



Inter-réseaux
Développement rural

The Interprofessional Cotton Association in Benin

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ABBREVIATIONS

AIC	Interprofessional Cotton Association
ANPC	National Association of the Cotton Producers
APEB	Professional Association of Cotton Grain Shelling Factories of Benin
CAGIA	Provisioning and Management of Agricultural Inputs Cooperative
CeRPA	Regional Center for Agricultural Promotion
CIC	Cotton Inputs Commission
CNEC	National Council of Cotton Grain Shelling Factories
CNIDIC	National Council of Importers and Distribution of Inputs
CNPC	National Council of Cotton Producers
CSPR	Central station for the security of payments and recoveries
FCFA	Franc CFA
FENAPRA	National federation of Agricultural Producers
FUPRO	Federation of Unions of Producers of Benin
GPDI	Professional Group of Agricultural Input Distributors
PO	Producers' Organisation
SONAPRA	National Society for the Promotion of Agriculture

Foreword

This document was realized with the financial assistance of the CTA. The opinions which are presented in this document can in no occasion be considered as representing the official position of the CTA.

This note was written by Joachim Saizonou for Inter-réseaux. This descriptive slip engages only Inter-réseaux and not the authors of the documentary sources quoted above.

Introduction

Up to the beginning of the 90s, West African Countries were very much involved in the activities of most of agricultural commodity chains, and particularly in the big export commodity chains. The States intervened by determining in a unilateral manner the modes of functioning of the commodity chains (fixing the purchase price to the producers, conditions for the provision of inputs and marketing, modalities for export). The States could even be single direct operators (monopoly to buy from the producers through state run societies for transformation, by regulated provision of inputs...).

With the putting in place of the structural adjustment programmes since the 80s, the States gradually disengaged themselves from the agricultural production and marketing sectors, as well as their advisory and support functions to the rural world. These responsibilities and functions of the authorities were for the most part transferred to professionals involved in the agricultural commodity chains and particularly to their emerging organizations. In this context of liberalization, the creation of Interprofessions was seen by the States and donors as a means of preserving some advantages of integrated commodity chains and to avoid their collapse.

It is in this context that the Interprofessional Cotton Association (AIC) in Benin is created in October 1999. The AIC is the framework for dialogue for the actors involved in the cotton commodity chain in Benin. It brings together professional families of cotton producers, importers and distributors of inputs as well as those involved cotton grain shelling. It is an important avenue where negotiations to fix prices for inputs and cotton grain take place. It operates on the basis of agreements and conventions signed by the professional families/bodies. The guiding protocol agreement and convention signed between the state and the AIC authorizes it to manage all the critical functions¹ of the cotton sub sector namely: applied research on the production of cotton, supervision and follow up of farmers, provision of inputs, quality control (cotton grain and cotton fibre), commercialization of cotton grain; etc.

These last years, the powerful return of the state in the management of the cotton chain in Benin brings back to table the important problem of the security of investments. The liberalization process which started since the beginning of the 90s was never led to its completion. With the creation in 2000 of the Institutions of the Interprofession and the transfer by decree to the private sector of the responsibilities related to the organization of consultations for the supply of inputs to farmers as well as the "demonopolisation" of the commercialization of cotton grain, it was necessary to believe in the irreversibility of the process. But the February 2007 abrogation of guiding protocol agreement and convention marked the beginning of another adventure for the cotton commodity chain in Benin. Ever since then, the AIC has just partial control of the critical functions. How far does the state want to go in this new adventure? Is this already an announcement of the end of the Interprofession in Benin? Far from bringing answers to these concerns, this article tries to serve as an analyzes of the path already covered by the Interprofession by looking at the strengths and weaknesses to end up with the fact that reform in this sector is fragile if it is based on a law accompanied by its decrees of application.

1. The liberalization of the cotton commodity chain and the creation of the AIC

To conform to the Letter of Declaration of the Rural Development Policy (LDPDR) signed in Washington on May 31, 1991 between the Government of Benin and the Breton Wood Institutions (International Monetary Fund and the World Bank) within the framework of the Structural Adjustment Programmes (SAP), Benin was made to adopt a Programme for the Reorganization of the Agricultural Sector (PRSA) which imposed progressive withdrawal of the State from all production and commercialization activities and only to focus on its obligatory functions.

¹ The critical functions are sensitive significant services which support production and the marketing of cotton grain. Failures in the provision of these services can compromise the production and commercialization of cotton grain. For example these are: production and distribution of seed, provision of inputs, organization of primary markets for the collection of cotton grain, etc.

1.1 The process of liberalization of the commodity chain

The process of liberalization of the Beninese cotton commodity chain started during the 1992/1993 campaign in which administrative decisions of the Council of Ministers were implemented in line with the progressive disengagement of the State from the provisioning and distribution of inputs. As such, import and distribution operations were taken over gradually by private national operators whose numbers have increased with time.

