

Cotton in West and Central Africa: Role in the regional economy & livelihoods and potential to add value

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INTRODUCTION

This paper provided the basis for a presentation made at the FAO Natural Fibres Symposium held in Rome on 20 October 2008. It draws on work carried out at the Sahel and West Africa Club/OECD² supplemented by research and analysis on developments since 2005, particularly concerning potential for processing and textiles industry development in the West and Central Africa region (WCA). These new elements were compiled in collaboration with Leonidas Hitimana (Agriculture Unit, Sahel and West Africa Club, OECD) and Kristen Cain (consultant, IFAD)³.

This paper takes a sub-Saharan Africa (SSA) perspective, focusing on generating the maximum poverty reduction and income earning potential from one key natural fibre that is one of the oldest fibres cultivated and processed into cloth by humanity: cotton. Cotton has also been central to poor producer livelihoods and a significant number of WCA national economies for many decades. Indeed, there is evidence to indicate that the original West African and Sahelian variety of cotton (*G. herbaceum*) was the major fibre crop type domesticated by humans for agricultural production and use in the region for hundreds of years from ancient times.

The paper begins by summarising the regional and rural livelihoods context and the importance of cotton production and trade in West and Central Africa. It then addresses the potential and challenges for developing processing capacities and the textiles industry in WCA, providing examples of potential demand and markets. Lastly, the paper highlights a number of strategic issues for maximising the value-added that can be drawn from cotton production and trade in WCA, increasing the contribution of cotton to promoting regional development, improving livelihoods and reducing poverty in WCA.

REGIONAL CONTEXT

According to the most recent World Bank data (World Development Report 2008), over 380 million people live on less than US\$ 1.25 a day in SSA. Of the 550 million people living in 24 countries of WCA from Mauritania, Mali, Niger and Chad in the North down to Gabon and

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2 K.Hussein, L.Hitimana and C.Perret, 2005, Cotton in West Africa – The Economic and Social Stakes, The Development Dimension series, OECD, Paris. See also: (i) K.Hussein, L.Hitimana and C.Perret, 2005, Consultation on the Cotton Crisis in West and Central Africa: Timeline of Key Events 2001-2005, Sahel and West Africa Club/OECD, Paris. SAH/D(2005)553, September (ii) K.Hussein, C.Perret and L.Hitimana 2005, Economic and Social Importance of Cotton in West Africa: Role of Cotton in Regional Development, Trade and Livelihoods, Sahel and West Africa Club/OECD, Paris. SAH/D(2005)556, November.

3 I am grateful for inputs provided by Leonidas Hitimana, Sahel and West Africa Club, OECD and Kristen Cain, Consultant, IFAD in preparing this paper. Contacts: l.hitimana@oecd.org and k.cain@ifad.org respectively.

Democratic Republic of Congo in the South. Some 60% of the population in these areas is estimated to live on less than the lower poverty line of \$1 a day. Three-quarters of these are estimated to live in rural areas and to depend on agriculture as their main source of livelihood and employment – primarily as producers, but also traders or small-scale artisans. Most agriculture in WCA, and indeed in SSA, is undertaken on smallholder farms of 2-10 hectares in size: there are around 80 million smallholder farms in sub-Saharan Africa, providing up to 80% of total agricultural production. Most WCA cotton is produced on such smallholder farms, as a cash crop combined with other crops and economic activities. Women play an important role - contributing up to 80 per cent of total agricultural production and playing significant roles in cotton production (planting, weeding, etc). Mostly, women are employed as labour in the cotton farm of their husbands due to historic obstacles for women to access the necessary land and inputs to engage in cotton production. However, they also play major roles in processing, making textiles and trade.

This WCA region is characterised by a process of rapid demographic, social, agricultural and economic transformation, with population expected to double by 2050. The 24 countries of the West and Central Africa (WCA) region have a total population of 333 million, 60 per cent of which are considered 'rural'. Thirteen of the 24 countries are among the bottom 22 of the Human Development Index. Some 60 per cent of the population of the region lives on less than a dollar a day and the majority still depend on agriculture for their livelihoods. Most of the poor still live in rural areas and depend on agriculture and smallholder farmers constitute a majority of the rural poor.

