



COTTON GROWERS' OPINION ON THE COTTON SECTORS' REFORM

The Cotton, major source of cash income for rural and the national economic engine of cotton growers countries.

Since the colonial period, cotton has played an **important role in the economic and social development** of many African countries. Cotton growing has also therefore made up a significant share of their **export earnings**. Moreover, in West and Central Africa (AOC) it involves a **significant part of the population**. In these countries, cotton cultivation has generated significant revenue for producers.

It has also contributed to achieving food security for those who engage themselves in this cash crop by the development of food crops carried out with cotton. However, due to internal difficulties (rainfall deficits, soil erosion and quality decline, liberalisation and privatisation of cotton sectors etc.) and external difficulties (grants, Euro / Dollar exchange, world market instability etc.), the **African cotton sector** has undergone **deep institutional changes**. These changes, depending on their preparation and implementation, have either kept the African cotton sector **going on the same level or added to the difficulties**.

Views on the liberalisation and privatisation process of the cotton sectors in Guinea and Senegal

The Guinean cotton sector

Cotton was introduced in Guinea post independence by the French Development and Textile Company (CFDT). At that time, the latter provided all management of the cotton production from the distribution of inputs and granting of credit right up to the production and marketing of cotton fibre.

It was the region of Upper Guinea, in the east of the country in Kankan Prefecture, an area chosen as suitable for the development of cotton, which housed the first project: PCK (Kankan Cotton Project). The cultivation of this **cash crop** has allowed producers in the area to receive **substantial cash income, build public infrastructure** (schools, health centres, mosques etc.). Additionally, through diversification, food security was reached. To sum up, cotton has been the **reason for growth** in the second largest city of Guinea.

In order to achieve the long-term objective of PCK (100,000 tonnes of cotton seed) using the full capacity of the Kankan seed plant, the **State has encouraged cotton production** in all regions with the ecological potential, particularly in the Middle Guinean region (North-East and North-West). A **series of in-depth reforms** were taken to support this decision. It is such





that in 2000, state authorities liberalised the Guinean cotton sector with the arrival of the private sector. An ambitious development program in Upper and Middle Guinea has replaced the PCK. To implement this program, **the Guinean Cotton Company (CGC) was established on 15 September 2000**. Besides the State, the second largest shareholder of this company should have been the CFDT. But the state decided otherwise by selling part of its shareholding to Guinean private sector. This has resulted in the breakdown of the close collaboration between the CFDT and the Guinean State. A direct result was the **withdrawal of the sector's main technical and strategic partner (CFDT)**. The impact was soon felt, as those in charge **could not reconcile the interests of different parties** involved in the sector, especially the producers. This resulted in a wave of **mass decommissioning of cotton growers** to other crops including cereals and yams. **Production has dropped from 37,500 tons to 750 tons** during the period of 1998 to 2006. This has led the government to take series of measures to give cotton back its place in the region. The state has set up an inter-ministerial steering committee and a provisional management unit. **Despite privatisation**, the government continued to support the sector. To save the production for 2001/2002, the State granted the CGC 10 billion Guinean francs and lent 4 billion to the GNF to deal with fixed and variable costs. Despite all the support, the cotton sector continued to face enormous difficulties due in large part to the process of liberali-

sation of the cotton sector. The basic players, in this case cotton producers, who grouped around the **Guinean Federation of Cotton Producers (FGPC)** were not involved in the negotiations that involved the management of the sector.

With the rise to power of Lansana Kouyate's consensus government, the cotton industry experienced **renewed interest**. Indeed, it was under this government that the **Project for the Recovery of Guinean Cotton Sector (PRFCG) was established in February 2007**. Funding came from the state. A budget amount of 22,610,728,868 GNF was suggested by a steering committee. This recovery project supported by the above budget above should allow the preparation and use of 5 000 hectares for production of 7,500 tons of cotton seed giving 2.184 tons of cotton fibre. However, during the project, **tensions arose between the Ministry of Agriculture, the CGC and INTRAKAM. Significant amounts of money were spent** to boost the cultivation of cotton in the region of Kankan but the **results have been meagre**. According to the reports of the parliamentary committee set up to review the funds allocated to the cotton sector, of the planned 7500 tonnes, only 800 tonnes were produced, that **is just 11% of objectives**, for an investment of over 15 billion GNF.





The Senegalese cotton sector

Cotton was introduced in Senegal in the **early 1960s** post independence. In **1964**, the **CFDT** moved into the **country** to develop this sector in order to diversify **agri-culture which was heavily focussed at the time on peanuts**. Ten years after its set-up, the CFDT was replaced by the **Society for the Development of Textile Fibres (Sodefitex)**. At its creation in 1974, Sodefitex developed a **strategy based on intensifying the cultivation of cotton** in areas identified as suitable for cultivation. To consolidate this strategy, **Sodefitex distributed free inputs** to cotton growers and **ensured the collection of seed cotton product**. In the **early 80s**, to increase production, Sodefitex gradually became interested in the production system as a whole by implementing a **policy of functional literacy**, characterised by the technical training of villagers. Accordingly, the impact of this policy was soon felt in the cotton zones and this has resulted in **better control of cultivation techniques by farmers**.

