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Cotton and Products Update

2014 West Africa Cotton and Products

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Report Highlights:
MY 2014/15 (Aug/July) rainy season started normally in May for most selected countries but a long pause during June and July could reduce countries' initial targets. However, Post believes that this MY 2014/15 seed cotton production is likely to grow 16 percent (1.8 million tons) as Mali intends to increase production 36 percent and produce 600,000 tons, followed by Burkina Faso and Chad (10 percent), and Cote d'Ivoire (8 percent). Senegal revised its initial target which is expected to stabilize. Post confirmed seed cotton production for MY 2013/14 at 1.6 million tons. Farm gate and input (fertilizer and urea) prices have been announced for most countries. Generally, farm gate prices decreased compared to the preceding year.

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Executive Summary:

Post confirmed MY 2013/14 (Aug/July) seed cotton production for selected West African countries at 1.6 million tons representing a small increase (2 percent) compared to the preceding year.

Despite a difficult rainy season with a long pause during June and July for most selected countries, seed cotton production for MY 2014/15 is expected to grow 16 percent (1.8 million tons) from the previous year to 1.8 million tons and 19 percent compared to MY 2012/13.

Burkina Faso, the largest cotton producer, is estimated to produce 710,000 tons followed by Mali (600,000 tons), Cote d'Ivoire (440,000 tons), Chad (90,000 tons), and Senegal (28,000 tons). (See Table 1)

Farm gate prices have been announced for all selected countries except for Chad and Senegal. Generally, prices decreased compared to the previous year. (See Table 2)

MY2013/14 and MY 2014/15 cotton update for selected West African countries

Burkina Faso

Production

Burkina Faso produced 647,000 tons of seed cotton on MY 2013/14, up 2 percent compared to the preceding year (630,000 tons).

The MY 2014/15 rainy season started with difficulty. Most cotton seeds were planted in July instead of June and farmers had to replant many times due to lack of rains. This situation was also observed in the Eastern part of the country which is an important cotton production zone. Despite this difficulty, the tree cotton companies forecast seed cotton production at 710,000 tons hoping that rains will go beyond September representing 8 percent increase compared to Post previous forecast and 10 percent increase compared to last year production. Yet, area planted was estimated at 621,000 ha in July with 80 percent of Bt cotton. Sofitex, the largest cotton company in Burkina Faso, planted 500,000 ha, followed by Socoma (80,000 ha), and Fasocoton (41,000 ha).

Many factors motivated farmers to grow more cotton in MY 2014/15. Among them:

- Payment in June 2014 of a bonus worth 10 F CFA ($0.02) per kg to cotton producers in addition to the farm gate price that was announced in April 2013. This made the final MY 2013/14 price at 245 F CFA ($0.49) per kg. (See table 2)

- Increase farmers 'revenue due to a raise of their dividend (from 60 percent to 62 percent) while cotton companies benefits decreased from 40 percent to 38 percent. This condition applies only if production level reached 500,000 tons. Also, in April 2014, the minimum farm gate price was fixed at 223 F CFA ($0.44) per kg for MY 2014/15 but cotton production exceeds 500, 000 tons and an extra 2 F CFA (0.01) per kg was added making the final MY 2014/15 at 225 F CFA ($0.45) per kg. (See table 2)

Government of Burkina Faso (GOBF) continues to subsidize input prices. Fertilizer and urea prices for MY 2014/15 were reduced five percent compared to the previous year from 15,500 F CFA ($31) per 50 kg bag in MY 2013/14 to 14,800 F CFA ($29.6) per 50 kg bag. (See table 3)

An input fund was created in 2012 and cotton companies could use it as a warranty to raise more funds from the banks and buy inputs at any given time when prices are most attractive. This fund has not yet been used. In MY 2014/15, it was due to the fact that the term of payment was not well defined especially for local input suppliers. Banks and cotton companies are supposed to meet to redefine it. Post was told that the fund could be operational in MY 2015/16.

Biotechnology Update

Cotton farmers continue to increase Bt cotton production with 80 percent of area planted in MY 2014/15. It represents 16 percent increase compared to the preceding year. Starting MY 2014/15, Bt cotton seeds will be produced and distributed only by Sofitex. In the past, other cotton companies could produce it but it was tested by Sofitex.

