



# COTTON GROWERS' OPINIONS ON THE COTTON SECTORS' REFORMS BURKINA FASO - CAMEROON

## Introduction

In most of *franc* zone countries, especially those in West Africa, cotton is an important **catalyst in the development** of their economies. Grown before colonization, cotton has been developed thanks to the actions of the French Company for Textile Development (CFDT). After their independence, the new States had kept the monopoly on the whole sector.

After recurrent crises, some cotton growing countries such as **Burkina Faso** decided to **liberalize their cotton sector**. **Cameroon** for instance, after a long period of hesitation, is about to follow the steps of Burkina Faso. In these two countries with two different sociopolitical contexts, cotton occupies the same place and plays the same role: it is the major provider of income to producers and currency provider to the State.

This paper holds a **historical review of the introduction of cotton in Burkina Faso and Cameroon**. The second part of the document deals with the way of the liberalization process, currently under way in Cameroon, has been undertaken in Burkina Faso. The last part focuses on **the lessons drawn from the experience** of the target countries, which are Burkina Faso and Cameroon.

## I-Origin and evolution of cotton growing in Burkina Faso and in Cameroon

### A-The cotton sector in Burkina Faso

Like in other West and Central African cotton countries (AOC), cotton growing started in Burkina Faso at the colonial time, especially under the governorship of Frederic Charles HESLIN (1924-1929). Cotton was a **mandatory crop intended for export**. The white gold was used as a means for the exploitation of Upper Volta through the institution of mandatory collective cotton fields (4 ha for 100 inhabitants). This policy intensified cotton production until the 1929 crisis, which led Upper Volta into food shortage. As a result, cotton growing was given up before being revived thanks to the creation of the French Company for Textile Development (CFDT) in 1949. CFDT was in charge of the development of cotton production. As such, it conducted the distribution of inputs, contributed to the supervision of producers and to the improvement of farming techniques.

Just after its independence (proclaimed on 5 August 1960), cotton growing appeared as the main economic activity that could provide the new State with necessary financial resources needed for its development. It also generated **financial incomes**, which help rural populations **meet their food and material needs**. In addition, this can therefore account for many peasants **willingly joining that mandatory cotton growing**. In a single decade, the cultivated areas shifted from 20,000 to 80,000 ha and seed-cotton output shifted from less than 3,000 to more than 36,000 tons.

The western part of the country, which is suitable for cotton growing, was targeted to increase the production. In 1971, the Voltaic Government, CFDT and the World Bank launched a period of five years project - the West Voltaic Cotton Project (PCOV) - in this region of Upper Volta. They set up a new organization to manage the project: Profit-sharing Association of the Republic of Upper-Volta in charge of supervising the sector together with CFDT. In the cooperation, the State held 65% of the capital, CFDT 34% and the banking sector 1%. Later on, this





association was replaced by **Sofitex** created as a **mixed economy company** responsible for the ginning. All the agricultural development projects that later on implemented in this region directly or indirectly contributed to the promotion of cotton. At the same time, **Villagers' associations** were set up and became the link between peasants and institutions. This organization paved the way for the success story of the dawn-ing cotton growing. The incentive input costs and seed-cotton purchase price encourage producers to grow cotton. The evolution of the 1979/1980 campaign output was impressive reaching a peak estimated at 77,500 tons of seed-cotton.



This development of cotton growing also promoted **road building and therefore the opening up of rural areas**. This policy allowed cotton growers to get access to basic social facilities such as education, health, etc., thanks to the **money earned** from cotton growing. By the same token, the intensification of this crop greatly contributed to the **improvement** of rural population food concern thanks to a **cotton-cereals production system**.



