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Cotton and Products Update

West Africa Cotton Price and Policy Update

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Report Highlights:

This report is an update of the West Africa Cotton Annual report dated September 9, 2010. This report includes information on newly announced seed cotton prices and input subsidies for the 2010/11 season. In an effort to invigorate the cotton sectors in the sub region, countries are taking action and measures to boost production and productivity to face the crisis. Therefore, production across the region is likely to increase for the 2010/11 campaign especially for Burkina Faso which plans to cultivate large scale Bt cotton, about 95 per cent of the total area. Final production estimates for the 2010/11 campaign have been revised.

Executive Summary:

This report is an update of the report released in September 9, 2010. It includes information on newly announced seed cotton prices and input prices for the 2010/11 season. As previously reported, efforts conducted recently in most West African countries to launch the cotton sector, cotton production in the C-4 (Mali, Burkina Faso, Chad and Benin) are likely to increase by 2.2 million bales. Senegal and Cote d'Ivoire will probably account for another 539, 000 bales. This increase is mainly due to Burkina Faso which is expecting to increase cotton production to 62 per cent by planting 95 percent of the area with Bt cotton and also Mali with a forecast of about 58 percent increase. Cotton production in Cote d'Ivoire will probably continue to augment (30 per cent) with the high farm gate price for first quality cotton. Also, with natural disasters in China and India, cotton fiber prices start increasing from \$1.00 to \$2.20 per kg. In addition, the conversion rate for the dollar is improving and governments are subsidizing input in most countries to allow farmers to use correct recommendations for inputs and have better yield. The cotton production preliminary forecast for 2010/11 has been revised in this report based on Post estimates and countries official announcements. (*See Table 1*)

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](#).

Table 1: Cotton Production forecast history for C4 plus two (1,000 480lb bales)

| | 2007/08 | 2008/09 | 2009/10 | Official 2009/10 | Official 2010/11 | 2010/11 | Preliminary Forecast 2010/11 |
|----------------------------------|--|--|--|---|---|---|--|
| | USDA Official Production (1,000, 480 lb. bales) | USDA Official Production (1,000, 480 lb. bales) | USDA Official Production (1,000, 480 lb. bales) | Farm Gate Price for First Quality (F CFA) | Farm Gate Price for First Quality (F CFA) | Area (1,000 hectares) | Production (1,000, 480 lb. bales) |
| Mali | 450 | 387 | 454 | 170 | 185 | 280 | 550* |
| Burkina Faso | 675 | 850 | 700 | 160 | 182 | 475 | 900* |
| Benin | 500 | 405 | 400 | 190 | 200 | 225 | 435 |
| Chad | 190 | 140 | 75 | 180 | - | 72 | 58* |
| Cote d'Ivoire | 225 | 225 | 332 | 175 | 200 | 220 | 481* |
| Senegal | 88 | 95 | 35 | 185 | 195 | 25 | 45* |
| West Africa Total | 2,128 | 2,102 | 1,996 | | | 1,297 | 2,469 |

* Post estimates

Mali

Malian cotton production have dropped dramatically the five past years from 600,000 tons to 200,000 tons of cotton seed in 2008/09 due mainly to the bad situation of the cotton sector in the sub region, the drop of cotton prices in the market (\$0.32 per kg) and price increases for fertilizer. However, for the 2009/10 campaign, Post sees a new launch of the cotton sector with about 236,000 tons. Country forecast for 2010/11 is 360,000 tons. Cotton sector recovery remains a major GOM priority which subsidized inputs at about \$21 million for the 2009/10 campaign. In addition, there are positive signs due to a stronger dollar rate compared to the euro, but the results are still low compared to previous years when production was about 620,000 tons.

Banks propose to finance inputs at about \$40 to \$50 million for the 2010/11 campaign based on a production of 300,000 tons of seed cotton.

