COTTON GROWERS' OPINIONS ON THE COTTON SECTORS' REFORMS
BENIN - GHANA

BENIN

Introduction

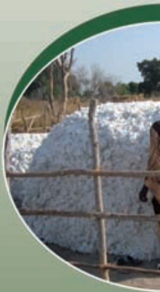
During the early years of colonisation, administrators who settled in Dahomey, currently known as **Benin,** advocated the need **of looking for new products** in order to **replace palm oil**, the production of which was predicted to be declining. Both, the local and federal authorities tried to encourage people to develop new crops. Agricultural services were granted credits in order to disseminate best practices. Thus, **seedlings were distributed** to **be tested** in trial gardens. **The most important experiment was cotton farming**. It was led by **Emile Poisson, the representative of the Colonial Cotton Association (CCA) in Dahomey.** The colonial administration was to be brought to **have a special look at the cotton sector**. The issue was then about promoting cotton cultivation already practised by farmers in the northern and central part of the country, and especially improving its quality and outputs. The Administration helped achieve that goal aiming at making of **Dahomey one of the largest cotton producing region.**

I - Genesis and evolution of cotton growing in Benin

At its inception in 1949, the French Company for the Development of Textile Fibres **(CFDT)** took on **to handle the cotton industry as a whole.** All the main functions were handled by that French company. And that pattern prevailed until **1974**, **corresponding to the creation of the National Company for Agricultural Promotion (SONAPRA),** which was to manage the sector together with **CFDT** acting since forth as **a technical and financial partner. This monopoly** led the cotton sector until **the outbreak of a series of crises partly due to global price fluctuations, the Structural Adjustment Programs, the nefarious effects of the devaluation of the CFA Franc etc**… **The drastic reduction the Government budget** did not allow CFDT to honour all its commitments *vis-à-vis* public companies among which SONAPRA. As a result, it led to **a competence transfer to some other private operators.**

II - The liberalisation process of the cotton sector in Benin

The objective of liberalising the cotton sector was **to encourage the participation of private actors at all the different stages** of the process so as **to increase its profitability.** This policy was carried out





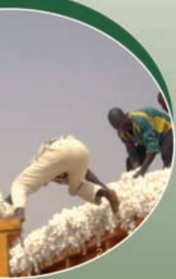

through stages.It began with the **input market**, then, **ginning** till the privatisation of the industrial instrument of the SONAPRA.

A - Liberalising the input market.

The input market was the **first step of the liberalisation policy initiated** by the State. The transition began in 1992 with **the creation of the Association of Producers and Agricultural Input Suppliers (GPDIA). SONAPRA** which used to proceed by invitation to tender before any grant of input market transferred **about 20%** of this prerogative to **a new private company**. The latter subsequently gave birth to another sister company belonging to the same owner, and a third shortly after. There was an agreement between the three companies to which the input market was given from 1993 to 1995. During that period, **producers**, like input suppliers, felt the need of organising themselves within **the Federation of Farmers' Unions (FUPRO). With regard to the monopoly** held by the three companies, there were more and more **regular protests** against the results of the bids for the selection of input suppliers. **The GPDIA** started since then to experience **its initial difficulties**.

Thanks to the coming of **a new government into power in 1996**, **this private monopoly** had been challenged, and new companies were thus allocated market shares. In 1997 there were **ten (10**), then **twelve (12)** companies in **1999** to share the input market in Benin. Yet, because of **a lack of professionalism**, some of **the suppliers marketed inputs of a poor quality**. Thus, in order to regulate the market and promote a sound management within the family of input suppliers, **CAGIA was created.** As its name suggests it, the Cooperative of Agricultural Inputs Supply and Management proceeds by cooperation. It resorted to means and methods different from those of GPDIA. Among those methods were the establishment of a **bank guarantee** for the companies selected by the tender, and **a strict respect of terms and conditions**. CAGIA is assisted in its task by the State services (quality control, research). It created an input commission which provides a framework for discussion between different suppliers. Thus, in this commission, the dealers could find an agreement on the prices they offered in their bids. Those prices are then validated by the CAGIA and authorised by the Ministry of Agriculture before being adopted throughout the country. The functioning system of CAGIA was effective since it kept away less professional suppliers of inputs. Thus in **2003**, **the number of eligible companies decreased from 12 to 5.**

Despite this regulation of the input market, **the procedure of CAGIA still remains questionable** since there might still be an agreement between input

suppliers, which would consequently result in a high pricing practice through the formation of cartel.
Following to **the change of political regime that occurred in Benin, in 2006**, the new Government decided to establish **the National Council of Cotton Input Importers and Distributors (CNIDIC)** made of all the input importers and dealers settled in Benin. This new device should introduce competition and revive confidence within the family of input dealers in Benin.

