



More trouble **AHEAD** for the **COTTON SECTOR**

World cotton prices collapsed again after practically quintupling over two years and rising above two dollars a pound in the spring of 2011. The price fell to only 75 cents a pound on 4 January 2013.

This sudden drop again endangers the cotton sector in western and central Africa where white gold is the "main export crop, the lungs of their economies and of their development efforts".¹

An important economic sector

Cotton is grown in over 100 countries and occupies approximately 2.5% of the planet's arable land. This makes it one of the most widespread crops in the world after cereals and soya beans.²

The market is dominated by Asian countries (China, India and Pakistan are the primary producers, consumers and importers) and by the United States, which is the leading global exporter. The ACP (Africa-Caribbean-Pacific) accounts for only 5% of world production, but about 11% of exports.³

However, from an economic and, especially, a social standpoint, cotton production is extremely important for some of these countries, and particularly for Benin, Burkina Faso, Mali and Chad. Mali is the leading African producer and cotton is its second export after gold. It represents approximately 10% of the country's gross domestic product (GDP) and employs nearly 3.5 million people (out of a total of about 16 million). In Benin, over 20% of the population's cash income is generated by cotton-related activities. Cotton is Burkina Faso's main

export and accounts for approximately 60% of national revenues. It provides a living for more than 2,000,000 people.⁴

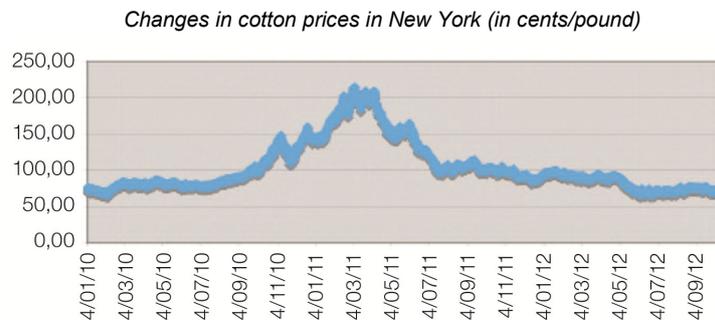
In most producing countries in Africa, cotton is often one of the only sources of revenue for millions of farmers and workers employed in small local ginning industries.



Highly volatile prices

Prices dropped continuously between the beginning of the 1980s and the end of the 2000s (nearly 60%, ranging from 40 to 75 cents a pound in 2009). This led to a significant decrease in production in ACP countries (-35% between 2005 and 2010) as farmers gradually moved away from the crop, which became increasingly less profitable.

The trend suddenly reversed at the beginning of 2010 and prices rose strongly (by 183% between August 2010 and March 2011).⁶ The price increase was tied primarily to demand from the Chinese manufacturing sector and to unusual climate conditions. This increase was very steep and reached peaks not seen since the American Civil War (244 cents a pound in early March 2011).⁷



Source : Agence Reuters / Agritrade

Prices have fallen back just as quickly since April 2011 (-60% in less than a year). They have reached prices which, although not historically low (75 cents a pound on 4 January 2013) are indicative of disruptive instability. This new decrease was apparently the result of production in excess of the textile industry's needs, of significant stock (notably in China) and of relatively low demand. Cotton consumption should remain below production levels in 2012/13 and stocks should continue to increase.

In the opinion of experts, the price instability should last through the coming years although probably with less extreme swings than those experienced over the past months. However, the consequences will often feel traumatic to all market players, particularly given the current global economic and financial crisis. In practical terms, the rapid price increases automatically led countries and production sectors to increase their growing area and investments (and therefore loans). The result has been a rise in production (+83% in Mali in 2011/2012 compared to the previous year).⁹ The price drops resulting from global overproduction led to bankruptcies and many contract breaches at every stage of the chain. This has furthered weakened efforts and created a climate of total insecurity for farmers.

