UNFAIR TRADE AND COTTON

GLOBAL CHALLENGES
LOCAL CHALLENGES

A CARITAS-CIDSE Report — September 2004

Caritas

CIDSE

FOREWORD

Working in solidarity with the world's poor to identify and tackle the root causes of social and economic injustice is central to the work of Caritas Internationalis, a confederation of 162 Catholic relief, development, and social service agencies working in over 200 countries and territories, and CIDSE (International Cooperation for Development and Solidarity), a network of 15 Catholic development organisations in Europe and North America. Inspired by the Social Teachings of the Catholic Church, our networks are committed to eradicating poverty and to promoting integral human development.

In a landmark initiative, the West African cotton-producing countries of Mali, Burkina Faso, Benin, and Chad – among the ten poorest countries in the world – boldly called on the members of the World Trade Organisation to recognise and address inequalities within the global trading system. In the context of our joint advocacy work on trade and food security, we at CIDSE and Caritas decided to explore advocacy opportunities and strategies in support of local cotton producers and their communities in West and Central Africa.

Our first step was to send a fact-finding mission to the four aforementioned West African countries to ensure that our future decision-making and advocacy work would be well informed. Cotton is the driving force behind these countries' economies and provides a living to more than 10 million people. The profitability of the cotton industry, however, has been marred by a number of external and internal factors: market-distorting subsidies, which have encouraged production in developed countries and led to increased exports and declining world prices, have resulted in hundreds of millions of dollars in lost export revenues for these countries; while at national level, the effects of privatisation and liberalisation measures, poorly managed and dysfunctional cotton sectors, and lack of viable alternatives with stable market outlets have generated serious financial instability and concerns among the countries' cotton farmers.

It is our hope that this report will act as a springboard for action, galvanizing a strong debate among our members and paving the way for the development of effective strategies and sustainable solutions.

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Caritas Internationalis Secretary General

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INTRODUCTION

Caritas Internationalis and CIDSE[1] — two international Catholic networks that base their approach to trade and development issues on the principles of the preferential option for the poor, the dignity of the human person, and the promotion of the common good — have been closely following aspects of the international trade talks since 1999. In their view, trade is not neutral; it reflects the prevailing distribution of power within and between nations. All too often, the strong wield the power, while the weak are left behind. For this reason, Caritas and CIDSE firmly believe that the creation of a more just and equitable global trading system is of paramount importance.

For many years, developing countries had voiced their dissatisfaction with the outcome of the trade negotiations. As a result, developed countries vowed to do better and to pay particular attention to the plight of the world's poorest countries. The new round of World Trade Organization (WTO) negotiations, known as the Doha Round, began in 2001 and was given a deadline of 1 January 2005. In September 2003, a Ministerial Conference was held in Cancun, Mexico with the goal of gauging the progress that had been made in the two years since the Doha meeting. CIDSE and Caritas participated in Cancun as civil society organisations.

At the opening session in Cancun,[2] United Nations Secretary-General Kofi Annan underscored the importance of the meeting:

"The decisions that you (trade ministers) will make can tip the scales towards poverty or prosperity, or even life and death, for millions and millions of inhabitants of the planet (…). I implore you to say 'No!' to trade policies that aggravate poverty."

"If we want the results obtained here in Cancun to be credible, it is necessary (…) to eliminate the subsidies that push the prices downward and impede the poor farmers in developing countries from being competitive."

His words added ballast to an initiative launched in Cancun by Benin, Burkina Faso, Mali, and Chad — an initiative that aimed to convince WTO members of the strategic importance of cotton for development and poverty reduction in West and Central Africa. Cotton is vital to these countries' economic development and provides a living to more than 10 million people. In the proposal, the four countries called for the total elimination of subsidies for the production and export of cotton, as well as financial compensation to be offered to cotton producers in least developed countries (LDCs) as a transitional measure to help offset losses. [3]

The United States, which allocates two to three billion US dollars per year in support to its cotton farmers, and the European Union (EU), which grants about 800 million euro, are among the largest subsidisers in the world. Thus the cotton debate pitted four of the world's poorest countries against the richest. Perhaps for that reason the issue continues to receive widespread media coverage. The *New York Times* wrote, "By cutting generous checks to 25,000 American cotton farmers whose average net worth is nearly $1 million, Washington underwrites massive overproduction. This results in depressed global prices and a harvest of poverty for Burkina Faso's two million cotton farmers." It is important, too, to evaluate the impact of the subsidy system on the lives and livelihoods of small-scale cotton farmers in the US and Europe — many of whom work on family-run farms — as most subsidies seem to be granted to large-scale industrialised farmers.

The cotton issue continues to generate considerable interest and support for various — and sometimes contradictory — reasons. An oft-raised argument suggests that subsidies break the rules of the 'free trade' game, are contrary to WTO principles, and should therefore be eliminated. CIDSE and Caritas, however, question the existing WTO rules and underlying philosophy of trade liberalisation, export orientation, and 'comparative advantage'. This neo-liberal agenda does not necessarily lead to a country's development, nor does it necessarily resolve issues of poverty and marginalisation in the North and the South. Alternative approaches are urgently called for that put human and social development of communities and livelihoods before the promotion of narrow economic interests.

1 *Coopération internationale pour le développement et la solidarité (CIDSE)*

2 Speech from UN Secretary-General Kofi Annan as read by Rubens Ricupero, Secretary-General of the UN Conference for Trade and Development (UNCTAD)

3 WTO TN/AG/GEN/4 WTO Negotiations on Agriculture, Poverty Reduction: Sectoral Initiative in Favour of Cotton: Joint Proposal by Benin, Burkina Faso, Chad, and Mali, May 2003.

Through the Millennium Development Goals (MDGs), adopted by the United Nations, the global community has committed to reducing poverty by half by 2015. The cotton debate reminds us that poverty reduction is not solely the concern of poor countries. It is illusory, in fact, to think that extreme poverty in Mali, Benin, Burkina Faso, and Chad can be cut in half by 2015 without developed countries taking the necessary steps to help these countries avoid the demise of their cotton sectors. Cotton is a prime example of the flagrant inequalities within the global trading system, and developed countries, bound by the agreed targets within the MDGs, have a moral obligation to take action.

CONCLUSIONS DRAWN FROM THE CARITAS AND CIDSE FACT-FINDING MISSION

Against this backdrop, CIDSE and Caritas travelled to Mali, Burkina Faso, Benin, and Chad in March 2004 to broaden their understanding of the cotton situation and to observe firsthand its impact on the lives of poor cotton farmers, so as to ensure that future Caritas and CIDSE advocacy work would be well grounded in local realities. Meetings were held with cotton farmers, women's organisations, civil society groups, farmers' associations, local Caritas partners, Church leaders, cotton marketing boards, trade unionists, government officials, and representatives from such international institutions as the United Nations Development Programme (UNDP) and the World Bank (WB). The delegates' findings and impressions are presented in four distinct country reports. Although each country is facing unique challenges, common threads did emerge. It became increasingly clear that the situation in all four countries is complex and linked to a broader set of issues that includes increased poverty and indebtedness, environmental degradation, migration, and weakened rural communities.

One inevitable conclusion drawn by CIDSE and Caritas is that imbalances in global markets need to be redressed. There is little doubt that subsidies from developed countries have driven down world cotton prices and negatively affected the lives of WCA cotton farmers and their communities. Cotton provides a competitive edge for these countries, generating important export earnings. Yet despite producing high-quality cotton (picked by hand) at comparatively low costs, African cotton farmers are unable to compete on the global market against heavily subsidised northern producers. Millions of dollars in government export revenue have been lost as a result. Benin, Mali, Burkina Faso, and Chad have been particularly hard hit — even to the point at which their cotton sectors have been threatened with collapse.

A number of studies carried out over the last two years have examined how decreases in subsidies could affect the current situation. They suggest that if subsidies were eliminated, world cotton prices could increase 3-15%. The most recent study, published in April 2004 by the UN Food and Agriculture Organization (FAO), estimated an increase of 3.1-5%. Although relatively small, the benefits enjoyed by African economies could be greater depending on their increased share of the market in the United States and Europe. The removal of EU subsidies, however, would probably have little influence on the global price as the EU does not export cotton. Other key factors determining world prices include supply and demand in China. China is an important cotton producer but its expanding textiles industry (which will further expand when the Agreement on Textiles will expire by the end of 2004) requires a steady increase in cotton — most of which is imported, especially when harvests in China are poor. Also, there is an increased demand for synthetic fibres, which continues to depress world cotton prices year after year.

It became apparent to the delegation that cotton subsidy reforms — although essential and desired — will not resolve all problems. Important issues need to be addressed at national and regional level. Cotton in these African countries is no longer considered the 'white gold' it was before the precipitous drop in world prices in 2001. Many of the producers CIDSE and Caritas met in Benin, Burkina Faso, Mali, and Chad said that if they truly had a choice they would replace cotton with other crops; however, cotton is the only agricultural sector that is organised as such in these countries.

Access to the cash economy is vital to the survival of rural communities. In the past, a lucrative price for cotton enabled farmers to develop and improve their subsistence crops. It was also effective in limiting rural depopulation and encouraging development of locally-based initiatives and activities. Today, farmers are barely able to recoup production costs, and, more times than not, are falling into debt. Household food security is being compromised. People — especially young villagers — are fleeing their rural communities in search of work in cities or neighbouring countries, and much-needed projects, including the building of schools, health centres, and roads, have been abandoned.

Low and fluctuating world prices were not the farmers' only concern. The cotton sectors in Mali, Benin, Burkina Faso, and Chad are in a state of transition. Structural adjustment programmes have led to their states' withdrawal; privatisation and liberalisation measures are under way in all four countries — to varying degrees — and have raised major concerns and caused many uncertainties. Poorly managed and functioning cotton sectors, combined with increasingly expensive agricultural inputs (fertilisers, herbicides, and pesticides), access to and repayment of credit, environmental damage stemming from the use of chemical inputs, and the lack of viable alternative agricultural crops and stable market outlets, are just as worrisome to African cotton farmers as volatile world prices.

RECOMMENDED WAYS FORWARD

The Caritas and CIDSE delegation feel that the cotton sectors in Mali, Benin, Burkina Faso, and Chad need to be restructured and reformed so that small farmers receive a decent producer price and a fairer share of the wealth generated by their hard labour. Efforts need to be stepped up to increase the transparency, efficiency, and professionalism of the cotton production and marketing chain, and to strengthen cotton producers' organisational capacity and effective participation in decision-making structures. It is also vital to ensure that small farmers' interests are genuinely represented within those structures.

Closer attention needs to be paid to the social and economic welfare of poor cotton farmers. Risks — be they crop failure, unpredictable weather, volatile markets at harvest time, inability to repay credit, or shifts of financial responsibility as a result of privatisation — fall on farmers' shoulders. Governments need assistance in putting into place safety net programmes to help reduce farmers' vulnerability and to restore confidence. Trade rules or structural adjustment programmes should not prevent governments from providing this support. Proper credit and marketing systems, which are essential for all cash and food crops, need to be in place.

Reforms to the sector should also fully examine the opportunities for lessening these countries' dependence on cotton, or on any small number primary commodities, through both diversification initiatives and opportunities for developing their ability to develop textile and apparel industries.

Recognising the important role women play in cotton production is essential. They are involved at all stages, from the sowing of seeds to the harvesting of fields; however, the long hours they toil in the fields are largely unpaid. Furthermore, they shoulder the bulk of household responsibilities, from raising children to feeding their families to caring for ill family members — often without assistance. Measuring the impact of the crisis on their lives and raising awareness of women's rights among both women and men are key tasks to undertake.

It is important, too, that cotton growers receive adequate technical supervision and training in the management of their farms. Concerns were expressed in all four countries about environmental degradation and health problems brought on by the use and overuse of chemical pesticides. One suggestion put forward included training farmers in the use of organic fertilisers and alternative farming methods to lessen their dependence on harmful inputs and to move toward a more environmentally sustainable agriculture.

Talk in all four countries focused on the importance of strengthening efforts of civil society — at both local and international level — to help farmers understand better the mechanisms of the cotton production chain, and the connection between their situation and the functioning of world prices. There are signs that farmers are becoming increasingly mobilised. They are gradually realising that their futures depend not only on the efforts they make in their fields or on the state of their country's cotton sector, but also on the policies adopted by decision-makers in Geneva, Washington, and Brussels. It is clear that support, training, and mobilisation at the grassroots are inseparable from international action.

At the time of several African countries' independence, Pope Paul VI said:

> (…) the rule of free trade, taken by itself, is no longer able to govern international relations. Its advantages are certainly evident when the parties involved are not affected by any excessive inequalities of economic power: it is an incentive to progress and a reward for effort. That is why industrially developed countries see in it a law of justice. But the situation is no longer the same when economic conditions differ too widely from country to country: prices which are freely set in the market can produce unfair results. One must recognize that it is the fundamental principle of liberalism, as the rule for commercial exchange, which is questioned here.
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> *Populorum Progressio No. 58*

It is worth bearing in mind the principle expressed during the first wave of globalisation in 1891 by Pope Leo XIII and steadfastly maintained by his successors:

> Let the working man and the employer make free agreements, and in particular let them agree freely as to the wages; nevertheless, there underlies a dictate of natural justice more imperious and ancient than any bargain between man and man, namely, that wages ought not to be insufficient to support a frugal and well-behaved wage-earner. If through necessity or fear of a worse evil the workman accepts harder conditions because an employer or contractor will afford him no better, he is made the victim of force and injustice.
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> *Rerum Novarum No. 45*

Today we are still faced with the issue of receiving a fair day's wage for a fair day's work, which allows people to live decently, above and beyond the mere mechanism of supply and demand. As with all economic matters it is a complex issue, but the possibility for producers — whose activities are in any case economically viable — to live decently from their labour is the central issue.

GLOBAL CONTEXT

West and Central African countries suffer from a trend common to many of the world's poorest countries: heavy reliance on one or a small number of primary commodities whose prices are both volatile and declining over the long term. Although Africa has remained dependent on exports of raw materials, it has lost ground in world exports of these products, where its share has declined from 6% in 1980 to about 4% in 2000. A recent report by the United Nations Conference on Trade and Development (UNCTAD) indicates that of 14 commodities of export interest to Africa, 12 of them have suffered great price instability between 1960 and 2000, and nine of them have demonstrated erosion in the real price over time. Such volatile and declining prices constrain governments' budgets for development programmes, make them more dependent on external aid, and increase their external debt burdens.

