

COTTON – AN AFRICAN PERSPECTIVE
EXECUTIVE SUMMARY
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1. INTRODUCTION

- 1.1. Cotton production is a global industry, and a heavily traded commodity with over 150 countries involved in exports or imports of raw cotton.
- 1.2. The global market has been transformed in the last half century, with cotton production increasing fourfold to 25 million tonnes in 2010/11, mostly due to improvements in yield. Asia in general enjoys a far greater concentration of the import and export market, but the USA continues to dominate the export market, exporting nearly twice as much as the next three largest exporters (China, India and Pakistan) combined.
- 1.3. African cotton production represents about 8% of the total export market. However, despite individual countries not being significant on a global scale, cotton exports play a crucial role in many African economies.



2. AFRICAN COTTON PRODUCTION

- 2.1. Cotton plays a major role in economic development in Africa – 30 countries export cotton and is a major source of foreign exchange.
- 2.2. Largest African Cotton Exporters (2010) – ('000 USD):

Country	2007	2008	2009	2010
Egypt	n/a	193,526	87,494	265,484
Burkina Faso	301,704	196,379	249,393	223,361
Zimbabwe	88,680	88,031	102,361	146,094
Togo	25,042	n/a	n/a	141,718
Mali	198,000	202,000	n/a	139,000
Côte d'Ivoire	97,972	79,740	68,052	125,895
Benin	143,505	170,941	108,699	105,530
Cameroon	106,646	60,783	89,864	81,322
Tanzania	40,403	80,893	89,038	72,428

3. COTTON CULTIVATION & PRODUCTION

- 3.1. Cotton grown in Sub-Saharan Africa is exclusively of the species *Gossypium hirsutum* (known as upland cotton), which also accounts for 90% of total global production.

- 3.2. The cotton plant typically grows in dry tropical or sub-tropical climates, with temperatures between 11°C and 25°C and average annual rainfall of 600-1200mm.
- 3.3. World cotton yields have increased substantially in recent years due to the introduction of fertilisers and irrigation, rising from an average of 800kg/ha in 1960 to more than 2000kg/ha in 2010. Irrigation is expensive and the lack of it in Sub-Saharan Africa has caused yields to stagnate.
- 3.4. At the time of harvest, the seed cotton is picked and sent to ginneries. The ginning process separates the seed from the lint; either by the gentle yet slower saw ginning method, or with roller ginners, faster but rougher on the lint. In many African states, the cotton ginners, as the primary buyers of seed cotton operate contract systems, offering inputs such as loans for fertiliser and farm tools in exchange for the sole rights to purchase their crop.
- 3.5. Cotton classification is important as a means of applying official standards for measuring the physical attributes of raw cotton that affects the quality of the finished product, and hence the value of the cotton. In Africa, this is mostly done by manual grading, based on appearance and feel. Determinants include such factors as colour grade, staple length and purity (absence of foreign matter).
- 3.6. Biotechnology has had an impact on global cotton production, but a limited one in Africa. Only Burkina Faso has approved trialling the genetically modified strain, designed to prove toxic to particular types of insect that attack cotton, in theory reducing crop losses and improving yield. However, the technology is expensive, and most African countries are choosing caution to observe the effects elsewhere before committing.

4. COTTON PRICES

- 4.1. The Cotlook A Index is the most quoted indicator of average international cotton prices, intended to be representative of the level of offering prices on the global market for raw cotton. It is an average of the cheapest five quotations of the principal upland cottons traded internationally, as means of identifying the most competitive growths and thereby the mostly likely to be traded.
- 4.2. The Cotlook indices are calculated at the prices at which cotton is sold to final consumers, ie mills. The geographical basis of the quotations is now based in the Far East due to the recent change in trade flows.
- 4.3. The New York Futures market establishes a price for cotton throughout the day by open outcry through the actions of many diverse market participants with a large number of buyers and sellers.
- 4.4. These prices reflect the latest supply and demand information and are determined in a trading pit with the narrowest possible spread between bids and offers.
- 4.5. There is no formal relationship between New York futures prices and the Cotlook A Index; however, the two price series have been highly correlated over time, over 90% in the last 10 years.