The 2009/10 first grade cotton seed was fixed at 170 F CFA/kg (\$0.34) compared to 200 F CFA/ kg (\$0.40) last season, which did not discourage farmers, and 185 F CFA (\$0.37) for the 2010/11 campaign.

While the world fiber price was at 755 F CFA/kg (\$1.51) at the end of December 2009, the *Compagnie Malienne pour le Developpement des Textiles*(CMDT) average price was at 780 F CFA/kg (\$1.56).

CMDT started a new system that consists of organizing cotton producers in groups called “*Système de cercles de caution*” to constitute a common bank guarantee allowing them to access credit more easily. This system will probably motivate farmers to grow more cotton. Yet, more than 17,000 additional cotton producers have produced this year compared to last year’s campaign. (See table 2)

Table 2: Cotton Production history and forecast in Mali

| Campaign | Yield (tons/ha) | Area harvested (ha) | Cotton seeds (tons) | Number of farmers |
|-----------------|----------------------------|--------------------------------|--------------------------------|------------------------------|
| 2008/09 | 1.240 | 196,000 | 201,000 | 84,000 |
| 2009/10 | .945 | 250,000 | 236,000 | 101,000 |
| 2010/11 | 1.000 | 367,000 | 360,000 | 134,000 |
| Total | | 813,000 | 797,000 | 319,000 |

The CMDT privatization process should happen by the end of December 2010. CMDT has created four subsidiaries companies located in the North - East (Koutiala/San and Sikasso/Bougouni), Sikasso, and Fana in charge of cotton production and a fifth one in charge of cotton ranking. All employees received their social benefits, and there has not been any late payment to farmers. The GOM subsidized inputs, and they were distributed on time. An interprofessional organization has been created with a national unionization and ginning associations that will work on all transversal issues (including production, ginning, trading). Six companies have shown interest in buying the four subsidiary companies. During June to September, an audit will be performed, and in the last quarter of 2010, three companies should be selected after submission and review of their technical and financial proposal. Privatization will facilitate modernization of the factories which will give more visibility to *Huicoma* the main national company that process cotton seeds into cotton oil and animal feeder.

Today there are about 700 cooperatives of cotton producers created. The sector cotton does not receive any more governmental assistance for training and literacy. Those trained in the past are gone, and everything needs to be restarted. Farmers need competencies in management for cooperatives and in alphabetization. The *Agence Francaise de*

Developpement (AFD), the French aid agency, is the main donor that is intervening in the cotton sector in Mali. Malian cotton has a huge impact on the trade balance in Mali which could be a good reason to not only develop cotton areas but also the cotton sector.

Mali produced 1,000 tons of organic cotton this year and is forecasting 730 tons next year. Even though organic cotton demands higher prices (\$0.40 against \$1.40 per kg.), Malian producers have difficulty finding buyers.

Burkina Faso

Burkina Faso's final seed cotton production estimate for the 2009/10 campaign is 361,102 tons of which 320,020 tons were produced by *SOFITEX*, 27,724 by *Socoma* and 13,557 by *Faso Coton*. This production decreased to 32 percent compared to preliminary forecast (361,000 tons vs. 535,000 tons) due mainly to an overestimate of area planting and yield and a poor start with the rainy season in Burkina Faso. Fortunately, the planting of Bt cotton contributed to an increase of about 16 percent of overall production in 2009/10. Farmers were discouraged by high level cotton company debt which only the smallest company, *Fasocoton*, was able to pay all farmers for last year's seed cotton before planting time this year. Only 53 percent for cotton seeds have been paid to the farmers.

The 2010/11 season marks the launch of a large scale genetically modified cotton on 95 per cent of the total harvested area (442,900 ha) compared to the 2009/10 season (106,000 ha). It will contribute heavily to the enhancement of the cotton productivity and national cotton production.

The country announced a total production of 587,000 tons of cotton seed is estimated for 2010/11 cotton campaign if all conditions are met and fertilizer subsidized. Yield for 2009/10 is at 1.232 tons/ha.