Monsanto and Sofitex continue to improve the fiber’s length of the local Bt cotton variety. Monsanto is conducting research on Bolgard II Roundup ready flex cotton. Tests started in 2006 and will be on confined field trials probably this year.

SOFITEX, with the support of Monsanto, aims to certify its seed laboratory by the International Seed testing Association (ISTA).

The three cotton companies (Sofitex, Socoma, and Fasocoton) renewed their agreement with the GOBF for ten years (2013-2023). Cotton companies will pay a government tax equivalent to 2,000 F CFA ($4) per tons of seed cotton harvested. It is due in November of each year. During this ten year period, no new cotton company can operate in Burkina Faso.

SOFITEX has tested sunflower production in MY 2013/14 with a yield of 0.4 tons per ha compared to 1 tons per ha for cotton. The company wants cotton producers who do not have good cotton yield to turn into sunflower production. Seeds will be sold to oil processing companies.

Mali

Production

In MY 2013/14, Mali produced 440,000 tons of seed cotton, a 2 percent drop from last season mainly due to a difficult rainy season.

The 2013-2018 National Strategic Development Program estimated MY 2014/15 cotton production at 520,000 tons. However, the Government of Mali (GOM) requested the *Compagnie Malienne pour le Développement des Textiles* (CMDT) to increase their objective and produce 600,000 tons.

To motivate farmers to grow more cotton in MY 2014/15:

- Farmers received enough inputs and agricultural equipment to increase yield.

- GOM subsidized more input prices. MY 2014/15 prices for fertilizer and urea reduced 1,500 F CFA ($3) compared to MY 2013/14 making the final price at 11,000 F CFA ($ 22) per 50 kg bag. (See table 3)

Therefore, number of cotton farmers increased from 162,755 in MY 2013/14 to 179,610 in MY 2014/15.

Despite some deficit of rains in certain part of the country (central and Kita zones) at the beginning of the rainy season, farmers planted 99 percent of the forecasted area planted. However, experts believe that to achieve this forecasted level of production, a good climate condition is needed during the entire season. Also, farmers need to respect the recommended technical itinerary and adopt good farming practices.

Pots met with the CMDT deputy director who believes that Mali can produce more than 500,000 tons of seed cotton in MY 2014/15. This record was first met in 1997 which increased to 623,000 tons in MY 2003/04. Unfortunately, cotton production dropped to 200,000 tons over the years. However, the level of production has stabilized at 400,000 tons since the three past seasons.

The ginning capacity of Mali is 575,000 tons. If the country plans to produce 600,000 tons, new ginning facilities will be needed which is already planned in the 2007-2017 CMDT investment plan.

MY 2014/15 farm gate cotton price was reduced and set at 235 F CFA ($0.47) per kg compared to 250 F CFA ($0.50) per kg in MY 2013/14. However, price in Mali is higher than farm gate price in Burkina Faso. (See table 2)

Privatization

The Mission in Charge of the Reform of the Cotton Sector (MRSC) wrote in October 2013 a synthesis's note to analyze diverse experiences on the cotton sector reform in different African countries. The study revealed that none of the cotton companies is 100 percent privatized and there is no successful privatization in all studied countries such as Benin and Ghana. In addition, privatization and/or liberalization of the cotton sector did not meet the expected results based on countries which totally or partially liberalized their cotton. Besides, Governments continue to contribute to the sector. The study recommends that it is not urgent to continue the privatization process. Cotton companies should involve more cotton producers in their management to be more efficient. However, farmers need to be strengthened for cotton productivity improvement.

In July 2014, a workshop was organized under the Prime Minister presidency and the Minister of Rural Development to discuss about a new revitalization of the Malian cotton sector. Participants proposed an action plan into two phases:

- A transition phase with the reorganization of the CMDT. The capital should be divided among actual shareholders (government, producers, GEOCOTON, CMDT employees) with GOM being the main shareholder. The present holding and subsidiaries companies should be abandoned and a new CMDT private company should be created with a general and regional directions

- A second phase where the CMDT capital should be opened to local actors and not international investors

Mali plan to increase cotton processing activity by encouraging local consumption of cotton products and promoting industrial and artisanal small processing units. GOM wants to adopt a value chain approach.

