



COTTON GROWERS' OPINIONS ON THE COTTON SECTORS' REFORMS MALI - GAMBIA

Introduction

For a long controlled by the French Company for Textile Development (CFDT) in the colonial period, cotton sector , after the independence, was controlled by the Governments. After contributing, until a certain period, **to improving the living condition of population especially those established in rural areas** , the cotton sector is now experiencing a **series of crises** of which differ from one country to another depending on the size of the sector . **The monopoly exercised by the Government in the sector had been disparaged**. This led to **liberalizing** some of the African cotton sectors such as that of **the Gambia** . **Mali**, which has just liberalized its sector, **has not yet undertaken the necessary reforms** continually postponed.

This paper shows the different **institutional reforms** undertaken in the malian and the gambian cotton sectors. It first deals with **the introduction of cotton** in these countries before shedding light on **the different stages of its development** until the questioning of State monopoly, which led to **the liberalization** of their respective cotton sectors.

A-The malian cotton sector

1-Origin of the introduction of cotton in Mali

Cotton growing in Mali has, for some centuries, marked malian populations especially those in the South. Historians date its introduction back to the 11th century in zones islamized by Arabs. Other people believe that the existence of local cotton growers was prior to that period. During colonization, it was encouraged by the **Sudanese colonial Administration**. In 1919, the **initial experimental farm** was created in **Ségou circle**. In 1936, ginning companies were created in **Sikasso, Kadiolo** and in **Bougouni**.

The creation of **CFDT** in 1949 was a **turning point in cotton growing**. In 1951, the first CFDT sector of Sudan was set up in Sikasso. During the 1952/1953 campaign, the output of the area supervised by the sector of Sikasso was 140 tons. In 1955, CFDT was, in addition to the subsector of Sikasso, made of two other sub-sectors in Koutiala and San. In 1960, the result of the campaign was considered excellent: 700 tons commercialized at Sikasso against 500 tons forecast and, 945 tons commercialized in San against 600 tons projected. Then, the two sub-sectors became autonomous sectors. The first ginning mill of Sikasso was created in 1963.

In 1964, the malian Government entrusted CFDT with the promotion of the cotton sector for a period of ten (10) years, mainly in the administrative regions of Sikasso, Ségou and Bamako.

The creation of **CMDT** (the malian company for textile development) in 1974 was a **very important turning point in the development of the cotton sector of Mali**. The Government held sixty (60%)





of shares of the company. CFDT and other technical partners hold the remaining 40%. Just like CFDT, **CMDT was responsible for developing the rural area all over the cotton belt**. In 1975, the model of **village associations** was applied in the existing five CMDT regions. Between 1974 and 1986, the production shifted from 60,000 to 170,000 tons. **BNDA** (the National Bank for Agricultural Development) progressively replaced CMDT as far as credit granting is concerned. In the same period, the **first coordinating and rural expanding zones (ZAER)** made of Village Associations was created.

Despite this dazzling development, the malian sector experienced the crisis. The **first crisis** that occurred in 1986 was linked to **the fall in global fiber prices**, which is itself, linked to the **depreciation of the American dollars**. The scale system applied did not include any downward adjustment mechanism. Because **the stabilization fund did not function**, the State was obliged to back the sector. Then, SOMIEX monopoly was suppressed in 1989 and the first contract plan State-CMDT was signed. **The next decrease in the global fiber prices** coupled with the **overvaluation of the exchange rate** will undermine the efforts during the first plan. In March 1991, a producer revolution started. It was known as "l'esprit de mars" that is to say March spirit. As revival strategy, the State signed with CMDT and SYCOV¹ a **second contract-plan**. The contract stipulated that CMDT shall become an **independent company** financially liable for its commercial and financial activities. Thus, the company started receiving directly revenues from its cotton sales and was exempt from export taxes.