While economic growth has averaged around 5% in the last 10 years, the region still faces numerous serious challenges, including rising food and energy prices, a high proportion of countries facing governance problems or armed conflict, the effects of climate change and now the fallout of the global financial crisis which together may severely compromising food security and sustainable rural development. In this context, building on remunerative agricultural commodity value chains, such as cotton, and establishing ways in which to add value to increase incomes and increase poverty-reduction impacts through increased agricultural productivity, better functioning markets and processing is increasingly important.

Rising prices, in particular, have hit poor rural people in SSA hard in the recent past - many of whom are net food consumers so have been unable to take advantage of agricultural price rises. In the first quarter of 2008, global wheat and maize prices increased by 130% and 30 % over 2007. Opportunities to add value to agricultural products and build income earning opportunities for the rural poor are needed. In addition, medium to long term investment is needed in the sector, in food crops and in other agricultural products that provide added-value and increased cash incomes are required in WCA if poverty reduction targets are to be reached. There is a growing international consensus, supported by the UN General Assembly and by the Alliance for a Green Revolution in Africa (AGRA), that, much like occurred in Asia, a 'Green Revolution' will be needed that dramatically increases productivity to reduce significantly poverty and achieve the Millennium Development Goals (MDGs) in SSA by dramatically increasing productivity. This requires increasing medium to long term investments in African agriculture and increasing access to innovation and technology – particularly for smallholder farmers. Indeed, according to current estimates, external public financing for development in Africa needs to rise to US\$72bn per year to support the achievement of the MDGs by 2015, and as much as US\$ 8 billion will be needed solely for African agriculture (UN MDG Africa Steering Group 2008).

In the context of these challenges for poverty reduction and agriculture in SSA, this paper poses the question: 'What is the contribution of cotton production – largely undertaken by poor smallholder farmers in WCA - processing and the textiles industry, and trade?'

By way of background, world import demand for cotton has expanded 34 per cent over the past 6 years, but is unstable. In 2005/06, China unexpectedly imported a record 19.3 million bales, but dropped back to 10.6 million bales the next year. There has been a general trend of increasing global cotton imports have trended up, but China's erratic imports and the changing global economic and financial climate causes greater uncertainty in today's market. Weakening global demand has resulted in significantly lower prices than the peak seen in early spring 2008. As early as September 2008, the headline price indicator was some 20 per cent below the peak reached in April. Global cotton consumption and imports have already stagnated and may well decline in the likely upcoming global recession. Global stocks are also forecast to decline significantly by the end of the 2008/09 trading year.

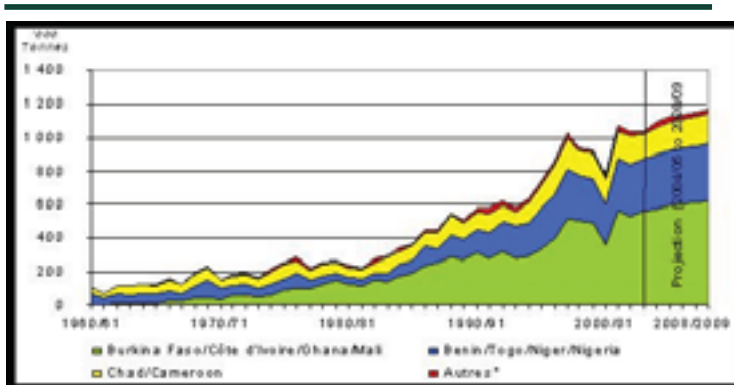
There is evidence that cotton has been at the heart of an agricultural revolution of sorts in cotton producing countries in WCA, promoting access to technical and extension advice, technological innovation, intensification and increased use of inputs across farmers' fields through the organised cotton commodity chain (or as often termed in the literature, the 'cotton production system') (see Figures 1 and 2 below)⁴.

