**COTTON PRODUCTION AND MARKETING SCHEME
IN COTE D'IVOIRE**

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**PRESENTATION OF THE COTTON AND
CASHEW NUT REGULATION
AUTHORITY**

CREATION OF ARECA

➢ 16 September 2002

➢ March 2003 : starting of operations

➢ Covers cotton and cashew nut, as the two main cash crops for the northern and central regions of Côte d'Ivoire;

➢ Focal products for poverty alleviation.

MISSIONS OF ARECA
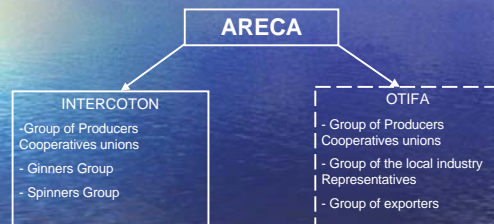
❑ Elaborate the overall regulatory framework to govern the running of activities in the cotton and cashew nut sectors;

❑ Set up rules and procedures for contracting in the mains activities such as selection and approval for the installation of new ginning units in accordance with the existing capacity and the national output.

❑ Establish marketing patterns; pricing system to farmers;

❑ Establish conditions for export and supply of the local industry;

❑ Control the implementation of all these rules in view to secure fair competition;

❑ Take sanctions and penalties for failure;

❑ Assist the government in the identification and implementation of projects to improve production, marketing and local industry;

❑ Participate on behalf of the government in international meetings, negotiations and agreements.

ORGANIZATIONAL CHART

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INTERCOTON
- Group of Producers Cooperatives unions
- Ginners Group
- Spinners Group

OTIFA
- Group of Producers Cooperatives unions
- Group of the local industry Representatives
- Group of exporters

COTTON SECTOR

I- PRODUCTION SCHEME

Production sites

➢ Northern and central regions of Côte d'Ivoire;

➢ 263 336 ha planted area;

➢ Around 200,000 farmers;

➢ Around 3,5 millions people living directly or indirectly from cotton activities;

Domains of actions

- Information dissemination;
- Identification of production objectives and registration of producers planting needs;
- Delivery of fertilizers and agricultural material (production material);
- Research;
- Assistance to professional agricultural organizations (cooperatives);
- Sustained soil management;
- Maintenance of rural roads;

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1. Information dissemination

✓ Technical itineraries;
✓ Planting techniques awareness;
✓ New techniques inventory;
✓ How to carry out the crop season (overall farming discussions);

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2. Identification of production objectives and inventory of producers planting needs.

✓ Registration of producers needs (area to grow);

✓ Elaboration of planting programs;

✓ Assessment of fertilizers quantity needed;

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3. Supplying planting inputs: seeds, fertilizers, pesticides, agricultural equipment and others

- ✓ Bidding;
- ✓ Financing;
- ✓ Transportation;
- ✓ Delivery and distribution to farmers;
- ✓ Recovery of payment (farm credit).

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4. Cotton research

- ✓ Definition of research programs;
- ✓ Trials (experimentation) by research station;
- ✓ Pilot plants (extensions)

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5. Assistance to producers organization (strengthening their capabilities)

- ✓ Creation;
- ✓ Training (personnel and finance management);
- ✓ Resources outsourcing;
- ✓ Follow up and evaluation;

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6. Sustainable soil management

- ✓ Land tenure;
- ✓ Reducing soil deterioration;
- ✓ Land use rotation;

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7. Road maintenance

- ✓ Public service carried out by ginning companies (subcontract);
- ✓ Programs: identification of works to complete;
- ✓ Bidding to appoint enterprises ready to prefinance.

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II- MARKETING PATTERNS AND PRICE DETERMINATION MECHANISM

- ✓ Harvesting the seed cotton;
- ✓ Transportation to the village;
- ✓ Packaging in market place (putting the seed cotton in ballots);
- ✓ Transportation to the ginnery
- ✓ Quality control (1st choice and 2nd choice)
- ✓ Pricing of the product

Slide 1

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1. The Indicators

➢ **Cotlook Index A (CIF): Average of 5 months preceding the start of the crop year (May, June, July, August, September)**

➢ **Conversion into local currency**

➢ **F.O.B**

➢ **Deduction of charges incurred relevant to:**
  ✓ **Ginning costs (fixed and variable);**
  ✓ **Agricultural costs (fixes and variable);**

