



**Special Unit on Commodities
Pan African Cotton Meeting 2011
A high level multi-stakeholder conference
Cotonou, 27th – 29th June 2011**

Report of the Pan African Cotton Meeting 2011

Held at the Palais des Congrès, Cotonou, Benin, from 27 to 29 June 2011

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I. Overview

1. The Pan African Cotton Meeting (PACM) took place on the 27 – 29 June 2011 in Cotonou, Benin. The meeting was a response to the request for such a forum made by the African cotton producing countries during the Multi-stakeholder Meeting on Cotton, which was organized by UNCTAD's Secretary-General in Geneva on 2nd December 2008. The PACM was initiated by UNCTAD, the Common Fund for Commodities (CFC), the Secretariat of the African Caribbean Pacific Group of States (ACP) and the *Comité d'orientation et de suivi-coton* (COS-coton) of the EU-Africa Partnership on cotton. The meeting was held in collaboration with the Comprehensive African Agricultural Development Programme (CAADP) of the NEPAD Agency and the Government of Benin. The European Union (EU), the CFC and the Centre for the Development of Enterprise (CDE) provided generous financial support.

2. In the two years prior to the event UNCTAD held extensive discussions with the CFC, the COS-coton, the EU and the International Cotton Advisory Committee (ICAC) in order to determine the themes and structure of the meeting. UNCTAD also held multiple consultations with the West African Economic and Monetary Union (WAEMU / UEMOA) and the Common Market for East and Southern Africa (COMESA), as well as regional associations, including the African Cotton Association (ACA), the African Cotton Producer's Association (AProCA) and African Cotton & Textiles Industries Federation (ACTIF). Further inputs were sought from multi-lateral and bi-lateral development partners, including the International Trade Centre (ITC), the United Nations Development Programme (UNDP), the West Africa Cotton Improvement Programme (WACIP) of the United States Agency for International Development (USAID) and the French Ministry of Foreign Affairs. Finally, collaboration was initiated with CAADP in order to align the meeting with other initiatives at the continental level. As a result of these consultations it was decided to structure the meeting around the elaboration of a Road Map on the following themes: (i) increasing productivity, (ii) improving marketing, (iii) increasing value addition.

3. The main objective of the meeting was to define a 10-year Road Map for the African cotton sector, by building on the existing national and regional strategies for the cotton sector, and taking into account the EU-Africa Partnership Action Framework. This Road Map is intended to increase consistency between the different initiatives and give a general direction to the development of the African cotton sector at a pan-African level.

4. The PACM brought together the main stakeholders of the African cotton sector at the pan-African level. It thereby contributed to developing synergies between existing initiatives that are otherwise commonly disconnected by sub-regional and language barriers. Over 150 stakeholders were present, including representatives from the following types of organizations:

- National and regional associations of cotton producers and industries
- African and international commercial operators, including ginneries, traders, exporters and spinners
- Regional economic communities (RECs)
- Research centres
- Bilateral and multi-lateral development agencies
- Banking and financial institutions
- National trade, industry and agricultural ministries

5. The pan-African cotton meeting is part of a larger dynamic to strengthen the value chains of the African cotton sector, including the regional cotton strategies developed in the context of the All ACP Agricultural Commodities Programme (AAACP) financed by the EU, and the Action Framework of the EU-Africa Partnership on cotton.

6. The meeting was officially opened by H.E. Mr Pascal Iréné Koupaki, Prime Minister of the Republic of Benin, in the presence of:

- H.E. Mme Madina Séphou, Minister of Industry, Trade and SMEs of the Republic of Benin
- Dr. Supachai Panitchpakdi, Secretary General of UNCTAD
- H.E. Ambassador Kadré Desiré Ouedraogo, President of Cos-Coton
- H.E. Ambassador Ali Mchumo, Managing Director of the CFC
- Mr. Samuel Gayi, Head of the Special Unit on Commodities of UNCTAD