This synergy between cotton production and production of food grains, both of which have risen dramatically in WCA since the 1980s (see e.g. Figure 2), indicates the contribution cotton and the related integrated production system / value chain support approach has made and could make to a green revolution in WCA and, possibly, more broadly in SSA.

The diagramme, drawing on the data collated by the ECOLOC studies supported by the Sahel and West Africa Club/OECD, shows that when the cotton production support framework, maintained through CMTD was loosened in the mid-1980s to allow farmers to freely manage the allocation of inputs across different farm plots, they began to apply inputs to maize which has been subject to growing urban demand. Maize thus became a major cash crop – a trend that is on the increase in the current climate of soaring food and grain prices. For example, between 1984 and 1997, maize production increased from 10,000 t to 70,000 t per year. At the same time, while yields fell, the land area planted to cotton rose from

15,000 to 78,000 ha. Farmers also expanded areas cultivated, spreading the use of animal traction from cotton to other fields, and increasingly integrating crop and livestock production. Similar patterns were observed in Bobo Dioulasso, Burkina Faso, and Korhogo⁵.

Figure 1: Dramatic increase of cotton production 1960/61-2008/9 (lint)

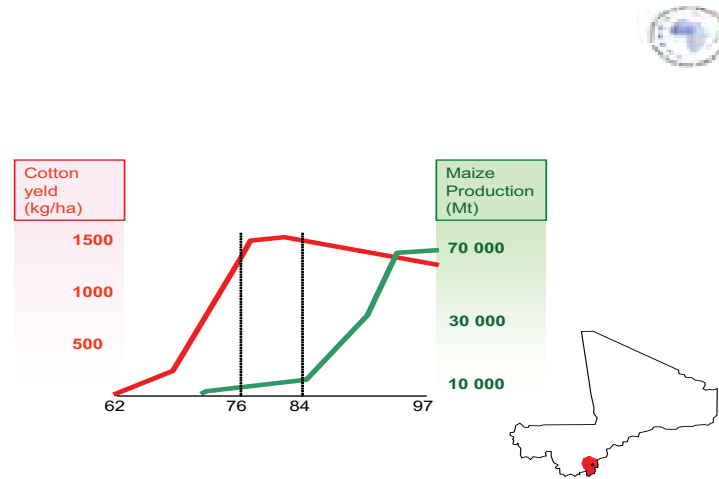


Source: SWAC/OECD 2005, using ICAC data

4 See for example: K.Hussein, L.Hitimana and C.Perret, 2005, Cotton in West Africa – The Economic and Social Stakes, The Development Dimension series, OECD, Paris.

5 For further detail on this case study, see Hussein et al 2005 mentioned above and the presentation made by K.Hussein at the WTO African Regional Workshop on Cotton held in Cotonou, Benin, 23-24 March 2004 (See full presentation in the WTO note on the Regional Workshop located at: <http://docsonline.wto.org/DDFDocuments/twt/587.doc> (specifically pages 121-123).

Figure 2: Correlation between maize and cotton production, Sikasso zone (Mali)
1962 – 1997



Source: SWAC/OECD 2005

IFAD'S PROGRAMME TO PROMOTE RURAL DEVELOPMENT IN WCA

At this point, it is useful to devote a few words to present IFAD, its mandate and programme to invest in rural development and why poor smallholder farmers are at the centre of the agricultural and rural development programmes it supports.

IFAD's goal is to empower poor rural women and men to achieve higher incomes and improved food security. IFAD's Strategic Framework 2007-2010 outlines 6 priorities to enable poor rural women and men to have enhanced access to, and have developed skills and organization required to take advantage of: (i) natural resources – land and water, (ii) improved agricultural technologies and effective production services, (iii) a broad range of financial services, (iv) transparent and competitive agricultural input and produce markets, (v) opportunities for rural off-farm employment and enterprise development and (vi) local and national policy and programming processes.

