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COMPACI-News

Competitive African Cotton Initiative

The COMPACI / "Cotton Made in Africa" Stakeholder Conference 2012 – a Great Success in Many Ways

By Roger Peltzer (COMPACI Project Director) & Tina Stridde (Managing Director Marketing and Communication, CmiA|ATAKORA)

COMPACI-/CmiA-farmers Forbes Gwirize, Severino Malambo (both from Zambia) and Imali Hermann Djametta from Benin (from left to right).

From 12 to 14 September, more than 100 participants from Africa, Europe and North America attended our annual COMPACI / CmiA Stakeholder Conference in Hamburg, Germany.

Lectures, discussions and workshops provided an opportunity to exchange views on the progress of both initiatives. At this year's conference we could also welcome cotton farmers from Benin, Cameroon and Zambia who reported on their experiences with working on the initiative.

The focus of this year's conference was primarily on the outlook for the second phase of the project, which will begin in 2013.

Also the opening of the exhibition **"Albert Watson Vision feat. Cotton made in Africa"** at the famous Deichtorhallen Museum in Hamburg was a great success. Approx. 1,500 people – among them many of CmiA's partners from Africa- came to see **Albert Watson's** view on Benin and Cotton made in Africa. The photography legend who has turned 70 this year spent 14 days in Benin, travelling the country from South to North to portray CmiA's partners, the cotton smallholders and their daily life. Among the guests of the opening was also the very famous singer Sade Adu ("Smooth operator"), who is half Nigerian and lives in London.

A magazine in the format of a newspaper accompanies the exhibition and informs about CmiA, COMPACI and cotton in general. 15,000 pieces have been produced and are also distributed to our partners in Africa. Currently CmiA is working on an outdoor exhibition in Cotonou (Benin) of the **Albert Watson** Photographs. •

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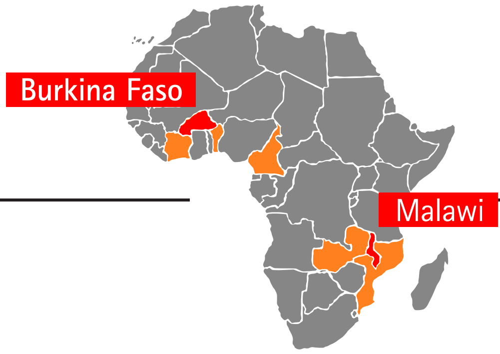


COMPACI Exchange Visit to Burkina Faso

By Patricia Mphundi (Project Manager at GLCC, Malawi)

1. Background

The exchange visit to Burkina Faso was organized from 10th-15th November, 2012, by the Competitive African Cotton Initiative (COMPACI) and implemented through Great Lakes Cotton Company (GLCC). The general objective of the visit was to learn and share experiences on cotton production and marketing and, more specifically, to build on the experiences gained as a result of the COMPACI programs in Burkina Faso and Malawi.

The seven participants of the visit were: Patricia Mphundi, GLCC, who at the same time was the Team Leader; Bartholomew Ngauma who additionally acts as the Cotton Task Force Coordinator in the Ministry of Agriculture; Matthew Nkosi, from the Farmers Union of Malawi; Mr. George Nensa, Lucius Yose and Mr.Lloyd Daza, Board members of the Cotton Farmers Association of Malawi (COFAM) from Ngabu, Balaka and Salima, respectively, and Duncan Warren, from Farmers Organisation Limited and at the same time Vice Chairperson of the Cotton Development Trust in Malawi.

Some of the participants during the field visit

2. Lessons learnt from the trip

a) Institutional arrangement

The major lesson learnt from the exchange visit was the manner of institutional arrangements in Burkina Faso compared to what is done in Malawi. In Burkina Faso the operational issues are managed by the cotton companies and the farmer organizations and are monitored by the Ministry of Industry and Trade. The role of the Ministry of Agriculture is of a secondary nature. This is different to the situation in Malawi where the cotton sector is controlled by the Ministry of Agriculture and Food Security.

b) Setting up of minimum farm-gate price for seed cotton

It was learnt that farm gate price for seed cotton is set in April, well before the start of the growing season. This gives farmers the opportunity to make informed decisions for growing the crop. It was gratifying to note the comprehensiveness of the methodology for arriving at the price which Malawi may need to adopt.

c) Restricted number of ginners in the cotton industry

In Burkina Faso there are only 3 ginners who have been allocated to a specific zone. Each ginner is responsible for all farmers who belong to their zones. The farmers are only allowed to sell their products in groups to the ginner who is in charge of their designated area. The ginners in Burkina Faso have played a major role in the organization of the farmers as they do not allow farmers to sell seed cotton as individuals. This also helps in paying back loans which is good for all the players involved, i.e. input suppliers, ginners and farmers

This system helps the industry to act with common sense, in a way that all stakeholders know their duty. They also have a well developed National Union of Cotton Producers (UNPCB), which is an umbrella producer organization for all the cotton farmer groups, unlike the Malawian farmers who are not well organized. In spite of the Cotton Farmers Association of Malawi (COFAM), there is still need to strengthen the organization. Burkina Faso Union aims at improving the economic, financial and technical interests of all cotton producers through provision of information pertinent to the cotton sector, creating awareness of events in the cotton sector, and providing the foundation with information in order to deal with the cotton buyers on issues relating to seed cotton farm gate pricing and pricing and procurement of the production inputs. The union is also there to defend the interests of all cotton producers.

