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Post: Lagos

Cotton Sector Situation-Benin

Report Categories:

Cotton and Products

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Report Highlights:

President Boni Yayi is trying to reduce the country's dependence on cotton export receipts through an ambitious agricultural diversification program that should encourage the revival of the agricultural sector and the economy. However, the GOB financial and technical support for seed cotton production and its value chain development continues to be very strong though the organization *L' Association interprofessionnelle du Cotton Au Benin (AIC)* was banned and its function were taken over by the Cotton Development Company, *SODECO*, the largest Private Public Partnership (PPP) in the cotton sector. Post forecast the 2012/2013 seed cotton production between 300,000 and 350,000 tons.

The CFA franc (fCFA) is pegged to the Euro at 665.95; Exchange Rate US\$ 1= 508.93 fCFA.

General Information:

For more information on the history and structure of the cotton sector in West Africa, please see previous reports, including [SG7011](#), [SG7020](#), [SG8001](#), [SG8012](#) and [SG8020](#).

PSD Table: Cotton

Cotton Benin	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Aug 2010		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0		0	0	0	330
Area Harvested	180	180	200	200	200	200
Beginning Stocks	73	73	63	63	128	69
Production	300	300	350	350	400	573
Imports	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	373	373	413	413	528	642
Exports	300	300	275	334	325	513
Use	10	10	10	10	10	10
Loss	0	0	0	0	0	0
Total Dom. Cons.	10	10	10	10	10	10
Ending Stocks	63	63	128	69	193	218
Total Distribution	373	373	413	413	528	642

1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA

Production

Cotton seed production is concentrated in the north and center of Benin, an area known as the cotton belt (Alibori and Donga departments). About two-thirds of the farmers of Borgou department grow cotton, 37 percent of those in Atacora department and 64 percent of those in the central department of Zou. By contrast, in the three departments in the south (Atlantique, Mono, and Ouémé), the percentage ranges from zero to 25 percent. The head of the national cotton company *SONAPRA* indicated that at least 330,000 hectares were planted, and estimated a production increase of over 50 percent from the last season.

2012/2013 Cotton Harvest Predicted to Double

According to the Minister of Economic Analysis, Development and Economic Forecasting, Marcel de Souza and Minister of Agriculture, Livestock and Fisheries, Kate Sabai, to date 225,000 tons of cotton have been ginned so far from the estimated cotton production for the 2012/2013 campaign (est. 350,000 tons) based on additional yields expected from the cotton harvest in the country's cotton belt of Alibori and Donga departments. Benin 2011/2012 cotton production totaled 174,052 tons.

The 2012/2013 cotton season was delayed as inputs (fertilizers and seeds) were not in place as expected in April/June last year. The planting season should have started in March/April, but still in July, the Government of Benin (GOB) was arguing with its main fertilizer supplier, businessman and former chairman of *L' Association Interprofessionnel du Cotton (AIC)*, regarding the terms of

delivery/and payment for 80,000 tons of fertilizer to start off the 2012/2013 cotton season. Due to the delay in the planting season, the GOB lowered its initial 2012/2013 forecast from 500,000 tons to 350,000 tons.

Benin was the fourth biggest cotton producer in West Africa last season, behind Burkina Faso, Mali and Ivory Coast. The cotton production forecast is often missed because of unpredictable weather. Until June 2012, *AIC* was responsible for coordinating marketing of inputs and seed cotton, facilitating financial and economic claims among the key stakeholders, and was the main importer and distributor of cotton insecticides. However, the GOB replaced *AIC* and established a new sector framework, *Cadre Institutionnel Transitoire de Gestion de la Filière Cotton*, to set the guidelines for the management framework to revive the cotton industry, including defining new terms for public-private partnerships (PPPs).

Inputs

During the 2012/13 cotton season, the GOB provided high-quality agricultural inputs (seed, fertilizers, pesticides) to cotton farmers. As a result, yields are expected to double that of the 2011/2012 cotton season. However, the delivery of inputs was delayed due to political/personal rivalry between President Yayi and the former chairman of *AIC*, former friend and financial supporter. For this reason Post forecast production to be lower at 250,000-300,000 tons.

Products	Non subsidized price	Subsidized price for producers
Fertilizer (NPK+urea)	19,800Fcfa/sack of 50kg	10,000fcfa /sack of 50kgs
Pesticides (ha per treatment)	12,000fcfa/ha	6000fcfa/ha per treatment
Herbicides	4000fcfa/liter	3000fcfa/liter
Cotton seed	Free	Free
Farm gate price cotton grain	280fcfa/kg	260fcfa/ kg paid to producer

Source: IFDC.org; SONAPRA

Trade

Benin's economy is chiefly based on agriculture, however, cotton accounts for nearly 40% of GDP and roughly 80% of official export receipts, therefore cotton exports are vital to Benin's economy and an integral part of the country's development plans and poverty reduction strategies. Between 72,800-74,000 tons of lint (334,367 bales) were exported in 2011/2012.