IFAD's programme in WCA covers 24 countries – including 19 active country programmes and 47 IFAD-financed investment projects. In WCA, IFAD has a portfolio of more than US\$ 1.2 billion (a programme of work that is increasing by 10% or more per year). Specifically, to address rapidly rising food and energy prices and increase smallholder farmer productivity, in 2008 IFAD has reprogrammed some US\$ 200 million to boost agricultural production and marketing – largely by applying a value chain approach to increasing smallholder agricultural production, productivity, marketing and hence increasing smallholder farmer incomes.

Intended beneficiaries and partners of IFAD include the rural poor and their organisations, especially women, youth and indigenous peoples. Specific priorities for IFAD in the WCA region in the coming years include: building effective pro-poor agricultural value chains, strengthening capacities of rural poor people and their organizations, improving equitable access to productive natural resources, innovations and technologies and increasing access by rural people to financial services and markets. Given our interest in pro-poor value chain development, the example provided by the cotton production system based on smallholder farming and cotton commodity chain development in WCA over the last several decades provide useful insights.

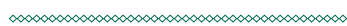
IMPORTANCE OF COTTON FOR LIVELIHOODS AND AGRICULTURAL TRANSFORMATION

Returning to cotton, between 1-2 million small family farms of 2-10 hectares produce cotton as part of diversified rural livelihood strategies in WCA, and some 10-16 million people are estimated to be involved in the cotton sub-sector in the region. Cotton is one major cash income generator for these small farms. It has sometimes been the only viable cash crop, particularly in Sahelian zones, although this may now be changing with several cereals staples becoming cash crops in the context of increasing prices and demand. Most of these farmers are poor by international standards. However, farmers in cotton zones are often better off than farmers elsewhere due to greater access to inputs, innovation, technical advisory services, and availability of organised production and marketing chains. In these zones there is evidence that the cotton boom was accompanied by a boom in cereals production.

Evidence exists that there has been an 'agricultural revolution' in cotton production zones, with cotton driving a process of increasing extensive agricultural production (increasing land area farmed) on the one hand and also intensive production of cereals as cash crops for urban markets on the other – using inputs and technology provided through the cotton production system to intensify cereals production on other fields. Indeed, analytical work by the SWAC/OECD has demonstrated that there is a correlation between cotton production, particularly in the CFA zone, and: (i) access to upstream and downstream agricultural services and innovation by small family farms: an agricultural revolution? (ii) increased cereals production (iii) institutional development / producer organisations (iv) existence of infrastructure and (v) access to services such as schools, health centres, pharmacies, etc.

This correlation is linked to the commodity chain development approach and 'cotton production system' established, particularly in the CFA zone. Support for institutional development in cotton production areas has facilitated the rise of strong producer organisations that can negotiate on behalf of their members and the sub-sector at national, regional and international levels. Building on strong cotton producer organisations at the country level, such as the UNPCB (Union National des Producteurs de Coton du Burkina Faso) in Burkina Faso, there is now a dynamic regional cotton producers' organisation bringing together cotton producers in several countries of WCA – APROCA (Association des producteurs de coton africains/African Cotton Producers' Association)⁶.

Demonstrating the importance and potential of processing cotton into textiles for the regional market, the artisanal textiles industry is the second employer in West Africa. This is particularly important in Nigeria and Ghana, where most of cotton produced in the countries is used by local textile industries. Opportunities to foster the expansion of this industry should be explored on the basis of a careful economic assessment of regional demand for WCA textiles and the availability of public and private investment resources. The United Nations Industrial Development Organisation (UNIDO), through its South-South Initiative, is encouraging the expansion of this industry (see Section on Increasing Productivity pg 29). Furthermore, West African Economic and Monetary Union (WAEMU) has declared its ambition to increase the use of WCA cotton by the regional textiles industry to up to 25% of cotton produced in the region thus increasing processing capacity in the region significantly by 2010. This objective may still be pertinent in the long term subject to market conditions and sufficient investment, even though it is unlikely to be achieved as hoped by 2010.