d) Use of BT Cotton

Burkina Faso is one of the countries in Africa that has introduced Bt cotton. The traits are from Monsanto, and Burkina Faso negotiated for joint ownership of the technology. In Malawi, BT trials are currently being set at Bunda College of Agriculture and from this visit it was learnt that Bt cotton improves yields and

that the effort of planting about 20% of conventional cotton minimizes the development of resistance.

e) Compost Pits

Faso Coton, with the help from COMPACI, has been training farmers in producing manure through pits. GLCC is planning to intensify this procedure through manure hips and hopes to adopt the compost pit method. •

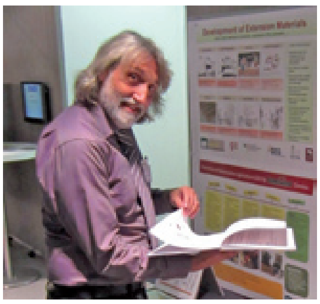
Recommendation

In order to adopt some of these lessons learnt, discussions should be arranged with all Cotton Stakeholders in Malawi.

Delegates visiting compost pits

The Quality of The Cotton Seed: a Major Challenge

By Dominique Dessauw (Special Advisor at The General Direction For Research And Strategy, Cirad) & Stefan Kachelriess-Matthess (Agricultural Advisor, GIZ)



Stefan Kachelriess-Matthess

On 16 and 17 August 2012, COMPACI organized a regional workshop in Burkina Faso for West Africa to exchange experiences on the varieties of cotton plant and the supply of quality seed. On 18 August visits to seed fields cultivated by seed multipliers as well as to the research station in Farakoba to learn about the experiments conducted by the Institut de l'Environnement et de Recherches Agricoles, INERA (institute for agricultural and environmental research) were made possible.

Since before the beginnings of the 2000s, the number of new varieties of cotton seed created and distributed among cotton producers has decreased compared with the 1980s and 1990s. There is less renewal in varieties and the propagation time of the varieties is getting longer and longer (nearly 25 years for STAM F, for example). This poses major problems in terms of maintaining varieties and risk of genetic drift or variety mixtures. At the same time, most countries have difficulties in procuring a sufficient quantity of quality seed.

The aim of the workshop was therefore to enable exchange of experiences (overview, problems encountered, solutions implemented...) between COMPACI partners and external stakeholders involved with the topic of varieties and seed. From these exchanges, the partners were able to draw possible solutions for adaptation to their specific environments.

The topics tackled were:

- Supply of quality seed, imports and multiplications to farmers on time and in sufficient quantity
- Seed quality (germination rate...), storage conditions, seed certification

- Purity of varieties, maintaining genetic properties, legislation
- Regional co-operation
- Improvements (Capacity available. Who is doing it? How many researchers?)

The recent example from Cameroon comes to mind. Indeed, the seed quality had declined markedly in some years, combined with an inadequate quantity of seed production and the appearance of variety mixtures. These problems, which were associated with a fall in prices and a rise in the cost of inputs, caused a collapse in yields to around 800 kg/ha at the end of the 2000s. By changing the old varieties for new ones with higher returns, reorganizing the seed sector in order to produce seeds of guaranteed quality (over 80% germination), increasing the purchase price paid to producers and improving the entire sector, yields gradually increased, reaching around 1200 kg/ha seed cotton at the time of the 2011/12 campaign. These yields are available to all stakeholders in West Africa.

On the basis of the presentations created by each country and of the discussions it appears that each country has found solutions that can be adapted:

Everyone involved recognized the value of delinting, allowing the selection of seeds and the reduction of the quantities treated, transported and sown by farmers. However, almost everyone recognized that total delinting is not a solution, as seeds cannot be sown dry and they are very fragile in a dry period after sowing.

The participants from Ghana recognized that they will need to establish an effective seed system by installing a quality control laboratory and by introducing seed delinting. At the moment, the country imports the basic seed. A program to maintain seed varieties and a seed multiplication and certification plan need to be set up.

For the participants from Burkina Faso, the resources allocated to research need to be increased. Seed needs to be certified - although not necessarily by an external control service - and germination capacity needs to reach at least 80%. The storage infrastructure must be improved. Genetic purity needs to reach at least 98%. Finally, the subsidy paid to seed multipliers needs to be linked to the surface and not to production.

For the stakeholders from Cameroon, participative certification with the association of multipliers needs to be developed and traceability needs to be established from seed multiplication to seedling production the following year. In future, the seed will be completely delinted and mechanical sowing with animal traction will be developed.

Côte d'Ivoire wants to improve seed certification and traceability. The introduction of delinting for 50% of seed produced is also to be established. Variety creation and exchange with other research structures need to be relaunched.