Malian farmers are interested in growing Bt cotton. A workshop should be organized in September 2014 by the African Biosafety Network of Expertise (ABNE) to reinforce the capacity of biosafety regulators to manage requests of confined field trials of genetically engineered organisms.

Cote d'Ivoire

Production

MY 2013/14 seed cotton production reached 405,000 tons, an increase of 5 percent compared to Post April 2014 forecast and 11 percent growth from last season.

Cote d'Ivoire is expected to produce 440,000 tons in MY 2014/15, up 8 percent from the previous year due to efforts made on the sector which resulted to the increase of the number of farmers (60,000 in 2008 to 115,000 in 2014). In July 2014, 396,000 hectares have already been planted representing 99 percent of the targeted area planted. Post believes that the target can be achieved despite a lack of rains at the beginning of the season which resumed and remains normal and constant.

The record in production was in MY 1999/2000 with 398,000 tons.

The Government of Cote d'Ivoire (GOCI) aims to produce 600,000 tons in MY 2015/16 and 800,000 tons by 2020.

Privatization

The new Intercoton association (Interprofessionnelle de la filiere coton) regroups all cotton actors including producers, ginners, crushers, and textile actors. Its mission includes fixing cotton prices, managing seed production, and collecting and diffusing statistical data. Intercoton uses a system of traceability of seed cotton from farm to ginning factory. Seed cotton can have an unique code and be identified. This system allows cotton companies to verify that farmers who worked under their assistance would not sell their production to another cotton company.

Intercoton will also manage the new office for cotton classification, rehabilitated by the European Union for $1.2 million. Starting MY 2014/15, all cotton fiber will be classified by this office compared to the past when each cotton companies used to do their own classification.

Last year, the parliament approved a law for the creation of the Cotton and Cashew Council which took over from the Cotton and Cashew regulation authority (ARECA). The council's mission is to regulate, monitor, and develop the two sectors. It is funded by cotton and cashew actors, Government of Cote d'Ivoire (GOCI), and financial partners i.e. the German cooperation, Bill and Melinda Gates foundation, and the Initiative Cajou Africaine (ICA).

Based on the reform:

- Intercoton will identify research programs
- The Fonds Interprofessionnel pour la Recherche et le Conseil Agricoles (FIRCA) will continue to finance research activities as seed production, genetic improvement of cotton, feasibility study on genetically engineering of cotton, technology transfer, climate change impact on cotton etc.
- The National Center of Agronomic Research (CNRA) which has the adequate infrastructures to conduct research will be the main implementing partner

Pricing

Farm gate price for MY 2014/15 is fixed at 230 F CFA ($0.46) per kg compared to 250 FCFA ($0.5) per kg the preceding year. (See table 2)

GOCI wants to increase farmers' revenues and asked cotton actors to find a new mechanism to fix farm gate prices in order to have farmers earn 60 percent of the *Cost, Insurance and Freight (*CIF) cotton fiber price. This new mechanism could be operational next campaign.

Senegal

Production

Senegal produced 29,000 tons of seed cotton during MY 2013/14, a10 percent drop from the preceding year due to dry conditions at planting time.

At the end of July 2014, the Societe de Developement des Fibres Textiles (SODEFITEX) announced that it will not reach the estimated cotton production for MY 2014/15 due to a difficult start of the rainy season which had two long pauses. Only 11 percent of cotton seeds were planted on time. SODEFITEX said that it can only achieve 85 percent of its objective representing 28,000 tons. However, Post met with the President of the Senegalese Federation of Cotton Farmers (FNPC) who confirmed that if rains go beyond October 25th, seed cotton production could reach 30,000 tons because seeds and inputs (fertilizer and urea) used this year have a better quality than previous year.

SODEFITEX sought to diversify and grow more attractive crops such as maize and peanut and develop agro industrial processing units for rice, millet, sorghum and maize.