## **B-The cotton sector in Cameroon**

Cotton growing was introduced in 1927 in the Northern part of Cameroon by the colonial Administration because this area was less developed in comparison to the forest zone in the South. Thus, the Northern Cameroon and Chad Cotton Company (SCNCT) was created at Garoua. In the late 50s, the colonial authorities decided to mechanize and motorize agriculture, commercial cotton growing having gained in importance. Then, CFDT was created to manage the sector. Kaelé was designated as the centre of cotton growing and a ginning company was created. During the 1951-1961 decade, cotton growing was intensified **thanks to the popularization of the new farming techniques and to the promotion of yoked farming**. Cotton production evolved this way until 1974, when **SODECOTON** was created, and CFDT positioned itself as a technical partner. The early missions of this company, right at its creation, consisted into promoting cotton growing, and more generally, contributing to the development of the cotton areas.



## II-Management of the Liberalization and privatization process of the cotton sector in Burkina Faso and in Cameroon

### A-The cotton sector in Burkina Faso

The mid 80s was marked by **the slump in the global market raw material price and the depreciation of the US dollar**. That considerably affected the cotton sector. Input subsidies were suppressed and seed-cotton purchase price continually went down :from CFA F 100 to FCFA 95 over 4 years (1988 to 1992), then CFA F 85 in 1992 and to CF A F 80 in 1993. This context coupled with a strong parasitic pressure during the 1991/1992 campaign led to a **massive loss of interest** in cotton growing. Cotton production became erratic in that period.

The institutional reforms had been undertaken in this context of a significant decrease in output. In February 1993, a **contract-plan between the State and Sofitex** was signed. The objective being the revival of the production, a new purchase price setting mechanism was set up with a minimum guaranteed price paid to producers. Two years later, **credit committees have been created** to cope with the situation. Thanks to the 1994 **devaluation, seed-cotton purchase price** has **risen** and shifted from CFA F 85 in 92/93 to CF A F 112 in 93/94. The impact of devaluation was all the more important that it was coupled with a significant increase in the global market prices. The global market fiber price tripled in 93/94 (CFA F 334 to CFA F 1049). Sofitex doubled its export revenues and its profits approximated 5.5 billion in 1994 against 2.1 billion in 1993.

In addition, that allowed the cotton sector of Burkina Faso to be balanced afresh and to become competitive on the global market. In 1996, the Government launched a **new boost program** of cotton production. The objective consisted into extending cotton growing to new areas in order to reach 300.000 tons. In addition to the West provinces, the eastern (Topoa, Gourma) and of the south-eastern (Léraba, Comoé, Loba, Sissili, Ziro) provinces have also been targeted. In the same year, **cotton growers' associations** (GPC) replaced Villagers' associations





Moreover, its objectives consisted into making producers into **professional for a better management of seed-cotton marketing, inputs and credit.**

1998 is a decisive year in the management of the sector **The National Union of Cotton Growers (UNPCB<sup>1</sup>)**, which is an umbrella organization composed of **cotton growers' associations** was created. In the continuation of the policy initiated by the Government, UNPCB contributed up to 30% **the capital** of Sofitex together with the State holding (35%), Dagriss (former CFDT) (34%) and the local banks (1%). This participation changed the legal status of Sofitex, which shifted from a mixed economy company with the State as the main shareholder to a mere **mixed economy company.**



Recommended by **Bretton Woods institutions** especially the **World Bank**, the liberalization of the cotton sector of Burkina Faso went through several stages before the system in force were adopted. It started in 1999 when an **interprofessional Agreement State/Sofitex/Producers was signed**. This agreement allowed the creation of a management committee, which should, among other tasks, carry out the main duties of the sector namely: **pricing seed-cotton and input setup by Sofitex, management the assistance fund, outlining the strategic orientations of Sofitex, working out research and cotton road budget programs** as well as **assessing the producers' supervision system.**



In December 2001, a decree relating to the establishment of operators in the new cotton regions was adopted and confirmed the privatization process. Very soon, producers regrouped within UNPCB followed the trend by initiating **study trips** in pioneer countries to have liberalized of their cotton sectors (Côte d'Ivoire and Benin). Those travels made it possible to **capitalize on experiences and to be able to convince** the other stakeholders (State, cotton companies and the PTFs) about the necessity of their strategy of a step-by-step liberalization of Burkina Faso cotton sector.