B - Liberalising cotton ginning sector

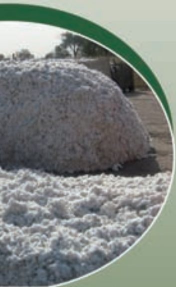
After the input market in 1992, it is the turn of **the ginning** section to be **liberalised**. The No. 95-285 of 03 October 1995 decree transferred this function to the private sector. **This measure** helped set up a **first generation of gins (BAC, ICB, and SOCOBA**). To promote the development of those new plants, **public Authorities** gave them **supplying advantages according to their ginning capacity, and tax exemptions as well**. Two years later, that is to say in **1997**, **two second-generation plants were created: AML and SEICB.** With regard to the expanding of ginner groups, the latter organised themselves and created the **Association of Producers and ginners of Benin (APEB).** Its role consisted in regulating the ginning market. Subsequently, three (03) new companies entered the market, hence **the third generation of gins:**

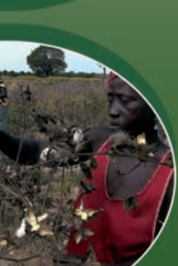
MCI, and SODICOT IBECO. Unlike the first generation plants, those of the second and third generations did not receive any tax exemption and supplying support from the State. The successive plant setting up has **increased more than proportionally, the ginning capacity of the country (587, 500 tons) as compared to the national output average (370,000 tons).** This overcapacity impacted on the cost of the fibre. Frequently, **ginners** were to face with **dissensions** in the **allocation of seed cotton**. The tensions generated within APEB, due the non compliance with the rules by some ginners, were to lead later on to its splitting into two entities. Hence the creation in 2001 of **ASCOB (the Association of Cotton Companies of Benin).**

Despite the creation of this new association, disagreements among ginners still persisted. Therefore, **the Government created in May 2006 the National Council of Cotton Ginners (CNEC)** encompassing all the cotton ginning companies in Benin. The framework provided by this committee should help reach consensus on the interests of each ginning Benin.

C - The creation of a joint-trade organisation

To sustain the actions undertaken within the framework of liberalisation of the sector, key stakeholders decided to create in **1999 the Cotton Interprofessional Associations (AIC).** To better meet the expectations of all the stakeholders, especially in the prospect of better management of the physical and



financial flows, **the Central of Secure Payments and Recoveries (CSPR) was created the following year** to assist the AIC, and appeared as the secular arm of the AIC. It operates as a clearing house of all financial transactions of the sector. It was created **to ensure a smooth outcome of input credits matters**. The effectiveness of the functioning system of the CSPR was bound to the compliance with those rules. Unfortunately it had not always been the case. Some ginners did not pay after receiving their seed-cotton. And this situation weakened the CSPR and often put it in an awkward position.

Given the ginning overcapacity, ginners were often confronted with a supply shortage. Therefore, on the basis of the national output, the joint-trade organisation set quotas of seed-cotton by ginners, and worked out the evacuation plan. And ginners did collect their seed-cotton according to that evacuation plan. Additionally, the latter had to pay a 40 % deposit before their factories were supplied with seed-cotton.

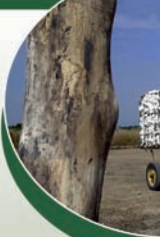
In a nutshell, the liberalisation process in Benin has fostered the creation of institutions the operating costs of which are borne by the sector. These costs represent supplements as compared to the monopoly position held by SONAPRA. The 3 institutions are: AIC (1 billion FCFA), CSPR (725 million FCFA), CAGIA (228 million FCFA until its disappearance in 2006). In 2002, the calculation of these aggregate amount showed that the cost supported by the cotton sector for its liberalisation was about 5 FCFA per kg of seed-cotton

D - The privatisation of the industrial instrument of the SONAPRA

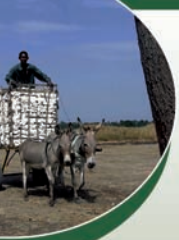
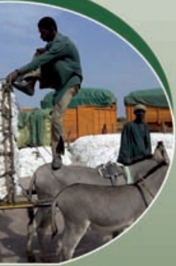
That privatisation took place in 2008. A new company **called *Société de Développement du Coton* (SODECO)[1] was created** and was made of **ten gins of SONAPRA**. **The option** agreed upon was **the opening of an issued share capital**. Thus, **the Government** should be represented with **33% of shares**, **a strategic private** operator with **33%** too, and **the remaining shares by producers, workers and local communities.**