At the same time Producer Organizations (PO), members of the FUPRO (Federation of Unions of Producers of Benin) network were given responsibilities so that they participate fully in the process of transfer of competencies in the domains of input supplies, support to the supervision of farmers and the commercialization of cotton grain.

In the industrial sector, liberalization started in 1994 with the accreditation granted by the state to private promoters of factories for the production of cotton grain. The first generation of factories belonged to the ICA group: they are ICB, CCB and SOCOBE factories for a total capacity of 75.000 tons of cotton grain. Five other factories were accredited thereafter in 1995: LCB (50.000 tons), SEICB (25.000 tons), MCI (60.000 tons), SODICOT (40.000 tons) and IBECO (25.000 tons). Added to the total capacity of the 10 factories operated by the National Society for the Promotion of Agriculture (SONAPRA) (312.000 tons), Benin therefore has a total shelling capacity of 587.000 tons whereas production barely exceeds 350.000 tons.

History of the SONAPRA

Created in 1975, the National Marketing and Export Society of Benin (SONACEB) became the National Society for the Promotion of Agriculture (SONAPRA) in 1983 with mission, amongst others the sales of products derived from cotton. In 1987, the first cotton crisis characterized by over production at the national level (132 000 tons of cotton grain for the 1986-1987 campaign) on the one hand exceeded the shelling capacities of all the factories and unexpected declines in the international markets prices on the other, shook the Beninese cotton sector which at the same time had to face the suppression of subsidies on agricultural inputs which the farmers received through the Integrated Rural Development Projects hosted at the level of the Regional Centers for Rural Development (CARDER). To handle this crisis, one of the measures taken was to start the restructuring of the public services involved with cotton. This led to the withdrawal of the industrial component which was under the supervision of the CARDER and was transferred to the SONAPRA in 1988. The new business portfolio of the SONAPRA then included the management of the cotton shelling factories, the provisioning of producers in inputs and the marketing of cotton grain and cotton fibre: in short all activities of a cotton company. With the creation of the AIC and especially with the decree N° 2000-294 of June 23, 2000 suppressing the primary monopoly in the commercialization of cotton grain held by SONAPRA, this society just became an ordinary member of the Professional Association of Cotton Grain Shelling Factories of Benin (APEB) and as such takes part in the negotiations with the other actors of the cotton sector. Just its big shelling capacity (312.000 tons with 10 out of 18 factories in the country) makes its representatives in the Interprofession impossible to by-pass in the negotiations.

1.2 The composition and the organization of the AIC

In the Beninese cotton chain, one can distinguish three major functions: the production of cotton grain, provisioning of inputs and the production of cotton fibre (shelling).

The actors involved in these three functions are structured in organizations or “families”: the family of the producers represented by FUPRO-Benin, the family of the importers and input distributors represented by the Professional Group of Agricultural Input Distributors and the family of cotton grain producers represented by the Professional Association of Cotton Grain Shelling factories of Benin (APEB).

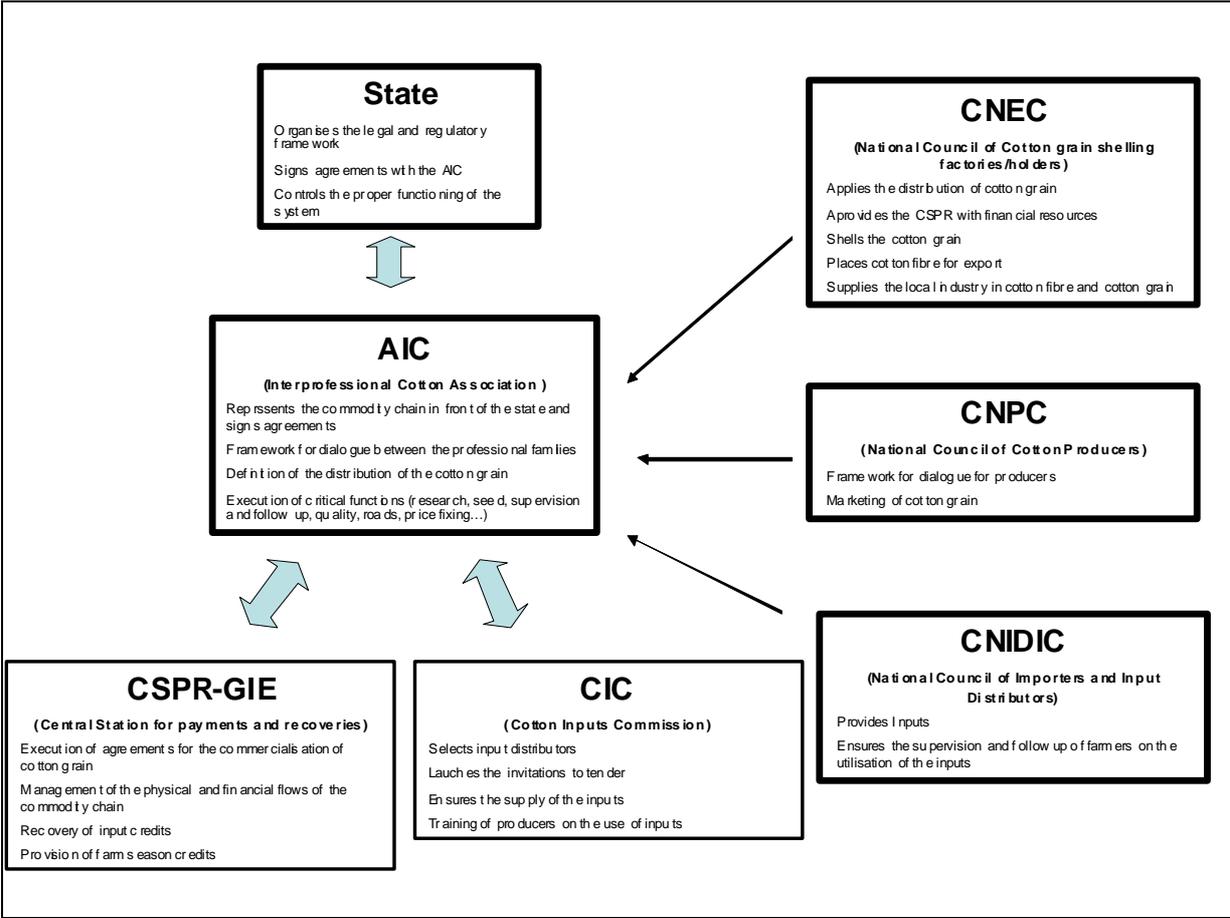
In 1998, FUPRO-Benin created the Provisioning and Management of Agricultural Inputs Cooperative (CAGIA-Benin). The CAGIA-Benin deals with the input needs of the producers and organizes