Burkina Faso announced an input subsidy of approximately \$10 million for the 2010/11 campaign to maintain the same price as the last campaign. The 2009/10 seed cotton price was announced at 160 F CFA (\$0.32) and 182 F CFA (\$0.36) for the 2010/11 campaign. The fiber price is set at 633.869 F CFA /kg (\$1.26) for the 2009/10 campaign and a forecast at 800 F CFA (\$1.60) for the 2010/11 season.

Benin

The government of Benin has taken many steps to revitalize the cotton sector. Among these initiatives, we have the subsidization of fertilizers for both cotton and food crops and approval of the *Projet d'Assainissement et de Relance de la Filière Cotton au Bénin* (PARFCB) with a budget of \$18 million to reimburse cotton producers input debt as well as cover costs associated with research, extension, and purchasing seed cotton from farmers. WACIP has initiated a data evaluation process including training the survey agents to track progress made during the 2009/10 rainy season. In January 2010, a new permanent secretary of the *Association Interprofessionnelle du Coton* (AIC) *Interprofessional Association of the Cotton* has been named, Narcisse DJEGUI, replacing

Barthelemy Gagnon. His main objective is to increase cotton production up to 600,000 tons by 2011/12. However, a little more than half of 2009/10 cotton goals under the campaign were met at 149,044 ha instead of 269,750 ha previously announced. The cotton sector in Benin is not performing due mainly to:

- Diversification of culture which leads farmers to produce more staple crops as cereals.
- Exit of cotton farmers from the sector due to mismanagement of almost all cotton farmers' organizations which decrease the numbers that cultivate cotton this year.

Therefore farmers have asked for a reorganization of the cotton producers rural associations to restore trust among them.

The main actors of the cotton sector have asked the *Secretariat Permanent* of the AIC to be in charge of the reorganization of the farmers associations. This is to constitute *Cooperatives Villageoises de Producteurs de Coton* “Rural Cooperatives of Cotton Producers” (CVPC) in twenty-one municipalities. On June 20, 2010, 1,232 CVPC’s have been created. The CVPC will be technically assisted by the AIC that already hired three agencies in charge of this task. Farmers signed a contract with AIC in which they promised to cultivate the predicted area and respect technical standards of production for the campaign 2010/11. Benin has higher yields and better port access than other C-4 producers. Forecast for 2010/11 area is expected to increase from 149,044 hectares to 246,395 hectares in response to the measures taken by AIC. To date, approximately 5,491 tons of seeds have been distributed. We note that all cotton seeds sold to ginning companies have been fully paid to the farmers for the 2009/10 campaign.

Input prices for 2010/11 will remain the same than the previous campaign: NPKSB 235,000 FCFA (\$470) per ton and insecticides 4,100 F CFA (\$8.2) per unit. There will be a gap of 67,000 F CFA (\$134) per tons which the GOBF will probably subsidize. The final cotton seed price for 2010/11 is announced at 200 F CFA/kg (\$0.4).

Chad

Seed cotton in Chad is dropping from 70,977 tons in 2008/09 to approximately 40,000 tons in 2009/10 due mainly to late arrival of fertilizers well beyond agronomic useful period. Informal estimates suggest that 70 to 80 percent of all cotton will lack chemical fertilizers and pesticides leading to low yields and poor quality due to insect damage. It seems that farmers are pulling out from cotton even though the incentive price offered for first quality seed cotton (\$0.36 per kg) increased. Post estimates the cotton seed production at 30,000 tons for the 2010/11 campaign. The future of the sector remains uncertain in the absence of reform of the cotton company *Cotontchad*.