Cotton — a vital resource for most West and Central African countries — is a prime example of many of these global trends; the steep decline in world cotton prices in recent years has been devastating for these countries. As noted earlier, subsidies provided to cotton farmers in the North, particularly in the United States, are one of several key factors determining world cotton prices. US subsidies under the Farm Bill encourage overproduction and increased exports on the world market, thereby artificially depressing world prices and allowing US cotton producers to capture a greater share of the world market. Subsidies allow cotton to be exported either at low prices or at prices below the cost of production, a practice known as "dumping." The EU also subsidises its cotton production, however, in contrast to the US, it does not export cotton. Below we examine the specific impact of those subsidies.

EUROPEAN COTTON PRODUCTION AND SUBSIDIES

The EU spends about 800 million euro per year in subsidies on cotton farmers in Portugal, Spain, and Greece. The EU accounts for about 3% of world cotton production. Europe's production represents about half the amount of its total consumption.

Partly because of the controversy stirred up at the WTO meeting in Cancun, the EU has taken steps in recent months to reform its cotton sector. The European Union agreed in April to partially 'decouple' some of its cotton subsidies (65%) from production whilst leaving the remainder (35%) conditional on the continued production of cotton.

However, CIDSE and Caritas Europe have voiced their concern that partial decoupling as agreed would be insufficient. They contend that not only will it do little to change EU production and trade patterns, but will fail to create significant additional export opportunities for West African cotton producers. CIDSE and Caritas Europe have called for total decoupling of subsidies. This would maintain the current high levels of subsidies received by small farmers in Europe, allowing them to secure their livelihoods, but would not be linked to a requirement to produce cotton.

Total decoupling would:

Δ Create a significant move away from cotton production and enable a shift to production of other crops;

Δ Create new market opportunities in Europe for West African producers, and provide a signal of good faith from the EU in WTO negotiations, adding to the pressure on the US for change;

Δ See subsidy payments to EU cotton farmers and former cotton farmers continue and their incomes maintained at current levels. But these would not be linked to the growing of cotton, enabling them to produce less developmentally damaging crops (such as durum wheat or maize).[4]

The Commission has agreed to monitor the impact of this reform on cotton production and trade in Africa and report its results in 2009.

4 CIDSE and Caritas Europe, *CIDSE and Caritas Europe Briefing Note on the Reform of the EU Cotton Regime*, 2004.

US COTTON PRODUCTION AND SUBSIDIES

The United States is undoubtedly the largest offender when it comes to cotton subsidies. The US is the world's second largest producer of cotton (after China), but the largest exporter of cotton, accounting for 41% of world cotton exports in 2003.[5] Nevertheless, cotton production contributes only a tiny share to the total US economy (.034%), though it contributes a larger share to its agricultural economy. Neither is the United States a particularly low-cost producer of cotton. According to the International Cotton Advisory Committee, the average cost of cotton production in the United States was 68 cents per pound in 2001, compared with 31 cents per pound in Benin the same year.[6]

The International Cotton Advisory Committee estimates that the US provides $2.3 billion in subsidies to cotton producers in 2001/2002. Yet others point out that this figure is likely an underestimate, since the study does not include all the transfers to the cotton producers. Oxfam International notes that the figure is closer to $3.9 billion — greater than the entire GDP of Burkina Faso, and three times the entire US bilateral aid budget for Africa.[7] Most of these payments reflect domestic price supports, rather than export subsidies, yet given the large share of US cotton exported, they have a significant impact on the world market price. Furthermore, subsidy payments are highly concentrated on large-scale producers, rather than on small-scale farms; the largest 10% of cotton producers receive 73% of total payments.

These payments are authorised by the 2002 Farm Bill, which established a minimum price to US cotton producers of 71 cents per pound — much higher than the 2001 and 2002 world averages of about 40 cents per pound, though prices have risen since that time to about 70 cents per pound today. The Farm Bill remains in effect until 2007.

The US has proven resistant to the cotton initiative proposed by West African countries. In Cancun and since that time, the US has responded by proposing that these countries diversify their farm production away from cotton. It also continues to insist that cotton should not be treated separately, but rather should be included in a comprehensive agreement to cut subsidies, tariffs, and non-tariff barriers on farm products and on textiles and clothing. It maintains that subsidies are only one among many factors depressing world cotton prices, including competition from synthetic fibres, and higher yields due to favourable weather conditions. Cotton industry lobbyists backed the official US position and several US Senators from cotton-producing states expressed their opposition to the West African cotton initiative in a letter to the US Trade Representative. An open letter from US Trade Representative Robert Zoellick to fellow trade ministers on 11 January 2004 urged forward progress in the WTO talks, but offered no substantive proposal on cotton.

DEBT AND POVERTY REDUCTION STRATEGIES

Despite the fact that low world market prices for cotton have increased their external debt burdens, Mali and Burkina Faso are receiving only modest additional debt reduction, and none in the case of Benin and Chad. All four countries are eligible for reduction of their foreign debt under the Heavily Indebted Poor Country initiative (HIPC). In general, external debt for the countries has grown as a result of the lost export revenues due to the cotton crisis. Nevertheless, international lending agencies provided only modest increases in the amount of debt written off for Mali and Burkina Faso, compared with estimates made prior to the cotton crisis, but so far no additional debt reduction for Benin or Chad.

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5 Hanrahan, Charles E., *The African Cotton Initiative and WTO Agriculture Negotiations*, Congressional Research Service, 16 January 2004.

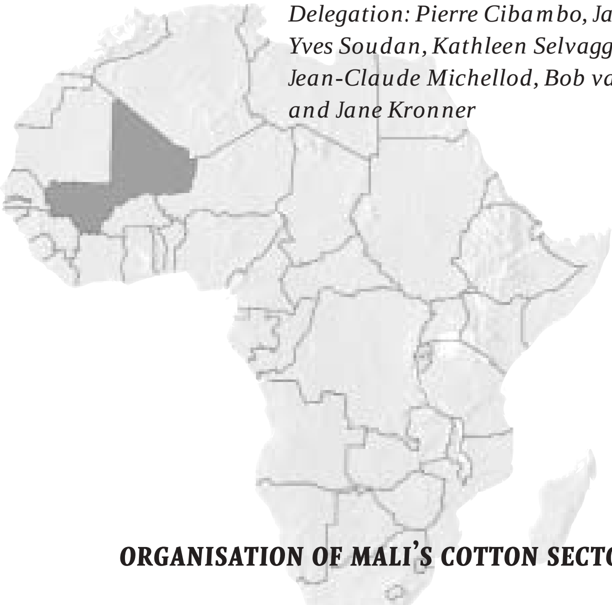
6 International Cotton Advisory Committee, *Survey of the Cost of Production of Raw Cotton*, September 2001.

7 Oxfam International, *Cultivating Poverty: The Impact of US Cotton Subsidies on Africa*, 2002.

Furthermore, a condition of HIPC debt reduction in all four countries has been progress on liberalisation of the cotton sector — even though many of these reforms appear not to have improved, and may have even worsened, the situation for poor farmers.

The Poverty Reduction Strategies Papers (PRSPs), which countries must produce in order to qualify for either debt reduction under HIPC or new loans from the IMF and World Bank, reflect this same approach. The PRSPs for Mali, Benin, Burkina Faso, and Chad emphasise continued liberalisation of the cotton sector as an important source of economic growth. Although nearly all the PRSPs speak to the need to strengthen cotton producers' associations, they do not examine how liberalisation measures have positively or negatively affected the poorest farmers nor have they made an argument for how it should benefit them in practise. Given the general level of poverty of cotton producers and the low prices they receive, this is quite problematic. Interestingly, in the case of Chad, the World Bank carried out a prior assessment of the social and poverty impact of the liberalisation on poor farmers at a relatively early stage of the reform process. Yet the results are not factored into Chad's PRSP. Furthermore, assessments are only now being carried out for Mali and Benin — many years after the launching of the reforms — and there is no indication that they are drawing lessons from the assessment done in Chad. Thus, these steps, though welcome, appear to be an afterthought, and amount to too little action, too late.

COUNTRY VISITS:
MALI, BENIN, BURKINA FASO, AND CHAD



Delegation: Pierre Cibambo, Jacques Bertrand, Yves Soudan, Kathleen Selvaggio, Jean-Claude Michellod, Bob van Dillen, and Jane Kronner

ORGANISATION OF MALI'S COTTON SECTOR

Since 1991 Mali has been West Africa's largest cotton producer. In 1997 production was more than 500,000 metric tons, and last year was over 600,000 metric tons.

Cotton growing was traditionally carried out by women for domestic purposes. Colonial exploitation of the area, led by the French Company for Textile Development (CFDT), resulted in the establishment of a cotton sector to serve the European textile industry. During this process cotton growing became a source of revenue for rural areas and passed into the hands of men who then took control of household incomes. Together with gold and livestock, cotton also became the principal source of export revenue for the state. In 1974, the company, which became CMDT, was nationalised, with 60% owned by the state and the remaining 40% by its traditional shareholder, the French company DAGRIS.

This local exploitation aimed at organising the cotton sector was thus conducted by a state company — CMDT — the sole purchaser of cottonseed, which carried out ginning and exportation. Such a structure, where there is a sole purchaser, is known as a monopsony. It had a profound impact on the organisation of rural cotton-growing areas. It makes economic sense because a cotton ginning plant represents a substantial investment in fixed assets, which brings returns for a few months each year. It must receive a regular and guaranteed supply, in large quantities, if it is to pay for itself. This is why the monopsony structure was widespread in all the cotton-producing countries in the region before the changes brought about by the economic crisis and the demands of backers. Moreover, currently planned reforms will not eliminate the monopsony structure, but rather create smaller, regional monopsonies.

Production is the outcome of the efforts of many small cotton growers, whose plots range from one to six hectares, sometimes reaching 15 hectares. The company organised them into Village Associations (VA). All the inhabitants of a village, whether cotton growers or not, participate in the VA and are collectively responsible for the debts of its members. Production is supervised by the company, which provides training and technical assistance to farmers via a network of rural coordinators.

The company fixes the price of cottonseed before the start of the season. Each grower decides on the plot and the area that he will plant with cotton. On this basis, the amount of necessary inputs is calculated: fertilisers, insecticides and herbicides. The bank (BMDA) grants a loan for cotton and equipment inputs to the VA. While collecting the previous harvest, the company delivers sacks of inputs purchased by growers as well as the selected seeds they need.

The seeds are supplied free of charge to prevent any seed trading, which would only have negative effects on production. In fact, growers do not have the means for assessing the quality of the seeds, the productivity of which varies according to the soil and rainfall. The type of seed required varies from region to region. Therefore, the company prefers to provide seeds that guarantee an optimum yield. The company also carries out research on new, more productive, and better quality varieties.

Moreover, the quality and quantity of inputs are calculated by the company, which purchases them from large multinational chemical companies. Despite its size, CMDT has very little power in the marketplace when faced with firms that are organised in oligopolies. Cotton requires a great deal of inputs. Their quality and price play a major role in the results of a growing season. The same applies to their use, which must be carried out at the right time and in the right amount, as indicated by the company's rural supervisor. Improper use of the products may render them ineffective, or even result in loss of an entire harvest.

The whole family takes part in cotton growing. At the end of the season, women are given cotton dresses and children bicycles from the head of their household.

The money enables the family to access the cash economy. This small amount of cash is essential in a modern nation for: registering children's civil status; school enrolment and purchase of educational materials; and purchase of medicines in case of illness. It enables access to means of rural development: purchase of a draft ox; cement to build a manure tank to make organic fertiliser; common funding of a school classroom, etc. It also enables a degree of prosperity: wedding celebrations; purchase of sheet metal and cement for houses; purchase of a moped for the family; being able to travel into town by public transport, etc. This downstream financial contribution feeds the economic system of the whole country.

The fertilisers used for cotton allow for higher yields of subsistence crops, which are alternated on the same plots and benefit from residual fertilisers that are still in the soil the following year. Consequently, the cotton-growing areas are those that offer the highest productivity for subsistence crops.

However, cotton growing and its chemical inputs impoverish the soil and threaten the system in the medium term. The parallel use of organic fertilisers via waste from small-scale stockbreeding is essential in ensuring the durability of the sector. The use of tractors on the larger farms impoverishes the soil due to over-deep ploughing. The use of yoked animals for ploughing by small farmers is better in this respect.

After the harvest, the company agent visits each grower for weighing and determination of quality. In terms of the quantity and quality of the product, the growers then know exactly how much they will earn. Lorries come to collect the cotton and deliver inputs for the following season. Therefore the company has built roads to enable cotton collection. The same lorry collects the crop from several villages. Collection begins with the remotest villages to take advantage of the dry season before roads become impassable. Ginning should be carried out within 120 days to avoid deterioration in quality. Wet cotton becomes like cardboard and cannot be used. The company applies the same price everywhere, without taking account of the actual cost of collection in terms of distance and the state of the roads. This policy has encouraged the development of new cotton-growing areas.

Once the crop has been collected, and the quantity and quality checked on arrival, the grower is paid. The amount is sent to the bank, which deducts the loan granted at the beginning of the season and pays the remainder to the VA. If a villager receives less than the loan he took out, he owes this money to the other members of the VA whose incomes decrease accordingly. This mutual guarantee system, which enables small producers to access credit, has also led to abuse and therefore conflict.

A farmer can expect a yield of 1,100 kilograms of cotton per hectare. This requires 200 kilograms of fertiliser, 100 kilograms of urea, six litres of pesticides, and 1.5 kilograms of seed. The estimated cost of inputs is 100,000 CFA francs per hectare, or 90 CFA francs per kilogram if productivity is good. This represents significant financial outlay for growers, who are obliged to take out loans in order to risk planting their crops. They must also bear numerous additional costs such as interest on loans, gifts to motivate members of the families to work in the fields, and investment in tools. A cotton dress costs around 6,000 CFA francs, and a bicycle costs 80,000 CFA francs. The company buys cotton at around 200 CFA francs per kilogram for the best quality, 160 for the second grade, and 140 for the third grade. As they have pressing financial commitments, farmers are sometimes unable to wait several weeks between the harvesting and collection of the cotton. The "field-side" price, which bypasses the company, can be around 50 CFA francs per kilogram — well below the cost of the inputs alone. Growers are therefore stuck between the unstable cost of inputs and the unstable price of cotton. Guarantees regarding price and marketing are indispensable before farmers can make a start on a growing season. Cotton has only been able to develop thanks to the organisation of the sector.