consultations in order to select societies (members of the GPDIA) to supply the inputs. Dialogue between the FUPRO-Benin and the APEB gave birth to the Interprofessional Cotton Association (AIC) in October 1999. To give more legitimacy to the activities of these two newly created structures - whose birth was encouraged by the Government, two decrees were taken in the Council of Ministers. The first (decree N° 99-537 of November 17, 1999) transferring the responsibility for the organization of consultations for the provisioning of agricultural inputs to the private sector and the second (decree N° 2000-294 of June 23, 2000) suppressing the primary monopoly for the commercialization of cotton grain held by the SONAPRA.

On the basis of decree first, the CAGIA-Benin was replaced in 2004 by the CIC (Cotton Inputs Commission) following the multiplication by ten of networks of producer organizations and organized until 2007 the consultations for the selection of importers and distributors of inputs. It is also on the basis of the second decree and the protocol agreement signed between the State and the Interprofession (decree of homologation N° 2005-41 of February 2, 2005), that the AIC assumed all 'critical functions' of the cotton commodity chain.

The management of physical (organization of primary markets, evacuation of cotton grain from the markets to the factories) and financial flows of the chain is entrusted to the Central Station for the Security of Payments and Recoveries (CSPR).

Organization of the AIC at the beginning of 2008



Article 7: Composition

The AIC is made up of the following professional families:

- a. Cotton Producers of Benin represented by the National Council of Cotton Producers (CNPC)
- B. Importers and Distributors of Cotton Inputs represented by the National Council of Importers and Agricultural Input Distributors (CNIDIC)
- C. Cotton grain producers represented by the National Council of Cotton grain Shelling Factories (CNEC)
- D. Other later members satisfying the provisions of article 8 of the statutes

Article 8: Conditions of membership

8.1- Membership to the AIC is opened to all professional families (through its National Representative Council) who adhere to the present constitution and whose activities contribute directly to the production of cotton in Benin.

8.2- The requests for adhesion are formulated in writing and addressed to the President of the AIC.

8.3- The adhesion of a member is decided by the Ordinary General meeting

Constitution of the AIC

Revised during the extraordinary AG of August 3, 2006

2. The functioning of the AIC and some quantified results

The primary roles² of the AIC are to :

- facilitate dialogue between the professional families involved in the cotton sector in order to promote Interprofessional management;
- elaborate texts and Interprofessional agreements intended to govern the relations between the member professional families;
- facilitate the conclusion of Interprofessional agreements and to ensure their follow-up;
- organize and facilitate the negotiation of the price of cotton grain;
- ensure the distribution of cotton grain amongst the shelling factories;
- elaborate the evacuation plan for cotton grain;
- collect, process and disseminate economic and agronomic information related to the cotton commodity chain;
- elaborate the cotton season plan;
- manage all the technical and financial support tools at its disposal and to ensure proper functioning of the cotton chain;
- facilitate dialogue with the State in order to ensure conditions for the development of the chain;
- defend the interests of the commodity chain;
- define, manage and ensure the follow-up of all activities or functions relating monitoring and smooth functioning of the chain.