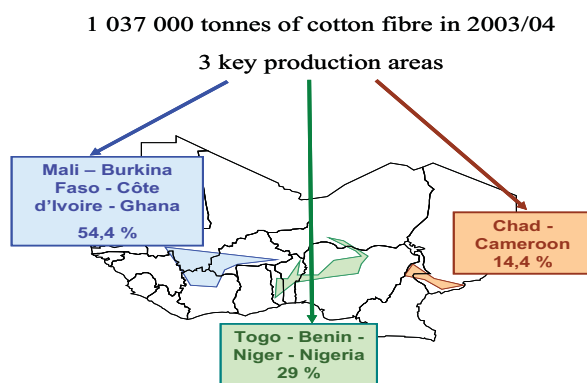


⁶ Website: www.aproca.net

COTTON PRODUCTION ZONES IN WEST AND CENTRAL AFRICA

Cotton is produced to some extent in Benin, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Mali, Niger, Nigeria, Senegal and Togo. The main cotton producing zones in the region are indicated in Figure 3 below. There are three main zones of cotton production as shown in the map. While some cotton is produced in most countries in WCA and has in some cases been part of diversified smallholder farming systems for centuries (e.g. Mali), the bulk of production is concentrated in the semi-arid Soudano-Sahelian savanna which has increasingly variable rainfall in the context of climate change. Cotton is suited to this climate and it is a key cash crop for small farmers in these areas. The CFA Franc zone has benefited from long term investment in structured national cotton commodity chains. This zone alone produces some 80% of the region's cotton. Cotton is particularly important for the 5 countries where it has ranged from 5-10% of GDP – Mali, Benin, Burkina Faso, Chad, and Côte d'Ivoire. Most of the rest of WCA cotton is produced in Nigeria.

Figure 3: Main cotton production zones in West and Central Africa



Source: Sahel and West Africa Club/OECD

produced and smaller amount of debris, despite its technically lower quality than traditional WCA cotton.

According to FAO, the CFA Franc zone in WCA produced between 4-6 per cent of total cotton (seed and lint) produced in the world in 2003. The region now produces over one million tonnes of cotton, compared to 200 000 tonnes in the 1970s. Most is exported as seed or lint, with the key exception of Nigeria which consumes most of the cotton produced (either processed into oil or textiles). West and Central African cotton exports progressively rose from 1961-2001, and reached some 13 per cent share of the international market in 2004-5 (if taken as a region, WCA recently became the second exporter after the US, overtaking Ukraine).

Certain economies, particularly those in the CFA Franc zone, are highly dependent on cotton exports for foreign exchange earnings. In 2004, cotton accounted for almost 50 per cent of Burkina Faso's national export earnings, between per cent for Benin, 36 per cent for Chad and 14 per cent for Mali. However, producers saw prices on international markets fall below the cost of production in 2002 to less than 35 cents a pound. Despite a subsequent recovery of the price of cotton, international prices remain volatile. Furthermore, the medium-term outlook for prices to African cotton producers looks bleak given the failure

In the last 25 years, WCA farmers increased land areas for cotton cultivation in response to market liberalisation falling yields and the need to maintain incomes in the face of a long term downward price trend on international markets, for which most WCA cotton was destined (save for the rise for a few years from 2003). This was due to increased use of synthetics, subsidised cotton production - particularly in the US and Europe - and more recently increased availability and marketing of more uniform BT cotton, well-suited to textile factory production needs due to the conformity of fibres

to conclude the Doha Round of trade negotiations and thereby to eliminate subsidies provided to cotton producers in key cotton producing developed countries.

Small farmers in WCA are, however, flexible, opportunistic and responsive where they have the capacity and incentives to change the mix of agricultural products they produce. Recent trends indicate that cotton farmers are indeed switching to food grains given dramatic price rises for grains in the last 2 years. Final seed cotton production estimates across the region indicate 2007/8 was the worst year for production since 1994-5. This shows the remarkable capacity of West and Central African smallholder farmers to adapt strategies to respond to market demand and, where conditions allow, take up new productive activities in the face of price volatility.