For our colleagues from Benin, there is a need to move towards delinting and quality control before treating the seeds in order to limit the quantities of phytosanitary products used to treat seeds. An effective seed certification system also needs to be established whilst limiting the role of the state. The seed sector needs to move towards professionalization within the inter-professional organization.

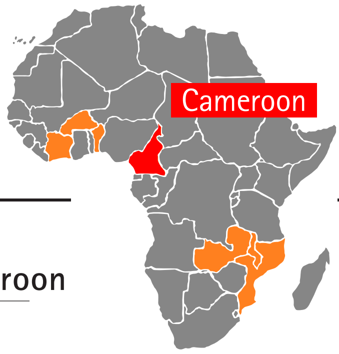
As far as certification is concerned, it must be noted that it is difficult to be both judge and judged, i.e. to set the standards that are modified at will according to circumstances and to judge only from quality. These practices result in the drifts recorded in recent years. It is in the interest of the entire cotton sector to introduce an external perspective, which ensures stakeholders quality without having a control service controlling the entire production process. Control must be carried out by survey (according to the sampling methods) and in collaboration with seed producers.

Regional collaboration is likewise an important point that has significantly diminished during the last years. However, recent events in several countries demonstrate that co-operation is necessary, particularly in the event of a crisis. Collaboration established on clear rules and involving public, private and regional or international structures – even from other continents – should therefore be resumed. •

About the author:

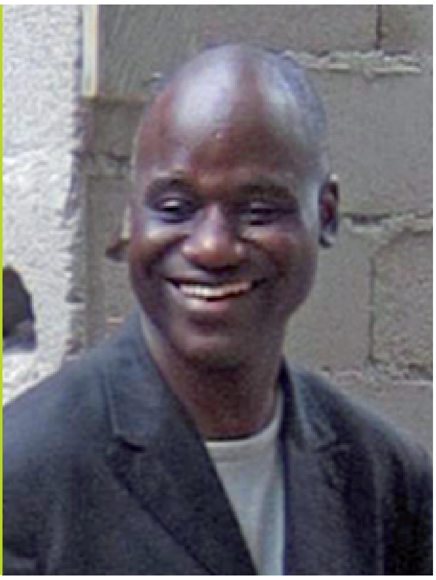
Dominique Dessauw has worked as a cotton breeder since 1988 and was employed first in Togo, then in Paraguay, in Thailand, in Costa Rica, in Cameroon and at last in Montpellier, France.

He is a Special Advisor at the General Direction for Research and Strategy (Direction Générale Déléguée à la Recherche et à la Stratégie) at the Centre de coopération internationale en recherche agronomique pour le développement, CIRAD (Agricultural Research for Development) in the field of plant genetic resources and utilisation of plant materials. He additionally works as a counsellor for the breeding programme of the Institut de recherche agricole pour le développement, IRAD (Institute of Agricultural Research for Development) in Cameroon.



The Revolving Fund Food Crop Fertilizer in The Cotton Sector in Cameroon

By Fernand Sadou (Head of Division Professionalization, SODECOTON)


Fernand Sadou (SODECOTON)

The associations Société de Développement du Coton du Cameroun (SODECOTON) and Confédération Nationale des Producteurs de Coton du Cameroun (CNPC-Cameroun) are carrying out social and cultural activities for the welfare of approx. 200,000 cotton smallscale producers in the northern part of Cameroon, who make up almost 2 millions of inhabitants on a total population of 4.8 millions in the cotton producing area (census 2005). Within the context of the implementation of a revolving fund for food fertilizers, the major objective of both associative structures is to improve food security in the cotton-producing area and the bordering areas.

Alongside cotton, SODECOTON and CNPC-Cameroun have already been financing for many years also food crop input loans, given the reluctance of the banking sector to invest in this market which is considered as highly risky. However, during the cotton crisis of 2004-2009, the available funds and the incomes of cotton producers have strongly diminished and the volume of fertilizer loans distributed in the cotton sector which amounted to a total of 14.300 tons in 2005 | 2006, has collapsed by -72%, reaching only 4100 tons in 2009 | 2010.

In the context of the feasibility study of the PPP project in 2010, the different participants (SODECOTON, CNPC-C and DEG) agreed on the importance of reinforcing this fund. Thus in 2011, a subsidy of 250 millions CFA francs (381,123 euros) named **"Guarantee fund for Food Crop Input Loan"** was assigned to the existing Food Crop Input Revolving Fund.

What is the objective of this guarantee fund? In order to avoid that the **Food Crop Input Loans** are subject only to the "cotton risks", the cotton farmers who demand a loan have to pay an advance corresponding to 30% of the amount of the borrowed money. But a lot of cotton producers are not able to settle this 30% cash advance, although it is absolutely necessary to secure the loan repayment.

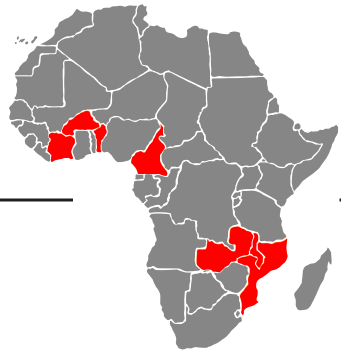
The cotton producers who have no direct access to **food crop input loans** may use some food crop inputs (herbicides and fertilizers), originally intended for cotton production, for food production instead, which leads to a collapse of both benefits and incomes of the cotton production and to the difficulty and even the impossibility for the producers to pay off the Input loan with the cotton production.