The AIC is the executing agency for the critical functions of the chain which are: research on cotton, production of seed, training and supervision of producers, control of quality of cotton grain, grading of the fibre and maintenance of the roads. Some of these activities are outsourced to public technical services and service providers by the AIC.

² According to website of the AIC: www.aicbenin.org

2.1 The functioning of the Permanent Secretariat of the AIC

Is made up of technical experts recruited for their competences in specific fields, the Permanent Secretariat of the AIC has the role of implementing all the missions and attributions of the AIC.

2.1.1 Negotiations on Interprofessional agreements

The actors who make up the member professional families of the AIC are bound by professional and Interprofessional agreements which are reviewed and renewed periodically. This obliges that negotiations take place before in order to determine the bases for the agreements. As such the permanent secretariat of the AIC organizes each year, negotiation sessions between producers and shelling factories in order to determine the purchase prices for cotton grain from the producers. In the same way, the other actors involved in the provision of inputs to the producers also meet to deliberate on the results of the consultations that have been organized by the CIC to select importers and input distributors.

2.1.2 The evacuation of cotton grain

After the launching of the marketing season for cotton grain, the Permanent Secretariat of the AIC addresses restricted invitations to tender to the shelling companies so that they can present their offers as regards the quotas which have been temporarily allocated to them³. It is during one or several meetings that the final quotas are allotted to the factories against the payment to an account of 40% agreed upon in the Interprofessional protocol agreement signed by the families. The Permanent Secretariat of the AIC then elaborates an evacuation plan and monitors its execution on the field.

2.1.3 Communication

The Permanent Secretariat of the AIC is also in charge of ensuring information flow between the members. To better provide this service, a communication plan was put in place in 2005 with the assistance of the Support Project for the Reform of the Cotton Sector (PARSC) of the French Development Agency (AFD). The assistance consists of the construction and the regular updating of the website (www.aicbenin.org), the edition of a quarterly magazine ("COTTON") which is in its seventh edition today and the publication of a monthly bulletin on the evolution of the cotton campaigns (AIC-Infos).

2.1.4 The framework for monitoring-evaluation

Within the framework of the implementation of its monitoring and evaluation system, the permanent secretariat of the AIC animates a quarterly framework of dialogue which brings together all the service providers involved in the commodity chain. Amongst these we can cite: CRA-CF⁴ for research, the DICAFA⁵ and the CeRPA for the follow up of producers, CAGIA-Benin/CIC for input provision and the CSPR for the marketing of cotton grain.

Apart from these areas where the Permanent Secretariat of the AIC directly intervenes, there are many of other fields where the AIC uses the services of public as well as private structures. Some of these domains are:

- Quality control
- Provisioning of producers in inputs
- The marketing of cotton grain

³ The quota temporarily allocated to the societies is based on estimated production (after the assessment of the surfaces and the producers) between the shelling companies which are functional and based on their capacity.

⁴ CRA-CF: Agricultural Research Center for Cotton and Fibre

⁵ DICAFA: Direction for Agricultural Advice and Operational Training

- Applied research on cotton production
- Etc

2.2 Provisioning of the producers in inputs

The mission of CAGIA-Benin is to ensure the supply of good quality, cheap and timely inputs to producers. Consultations organized by this structure in October 2001 for the selection of the importers and inputs distributors for the 2002-2003 farming season led to the disruption of the consensus which had always prevailed during the consultations. Disputes were so strong that the GPDIA was divided into two with the creation of the Association of Agricultural Input Distributors of Benin (ADIAB) by a group of dissident companies. To deploy their "great capacity to harm the commodity chain", the members of the ADIAB took with them some producers who also separated from the FUPRO to create the FENAPRA6 and then later on many others were created bringing the number of producers' networks to more than 10 in 2006. All has not also been roses on the path of the grain shelling factories. The only thing is that the dissident group did not lead to the creation of a new association.

Faced with a situation which does not provide a healthy environment for business, the Interprofession turned back to the state for solutions. Unfortunately, in the absence of a law to regulate the behavior of members within the Interprofession, the state was not able to do any thing but to approve the proposal of the AIC to create councils in each professional family.

It is through this action that in June and July 2006, the National Council of Cotton Producers was born to replace the FUPRO, the National Council of Importers and Input Distributors (CNIDIC) replaced the GPDIA and the National Council of Cotton Grain Shelling Factories (CNEC) replaced the APEB. It should be noted that since 2004, CAGIA-Benin is no longer the structure in charge of organizing the invitations to tender for the supply of inputs. It was replaced on this role by the Cotton Inputs Commission (CIC) which is more representative of the members within the family of producers.