Cote d’Ivoire

Structural problems in the cotton sector in Cote d’Ivoire have been compounded by recent civil war and ongoing political uncertainties. Despite international sanctions, the cotton sector in Cote d’Ivoire has attracted development assistance and investment. Positive trends of favorable cotton world prices have stimulated the cotton sector in Cote d’Ivoire. The purchasing price per kilogram of cotton seeds has been set to 200 F CFA (\$0.4) per kg compared to 175 F CFA (\$0.35) in 2009/10. It will be the highest preseason seed cotton price in the region. The production is estimated at 172,393 tons for 2009/10 and between 250,000 and 270,000 tons of cotton seed for 2010/11 which represents an increase of 44 per cent.

Senegal

The Senegalese cotton sector is facing many challenges. Since 2002-2003 with a record production of 50,000 tons and a yield of 1.2 tons/ha, it has dropped to 0.850 tons/ha the last three years with a production of about 18,500 tons in 2009/10. However, Senegal remains the most consistent (albeit small) producer in the region of high quality fiber. The *Societe de Developpement des Fibres Textiles* (SODEFITEX) and the *Federation Nationale des Producteurs de Coton* (FNPC) validated a triennial plan 2011-2013 to boost cotton production in Senegal. Senegal expects to produce 30,000 tons in 2010/11 and 45,000 tons of cotton seeds in 2011/12. First grade cotton seed price has been fixed at 195 F CFA/kg (\$0.39) for the 2010/11 campaign. The general Director of SODEFITEX and the President of FNPC would like to introduce Bt cotton soon by starting trialtests.

* \$1= 500 F CFA

West Africa PSD tables:

| Cotton Mali | 2008/2009 | 2009/2010 | 2010/2011 | |
|----------------|-----------|-----------|-----------|--|
|----------------|-----------|-----------|-----------|--|

| | Market Year Begin: Aug 2008 | | Market Year Begin: Aug 2009 | | Market Year Begin: Aug 2010 | | |
|----------------------|--------------------------------|-------------|--------------------------------|--------------|--------------------------------|--------------|-------------------------|
| | USDA Official | Old Post | USDA Official | Sept data | USDA Official | Sept data | |
| | | | | | | | |
| Area Planted | 0 | 0 | 0 | 0 | 0 | 0 | (1,000 HA) |
| Area Harvested | 190 | 196 | 200 | 250 | 280 | 280 | (1,000 HA) |
| Beginning Stocks | 117 | 117 | 117 | 0 | 92 | 0 | 1,000, 480 lb. Bales |
| Production | 350 | 387 | 425 | 454 | 550 | 550 | 1,000, 480 lb. Bales |
| Imports | 0 | 0 | 0 | 0 | 0 | 0 | 1,000, 480 lb. Bales |
| MY Imports from U.S. | 0 | 0 | 0 | 0 | 0 | 0 | 1,000, 480 lb. Bales |
| Total Supply | 467 | 504 | 542 | 454 | 642 | 550 | 1,000, 480 lb. Bales |
| Exports | 325 | 481 | 425 | 429 | 525 | 525 | 1,000, 480 lb. Bales |
| Use | 25 | 23 | 25 | 25 | 25 | 12 | 1,000, 480 lb. Bales |
| Loss | 0 | 0 | 0 | 0 | 0 | 0 | 1,000, 480 lb. Bales |
| Total Dom. Cons. | 25 | 23 | 25 | 25 | 25 | 12 | 1,000, 480 lb. Bales |
| Ending Stocks | 117 | 0 | 92 | 0 | 92 | 13 | 1,000, 480 lb. Bales |
| Total Distribution | 467 | 504 | 542 | 454 | 642 | 550 | 1,000, 480 lb. Bales |
| Stock to Use % | 33 | 0 | 20 | 0 | 17 | 0 | (Percent) |
| Yield | 401. | 430. | 463. | 395. | 428. | 428. | (Kg/Ha) |
| TS=TD | | | | | | | |

| Cotton Burkina Faso | 2008/2009 | | 2009/2010 | | 2010/2011 | | |
|------------------------|--------------------------------|---------------------|--------------------------------|--------------|--------------------------------|--------------|--|
| | Market Year Begin: Aug 2008 | | Market Year Begin: Aug 2009 | | Market Year Begin: Aug 2010 | | |
| | USDA Official | Old Post Data | USDA Official | Sept data | USDA Official | Sept data | |