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<sup>1</sup> UNPCB consists of village unions within villages; of departmental Unions at the level of departments and Provincial Unions at the level of provinces.

It should be noticed that at the beginning of the process, two methods about the way to conduct liberalization were adopted. But finally, producers were able to convince the other parties about the most suitable approach.

2004 was the end of Sofitex monopoly with the adoption of the **zoning system in the cotton** growing areas of the country.

-The West remained a region exclusively devoted to **SOFITEX** and **UNPCB** holding 30% of the capital.

-The central region was granted to **FASO COTON** company made of shareholders such as Paul Reinhart A.G. (a Swiss trader), Ivoire Coton (of the Agha Kan's group), **SOBO** (Société Barro, a cotton oil and soap production company in Burkina Faso) and the **AMERFET** company (enrichment and fertilizing, a subsidiary of **HYDROCHEM**, an international company producing fertilizers and insecticides) and **UNPCB** which holds 10% of the capital;

-The Eastern region was entrusted to **SOCOMA** (the cotton company of Gourma) with shareholders such as **DAGRIS S.A.**, which has become **Géocoton**, **SOBA** and **SYA** Participation companies (a pool of investors from Burkina Faso) and **UNPCB** holding 20% of the capital.

In the early 2006, the different stakeholders felt the need to set up a **consultation framework** where the different protagonists should be represented. This is how **AICB** was created (Cotton Interprofesional Association of Burkina Faso) made of producers and ginners with the Government as arbitrator. The creation of AICB is the outcome of the liberalization process of the cotton sector of Burkina Faso. During this period, cotton purchase price regularly rose and encouraged people to grow cotton. The cotton acreage at the national level reached 1.9% of the total surface of Burkina Faso in 2005; they represented 5% of the utilized agricultural areas and 15% of the farmed lands (i.e. 540,000ha). In a nutshell, cotton output experienced a remarkable growth thanks to the revival plan. It reached





583,000 tons in 2005 and reached a peak the following year during the 2005/2006 campaign, with 712,000 tons. Consequently, **Burkina Faso became the leading cotton producer of the Franc zone and the fifth in the world.**

## **B-The Cotton sector in Cameroon**



Like most of African countries, Cameroon did not escape from the **structural adjustment programs** initiated by Bretton Wood Institutions (WB and IMF) following to the budget deficits noticed in the early 80s. In 1994, **the privatization of SODECOTON was announced**. Until now, this measure has not yet been implemented. An attempt by a private group to buy back the company resulted into selling 11% to SMIC<sup>2</sup>. Despite this dispute, it appears that the file is blocked off because of divergences of opinions about the configuration of the cotton market in Cameroon and the envisioned scheme of privatization. Indeed, from the very announcement of the privatization of the main cotton company of the country, the World Bank wished **markets forces were allowed to operate**, whereas the strategy adopted by the Government consisted into **preserving the integrity of the sector with CFDT as the major shareholder**. This scheme posed serious problems to the Technical Commission for the Privatization and Liquidation of State-owned Company and Semi-public Companies (CTPL).



The creation of as an Economic Interest Group in July 2000 has been a significant progress in the institutional landscape of the sector. Progressively, the structure became autonomous and aware of its responsibilities. **Seed-cotton purchase price is fixed in collaboration with producers' umbrella organization**. It is made of **abasic price** and premium known in **advance** to the producers before sowing, which will be supplemented depending on SODECOTON's results. OPCC handles these price supplements.



<sup>2</sup> Real estate and Investment Company in Cameroon, private company, which after lawsuit is finally shareholder of SODECOTON up to 11%.

Part of this extra is redistributed to producers; the other part is put into a bank account jointly managed by OPCC. This account is often resorted to when producers find their remuneration insufficient.