And in the presence of the following political authorities from cotton producing countries:

- H.E. Mme Sangaré Niamoto Ba, Minister of Industry, Investment and Trade of Mali
- H.E. Chirau Ali Mwakwere, Minister of Trade and Industry of Kenya
- H.E. Dr. Cyril A. Chami, Minister of Industry, Trade and Marketing of Tanzania
- H.E. M. Kwesi S. L. Ahoomey-Zunu, Minister of Trade and the Promotion of the Private Sector of Togo
- H.E. Dr Abdoulaye Combari, Delegated Minister in charge of Agriculture of Burkina Faso

7. The discussions and consensus established at the PACM will feed into the drafting of a Road Map that clearly identifies the short and medium term actions to be undertaken by the public and private sector, as well as the donor community, in order to meet common goals for increased productivity, improved marketing and increased value-addition.

A. Increasing productivity

1. Research and extension services

8. It was generally agreed that insufficient dissemination of results is a major weakness of the cotton research in Africa. This weakness impacts negatively on cotton producers' income, yields and the quality and sustainability of cotton production. It was suggested that the Road Map should prioritize the creation of forums and tools at the continental and international levels as a means of disseminating research outputs.

9. Moreover, the dissemination of best agricultural practices is also a major challenge in Africa. The broad replication of successful experiences (e.g. the Farmers' Field Schools, FFS) from pilot areas to a broader pan-African scale must be integrated as a priority into the Road Map. It was emphasised that a reassessment of the respective roles of the state and the private sector in the development and provision of extension services is required. Participants also insisted that all types and sizes of cotton farms should be considered.

10. Training of research professionals is a structural challenge across the region. Based on the discussions, research expertise must be strengthened and the number of research teams must be increased in the medium to long-term. In the context of the Road Map, the RECs and specialized institutions (e.g. the Forum for Agricultural Research in Africa, FARA; the West and Central African Council for Agricultural research and Development, CORAF/WECARD) should engage in active lobbying to make research a priority in the regional and pan-African political agendas. It was also recognized that research capacities vary between countries and regions; in particular, the Road Map could make the re-establishment of research centres destroyed in post-conflict countries.

11. The development of research is already a priority of the regional agricultural policies¹ and the regional cotton strategies. It was argued that the Pan African Road Map should build on these policies and strategies, and promote coordination mechanisms between them and the Framework for African Agricultural Productivity (FAAP). In this regard, FARA and WECARD could be instrumental in delivering concrete actions within the frame of the Pan African Cotton Road Map.

¹ These include the Agricultural Policy of WAEMU (PAU), the Agricultural Policy of ECOWAS (ECOWAP), and the CAADP.

2. Agricultural inputs and credit

12. The poor quality, high costs, and paucity of agricultural inputs were identified as the root causes of low productivity in many African regions. It was recommended to have a Pan African platform to share knowledge, successful models, and relevant experiences to overcome the obstacles for accessing agricultural inputs in the right quantities, at the right time and at affordable prices. In order not to re-invent the wheel, the Road Map should facilitate the sharing of best-practices by certain “champion” countries that have been particularly successful in addressing these obstacles.

13. It was suggested that the Road Map formulate a pan-African strategy to produce high yielding seed varieties adapted to African environments, including to climate change. In practical terms, this would require support to research centres specialized in the production of high performing seeds and the development of irrigated seed production farms.

14. In order to overcome the obstacle of high input prices, some participants furthermore suggested facilitating bulk purchases of agricultural inputs at a regional level. The establishment of a pan African market information system (MIS) on agricultural inputs and establishing mechanisms for monitoring profits made on agricultural inputs were also proposed as solutions to be incorporated into the Road Map.

