

**AFRICAN COTTON ASSOCIATION  
A.C.A.**

Speech by Mr. Ibrahim Malloum to the EU-Africa Cotton Forum

Paris, 5 July 2004

Allow me to express my pleasure, and that of all the members of the African Cotton Association for the honour you gave us by inviting us to participate in this important forum on EU-Africa partnership devoted entirely to the African cotton sector.

Considering the role and weight of cotton in the African economies, we obviously hope that this forum will serve as an ideal framework not only for analysing the challenges facing African cotton but also, and more importantly, for mobilising all the means, be they political, juridical, technical or financial, to face these challenges.

I was asked to speak about the liberalisation of the African cotton sector. This is a huge, complicated subject about which A.C.A. will try to set out some lines of thought.

My presentation will focus on five points:

- the present situation of the cotton sectors,
- reasons behind its success story,
- current difficulties,
- whether liberalisation is the only solution,
- the real challenges facing the cotton sectors.

## **I / The present situation**

Short reminder of the evolution of cotton production in Africa:

	Africa franc zone (in tons)	other Sub-Saharan countries (in tons)
- in 1950	28,000	274,000
- in 1960	63,000	360,000
- in 1970	132,000	629,000
- in 1980	216,000	400,000
- in 1990	548,000	440,000
- in 2000	705,000	497,000
- in 2001	1,003,000	459,000
- in 2002	941,000	482,000

During the last twenty years, Africa cotton production has experienced astounding growth and has reached a respectable level. On the international market, African cotton has become a reliable source of excellent quality cotton, available all year round, and essential in global cotton trade.

Production has soared most in the African franc zone.

With an annual production of close to 1.7 million tons of cotton fibre, of which 90% is exported, Africa has become the number two world exporter, second only to the United States of America.

Everyone knows that African cotton is among the most competitive in the world. It does not receive any subsidies. In most African countries, cotton is grown by small growers on small plots averaging about 3 to 4 hectares.

Cotton growing undeniably contributes effectively to poverty alleviation in the production zones thanks to:

- the revenue it brings it,
- the jobs it creates,
- the cotton transport and rural roads that are maintained and/or built,
- the construction of village schools, dispensaries and pharmacies,
- the literacy and other training for rural populations,
- the development of powerful associations in the rural areas, etc.

## 2/ REASONS BEHIND ITS SUCCESS STORY

Cotton production in West and Central Africa has been successful for many reasons:

- the State is involved through the joint venture companies to make cotton both a cash crop and a crop that contributes to development;
- factors of production (inputs and agricultural materials) are provided on credit to cotton growers who reimburse when seed cotton is bought;
- a single, profitable price is established for each season and is the same throughout the territory, which is a guarantee for the farmers;
- supervision for the cotton growers and the extension of crop protocols have played a fundamental role in developing cotton production;
- funding for agronomic research has provided the African cotton society with good varieties that have high per hectare yield, and

after ginning, with excellent technological characteristics (length, strength, micronary, etc.);

- the construction and maintenance of cotton trails have allowed the cotton production zone to be expanded to areas that previously were difficult to reach;
- the concept of an integrated sector that covers the choice of varieties, the purchase of seed cotton, ginning, classification and marketing has been decisive to the development of cotton production in the African franc zone.

Were the performance of the sector to be assessed in terms of production level, cost prices, results obtained by the cotton societies, fibre quality, and purchasing power of the cotton growers, we would clearly see that integrated sectors do an excellent job in playing their role as development associations.

### • 3/ CURRENT DIFFICULTIES

The cotton sector has many problems:

- pressure to dismantle these sectors, whose results have proven that they contribute to the sustainable development of cotton production in Africa;
- the sharp drop in cotton prices during the last few years, largely due to the massive subsidies which the industrialised countries have paid to their farmers, has made the cotton sectors very fragile;
- because of the structural adjustment plans required by funding agencies the African States have very little leeway to support their cotton sectors;
- the cotton trails are suffering from lack of maintenance because the cotton societies had to dismiss the road brigades in charge of keeping them up, the result being that certain production zones are no longer accessible and production levels are going down;
- in certain countries, there is no funding available for agricultural research, and everyone knows that the cotton economy cannot exist without it;
- supervision and extension services are no longer available, as they were in the past, and crop protocol are hardly applied, which affects the yields;
- because of difficulties in obtaining reimbursement of loans extended for the purchase of inputs, the timely supply and distribution of inputs (fertilisers and insecticides) is becoming problematic in some countries.

#### 4/ IS LIBERALISATION A SOLUTION?

The best way to answer this question is to avoid dogmatic positions, in other words, fixed ideas.

The question of liberalising the cotton sectors should be seen in terms of development possibilities, job creation and new investments.

It would be interesting to tally privatisation experiences over the last twenty years in Africa and see how they contributed to the development of the countries concerned.

The African Cotton Association (A.C.A.) is neither for or against privatisation because experience has shown, both in Africa and in the rest of the world, that there are public companies and joint ventures that are more efficient and better managed than private companies, and vice versa.

But it is paradoxical that in these times of globalisation, where companies are forming groups all over the world, going to great lengths in their merger and acquisitions strategies in order to reach the critical size needed to enjoy economies of scale and conquer new market shares, most curiously, the “prescription” for Africa is quite different: divide up the sectors, privatise the ginneries and the oil mills, etc.

Regardless of legal structure (private or para-public companies) the cotton societies in Africa today have to face the same preoccupations and the same challenges.

#### 5/ THE REAL CHALLENGES

1/ A political challenge:

This is incumbent on our States that need to:

- create an economic, juridical and fiscal environment not only to attract new investors but first and foremost to reassure and support the enterprises that are already established in the country;
- have the cotton growers and workers provide part of the capital for the cotton societies since they are essential partners in the cotton sector;
- continue fighting the farm subsidies paid by the industrialised countries because unless they are significantly reduced, or even eliminated, they will continue to threaten the viability of our cotton sectors;
- strongly support the initiative on “fighting poverty: the cotton sector initiative” that has been submitted to WTO by four LDC African countries, because it is very topical and worthwhile.

2/ A challenge in agriculture: This entails the mobilisation of material, human and financial means to support agricultural research, extension services and supervision for the rural world, as well as funding for inputs and agricultural materials.

3/ An industrial and technical challenge: Training so that men and women can make optimal use of the industrial tools they have available to produce a high quality fibre that is validated through a modern, foolproof classification system.

4/ A commercial challenge: This challenge starts with the production of fibre of irreproachable quality both as concerns its technological characteristics and its non-contamination by foreign matter (polypropylene, cloths, liana, etc.). Respect for delivery schedules and quality homogeneity of consignments to be delivered are both elements that contribute to the reputation of cotton of a given origin.

5/ A challenge in transforming cotton into cloth: This strategy is very appealing, at first sight, and consists of transforming cotton at the production site to create added value. The idea should be supported and encouraged. But it should not be done too hastily, without objective studies on the chances for an African textile industry to be successful. Africa, today, has a competitive advantage when it produces raw cotton for the export market; it does not have the same advantage in the textile sector. The international textiles markets is a veritable jungle where distortions are even worse than in the world market for raw cotton. It would not be easy to develop a healthy, profitable textile industry in Africa as long as, on the one hand, the Africans do not adopt strict measures to protect their emerging industries and, on the other, the Asia textile exporting countries can import subsidised cotton fibre from the United States.

Thank you.