However, the financial balance of SODECOT ON has become fragile because of the **fall in cotton global prices since 1995 worsened by the main producing countries (US, EU and China) still subsidizing their productions, coupled with the depreciation of the US dollar against the Euro**. The last years, the cotton company experienced a deficit of about **CFA F 12.5 billion**. These assistance funds are exhausted during 2007/2008 campaign (in five years, FCFA 11.9 billion have been given to producers as price supplement). Currently, there is no serious recovery with regard to the continuous depreciation of the dollar against the Euro and the exponential increase of input costs.

In January 2008, the privatization file, which has been frozen since 1994, came up when the Government launched a call for bid for the technical and financial audit of SODECOT ON. The studies envisioned aim at **defining the way of opening the sector to competition and identifying possible privatization strategies**.

On their side, producers regrouped within OPCC-GIE, given their importance in the life of the sector, have since the announcement of that measure, decided to take the initiative. Indeed, during the 96/97 marketing campaign, CFA F 20 per kg had been deducted, then 15F CFA/Kg in 97/98 and the discount of 98/99 campaign had been kept. These funds amounting to **CFA F 7.2 billion** are deposited in a frozen account and should allow these producers to hold shares in the capital of SODECOTON in case of privatization.





### III-Lessons

#### A-The cotton sector in Burkina Faso

From colonization up to now, cotton growing in Burkina Faso has experienced some periods of crisis. At each crisis (1929, 1985, 1992...) **adjustments in the functioning and the management have been undertaken, often on the recommendation of bilateral and multilateral assistance agencies.** These ones have very often imposed some conditions before granting to the Government, the necessary **loans and assistances for the financial equilibrium of the sector** . One of the most important conditions was the liberalization of the cotton sector. However, these in-depth reforms alone do not account for the current situation of the latter . There are other exogenous factors. For instance, the significant and continuous decrease in cotton global price was one the main factors that triggered the crisis since it has induced by the reduction of export revenues, a financial deficit in the sector . This shows that cotton production is threatened. Moreover , fluctuations of the exchange rate euro/dollar can, according to periods, mitigate or aggravate the variations of cotton global price. To fight against these fluctuations, Burkina Faso stakeholders have adopted a new cotton purchase pricing mechanism (**AICB mechanism**) to ensure a remunerating price paid to cotton growers. Meanwhile, Burkina Faso has undertaken a diversification policy of its production system by adopting the large-scale **genetically modified cotton growing**.



#### B-The cotton sector in Cameroon

Since the announcement of the privatization of SODECOTON, OPCC-GIE's of ficers drew the attention of the highest authorities of the government on the fact that they want their grievances to be considered by the President while implanting this policy. However, it should be underlined that privatization project is dictated by financial backers rather than emanating from the Government's will.



But in any case, it is necessary to acknowledge that this privatization must be in line with **the process of reinforcing assistance to producers**. Hence, the necessity of involving the latter in the process in order to prevent such an abuse as dismantling the company which has hitherto been run in an integrated way. Let us hope that the adopted scheme could improve the performances of the sector by **delegating more power to grass-roots stakeholders**.

### Conclusion

The liberalization of Burkina Faso cotton sector has gone through several stages before adopting its current scheme. Following to the announcement of this measure, producers regrouped within UNPCB undertaken **study trips to Benin and Côte d'Ivoire**, which are two pioneer countries to have implemented the reform. These trips gave them the opportunity to **analyze the good and bad aspects of the deregulation of the cotton sector in the visited countries**. Finally, stakeholders of Burkina Faso have succeeded into applying a scheme, which best fit to their context.

As for their Cameroonian counterpart, they are convinced that the privatization of SODECOT ON, announced for long, will revive the cotton production if the measure is properly applied. The initiative by producers regrouped within OPCC-GIE consisting into **raising reserve fund** (CFA F 7.2 billion) that will allow them hold shares in the capital of the company salutary. However, it is not enough to implement a good privatization scheme which requires, among other things, setting up **an interprofession** within which all major decisions relating to the good functioning of the sector, **producers' capacity building** for a better participation in the process, and to **the consideration of the specificities of each sector**, etc.