Consumption

Cotton is grown by small scale farmers and sold to ginning companies, which transform it into cotton lint and/or produce other by products such as cotton seed, cake and oil, etc. whose export has developed strongly in the last few years. After rising to become one of the 20 leading global producers of cotton lint between 2004 and 2006, Benin experienced a sharp fall in production and exports and has not been able to recover its former output levels. For example, in 2010/2011 production was less than one third of the installed ginning capacity (620,000 tons). Likewise,

production of cotton lint was less than half of the level recorded in 2004/2005.

The Government set the cotton farm gate price of 260 CFA francs (\$0.51) per kg for the 2012/2013 season, up from 250 CFA/kg last season and 200 CFA/kg the season before, in an attempt to stimulate more planting. Post believes that it is highly unlikely that cotton production will return to the historical levels of the late 1980s and 1990s given the lack of capital investment in the sector (reaching 700,000 tons per year). Last year, the total subsidies paid by GOB amounted to almost 17 million Euros or US\$ 22.5 million.

Benin's institutional framework was modified in 2006 although the cotton subsector saw partial privatization of the marketing of seed cotton and opening of cotton inputs to the private sector in 1988. Responsibilities for seed cotton had been transferred to farmers' associations which caused them to lose their representational nature and then became mostly seed cotton sellers. As a result, the institutional framework brought together the value chain: ginners, importers and distributors of inputs, as well as producers in the cotton subsector.

Currently, there are several ginning companies operating in Benin. *SODECO*, a Public Private Partnership (PPP) is the largest one with 10 ginning factories. All ginners (below) except for Marlan's Cotton Industries (MCI) are represented in *AIC*.

Name	Abbreviation	Number of ginning factories per company
Société pour le développement du Coton	SODECO	10
Société d'Exploitation Industrielle Cotonnière du Bénin	SEICB	1
Label Coton du Benin	LCB	1
Industries Cotonnières Associées	ICA	5
Marlan's Cotton Industries	MCI	1

Source: WACIP

Policy:

Improving agricultural productivity and strengthening diversification are at top of the agenda in President Yayy's overall economic development strategy. However, the main problem in the cotton sector is the lack of investment capital to upgrade the existing textile factories to facilitate apparel exports of the quantity and quality that U.S and other markets require.

The GOB's attempt to revitalize the cotton sector, so far, has included making sure that producers/farmers are fully paid for the previous year's crop, consolidating farmer's organizations, creating village cooperatives, providing capacity building to small producers, and fortifying input committees to reach the goal of 600,000 tons of seed cotton production in the next 5 years. This has been an on-going effort since the country's estimated national ginning capacity is 620,000 tons.

In late October 2012, Post confirmed the Government of Benin imposed a ban on *AIC* to work in any of its former authorized functions in the cotton sector. *AIC* was previously authorized to manage the services that support the cotton value chain including production and marketing of the seed cotton, distribution of seeds, procurement of fertilizer, and organization of the collection of cotton; Also removed were their responsibilities for research, capacity building for cotton farmers, distribution of

inputs, quality control of seed cotton and lint, and marketing.

The implications of this policy/change are still pending; many believe that the GOB may want to take over *SODECO*.

On June 2012, The West African Cotton Improvement Program (WACIP) reported that the GOB had stripped *AIC* of all its responsibilities in the cotton sector and had created a new platform/framework to take *AIC* over those responsibilities. In turn, WACIP selected another organization to implement its work plan. WACIP found a new partner in the *Direction du Conseil Agricole et la Formation Operationnelle (DICAF)* to implement its work plan.

The USAID West Africa Cotton Improvement Program (WACIP) was initiated to help Benin, Burkina Faso, Chad and Mali – collectively known as the Cotton-4 (C-4) countries – increase cotton productivity and participate in world trade. About 10 million people in the C-4 countries depend on cotton for their livelihood and quality of life, including two million cotton farmers and their immediate families.

IFDC was awarded a multi-year cooperative agreement by the United States Agency for International Development (USAID) to lead a consortium to implement the C-4 component of the overall program. IFDC's partners are Abt Associates, Aid to Artisans and Auburn, Michigan State and Tuskegee universities in the United States. Most USAID WACIP activities are implemented by African partner agencies through a grants program.

Through USAID, multiple initiatives have been organized in support of the cotton sector in the C-4 countries and in Senegal under the broad \$17 million WACIP umbrella. USAID WACIP is increasing incomes for West African farmers, for both cotton and non-cotton crops, by raising yields and improving agro-input use efficiency; Cotton processors – ginner, artisans and textile industrial – by improving the quantity, variety and quality of cotton products.

The United States continues to provide robust support for development of cotton in Benin as one of the C-4 countries (Benin, Burkina Faso, Chad, and Mali) through WACIP. Currently, this program is in its second phase and will build on the positive results of the first phase. This new cotton is being introduced as the existing program winded down in April 2012. However, the USG aims to provide significant resources – up to \$16 million over four years (subject to the outcome of the budget process) to support the cotton sector in Benin. The key elements will be the use of a Development Credit Authority guarantee and PPPs to drive private debt to investment funds and organizations that will make debt and equity investments in small- and medium-sized enterprises operating in agricultural value chains in West Africa.