The CAGIA-Benin and its dysfunctions

The invitation to tender for the supply of inputs for the 2002-2003 seasons was launched in October 2001. 11 companies deposited their offers. At the opening of the offers, four societies were eliminated because of lack of documents. For some, the missing document was declarations on the intentions to purchase and for others certificates of solvency vis-à-vis some banks in Benin. After deliberations some two others were eliminated for non conformity of some documents to their files. As such after the consultations, five societies were retained of the 11 that had manifested their interest. The leaders of the other 6 societies eliminated very quickly gave a press conference during which they denounced fraud organized by the CAGIA and announced that they are of high harmful capacity to the commodity chain. Some days after on national television, they showed a big stock of fertilizers which they declared they will be able to supply to farmers at cheaper rates than the societies selected to supply the inputs. They also used this occasion to call the farmers and their organizations to oppose these people whom they accused as grave diggers for the economy.

This call was heeded too by the farmers who later on created other organizations. It is in this way that at the beginning of the 2002-2003 campaign, the FENAPRA was created. The other networks which were created later on were dissidents of the FENAPRA.

According to two articles published in the Review Agri-culture N°32 and 33 of November and December 2001

Since the creation of the Councils in 2006, the climate has become more relaxed and fewer and fewer disputes are being registered from the invitations to tender. The two last campaigns (2006-2007 and 2007-2008) did not record any parallel distribution of inputs and no marketing out of the CSPR framework.

One of the major consequences of the dysfunctions which characterized the management of the Interprofession during the years prior to the establishment of the Councils was the exponential increase in the consumption of inputs and credit but which was not followed by a corresponding increase in production. The 2005-2006 campaign for example recorded that 20,393 billion FCFA was

⁶ FENAPRA: National Federation of Agricultural Producers

used for input credits making 73% of the total value of cotton grain marketed (27,851 billion FCFA). That is the origin of the payment arrears which the Interprofession is still carrying up to date.

2.3 The marketing of cotton grain

The marketing function integrates criteria for the differentiation of qualities, units of measurement with reliability criteria, marketing documents, means of transportation, risk coverage, etc. This function is carried out by the CSPR-GIE which is the technical unit of the AIC in charge of the management of physical and financial flows. It receives support from the POs in order to animate primary collection markets for cotton grain. The cotton grain shelling factories ensure transportation of the products but are only responsible for the quantities to which they have been allocated. The question then arises as to when the transfer of property actually takes place between the producers (seller) and the shelling factory (buyer). The farmer is paid based on the weight of the product marketed. The cotton shelling factory is paid based on the quantities product it receives. There are always differences between the weight that is received by the factory and that which is effectively commercialized. This difference can be high or low (this is more often the case). Apart from cases of disasters that are recorded, it is the farmers' organization which realizes this weight difference on its expenses on paid services.

Also, apart from the difficulty to determine with precision the transfer of property, the CSPR-GIE functions to the satisfaction of a majority of the actors who depend on it as a guarantee for the payment of their dues. This mechanism however suffered from some dysfunctions (delays in the payment of some bills for shelling factories, supply of inputs out of the system, parallel marketing of cotton grain, etc.) because it did not have own resources to guarantee funding.

Since the 2006-2007 seasons, the CSPR-GIE has total control over the physical flows which permits it to ensure 100% payment of the actors. Today, the only debts it has are related to seasons that have been highly disturbed or problematic.

2.4 Quality control

Quality control of cotton takes place at two levels. The first consists of the control of the quality of cotton grain while the second level refers to the control of the quality of the fibre. The two controls are carried out by different service providers. For the cotton grain, the operator is the Direction for the Promotion of Quality and Conditioning (DPQC) which operates through a network of agents stationed in the CeRPA. Their certification of first and second choice cotton is indispensable in the primary collection market where the weighing of cotton takes place.

For the cotton fibre, the grading is done by the grading services of the SONAPRA who have the necessary technical equipment to carry out the control. The fibre is graded and classified according to different means of sale and this ranges from high quality grades to low quality grades.

The Conciliation and Arbitration Chamber

Within the framework of the Interprofessional management of the cotton chain, the various professional families, in particular the producers, the distributors of inputs and the shelling factories negotiate agreements amongst themselves such as the farming season agreement, solidarity engagement of the shelling factories, transport contracts, etc.

Very often, the execution of these agreements has been marked by conflicts which degenerate sometimes into long lawsuits; expensive and not adapted to the specificities of the cotton sector. Consequently, it was important to set up a system for the settlement adapted to the needs of the cotton sector. This is why in 2001, the Interprofession with the support of the Swiss Cooperation, realized a study to put in place an alternative system for the settlement of conflicts. At the end of this study, the Conciliation and Arbitration Chamber was created in July 2003.

The CCA is made up of two organs:

- The arbitration conciliation Committee
- The Administrative and Legal Secretariat

The role of the Committee is to resolve differences, to ensure the application of the conciliation and arbitration rules, to judge the cases of appeal, to fix the rates for arbitration etc. The administrative and legal secretariat ensures the liaison between the parties, the referees and the committee, receives complaints and proceeds to the creation of arbitration files as well as files of appeal against decisions taken by the referees, ensures communication and notifications, ensures the respect of deadlines, keeps the acts and the minutes of decisions and sentences, etc.

