



64th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES

SIXTH OPEN SESSION

11:00 AM, Wednesday September 28, 2005
Mr. Ibrahim Malloum in the Chair

The CHAIR introduced Mr. Celestin Tiendrebeogo of SOFITEX, Burkina Faso to make a presentation. Mr. Tiendrebeogo reported that cotton production in Burkina Faso is rain fed, conducted by 180,000 small holder farms with 2.5 million people depending on it, and accounts for 30 to 40 percent of GDP and 50% of export revenues. He said that the cotton sector in Burkina Faso has been liberalized, and in addition to SOFITEX two additional companies, SOCOMA and FASO COTTON have begun operations since September 2004. He indicated that the state is still playing an important role, supplying producers through the cotton companies with inputs, extension, procurement, ginning and processing, defining policies and providing a legal framework. Mr. Tiendrebeogo reported that producers are organized in 8,000 regional unions which comprise a national union of cotton growers. He described activities of the national research institute in breeding, providing high quality seeds to producers, advising on agronomy and natural resource management. He also noted the role of banks in providing credit to finance inputs. Mr. Tiendrebeogo reported that the state now has only a 35% stake in cotton production, and the sector is managed by producers who have 7 members of 14 on the National Committee of Cotton Producers of Burkina Faso. Three members represent the state, 2 represent SOFITEX and there is one representative from each of the other two companies. He explained that the Committee sets the procurement price for cotton and for inputs each season and manages the price support fund. Mr. Tiendrebeogo described the evolution of cotton production in Burkina Faso, which increased from a crisis 49,000 tons of lint in 1993/94 to 263,000 tons in 2004/05, due to devaluation of the CFA franc, improved varieties, quality and yields. He described the current constraints to cotton production including low market prices affected by subsidies, an increased exchange rate in relation to the U.S. dollar, higher fuel, inputs and transportation costs. Producers were paid in full for cotton during 2004/05, but the support fund will be not sufficient to pay producers this season, and assistance from the international community is needed. Mr. Tiendrebeogo informed that for 2005/06 the procurement price will be reduced by 16%, having negative effects on the incomes of farmers. He said that the situation is difficult and it is similar in other countries of West Africa.

The CHAIR introduced Mrs. Jolly Sabune, Managing Director of Cotton Development Organization in Uganda to present a report on the cotton sector in Uganda. Mrs. Sabune reported that cotton was introduced in Uganda by the British Cotton Growers' Association in 1903 as a cash crop. Initially, cotton was grown by small farmers purely as a government crop, and production rose steadily to 44,000 bales in 1920. She said that during that period, private sector, mainly of Indian origin, established ginneries across the country and took over processing and marketing while government retained the research, seed breeding, extension services, input supply and quality control functions. The government established 3 textile mills and a spinning mill in the late 1950s. Production rose to 371,000 bales by 1960/61. She reported that around 1962 when Uganda became independent, the government took over