5. INTERNATIONAL TRADE

- 5.1. About one third of the cotton produced is traded internationally, and the rest is used in domestic textile production.
- 5.2. Subsidizing cotton production in developed countries (especially USA) is heavily influencing the international market for raw cotton. It encourages overproduction, which depresses world prices and means cotton farmers in Africa earn less for their crop. As such, cotton production in Africa has been showing signs of decline. Four African countries for whom cotton exports are vital for their economy – Burkina Faso, Benin, Mali and Chad (the latter's production has fallen substantially since) – have led the calls for the elimination of these subsidies at the Doha Development Agenda in the latest round of WTO negotiations, earning them the moniker as the C4 countries. Despite this, negotiations have consistently reached an impasse, and no agreement has yet been signed.
- 5.3. Between 2000 and 2009, the price of cotton ranged between \$0.30 and \$0.60 per pound, but crop losses and strong Chinese demand saw a spike in prices in 2010, which peaked at over \$2 a pound, undoubtedly exacerbated by speculation. Production has increased as a result in anticipation of continued high prices, which has in turn forced prices back down closer, yet still above the average of the previous decade.
- 5.4. Chinese companies are increasingly looking to Africa to supply the raw materials to their expanding manufacturing industries, and the country is an important destination for African cotton. Since 2001 when China joined the WTO, Chinese cotton imports have increased by 6700%. Most African countries look to export the majority of their cotton due to an underdeveloped textile industry, of which China is the primary destination.

6. BURKINA FASO

- 6.1. Cotton exports in relation to GDP (2010):

Country	'000 Metric Tonnes	Value of cotton exports (\$)	Value of total exports (\$)	% of total exports	GDP (\$)	% of GDP
Burkina Faso	165	223 million	1.28 billion	17.34	8.82 billion	2.5

- 6.2. Cotton is a major pillar of Burkina Faso's economy. Although it represents only 2.5% of its GDP (typically in the region of 5%), cotton exports are one of the main sources of foreign exchange, often accounting for up to 50% of export earnings.
- 6.3. There are roughly 240,000 cotton producers in Burkina Faso, virtually all of which are smallholders, with an average farm size of 3.8 hectares.
- 6.4. After independence, Burkina Faso cotton sector had been owned and operated by SOFITEX, a government parastatal, in joint co-operation with a privately owned French company, CFDT. Until recently, SOFITEX-CFDT had complete control over the cotton production sector.

SOFITEX would provide all of the production inputs, on credit, and maintained exclusive rights to purchase the cotton from the farmers.

- 6.5. In 2002 the government partially divested itself of the cotton sector. Three cotton companies now operate in Burkina Faso; SOFITEX, FASOCOTON and SOCOMA, with each company operating in a different region of the country.
- 6.6. The companies involved in the export of the cotton lint are major international traders, such as the Swiss company Paul Reinhart and the French GEOCOTON.
- 6.7. A railway connects Burkina Faso with the port of Abidjan in Ivory Coast. As a landlocked country, this is the port of choice for exported goods from Burkina Faso.

7. MALI

7.1. Cotton Exports in relation to GDP (2010):

Country	'000 Metric Tonnes	Value of cotton exports (\$)	Value of total exports (\$)	% of total exports	GDP (\$)	% of GDP
Mali	117	139 million	1.99 billion	6.98	9.25 billion	1.5

- 7.2. Cotton in Mali is a smallholder crop, rain fed and with an average area of 2 hectares, grown on up to 200,000 farms in the south of the country.
- 7.3. Cotton production peaked at over 600,000 tonnes in 1998, but declining world prices have seen this number fall substantially. Mali is one of the C4 countries leading the calls against market distorting cotton subsidies.
- 7.4. The cotton production industry is controlled by the state-run, vertically integrated CMDT. The use of credit is crucial, as loans are given prior to the planting of the crop, so the producer can purchase necessary inputs such as fertiliser and pesticide. The CMDT markets and gins the cotton, helps to transport it, trains producers, and fixes the price before the harvest begins. Falling market prices has rendered this system unsustainable as CMDT's debts have spiralled, and industry privatisation has been called for.
- 7.5. In August 2008, Mali's legislature voted to fully privatise the CMDT. In 2010, the CMDT was divided up into four subsidiaries and offered them up for privatisation. In 2011, a Chinese company, the Yuemei Group, which already owns cotton fields and garment plans elsewhere in Africa, agreed to buy two of the subsidiaries.
- 7.6. Mali has no seaports because it is landlocked, but has traditionally used the port of Abidjan in Ivory Coast for its exports, handling up to 70% of Mali's trade.