Pricing
Farm gate price has not officially been fixed. However, farmers think that last year prices (255 F CFA - $ 0.51 per kg) will be maintained since there was no announcement before the planting season.

MY 2014/15 input prices are fixed at 10,500 F CFA ($ 21) for 50 kg bag of urea and 12,500 F CFA ($25) for 50 Kg bag of fertilizer, representing respectively 17 percent and 40 percent increase from last year prices. (See table 2).

Chad

Production
Chad produced 82,000 tons of seed cotton for MY 2013/14, representing a decline of 7 percent compared to the previous year mainly due to an early stop of the rainy season. This did not allow cotton plants to reach maturity.

The MY 2014/15 rainy season seems to be better than last year. COTONTCHAD SN is expected to produce 90,000 tons of seed cotton based on the actual climate conditions, up 10 percent from the preceding year.

Pricing
Prices for seed cotton and inputs (fertilizers and urea) have not been announced yet.

Table 1: Seed Cotton Production: MY 2012/13 – MY 2014/15 (Aug-Jul)

Selected Countries	**2012/13**	**2013/14**	**2014/15**	**2012/13**	**2013/14**	**2014/15**
	USDA Official Production	**Post Updated Data Production**	**Post Forecasted Data Production**	**USDA Official Production**	**Post Updated Data Production**	**Post Forecasted Data Production**
	(000 Bales)	**(000 Bales)**	**(000 Bales)**	**(000 Tons)**	**(000 Tons)**	**(000 Tons)**
Burkina Faso	1,216	1,249	1,370	630	647	710
Mali	869	849	1,158	450	440	600
Cote d’Ivoire	704	782	849	365	405	440
Chad	170	158	174	88	82	90
Senegal	62	56	54	32	29	28

Total	**3,021**	**3,094**	**3,605**	**1,565**	**1,603**	**1,868**

(*Source: FAS Dakar estimates and official country data)*
1 Bale = 480 lbs

Table 2: Official Farm Gate Price for First Quality Seed Cotton: MY 2011/12 – MY 2013/14

Selected Countries	**Official 2011/12 Farm Gate Price for First Quality (F CFA)**	**Official 2012/13 Farm Gate Price for First Quality (F CFA)**	**Official 2013/14 Farm Gate Price for First Quality (F CFA)**	**Official 2014/15 Farm Gate Price for First Quality (F CFA)**
Burkina Faso	274 ($0.55)	253 ($0.45)	245 ($0.49)	225 ($0.45)
Mali	275 ($0.55)	255 ($0.51)	250 ($0.50)	235 ($0.47)
Cote d'Ivoire	265 ($0.53)	265 ($0.53)	250 ($0.50)	230 ($0.46)
Chad	215 ($0.43)	215 ($0.43)	240 ($0.48)	N/A
Senegal	255 ($0.51)	255 ($0.51)	255 ($0.51)	N/A

(*Source: Official sources;* **$1= 500 F CFA; F CFA per kg)**

Table 3: Official Input Price (Fertilizer and Urea) MY 2011/12 – MY 2013/14

Countries	**Official 2012/13 Input Price (F CFA)**	**Official 2013/14 Input Price (F CFA)**	**Official 2014/15 Input Price (F CFA)**
Burkina Faso	Fertilizer: 13,500 F ($27) Urea: 15,500 F ($31).	Fertilizer: 15,000 ($31) Urea: 15,500 F ($31).	Fertilizer: 14,800 ($29.6) Urea: 14,800 ($29.6)
Mali	Fertilizer: 12,500 F ($25) Urea: 12,500 F ($25)	Fertilizer: 12,500 F ($25) Urea: 12,500 F ($25)	Fertilizer: 11,000 ($22) Urea: 11,000 F ($22).
Cote d'Ivoire	Fertilizer: 14,000 F ($28) Urea: 12,800 F ($26)	Fertilizer: 13,330 F ($26.6) Urea: 11,500 F ($23)	N/A
Chad	Fertilizer: 15,000 F ($30) Urea: 14,000 F ($28)	Fertilizer: 16,000 F ($32) Urea: 15,000 F ($30)	N/A
Senegal	Fertilizer: 9,000 F ($18) Urea: 9,000 F ($18)	Fertilizer: 9,000 F ($18) Urea: 9,000 F ($18)	Fertilizer: 12,500 F ($25) Urea: 10,500 F ($21)

