planting is late because of the rainfall irregularity and the slow pace in transporting seed cotton from the farms to the gins. The rainfall distribution in the producing areas has been uneven. The rainfall has been good in the center towards the east but has been irregular in other parts of the producing areas. For instance, from Bouake northwards to Korhogo, the rains have been good and regular, while from Sirasso westward, the rains have been irregular and the weather has been dry. The CIDT is distributing seeds to farmers according to their readiness to plant.

The 1998/99 year is the second in succession of record production and is attributed to good and well distributed rainfall, expanded area, high seed yields, farmers' production expertise and proper application of fertilizer and insecticide. The 1998/99 marketing year was the first year under privatized companies. However, the impact of

the privatized companies on the marketing operation is limited by the CIDT handling of the marketing operation for the next two years, as stipulated in the privatization contract. Few problems marred the marketing operation. There was initial disagreement on producer price between producers and the privatized companies which delayed the start of the marketing year. The transport of seed cotton from one region to the other by the CIDT to ensure equal supply of seed cotton to the ginning companies slowed down the marketing system and extended the ginning period. In addition, current production exceeds existing ginning capacity and will require extension of the ginning period to process all the seed cotton. Most gins are expected to operate in June as they continue to receive seed cotton. Ginning normally ends in April or May, after 6-7 months of operation.

Seed cotton purchases as of May 20, 1999 were 360,071 MT against 331,525 MT for the same period in 1998. Another 5,000 MT is likely to be purchased in the remaining season.

Seed Cotton Production (MT) by Region

| | 1997/98 | 1998/99 | Percentage Change |
|----------------|---------|---------|-------------------|
| Ferkessedougou | 54,082 | 56,256 | 4 |
| Korhogo | 88,758 | 94,221 | 6 |
| Boundiali | 50,716 | 52,521 | 4 |
| Odienne | 21,744 | 26,911 | 24 |
| Seguela | 12,141 | 14,885 | 23 |
| Mankono | 63,920 | 64,535 | 1 |
| Bouafle | 32,473 | 38,928 | 20 |
| Katiola | 12,389 | 9,942 | -20 |
| Zone ANADER | 2,874 | 1,872 | -35 |
| Total | 337,097 | 360,071 | 7 |

The quality of seed cotton continued to fall in 1998/99 due to late rains during the harvesting periods which adversely affected the humidity and cleanliness of the cotton. In addition, most farmers did not sort seed cotton by quality class, which reduced the overall quality of seed cotton delivered to gins. The quality of seed cotton was 58 percent for the first grade and 42 percent for second grade, against 60 percent and 40 percent, respectively, in 1997/98. The N'TA 88.6 variety is tainted in color compared to the ISA varieties which are clearly white. N'TA 88.6 accounted for about 54 percent of area cultivated.

In 1998/99, seed cotton yield fell due to abundant rains which adversely affected N'TA 88.6 yields and caused a problem of seed germination rate. N'TA 88.6 variety performs better in drier conditions. Seed cotton yields averaged 1,327 kg/HA against 1,380 kg/HA in 1997/98. Post expects further fall in yields to be about 1320 kg/HA in 1999/00 due to the persistent problem of seed germination rate. Pests were not a problem as farmers adhered to the recommended average insecticide application of 6 times per year.

The ginning rate was 43.55 percent in 1998/99 slightly below the 1997/98 level of 43.58 percent. Post forecasts the 1999/00 ginning rate at 1998/99 level.

In 1998/99, fiber grading fell in light of the poor quality seed cotton. About 57,6 percent was classified as high quality and 42,4 percent as standard quality compared to 63 percent and 37 percent, respectively, in 1997/98.

The producer price remained unchanged in 1998/99 at the 1997/98 level of 200 F CFA/kg for first quality seed cotton and 170 F CFA/kg for second grade seed cotton. However, farmers will receive an additional 5 F CFA/kg as an incentive since seed cotton production exceeded 300,000 MT. At the beginning of the marketing year, there was a disagreement on the producer price between the producers and the new companies. The producers demanded an increase in the producer price while the companies could not accede to their demand because of the low level of world market price. The producer price may be maintained for the second consecutive year due to continued low level of world market price. It is noteworthy that the producer price in neighboring Mali for first quality seed cotton is 185 F CFA/kg for the 1998/99 marketing year.

Consumption

Local consumption of cotton increased by 8 percent in 1998/99 and is expected to increase about the same rate in 1999/00 due to ongoing restructuring and investment programs. Investments are estimated at 8 billion F CFA and are expected to increase by 6 billion F CFA in 1999. Since 1991, the government has supported the restructuring of the textile industry with 30 billion F CFA. In 1999, it has established a cotton guaranteed fund of 2 billion F CFA as a support for the three spinning companies, Gonfreville, Utexi and Texicodi, to enhance their competitiveness. It intends also to protect local spinning companies by reinforcing measures against fraud and dumping. Since the beginning of the 1998/99 marketing year, the spinning firms have been buying cotton at world market prices. However, the Ivorian government has decreed a 5 percent additional premium on fiber to ginning companies to take account of the high quality of Ivorian cotton. This additional premium is to be borne 1.7 percent by the spinning companies and 3.3 percent by the government through the Guarantee Fund.