The Guarantee Fund which was implemented by using DEG's PPP funds partially replaces the requested guarantee in form of a cash advance (30%). Actually, the action of this guarantee fund is to limit this cash advance to 15% (of the amount of the loan), in order to boost the intensification of food crop without putting the cotton production at a disadvantage. More precisely, the action of the proposed project is planned as follows:

Before the agricultural campaign begins (April, May), the cotton producers identify their needs for food crop inputs, in particular for fertilizers, on the basis of predefined criteria. These requirements have then to be validated by (agricultural) extension agents and by the agents of the CNPC/SODECOTON professionalization service. In order to receive the food crop fertilizers, each producer has to pay a cash advance corresponding to 30% of the borrowed amount. This advance represent a barrier for many cotton producers. That is where the **"Guarantee fund for Food Crop Input Loan"** of the PPP project steps into action, by pre-financing 50% of the required cash advance. This pre-financing money is paid back by the beneficiary producers after the harvests, either in cash (which would be the ideal case), or as a deduction from the soya or cotton sales. This repaid fund is re-transferred to the account **"Guarantee fund for Food Crop Input Loan"**, which was opened in a local bank. The procedures for management of these funds were drawn up by the associations SODÉCOTON and CNPC-C with financial sustainability in mind.

For the 2011/2012 campaign, the fund has pre-financed 4,513 tons of additional fertilizers (NPK and Urea) to the producers, which led to an additional food production of about 40,000 tons. Most of the producers are satisfied with this action and wish for a continuation.

The result of the repayments of the pre-financing will be known in May 2013. Despite of climate and natural hazard (flooded fields), we think that the reimbursement rate will be high. In the future, this **"Guarantee fund for Food Crop Input Loan"** will amount to 578 million CFA Francs (878,106 €) for the 2013/2014 campaign thanks to further support from COMPACI II, which is being prepared at present, amounting to 328 million CFA Francs (500,000 euros). With this increase, the achieved results are expected to multiply by 2.4, thus financing 11,000 tons of fertilizers covering 100,000 ha, which would result in an increase of food production (mainly maize and sorghum) of about 100,000 tons. This represents an important contribution to food security in northern Cameroon and thus, almost the same level of loan provisioning for food crop inputs will be achieved as before the crisis, but this time with a more stable financing system.



COMPACI-Focus on:
Stabilizing The Purchase-Prices of Seed Cotton For Small Farmers

For years, the cotton sector has been suffering from heavily fluctuating world market- and thus purchase-prices. After a long dry spell and a crisis of the whole sector due to low prices, the world market price had increased in early 2011 to an unprecedented high - only to drop within a short period of time back to the old level.

In East Africa, where fixed pre-planting prices do not exist and farmers plant their crop based on the previous season's cotton purchase price, the drastic reduction of purchase-prices in 2011/12 has caused much dissatisfaction among smallholders, especially in Zambia, where purchases prices fell up to almost 50%. Under these difficult conditions it is hard to motivate farmers to invest in their crop or to grow cotton in the long term.

In contrast, many cotton companies in West Africa succeed to keep the purchase prices relatively stable. This is, on the one hand, due to the weakness of the euro against the U.S. dollar, with the West African CFA being bound to the common European currency. On the other hand, West African Countries implemented a method of pre-planting prices coupled with price-stabilization systems. These mechanisms enable the cotton companies to make forward sales of their cotton, thereby mitigating the prices volatilities throughout the year.

In the following articles, our guest authors explain the system of price-stabilization in Cameroon and Burkina Faso. •

PLEASE NOTE: THE ARTICLE BY HENRI CLAVIER (SODECOTON, CAMEROON) IS AN ABSTRACT OF AN 8-PAGE ESSAY WHICH WE WILL SEND TO YOU AS AN ATTACHMENT TO THIS NEWSLETTER

Mechanism of Price Risk Management of The Cotton Industry in Cameroon

By Henri Clavier (Vice-General Director of SODECOTON, Cameroon)

From The Reserve Fund To The Price-Risk Management Fund

Already in 1995, the association SODECOTON (Société de développement du coton du Cameroun) had implemented a reserve fund in order to counteract the impact of the volatility of cotton fiber prices on the purchase price of cotton seed paid to the producers; this fund was replenished when the cotton company made a profit.

The Cameroonian cotton industry, like all cotton industries in the African States of the CFA Franc Area, had to face a serious crisis from 2004 to 2009, which resulted from both a fall in world cotton fiber prices and a fall in the euro-dollar rate (and thus a appreciation of the CFA franc), and this in a context of continuously rising fertilizers prices. Thus, whereas the reserve fund was replenished five times from 1996 to 2003 for two interventions during the same period, it had to intervene without

interruption five times from 2004 to 2008, until it was completely depleted. Once the reserve fund was depleted, another solution had to be found in order to again safeguard the incomes of cotton producers and to secure the cotton production in view of the high volatility of cotton fiber prices.