Marketing

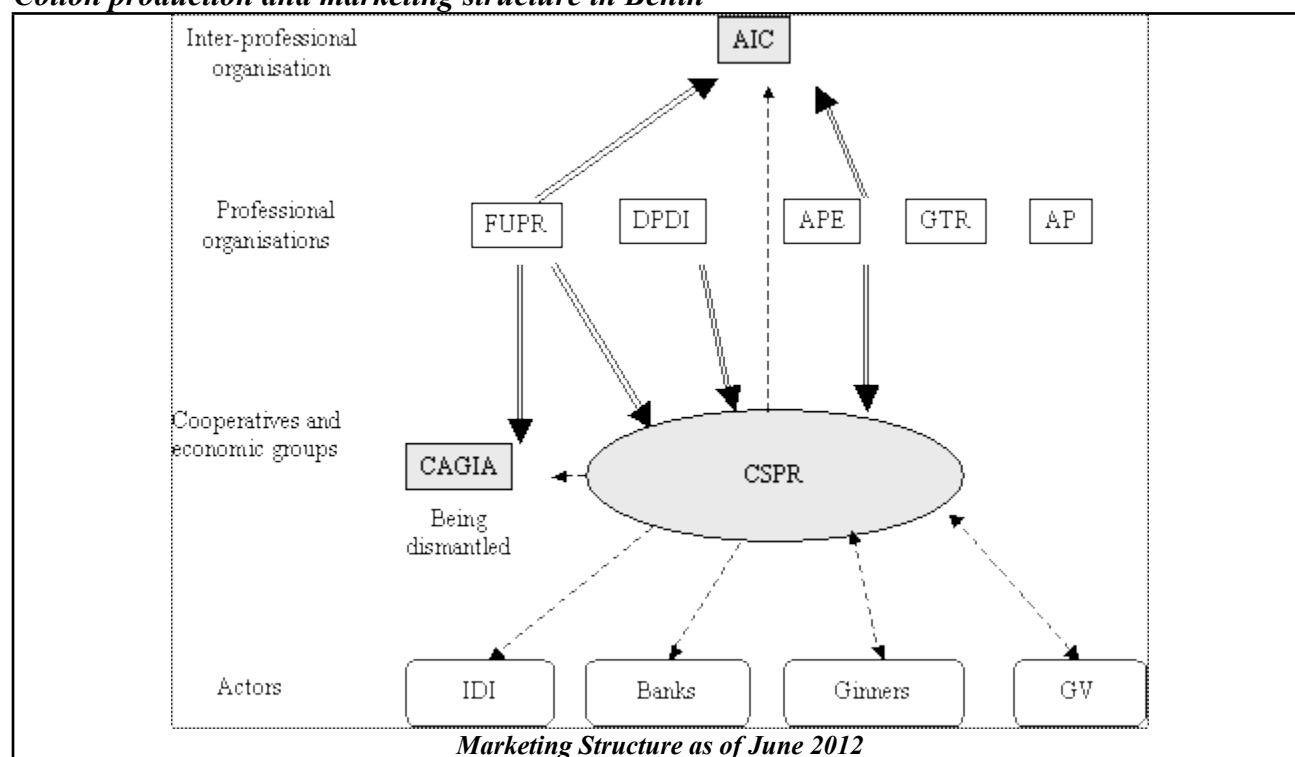
The marketing activities and management of the cotton supply chain was until recently in the hands of the industry stakeholders' organizations. The new production and marketing structure is yet to be disclosed since *AIC* is banned from any previous responsibilities and the new framework is being developed by the GOB.

From 2001-2008 The World Bank financed a project that facilitated the transition to a more competitive system, supporting private sector operations, and brought institutional change resulting

from the privatization of the National Company for Agricultural Promotion (*SONAPRA*) ginning activities. The project focused on supporting the institutions involved in cotton ginning, namely the *Association Interprofessionnelle du coton (AIC)*, *Centrale de Sécurisation des Paiements et du Recouvrement (CSPR)* and the *Federations des Unions de Producteurs (FUPRO)* to become operationally effective. It also supported financing operations including training for institutional capacity building. Furthermore, the project implemented a sector-wide technical services program to get the private sector to take responsibility for the supporting functions carried out by *SONAPRA*, whose ginning plans and operations privatization included assistance and advisory services for the reform process.

In 2006, local cotton producers' councils were set up as a framework for consultation among all the producers as represented by their respective associations. Subsequently, departmental cotton producers' councils (CPDC) were introduced, together with a constituent general assembly of the National Cotton Producers' Council (CNPC). The former structures, the Federation of Producers' Unions (FUPRO- Bénin), the trade association of cotton ginners of Benin (APEB) and the trade group of distributors of agricultural inputs (GPDIA) were replaced, respectively, by the CNPC, the National Cotton Ginners' Council (CNEC) and the National Council of Cotton Input Importers and Distributors (CNIDIC).

Cotton production and marketing structure in Benin



Source: [French Embassy in Cotonou, Economic Commission](#) (dossier on cotton - French only)