THE C-4 COTTON PRODUCING COUNTRIES AND THE WTO: BENIN, BURKINA FASO, CHAD AND MALI

Cotton has been of critical importance for the national economies and rural livelihoods particularly in Benin, Burkina Faso, Chad and Mali, the "C-4 countries" that led the challenge against cotton subsidies at the WTO from 2002. These countries have been highly dependent on cotton exports for scarce foreign exchange.

Much evidence has been collated to show that cotton subsidies in developed countries have done significant damage to cotton farmers in developing countries, particularly West Africa.

The World Bank estimates that the full removal of cotton subsidies and tariffs would raise the price of cotton in international markets by an average of 12.9 percent. The global boost to economic welfare that could be achieved by removing subsidies has been estimated at US\$ 283 million per year and, for sub-Saharan Africa, US\$ 147 million. With the removal of subsidies, the global share of the WCA region's cotton exports would rise from 12 to 17 per cent.

The inadequate efforts to reform these cotton subsidies to date limits the profitability of cotton for WCA farmers as subsidies in rich producer countries artificially depress the international price of cotton for all exporters. A serious reform of trade regulations to oblige states to eliminate subsidies in rich countries and allow poor countries some mechanisms to protect strategic products and sectors from international competition (such as cotton and textiles) is needed to address the problems faced by cotton and other strategic African agricultural products on international markets so as to promote development and poverty reduction. However, agreement, if it can ever be achieved, is clearly still some way off.

In any case, a key problem remains: the vast majority of WCA cotton, 98 per cent according to some estimates, is exported as lint without adding value: raw, carded or combed lint. There is therefore a serious need to reduce dependence on volatile international markets, to promote regional markets for SSA cotton, support the development of regional textiles industries where they are economically viable and, ultimately, find alternatives to cotton to provide a cash crop that adds value to agricultural production.

INCREASING PRODUCTIVITY: 'COTTON MADE IN AFRICA' AND OTHER INITIATIVES

A series of initiatives have been developed in recent years to respond to the demands of the C4 countries and support increased productivity and profitability of cotton production, processing and trade in WCA. Here, we will examine three different types of initiative.

First, the USAID-funded West Africa Cotton Improvement Program (WACIP) is a US\$ 27 million programme implemented in collaboration with the International Fertilizer Development Center (IFDC). It focuses on: (i) enhancing the capacity of four of the nine countries in the “Franc Zone” of WCA (the C4: Mali, Burkina Faso, Benin, and Chad), (ii) improving cotton quality and productivity, (iii) adding value to CFA Franc Zone cotton lint, (iv) engaging key stakeholders on important policy and institutional issues, (v) assessing world markets for organic and Fair-Trade cotton lint and related cotton products and (vi) examining markets for cotton ginning by-products such as cottonseed, cottonseed oil and cake, and ingredients in soap production⁷.

Second, the cotton ‘Made in Africa’ project aims to improve cotton production towards sustainable production, enhance the competitiveness of African cotton and develop a new dimension of corporate responsibility. The cornerstones of this initiative are (i) to assist cotton businesses to establish a clear picture of the baseline situation of cotton farming in their growing regions; (ii) to develop a verification system, starting at the level of ginning operations which obtain cotton from thousands of smallholders through either state-regulated regional monopolies or contracted cotton farmers; (iii) to separate transporting and shipping from ports in Africa pose a challenge because cotton from all national cotton businesses come together and are handled there; and (iv) to ensure traceability of WCA cotton through the value chain. The flow of cotton will therefore be transparent – a critical element to ensure that, for example, European demand actually gets through to poor smallholder producers in Benin or Zambia. The expensive process of certifying all supplier businesses in the value chain has been ruled out for now⁸.