Competition from Europe, the United States and from synthetic fabrics

Surprising though this may seem, Europe also grows cotton, although in very small quantities. Only a few countries with sufficiently hot climates have been able to develop this crop including Italy, Portugal, Greece and Spain.

Industrialised countries (particularly the United States, Europe and China) have implemented subsidy policies for local producers so they can offer prices below those of their competitors in southern countries (which are already very competitive).¹⁰

In addition to the problems caused by these practices (which cost African producers some €200 million annually)¹¹, there is also the issue of competition from synthetic fabrics.



Cotton fields in Louisiane (USA) - Credit : Ken Lund CC

The challenge of added value

This situation is all the more regrettable because African cotton has real advantages, particularly in terms of its intrinsic fibre quality (relatively long) and the fact that it is harvested by hand.

However, to take advantage of these benefits and escape mounting threats, African producers must work to add value to the raw material. In particular they must develop an integrated production sector that includes weaving and processing, steps that generate high added value in the global production chain.

African production is currently limited primarily to growing and ginning cotton, which is then exported to other countries (India in particular) where it is processed (weaving, dyeing, etc.) to make it usable by the textile industry.

African operators are fully aware of this fact as the Burkina Faso Minister for the Economy, Mr Lucien Marie Noël Bembamba recently demonstrated: "Unfortunately, most of the cotton fibre is exported. We are trying to work with investors, notably Indians, to see how we can process on site to increase added value, create jobs and protect ourselves from price volatility".¹²

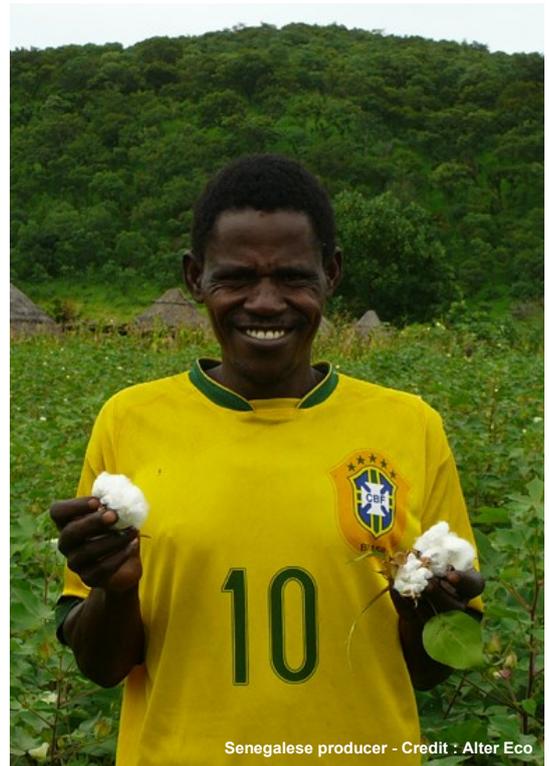
The Association of African Cotton Producers (APROCA) and the African Cotton and Textile Industries Federation, (ACTIF) are taking action across the entire African continent to develop these production activities (the production of fabrics, clothing design and finished products).¹³

Despite the difficult climate in which these activities are taking place, they clearly demonstrate the willingness of the African cotton industry to become more professional, add value to quality production, and organise itself to increase its weight on international exchanges.