15. The lack of access to finance to purchase inputs is a major obstacle for farmers in raising productivity. Participants identified three potential solutions to explore further: (i) the creation of agricultural investment banks, (ii) political commitment by states to provide budgets for the cotton sector and (iii) the increase of credit to other crops (to reduce the diversion of cotton inputs to these crops). It was suggested that successful financing models from other sectors should also be evaluated (e.g. triangular financing mechanisms in the tomato sector in Senegal). The potential of local fertilizer production was to be explored through feasibility studies, and the promotion of organic manure at the pan-African level was mentioned.

16. The importance of research and training in the area of cotton seeds was noted, as well as the need for more seed quality certifiers and seed “multipliers.” In this regard, the Road Map could promote a formalized pan-African training program based on specific seed needs in the cotton sector. An integral part of this will be soil analysis (see, paragraph 18 below) in order to optimize the yield from seeds.

17. There was general consensus that the Road Map -- as a tool to bring to the fore topics that require strong political commitment and involvement at a pan-African level -- should emphasize the need for a regional or pan-African approach to the negotiation and adoption of genetically modified cotton seeds. This would give African states a stronger position for negotiation vis-à-vis international seed producing companies. The operationalization of the *Abuja Declaration on Fertilizers for an African Green Revolution, 2006* (which makes agricultural inputs a “strategic issue”) and the development of a pan-African subsidy mechanism for agricultural inputs were also to be an integral part of the Road Map.

3. Protection and restoration of soil fertility

18. The protection and restoration of soil fertility is the foundation for cotton production and as such should be a top priority in the Road Map. It was generally agreed that best-practices have been identified in this area, but that extension services remain too weak for achieving any real progress towards saving or improving the fertility of soils. Given the importance of the issue, it was suggested that collaboration between producers and research institutions should be enhanced within the framework of national, regional and pan-African agricultural and investment strategies.

19. The link between soil fertility and sustainability was also highlighted, as well as the fact that efforts to restore soils only have impacts in the medium- and long-term. It was therefore stressed that without appropriate land tenure regulations (including propriety rights for women), cotton producers are not likely to commit to soil protection and restoration in the long-term.

20. It was agreed that potential solutions for soil protection should be analysed and aligned with the content of the national and regional strategies. These should include the following:

- Formulate a policy for soil restoration in cotton producing areas;
- Develop research projects on soil fertility;
- Establish typologies for soils in the cotton producing areas;
- Establish a financing mechanism for the restoration of soils in cotton producing areas;
- Create a suitable system of advisory services to support the effective management of soil fertility;
- Up-scale best practices from national levels to the regional and pan-African levels;
- Develop an advocacy strategy to save African soils;
- Encourage States and the public sector to support farmers in their attempts to restore soil fertility.

C. Improving Marketing

1. Market knowledge and market entry

21. Participants stressed that “to know and to be known by the market” is central to marketing. Better knowledge of local, regional and international markets, and firm relationships with buyers, are paramount to improving the marketing of African cotton. It was agreed that the pan-African Road Map should promote the creation of “feedback mechanisms” that give cotton producers, ginneries and industries precise information on the needs of their clients in order to enable them to offer products adjusted to an ever-changing market. Furthermore, mechanisms are needed to provide timely information to the international market on the quality and quantity of African cotton supplies in order to facilitate the access for international buyers.

22. The lack of “visibility” was also mentioned as a factor frustrating the successful marketing of African cotton. It was agreed that investments in advertising are needed; these could be based on the experiences of the Cotton Council International and Cotton Incorporated. Similarly, it was emphasized that the Road Map should integrate this priority taking into account the action plans of the regional strategies. It was also suggested that there is a need for business promotion organizations in the region and abroad to market African cotton. Existing African export promotion organizations should be involved in the implementation of the Road Map’s priorities for improving cotton marketing.

23. Marketing must be strengthened not only at the international level, but also at the local and regional levels. The exploration of the potential of the local market is necessary in order to develop appropriate products to meet its needs. Promotional activities should therefore target African investors and industrialists with a view to raising awareness on the products that can be produced from cotton (e.g. medical supplies, mosquito nets, etc) beyond the traditional textiles.