Trade

Fiber exports are forecast to increase in 1999/00 due to rising production and high demand for its quality. Post has revised downwards its estimate of 1998/99 exports due to the low world market prices. Similarly, Post has revised downwards the 1997/98 exports in line with official statistics. Exports for the first three months of 1999 were 37,245 MT against 34,401 MT for the same period of 1998.

Fiber imports for the CY 1998 were 102 MT, mainly from Mali. Imports for the first three months of CY 1999 were 70 MT, all from Mali.

| | | | |
|---------------------|---------------|-----------|-------|
| Export Trade Matrix | | | |
| Country | Cote d'Ivoire | | |
| Commodity | Cotton | | |
| Time period | 8/97 - 7/98 | Units: | MT |
| Exports for: | 1998 | | 1999 |
| U.S. | | U.S. | |
| Others | | Others | |
| France | 3816 | France | 1419 |
| Benelux | 1739 | Benelux | 1660 |
| Italy | 10228 | Italy | 6122 |
| Thailand | 9141 | Thailand | 6457 |
| Indonesia | 10706 | Indonesia | 10644 |
| Malaysia | 11639 | Malaysia | 10420 |
| China | 6220 | China | 6213 |
| Taiwan | 27274 | Taiwan | 19810 |
| India | 1819 | Brazil | 8484 |
| Brazil | 7398 | Vietnam | 3521 |
| Total for Others | 89980 | | 74750 |
| Others not Listed | 7272 | | 4235 |
| Grand Total | 97252 | | 78985 |

*NB: Exports for 1999 in the Trade Matrix is August 1998 to March 1999.

Cote d'Ivoire exports of cotton fabrics and yarn are mainly to the EC and the subregion and as follows:

Cotton Fabric Exports (MT)

| | 1997 | 11 months 1998 |
|---------|-------|----------------|
| France | 2,698 | 2,101 |
| Benelux | 584 | 1,329 |
| Italy | 3,152 | 2,711 |
| U.K. | 1,561 | 666 |
| Niger | 441 | 254 |
| Others | 806 | 757 |
| Total | 9,242 | 7,818 |

Cotton Yarn Export (MT)

| | 1997 | 11 months 1998 |
|--------------|-------|----------------|
| France | 74 | 397 |
| Benelux | 131 | 0 |
| Italy | 214 | 0 |
| U.K. | 343 | 72 |
| Portugal | 101 | 0 |
| Switzerland | 0 | 29 |
| Spain | 0 | 67 |
| Guinea | 104 | 47 |
| Burkina Faso | 30 | 130 |
| Others | 100 | 60 |
| Total | 1,097 | 802 |

Cotton Fabric Imports (MT)

| | 1997 | 11 months 1998 |
|----------------|-------|----------------|
| India | 279 | 647 |
| China | 944 | 1,188 |
| Portugal | 17 | 57 |
| Netherlands | 62 | 104 |
| Pakistan | 182 | 14 |
| Taiwan | 20 | 37 |
| United Kingdom | 0 | 51 |
| Spain | 0 | 139 |
| Others | 561 | 293 |
| Total | 2,065 | 2,530 |

Stocks

Post has revised upwards its estimates for 1998/99 ending stocks due to less than anticipated exports. Stocks are expected to fall in 1999/00 due to projected increase in exports.

Policy

There are no export tax on cotton and products. However, import taxes on cotton and products are as follows:

| | Fiscal Tax | Custom Duty | Value Added Tax | Statistical Tax |
|---------------|------------|-------------|-----------------|-----------------|
| Cotton Fiber | 5% | 5% | 20% | 2.6% |
| Cotton Yarn | 10% | 5% | 20% | 2.6% |
| Cotton Fabric | 20% | 5% | 20% | 2.6% |

Consequence of passage of the Africa Trade Bill

Little if any cotton fabrics are exported to the United States at present, about 16 MT. Post believes that passage of the proposed Africa Growth and Opportunity Act would not significantly change this situation. Aside from

labor, most costs of production (particularly those for energy and imported equipment (including maintenance)) are quite high. In addition, most cotton fabrics produced in Cote d'Ivoire feature African designs which would appeal to a relatively small niche market in the U.S. Therefore, preferential access to the U.S. market, of and by itself, is not likely to attract significant new investment to the textile sector. Nor would such access greatly affect Ivorian cotton consumption and trade.

Privatization

Two companies have emerged from two of the three industrial blocks of the CIDT privatized. They are Ivoire Coton for the north-west block (comprising the Dianra, Boundiali 1 and 2 factories) with majority share owned by IPS, the Aga Khan group, and the Compagnie Cottonniere Ivoirienne for the north-east block (Ouangolodougou, Korhogo 1 and 2) with majority share owned by Aiglon, a Swiss company. The organization of operations of the companies are being done in collaboration with the CIDT for a period of two years as stipulated by privatization contract. For instance, the CIDT will continue to provide technical supervision and input supply to farmers, purchase seed cotton from farmers and the sale of cotton fiber. The companies are only in charge of the factories' operations. The personnel of the former CIDT is being apportioned among the New CIDT and the two companies.