Third, the South-South Initiative on Cotton seeks to support productive capacity-building in the cotton-textile garment value chains and networks in Africa. Here, the United Nations Industrial Development Organisation (UNIDO) through its South-South Initiative, is planning a capacity building programme to ensure sustained competitiveness of the Cotton-Textile-Garment sector in the 11 selected cotton-producing countries of Benin, Burkina Faso, Cameroon, Chad, Côte d’Ivoire, Mali, Nigeria, Senegal, Uganda, United Republic of Tanzania and Zambia. This programme has three goals: (i) to ensure sustained competitiveness of the cotton-textile-garment sector in African countries, focusing on product innovation and investment promotion; (ii) to contribute to poverty reduction through employment generation and value chain improvement, and (iii) to improve productive capacity-building in cotton processing through south-south cooperation with India and China⁹.

DEVELOPING THE WCA TEXTILES INDUSTRY

Fostering the development of the WCA textiles industry at the national and regional levels constitutes an important opportunity to add value to cotton production. However, this approach is probably of limited scope given the comparative advantage held by certain textiles producers in the current context of relatively open international markets and absence of major trade barriers or protection for textiles in WCA. Despite competitive labour costs and high quality cotton, cotton and textile companies cannot meet the challenges of international competition on a quota-free cotton market. Most of the textiles factories and equipment is now antiquated. WCA cotton often holds a relatively high percentage of debris that needs to be cleaned and fibres are not of uniform length and width. In addition, cheap imports of African prints from Asia have reduced demand

⁷ For further information on WACIP see: <http://www.usaid.gov/press/releases/2006/pr060615.html> and http://mali.usembassy.gov/wacip_01.09.07

⁸ See: <http://www.cotton-made-in-africa.com/Home/en>

⁹ See: <http://www.unido.org/index.php?id=o84840>

for regional and local products, while imports of used clothing have fuelled preference for western style apparel. WCA mills and garment manufacturers have been criticised by certain observers for displaying limited “market intelligence” to date, particularly regarding knowledge of the regional market, industry and trade opportunities (i.e. assessing demand for products beyond local markets, analysing sales and sourcing).

In addition, given the clear economic and price comparative advantage of textiles produced in other regions such as Asia, in order to develop the WCA textiles industry, some degree of protection regional textiles industries from international competition may be required, albeit within the context of abiding by international trade regulations set by the WTO. With the African population expected to double to 1900 million by 2050, there is potentially a massively expanding market available for capture by African cotton products. But this will not happen if the industry is not competitive on price, quality and style.

In addition, there is a need to mobilize additional private as well as public investment to support the development of this industry. The need to deepen public-private partnerships to mobilise investment and develop an efficient regional textiles industry that satisfies regional demand while responding to niche market opportunities is evident if the region is to find ways to add value to regionally produced cotton in the face of competition and economic comparative advantage held by other regions of the world, in particular Asia and North America.

DRAWING VALUE-ADDED FROM NICHE MARKETS: OPPORTUNITIES IN FAIR TRADE AND ORGANIC COTTON

Niche markets: Fair Trade Cotton and Textiles

Albeit a niche market, Fair Trade cotton volumes are rising: they rose from 1,900 tonnes in 2006/07 to 3,000 tonnes in 2007/08. This output is marketed at a premium of 46 per cent to the world price (around 180 CFA/kg for seed cotton). In Senegal, Sodefitec hopes to market 25 per cent of its output as Fair Trade.

However, the development of Fair Trade cotton is limited by the fact that ‘Fair Trade’ registration requires a producer to meet a wide range of specific standards regarding labour standards and other conditions. Increasing numbers of individual consumers in richer countries as well as large companies have become interested in certified organic cotton and in maintaining the social standards within the value chain.

In Mali, the Compagnie Malienne pour le Developpement des Textiles (CMDT) and Max Havelaar launched an organic cotton programme in 2002. By 2007, 3,800 farmers were producing 800 tonnes of organic cotton earning 34 CFA extra per kilo of cotton. The Fair Trade Division of CMDT aims to produce 3,000 tonnes of organic cotton in 2009.