The various key factors in cotton growing are thus evident: seed quality; access to and cost of loans; the quality and cost of inputs; collection and transport of crops; and the price of cottonseed. Briefly, it means organisation downstream — and even more so upstream — thereby enabling marketing.

The company has traditionally made the sector secure in order to ensure its supplies in the long term. It has provided training to growers in a country where illiteracy is widespread, in the fields of farming techniques, cost calculation, and farm management. It has also taken responsibility for development of cotton-growing regions including road infrastructure, civil engineering, village water supplies, support to women, and development of experimental growing of sesame.

It is also true that growers have only received a relatively small part of the world price (50% compared with 60 to 80% in other countries for cotton of a similar quality)[8]. Company employees constituted a privileged elite due to their strategic position. Their lifestyle — the luxury hotels where they stayed in the cotton-growing regions and their CMDT district in Bamako — symbolise this power and bear no comparison with the profits made by small cotton growers.

While the paradox of the cotton and rice-growing regions of Sikasso and Ségou, which have proportionally more poor people than other regions[9], should also be noted, the issues at stake in the organisation of the cotton sector — as pointed out by local UNDP researchers — are the slowing down and in some cases reversal of rural depopulation, and contributions made to village development through the provision of a source of income, thus enabling improvement of healthcare, education, and access to potable water. The cotton sector has enabled all of these and should continue to do so.

THE CRISIS

A crisis was triggered in 1999 with the halving of world cotton prices between 1995 and 1999 to reach — according to some sources — their lowest level since the 18th century. The key element in this price drop is subsidies, which directly support over 50% of world production. This fall in prices radically upset the organisation of the cotton sector in Mali by making its shortcomings unbearable.

The rural situation had evolved as a result of "squeezing" by the structural adjustment policy imposed by international backers. Former primary school teachers, civil servants, and engineers returned to their villages. These educated people took on positions of leadership without necessarily becoming producers. At the same time, the banks — which as of then were authorised to do so — entered into keen competition to offer credit to village associations. Trade union leaders, civil servants, and shopkeepers, who as villagers automatically belonged to the VA, took out loans for their house, motorbike, etc. Village cotton growers saw these loans subtracted from their incomes when the crops were paid for. This raised the question of the control of decisions regarding various persons' indebtedness by members of the VA, who gave their support and solidarity.

In 1991 a cotton growers' trade union, the Cotton and Subsistence Crop Trade Union (SYCOV) was set up to enable representation of producers in decision-making structures. However, its lack of links with the grassroots led the latter to lose their trust in it. The harvest price offered to cotton growers in Mali in 1999 fell to 150 CFA francs per kilogram, while in neighbouring Burkina Faso the price was 200 CFA francs. Growers threatened to boycott production.

Lack of dialogue and mistakes by certain politicians, who had little awareness of how volatile the situation was, led to such an impasse that the growers carried out their threat. That year production was halved, with all the consequences one might imagine for the company and the whole country. A system that transferred all the risks to small growers had reached its limit.

Moreover, stabilisation funds totalling 19 billion CFA francs, established by CMDT to guarantee the price, were embezzled. The growers were aware that the crisis was also linked to bad management by CMDT, whose lifestyle seemed even more unbearable.

The growers presented a list of eleven grievances including: the price of cottonseed; compensation for accident victims; staggering of loans; acknowledgement by CMDT of its debt in connection with the disappearance of the stabilisation funds; involvement of growers in fixing prices for the season; involvement of growers in CMDT's organisational structure (participation at board meeting / taking stakes in share capital); and so on. These grievances demonstrated the keen awareness small growers had of the crisis.

8 UNDP, 2003 *Report on Sustainable Human Development in Mali*, p. 30.

9 UNDP, 2003 *Report on Sustainable Human Development in Mali*, p. 30.

The crisis had considerable impact in village communities, leading to violence, fights, and uprooting of crops among those who wished to produce and then bargain prices at harvest time and those who refused to take part in production. However, the inputs had already been delivered, resulting in debt and bankruptcy for growers. The village associations and the trade union broke up into five national unions for growers and, in each village, various farmers' associations united with growers in accordance with their affinities, in order to guarantee their loans. The political situation was stabilised, thanks to international donors, via state subsidising of the prices offered to farmers; however, the crisis left deep marks. Growers' organisations achieved the right to participate in fixing the price of cottonseed.

The crisis also obliged CMDT to rein back its activities and lifestyle. The hotels in the great cotton-growing region of Sikasso are deserted and managers are extremely cautious, but also on the defensive.

Following poor harvests in China, demand on the world market has increased, as have prices. However the structural threat to prices posed by the volatility of world prices, compounded by dumping in relation to subsidies, is still there.

REFORMS EMBARKED UPON

The World Bank's representative in Bamako presented the following situation to the Caritas and CIDSE delegation. The first strategy to recover from CMDT's bad management is to privatise. The second is to avoid the risks of cotton monoculture by diversifying production.

Privatisation is based on the principle that the state is neither a good producer, nor a good trader nor a good processor. Besides, thanks to privatisation the state will no longer have to finance the deficit in case of crisis.

The ginning plants will be privatised into three or four divisions, each of which will form a regional monopsony and be responsible for marketing. Growers will have greater responsibility at farmers' organisations, namely the growers' cooperatives that are grouped together and overlap at the level of municipalities, associations and regions, and finally at the national level. They will take charge of inputs, transport, rural training and development, agricultural consultancy, and credit. The World Bank representative even envisages the possibility of abolishing monopsonies in order to put plants in competition with each other and to entrust the building of secondary roads to the growers themselves, who will commission them from public works companies, as well as managing schools and healthcare centres. The ministry of agriculture will even cease to be responsible for agricultural consultancy and will be replaced by private contractors providing services on demand. He also envisages the creation of stabilisation funds for local cottonseed prices to be replenished during times when prices are high in order to tide over when prices are low.

Indeed, although reforms have already been launched and an accompaniment structure to bring farmers' organisations into line with their new responsibilities is already in place, the various interlocutors the delegation met did not seem to know exactly what they entail. In general, they are very worried about the possible consequences and sceptical about the practicality of illiterate and very poor producers taking on such responsibilities. Even though it is competitive, they all foresee the possibility of a total collapse of the cotton sector if it is broken up. They simply noted that in Ghana and Nigeria privatisation has by no means been successful, and has led to disorganisation and collapse of the sector.

Diversification, which is expected, involves two projects. The first, based on the fact that only 2% of cotton is currently processed on the spot, proposes to develop a textile industry system downstream from cotton production. The second regards diversification of agricultural production in order to protect growers to some extent from the vagaries of the world cotton market.

CONCERNS AND FOCUSES OF ATTENTION

State involvement in times of crisis. Given the social and economic importance of the sector, if a crisis occurs the state is obliged to do its utmost to save it. Apart from this year of crisis, as a shareholder the state has benefited from the company's profits. This will no longer be the case. Profits will be privatised and losses collectivised. With the new structure it is also feared that profits will leave the country, and therefore will not have a spin-off effect on the local economy.

Stabilisation of cotton prices. The stabilisation funds for prices offered to farmers that were established by CMDT didn't work. If a new local fund is set up, how can a repetition of this phenomenon be prevented? Indeed, such a fund is not subject to market conditions, but rather has growers finance a subsidy for years when prices are low. Cotton prices are global and hardly affected by local prices in Mali or even in West Africa as a whole. To be effective, stabilisation must be organised at the world price level. Such regulation of commodity prices would prevent shocks that are harmful to development and the structural formation of prices that are systematically below cost prices. However, such an option does not seem to be currently envisaged by international institutions — quite the opposite in fact.

Participation of small producers in the decision-making process. The considerable weakness of small producers is noteworthy, regarding both their information on market conditions and their ability to influence them, which derives from their extreme poverty. They have begun to obtain a degree of power in the decision-making process at CMDT. It is important that this participation be strengthened as it gives them a means for having an informed influence on the prices of inputs and their crops. We saw that no real competition exists to give them leeway in these two respects, except between additional middlemen who only serve to make the system more burdensome. Nothing is said about this participation in the new cotton-growing companies. It is to be feared that sharing the profits of cotton revenues will not improve the situation of small producers.

If competition between the monopsonies is established, pressure is most likely to be put first on those who have the weakest position in the marketplace, namely the growers. One of the central issues is the low level of growers' participation in the added value derived from cotton revenues. Only an increase in their power in the marketplace can restore a balanced state of affairs.

The viability of the new monopsonies. Division into areas under different monopsonies will finally lead to a single price for cottonseed throughout the country. In fact, collection costs depend a great deal on distance, and investment in infrastructure to improve communications has not been carried out everywhere. Certain promising regions are being established and still require significant investment. In the new organisation of regional areas, DAGRIS, the original company, is taking back the Sikasso region. This region accounts for 60% of Mali's cotton production. As the first cotton-growing region, it has a fully developed cotton production infrastructure, so collecting the crop therefore costs less.

Several consequences are to be foreseen. First of all, price differences between areas can only result in a strong sense of unequal treatment. This could lead to tensions related to jealousy between populations in different regions. If one area is currently more efficient than another, this is also because the country as a whole has contributed to its development. Other regions are right to expect to be able to reap benefits in their turn too. Secondly, we can imagine that because of this only one of these new companies will be viable. If the others go bankrupt, it will be the end of cotton production in these areas, with a considerable drop in the country's overall production. Division of the company into various monopsonies will also enable it to avoid its social responsibility more easily.

The monopsonies are highly dependent on the supply of raw materials to their plants. It is hard to imagine that they can logically disassociate themselves from issues regarding seeds, agricultural consultancy, road infrastructure, and transport organisation. They are more likely to do so in regions that are most immediately profitable.

Seed. This requires constant research to respond to the climatic conditions of each region, defend against predators, and produce a fibre that comes up to the quality expectations of the textile industry. Free marketing of seed, with suppliers in competition, comes up against the difficulty growers have in getting reliable information on the quality of a seed until it has actually been grown. A seed that is effective in one region may be useless in another. If growers do not try out seeds on an ad hoc basis, they see their production drop, and as they no longer make profits they are unable to pay back loans related to inputs. The much talked about arrival of genetically modified seeds — even though no one knows exactly what will happen — will take place in a disorderly fashion as seeds are circulated without growers being clearly warned. This will cause them to lose a potential niche with high added value — organic cotton.

Inputs. Growers do not have access to laboratory techniques to check the quality of their products. Only facilities at the national level would be sufficiently large to maintain an adequate laboratory. The delegation was told that in Nigeria the competitive supply of inputs on local markets resulted in higher prices and lower quality, leading to a need for multiple applications. Growers are obliged to apply 25 treatments, as opposed to four in Mali, with all the economic and ecological consequences this entails.

Even when organised in cooperatives, cotton growers do not have the means to negotiate prices with multinational chemical firms. The introduction of competition could thus be a mere illusion leading to even less transparency on the market.

Soil degradation. The inputs issue cannot be separated from the ecological one. Cotton growing impoverishes the soil and requires a great deal of inputs. However, the use of chemical inputs subsequently leads to impoverishment of the soil. To prevent soil from becoming barren, as has been seen in the Koutiala region, it is vital to use organic fertilisers too. Moreover, people are living ever closer to their fields, and are faced with problems such as inhalation of chemical products and their presence in well water. This issue arises in a country that is already facing massive deforestation to supply towns with firewood for cooking, and the problem of water.

The high cost element of imported inputs in the production price and the need for lasting development, should give rise to serious consideration of alternatives to the large-scale use of chemical products. While certification would radically alter the value of the product, it appears that it is impossible for small Malian growers to obtain organic cotton certification due to the complexity of the procedure. However, apart from this commercial niche, there is no reason why crops with slightly lower yields — but with reduced input costs to be funded — should not be just as profitable for the grower as the current inputs system if organic fertilisers and vegetal protection are used against predators. Such alternative growing methods would considerably reduce the financial and ecological risk, as well as dependence on the international industry on which no leverage may be exerted. This would also enable the country to benefit from a significant portion of the added value of the sector, which currently serves to fund input imports.

Achieving an improved agriculture balance also entails readjustment of crop types by raising livestock alongside cotton crops thereby producing organic fertiliser. This enables growers to reduce their dependence on cotton monoculture. From this perspective, the current organisation of small farms is an asset.

This issue comes within the overall framework of the degradation of ecosystems by populations that are caught up in the business of day-to-day survival. Rural depopulation raises the number of city dwellers, thus increasing the demand for firewood for cooking among a population that is too poor to have access to gas. Lack of finances in villages also encourages this deforestation.

Marketing. This is the core issue for any speculative type of agricultural production. Marketing is what makes production. Producers opted to grow cotton because they were sure they could sell their crops at decent prices. The end of this certainty immediately brought about a crisis. If lorries stop coming to collect crops, these are soon lost and all the growers have left is their debts. The difficult aspect of marketing is that all the crops arrive in the marketplace at the same time and must be sold off very quickly. At this time, growers have a very weak bargaining position because their outlays have already been made whereas potential buyers have yet to make their commitments. The ridiculously low "field-side" cotton prices demonstrate the reality of free competition prices, were traders to come as middlemen and pick up the crops with their own lorries. And yet, it is doubtful whether any grower, or even cooperative, has the logistical and financial means to enable them to control transport.

Agricultural diversification. Such diversification poses the same question of organisation as marketing. Shea, a valuable and highly sought after product, is monopolised by an impenetrable commercial organisation that pays very little to the women who produce it. Such crops as sesame and sugar snap peas have great potential, but poor organisation of the sectors hold them back. They lack technical supervision, effective seed research, and points of sale that would enable them to sidestep the greediness of traders. At harvest time prices fall, only to rise a few months later. This is also the case for subsistence crops, which discourages their production.