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1. The Indicators

➢ **Cost of production (CP): 172.5/Kg (32 cents/Kg)**

➢ **Price offered in neighbouring countries (NCOP)**

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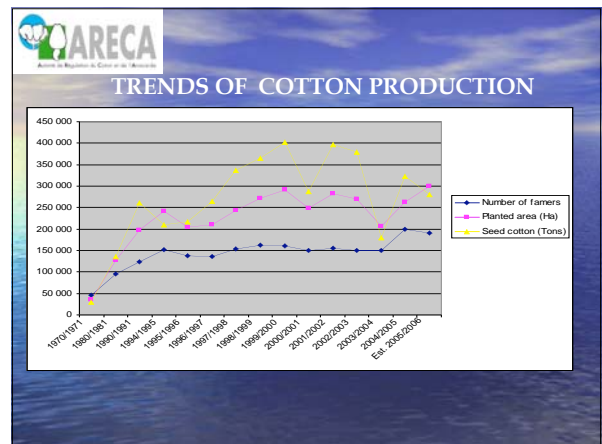Autorité de Régulation du Coton et de l'Anacarde

2. The Principles

❖ **The price obtained from this calculation is called initial price;**

❖ **If this initial price is below the CP or the NCOP, a "supplemented price" is to be paid by Government to reach the CP or NCOP level;**

❖ **The calculation of a final price at the end of the crop year allows:**
  ✓ **a bonus, if the final price is higher than the initial price;**
  ✓ **reduction of the "supplemented price" .**

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3. Production payment scheme

➢ **Timeframe: 10 days in principles (but in practice serious delays!);**

➢ **Lack of commercial documents: only weighting ticket;**

➢ **Financial charge due to delay for the ginner to get paid.**

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PRICE DETERMINATION MECHANISM	Initial crop price 2004 - 2005	Final crop price 2004 - 2005
ACI (Average Cotlook Index A in US cents per Kg	128,65	115,13
SCP (Seed Cotton Production in tons)	403 500	323 067
PCP (Producers Cost of Production in US cents per Kg)	31,36	31,36
FR (Fiber Ratio in %)	43,76%	43,32%
SR (Seeds Ratio in %)	50,00%	51,79%
PMS (Part of Marketed Seeds in %)	70%	88%
SPS (Selling Price of Seeds in US cents per Kg)	5,45	4,76
VGUC (Variable Gining Unit Cost in US cents per Kg)	38,56	40,07
CR (Caution Ratio)	0,9	1
VFP (Value of Fiber Production in US $) = ACI * SCP * FR	227 157 758	161 121 095
VSP (Value of Seeds Production in US $) = SCP * SR * PMS * SPS	7 703 182	6 998 992
VGC (Variable Gining Cost in US $) = VGUC * SCP * FR	68 089 219	56 080 289
FGC (Fixed Gining Cost in US $)	43 636 364	43 665 455
SCMP (Seed Cotton Market Price in US cents per Kg) = (VFP + VSP - VGC - FGC) / SCP	30,52	21,16
SCCP (Seed Cotton Crop Price in US cents per Kg) = (PCP + 0,5(SCMP - PCP)	30,94	26,26
ICP (Initial Crop Price in US cents per Kg) =	33,64	33,64
FCP (Final Crop Price in US cents per Kg)		
Balance between initial and final crop price in US cents per Kg	2,70	7,37
Ammount of Support (in US $) = Balance * SCP	10 878 912	23 818 039

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TRENDS OF COTTON PRODUCTION

Legend: Number of famers; Planted area (Ha); Seed cotton (Tons)

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III- PROBLEMS

1. At producers level:

➢ Ownership of the production;
➢ Acquisition of planting inputs;
➢ Low yield;
➢ Farm credit outsourcing;
➢ Weak capabilities in monitoring agricultural techniques ;
➢ Lack of warehousing facilities;

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2. At ginners level

➢ Prefinancing of the production activities;
➢ Providing assistance to producers;
➢ Controlling supply of planting inputs to farmers;
➢ Lack of farm credit to finance fertilizers and agricultural equipment;
➢ Lack of farm credit for timely payment of the product.

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3. Others constraints

➢ Production tracing (need to identify the origin of the production from cooperatives in connection with the farm credit payment) ;

➢ Application of relevant rules.

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IV- PROSPECTS

✎ Sustaining development of the cotton sector:
- assistance to farmers : transferring of activities so far carried out by ginners;
- local transformation: increasing the spinning capacity;

✎ Training programmes
- quality control : patterns for quality assessment ;
- enhancing marketing capabilities of the local players (conditions to access trade and futures);
- pricing system to guide the calculation of a fair farm-gate price for producers.

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THANK YOU
FOR YOUR ATTENTION