¹ Malian Food Crops and Cotton Growers Union

The financial situation of the cotton company started to, progressively, improve. **The devaluation of the FCF A** occurred in January 1994, allowed to **double prices**. It also allowed CMDT to **double its revenues** over the following four campaigns, that is to say , until 1998. As for profits sharing, it was as follows: 35% for producers, 53% for the State and 12% for CFDT. During the same period, sowed acreages significantly increased but outputs decreased. **The mismanagement of CMDT in 1999** coupled with **embezzlements in 2000** have, in a first context of downward trend of prices (170 FCF A paid to producers), prompted producers to **go on a strike** and consequently led to a decrease in output shifting from 575.000 tons to 241.000 tons, between 2000 and 2001. **The deficits of CMDT were estimated at more than FCFA 26 billion.**

The General Manager of CMDT was replaced in February 2000 and a new leadership started in the company. In July 2000 the company was subject to **an accounting and financial audit**. In 2001, the State organized a **convention on cotton** in April 2001. Technical discussions were organized during the same period with financial backers in Bamako, then in Washington. Those discussions led to the creation, in June, of the **Cotton Sector Restructuring Mission**. The first draft of the Political Letter for the Cotton Sector Development Policy (LPDSC) was also written. It was based on an eighteen-month (18) plan. The measures aimed at **restoring confidence** with producers, controlling deficits by means of an emergency financial plan, and at creating an independent body in charge of reforms. The results were instantaneous: seed-cotton output shifted from 231, 000 tons to 612, 000 tons. Despite that erratic fluctuation in output, Mali remained until 2003 **the leading cotton**





producer in the *Franc* zone (before being relegated by Burkina Faso).

Cotton sector involves more than **3 million people**, that is to say, one third of the national population. It contributes to about **30 to 50% of export revenues** according to years and roughly **10% of the GDP**. In addition to this macroeconomic impact, cotton was acting as **an effective catalyst in the modernization process of agricultural sector and in the improvement of the living standard of malian farmers**. Yet, the sector is currently threatened by both **endogenous and exogenous factors** such as **the continuous decrease in global prices, the mismanagement of CMDT, the stagnation, and even, the fall in outputs etc.** Despite these difficulties, the malian cotton sector still plays **amajor strategic role** in the rural development of cotton growing areas, as well as in the **development of the country**. Hence, adjustments measures have been taken in order to revive cotton growing.



2-The privatization process

The structural reforms of the malian cotton sectors have been undertaken since 2001 (replacement of the CEO, creation of MRSC, auditing CMDT, convention on cotton, working out and setting up LPDSC etc....). The different orientations resulting from all these actions have been enhanced by a **privatization scheme of CMDT**. This measure aimed at **strengthening the productivity** of the cotton sector, **improving the living conditions of the populations, contributing to the economic growth and to the reduction of budget risk** with regard to the impact cotton sector has on resources of the



Government. After several postponements by the authorities, the privatization of CMDT has finally been adopted at the General Assembly in April 2008. Thus, the reform hinges the following steps:

-Completing the structuring process of peasants' organizations and implementing an **important information and training program** intended for cotton growers,

-Working out an opening balance sheet of CMDT subsidiaries in order to find out the most suitable scheme to the malian context and to the specificities of the Malian cotton sector;

-Posting permanent staff to the new subsidiaries. In other words, it consists in deploying the staff from CMDT and OHVN in the four subsidiaries that would result from the subdivision of the former CMDT;

-Setting up organizational and regulatory frameworks where the stakeholders of the sector could operate, and which would include a consensual cotton purchase pricing mechanism as well as an assistance fund in case global market prices fall below the pivot threshold;

-Opening the capital of CMDT to producers ;

-Creating a Cotton Grading Agency (OCC) ;

After **several postponements**, the creation of four geographical zones resulting from the subdivision of CMDT into four distinct subsidiaries was finally adopted as a privatization scheme of CMDT. Each company was responsible for a subsidiary of which the shareholding was as follows:





61 % for the private operator , 20% for producers regrouped within UN-SCPC, 2 % for former CMDT workers and 17 % for the malian Government. Each beneficiary company of a subsidiary had, in its geographical zone, the exclusive right to buy seed-cotton and was responsible for all the critical functions required for cotton growing. For a better implementation of this scheme, the following subsidiaries have been accepted:



-The southern subsidiary consisting of **CMDT regions of Sikasso and Bougouni,**

-The northern and eastern subsidiary covering **CMDT regions of San and Koutiala,**

-The central subsidiary dealing with the **CMDT region of Fana and the OHVN zone**

-The western subsidiary with the **CMDT region of Kita.**



These in-depth reforms of the Malian cotton sector which started years ago were meant to help revive the sector, and by the way, motivate cotton producers who progressively started growing other crops especially cereals. Yet, it should be noticed that despite the strong willingness of the different stakeholders of the sector to get involved in the conduct of the process, it appears that **the privatization of CMDT is taking a long time to be effective.** That very situation brings about **uncertainties in the sector** . Moreover, it is important to insist on **capacity building of the farmers** so that they may fully play their role as shareholder in the new cotton companies to be created. The compliance with the planned scheme and its good implementation have been very advantageous both for the malian Government and the malian people.