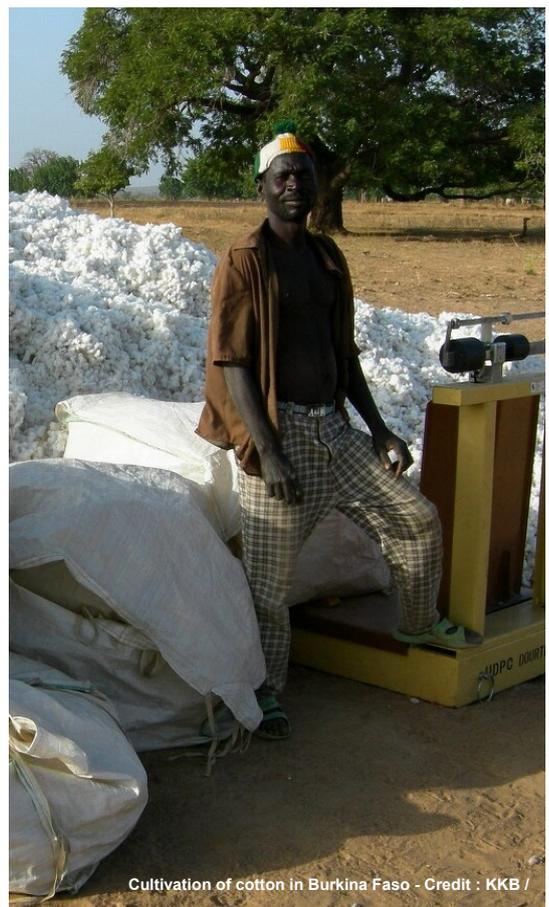
Cotton and the environment

The African cotton sector is faced with other challenges in addition to the economic and social ones. It must also fight the environmental and health damage caused by the crop which "has a pitiful record of toxicity for the environment and growers because of the chemical products it requires".¹⁴

Cotton growing uses 25% of all insecticides and 11% of the pesticides sold in the world on only 2.4% of the world's cultivated land.¹⁵ In-depth studies on the effects of these pesticides have shown that "the accumulation of organochlorides in fats is responsible for a number of diseases including cancers, infertility, diabetes and neurological problems".¹⁶



Senegalese producer - Credit : Alter Eco



Cultivation of cotton in Burkina Faso - Credit : KKB /

The temptation of genetic modification

The African cotton sector is also faced with another issue, that of GMOs (Genetically Modified Organisms). The approach taken on the issue varies from one producing country to another.

In Burkina, the first sub-Saharan country (other than South Africa) to use them (since 2008), the use of genetically modified seeds should reach 60% by the next harvest. This choice was made both to improve the working conditions of farmers (cotton growers have decreased treatments from seven to eight times a year to two thanks to these seeds) and to improve productivity.

However, the hoped-for yields (+30%) have been far below initial expectations. During the 2011-2012 season, the yield was only 950 kilos per hectare instead of the 1200 kilos promised by Monsanto (the famous American supplier of GMO seeds that controls 80% of commercial biotech cotton).¹⁷

Mali, the leading African producer, has not taken this route. The use of unmodified seeds has not, however, prevented the country from regaining its position as the top sub-Saharan producer with yields between 800 and 900 kg per hectare.

The challenges created by the use of GMOs in cotton farming are diverse. In addition to the debate over the lack of long-term environmental and health studies is the issue of small-scale farmer dependency on the major producers of genetically modified seeds. Farmers who use GMOs (in the hopes of increasing their yields and making their crops more resistant) are forced to buy seeds from the GMO multi-nationals every year. To do so, they may get heavily indebted in the hope that their next harvest will be sufficiently profitable to enable them to repay their loans.

This appears to be a very risky gamble in the current climate of hyper price volatility.¹⁸

Alternative approaches

An explosive economic climate, environmental risks, health hazards, financial insecurity...the African cotton sector faces many obstacles. Alternative solutions must be found to overcome them.

The approach that currently looks most promising is differentiation and niche markets. These range from organic and/or fair trade cotton to the launch of new labels of origin (like the "Signé coton" label in Mali and the "Cotton made in Africa" initiative). While these markets are limited today, their potential is considered to be significant in the medium term.

The development of a powerful organic fair trade cotton sector in Africa could solve many of the problems encountered by the sector including stability, profitability, social progress and improvement of the environment.

Despite this, the current climate (in particular, the impact of the economic crisis on western consumption habits) is unfortunately not an ideal environment for the rapid and massive development of these virtuous initiatives.