As well as cotton, rice is also an important crop in Mali. Historically, this production has developed thanks to the Niger office (Office du Niger). Rice production is organised in a very similar way to cotton. The Niger office organised the sector, starting with a dam that was built at the end of the colonial period, designed to irrigate one million hectares, which currently irrigates 60,000 hectares. Production takes place on small family-run farms. The rice produced has excellent nutritional value and a highly competitive cost price for its quality. Moreover, the country does not guarantee its own food sovereignty, so development prospects are excellent. In order to overcome the weaknesses of a system in which producers only benefited from a small portion of added value, various measures were implemented in the 1980s and 1990s. Producers were free to fix the price and destination of their crops. The fee to the office for management of the irrigation system was no longer paid in kind but in cash. Import and export taxes were removed. The office's milling plants, which were no longer responsible for marketing, were privatised. Despite, or rather because of these measures, the sector is making losses. The milling plants have stopped operating. Yet only milled rice is bought in the cities. The price of rice collapses at harvest time and goes up during the gaps in between. To pay off their loans and expenses, small growers have to sell when the market price is lowest. For snobbish reasons, the rich buy fragrant Thai rice, which is nevertheless of poorer quality, while the poor buy cracked Asian rice that has neither nutritional value nor value on the international market.

Agricultural diversification also raises the question of access to credit. Potato and onion production could yield eight million CFA francs per hectare, but would require five million CFA francs worth of inputs. But such credit is unavailable for the time being. Agricultural diversification also raises the question of transport. Mali is 1,000 kilometres from the sea, which significantly increases the cost of exporting products.

Market gardening crops for the local market and the whole of West Africa have been proposed as a form of agricultural diversification. The same issues of seeds, technical supervision, transport, and marketing come up once again. They can provide a supplement and some security, and could even give security to small producers. However, they do not meet the macroeconomic monetary requirements of the sub-region to finance imports and, in addition, it is impossible to point all growers in this direction without rapidly saturating the local market which lacks solvency.

DEVELOPMENT OF THE TEXTILE INDUSTRY

Faced with the downturn in commodity prices, access to a more remunerative segment of the sector is a sensible solution. However, such industrial development is highly unpredictable. Transport costs, both in terms of money and time — contrary to the global trend that drives globalisation — are far from being marginal. Expenses deriving from transport along 1,000 kilometres of track must always be added, and these can also rise due to intangible political factors in neighbouring countries, such as the current crisis in the Côte d'Ivoire. This makes maintenance of machinery, which must be imported, a serious logistical problem. It takes several weeks to obtain a spare part which elsewhere would be available in a few hours. This is a recurrent problem in cotton ginning plants. Energy supplies are also very expensive and unreliable. Therefore, industrial development cannot be envisaged without setting up a certain amount of infrastructure to go with it.

Industrialisation requires substantial capital investment both in machinery and working capital. Due to lack of capital, several ginning plants are not up and running, even though they would be very useful in dealing with crops in a timeframe that would enable decline in quality, and therefore of price, to be avoided. These new machines are even cannibalised — and thus rendered useless — to maintain old machines still in service, given the time it takes to get hold of spare parts.

The marketing issue comes up once again. Production is unlikely to be immediately competitive on the world market given that Asian cotton fabrics are well established. The advantage of a cheap workforce is offset by its low productivity. In fact, there is a demand for textiles on the local West Africa market. It could be a large enough market, but this presupposes being able to protect this market within the current framework of commitments to international commercial and financial institutions. Given this scenario, it is not clear that Mali offers optimum development possibilities for the sub-region. If this industry plans to export part of its production, it would do better to develop on the coast.

Finally, textile demand is currently maintained by second-hand clothes, namely used clothing with no value from developed countries. This situation is comparable to the consumption of cracked rice. Due to second-hand clothing, traditional local artisans, although highly competitive in terms of price and quality, only have the marginal outlet provided by tourism. Such tourism has very limited potential due to transport costs. Development of a local textile industry would entail putting a stop to the second-hand clothing business. But how would people be able to afford these clothes? This would be possible if, for example, downstream of adequate payment of cotton growers a money supply were to spread throughout the whole economy.

Industrialisation is not an alternative that could replace the cotton sector in Mali. It can only be envisaged as supplementary to it. It is to be feared that the development project for a textile sector — for which Mali offers no clear advantages even though it produces the raw materials — would add up to funding by international donors of machines that will never actually be used. The only beneficiaries would be the Western manufacturers of the machines and those who, due to their social position, would be able to siphon off some of the cash flow generated. The only outcome for the country would be additional debt burden.

RURAL DEPOPULATION AND FOOD SECURITY

Rural populations need a crop that allows them to access the cash economy, at least to pay their taxes, schooling and medical expenses, without even mentioning basic necessities. The quest for this scarce resource drives the exodus from the countryside to the cities, which offer no economic prospects, but are places where money circulates. They have highly varied production possibilities. Their problem is the organisation and stabilisation of sectors. The end of cotton as a financial resource obliges growers to sell their crops on the market at the most unfavourable time in order to meet their immediate needs and then buy them back again when the price peaks. Therefore, they get bogged down in a cycle of debt and bankruptcy.

A lucrative price for agricultural products allows for development of subsistence crop production. It enables rural populations to stay in their villages and thereby limits rural depopulation. Prosperity for growers would enable development of a solvent local market that would nourish the whole economic life of the country.

THE LAND ISSUE

This is a vital and potentially explosive issue. Land is regarded from a traditional and customary perspective. It is a community asset that guarantees everyone's security. If someone is unemployed, he can access the land and find a means of survival. Land is a safety net, which explains the resilience of Malian society in the face of dire economic hardship.

Land is not free of laws, but rather is subject to strict customary rules that the land chief implements in allocating plots. If someone needs land, he offers the wherewithal to make a sacrifice and receives a plot of land to cultivate, which after him goes to his children. However, he does not own the land. A sign that such rights to use do not constitute ownership is that he is not allowed to plant trees or pick the fruit of those present. Trees signify deep-rootedness and permanence and only locals have rights regarding them.

This system has its limits. It does not allow for the introduction of certain ecological protection methods connected to tree planting. It is subject to competitive pressure from Western land law, which associates unqualified individual ownership with land registration. The relationship with the land and traditional rights must be guaranteed because only official pieces of paper have value in the modern world.

Currently, there is a new trend to abuse this right by people who use it to grab land at a symbolic price from a land chief, which they then fix via the land registry. People are not immediately aware of the changes brought about by these new practices implemented by those who have power. When they find out that the land is no longer available it is too late. The establishment of large farm estates, which use employees and are mechanised, complies with an economic rationale that is explicitly rapacious in two senses: it increases soil impoverishment and breaks up the social structure by turning farming populations into agricultural labourers.

This practice of private appropriation constitutes a radical rupture of the social structure and abuse of the population. It brings tensions and potential violence that are so great that no one dares face up to the problem but rather leaves it to fester.

Traditional community law should be able to evolve and be guaranteed within modern law, without losing the flexibility that makes it a useful tool at the service of the community. Indeed, we believe it is extremely foolhardy to promote privatisation of land as a model for development, and that allowing the land situation to deteriorate would put law and order at risk and provoke further impoverishment of the population.

CONCLUSIONS

Cotton growing in itself is not the core issue. Cotton is a tool that has given small growers access to the cash economy. Such access is vital in reducing endless rural depopulation. Moreover, the state structure also needs money, which the cotton industry provides. Without a resource that is linked to a normally functioning economy, the state risks becoming a mere predator. Therefore, what is at stake is maintaining the prosperity of living communities. This concern is also shared by Europe and the United States who subsidise their agriculture to keep rural communities alive. However, these subsidies have not achieved their objective because for the most part they do not go to small producers but rather support the food processing industry.

The elimination of subsidies in developed countries, which encourage overproduction of cotton, is indispensable. The situation of the cotton industry needs to be grasped in all its complexity, so as to avoid — as far as possible — simplistic solutions. We must tackle and work together on these issues. However, it is clear that in the near future Mali has no viable alternative to cotton production, that it makes no sense to abandon the only production for which it has competitive edge on the world market, and that subsidies pose an immediate threat to the survival of this sector.

MALI

Human Development Index (HDI) Ranking	172 (of 175 countries)
Total population, 2001:	12.3 millions
Life expectancy at birth, 2001:	48.4 years
Under-five mortality rate (per 1,000 live births), 2001:	231
Adult literacy rate (% age 15 and above), 2001:	26.4
% of Population living under $1 a day, 1990-2001:	72.8
GDP per capita (PPP US$), 2001:	810
GDP per capita annual growth rate %, 1990-2001:	1.6
Export of goods and services as % of GDP, 2001:	31

(UNDP Human Development Indicators, 2003)

COUNTRY VISIT:
MALI, BENIN, BURKINA FASO, AND CHAD

Delegation: Jacques Bertrand, Kathleen Selvaggio, Jean-Claude Michellod, and Nicolas Degboué

THE ROLE AND IMPORTANCE OF COTTON TODAY

Of the four countries that launched the cotton initiative at the WTO, Benin is the most dependent on cotton. Although it produces less cotton than Mali, and Burkina Faso's output could soon surpass it, cotton represents 70-80% of Benin's exports and accounts for 14% of its GDP. It has been the driving force behind the country's economic growth during the last fifteen years. From 1990 to 2002, cotton fibre production[10] went from 43,000 to 172,000 tons, an increase of 300%. Cotton has stimulated the sale of agricultural inputs, transportation, transit and insurance activities, and industrialisation. The 18 cotton-ginning factories, two oil mills, and five textile factories are essential to Benin's industrial fabric. Two million people rely on cotton, both directly and indirectly. Therefore, when cotton does poorly — either due to low world prices or other reasons — many people suffer.

THE COTTON CHAIN AND ITS CONTRIBUTORS

The cotton sector is organised into a "chain" (*filière*), which includes a series of contributors (producers, ginners, input distributors, training officers, government, banks) and the consultation mechanisms through which they interact. There is no similar "chain" for other crops.

Over the past twelve years Benin has completely transformed its cotton chain. As elsewhere in Africa, cotton in Benin was under the control of a state firm, SONAPRA,[11] for decades. In the early 90s, following the World Bank's prescriptions, the state entrusted the importation and distribution of chemical inputs (fertilisers and insecticides) to the private sector. It then opened up ginning activities to private actors. Today, half of the country's factories are privately owned and run, while the remaining ones still belong to SONAPRA.

Even though it had privatised, the state still imposed a strict framework on the sector and set down some ground rules, which, in principle, should be followed:

1. The price of inputs offered to producers must be the same throughout the country;
2. The price of the sale of cotton to producers must be the same everywhere;
3. Producers must only sell to ginning firms set up in Benin;
4. Ginners must buy all the cotton produced.

HOW THE CHAIN WORKS

At the start of the agricultural season, producers inform the CAGIA,[12] the national cooperative of agricultural inputs, of their input needs. Inputs are received on credit from input distribution firms. Producers must reimburse the costs of the inputs once they sell their cotton. At that time, payments are transmitted through a body called CSPR,[13] which has two main functions: to ensure that producers receive the payment coming to them when they sell to ginners; and to guarantee that the amount due to input distributors is reimbursed. The deduction of the money advanced for inputs from the amount obtained from the sale of cottonseed largely explains the producers' discontent when they see that what they have worked for for months amounts to almost nothing.

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10 *Cottonseed* is the cotton gathered and sold to cotton ginning factories, while *cotton fibre* is the processed product that ginners sell on the world market.

11 SONAPRA: National Society for Agricultural Promotion

12 CAGIA: Cooperative for supplying and managing agricultural inputs set up by the associations of producers. It centralises the requests for inputs and organises the selection of input distribution firms that supply to producers.

13 CSPR: Central agency for securing and collecting payments, which brings together producers, ginners, and input distributors.

It is up to the CSPR to negotiate the estimated price for the sale of cotton. This price is announced at the beginning of the agricultural season in May, and approved by the government. It is calculated to cover, at the very least, the cost of the inputs. At the same time, the CSPR announces the price of inputs that producers need to buy. If market conditions are favourable, producers receive an additional sum after the harvest, once they deliver their cotton.

Technical supervision to help producers improve their production is another important function of the chain. This has also been handed over to the private sector through contracts agreed upon by the AIC, the Inter-professional Association of Cotton. The AIC, created in 1999 by producers and ginners, is crucial to the cotton chain. Its mission is to facilitate relations between the actors in the sector and the state. It also defines, manages, and ensures follow-up of all activities related to the survival and proper functioning of the chain (e.g. research, seed production, supervision of producers).

THE CRISIS

Liberalisation of the cotton chain. Visiting Benin immediately after Mali gave one the impression of moving forward in time. The people of Benin began liberalising their chain well before those in Mali. What the Malians fear — liberalisation and privatisation — the people of Benin have already experienced to a great extent. Although the main decisions have been made in Mali, significant action has yet to take place. Malians point out that they are still waiting to see the concrete benefits of the policies inspired by the World Bank.

Generally speaking, structural readjustment has enabled an institutional framework to be set up that is more favourable to private companies in Benin. This has contributed to a growth in the GDP at an average rate of 5.1% over ten years.[14] However, the UNDP has noted, "The reduction of the public work force and the restructuring of public firms have caused an enormous loss of jobs, a reduction in the services offered, a deterioration of the availability and quality of healthcare services, education, etc."[15]

Significant changes in the Benin cotton chain, however, coincided with the historic drop in world cotton prices. Prices plummeted in 2001, nearly bringing down the cotton industry. Benin's government intervened at that time to support the price given to producers at a cost of 18 billion CFA francs, despite the unfavourable opinions of the World Bank and the International Monetary Fund. Reforming the cotton sector during that period was somewhat like sealing up holes in a boat during the midst of a storm. Although the storm is not as volatile today, the boat is still filling up with water. Global cotton prices have recently risen; however, the tendency is still downward.

The people of Benin openly discuss the problems within their country's cotton chain. Discontented producers created two organisations to defend their interests. Input distributors also set up a dissident organisation, while many of the ginners expressed their dissatisfaction with their organisation.

Caritas and CIDSE focused their attention on cotton farmers. Farmers almost everywhere told the team that they scarcely recognised themselves within the structures that negotiate cottonseed and input prices. They believe — and many observers confirmed this — that a large gap exists between small farmers and the representatives working at the sector's highest levels, ostensibly in their name.

During a meeting at the Ministry of Agriculture with representatives from the cotton chain, CIDSE and Caritas were informed that it took three months of difficult negotiations to arrive at an estimated price of

14 UNDP, *Report on Human Development in Benin 2003*, p. 13.

15 UNDP, *Report on Human Development in Benin 2003*, p. 13.

cotton that was satisfactory to the producers, indicating that farmers' interests were indeed defended fiercely. However, many people questioned this. In a meeting led by the Caritas of Prakou it was concluded that, "price negotiations are made at a high level between the cotton-mill industries and the ginners. The small producer is left on the margin."