B-The gambian cotton sector

1-Origin and evolution of cotton cultivation

The **English colonial Administration** introduced cotton in **The Gambia** following the success of that crop in neighboring francophone countries. In the year 1864s, an **association for the development of cotton in West Africa** was created. This association intensified its actions in, Ghana, Sierra Leone, and Nigeria and in the Gambia in order to promote cotton growing. In 1869, the output of the colonial administration was estimated at 200 tons. Until the proclamation of independence of the country in 1965, cotton output was not significant.

After the independence, cotton was not considered to be a sector of activity which could significantly contribute to the development of the new State. Agriculture, which was the main sector of activity, was dominated by peanut growing which represented half the cultivated surface and the first export income. Mainly cultivated in family agricultural field, **cotton output in the Gambia has been decreasing since the year 90s**. The acreage devoted to cotton growing has never extended 5% of arable land since its introduction in the country. Such a situation can be explained by the **low level of organization of cotton producers and the sub sector' marketing structure** consisting of an ineffective monopsony held by the Government. So **the dismantling of the State monopoly** had been an appropriate solution to allow all the actors, especially producers to take advantage of the fallouts of the sector.





2-Conducting the liberalization process of the gambian cotton sector

The gambian cotton sector **was liberalized in the early 90s** . The main cotton sector of the country was, more specifically, privatized in 1992. Dagrif held 60% of the capital and the Government held the remaining. That liberalization was accompanied by the **redefinition of the role of the Government**. Most of its duties had been transferred to the new buyer . However, it is important to note that this transfer of ownership was undertaken **without a real involvement of Gambian cotton growers**.



Despite the reforms, cotton production in the Gambia did not reach the expected threshold, that is to say, the underuse of the ginning capacity of Gamcot estimated at 10,000 tons of seed-cotton. Those reforms meant to revive the sector had that is to say a decrease in production in cotton growing areas. **The privatization of Gamcot caused a reduction of acreage devoted to the crop**. The arable soil shrunk from 5% to less than 3%. The fall in output negatively affected the living standard of rural populations whose revenue originated from that crop



To get out from this morose context and **allow cotton to significantly contribute to improving the living conditions of farmers and to the development of the country** , a new pricing mechanism resulting from consultations between the Government, Gamcot and farmers has been adopted . The objective was to improve the purchase price of seed-cotton.



Unfortunately, **the embezzlements** that occurred in piloting the sector have **stopped cotton growing for three campaigns now.**

Currently, one of the strong grievances of COGAs related to **the issue of inputs supply** to start cotton growing in the country anew. Lastly, for lack of financial resources, Gamcot has withdrawn from a major part of its duties especially input supply and management. These last years, the cotton sector has been developed by **senegalese cotton growers** with the support of the **National Federation of Cotton Growers (FNPC)** responsible for supplying their Gambian counterparts with inputs. **Public investments and the creation of an assistance fund** are, among other supporting measures, those envisioned by the central authorities. However, given the current situation of cotton global price, these investments are unlikely to revive the sector. As a whole, reviving signs can be noticed in the gambian cotton sector. It could have been a viable export sector. Yet, till now, it still does not play this role even if it remains strategic according to State officers.





Conclusion

Less prepared to liberalization, the **gambian stakeholders** have privatized their main ginning company in order to revive cotton growing and consequently improve the living conditions of population who live on it. However , more than fifteen years later, **the expected results are far from being reached** . The reform undertaken **without a real involvement of producers rather led to disequilibrium of the cotton production chain**. As for the **malian cotton sector** , after going through successful phases, is now experiencing a **major crisis** due to the combination of exogenous and endogenous factors. The fall in output that followed caused actors to approve **the privatization of CMDT** . It is important to draw these ones attention on the setbacks of liberalization in the Gambia resulting from a **failure to involve grassroots shareholders** that is to say **producers** in the different phases of development and implementation of reforms