In **1989**, there was a major event following the unilateral decision of the Sodefitex **to decrease subsidies on insecticides by 50%**. This triggered an **unprecedented strike**, which was known at the time as « **the cotton revolt** ». Production dropped significantly this year. After the strike the Sodefitex tried its best to review its relations with producers. An **advisory committee** was established with delegates elected from producers in all the cotton zones. From the side of **producers**

aware of their importance in the sector, there began a process of organisation and professionalism that was completed in 1998 with the creation of the **National Federation of Cotton Producers (FNPC)** bringing together some 1 800 Cotton Producer Groups (GPC). The emergence of the FNPC marked the **end of the guardianship relationship between Sodefitex and producers** and laid the foundations for a **more equal partnership** between the two main players in the industry.

In 2000, to strengthen that relationship, a **quality charter** was signed between the FNPC and Sodefitex. Both organizations committed to working together **to improve the quality** of cotton produced. The following year in 2001, **a framework agreement was signed between the State, Sodefitex and the FNPC**. This agreement is the culmination of a **long process of consultation and consensus** between different parties in the cotton sector. In the agreement the FNPC is committed to improving the quality of cotton, increasing per hectare yields and to trying to reach full capacity of the Sodefitex facilities, estimated at 65 000 tonnes of cotton seed. In January 2007, the partnership between Sodefitex and the FNPC went even further with the **creation of the Senegalese Interprofessional Cotton Association (ASIC)**. The body, which will act as an arbiter between the different actors in the sector, is made up of 18 members, nine from the FNPC and the other nine members from Sodefitex; the President of the FNPC chairs it.





The **liberalisation of the Senegalese cotton sector** began in **1998** with the law body opening the way for the privatisation of Sodefitex. Initially, the State had chosen to offer Sodefitex shares to company staff and producers. However, it was not **until 2003** that Sodefitex was privatised. This long delay in implementation can largely be attributed to the privatisation scheme adopted. As the State was deciding to **open the shares** of the Sodefitex, Sodefitex was in **need of substantial financial resources to refurbish its facilities and vehicles** that were deemed obsolete. These could only be achieved through an external partner, and so therefore the State agreed to **sell 50% to a private operator**. This went to **Dagris who became the majority shareholder**. Thus, the capital of Sodefitex rose from 750 million to 3 billion CFA francs. This **disengagement** of the State was done with a **view to protecting the national interests of the industry**. In other words, the state signed an **shareholders pact** with Dagris which sets the rules for the privatisation, which include:

- *The maintenance of the human resources policy based on **training**,*
- *The maintenance of management in terms of **seeking quality**,*
- *The sale of the textile fibre to the **local textile industry**,*
- *Respect of **free market competition**.*

Since the privatisation in 2003, the cotton growers and Sodefitex have developed their **relationships as partners**. The well-developed **FNPC** has positioned itself as **a partner capable of defending the interests of cotton growers and hence the interests of the cotton sector**. The Sodefitex has acted along the same lines and initiated meetings with the leaders of the FNPC to identify problems and **find appropriate solutions together**.

These dialogues between the different parties involved in the cotton sector have allowed cotton growers from the GPC to **become more aware of the issues of reforms** and better understand their merits in the **Senegalese context**. **As a result of the agreement and spirit of cooperation** between the two entities, **lots of responsibility has been shared**. For example, the procurement and management of inputs, which were controlled by Sodefitex, are now managed by the FNPC. Also along the same lines, cotton growers were consulted and involved throughout the process **of developing Sodefitex strategic plan for 2007-2015**.

The State has decided that it will not be keeping its shares in Sodefitex. Sodefitex staff and producers are the first line to acquire these shares. To prepare for this eventuality the producers linked with the FNPC have established a **savings system** through which to acquire the 30% stake in the Sodefitex. Since 2003, with the exception of the 2006/2007 season, each producer contributes up to 1 000 CFA francs for the possible





acquisition of the shares pledged by the state. It should be noted that last season producers could not pay the contribution because of a bad rainy season. Thus, **it is expected that cotton growers pick up this process again for the current year.**

Different experiments of the liberalization and the privatization

The liberalisation and privatisation processes carried out in the cotton sectors in Guinea and Senegal have **had two different patterns**. The **Guinean cotton growers were not involved** in the development process and even less in its application. As a result, this liberalisation/ privatisation has **accentuated industry difficulties**.

By comparison, in Senegal, the privatisation process **took into account all those involved in the industry**. The process adopted enabled the **Sodefitex**, the only seeding company in the country **to increase its capital and strengthen its already close collaboration with producers grouped in the FNPC**. Further, the signing of a **shareholder pact** between the State and Dagrif, major shareholder, enabled all stakeholders to **benefit from the industry**. Today, given its level of organisation including ASIC, the **Senegalese cotton sector finds itself as one of the better organised**.