2.5 Research and follow up of producers

2.5.1 Applied research for the production of cotton

Research in general and agricultural research in particular remains an exclusive function of the State. The Agricultural Research Center for Cotton and Fibres (CRA-CF), specialized department of the National Institute for Agricultural Research of Benin (INRAB) is a state institution whose financing is jointly ensured by the AIC and the Ministry of Agriculture. For this purpose, a partnership agreement is signed each year between the CRA-CF and the AIC on the basis of research proposals it submits to the Interprofession. The three main domains of research are:

- Entomology which deals with the phytosanitary protection of cotton plants;
- Agronomy which deals with the cultural practices and fertilization;
- Varietal selection which deals with the production of the basic seeds.

The Division of Entomology of the CRA-CF elaborates for each farming season, a programme for treatment with the list of homologated products. It indicates the dosage of the products per hectare and the quantities that have to be commanded based on climatic forecasts. It has a laboratory where most of the cotton pests are collected.

From the trials that are carried out each year in the Permanent Experimental Centres (CPE), the Division of Entomology of the CRA-CF provides with some more precision the probable planting dates in each agro ecological zone, the schedules for phytosanitary treatments and the mode of application of manure as well as organic fertilizers. About 2 000 tonnes of basis seeds are supplied each year by the Genetics Division of the CRA-CF for multiplication in the seed production firms. This Division's priority is the variety and the basic criteria for selection are:

- Agronomic performance;
- Better cotton grain and fibre yields;
- Quality of fibre;
- Resistance to the principal pests.

In less than ten years of Interprofessional management, two varieties have been vulgarized. The Variety Stam 18 was introduced in 2001 and the Variety HA 219 at the beginning of the 2005-2006 season.

Despite the results obtained, research has not always met up with the expectations of the actors of the Interprofession. Questions relating to planting dates are still problematic and the regionalization of the varieties is still awaited. The increasing cost of inputs continues to pose serious problems to the cost of production of cotton grain. Mastery of this cost at acceptable proportions for the market can be done particularly through a technology which combines reduction in the quantities of inputs used and

improvement of yields. This technology was introduced in 2002 by PADSE7 but its adoption is still retarded because of difficulties in the management of input residues.

2.5.2 Supervision and follow up of producers

Like research, supervision and follow up of farmers is still a function played by the state. But because of lack of field agents, this function like many others is no longer being done for more than a decade now. After the SDI, the AIC recruited 350 agents (made up of all types of categories) in 2002 to compensate for the lack of agents in the cotton production areas. This action enabled the Direction for Agricultural Advice and Operational Training (DICAF) to implement the Programme for the Improvement of the Productivity of Cotton for the AIC, with funding received from the Support Project for the Reform of the Cotton Sector (PARFC) and the World Bank.

With this manpower, it was possible to lay out the system for the follow up of farmers in all the cotton production zones with a ration of one agent to 240 farmers and at least one agent for six villages. The agents were relatively equipped and motivated to do the work. Despite this, it was still noted that the manpower was still far below the needs.

After six campaigns of implementation of the programme, the average national yields increased from 1 050kg/ha to 1 250 kg/ha. Meanwhile this productivity gain did not remain constant during all the period of implementation of the PARFC. The AIC realized some very good seasons with average yields of 1.300 to 1.400 kg/ha. These include the 2002-2003 with 415.000 tons of cotton grain produced and the 2004-2005 seasons with 427.000 tons of cotton grain produced. During the same period the AIC experienced very bad results like that of 2005-2006 with an average national yield of 950 kg/ha and coupled with the fact that there was little interest from the farmers. Production for that season was just 191.000 tons of cotton grain.

3. PO and cotton production under Interprofessional management

3.1 Evolution of the institutional framework of the producer's family

The first producers' organizations were born in the cotton production zones at the beginning of the 70s. Their structuring became more precise at the beginning of the 80s with the creation of the Revolutionary Groups with a Cooperative Vocation (GRVC) which were based on the Sovkhoz experience of the ex Soviet Union. At the beginning of the 90s the first groups under the Prefecture were born with the creation of Unions of Producers under Prefecture (USPP), and then later on Divisional Unions of Producers (UDP) and finally the Federation of Unions of Producers (FUPRO-Benin) which was created in 1994. It is this federation which through discussions with other actors of the cotton sector created the AIC.

Faced with many internal problems, in 2006 the FUPRO-Benin created an organ called the National Association of Cotton Producers (ANPC). It is this new structure which represents the cotton producers who are members of the FUPRO Benin network in the Interprofession. With more the 90% of the total annual production for the 2004-2005 and 2005-2006 farming seasons, the ANPC was able to obtain a very comfortable share of representativeness in the National Council of Cotton Producers (CNPC) with the posts of President at the local (Local Councils and Divisions) as well as at the national levels.