| | | | | | | | |
|--------------------|------|------|------|------|------|------|-----------------------|
| | | | | | | | Bales |
| Loss | 0 | 0 | 0 | 0 | 0 | 0 | 1000 480 lb. Bales |
| Total Dom. Cons. | 10 | 10 | 10 | 10 | 10 | 10 | 1000 480 lb. Bales |
| Ending Stocks | 108 | 83 | 73 | 73 | 68 | 73 | 1000 480 lb. Bales |
| Total Distribution | 493 | 493 | 458 | 483 | 498 | 508 | 1000 480 lb. Bales |
| Stock to Use % | 28 | 20 | 19 | 18 | 16 | 17 | (PERCENT) |
| Yield | 430. | 490. | 423. | 484. | 463. | 421. | (KG/HA) |
| TS=TD | | | | | | | |

| Cotton Chad | 2008/2009 | | 2009/2010 | | 2010/2011 | | |
|----------------------|--------------------------------|-------------|--------------------------------|--------------|--------------------------------|--------------|-------------------------|
| | Market Year Begin: Aug 2008 | | Market Year Begin: Aug 2009 | | Market Year Begin: Aug 2010 | | |
| | USDA Official | Old Post | USDA Official | Sept data | USDA Official | Sept Data | |
| | | | | | | | |
| Area Planted | 0 | 0 | 0 | 0 | 0 | 0 | (1,000 HA) |
| Area Harvested | 180 | 180 | 80 | 100 | 80 | 72 | (1,000 HA) |
| Beginning Stocks | 38 | 38 | 48 | 48 | 23 | 23 | 1,000,480 lb. Bales |
| Production | 140 | 140 | 65 | 75 | 65 | 58 | 1,000, 480 lb. Bales |
| Imports | 0 | 0 | 0 | 0 | 0 | 0 | 1,000, 480 lb. Bales |
| MY Imports from U.S. | 0 | 0 | 0 | 0 | 0 | 0 | 1,000, 480 lb. Bales |
| Total Supply | 178 | 178 | 113 | 123 | 88 | 81 | 1,000, 480 lb. Bales |
| Exports | 115 | 115 | 75 | 85 | 55 | 66 | 1,000, 480 lb. Bales |
| Use | 15 | 15 | 15 | 15 | 15 | 10 | 1,000, 480 lb. Bales |
| Loss | 0 | 0 | 0 | 0 | 0 | 0 | 1,000, 480 lb. Bales |
| Total Dom. Cons. | 15 | 15 | 15 | 15 | 15 | 10 | 1,000, 480 lb. Bales |
| Ending Stocks | 48 | 48 | 23 | 23 | 18 | 5 | 1,000, 480 lb. Bales |
| Total Distribution | 178 | 178 | 113 | 123 | 88 | 81 | 1,000, 480 lb. Bales |
| Stock to Use % | 37 | 37 | 26 | 23 | 26 | 7 | (Percent) |
| Yield | 169. | 169. | 177. | 163. | 177. | 175. | (Kg/Ha) |
| TS=TD | | | | | | 0 | |