24. Practical training in topics related to cotton marketing, including the contracting of sea transport, and the management of claims, international customer complaints and commercial disputes have to be integrated into the Road Map. Moreover, it was also highlighted that “cash flow” problems have in the past required cotton companies to sell at precipitously low prices; the development of marketing expertise within cotton firms, which had hitherto been neglected, is required. In order to increase the profitability of cotton firms, sale offices have to be strengthened; this is an issue that could be integrated into the regional strategies of RECs.

25. Recognizing that trade must be perceived as a transparent process creating a win-win situation for all parties concerned, it was recommended that Road Map support the design, creation and implementation of an information system that promotes transparency in the sector (e.g. commodity exchanges and warehouse receipt systems). Moreover, the lack of understanding by some stakeholders of the existing national cotton price-setting mechanisms appear to have contributed to a deterioration of the trust between various players of the value-chain. The Road Map should integrate priorities relating to the analysis of existing cotton price-setting mechanisms and the adoption of effective tools in order to promote constructive and dynamic working relationships throughout the value-chain.

2. Quality, standards and labels

26. Recognizing that international markets indiscriminately discount prices paid for African cotton, the need for all African cotton producing countries to simultaneously collaborate in a coordinated way to improve and promote the quality of cotton was emphasized. Indeed, it was reiterated that African cotton has intrinsic qualities that are insufficiently promoted. Moreover, a comprehensive reduction of contamination and respect of international quality standards at a pan-African level would allow cotton producers to sell at a premium price. The Road Map should support efforts to define, guarantee, and promote mandatory quality standards that would have to be respected by all African cotton exporters.

27. It was emphasized that there is a demand for sustainable, organic and ethical African cotton; as increasingly consumers are basing their purchasing decisions on the sustainability criteria. The Road Map should encourage the wide range of African cotton types to offer a diversity of products. However, the Road Map should also address the problem of the proliferation of labels and brands attached to African cotton that stand for different practices, but confuse consumers due to a lack of proper communication.

28. The creation of a unique “African cotton” label was suggested for integration into the Road Map, by building on initiatives of the WAEMU and the United Nations Industrial Development Organization (UNIDO) which established comparisons for all cotton types of the WAEMU. It was argued that the Road Map should follow a subsidiary approach in its definition of a label that would encompass all types of national cotton productions. This issue requires further studies, that could be coordinated within the framework of the Road Map; these studies would need to cover the following: the risks and benefits of a common label; define the standards and establish a framework for determining standards, identify structures in charge of this label in Africa and abroad, and identify mechanisms and investments needed for the creation and promotion of such a label. Indeed, while an “African cotton label” – meaning an African reputation defended at a continental level -- could confer strengths and value to African cotton, it also carries significant risks. As such, the Road Map should integrate image management and risk mitigation at a pan-African level, and raise the awareness of political leaders, RECs and national firms, on their respective roles in establishing and protecting the image of African cotton.

3. Risk management and finance

29. It was generally agreed that regulatory instability, and weaknesses in the implementation of existing regulatory frameworks, constitute major risks for industrialists and international investors in Africa. Despite an evolving international environment which increases the competitiveness for processing cotton in Africa, the inability of States to curtail illegal imports, the prohibitively high cost of transport between countries, the unethical business practices of some industries, the hidden costs of doing business, and the lack of long-term political commitment and will, reflected in current governance structures and decisions, etc. continue to dissuade investors from establishing higher-value processing units in many regions of the continent. It was recommended that the Road Map play an important role in supporting the RECs in their implementation of stable regulatory frameworks that create an enabling environment for investors.