In June 2006, the other member families of the Interprofession consensually elected the President of the CNPC, Mr. Séro Zorobouragui as President of the AIC. The family of producers has thus held the post of President of the AIC for more than 8 years. Apart from the ANPC, many other networks of cotton producers have been created because of dissidents. All of these new networks add up to less than 10% of the national cotton production for the two reference campaigns.

It should be noted that it is by the decrees N° 2006-232, 2006-233 and 2006-234 of May 18, 2006 respectively defining the institutional framework for the representation of cotton shelling societies,

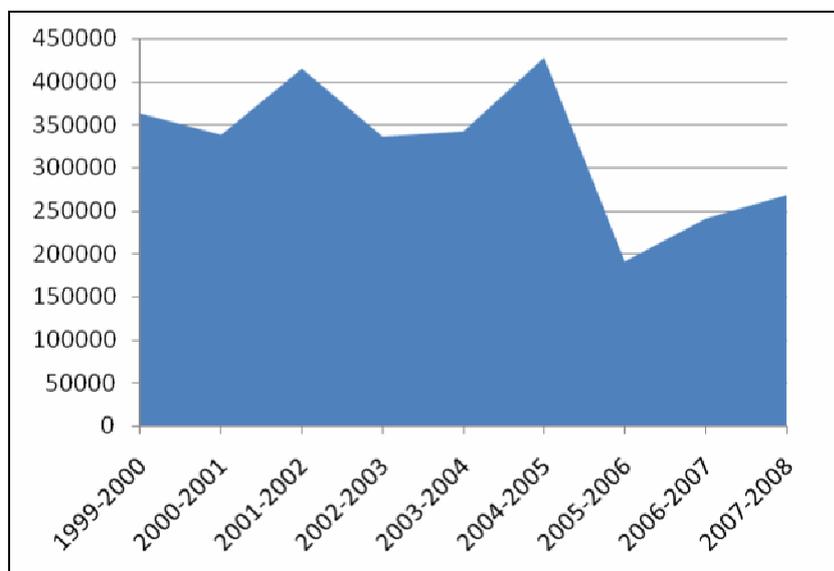
⁷ Project for the Improvement and Diversification of Operating systems

importers and agricultural input distribution societies and cotton producers in the Cotton chain Interprofession, that the Government ratified the creation of the CNEC, the CNIDIC and the CNPC.

3.2 Evolution of cotton production in Benin since the 1999-2000 season/campaign

The period of management of the Beninese cotton chain by the AIC runs from 2000 to 2006. Before this period, the SONAPRA although not there since 1994, continued to organize the provision of farmers in inputs, follow up and supervision of farmers and the commercialization of cotton grain. After the abrogation of the guiding protocol agreement between the Interprofession and the Government in February 2007, the AIC is no longer the only agency responsible for the management of the cotton sector because many of the critical functions were totally or partially taken over by the state to whom all the operators now have the obligation to report. During the period of Interprofessional management of the cotton chain, cotton production in Benin evolved in a very irregular manner. The production balance at the end of the 1999-2000 seasons stood at 362.841 tons of cotton grain. At the end of the first season (2000-2001) of Interprofessional management production was 338.000 tons representing a 7% decrease. The graph below shows the evolution of production up to 2007.

Graph N°1: Evolution of cotton production in Benin from 1999 to 2007

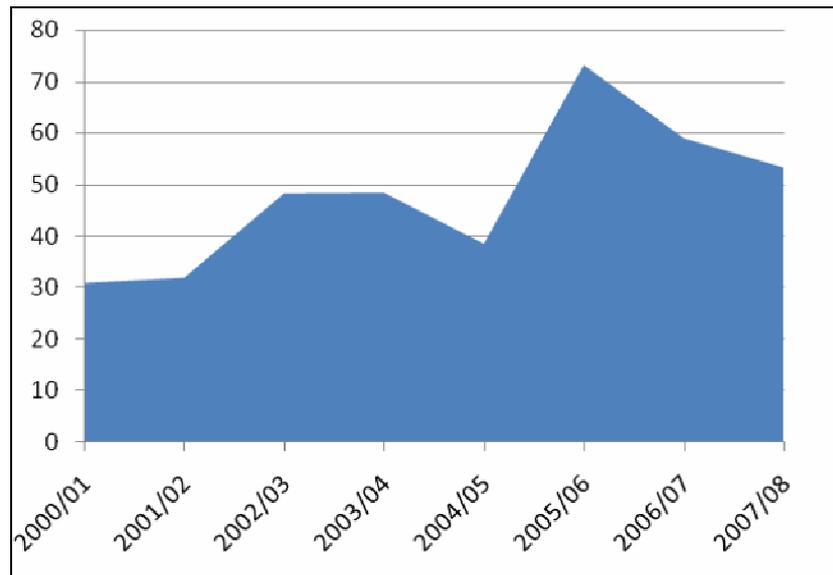


Source : SGBD/AIC

The conditions of evolution of the campaigns marked by non mastery of physical and financial flows clearly explain the structure of the curve. One of the indicators for measuring the total performance of the cotton chain is the ration volume of input credits to the value of cotton grain commercialized. The evolution of this ratio during the same period shows the degree of the problems and perturbations which characterized the period of Interprofessional management of the cotton chain in Benin. Let us indicate that the ratio is the part of total inputs consumed during a particular farming season in the total value of the cotton grain commercialized during the same farming season. This ration is expressed as a percentage.