Senegal and BTC are cottoning on

The history of the Tambacounda region, situated 500 kilometres from Dakar, reflects the experience of tens of thousands of villages across countries in the South.

Cash crops (cotton and groundnuts, for example) have taken over from subsistence crops and traditional polyculture has been replaced by intensive monoculture based on the use of chemical fertilisers and pesticides.

However, when the inhabitants of this cotton region noticed that the soil was exhausted and world market prices were falling, they decided to fight back and switched to organic farming in 1997 and fair trade in 2005.

What's more, the Tambacounda farmers sought to improve local know-how in order to create maximum added value for their product.

Using 100 spinners, 12 weavers, 10 dyers and 8 tailors, the Yakaar Niani Wulli Federation, which was behind the project, launched the first Senegalese organic-fair trade cotton network in 2008.

Today, the products are sold in the domestic market, especially during fairs. One of the Federation's objectives is to satisfy foreign demand, but this will require action on several fronts: improve product quality, vary the product range, increase production capacity and forge new partnerships. It will be a long and demanding process: organising training programmes, holding workshops, providing support, exploring the market and carrying out other assessments will take two years at a cost of nearly €82,000. BTC, the Belgian development agency, undertakes to cover 75% of this sum. This support reflects BTC's commitment to build a fairer world in a spirit of international partnership.¹⁹

The changes required of the African cotton industry must be equal to the pressures on the sector which is vital to a significant portion of the continent's economy. Producers and their representatives must meet the challenge of harmoniously combining local development with inclusion in the global village.



Credit : James Dennes



Credit : Alter Eco



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To find out more about cotton: Lionel Astruc, The cotton trade, global yarn, Trade for Development Centre, BTC, January 2011. This brochure can be downloaded free from www.befair.be, under "Publications".

SOURCES

¹ Source: Nodjitiédjé DJIMASRA, "Efficacité technique, productivité et compétitivité des principaux pays producteurs de coton", Doctoral thesis, University of Orléans, December 2009

² Idem

³ Source: Agritrade / CTA, "Note de synthèse : Secteur du coton" - Updated October 2012.

⁴ Source: Nodjitiédjé DJIMASRA, "Efficacité technique, productivité et compétitivité des principaux pays producteurs de coton", Doctoral thesis, University of Orléans, December 2009

⁵ Source: Ibid

⁶ Source: Cyclope, edited by Philippe Chalmin, "Les Marchés Mondiaux 2012", Economica.

⁷ Source: Ibid

⁸ Source: Rapport Cyclope 2012 Les marchés mondiaux, Editions Economica, 2012.

⁹ Source: Agritrade / CTA, "Note de synthèse : Secteur du coton" - Updated October 2012.

¹⁰ Source: Questions / Answers - Max Havelaar certified cotton, available at www.maxhavelaarfrance.org

¹¹ Source: Juliette Jowit, "Cotton subsidies costing west African farmers £155m a year, report reveals", The Guardian, 15 November 2010.

¹² Source: Michael Pauron, Jeune Afrique, "Coton malien et burkinabè : deux modèles, une ambition", 13 March 2012 - <http://www.jeuneafrique.com>

¹³ Source: Agritrade / CTA, "Note de synthèse : Secteur du coton" - Updated October 2012.

¹⁴ Source: www.ekieko.eu/projetcoton.htm

¹⁵ Source: Questions / Answers - Max Havelaar certified cotton, available at www.maxhavelaarfrance.org

¹⁶ Source: www.enda.sn/koussanar.html.

¹⁷ Source: Michael Pauron, Jeune Afrique, "Coton malien et burkinabè : deux modèles, une ambition", 13 March 2012 - <http://www.jeuneafrique.com>

¹⁸ Source: Questions / Answers - Max Havelaar certified cotton, available at www.maxhavelaarfrance.org

¹⁹ Source: Agritrade / CTA, "Note de synthèse : Secteur du coton" - Updated October 2012.