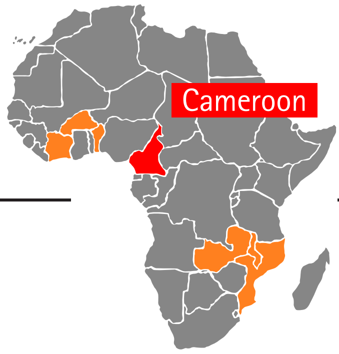
Which Mechanism Should Be Implemented?

This reflection was made with regard to all the cotton producing countries of the CFA Franc Area, on the initiative of the Agence Française de Développement (AFD), the French Development Agency. The feasibility studies have shown that it was necessary to implement the following: (1) a solid mechanism that cannot be manipulated (using external reference data accessible for all players) and has no distortion effect on the market; (2) a mechanism that does not encourage any non-economical extension of the production. Several tools were proposed and after a few considerations and it was decided to implement in Cameroon (1) a smoothing mechanism for the purchase price of cotton seed; (2) a Price-Risk Management Fund for the cotton industry; (3) an alert system in case of exogenous shocks.

The Price Risk Management Fund of the cotton industry in Cameroon came into force in 2011. The Fund is administrated by a Steering Committee, managed by the SODECOTON and the CNPC-C (Confédération nationale des producteurs de coton du Cameroun, which replaced the OPCC-GIE in 2010) and involves the participation of representatives of the Ministries for Agriculture and Rural Development, for Trade and industry, for Finance (and its major local sections), for Land Management and Planning.

A Mechanism For Setting A Bottom Purchase Price Of Cotton Seed

The producer-purchase price of cotton seed of the crop year n-1/n is made up of:



- A "bottom price", guaranteed and announced before 20 April of the year n-1. The "bottom price" of the crop year n-1/n is determined by assigning 66 % of the "trendline price" value to the purchase price of cotton seed, with reference to a ginning fiber output of 42,5%. The "trendline price" of cotton fiber is determined by the method of simple exponential smoothing of the prices of the three last harvests and of the 12-15 months forecast quotations of the New York futures market for the up-coming harvests.
- A "price supplement" determined before 31 December of the year n by using the effective average sales price of cotton fiber used by SODECOTON, if this average sales price is higher than the "trendline price".

Price Risk Management Fund For The Cotton Industry (FGRPC-C)

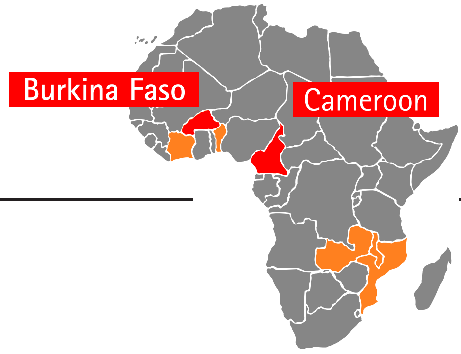
The FGRPC-C has been designed to hedge a "price risk" of 120 CFAF per fiber kg for a production of 100,000 tons of fibers (equivalent to 240,000 tons of seed cotton), i.e. 12 billions CFAF. If the production output exceeds this limit, this ceiling amount will be raised proportionally.
When the cotton industry generates a positive gross margin and the FGRPC-C is not replenished to its ceiling amount, a part of the gross margin is disbursed to the FGRPC-C. The "gross margin" is the differential between the "trendine price" previously calculated and the tonnage of cotton fiber produced after it has been valued at the average purchase price obtained by SODECOTON.
When the gross margin is positive, after the replenishment of the FGRPC-C, the balance of the gross margin is distributed in equal parts among SODECOTON and CNPC-C on behalf of the cotton producers. The Advisory Board of CNPC-C will decide on its allocation in accordance to the developments in the field of the cotton industry.

The FGRPC-C is placed in an escrow account. It is managed by a Steering Committee consisting of 14 members (3 representatives of CNPC-C, 3 of SODECOTON and 8 representatives of the previously mentioned ministries and their local sections). The Steering Committee meets twice a year. In case of "disaster risk", the Steering Committee will study and decide on the safeguarding measures to be taken for the up-coming cotton crop year n+1/n+2.

Conclusions

The Price-Risk Management Fund for the Cotton Industry in Cameroon aims to reduce the impact of the volatility of cotton prices on the amount of the purchase "bottom price" of cotton seed and to guarantee its payment to the producers. This was already made possible through the Reserve Fund, implemented in the Cameroonian cotton industry before the crisis of 2005-2009. On the other hand, the FGRPC-C improves its efficiency:

(1) Given that it was created with the support of the government and involves the ministries that are directly interested in the future development of the cotton industry via its Steering Committee, it is an excellent information tool for the authorities regarding the smoothness and efficiency of cotton industry and concerning the problems and risks it is facing. In case of "disaster risk", the



government will immediately be informed about the risk and the recommended safeguarding measures, thus probably leading to a high reactivity.

(2) Its mechanism and working rules have been formalized, its management is transparent, so that variations of the "purchase bottom price" of cotton seed and the decision to allocate a "price supplement" or not, can be justified and explained, particularly to the cotton producers.