Conclusion

In the general opinion of experts, **the liberalisation of the cotton sector in Benin did generate scores of stakeholders. The collaboration** between them was sometimes hampered by **the interests** at stake. Some stakeholders perpetually questioned the modus operandi of their sector. **Those disputes** which often led to **the dismissal of the heads**, or to **the rebellion of members,** made it difficult to achieve the goals of the liberalisation. Faced with this reality, **the Government**, which planned to gradually transfer its competences to private sectors, **would finally give up withdrawing from the cotton industry**. As an arbitrator and regulator, the public authority constantly provides assistance to the sector. Financial deficits will be paid off and tensions eased. Despite its being liberalised, the Government still massively intervenes in the management of the sector. However, in the opinion of observers, **the cotton sector in Benin is an integrated private sector.**




1 Cotton Development Company

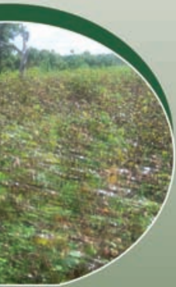
GHANA

Introduction

Cotton is grown in **the Northern part of Ghana**, a dry region of the country characterised by a low economic development in comparison with the Southern area predominated by cocoa growing on which hinges the economy of the country. Cocoa and cotton are both cash crops grown in Ghana, but they did not have the same impacts on the development of the country. This disparity is said to have been existing prior to the creation of Ghana, since in 1953, that is to say, in the colonial era, officials in charge of the Northern area had already drawn the attention of the colonial administration on the disparities between the two farming areas of Ghana because cotton did not manage to ensure a sustainable development to the North as did cocoa in the South.

I - Genesis and evolution of cotton growing in Ghana

Indeed, **during the colonial period**, the North was a **labour pool for the big cocoa farms and gold mines**. **There were not incentive political measures** aiming at holding people in that region. **At the independence** of the country in 1957, an **"agricultural modernisation"** policy was launched. It was based on the farming model of developed countries with the use of tractors on large areas of farmland. To achieve the targeted industrialisation goal, the new State undertook protectionist measures to encourage the development of the local industry. Ten (10) years after its independence, that is to say in **1968, *Ghana Development Cotton Board*** (GCDB) had been established. This organisation was responsible for, among other things, carrying out certain vital functions of the sector, notably the supervision of producers both at the level of their groups and cotton fibre marketing abroad. During the following two years **(1969** and **1970**), **the outputs significantly increased**. Yet, **the two oil shocks** of **1973** and **1979**, **negatively impacted** on the global prices of agricultural products, and **mainly on cotton**. **The purchase price of seed-cotton** suffered a **significant decrease**, and the emerging success foreshadowed in the cotton industry of the country gradually crumbled. As direct consequences of this phenomenon, **the price offered** to Ghanaian producers was **very low** and **the supervision service became ineffective**.

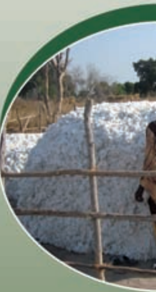



his situation plunged **the local industry** into **crisis** because of the lack of fibre supply. **Several textile companies** of medium and large sizes **went bankrupt**. In 1982, the only firms that survived the crisis of 1970s operated at 5% of their capacity.
It is in **such a gloomy context** that the **World Bank intervened** through its economic liberalisation policies meant to boost the Ghanaian cotton sector start anew.

II - The liberalisation process of the Ghanaian cotton sector

The 1970s crisis which lasted until the middle of the following decade had made it **difficult for the State** to handle the cotton sector efficiently. **To reduce state intervention**, **CGDB was privatised in 1985** and became **Ghana Cotton Company Limited** (GCCL). In that new company, **the State** now holds **30% of the capital**, the remaining **70%** were distributed among **the textile companies, input suppliers and the Agricultural Development Bank (ADB). To boost cotton growing**, a set of measures were taken to assist the stakeholders of the sector. One of those measures was the **"free" distribution of inputs**. In return for this favour, the price offered to producers remained relatively low. That policy favoured the coming into the sector of several ginning companies among which: **Juni Agro, Agro Star, Upper West, Cotton Promotion Ltd, Intercontinental Farms Bafcot,** etc.