Niche markets: Organic Cotton

Organic cotton has high potential for development and increasing value added to cotton produced in WCA. Thousands of farmers in 15 countries worldwide are already involved in organic cotton production, producing globally approximately 10,000 tons of fibre annually. At least nine countries in SSA, of which four are in WCA, produce organic cotton (see Figure 4 below). Three of these four countries in WCA are among the major producers of cotton in the region demonstrating their efforts to diversify and seek niche markets to bolster prices in the face of international cotton price volatility. As yet, however, organic cotton is produced in relatively small quantities compared to non-organic cotton in these countries. Organic cotton, using natural rather than chemical inputs, pesticides and fertilisers, is envi-

regional markets. Building on the lessons of the strengths of cotton production systems and commodity chain support programmes in CFA countries over the years, a key response is to promote crop and livelihood diversification by establishing efficient production support systems and value chain development for other remunerative crops – including selected staples and crops where regional demand is high. Indeed, many farmers recognise that they plant cotton primarily to access inputs, technical support, school, health and credit facilities through cotton production support systems. If the same facilities were allocated for other crop commodity chains, such as key food staples that have strong market value in the region in the current economic climate of high food prices (e.g. maize, rice, sorghum) the production plans of many farmers could change dramatically, with beneficial effects for incomes, poverty reduction and food security. This calls for governments and donors to establish a rational strategy to support farmer diversification in WCA. Some donors and governments are already moving in this direction, for example the Ghana Northern Region Growth Programme, financed by IFAD and ADB with more than US\$ 90 million, that strengthens a number of food crop value chains where there is strong national and regional demand and the links between private and public sector actors with Northern Region smallholder producers right along the value chain.

CONCLUSIONS AND STRATEGIC DIRECTIONS

Following the review above, we draw the following conclusions that lead to the identification of proposals and strategic directions for the development of the cotton sub-sector in WCA.

There remains a need to increase investment in smallholder agriculture in WCA, supporting existing farmer strategies and opportunities, recognising the role of cotton production, processing and trade in regional development and poverty reduction. Recognition of the role of cotton production support systems would be helpful in stimulating productivity, increasing access to services and innovations and production of food crops. Providing incentives to build production support or value chain systems to food crops and other market opportunities should be considered – while facilitating producers' capacities to shift production to more remunerative products or alternative livelihood opportunities as market opportunities change. IFAD is providing support to smallholders, governments and private sector players in these shifts through its increasing number of value chain development projects and programmes in WCA – both for food and non-food agricultural products.

Investing in the development of the regional textiles industry in WCA and, more broadly, in SSA could also be beneficial. Opportunities may exist to expand the WCA textiles industry for regional and international markets to add value to cotton produced in the region and increase producer incomes. WAEMU had an ambitious plan to mobilise support for developing the WCA textiles industry in 2004 but did not raise the primarily private sector resources needed. This indicates that real opportunities to expand the textiles industry may be limited in the face of the comparative advantage of cheaper Asian textiles unless some degree of regional market protection can be implemented. A careful economic assessment is required before establishing the scale of investment appropriate in a WCA textiles industry. As for the developing niche markets, Fair Trade and organic cotton may constitute more realistic options for developing both cotton and textiles markets. These should probably be expanded but are unlikely to extend beyond 20-25% of cotton production and trade given the balance of international demand for standard and Fair Trade/organic WCA cotton.

Finally, it is critical to promote livelihood diversification among cotton farmers and the availability of alternative rural livelihoods, to increase livelihood security and capacity to take advantage of emerging opportunities in national, regional and international markets. At the same time, work must continue to address the negative impacts of international

trade and agricultural policies – particularly subsidies – on the price and demand for African agricultural products. This calls for a successful conclusion of the Doha Development Round of Trade negotiations as well as considering the implementation of targeted measures at the regional level to protect strategic products and the nascent textiles industry in WCA – albeit abiding by existing WTO regulations which allow for such policies within certain limits.