30. Risk management (i.e. management of price and weather risk) was underscored as one of the problems facing African cotton producers. It was mentioned that various initiatives are under way to understand how the “*fonds de lissage*” (price stabilization fund) -- the mechanism to mitigate the volatility of cotton prices in Burkina Faso -- could be replicated in other countries. The Road Map should incorporate the establishment of price-risk mitigation and refinancing methods at a continental level, as well as a system of subsidies and guarantees to encourage public and private actors to offer insurance policies. It was also proposed to study the links between agricultural insurance and agricultural credit in order to identify financing and insurance tools better suited to producers. Considering that the African Development Bank (AfDB), FARA and WECARD have already undertaken some work on these issues, they could make recommendations to be integrated into the Road Map.

31. “Hedging” market risks generally requires the use of expensive and complex tools. In order to overcome obstacles to the implementation of such tools, it was suggested that the Road Map could (i) promote studies to help understand how these tools could be shared, how their cost could be broken down between several pan-African cotton companies in a wider risk management strategy adapted to the threats and the resources of the African cotton companies; (ii) support the development of a pan-African expertise on the use of these tools; (iii) strengthen knowledge sharing between African cotton companies on these subjects. The World Bank has materials and experience in this area that could be mobilized in the framework of the Road Map.

32. Regarding finance, it was highlighted that the lack of access to credit for cotton producers is not due to a lack of liquidity at banks in the region. Rather, the obstacle to lending is the establishment of contracts between small-scale producers that lack collateral and banks that are risk averse. Moreover, it was noted that States and RECs must encourage and support private banks to offer acceptable interest rates to producers. The Road Map should incorporate best-practice sharing at a pan-African level in the areas of (i) political and institutional support measures to banks, (ii) the definition of the preferred interest rates, and (iii) the design of innovative banking approaches adapted to farmers. This would help the RECs and national governments to formulate and implement practical responses to overcome the obstacles to accessing finance.

D. Increasing value-addition

1. Processing cotton and by-products

33. The processing of cotton and its by-products has had a poor history in Africa, including decades of “emergency plans,” business failures, bankruptcies and the closing of industries. Nevertheless, RECs are currently encouraging local processing of cotton, and developments in the global economy are tending to increase the competitiveness of African cotton and textile industries relative to those in other regions. International investors are increasingly looking at opportunities for yarn and textile processing in Africa. The Road Map could support this trend, in collaboration with the RECs, by integrating as a priority the strengthening and creation of new investment promotion agencies.

34. It was noted that establishing consistency between pan-African policy and national trade policies is a prerequisite to improve the competitiveness of industries. Moreover, long-term commitments of industries in any processing strategy require a strong framework that ensures stability, good business practices, and clear and implemented regulations. Furthermore, infrastructural needs, such as energy and transport, must also be met. There is a need for a pan-African, pragmatic and systemic approach, within the context of the Road Map, to address these requirements. The creation of a pan-African database on value-addition activities (and their gross margins) could also contribute to greater transparency and understanding between the various industry stakeholders to reinforce trust and collaboration.

35. The importance of cotton as a driving force of socio-economic development, particularly in poor rural areas, was also emphasized. Hence, profitability should not be the only criteria in determining investment strategies. It was recommended that the Road Map could advocate the need to balance these economic and social objectives, and provide forums to discuss topics that require political arbitrages at a pan-African level, including a policy to stop importing certain textile goods that could alternatively be produced competitively by local processing units, even if this would require targeted and time-limited subsidies initially. Military and school uniforms and some medical products (e.g. compresses, etc.) were mentioned as examples.

2. Textiles and apparel

36. Initial high investment costs of machinery impede the production of textiles and apparel in the region. Thus it was recommended to establish a benchmark for machine prices in the different countries. This could further the alignment of prices at a pan-African level and lead to the establishment of dedicated processing areas specialised for certain value-addition activities. The selection of the processing areas could be based on their relative advantages in terms of geography, availability and cost of energy, transport network, political stability and the existence of skilled workforce, which would make them attractive and competitive at an international level. If well-articulated, regional investment plans could be used to organise group orders of machines in order to negotiate lower prices.