(*Source: Official sources;* **$1= 500 F CFA; F CFA per kg)**

Production, Supply and Demand Data Statistics

Burkina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	580	630	555	647	565	710
Beginning Stocks	286	286	282	272	278	241
Production	1,175	1,216	1,200	1,249	1,100	1,370
Imports	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	1,461	1,502	1,482	1,521	1,378	1,611
Exports	1,175	1,200	1,200	1,250	1,000	1,300
Use	4	30	4	30	4	30
Loss	0	0	0	0	0	0
Total Dom. Cons.	4	30	4	30	4	30
Ending Stocks	282	272	278	241	374	281
Total Distribution	1,461	1,502	1,482	1,521	1,378	1,611

Chad	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	200	200	205	205	225	206
Beginning Stocks	43	43	43	37	33	20
Production	160	170	160	158	180	174
Imports	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0

Total Supply	203	213	203	195	213	194
Exports	150	166	160	165	150	160
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	43	37	33	20	53	24
Total Distribution	203	213	203	195	213	194

Cote d'Ivoire	**2012/2013**		**2013/2014**		**2014/2015**	
	Market Year Begin: Aug 2012		**Market Year Begin: Aug 2013**		**Market Year Begin: Aug 2014**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	375	380	355	445	365	386
Beginning Stocks	218	218	178	153	178	100
Production	685	704	750	782	675	849
Imports	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	903	922	928	935	853	949
Exports	675	715	700	785	575	799
Use	50	54	50	50	50	50
Loss	0	0	0	0	0	0
Total Dom. Cons.	50	54	50	50	50	50
Ending Stocks	178	153	178	100	228	100
Total Distribution	903	922	928	935	853	949

Mali	**2012/2013**		**2013/2014**		**2014/2015**	
	Market Year Begin: Aug 2012		**Market Year Begin: Aug 2013**		**Market Year Begin: Aug 2014**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	523	521	480	480	570	600

Beginning Stocks	302	302	246	246	271	220
Production	869	869	850	849	1,000	1,158
Imports	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	1,171	1,171	1,096	1,095	1,271	1,378
Exports	900	900	800	850	875	1,100
Use	25	25	25	25	25	50
Loss	0	0	0	0	0	0
Total Dom. Cons.	25	25	25	25	25	50
Ending Stocks	246	246	271	220	371	228
Total Distribution	1,171	1,171	1,096	1,095	1,271	1,378

Senegal	**2012/2013**		**2013/2014**		**2014/2015**	
	Market Year Begin: Aug 2012		**Market Year Begin: Aug 2013**		**Market Year Begin: Aug 2014**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	35	35	32	32	34	34
Beginning Stocks	15	15	12	12	13	11
Production	62	62	56	56	60	54
Imports	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	77	77	68	68	73	65
Exports	60	60	50	55	50	55
Use	5	5	5	2	5	2
Loss	0	0	0	0	0	0
Total Dom. Cons.	5	5	5	2	5	2
Ending Stocks	12	12	13	11	18	8
Total Distribution	77	77	68	68	73	65

Acronyms

ABNE	*African Biosafety Network of Expertise*
ARECA	*Cotton and Cashew regulation authority*
CMDT	*Compagnie Malienne pour le Développement des Textiles*

CIF	*Cost, Insurance and Freight*
FASOCOTON	*Third Cotton processing Company in Burkina Faso*
FNPC	*Senegalese Federation of Cotton Farmers*
GOBF	*Government of Burkina Faso*
GOCI	*Government of Cote d'Ivoire*
GOM	*Government of Mali*
GOS	*Government of Senegal*
ICA	*Initiative Cajou Africaine*
INTERCOTON	*Association Interprofessionnelle de la Filiere Coton*
MRSC	*Mission in Charge of the Reform of the Cotton Sector*
SOCOMA	*Société Cotonnière du Gourma*
SOFITEX	*Société des Fibres Textiles*
SODEFITEX	*Société de Développement et des Fibres Textiles*