(3) It operates in a smooth way because it allows, by means of the decisions of its Steering Committee or these of the Advisory Board of CNPC-C, to maintain the ratio "cotton seed purchase price / fertilizers sales price" at a reasonable level.

(4) Combined with the sales policy for cotton fiber of SODECOTON, which accompanies the market and invests in advance in its fiber as soon as the prices are favorable and higher than its manufacturing cost, it considerably reduces the impact of the cotton price volatility on the net purchase price of seed cotton (ottom price + price supplement) and on the financial balance of the cotton industry in the medium-term.

Its strength is based on the fact that it is a counter-cyclic management tool aiming at securing the incomes of cotton producers in the medium-term while building up a strategic reserve when the prices are high in order to intervene for their benefit, if necessary, when the prices are falling. It allows SODECOTON to conduct a dynamical policy of intensifying the agricultural practices and to provide the cotton producers with the inputs and equipment they need for cotton production and subsistence farming for the up-coming crop year on a loan basis. •

Curriculum Vitae

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62 years old
Graduate of the Institut Supérieur des Techniques d'Outre-Mer (ISTOM),
the Higher Education School of International Agro-Development

Work Experience

1974–78 Agricultural scientist for the Development project of the North-East Bénouéin North Cameroon

1978–83 Technical advisor by the ONCC (Office National de Crédit et Coopération) in Niger and Director of the cotton company «CFDT-Niger»

1983–88 Director of Agricultural Production at the company SAMANGOKY (Société d'Aménagement du Bas-Mangoky) in Madagascar

1988–90 Officer in charge of the Agricultural diversification programme of the CSS (Compagnie Sucrière Sénégalaise) in Senegal

1991–2000 Deputy managing director of the SODEFITEX (Société de Développement des Fibres Textiles) in Senegal

2001–07 Head of the Agricultural service of the CFDT (Compagnie Française de Développement des Textiles), then of DAGRIS (Développement des agro-industries du Sud) in France

2007 untill today Deputy managing director of the SODECOTON (Société de Développement du Coton du Cameroun) in Cameroon

Principles of Producer-Price Setting For Cotton Seed: The Example of Burkina Faso

By Marc Leynaert (Production Director at Faso Coton)

A guaranteed bottom purchase price before sowing:

The setting and announcement, before the sowing period, of a minimum purchase price for cotton seed paid to the producers is common practice applied in the West African regions. This measure is aiming at giving cotton producers greater security with regard to forecast incomes and allowing them to determine the areas under cotton. Contrary to other assumptions and due to the fact that the input prices are also announced at the beginning of the crop year, this system constitutes a big advantage for the cotton producers, who are able to predict their incomes. It is also efficient for the cotton companies, which can thus better estimate the expected production output of cotton seed and, to a certain extent, also forecast the cotton fiber sales in the futures markets.

From an historical point of view, the price-setting mechanism in Burkina Faso had first been administrated by the authorities (i.e. the price was fixed without a direct reference to the cotton fiber price on the global market); then, from 1995 until 2006, it was determined by a "support fund"mechanism, and finally by an improved version, a "compensation fund", or "Fonds de lissage", implemented in 2006. These mechanisms all aimed at linking the producer purchase prices more closely to the situation of the world cotton fiber prices, while at the same time ensuring that the added value is fairly distributed between both the cotton companies and the cotton producers.

The mechanism of the Compensation Fund ("Fonds de Lissage"): Institutional organization and general working principles

The mechanism of producer-price setting in Burkina Faso is based on a mathematic formula that evaluates a "bottom price" of cotton seed in dependence on a Compensation Fund (FdL) that has initially been endowed with financial resources, for example by the Agence Française de Développement (AFD), which provided financial subsidies. The management of this Fund is regulated by

the Association Fonds de Lissage (AFDL), an organization which is managed by the members of the inter-branch organization (cotton producers and cotton companies of Burkina), with the government taking an observing role. This fund is located in a bank that has been given the mandate by the Association to manage the fund.

This price setting mechanism has two stages:

• The setting of the "bottom purchase price" guaranteed to the producer, which is based on international quotations (Cotlook A Index), on exchange rates and on production outputs, thus rendering impossible any arbitrage/negotiations of the achieved result. It results from an average price calculated on the basis of the previous harvests, of the current harvest and on forecast prices for the up-coming harvests, in order to offset market fluctuations and uncertainties. The trendline prices calculated are published at the beginning of the crop year (every April) by the inter-branch organization AICB (Interprofessional Association of Cotton Producers of Burkina Faso).

• Observations of what is really happening on the market during the crop year and final account at the end of the harvest. If the average price of fiber observed on the world market is higher than the forecasts that were used to set the price of cotton seed, the producer will receive a complementary purchase price in addition to the "bottom price" already paid, and if necessary, the companies will replenish the compensation fund in proportion to their production outputs. If the average price recorded on the world market is lower than the forecasts, the cotton companies will compensate the additional costs incurred by making a withdrawal from the compensation fund.

