



Fondation pour l'agriculture
et la ruralité dans le monde

FARM Briefing

COTTON - Annex

April 2006

LE COTON AFRICAIN

APRÈS HONG KONG : UNE QUESTION GRAVE MAIS NON RÉSOLUE

AFRICAN COTTON AFTER HONG KONG : A VITAL BUT UNRESOLVED

ISSUE

**THIS ANNEX PROVIDES ADDITIONAL STATISTICAL ELEMENTS
FOR UNDERSTANDING THE COTTON GROWING SITUATION IN
CENTRAL AND WESTERN AFRICA (CWA).**

1 — COUNTRIES UNDER CONSIDERATION

The countries under consideration are the following:

- The four signatories of the sectoral initiative in favor of cotton (C4): Benin, Mali, Chad and Burkina Faso;
- The other CWA countries: Senegal, Ivory Coast, Togo and Cameroon.

2 — CHANGES IN COTTON FIBRE PRODUCTION

Cotton growers generally have maintained production levels in recent years despite falling revenues, except in Togo and Benin where production has dropped sharply. Growers have few alternative cash crops.

<i>In millions of tons of fibre</i>	2004-2005	2005-2006 Estimation *	% variation
Benin	171	82	-52.05 %
Burkina Faso	264	302	14.39 %
Ivory Coast	145	108	-25.52 %
Guinea	3	3	0.00 %
Mali	239	244	2.09 %
Senegal	17	18	5.88 %
Togo	74	32	-56.76 %
Total West Africa	913	789	-13.58 %
Cameron	125	100	-20.00 %
Central African Republic	3	2	-33.33 %
Chad	84	82	-2.38 %
Total Central Africa	212	184	-13.21 %
Total Central and Western Africa	1125	973	-13.51 %

Source: * Note de conjoncture n° 9 DAGRIS, January-February 2006

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3 — CHANGE IN FARMGATE PRICES

This table recapitulates changes in the farmgate price of seed cotton between the growing seasons 2004-5 and 2005-6. It shows the price decrease between these two years only.

In reality, prices have fallen slowly for several years, for an overall decrease of 15%. In the growing year 2003-4, the average price in the region was 200 F CFA/kg. This non-precipitous change explains in part the very mild effect price decreases have had on production.

In addition, the loss of income would have been more dramatic without the rebates of

last year or the subsidies granted by several countries. The price in Burkina Faso of 210 CFA francs in 2004-5 was composed of a purchase price of 175 CFA francs and a reimbursement of 35 CFA francs based on profits in 2003-4. In Benin, the price of 200 CFA francs included a State subsidy of 43 CFA francs. In Cameroon, the 170 CFA francs farmgate price in 2005-6 was composed of 150 CFA francs paid by the cotton company and 20 CFA francs paid by the OPCC (Organisation of Cameroon Cotton Growers).

<i>In CFA Francs/kg of seed cotton</i>	2004-2005	2005-2006	% reduction
Benin	200	170	15 %
Burkina Faso	210	175	17 %
Ivory Coast	140	140	0 %
Mali	210	160	24 %
Senegal	195	195	0 %
Togo	175	160	9 %
Western Africa (weighted average)	194	165	15 %
Cameroon	190	170	11 %
Chad	190	160	16 %
Central Africa (weighted average)	190	165	13 %
Central and Western Africa (weighted average)	193	165	15 %
<i>Source: DAGRIS, AFD, URECOS-CI.</i>			

4 — CHANGE IN MARKET PRICES

Although market prices for fibre made slight gains in 2005-6, their level remained too low to have a positive impact on the economic health of the cotton industries of central and western Africa. Recent market prices are still well below the average price of the last 25 years, which was about 900 F CFA/kg of fibre.

This drop in the market price for fibre resulted also in a decrease in the price for cotton seed, a major by-product. A kilogram of cotton seed went from 30 to 20 CFA francs on the west African markets.

Price at which cotton fibre sold in:	2005-2006 /kg of fibre		%
2004-2005	610 F. CFA	0.93 €	67.78
2005-2006 (estimation)	670 F. CFA	1.02 €	74.48
25 year average	900 F. CFA	1.37 €	100.00
<i>Source : DAGRIS.</i>			



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5 — ESTIMATED INCOME LOSS

This table presents an evaluation of the loss of gross revenues suffered by cotton growers as result of the price decreases and changes in production volumes. These data concern the gross earnings of cotton growers between 2004-5 and 2005-6 only.