ownership of the 50 ginneries and handed them over to the co-operative unions and set up a Lint Marketing Board (LMB) with a monopoly to trade. As a result, production increased to a record 470,000 bales in 1969/70, but during the early 1970's to mid 1980s, civil strife, economic turmoil and poor governance led production to decline to the lowest level of 11,000 bales in 1987/88. Mrs. Sabune noted that in 1986 a new government came to power that embraced macro-economic reform, and in 1994 enacted the Cotton Development Act which liquidated the LMB and totally liberalized the marketing, processing and exports of cotton. The National Agricultural Research Organization (NARO) was established to undertake research, seed breeding and technology development while the Cotton Development Organization (CDO) was established to regulate, coordinate and promote all aspects of the cotton sub-sector in the country. As a result, with the revival of research and seed breeding under NARO, strict regulation and quality control under CDO and cash payments to farmers, production rose steadily from 33,000 bales in 1994/95 to 250,000 bales in 2004/05. She reported that the government retained the function of provision of planting seed to cotton farmers. The CDO also encouraged and nurtured the formation of a private sector body of all ginners and exporters of lint – the Uganda Cotton Ginners and Exporters Association (UGCEA). The CDO attracted private sector investments to supplement government efforts to support extension services, training and the provision of inputs to farmers at subsidized rates. The CDO established, in partnership with the UGCEA, the production support program based on zoning of cotton areas in the country for purposes of production, marketing and processing. The CDO allows ginners to regulate themselves, set rules for marketing, restrict the movement of cotton across zones and independently verifies investment in production by each ginner. Mrs. Sabune enumerated challenges faced by the cotton sector in Uganda, including organising small-scale farmers into viable groups to make service delivery and provision of inputs less difficult and costly, inadequate and ineffective a cotton extension service system for transfer of recommended production technologies to farmers, delinted seed for planting has to be increased from 70% to 100%, the high cost of inputs, especially insecticides and spray pumps, coupled with a lack of affordable credit for rural farmers, low levels of agricultural mechanisation, over dependence on rain-fed production, unfair cotton trading practices by some governments, and free riders. She reported that the increase in production has attracted new entrants into the ginning sector who are unwilling to participate in the Ginners Production Support Program. She stressed the major lessons learned in the course of liberalization and revival of the cotton sector in Uganda, including the need to develop tailor-made policies for each country, the need to establish and implement a sound regulatory and information framework, the need to safeguard investors from free riders, the need to assess the viability of testing available Bt technologies in Uganda to approach Bt and Weed Control Technology owners in order to develop the best packages that can be introduced into the existing Ugandan varieties for trial purposes only. Mrs. Sabune recommended to further strengthen quality control to meet world specifications and maintain the high standards of Uganda's lint in order to ease service delivery, to help farmers to form viable groups to improve support in terms of provision of inputs, production credit, extension services and collective bargaining power in marketing, to promote increased domestic value addition to cotton (spinning, textile and garment production), to removing cotton subsidies, which distort pricing and result in very low prices to farmers. She concluded that cotton production, especially in developing countries, requires a tripartite partnership between the farmer to grow the crop, government to provide enabling environment and proper regulation and the private sector for financing, marketing and processing. She said it is because of this partnership that tremendous progress has been achieved in Uganda since liberalization 10

years ago. Mrs. Sabune noted that with continued emphasis on solving production bottlenecks, it is possible for average yields to reach 2000 kg/ha in Uganda, and if subsidies were removed, while lint prices were maintained at 60 US cents/lb, the Ugandan farmer would earn enough to meet basic daily needs.

The CHAIR introduced Mr. Barry Fisher, of the African Cotton and Textile Industries Federation to report on the activities of the federation. Mr. Fisher reported that the African Cotton and Textile Industries Federation (ACTIF) is a regional trade body formed on 14 June 2005 by cotton, textile and apparel sectors in Africa to create a unified and recognized voice in both regional and global trade affairs. He said individual countries within the region could no longer act in isolation and remain fragmented in the face of current and future global challenges, and it was agreed that a regional integration policy had to be adopted. He noted that ACTIF aims to be a nationally, regionally and internationally recognized trade body established by the cotton, textile & apparel sectors that provides effective regional representation at international forums, is dedicated to the specific concerns of the industry and promotes improved competitiveness in both the regional and global market place. Mr. Fisher informed that ACTIF currently includes 14 member countries from Eastern and Southern Africa covering the COMESA, SADC and EAC trade blocks, but it is not restrictive in terms of geographical coverage and subscribes to an "Africa wide" view. He said that ACTIF has formed an executive committee and created action committees comprised of national associations from 14 countries. Mr. Fisher reported that the Federation has the following goals: to emphasize private sector "ownership" with strong allegiance to nationally based trade institutions; to incorporate the principle of public/private sector partnerships and one that invites the direct participation of the public sector and the international community; to build cooperation, interaction, partnerships, alliances, networks and market linkages; to promote a regional supply chain, focusing on trade issues of all sectors of the value chain, building a platform for reducing constraints in regional trade; to address post MFA challenges and increase competitiveness in the global post-quota environment; to address key policy issues; to collect market data, generate information exchange and share regional expertise; to promote investment and create international alliances and affiliations. Mr. Fisher indicated that the website of the confederation cottonafrica.com is active and contains information on activities of the organization.

The CHAIR commented that African countries are facing the same challenges, including low prices, and they need to improve yields in order to improve the sustainability and competitiveness of production, develop new high yielding varieties, improve ginning and solve problems with financing. He noted the liberalization process in Burkina Faso, Uganda and other African countries and stressed the importance of the regulatory role of the governments in cooperation with the private sector. The CHAIR also indicated the importance of improving the quality of African cotton, elimination of stickiness and contamination, improving trading practices and honoring the sanctity of contracts. He also supported efforts to add value to cotton in Africa.