The Compensation Fund "Fonds de lissage : Seeking a balance in the cotton production sector and its challenges

Since its implementation, the mechanism has demonstrated its full transparency, given the fact that it is based on calculations that can be verified by all players involved in the cotton sector. However, due to the historical price jumps observed at the end of 2010 and 2011, it had to be revised in April 2012 in order to take in account the extreme volatility of the markets, which had led to a purchase-price calculation regardless of the market reality. This reactivity of the inter-branch organization was beneficial to the cotton sector and also necessary to ensure the balance of the sector towards the erratic behavior of the markets. Indeed, whichever kind of price-setting mechanism is implemented, it will never be able to respond to all unforeseen and unusual developments.
In addition, the inter-branch organization in Burkina Faso continues its reflection on further possible future modifications, particularly in order to take in account the following points:

• the lack of a provision which guarantees a "bottom price" that is not situated below a "threshold discouraging producers" when the prices are particularly low;

•the problem of the gap observed during the last months between the values of the A index and the price opportunities that were actually offered to the cotton companies; in the future, this gap

Marc Leynaert, (Fason Coton)

could call into question the validity of this reference point for the calculation.

Conclusion

By implementing the Compensation Fund mechanism in Burkina Faso, the cotton sector was given a transparent tool for the purchase-price setting of cotton seed that has proven all its advantages during the past few years. However, experiences in its implementation have demonstrated that this mechanism must be quickly adjustable in order to deal with unforeseen events on the market and with the constant development of the national and, in particular, international situation.
The mechanism of the Compensation Fund in its version of April 2012 remains inevitably an useful and important tool, but the inter-branch organization is aware of the fact that there is room for improvement. •

IMPRESSUM

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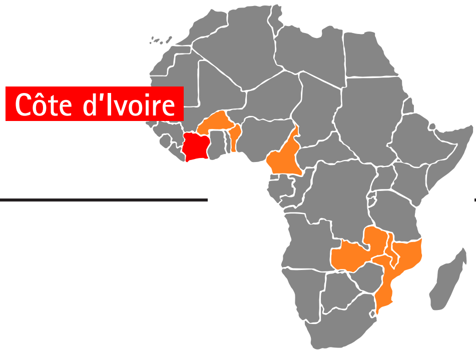

Introducing Mrs Naminata Koné, Member of a Group of Cotton Producers

By Sarah Götz (COMPACI Project Manager, GIZ)

Mrs Naminata Koné is 45 years old and lives in the village of Karakpo near to Boundiali, a town with a population of 50,000 in the north of Côte d'Ivoire. Mrs Koné is a member of a group of cotton producers – mainly men – working in collaboration with Ivoire Coton. She has 11 children.

Alongside other crops, she has produced cotton for 10 years. This year, she is growing 2 ha of cotton, 1 ha of maize and 1.5 ha of peanuts. Like most people in Côte d'Ivoire, Mrs Koné is Muslim. Her day starts with prayer at 5.00 in the morning. After this, she cleans the house, washes the dishes and then leaves for the fields, where she works every day. She also employs farm workers to assist her. Four of her eleven children are from her first marriage. After the death of her husband, they lived with their uncle. Since then, they have come of age and now help their uncle in the fields. One day a week, every Thursday, they visit their mother and help with her work. An elderly woman looks after Mrs Koné's other children when she goes out to the fields. Her last child is three months old and is called Fanta. After work, she returns home, prepares a meal for the family and goes to bed.

Mrs Koné's second husband and the father of her other children lives in Boundiali: 15 km away. He is a carpenter and the workshop where he works is in this town.

Last year, Mrs Koné produced 2 tonnes of cottonseed per hectare, being one of the best producers in Ivoire Coton. She is proud of the fruits of her labour and so is her husband.

Mrs Koné is something of an exception among Ivorian women. Cotton production is often considered to be "men's business" and it is generally the men and husbands who are declared to be the farm managers. Although the women generally play an active part in family cotton production, they are primarily responsible for the production of food crops such as onions, carrots, maize, peanuts and tomatoes. This explains why Mrs Koné's activities are frowned on by certain male cotton producers. However, others come to her for advice on improving their own production. Mrs Koné is sure of one thing: to exploit cottonseed to the best of its potential, all the inputs such as the recommended fertilisers and pesticides must be used, where possible.

Like other members of her group, she takes the agricultural training in cotton production, which is provided by the extension agents from Ivoire Coton. According to her, she would not have achieved half of her good yields without taking this training. For her, "the training is vital" and she appreciates this precious advice and teaching given to her by Ivoire Coton.

In addition, she acts as a role model for other women in her community; this became apparent during the final day of work, when Ivoire Coton awarded prizes to its best growers. Mrs Koné was no longer the only woman there.