| Cotton Senegal | 2008/2009 | | 2009/2010 | | 2010/2011 | | |
|----------------------|--------------------------------|---------------------|--------------------------------|--------------|--------------------------------|--------------|-------------------------|
| | Market Year Begin: Aug 2008 | | Market Year Begin: Aug 2009 | | Market Year Begin: Aug 2010 | | |
| | USDA Official Data | Old Post Data | USDA Official | Sept data | USDA Official | Sept Data | |
| Area Planted | 0 | 0 | 0 | 0 | 0 | 0 | (1,000 HA) |
| Area Harvested | 45 | 33 | 40 | 21 | 40 | 25 | (1,000 HA) |
| Beginning Stocks | 34 | 34 | 34 | 24 | 14 | 8 | 1,000, 480 lb. Bales |
| Production | 95 | 75 | 50 | 35 | 75 | 45 | 1,000, 480 lb. Bales |
| Imports | 0 | 0 | 0 | 0 | 0 | 0 | 1,000, 480 lb. Bales |
| MY Imports from U.S. | 0 | 0 | 0 | 0 | 0 | 0 | 1,000, 480 lb. Bales |
| Total Supply | 129 | 109 | 84 | 59 | 89 | 53 | 1,000, 480 lb. Bales |
| Exports | 75 | 75 | 50 | 41 | 50 | 40 | 1,000, 480 lb. Bales |
| Use | 20 | 10 | 20 | 10 | 20 | 5 | 1,000, 480 lb. Bales |
| Loss | 0 | 0 | 0 | 0 | 0 | 0 | 1,000, 480 lb. Bales |
| Total Dom. Cons. | 20 | 10 | 20 | 10 | 20 | 5 | 1,000,480 lb. Bales |
| Ending Stocks | 34 | 24 | 14 | 8 | 19 | 3 | 1,000, 480 lb. Bales |
| Total Distribution | 129 | 109 | 84 | 59 | 89 | 53 | 1,000, 480 lb. Bales |
| Stock to Use % | 36 | 28 | 20 | 16 | 27 | 6 | (Percent) |
| Yield | 460. | 495. | 272. | 363. | 408. | 392. | (Kg/Ha) |
| TS=TD | | | | 0 | | 0 | |

| Cotton d'Ivoire | Cote | 2008/2009 | | 2009/2010 | | 2010/2011 | | |
|----------------------|------|--------------------------------|-------------|--------------------------------|--------------|--------------------------------|--------------|-------------------------|
| | | Market Year Begin: Aug 2008 | | Market Year Begin: Aug 2009 | | Market Year Begin: Aug 2010 | | |
| | | USDA Official | Old Post | USDA Official | Sept data | USDA Official | Sept Data | |
| Area Planted | | 0 | 0 | 0 | | 0 | 0 | (1,000 HA) |
| Area Harvested | | 190 | 140 | 150 | 200 | 220 | 280 | (1,000 HA) |
| Beginning Stocks | | 100 | 100 | 105 | 75 | 60 | 82 | 1,000, 480 lb. Bales |
| Production | | 225 | 225 | 250 | 332 | 380 | 481 | 1,000, 480 lb. Bales |
| Imports | | 0 | 0 | 0 | 0 | 0 | 0 | 1,000, 480 lb. Bales |
| MY Imports from U.S. | | 0 | 0 | 0 | 0 | 0 | 0 | 1,000, 480 lb. Bales |
| Total Supply | | 325 | 325 | 355 | 407 | 440 | 563 | 1,000, 480 lb. Bales |
| Exports | | 175 | 200 | 250 | 275 | 325 | 380 | 1,000, 480 lb. Bales |
| Use | | 45 | 50 | 45 | 50 | 45 | 55 | 1,000, 480 lb. Bales |
| Loss | | 0 | 0 | 0 | 0 | 0 | 0 | 1,000, 480 lb. Bales |
| Total Dom. Cons. | | 45 | 50 | 45 | 50 | 45 | 55 | 1,000, 480 lb. Bales |
| Ending Stocks | | 105 | 75 | 60 | 82 | 70 | 128 | 1,000, 480 lb. Bales |
| Total Distribution | | 325 | 325 | 355 | 407 | 440 | 563 | 1,000, 480 lb. Bales |
| Stock to Use % | | 48 | 30 | 20 | 25 | 19 | 29 | (Percent) |
| Yield | | 258. | 350. | 363. | 361. | 376. | 374. | (Kg/Ha) |
| TS=TD | | | | | 0 | | 0 | |