Estimated earnings of cotton growers	2004-2005 in millions of CFA Francs	2005-2006 in millions of CFA Francs	Income loss in millions of CFA Francs	% variation
Benin	81,429	33,190	-48,238	-59 %
Burkina Faso	132,000	125,833	-6,167	5 %
Ivory Coast	48,333	36,000	-12,333	-26 %
Mali	119,500	92,952	-26,548	-22 %
Senegal	7,893	8,357	464	+6 %
Togo	30,833	12,190	-18,643	-60 %
Total Western Africa	419,988	308,524	-111,464	-27 %
Cameroon	56,548	40,476	-16,071	-28 %
Chad	38,000	31,238	-6,762	-18 %
Total Central Africa	94,548	71,714	-22,833	-24 %
Total Central and Western Africa	514,536	380,238	-134,298	-26 %
<i>in millions of euros</i>	784 €	580€	-205 €	

Source: figures derived from estimations of production volumes valued at farmgate prices. Cf. Note de conjoncture n° 9 DAGRIS, January-February 2006.

Income loss suffered by cotton companies can be derived by estimating a fixed cost of transformation and marketing (FOB) of about 295 CFA francs / kg of fibre produced, to which is added the market price of cotton seed (using a ginning rate of 42%) subtracted from the sale price of the finished cotton in a given year.

Estimated losses by cotton spinning companies	2004-2005 in millions of CFA Francs	2005-2006 in millions of CFA Francs
Benin	-27,564	-2,414
Burkina Faso	-30,000	-12,487

Ivory Coast	-2,658	4,535
Mali	-44,215	-1,374
Senegal	-2,538	-1,601
Togo	-7,523	-0,180
Total Western Africa	-114,498	-13,5221
Cameroon	-17,173	-2,944
Chad	-11,540	-0,462
Total Central Africa	-28,713	-3,406
Total Central and Western Africa	-143,211	-16,928
<i>in millions d'euros</i>	-218,323 €	-25,807€
<i>Source: derived by FARM on the basis of data from DAGRIS.</i>		



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5 — ESTIMED EARNINGS LOSSES (CONTINUED)

This table shows simply the impact of changes in production volumes on balance of payments. Cotton exports, which account for approximately two thirds of all exports of CWA countries like Burkina Faso and Benin, are an essential ingredient in the balance of payments of these countries. The loss of fiscal revenue - estimated at 4-7% of total fiscal revenue, should also be taken into account. (*cf. FARM Briefing by Nicolas Gergely, Cotton: What is at stake for Africa?*).

Variation in cotton export earnings	2004-2005, in millions of CFA Francs	2005-2006, in millions of CFA Francs	Variation, in millions of CFA Francs
Benin	104	55	-49

Burkina Faso	161	202	41
Ivory Coast	88	72	-16
Guinea	2	2	0
Mali	146	164	18
Senegal	10	12	2
Togo	45	21	-24
Total Central Africa	557	529	-28
Cameron	76	67	-9
Central African Republic	2	1	-1
Chad	51	55	4
Total Central Africa	129	123	-6
Total Central and Western Africa	686	652	-34

Source: derived by FARM on the basis of data from DAGRIS.



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6 — FRENCH AID TO DEVELOPMENT

Beneficiary countries	Total amount, of which:	AFD*	MAE**
A — Current aid, programmed before the recent growing season			
Benin	1 850 000 €	1 850 000 €	
Burkina Faso	4 300 000 €	4 300 000 €	
Mali	6 800 000 €	6 800 000 €	
SOUS-TOTAL A :	12 950 000 €	12 950 000 €	
B — Current aid, programmed after the recent growing season			
Cameroon	10 000 000 €	10 000 000 €	
Burkina Faso	26 200 000 €	26 200 000 €	
Central African Republic	85 000 €	85 000 €	
Regional	210 000 €	105 000 €	105 000 €
SUB-TOTAL B :	36 495 000 €	36 390 000 €	105 000 €
C — Aid being considered in the framework of the Cotton Action Plan			

Benin	8 000 000 €	8 000 000 €	
Togo	100 000 €	100 000 €	
Burkina Faso	15 000 000 €	15 000 000 €	
Mali	13 000 000 €	13 000 000 €	
Senegal	10 000 000 €	10 000 000 €	
Central African Republic	50 000 €	50 000 €	
Regional	12 000 000 €	10 000 000 €	2 000 000 €
SUB-TOTAL C :	58 150 000 €	56 150 000 €	2 000 000 €
Overall Total (A+B+C)	107 595 000 €	105 490 000 €	2 105 000 €
<i>Source: AFD et MAE / * French Development Agency / ** French Foreign Affairs Ministry.</i>			

7 — PROGRAMMED EU AID

Beneficiary countries	Total amount	Source
Mali	15 000 000 €	EDF
Burkina Faso	10 000 000 €	EDF
Ivory Coast	10 000 000 €	STABEX
Non-designated	15 000 000 €	Agricultural commodities funds (cotton)
Total	50 000 000 €	
<i>Source : EDF (European Development Fund) and STABEX (Export Earnings Stabilisation System).</i>		

8 — PROGRAMMED US AID

Origine	Montant
Economic Support Fund (ESF)	5 000 000 USD
USAID aid funds	2 000 000 USD
Total	7 000 000 USD
<i>Source: USAID, West African Cotton Improvement Program (WACIP) 2005.</i>	



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