In a similar vein, a study was carried out two years ago in the Banikoara region. Out of 102 people questioned, 52 knew the FUPRO (Federation of the Unions of Producers in Benin) by name only, 21 had never heard of it, 16 had no opinion, and 13 thought that FUPRO "does nothing for me".[16]

Producers also spoke of numerous irregularities, starting with the weighing of cottonseed. Farmers are often illiterate and can be deceived about the quantity of cotton they deliver. They are organised into local associations, the USPP (Sub-prefectural Unions of Producers). Through these local intermediaries, producers deal with input distributors and ginners. The USPP leaders are elected locally by the producers. Some USPP leaders, however, have created little fiefdoms. Consequently, not all USPPs are as well managed as they should be. "Officially the system is transparent, but there are some pockets with holes in them," one bishop told the CIDSE and Caritas team. "There is some trickery. It does happen that the USPP sells at a higher price to the factory without the producers benefiting from this. I don't trust the USPPs that much."

"Throughout the chain, some people do not play the game," one international functionary said. "The producer has to get a fair price for his cotton because even if the United States were to eliminate their subsidies, this would not solve everything."

Liberalisation includes its share of problems, unknowns, and constraints. It is not clear whether the new system will be able to save the cotton sector. Resources are needed, as well as increased integrity, transparency, and professionalism. The Songhai Center, a training and research centre on sustainable agriculture, pointed out that support for the producers deteriorated when the state firm, SONAPRA, pulled out. Benin has no agricultural bank. Consequently, it is very difficult to find financing that is well suited to the farmers' needs — an issue to which micro-finance credit unions could respond.

Guy Loueke, one of the leaders of the Songhai Center, believes that despite current problems, positive effects of liberalisation should be acknowledged, especially in a country where the economy was centralised in the hands of the state for such a long time.[17] "It liberates initiatives and creates opportunities. We should not be afraid of privatisation."

CURRENT CHALLENGES

In the northern city of Gogounou, more than 90% of the workers are farmers. The main crop is cotton, but people also grow corn, rice, yams, and peanuts. According to the local Caritas, producing one hectare of cotton today in Gogounou requires an investment of as much as 207,000 CFA francs. With the price of cotton set at 180 CFA francs per kilo for the 2003-2004 season, a farmer who has produced one hectare could expect to receive 285,000 CFA francs, provided he produced 1,500 kilos. This would result in a profit of 78,000 CFA francs (equivalent to 145 USD).

For the 2001-2002 and 2002-2003 agricultural seasons, prices barely reached 180 francs for first quality cotton and 140 francs for second quality. In 2001-2002, the state had to intervene to stabilise domestic prices as world market prices crashed, making it impossible to pay the price promised to the Benin cotton farmers.

Production-related expenses are more than half of the expected income, making producers extremely vulnerable to low cotton prices. They can no longer pay off their debts, buy new agricultural material, or cover expenses related to their children's schooling. In order to make ends meet, they sell cereals that were grown with their cotton inputs — cereals that were intended for consumption, rather than sale. Some are forced to sell off their possessions or buy food on credit. There is often great misery and hardship during this period, commonly known as "the making-ends-meet period".

16 Bradley, William, Attitudes and Coping Strategies of Cotton Farmers in Banikoara, Benin, January 2002.

17 Benin was led by a Marxist government for almost two decades. Democracy and liberalisation of the economy came in the 90s. The government still has fraternal relations with North Korea, but these are mainly symbolic. Some North Koreans are currently building monuments in the intersections of some towns.

It is obvious that producers are unable to improve their living conditions. They can't afford to buy a motorbike, clothing, tools, or a metal roof for their houses. When prices were higher, collective rebates[18] allowed villages to dig wells and to build dispensaries, schools, and even roads. Declining prices, however, have forced Village Groupings to postpone or abandon many projects.

What is happening in Gogounou seems to hold true for the rest of the country. "With liberalisation, the social problems began," explained the President of Caritas Benin, Fréjus. "We are witnessing an exodus of young people who go to Nigeria to work, or others who go to Ghana to work on the cacao plantations."

Despite many community projects financed by the USPPs,[19] cotton regions are not spared from poverty. The UNDP and FAO offices noted that studies place cotton-producing regions at the same level as poverty-stricken regions.

The diocesan Caritas in N'Dali pointed out that many people do not know how to escape from poverty. When cotton passed for 'white gold' several years ago, people abandoned yam and subsistence crops. However, problems arose as world cotton prices declined and input costs increased. "At that time we started to see children with swollen stomachs," explained Bishop Martin Moumouni of N'Dali. "Some are not capable of planting anything but cotton. Their reactions are unchangeable." Statistically, however, the FAO estimates that Benin's food security has improved on the whole over a decade.

As in Burkina Faso, Chad, and Mali, there is considerable talk about crop diversification. Many cotton farmers would prefer to produce something other than cotton. However, other crops are not organised in a chain. Ultimately, farmers choose to fall back on what they know best, hoping for an improvement in prices to help break the cycle of debt and perhaps improve their living conditions.

Cotton also creates health problems. Some peasants spoke of "the tremors" ("la tremblotte"), a disease caused by inhaling the fumes from chemical products stored in their one-room houses. Almost all the people with whom Caritas and CIDSE had met mentioned increased soil and environmental degradation caused by inputs. "Cotton goes hand in hand with deforestation and the advancing desert," explained Bishop Fidèle Agbatchi of Parakou. "Cotton is a game for quick profit."

PATHS TO A SOLUTION IN BENIN

It seems that cotton farmers face a difficult choice: either to continue producing cotton with all the difficulties that implies, hoping for an improvement in the prices; or to grow other crops.

The state is in a similar situation. The government has invested significantly in the transformation of the chain and relies heavily on the income generated from cotton. This may explain the "lack of enthusiasm" on the part of Benin leaders with regard to diversification. As one person told us, "It is a little bit like asking them to saw off the branch they are sitting on."

One study shows that if cotton producers really had a choice, almost all would opt for a less lucrative but more predictable crop like corn. Two-thirds intend to reduce or stop producing cotton.[20]

The Songhai Center believes that Benin could continue producing cotton, but that its impact on the environment should be minimised. In their opinion, moreover, there is nothing stopping them from producing palm oil, rice, cashew nuts, or other crops. The southern part of the country, for example, could produce two rice harvests per year, using barely 10% of the arable lands. However, a national agricultural strategy needs to be developed that emphasises cooperation and technical supervision. Optimally, this should be done in consultation with neighbouring countries. The Caritas and CIDSE team found the Songhai Center's approach interesting. It neither underestimates the challenges raised by diversification, nor hesitates to propose changes.

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18 The collective rebates come from income made at the time of weighing. These take into consideration the local price and the world market. When prices were higher it was possible for the Village Groupings (VG) to carry out some important achievements in the cotton regions.

19 Sub-prefectural Unions of Producers

20 Out of 99 persons questioned, 98 indicated this preference. Bradley, William, *Attitudes and Coping Strategies of Cotton Farmers in Banikoara, Benin* January 2002

The US and European subsidies have been denounced as the main source of the problem. However, their eventual elimination, although essential and desirable, will not solve all the problems. "The benefits do not always reach the cotton producers," Bishop Moumouni said. "Who is going to gather up the dividends if the subsidies are eliminated?" The poor have to benefit from this. Good governance of the cotton chain, improvement in its functioning, and effective participation of the producers require greater attention and concerted strategies.

Another decisive factor for producers concerns the high cost of inputs (fertilisers, pesticides, herbicides). In Benin, as in the other countries, greater competition between suppliers seems to be strongly desired by many of those taking part in the chain.

Furthermore, it is obvious throughout the country that technical supervision and training of producers must be strengthened. Some have said that privatisation and the state's withdrawal have resulted in a lack of personnel and adequate services.

Since cotton is so essential to the country's economy, it seems important that civil society mobilise to defend cotton producers' interests. This should start with the cotton producers themselves. Many are not familiar with the mechanisms of the cotton chain, nor the connection between their situation and the functioning of world prices. Similarly, they are unaware of their rights and the power they could wield if they decided to unite to promote their interests. Civil society in Benin, as in Chad, Mali, and Burkina Faso, has much to do in this area. The network of peasant organisations and agricultural producers of West Africa (ROPPA) is already carrying out valuable work along these lines by rallying farmers' organisations from several countries and proposing alliances among African NGOs and those from northern countries. "The farmers are the ones who have the real power. If they decide to no longer produce, the people who take advantage of them will no longer have anything. The farmers have to become aware of this power and use it," urged Nicolas Degboué, Regional Secretary of Caritas Africa.

BENIN

Human Development Index (HDI) Ranking	159 (of 175 countries)
Total population, 2001:	6.4 millions
Life expectancy at birth, 2001:	50.9 years
Under-five mortality rate (per 1,000 live births), 2001:	158
Adult literacy rate (% age 15 and above), 2001:	38.6
GDP per capita (PPP US$), 2001:	980
GDP per capita annual growth rate %, 1990-2001:	1.9
Export of goods and services as % of GDP, 2001:	15

(UNDP Human Development Indicators, 2003)

COTTON DEPENDS ON THE ENTIRE FAMILY

When talking about cotton production, one important dimension is often overlooked: this economic activity — the source of income for more than ten million people in Mali, Benin, Burkina Faso, Chad, and Togo — largely depends on the work of the entire family, and not just the men.

Women, often with their children, are involved in all stages of cotton growing, from sowing the seeds to harvesting the fields. They contribute to the profitability of the cotton production chain, yet the long hours they toil in the fields are largely unremunerated. If this work were given its real worth, the profitability of the crop would be reduced (unhappily, this situation occurs elsewhere in the world, both in the North and in the South). Although many hesitated to confirm this, it seems that in some regions men are polygamous in order to increase their opportunities for free labour.

In addition to dedicating long hours to growing cotton, women are responsible for, among other things, taking care of households, preparing meals, and raising children. They are often not in control of their own destinies. Several diocesan Caritas noted that most women have neither decision-making powers nor economic autonomy. When one diocesan Caritas brought together a group of women to discuss these issues, several said that they managed to earn a little extra income by cultivating a field they had either inherited from their families or had cleared themselves. That money enabled them to buy food and medicines and to pay for their children's school expenses. As for the men, "they drink, go with women, and spread AIDS." This, unhappily, is what women say not only in Benin, but in many other countries around the world.

The UNDP's 2003 Report on Human Development in Benin stressed that Benin women are hit harder by poverty than men. This situation is "aggravated by the burden of the responsibilities they take on in the community and in the home, such as the reproduction and education of children and household work." Similar sentiments were echoed in the other countries.

Some civil society organisations in Burkina Faso are working to raise awareness among women of their rights and to lobby for women to have their own plots of land to grow food for their families. All stressed the importance of stepping up efforts in this direction.

Bishop Martin Moumouni of N'Dali, Benin expressed concern over the number of young girls not attending school, noting that this perpetuates inequality between men and women.

Some women told the Caritas and CIDSE team, "If you ask a man why he does not send his daughter to school, he will probably answer, 'Why should she go to school? She doesn't need that in order to take care of the house!'" However, the percentage of children receiving a full-time education has been rising for some years in Benin, to the point that the UNDP believes that the millennium goal of the elimination of disparities between the sexes in primary and secondary education will "probably be achieved".

COUNTRY VISIT:
MALI, BENIN, BURKINA FASO, AND CHAD

Delegation: Pierre Cibambo, Yves Soudan, Bob van Dillen, and Jane Kronner

"Cotton is everything for us – our pharmacy, our hospital, our schools, our children," explained Burkinabé farmer Joseph Kaboré, who has been growing cotton since 1986. "In the beginning, cotton gave us hope; but with the low market price and the high cost of inputs, we can't make enough money to take care of our families." "It is complete misery," added his wife. Members from the Caritas and CIDSE delegation sat down with Kaboré and other cotton farmers in the rural village of Limseyga, 120 kilometres southwest of the capital, Ouagadougou, to listen to their concerns and to gain insight into the challenges they and other small-scale farmers are facing.

Declining world cotton prices have dealt a severe blow to the livelihoods of the more than two million people in Burkina Faso dependent on cotton — many of whom are poor, family farmers. The price slump has not only caused significant losses in government export revenue, but has contributed to increased poverty within rural communities, food insecurity, migration, and social tensions.

In Burkina Faso, as in other West and Central African countries, cotton growing is a family affair, with everyone pitching in — including young children and the elderly — and everyone living off the profits. Farms on average are two to four hectares and work is done by hand. For years, growing cotton provided a decent living, enabling families to invest in livestock and equipment and to use a portion of the inputs (fertilisers and pesticides) available for cotton to grow food for household consumption. However, discouraged by poor returns in recent years, many small farmers have abandoned cotton growing altogether. Limseyga, for example, has seen its cotton producers dwindle from 50 to 15, and production decrease from 100 tons to just 13 tons per year. Others, like Kaboré, struggle each year to convince their families to continue, as it is still the main source of cash income available to them. "We often hear talk on the radio about poverty reduction programmes and the international community's concern. We don't want them to give us anything; we are just asking that they buy our cotton at a fair price," said Kaboré.[21]

THE ROLE OF COTTON IN BURKINA FASO'S ECONOMY

Approximately 90% of Burkina Faso's 12 million people depend on agriculture. Most engage in subsistence farming, growing such food crops as millet, maize, and sorghum, while a sizeable number also produce cotton, the country's main cash crop. Cotton is one of the driving forces behind the nation's economic growth and development — accounting for approximately 30% of total export earnings and 60% of agricultural exports — and has played a key role in building up the country's infrastructure and social services. Production rose steadily over the last ten years, transforming Burkina Faso into one of the top cotton-producing countries in the world.[22] The cotton sector also triggered significant research and development, from which other sectors are benefiting.

In the early 90s, Burkina Faso, like many of its neighbouring countries, began a process of restructuring and adjusting its economy to conform to international market requirements. Steps were taken to privatise and liberalise the cotton sector in a bid to make it more competitive.[23] This translated into the state relinquishing its position as majority shareholder in the country's main cotton company, SOFITEX, which had been responsible for providing inputs, seeds, training, and technical assistance to the country's producers, and organising collection, transportation, ginning, and marketing. Cotton producers were organised into self-governing groups at village level (*Groupements de Producteurs de Coton* — GPC), with representation in village, departmental, provincial, and national unions. An inter-professional agreement was signed in the late 90s, allowing cotton

21 Based on interview with cotton farmers in Limseyga, Burkina Faso.

22 WTO TN/AG/GEN/4 WTO Negotiations on Agriculture. "Poverty Reduction: Sectoral Initiative in Favour of Cotton: Joint Proposal by Benin, Burkina Faso, Chad, and Mali." May 2003.