37. It was further argued by some that upgrading, including the adoption of new technology, the building of industrial capacity and the strengthening of artisanal processing, can be achieved through a strategic organisation of the pan-African space, structured around “hubs” (“pôles d’excellence”) that are linked together to form processing networks. This would enable the continent to produce competitive, diverse and high quality textile and apparel products for regional and international markets. It was, however, noted that this level of pan-African integration and collaboration requires good communication at all levels, a harmonisation of trade laws, and a clear definition of the prerequisites for investors and industrialists to deliver this pan-African processing strategy. The Road Map could offer a governance framework to support this pan-African processing strategy.

38. The problem of insufficient and irregular supply of raw materials for the local yarn and textile industries was also raised. In terms of solutions, it was suggested by some that governments adopt policies ensuring that the needs of local processing units be met before permitting exports, and that investors be required to process a negotiated amount of raw material locally. The issue of subsidies to the textile and apparel processing was also raised in this context. It was recommended that the Road Map could help to (i) define the kind of support a continental textile processing strategy should provide, (ii) identify the funds and the players to provide this support, and (iii) establish a timeline for the implementation of such a support strategy for the industry. As part of the Road Map, it was also suggested that technical studies could be coordinated with the RECs to determine the most efficient ways to provide industry subsidies and support, consonant with the multilateral trade obligations of individual countries.

3. Horizontal diversification at the farm level

39. The importance of diversification at the smallholder level was recognized as part of a risk management strategy as well as contributing to ensuring food security. Moreover, it was mentioned that farmers generally only have access to agricultural inputs and/or credit for cotton production – if any. This lack of access to inputs for subsistence crops, or alternative cash crops, pushes farmers to spread their agricultural inputs thinly, which reduces the productivity of their cotton crops. It was generally agreed that the Road Map priorities should adopt a holistic approach to smallholder farming, including the need for assistance for non-cotton crops such as staples and other cash crops (e.g. advisory services, agricultural extension services, credit, inputs, etc.). Finally, the transformation and usage of organic manure from harvest residues needs to be promoted.

E. Next steps

40. The discussions highlighted the fact that across Africa, cotton sector stakeholders face similar challenges. As such, it was agreed that joint and concerted efforts are required to overcome common obstacles and meet common goals. The meeting established a strong commitment for the elaboration and implementation of a Pan-African Road Map, while also recognizing the central role of governments to support the cotton sector.

41. There was a consensus that the content of the 10-year Road Map must be based on (i) the discussions that took place in Cotonou around the three themes (increasing productivity, improving marketing and increasing value-addition) and (ii) the existing regional cotton strategies. Moreover, the Road Map should (i) be drafted in a consensual and collaborative way taking into consideration the interests of different stakeholders; (ii) define the roles and responsibilities of the stakeholders and (iii) establish a monitoring and evaluation framework.

42. An UNCTAD consultant will draft the Road Map. The focal points of the different organizations present in Cotonou and the African Union Commission have the responsibility to contribute to give feedback on the proposed draft. A final validation will take place before the donors' meeting in November 2011. The timeline for the elaboration of the Road Map is the following:

- By mid-August: Develop draft Road Map proposal
- End August: Circulate 1st draft to focal points for comments and completions
- Mid-September: Circulate 2nd draft for comments and completions by stakeholders
- End November: presentation of the Road Map during the donor's meeting and promotion of the pan-African cotton strategy.

II. Organisational matters

A. Election of officers

The following officers were elected to the Pan-African Cotton Meeting:

- Chair: H.E. Pascal Irénée Koupaki, Prime Minister of the Republic of Benin
- Vice-Chair: M. Samuel Gayi, Head of the Special Unit on Commodities at UNCTAD
- Rapporteur: H.E. Ambassador Kadré Desiré Ouedraogo, President of the Cos-Coton

B. Motions

Two motions were read:

- A motion from the participants to H.E. Dr Yayi Boni, President of the Republic of Benin, the Government and People of Benin, to thank them for their hospitality
- A motion from the participants to the technical and financial development partners to thank them for the organisation of this meeting.