After a decade of collaboration with the private cotton companies, **the Government** decided **to sell off its entire share (30%) to other operators**. With this share transfer, the Government totally withdrew from the cotton sector. Meanwhile, it failed to set up mechanisms to regulate the cotton sector which was since then entirely controlled by the private sector. Between **1996** and **1997**, twelve cotton companies were involved in the management of cotton in Ghana. **The inputs** which used to be provided free of charge **was to be granted as a loan in kind**. This policy led to large-scale embezzlements by farmers who increased the debt of cotton companies *vis-à-vis* the Agricultural Development Bank (ADB). And, **the cotton companies were sagging under the weight of debts** incurred from this financial institution.



III - Troubles within the Ghanaian cotton sector

Since **the overall withdrawal of the public power**, through the sale of its shares to private sectors, almost all **the functions that were devolved to it have been transferred to new the shareholders.** Only **two** of them **remained under State control**: **seed certification** and **maintenance of rural roads in cotton areas**. Yet, it should be noticed that **the Government failed to fulfil its duty**, and **the tracks deteriorated** at an alarming rate. **The remoteness of production areas** from the harbours constitutes a bottleneck for the sector. **The rural roads have become unfit for cars** and do not favour the removal of cotton




from the North to the Southern coast. Transportation costs that are subsequently increased put a strain on the profitability of the production and hinder the economic development of sector. Moreover, **the quality of seeds** was often **criticized by producers**.

Also, with the **new private operators** entering the sector, **inputs of very poor quality** have appeared in the market. They are mainly chemicals from Asia that have been introduced in Ghana without the necessary checks. Those products, most the time highly toxic components such as ***endosulfan*** from **China** and **India,** are banned from the European Union market, but freely imported into Ghana. They have engendered **serious environmental problems** (water and air pollution, poisoning and destruction of wildlife etc…) which **negatively affect the quality of cotton.** Finally, **cotton production** is totally cut off from research**. There is no direct link between** *Savanna Agric Research Institut cotton* Program (the national cotton research institute) and the needs identified by the stakeholders of the sector. Likewise, **dissemination services** are **virtually non-existent** (as a case in point, there is only one agent for 10,000 producers).

Two more recent attempts have been made in order to recover the sector: **zoning** and **setting up producer organisations from base to summit. But both** of **them failed**.

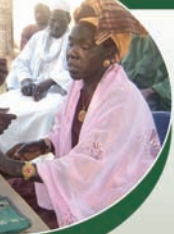
According to experts, **the Ghanaian cotton sector** has all kind of ailments: **bad policies, mismanagement, lack of consensus among stakeholders, poor yields, low outputs, poor quality of inputs, poor quality of fibres, etc.**

The creation of cotton companies is subject to **no compulsion**. **No qualification criterion** is demanded before exercising in this industry. **No financial guarantee** is required either. And there **is no minimum production fixed**. **Anarchy** would be **the best term to describe the cotton sector of Ghana. The radical liberalisation** has exacerbated **the difficulties of the sector** and plunged it into some sort of **agony** with the **bankruptcy of the eleven private cotton companies** that were involved in three production areas of the country. **Since 2001**, **the Government returned** to the centre of the cotton sector by taking over the functions hitherto neglected. **The production has timidly resumed** but some evils still corrupt the sector which continues to suffer from **the liberalisation setbacks**.

<u>Conclusion</u>

Even if **the cotton crisis** is **attributable to all stakeholders** in the sector, it must be stressed that **the Government is largely responsible for that**. Indeed, the withdrawal of the Government did not help set up rules that should have governed and defined the relationship between new stakeholders. **The liberalisation process had not**




been well controlled. It seems difficult to understand that the Ghana who shares the same cotton belt with Burkina Faso, Africa's largest producer (over 50% of export earnings), failed to take advantage from cotton (0.2% of export earnings in 2001). **The lack of political will and orientation** rather than a natural disposition to poor cotton growing are likely to be the most plausible explanation to this very fact.

To remedy this situation, Authorities should put the development of the Northern area of Ghana in a special programme with special measures in favour of the cotton sector. Such measures should be undertaken at all the different critical levels of the sector.
The winds of political change that has recently swept the country **revived optimism and hope** that, in its way by, it will blow away all the problems of the sector. However, such progress requires **the establishment of a strong producer organization** capable of **undertaking all the changes necessary to the revival of the cotton sector in Ghana**. Initiatives are being undertaken in this respect after the failure of the reforms, since there is a **slight recovery of the cotton in Ghana.**