A gentleman asked Mr. Tiendrebeogo to explain how the full membership of all farmers in the unions was achieved and how procurement prices are set, and why a 16% reduction was agreed for 2005/06. He asked Mrs. Sabune to explain the secret of the demonstration gardens and if it could be replicated. He asked Mr. Fisher to elaborate on the sustainability of the Secretariat of the ACTIF and if the web site is accessible for other language speakers,

Portuguese for example.

The delegate of the UK commented that recent progress in productivity made by Uganda is impressive. He noted that the donor community, including USAID and DFID, has played a useful role in facilitating the training of ginners for the demonstration of agronomic practices and pest control. He asked Mrs. Sabune to elaborate on the role of the donors and on how it could be enhanced in Uganda and other African countries.

The delegate of SUDAN thanked all presenters and asked Mrs. Sabune to explain how investors could be guaranteed that a sufficient quantity of cotton is produced taking into account the excess ginning capacity in Uganda. He also asked who takes losses when farmers are unable to pay back the credit they had received for inputs because of lower prices. He asked Mr. Tiendrebeogo what actions the government undertakes when procurement prices are below the cost of production to aid farmers.

A gentleman from Pakistan asked what is the reason for the reservations regarding the use of biotech cotton expressed by Uganda authorities.

A delegate of NIGERIA thanked presenters and made a comment addressed to Mr. Fisher regarding the activities described about AGOA and other assistance projects focusing on East and South Africa. He asked if these activities could be extended to West Africa and other regions of Africa.

A delegate of TANZANIA asked Mr. Tiendrebeogo to explain how prices could be guaranteed to farmers in the face of very volatile market situations. He asked Mrs. Sabune to clarify if the efforts to promote groups of farmers are in fact efforts to revive cooperative unions. He asked Mr. Fisher to elaborate on the issue of sustainability of the confederation activities.

A delegate of SOUTH AFRICA thanked the speakers and commented on plans to bring small farmers from South Africa to Uganda to learn the lessons of success. She thanked USAID and RATES for their initiatives and urged them to coordinate their activities with the African Cotton Association and ICAC members in the future.

Mr. Tiendrebeogo answered several questions by saying that growers voluntarily unite into unions federated at the national level, and credits are channeled through these unions. He said that procurement and input prices are determined in Burkina Faso before the season based on international prices and the cost of production, which is 1 euro per kilo. He explained that 50% of any profit received above this price in international markets is paid to farmers and is called a discount. He said there was no profit in 2004/05, while in 2003/04 the discount was 35 CFA per kilo. He noted that small farmers in Africa often have no choice but to grow cotton even when prices drop below the cost of production.

Mrs. Sabune answered questions by saying that the secret of demo gardens is in a partnership of the government and good investors in creating a classroom for the farmer. She noted that the government protected investors by zoning, investors provide extension and inputs, and good seed is provided by the government. She said the experience could be replicated by other countries. She thanked the donors who supported 40% of the cost of the demo program,

while 60% is financed by the ginners. She noted that there are 6,800 demo plots, and there are 400,000 farmers. Mrs. Sabune said that there are no guarantees a sufficient crop to a ginner, and the issue is solved by zoning, and requiring new investors to contribute to production in each particular zone. She noted that in a case of a bad crop ginners do not get inputs back, but they cooperate in the frame of zones on organizing fair trading practices and provision of inputs. She said that on biotech cotton, Uganda is going to investigate thoroughly available technologies and chose those that will benefit local varieties. Mrs. Sabune indicated that Uganda promotes a voluntary union of farmers in cooperatives for better organization and for better service to their interests, but not the old cooperatives, which had a bad reputation.

The CHAIR asked Mr. Fisher to elaborate also on the potential competitiveness of African textiles.

Mr. Fisher answered one way to ensure RATES services continue is to create private industry ownership of the organization and its web site. He welcomed the cooperation of Nigeria and other countries in ACTIF. Mr. Fisher answered the delegate of South Africa that the initiative on ACTIF came from the private sector in a matter of urgency, but that there is full intention to cooperate with the ACA and other institutions. As for African textile industry competitiveness, he said that this is an issue under study and will be addressed, possibly with the cooperation with other organizations.

The CHAIR summarized the challenges faced by Africa and stressed the need to improve the purchasing power of Africans, productivity and yield, improve extension services, to support small producers. He stressed the need to strengthen regional cooperation and continued support by donors.

The Chair adjourned the session at 12:55 PM