23 Ibid

producers to own 34% of SOFITEX shares and thus to participate directly in organisational and decision-making processes (the state and the French company DAGRIS own the rest). Under the new arrangement, SOFITEX has begun overseeing the western cotton-growing zone, while the eastern and central zones have been opened up to the private sector, the effects of which have yet to be seen.[24]

THE CRISIS

There are a number of factors contributing to the country's cotton crisis. The negative impact of northern cotton subsidies on West and Central African economies is undeniable. Despite producing high-quality cotton at low cost, Burkina Faso's cotton farmers are finding themselves at a distinct disadvantage, having to compete on the global market against heavily subsidised cotton producers from developed countries. Reports indicate that Burkina Faso, which exports nearly all its cotton, has suffered millions of dollars in lost revenue. François Tani of Burkina Faso's National Union of Cotton Producers pointed out that numerous village-based initiatives, including the building of schools, roads, and health centres, have been halted as a result. Under the structural adjustment programmes, Burkina Faso had to abandon its subsidies. Still, as the country's Trade Minister, Benoît Ouattara noted, the government is no longer in a position to grant subsidies to its producers given the lack of funds due to decreased government revenue.[25]

The process of liberalisation and privatisation of Burkina Faso's cotton sector is under way and there are many uncertainties and insecurities. One concern was that small farmers' interests were not being sufficiently represented within SOFITEX, and that many farmers still lacked crucial information about cotton and input prices. Low market prices have put a serious dent in their earnings, especially when combined with the increasingly high cost of inputs. In most instances, the bulk of farmers' income is used to cover production costs. Cotton is the only agricultural sector in which inputs are available on credit. Loans, which are granted collectively to a village-based cotton-producing group (GPC), are calculated according to the size of members' cotton plots and estimated input needs. Once the cotton is weighed, assessed for quality, and sold, the money received by the GPC goes toward credit repayment, which is the responsibility of the entire group. The remaining amount is then given to the farmers, based on the amount due to them. Problems occur when farmers are unable to repay their share of the loan, either due to poor yields or other factors. This creates tension and conflict within the village, often pitting neighbours and family members against each other. Unfavourable weather conditions, environmental degradation, and misuse of inputs are among the many variables behind low output, and the risk falls entirely on the farmers' shoulders.

There has also been deception with respect to the weighing of cotton, and at times, discrepancies between SOFITEX and farmers' calculations, with farmers receiving less than what they were entitled to. Another major problem concerns delays in the pick-up and delivery of cotton, and consequently delays in payment for the entire GPC. Once amassed, the cotton is stored in the open, making it vulnerable to foul weather or pest infestations. The farmers in Limseyga did not know when a truck from SOFITEX would arrive to pick up their stored cotton, and were visibly concerned, yet unable to take action.

In the event that farmers are able to repay their credit, the rest of their meagre income is stretched to cover basic household needs and outside labour costs, if any. In Joseph Kaboré's case that means not only having to pay for a bicycle for each of the two workers hired to help

24 Report compiled by Burkina Faso's main cotton company, SOFITEX.

25 Union Nationale des Producteurs de Coton du Burkina, *Prejudices subis par la filiere coton du Burkina: Elements d'impact socio-economique au sein des exploitations cotonnieres*

him, his wife, and their young children harvest their six hectares by hand, but to buy fabric for his wife's clothing, medicines for his family, tuition and school materials for his children, straw for their roof, and so on. Unable to make ends meet, many farmers are falling into debt, obliged to sell their livestock, equipment, inputs, and even household grain stocks. More times than not, farmers are forced to sell their grain when market prices are at their lowest. If they are able to buy it back, they are often obliged to do so at exorbitant prices — nearly double the selling price — plunging them deeper into financial difficulty.

The high cost of education is forcing many children to abandon their studies. As one farmer put it, "If you don't have anything to eat, you can't send your children to school." Young people are fleeing their village communities in search of work elsewhere, often moving to cities or neighbouring countries such as Cote d'Ivoire. Some are falling prey to criminal activity. There was a palpable fear among the farmers in Limseyga that their village, weakened by migration and conflict, would disappear completely.[26]

CHALLENGES AND CONCERNS

Diversification. As in Mali, Chad, and Benin, discussions about the cotton crisis invariably turned to other problems within the country's agricultural sector. Many are pressing for Burkina Faso to diversify its economy to reduce its dependence on cotton. Proposed substitute crops include sesame and sorghum. However, the country's landlocked position and limited rainfall make it difficult to develop viable alternatives. Furthermore, the lack of organised credit and marketing structures for crops other than cotton is problematic, and the nearest port is 1,000 kilometres away.

Burkina Faso's rice producers are finding themselves in a predicament similar to the country's cotton producers. Even though locally grown rice is nutritious and of high quality, rice growers are unable to sell their product at a decent price. The market is flooded with imported, subsidised rice that is significantly cheaper, although generally of inferior quality. In most cases, the country's rice producers are barely able to recoup production costs. Frustrated, they are finding little incentive to continue producing.

Burkina Faso's Trade Minister, Benoît Ouattara said that the government is interested in making diversification a higher priority, and drew attention to the promotion of crops using irrigation such as corn, tomatoes, and sesame. He pointed out that some progress has been made and Burkina Faso has not been dependent on food aid during the last few years. However, the transformation has not been easy and there are still a number of challenges.

The difficulties of agricultural diversification were apparent during a visit to Boudtenga, a village 30 kilometres outside of Ouagadougou. Boudtenga is not in a cotton-producing region; villagers grow millet, primarily to meet household food needs. As seen elsewhere, lack of stable market outlets for surplus crops is the main problem. Opportunities and resources are limited: water is scarce, as the rainy season lasts only four months; there is very little cash flow in the village; and social and health services, including infant and maternity clinics, are at a distance. Many women, in an attempt to earn some extra money to take care of their families, gather gravel and sand during the dry season to sell to brick makers. Despite the apparent hardship, there was solidarity among the villagers and a strong desire to keep their community intact. When asked what they wanted most, they spoke of an educational centre to teach their children a useful trade to help keep them in the village, and a building to house and care for the ever-increasing number of orphaned children.

Environmental concerns. Ensuring the sustainability of Burkina Faso's agricultural sector in the long term is another major concern. The use of chemical pesticides and fertilisers has hastened environmental degradation and raised the spectre of health problems. The octogenarian village chief of Limseyga explained that when he first arrived in the village 40 years earlier, the area was densely forested. Now it is but a mere desert. One alternative currently being discussed is the development of organic cotton, which would limit farmers' dependence on harmful and expensive inputs. However, organic cotton requires advanced technical skill, which is lacking, draws lower yields, and enjoys only a niche market at the moment.

26 Based on interview with cotton farmers in Limseyga, Burkina Faso.

A related problem involves the availability of land and land ownership. Traditional land rights are not clearly recognised by modern law, and concerns were expressed that land could be appropriated by large-scale farms, effectively squeezing out small-scale farmers.

Transgenic cotton. The prospect of transgenic cotton is worrisome to many in Burkina Faso, and fits into a broader debate on the use of genetically modified organisms (GMOs) throughout Africa. GMOs are controversial, and many with whom the delegation met, including farmers' organisations and civil society groups, voiced their concerns about the health and environmental risks posed by transgenic cotton. Two multinational companies, Monsanto and Syngenta, have begun conducting trial tests with some Burkina Faso research institutes. The Trade Minister pointed out that, although a committee was looking into it, Burkina Faso had not yet taken a decision on the use of transgenic cotton in the country.

Textile industry. The idea of developing a textile processing company to add value to Burkina Faso's cotton has also been broached. However, there are a number of challenges including high energy costs, which could be compensated in part by low labour costs, and an influx of second-hand clothing from western countries. The latter is a problem most African countries are facing. Furthermore, rules on subsidies and exports of processed products have discouraged many African countries from going this route. The Trade Minister urged for better trade rules that would allow African economies to move beyond agriculture and into services and industry.

SUGGESTED WAYS FORWARD

The cotton crisis in Burkina Faso, as in other countries in the region, is a complex issue inextricably linked to a broader set of problems that includes poverty, food insecurity, rural exodus, and environmental degradation. The wide range of actors with whom the delegation met agreed that it was crucial to step up advocacy efforts at the international level to eliminate market-distorting cotton subsidies and to create a more equitable global trading system. Benoît Ouattara, Burkina Faso's Trade Minister, noted that Caritas and CIDSE — two international networks with significant lobbying potential — were in a good position to make the cotton issue visible and understood by a greater number of people. Jean-Claude Bicaba, Secretary General of the Ministry of Trade added, "We don't want charity; we just want the rules to be applied fairly."

Many also underscored the importance of local advocacy work to address issues and to encourage policy change at the national level to protect small farmers' interests and livelihoods. "We need to change the system externally as well as internally to ensure that our farmers are compensated appropriately for what they produce," said Bishop Paul Ouedraogo, President of OCADES/Caritas Burkina Faso. "What can we do to make sure that the fight against poverty benefits the small farmers, and not just the government?"

Suggestions put forward include:

- Setting up safety net mechanisms to offset farmers' risks;
- Training cotton producers to take a more active role in decision-making processes and to ensure that small farmers' interests are adequately represented in SOFITEX;
- Creating a national agricultural policy to ensure food sovereignty;
- Establishing a grain storage policy that would enable farmers to buy grain at a reasonable price to meet food needs throughout the year; the national Caritas office in Burkina Faso, OCADES, has been working to address this issue;
- Training and supervising farmers in the management of their farms and in the use of organic materials and alternative farming methods to reduce harmful effects of chemical fertilisers and pesticides;
- Raising awareness of women's rights, and lob-bying for women to have plots of land for household food production;
- Strengthening and mobilising the efforts of civil society organisations.

BURKINA FASO

Human Development Index (HDI) Ranking:	173 (of 175 countries)
Total population, 2001:	12.3 millions
Life expectancy at birth, 2001:	45.8 years
Under-five mortality rate (per 1,000 live births), 2001:	197
Adult literacy rate (% age 15 and above), 2001:	24.8
% of Population living under $1 a day, 1990-2001:	61.2
GDP per capita (PPP US$), 2001:	1,120
GDP per capita annual growth rate %, 1990-2001:	2.0
Export of goods and services as % of GDP, 2001:	10

(UNDP Human Development Indicators, 2003)

COUNTRY VISIT:

MALI, BENIN, BURKINA FASO, AND CHAD

Delegation: Pierre Cibambo and Duncan MacLaren

COTTON AT ANY PRICE

From Sarh to Pala and from Doba to Moundou, several of the farmers Caritas met in the villages of southern Chad, a well-known cotton-growing region, still remember the time when it was compulsory to grow cotton. The whip was even used to “motivate” the lazy or to coerce the disobedient. Today the unacceptable practices of coercion and whipping have disappeared. No longer is anyone badgered to lay out their cotton field, and people now devote themselves to this activity in full knowledge of the facts. It is so deeply rooted in their lives that — once they have told you about all the difficulties they face, especially since the fall in world cotton prices and the threat of bankruptcy looming over Cotontchad — farmers admit, with some resignation, that they’ll carry on growing cotton. This is because cotton is one of the rare lucrative sectors in the Sahel region, on which the economic survival and social and political stability of millions of people depend.

Cotton is Chad’s number one export product (awaiting oil exploitation). And this is one of the poorest countries on the planet, a country where no position on development cooperation, the fight against poverty, and the Millennium Development Goals (MDGs) is credible unless it encompasses measures aimed at overcoming the crisis that the Chadian cotton sector is going through. This is what the French ambassador in Ndjamena, and incumbent president of the European Union in Chad, appears to have grasped in his speech during the validation workshop for the plan to revive cotton production in Chad (26/27 April 2004) when he said, “As you know, European partners are well aware of the problems faced by the cotton sector in African countries. Following the Cancun summit, and at the request of member countries, the European Commission has drawn up an initiative entitled ‘European Union/Africa partnership proposal in support of developing the cotton sector’. This initiative has a dual objective: on the one hand to obtain fairer trading conditions in international markets, and on the other, to support cotton-producing regions and countries.” More than any other country in West and Central Africa, Chad needs such support, given the serious effect the crisis has had on the cotton sector and its disastrous repercussions on the lives of poor people, as the Caritas delegation saw for itself throughout its mission to the country’s cotton-growing areas.

THE CRISIS IN CHAD’S COTTON SECTOR

In order to assess the poor state of health of the cotton sector in Chad, Caritas gave priority to meetings with cotton-growing farmers in the villages where they live and work. In Konkoundja, more than 100 kilometres west of Moundou, the economic capital of Chad, the hundred or so farmers that belong to the 60 village associations (VAs) who welcomed the Caritas delegation in the village’s small chapel did not engage in erudite analysis. They spoke about their everyday experiences, and took Caritas to see stored cotton, the produce of two seasons, which had not yet been delivered to the processing plant in Moundou. Most of this cotton got soaked by rain and now looked like cardboard. If the farmers manage to sell it, they will get third grade cotton prices, namely 60 CFA francs a kilo (top quality cotton sells for 160). However, most likely it will be a total write-off for many of these farmers. And this has been going on since 1996, namely since Cotontchad has failed to fulfil its mission correctly, protests Marc Nadjidoum, a young grower who returned to his village five years ago after heading to the city in search of work that he never found. During the last two seasons he has cultivated one hectare of cotton. For an investment of 154,710 CFA francs in inputs and labour, he has produced 1,120 kilograms of cotton (a remarkable, and quite unusual, harvest), which brought him 179,200 CFA francs. Therefore, he has made a profit of 24,490 CFA francs (less than 50 euros). He can count himself lucky because he didn’t take out any loans. But what he earned will not be enough to reward his wife and his younger brothers who worked with him. Moreover, he’ll never be able to acquire adequate farming equipment, or buy an ox for ploughing that would make his work less arduous. Unfortunately his case is not unique. Some people are even worse off. Many farmers produced less than Marc (on average a hectare yields 700 to 800 kilograms of cotton). Some of the members of the VA in Gaki, Marc's village, had to borrow money from loan sharks, which risks reducing them to a state of slavery.