The majority of the revenue generated by Mrs Koné (and her peers) from the production of cotton over the last 10 years has served to compensate for the losses recorded by other members of the group. However, 2 years ago, Ivoire Coton abandoned the principle of joint surety and each member of the group now receives a payment corresponding to the quantity of cotton (s)he has personally supplied. Last season, this revenue allowed Mrs Koné to buy herself a motorcycle. In the coming years, her wish – and at the same time her challenge – would be to extend her field. With the additional income she could collect from this, she and her husband plan to build a house in Boundiali and enable their children to go to school. •

News from Cotton made in Africa

By Stephan Engel (Managing Director for Sales & Finance of Cotton made in Africa, ATAKORA)

1. Sales Update

1.1 Demand Alliance Partners with largest CmiA cotton uptake in 2012 :

Otto Group, Tchibo, Puma, Tom Tailor, REWE Group, C&A, Ernsting's Family

Forecast 2012

- 8,000 tons will be sold to CmiA Retail partners
- Approx. 16,000,000 pieces labeled CmiA will be produced for European/Canadian consumer markets
- License fee income will amount to 800,000 EUR

1.2 New Retail Partners for Cotton made in Africa

- The **Metro Group**, one of Germany's most important international trading and retailing groups, has joined the CmiA demand alliance. The hypermarket chain **"real"**, which belongs to the Metro Group, will bring the first CmiA textile assortment to their stores in November. This assortment will consist of 20 different styles – men's wear, ladies wear and children's wear, home textiles as well as underwear and socks – the initial volume will be around 140,000 pieces.

Advertising campaign of by new CmiA partner "real"

- Finally Cotton made in Africa has made it to the African continent also in terms of sales and retail. The fabric producer **Vlisco** is a new partner of Cotton made in Africa. The traditional Dutch company , established in 1846, has a long tradition in producing colorful fashion fabrics that form an essential part of West and Central African culture. In the future the fabrics will now be even more truly African with their raw material coming from the Cotton made in Africa project countries.
- **Gina Tricot** could become the first Swedish retail partner of Cotton made in Africa. The company is the fastest growing ladies fashion retailer in Northern Europe and also a member of the BCI. With Cotton made in Africa Gina Tricot plans to complement its sustainable textile strategy and to make use of the CmiA sourcing support to tackle the challenge of integrating sustainable cotton into its global supply chains.

1.3 Update of existing partners

- The largest jump in terms of volume has certainly been achieved by **the Otto Group**. As regards CmiA cotton uptake, the multi-channel retailer and longest partner of Cotton made in Africa has excelled its own plan by 50%. The Otto Group is now the largest user of CmiA cotton. This positive development is mainly driven by a newly established and very committed purchasing team along with a good cooperation with CmiA's sourcing support (that conducted trainings and workshops for the Otto Group import offices and Otto suppliers in several production countries), that brought down the up-charges on CmiA products almost completely. As the Otto Group plans to raise the number of strategic CmiA suppliers, the number of CmiA textiles within the Group will most probably increase further.
In its current consumer communication OTTO states that every third cotton product supports Cotton made in Africa and its work in the African project countries. A claim that is true as approx. 1/3 of all cotton sourced by OTTO is already CmiA cotton.
- Tom Tailor will concentrate its CmiA related sourcing in Bangladesh. A joint global sourcing workshop that will be conducted mid November will inform, train and qualify the local industry with regards to sourcing Cotton made in Africa.
- Target and Philip-Van Heusen (PVH) are two potential CmiA customers in the USA. While the contact to the hypermarket chain Target has been established recently, PVH is about to finally committing to Cotton made in Africa. Calvin Klein and Tommy Hilfiger are the best known brands that belong to this group.

2. BCI Update

Since the partnership agreement between the Aid by Trade Foundation and the Better Cotton Initiative has been established authorized cotton traders may trade CmiA verified cotton as BC cotton. As of July 2012 approx. 13,000t of CmiA-BC cotton have been sold. .

In view of this positive development as well as of BCI's plans to allocate 2.5 million tons of verified BC cotton in 2015 we have reasons to believe that demand will further increase over the next months and years. Also the statement of cotton traders show that this increased demand pushes CmiA further into the direction of mainstream cotton. •

"Both initiatives, CmiA and BCI, have the potential to become main stream products that attract a large group of customers. The targets of some large retailers are very promising. In order to obtain a large acceptance in the market it is however necessary that the price in the value chain for this sustainable cotton does not or only marginally differ from conventional cotton. The collaboration of both initiatives that pursue similar goals is the right approach and very important in order to serve the market with different proveniences and qualities. This groundbreaking cooperation between both initiatives is one positive example in an environment where more and more individual labels and initiatives are being launched. All these different labels create an atmosphere of uncertainty for the industry and the end consumer. We are convinced that by collaborating, CmiA and BCI have chosen the right way and the only way to go"

Marco Bänninger, cotton trader, Paul Reinhart AG, Switzerland

"All stakeholders within the cotton chain are constantly seeking ways to enhance sustainability as well as transparency. In this regard the collaboration between CmiA and BCI is supporting farmers to adopt improved agricultural practices and connect these farmers to markets, through the Cotton Made in Africa label at the retailer end. Clearly what CmiA/BCI have been able to achieve with farmers and gins has encouraged major retailers to take an interest in how their cotton is produced and where it is sourced. What is also encouraging is that it has the potential not *just to be considered as a niche within the Industry, but to play a more significant and growing part as more origins are brought on board.."*

Carl Peltzer, Cargill Cotton

German advertising campaign for Cotton made in Africa: "Good feeling included"