8. BENIN

8.1. Cotton Exports in relation to GDP (2010):

Country	'000 Metric Tonnes	Value of cotton exports (\$)	Value of total exports (\$)	% of total exports	GDP (\$)	% of GDP
Benin	58	106 million	1.11 billion	9.66	6.63 billion	1.6

8.2. Also a member of the C4 countries campaigning against cotton subsidies, cotton production and exports have been the backbone of Benin's agro-industrial growth, accounting for over 10% of GDP, 70% of agricultural export value, and 35% of fiscal income since the 1980s.

8.3. There are 120,000 cotton farms in Benin, with an average size of over 2 hectares, mostly in the northern zone, accounting for 80% of national production.

8.4. Liberalisation of the market has taken place, but has had underwhelming results so far. First was the liberalisation of input supply in 1993, with the government cotton company SONAPRA withdrawing entirely from this in 2000. SONAPRA had previously held a monopoly over all aspects of the industry.

8.5. The ginning sub-sector was next liberalised at a time when capacity couldn't keep up with production. The weak value of the CFA franc at the time meant private companies expanded ginning capacity above sustainable levels for when the world price started to fall. Like the other countries using the CFA franc, when it appreciated against the dollar revenues, and hence production, fell.

8.6. Benin's port of Cotonou is one of the largest in West Africa and handles almost all of Benin's international trade.

9. ZIMBABWE

9.1. Cotton Exports in relation to GDP (2010):

Country	'000 Metric Tonnes	Value of cotton exports (\$)	Value of total exports (\$)	% of total exports	GDP (\$)	% of GDP
Zimbabwe	86	149 million	3.20 billion	4.67	7.47 billion	2.0

9.2. Cotton is a smallholder crop produced by about 300,000 smallholder farmers with an average farm size of over an acre. Consequently, the land reforms that blighted much of the more developed farming sector left the cotton industry mostly unharmed.

9.3. After market liberalisation in 1994, the industry was essentially controlled by a duopoly of the national cotton company Cottco, and Cargill, the international agro-processing corporation. These companies control the whole supply chain, from farm inputs to ginning and marketing of

the cotton. There are many more companies operating presently, but these remain the largest, with Cargill's market share at around 20-25%.

9.4. The rapid inflation of the Zimbabwean currency that defined the economic troubles of the country was an opportunity for many companies to make a quick profit by producing and exporting cotton to take advantage of the weakness of the currency. Ginning capacity increased as a result, now far above current crop output.

9.5. Most lint for export passes through the port of Durban, although Beira in Mozambique is also used. The most common way of transporting lint to Durban is by rail, although it has to travel a long distance by truck to reach a station.

10. TANZANIA

10.1. Cotton Exports in relation to GDP (2010):

Country	'000 Metric Tonnes	Value of cotton exports (\$)	Value of total exports (\$)	% of total exports	GDP (\$)	% of GDP
Tanzania	55	85 million	4.05 billion	1.79	23.06 billion	0.3

10.2. Tanzanian cotton is also dominated by smallholder farmers, with a low average area and rainfed farms. 85% of the cotton produced is grown in the north-western areas of the country, selling the cotton as cooperative unions of farmers.

10.3. The previous monopoly held by the Tobacco Cotton Board ended with liberalisation of the market with the introduction of the Cotton Act in 1994, allowing competition in all areas. One of the main distinguishing features of the Tanzanian cotton sector is the large number of buyers, most of whom own cotton ginneries. Further, only three of the companies are owned by international firms, typically accounting for a combined 10% of seed cotton purchases.

10.4. The TCB now regulates seed procurement and distribution, predetermines a district quota to ginneries for seeds to be delivered, and also issues licenses to ginneries and exporters. There are currently 61 ginneries with TCB.

10.5. Dar es Salaam has a large port that is used for export of almost all agricultural products grown in Tanzania.

11. CAMEROON

11.1. Cotton Exports in relation to GDP (2010):

Country	'000 Metric Tonnes	Value of cotton exports (\$)	Value of total exports (\$)	% of total exports	GDP (\$)	% of GDP
Cameroon	53	81 million	3.88 billion	2.1	22.39 billion	0.36

11.2. The cotton belt of Cameroon is in the North where rainfall is highest, and dominated by small holders farming an average farm size of over an acre.