The experience of Konkoundja's cotton growers illustrates the seriousness of the crisis that Chad's cotton sector has been going through since 1996. Farmers have been deeply affected by this crisis and point out the severe restrictions it has imposed:

On production:

- ∆ The impossibility of acquiring farming equipment since 1996;
- ∆ Lack of or drastic reductions in loans to cotton growers since 1996;
- ∆ Delays in supplying seeds (some villages received their seeds in July, but the season begins in May);
- ∆ Very high prices for inputs, which are sometimes insufficient and/or delivered late, often far from villages, which obliges people to travel long distances to pick them up;
- ∆ Absence of supervision since 1996: the state has withdrawn the technical support previously provided through the ONDR (National Rural Development Office).

On the marketing system from the field to the processing plant:

- ∆ Lack of transparency consisting of illegal deductions and numerous criminal acts. According to some witnesses, these deductions can reach up to 15% of a grower's income. This trend to make deductions is partly related to the delay in signing an agreement to open up the cotton market at the level of the production sites, delivery of the crates that contain the cotton or their late collection (some crates full of cotton sit by the field until the end of the season), wrongful downgrading of cotton, etc.
- ∆ Extremely limited transport capacity resulting from the dilapidated condition of vehicles and the bad state of roads which are almost impassable due to lack of maintenance.
- ∆ Ginning plants are just ticking over because the machines have been out of order for a long time and there is a lack of spare parts. During Caritas' visit to the Moundou plant, one of the largest in the country, the plant manager did not conceal his concern. His plant has a ginning capacity of 300 metric tons per day. Today, it cannot even process 100 metric tons of cottonseed per day, and the whole operation risks shutdown if urgent measures are not taken. This situation is another explanation for the delay in transporting cottonseed from villages to plants. And once again, the farmers pay the heaviest price. Even if they don't lose their crops, they will be paid late and therefore will be unable to honour their various commitments (to their families and creditors), and will also find it difficult to meet start-up requirements for the new growing season.

On farming structures:

At some point, the majority of the cotton sectors in West and Central Africa encouraged the development of village structures and associations. These associations managed the most important relations between growers and cotton companies. Notably, they took responsibility for vital functions such as managing inputs and loans and also marketing of cottonseed. However, in most of these countries, and in Chad in particular, these associations have not been spared by the current crisis. A number of them are facing enormous financial difficulties. In Chad the village associations owe Cotontchad a sum of three billion CFA francs. A breakdown in cotton growing and government organisations can be seen in the country, and nine new supervisory bodies called Local Coordination Committees (CCLs) have been set up in an almost arbitrary fashion. These CCLs have replaced all the former supervisory organisations for growers (ONDR, PDRS). However, these committees don't seem to enjoy a very good reputation. Their members have been accused of corruption and incompetence, and they do not represent their grassroots. Caritas had to intervene to stop people having a go at the members of the CCL who accompanied the delegation in Konkoundja, and mostly negative opinions regarding them were heard everywhere. The members of the CCLs themselves are not always sure about what purpose they serve. Several of them confided to Caritas that their initiatives in favour of growers are never taken into account.

IS THE CHAD COTTON SECTOR GOING BANKRUPT?

In the late 1960s, Chad had the most prosperous cotton sector of all the Sahel countries. Out of a production of 137,000 metric tons in 1964, 100,000 came from Chad. Today, with production at around 160,000 metric tons, Chad ranks last among the four countries concerned by the Cancun initiative. The political authorities and Cotontchad aim to achieve a production of 250,000 metric tons in 2004, which corresponds to Cotontchad's current ginning capacity. We need to ask why cotton production in Chad has dropped so sharply in recent years. Cotontchad officials and managers usually point towards lower yields per hectare and often mention lack of technical training among growers who do not respect the rules, notably the agricultural calendar, the correct use of inputs, looking after the fields, etc. The farmers, however, are categorical. They have no sway over the very high prices of inputs and they are asking for the technical supervision that the sector no longer provides, which used to be one of its principal responsibilities. They have seen the price of top grade cotton fall from 185, or even 200, to 160 CFA francs a kilo (without state subsidies, a kilo of top grade cotton would fetch 145 CFA francs). Undoubtedly this situation is linked to low world cotton prices, although this is not the only reason as we have already seen. It is obvious, however, that in Chad as in the other Cancun initiative countries, farmers do not obtain a decent price for their cotton, which clearly does not encourage them to produce more, even though the country has undoubted advantages for cotton growing. Whether this is due to the fall in world cotton prices and the lack of competitiveness of African cotton with respect to American, European, and Asian cotton, which receive huge subsidies, or to problems connected to the management of cotton sectors, makes no difference to the situation of the farmers. And if in spite of all this they stick to cotton growing simply because they are not yet convinced that there is a viable alternative.

Anyone concerned by Chad's cotton sector should understand that the main threat to its future is the destitution and impoverishment of farmers, which is exacerbated by the current crisis. It is hard to say how much longer farmers will be willing to grow cotton, which is their main — and sometimes only — source of revenue. All farmers complain about late payment and the lowest purchase prices for cotton in the whole of West and Central Africa. This situation drives cotton growers to slash the price of inputs made available to them by Cotontchad, thereby endangering their crop yields, which are already reduced by lack of mechanisation. This practice does not allow cotton growers to pay their debts to Cotontchad, the supplier of inputs, and at the same time drives them to sell at least part of their crop outside the official sector. For example, Caritas was told that a great deal of Chad's cotton is currently sold in neighbouring Cameroon. Is it an exaggeration to say that this, together with the other problems that have arisen, may with time contribute to the bankruptcy of Cotontchad? This would have innumerable consequences, including for the country as a whole, which would be deprived of an important source of foreign currency. Although many people believe — perhaps wrongly — that an oil bonanza will be able to make up for the losses caused by the crisis in the cotton sector.

DIVERSIFICATION

Faced with the crisis in the cotton sector in West and Central African countries — partly due to the presence of subsidised cotton on the market, which makes African cotton uncompetitive — many people advocate agricultural diversification. The Caritas delegation did not hesitate to encourage farmers and the various civil society actors that the delegation met, to go down this road in order to break their dependence on cotton as a single crop. Indeed, the whole of Chad's cotton growing area is favourable for growing millet and sorghum. The districts of Moundou, Doba and Sarh are ideal for growing peanuts, while rice grows well in Kelo, Doba, Laï and Bongor. Many farmers grow maize, taro, okra, and sorrel. However, in all the regions Caritas travelled through, farmers expressed the same frustration. Some of them stopped growing cotton for a while and started cereal growing, but those who took this option are facing an even worse financial crisis. Undoubtedly they produced enough cereals to feed themselves, which is a good thing. However, sales of surplus crops fetched ridiculously low prices. As seen elsewhere, farmers are at the mercy of traders who behave in an extremely greedy way. These traders know that people need cash for various reasons (schooling, healthcare, dowries, etc.). They also get together to make sure that prices fall at harvest time and then artificially hike them in the gaps between harvests. This means that a sack of millet sold at 3,000 CFA francs by a farmer who needs some ready cash for healthcare or other basic necessities will be bought back by the same farmer at a price of 9,000 CFA francs a couple of months later. This is enough to discourage the growing of subsistence crops.

As elsewhere, speaking about agricultural diversification in Chad implies raising the issues of marketing, transport, mechanisation, and access to credit. It turns out that in Chad only the cotton sector is organised in this way, and that in the absence of sufficient openness to the external market, the local market would soon be saturated if all the farmers started growing cereal crops. Just before leaving the village of Konkounja, a farmer commented, “Tell the Americans to get rid of subsidies and let their cotton growers compete with us, or if not they should guarantee that they’ll buy our peanuts, millet, and sorghum at a fair price.”

In Pala, the women gathered round the Savings and Credit Club (CEC) made it very clear what the limitations of diversification imply in the Chadian context, especially if this entails abandoning cotton growing in favour of cereals. If cereal growing is to become attractive it needs a market with a viable demand. The women were very pragmatic when they told Caritas that “the end of cotton growing would also mean to a large extent the demise of cereal growing.” From experience the women of Pala know that cotton growing drives cereal growing. They assert that they can grow more cereals on a field where cotton has been harvested, thanks to the fertilisers. Obviously they grow cereals mainly to feed their families, which does not prevent them from helping their husbands in the cotton fields. While cotton is above all “men’s business”, and clearly the earnings that it brings strengthen their over-domination of women, women themselves see no immediate alternative to cotton growing. Increasingly women also have their own cotton fields, which in no way prevents them from working on their market garden and cereal crops.

The female members of the CECs (Savings and Credit Clubs) told Caritas of their concern as a result of the crisis in the cotton sector, which is worth mentioning here. These clubs are currently spread across the Mayo-Kebbi region of Chad. They are grouped together in a UCEC (Union of Savings and Credit Clubs), which is today recognised as being the lifeblood of economic and social development in one of the country’s poorest regions. This initiative began in 1984-5. Chad was emerging from a terrible famine and, with the impetus of certain Catholic parishes, people decided to set up grain stores to meet their food needs during the gaps between harvests. Thanks to the support of BELACD (Research and Liaison Office of Charitable Actions and Development of the diocese of Pala), these initiatives evolved into savings and credit activities. Over the years, UCEC has become a financial enterprise based on the cooperative model. Following sustained coordination efforts, women joined the CECs in large numbers. They have been in the process of gaining a degree of economic self-sufficiency thanks to the access to credit granted to them by the CECs. These loans have enabled them to carry out income-generating activities, especially small-scale trading. However, at the moment money from cotton is lacking and they are hardly selling anything. They have found it harder to pay back their loans, even though in Caritas’ contacts with the UCEC the delegation was shown that loans to women had been increasing steadily, and that they also held the record for repaying them. In 2003, women benefited from loans amounting to 180,902,000 CFA francs out of a total sum of 340,435,680 CFA francs allocated. The delegation saw the results of surveys conducted among women, and during conversations with them in the meeting hall in Pala, was made aware of the reality by accounts such as the following: “With the CEC loan I can now invest in small livestock and stop making beer (bili-bili): it doesn’t do our husbands any good”; “Money breeds ideas!”; “With the six-month loan I have enough time. I don’t have to go to the loan shark who sometimes asks for as much as 100% per week.”; “I don’t have any material guarantee to offer against a loan, but I can use my group’s deposit.”; “I can discuss the matter with a credit advisor before taking the risk of getting into debt.” These accounts reveal a lot about how far some women have gone in gaining a degree of self-sufficiency. The money from cotton has something to do with it. Now that cotton is doing poorly, women make no attempt to hide their despair - a despair that is undoubtedly shared by the cotton growers of Moyen-Chari, many of whom are members of Moyen-Chari CEC’s promoted by BELACD in Sarh via PARCEC-MC (Support Project for the Moyen-Chari Savings Banks and Credit Network), which follows in the footsteps of the UCEC of Moyo-Kebi.

HOW CAN CHAD’S COTTON SECTOR BE SAVED?

No one in Chad seemed to be indifferent to the crisis that the country’s cotton sector is going through. All the actors — government leaders, religious leaders, members of civil society and especially farmers, heads of diplomatic missions and international organisations — expressed their concern about the current situation and hope that equitable, fair and long-lasting solutions will be found. Everyone clearly stated that if the crisis persists it will exacerbate the poverty of millions of Chadians with disastrous socio-economic and even political consequences. The Chadian government has prepared a document entitled A Plan to Revive Cotton Production as of the 2004/05 Season, aimed at tackling the various bottlenecks affecting Chad’s cotton sector. A workshop to validate the plan was being held in Ndjamena at the time of Caritas’ visit to Chad at the end of April 2004. Is this the expression of the political will which, in the opinion of several people Caritas had met, is what has been lacking so far? Chad's partners are calling for an exhaustive assessment of the sector, a "diagnosis that should be carried out objectively and without taboos and should deal with the whole sector including the oil mills", and which should involve all the actors concerned with cotton in Chad. On this basis, the same partners call for the drawing up of "a viable rescue plan for the sector as such, as well as for Cotontchad, within the framework of rapid privatisation". Therefore, the solution would entail privatisation.

To stress the limitations of this solution in the Chadian context — a solution which some people deem to be magical — we must listen to the people in certain villages. They will tell you that they have already been told about privatisation and that they have even been encouraged to put aside some capital to enable them to become shareholders in the new cotton company, should it get off the ground. The Caritas delegation observed a degree of wariness. Some villagers will tell you, "But we've already seen this before. The oil mills and the soap factories were privatised, but we haven't seen any good come out of it. Those plants are in trouble too. We don't understand why they did it bit by bit..." with reference to the privatisation of oil mills and soap factories. Others are simply sceptical and ask what might attract Cotontchad's potential rescuers. A grower in Pala asked the Caritas delegates if they knew of a single example of successful privatisation in Africa. The delegates were unable to give him an answer. If the privatisation option is to be pursued — and apparently there is no other solution — a great deal of work remains to be done to strengthen farmers' organisations and train them to play their full role as key partners in the sector's future. Many fear an unjust privatisation that will only serve private interests (the example of oil mills is often given). Even more, nothing will save Chadian cotton as long as the earnings of small growers continue to fall as has been the case in Chad for a long time. However, the poverty of these small growers has many causes. Obviously subsidies must be eliminated so that Chad may truly benefit from its competitive edge regarding cotton. Growers must be provided with adequate technical supervision regarding management of their farms if yields are to increase. Supervisory structures for farmers must be revitalised and it must be ensured that farmers' interests are genuinely represented (which does not appear to be the case with the current CCLs). Chad must learn how to take advantage of oil money to develop its farming sector, which the economy needs. Regarding cotton, attention should be collectively focused not only on growing, but also on collecting cottonseed, which is currently a gigantic task given the state of the roads. Oil money should also enable Chad to explore viable means of agricultural diversification, which will be unstable without adequate mastery of local, regional and/or international markets. Perhaps, together with other countries in the sub-region, Chad should work towards greater integration. Some of these countries believe, perhaps rightly, that their future inevitably hinges on protecting their internal markets and on implementing strategies that guarantee their food sovereignty.

CHAD

Human Development Index (HDI) Ranking:	165 (of 175 countries)
Total population, 2001:	8.1 millions
Life expectancy at birth, 2001:	44.6 years
Under-five mortality rate (per 1,000 live births), 2001:	200
Adult literacy rate (% age 15 and above), 2001:	44.2
GDP per capita (PPP US$), 2001:	1,070
GDP per capita annual growth rate %, 1990-2001:	-.05
Export of goods and services as % of GDP, 2001:	14

(UNDP Human Development Indicators, 2003)

APPENDIX

APPENDIX A — Acknowledgements

CIDSE and Caritas Internationalis Cotton Fact-Finding Delegation

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APPENDIX B — Updates on Debt and Poverty Reduction Strategies

Benin: Debt and Poverty Reduction Strategy

In March 2003, the World Bank and IMF granted full debt reduction to Benin under the Heavily Indebted Poor Country (HIPC) initiative, amounting to approximately 460 million USD over time. In their analysis presented to the board, the World Bank and IMF staff observe that the debt situation has worsened due in part to lower cotton revenues.[27]

Nevertheless, the Bank and Fund judge Benin's ability to service the debt as adequate, and they approve no additional debt reduction for the countries. The analysis reflects the usual optimistic projections for economic growth and recovery of cotton prices, estimating an annual growth rate of 6% from 2003-2006 and 5% for the subsequent 15 years. One condition of receiving full debt relief under HIPC was the continued privatisation of SONAPRA, the state enterprise that still controls some of the ginning plants, distribution, and purchase of inputs.

In keeping with the requirements to receive HIPC debt reduction, Benin completed its Poverty Reduction Strategy in December 2002. Despite the fact that the world market price for cotton had fallen by almost half since the mid-1990s, the strategy pays scant attention to this external factor that was devastating the cotton-dependent country.

Moreover, although the PRSP notes a sharp rise in rural poverty from the mid-1990s to the late 1990s, the strategy is disappointingly silent on the situation of poor farmers in general, and cotton farmers in particular. Indeed, the PRSP identifies continued liberalisation of the cotton sector as a key source of future economic growth, without examining how it has affected the poorest farmers so far or even making an argument for how it should benefit them in principle – although the World Bank and IMF note in their assessment of the PRSP that the government intended to carry out a social impact assessment of cotton sector reforms. Like many other Poverty Reduction Strategies, the section on economic growth focuses on the standard elements of privatisation, strengthening institutions, and improving the regulatory framework, without exploring precisely how these would contribute directly to improving the livelihoods of the poorest sectors of the population.

Nor does the PRSP give serious attention to alternatives to cotton production, although the HIPC debt analysis emphasises that "Benin's strong reliance on cotton exports constitutes a major source of vulnerability for the economy."[28] From all indications, the World Bank is not making investments in agriculture diversification initiatives through projects either.

Mali: Debt and Poverty Reduction Strategy

In March 2003, the World Bank and IMF agreed to grant Mali debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative, amounting to approximately 675 million USD over time. The institutions acknowledge the "difficult environment due to problems in the cotton sector," citing the boycott by cotton producers compounded by the fall in the world market price. Partly as a result of this, the institutions revised earlier estimates of the amount of debt reduction needed, and called for an increase of approximately 16 million USD toward total debt relief.[29]

As in Benin, privatisation and restructuring of the cotton sectors were among the primary conditions attached to approval of HIPC funds. Reforms included financial and management reforms, and privatisation of the ginning mills and cottonseed oil operations.

In contrast to the PRSP for Benin, Mali's PRSP at least recognises the negative impact of the crisis in the cotton sector on the country's economic growth and Mali's vulnerability to fluctuating commodity prices. It indicates the government's interest in crop diversification, and transforming the productive sector in part by expanding or developing cotton spinning and textile capacities. Among the cotton sector reforms cited as necessary, it draws attention to the importance of strengthening producers' organizations, establishing producer prices based upon transparent negotiations, and improving the living standards of the cotton-growing population. Unlike Benin's PRSP, it does pay some attention to international trade, but rather than examining problems created by the external trade environment, it simply explores the prospects for increasing exports.

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27 International Monetary Fund and World Bank, *Benin: Enhanced Heavily Indebted Poor Countries Initiative: Completion Point Document*, 24 February 2003.

28 HIPC Completion Point document, op. cit.

29 International Monetary Fund and World Bank, *Republic of Mali: Enhanced Heavily Indebted Poor Country Initiative Completion Point Document*, 13 February 2003.

In its assessment of Mali's PRSP, the World Bank and IMF staff call for further analysis of the social and poverty impact of liberalisation in the cotton sector. The document also notes that "it is especially urgent to find new sources of growth and employment, since cotton and gold, the two sectors that led the economy over the past decade, are unlikely to grow rapidly in the coming years."

Burkina Faso: Debt and Poverty Reduction Strategy

In July 2000, Burkina Faso was granted reduction of its external debt through the HIPC initiative, amounting to 398 million USD in net present value (NPV) over time. In March 2002, the staff of the IMF and World Bank carried out another analysis of the country's debt, and recommended that HIPC debt reduction be increased by 26 million USD, for a total of 424 million USD over time. The staff attributed the need for increased debt reduction primarily to "exogenous" factors, including a "volume (. . .) and price shock on cotton and gold exports."

As with other cotton-dependent West African countries, one condition attached to HIPC debt reduction for Burkina Faso was the privatisation of the country's cotton sector, including the SOFITEX cotton marketing boards, expanding producer associations, and increasing private sector involvement in ginning and transportation.

Burkina Faso's PRSP was adopted in 2000, and there have been several annual progress reports on the PRSP since that time. The original PRSP is very general, discussing in broad terms the need for increasing production in cotton and carrying through with the planned liberalisation. More recent progress reports are somewhat more detailed, but focusing on increasing cotton production through use of high-yielding varieties, fertilizers, improved soil fertility, irrigation schemes, and observing that privatisation of SOFITEX is on schedule. Yet both the original and the subsequent progress reports pay scant attention to how cotton producers have fared under the reforms, though it does note that the government transferred 71 billion CFA francs in the sector in 2002 to counter the vulnerability of farmers to the falling world prices.[30] The World Bank-IMF assessment of the 2004 progress report noted that social and poverty impact analysis of the government's rural development policies, particularly those aimed at cotton production, would be useful.[31]

Chad: Debt and Poverty Reduction Strategy

Chad was declared eligible to receive debt reduction under the HIPC initiative in June 2001, and is currently receiving interim debt relief. Payment on the debt comprises 31.4 % of tax revenues. The World Bank and IMF have assessed the amount of debt reduction at $260 million over time.

Cotton merits only a brief mention in Chad's Poverty Reduction Strategy Paper, which was completed in 2003. The document notes that the state-run company, Cotontchad, is one of the few industries in the country, and that the textile mill had closed down. Liberalisation of Cotontchad began in 1999, and in the PRSP, the Chad government commits to undertaking further liberalisation of the cotton sector, strengthening cotton producer organisations, improving producers' access to information, inputs, and management services, and involving them in the planned reforms.[32]

Interestingly, the World Bank carried out an assessment of the poverty and social impact of the cotton sector reforms in Chad in 2002 and 2003, at a relatively early stage of the reform process, compared with the other West African countries, although no mention of the assessment is made in the Poverty Reduction Strategy. The assessment found that cotton producers and their communities were highly vulnerable to adverse effects given their heavy reliance on cotton as a source of revenue for families as well as community investments such as schools, health centres, water pumps, etc.; the existing relations between producers and Cotontchad which led to a high indebtedness among producers; and the low level of assets, especially livestock, were a primary determinant in the amount of cotton produced. It recommended mitigation measures to assist poor farmers as well as careful phasing of the reform process, given the lack of preconditions for a market economy. Nevertheless, this assessment is not directly cited in Chad's PRSP.

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30 Burkina Faso Ministry of Economy and Development, Burkina Faso, *Poverty Reduction Strategy Progress Report, 2000-2002,* December 2003.

31 International Monetary Fund and International Development Association, Burkina Faso : *Joint Staff Assessment of the Poverty Reduction Strategy Paper Progress Report*, 6 February 2004.

32 Republic of Chad, Ministry of Planning, Development and Cooperation, *National Poverty Reduction Strategy Paper,* June 2003.

APPENDIX C — Cotton, Heavily Indebted Poor Countries Initiative, and Poverty Reduction Strategy Papers,

by Jean-Pol Evrard, CI delegate to the international institutions in Paris

The problem of cotton for the exporting countries of the African continent has a significant impact on debt management mechanisms and poverty reduction strategies. From this viewpoint, cotton illustrates some of the problems encountered by poor countries in exporting raw materials: price declines and fluctuations. (What was called until not too long ago deterioration in terms of trade, a somewhat forgotten expression in these times of internationalisation, but as we can see, the real situation has not changed much over the years.)

UNCTAD's latest report, Economic Development in Africa: Trade Performance and Commodity Dependence, notes that most African countries suffer as a result of a trading structure that exposes them to constantly deteriorating terms of trade and great instability in foreign exchange earnings. A situation of this kind poses an obstacle to effective macroeconomic managements and curbs the formation of capital, hindering efforts to diversify towards more productive activities and aggravating over-indebtedness. The result is that despite the structural adjustment programmes that have been applied for years, a great part of Sub-Saharan Africa continues to be dependent on commodities.

Agricultural commodities like cotton, however, which have been suffering for decades from the deterioration of terms of trade, are the main source of employment and income for millions of African families. In many sub-regions of the continent, these commodities are practically the only engine of the economy and of local development. In about fifty developing countries, they represent the principal exports and the most important source of foreign exchange earnings.

The decrease in the selling price of commodities for export has other harmful consequences. Between 1970 and 2000, the prices of commodities (such as sugar, cotton, cacao and coffee) fell from 30-60%, decimating the earnings of the countries dependent on agricultural commodities. In addition to their decline, these prices have also been extremely volatile. Very sizeable, permanent fluctuations impede governments and farmers from foreseeing the earnings they can get from commodities. The declining, volatile prices affect the developing countries' efforts to implement poverty reduction and development strategies for the rural communities by lowering the income of families and the employment of farmers, and endangering the health and education of the rural populations.

These price fluctuations also bring about very significant difficulties on the macroeconomic level. Based on such poor agricultural resources, governments cannot have a public budget and sufficient foreign exchange earnings at their disposal for modernisation and investments in the service sector.

Paradoxically, while Africa has remained dependent on exports of raw materials, except for fuel (oil in particular), it has lost ground in the world exports of these products where its share has gone from 6% in 1980 to about 4% in 2000. The average annual rate of growth in the export of commodities was only 0.6% for Africa, compared to an average of 3.3% for the developing countries as a whole, and 5% for Asia. As to the African continent's share in the total exports of goods, this has fallen from 6.3% to 2.5%.

The UNCTAD analysis of the real prices, between 1960 and 2000, of 14 commodities of interest to Africa for export indicates a great price instability for 12 of them, and a tendency towards real price erosion for nine of them. Despite some signs of improvement at the beginning of the 90s, UNCTAD's combined price index for all commodities fell more than 50% between 1997 and 2001. If the price of commodities stayed on the 1980 levels, the income per inhabitant today would be 50% higher. This is how many African countries got trapped in a vicious circle, which has actually become a "poverty trap".

The cotton crisis in Western Africa has had dramatic effects on millions of small producers in the concerned countries of the region, to which must be added millions of others whose income is related to this activity. The crisis also stems from a decline in the price of cotton on the international market. Starting in 1997, until 2000, this decline turned into a free fall in 2001. At that time the barometer of international prices, the Cotlook A index, went from 64.95 to 36.65 cents a pound at the end of October 2001, a minimum that had never been reached since 1973-1974. A great drop in world prices can entail significant losses for very dependent countries: for example, 28.6 billion CFA francs (43.6 million euros) for Benin, and 40 billion CFA francs (61 million euros) for Burkina Faso in 2002.

The unfavourable evolution of terms of trade and the loss of market shares — the main causes of the continent's great debt — have seriously damaged the economic development of Sub-Saharan Africa, hence the poor savings and investments. For the same reasons, according to the projections of the multilateral financial institutions, many African countries currently enjoying debt relief in the framework of the Initiative in favour of the Heavily Indebted Poor Countries (HIPC) risk falling back to an intolerable level of debt. On average, the HIPCs with deteriorating debt indicators are more dependent on the export of commodities, and their exports show much greater instability than those of other HIPCs. Furthermore, how can the debt service be paid regularly when it is calculated precisely in relation to earnings from exports that continue to decrease? The debt just grows.

Cotton allows us see the problem clearly. The mechanisms and ratios of debt sustainability are directly affected by exports, and hence even more directly by the decline and volatility of their prices. In fact, in the framework of the HIPC initiative, different ratios are used to determine the limit of sustainability (debt service to exports — NPF to exports — NPF to tax revenue — tax revenue to GDP — exports to GDP). It is quite understandable, based on these ratios, that even the smallest decrease in export earnings, with all its effects, will immediately affect the limit of sustainability, which is called into question automatically: that is, a country will find itself once again with an unsustainable debt.

Cotton is a vital resource for most of the countries in the region. In Benin it represents 75% of the earnings from exports; in Mali, "only" half of the foreign exchange earnings; in Burkina Faso, another great producer, 60% of its earnings from agricultural exports, and more than one-third of its GDP. For Chad, it is the first export product (while waiting for oil). In addition to the foreign currency it brings, cotton provides many other benefits. The oil obtained from the seeds makes up the bulk of food oil consumption in Mali, Chad, Burkina Faso, and Togo, and a significant part in the Ivory Coast and Cameroon, without mentioning the animal food derived from cotton.

The selling price of this resource is no less vital for the producers and all the actors in this field of activity, as well as for the national community in each of these countries.

While the HIPC initiative is an original attempt to coordinate a global, integrated approach to debt, it is still far from providing a definitive solution to the dreadful question of the over-indebtedness of many poor countries. Indeed, the entire global development issue is raised again by the cotton issue.

Therefore, it is up to the international community to assume its responsibility in light of the Millennium Development Goals by supporting a coherent policy that does not neutralise Africa's economic restructuring and diversification efforts. When necessary, it is still essential to increase public development assistance and foresee more thorough, global, and efficacious measures to reduce the debt in view of an effective strategy to revitalise the primary sector and diversify the economic fabric.

Moreover, as the Cancun Conference pointed out in the case of cotton, the enormous subsidies paid by the North have contributed "not in a negligible way to undermining the efforts made by some African countries to reduce poverty."


La faim
Un choix
politique
Caritas