11.3. SODECOTON is the national cotton company, and own the exclusive rights to commercially process seed cotton. Unlike the other countries in West Africa, no major structural reforms have taken place. The main institutional changes to have occurred are the rise in producer associations.

11.4. Marketing of the lint cotton is the exclusive responsibility of SODECOTON. The company sells its entire weekly output through auctions with selected traders to the three highest bidders.

11.5. The cotton is exported through the port of Douala, but transport links are in poor condition.

12. IVORY COAST

12.1. Cotton Exports in relation to GDP (2010):

Country	'000 Metric Tonnes	Value of cotton exports (\$)	Value of total exports (\$)	% of total exports	GDP (\$)	% of GDP
Ivory Coast	84	125 million	10.28 billion	1.2	22.78 billion	0.54

12.2. There are close to 300,000 cotton growers in the country, predominantly smallholder farmers averaging just over a hectare, and the crop is rainfed.

12.3. The Ivory Coast cotton sector was governed by CIDT up until the late 1990s, responsible for organising virtually all services needed for cotton production and marketing. CIDT was split up in 1998 into three companies of similar size, each with an allocated zone in the country.

12.4. Each company is responsible for the purchasing of cotton through its allotted area. This is often implemented by signing contracts with growers stipulating the area to be planted and the quantity of seed cotton to be delivered.

12.5. Almost all exports from Ivory Coast leave through the port of Abidjan, a regional hub for trade.

13. EGYPT

13.1. Cotton Exports in relation to GDP (2010):

Country	'000 Metric Tonnes	Value of cotton exports (\$)	Value of total exports (\$)	% of total exports	GDP (\$)	% of GDP
Egypt	77	265 million	26.33 billion	1.01	218.78 billion	0.01

13.2. The Egyptian cotton industry is quite unlike any other in this report. Egyptian cotton is of the species *Gossypium barbadense*, a longer staple cotton characterised by higher quality. The majority of the cotton is grown in the Nile Delta with around 1 million employed in production, but still mostly dominated by smallholder farmers.

13.3. Yields in Egypt are significantly higher than the rest of Africa, reaching 2000 kg/ha. This is due to more advanced production techniques, specifically the use of irrigation.

13.4. The cotton industry has been gradually more liberalised since 1994/95, and now there exists 62 traders buying cotton (17 public and 45 private) and 5 ginning companies (2 private and 3 public).

13.5. Egypt also has a significant domestic textile industry that typically utilises about half of the total cotton production. The unusually high world price of cotton lint in 2010 though prompted a greater export of unmanufactured cotton than typically expected.

13.6. Egypt has 15 major ports for the export of goods, of which Alexandria is the largest.

14. TOGO

14.1. Cotton Exports in relation to GDP (2010):

Country	'000 Metric Tonnes	Value of cotton exports (\$)	Value of total exports (\$)	% of total exports	GDP (\$)	% of GDP
Togo	103	141 million	643 million	22	3.15 billion	4.4

14.2. Cotton is primarily grown in the south of the country on small, rain-fed farms, with an average land area of 1 hectare. Over 200,000 people are involved in the production of cotton, roughly half of the rural supply of labour.



- 14.3. The Togolese Cotton Company (SOTOCO) still has a monopoly for buying seed cotton from producers, although the ginning and marketing of cotton lint have effectively been liberalized since 2000. There are now three companies competing with SOTOCO.
- 14.4. There are about 2000 producers associations responsible for input distribution and seed cotton delivery. They operate under the technical supervision of SOTOCO.
- 14.5. Togo's port of Lomé is the main route for the export of domestic goods.

15. CONCLUSION

- 15.1. There are a few external factors that will have a decisive impact on cotton production in Africa. The impact of Bt cotton, and its success (or failure) in improving yields elsewhere will either force countries to follow suit or risk falling behind; fluctuations in the exchange rates, especially the CFA franc which is pegged to the euro, a currency in turmoil at present; and finally, the cotton subsidies, and whether the WTO trade negotiations will force these to be eliminated, allowing the world price to reach a natural equilibrium as opposed to being unnaturally suppressed. How each of these factors plays out will dictate the future of cotton production in Africa in the future.