This ration has been decreasing for the past two seasons meanwhile it reached a peak of 73,22% in 2005-2006. This normalization of the business climate is explained by the reduction of tensions following the creation of the Councils.

Graph N°2: Evolution of the ratio value of cotton grain/input credits



Source : CSPR

3.3 Financing of the AIC and contributions of the State

Many of the activities related to the management of the critical functions of the cotton chain make it necessary to deduct⁸ an amount per kilogram of cotton grain commercialized. This amount was never the same during the years of Interprofessional management. It varied between 10 FCFA/kg and 15 FCFA/kg according to elected officials who vote the budget at the beginning of each exercise. The participation is the same unit amount for the producers and the shelling societies. The input distributors contribute 1% of their total turn over to the functioning of the structures of the Interprofession. The total amount therefore depends on the total volume of cotton grain commercialized. The funds needed for the financing of the critical functions hardly ever cover more than 30% of the resource needs of the AIC.

In 2002, the Government of Benin negotiated and obtained from the World Bank funding for the Support Project for the Reform of the Cotton Chain (PARFC). This financing made it possible for the AIC for more than 6 years, to cover its many operating costs, to support producers' organizations and to cover all the charges related to its critical functions. This project ended on the 31st of December, 2007 and its achievement report was submitted in June 2008.

In 2005, the AIC obtained funding from the French Development Agency (AFD), for the financing of the Support Project for the Reform of the Cotton Sector (PARSC) which supports the realization of studies and the implementation of the Communication Plan of the AIC.

Many other projects provided one off assistance with funds from other donors such as the Swiss Cooperation, the GTZ and the USAID.

The direct contribution of the State has not been negligible. The first direct intervention of the State in the cotton chain dates back to the 2001-2002 seasons when production was particularly good, but the price of the fibre on the international market did not make it possible for the producers to obtain a remunerative price. A subvention of 20 billion FCFA was injected into the chain to bring up the purchase price to the producers. The same scenario was repeated during the 2004-2004 seasons when production reached an all time high of 427.709 tons.

It was necessary to inject more than 18,3 billion FCFA of subsidies meaning 43 FCFA/kg for cotton grain. In this way, producers were able to obtain 190 FCFA/kg of cotton grain⁹. More recently, the rise in the prices of the inputs due to the increase in the oil prices led the Government to grant a subsidy of 6,9 billion for cotton inputs.

⁸ This deduction is made possible thanks to the CSPR mechanism which can control all the financial flows of a given campaign.

⁹ Agriculture N°68 of February 2005

4. New developments in the cotton commodity chain

4.1 The abrogation of the guiding protocol agreement and the creation of the transitory Committee for the management of the cotton chain

By decree N° 2007-238 of May 31, 2007 defining and organizing the transitory framework for the management of the cotton chain, the state repeals all contrary former provisions, in particular the decree N° 2005-41 of February 02, 2005 on the homologation of the protocol agreement between the State and the Interprofession of the cotton chain and the decree N° 99-537 of November 17 1999 transferring the responsibility for the organization of consultations for the provisioning of agricultural inputs to the private sector.

Faced with this new provision, the actors (producers, shelling factories and input distributors) who were already experiencing the heavy hand of the government on their business activities just have to keep their positions. However, their refusal to take part in all the meetings aiming at putting in place the new transitory committee did nothing to change the will of the Government to lead these reforms to the end. The transitory committee was never installed and since it had only to exist for one season, the Minister is now getting ready to carry out a global reform of the cotton chain. Only the prospect of a global reform of the chain can justify the abrogation of the guiding protocol agreement and the creation of the Transitory Committee for the management of the cotton chain.

4.2 The privatization of the SONAPRA and the global reform of the cotton chain

The process of privatization of the National Society for the Promotion of Agriculture (SONAPRA) started in 1999 with the recruitment of the Cabinet Horus Entreprise to carry out a diagnosis of the society company and to propose modalities for the take over of 51% of the total value of the social capital of the society. At the end of its study, the cabinet had proposed an alternative formula for the sale of the ten factories of the SONAPRA in four batches. The procedure with this option was led to its end and the final adjudication was declared for the batches N° 1, N° 2 and N° 4 (Transcript N° 46/SGG/REL of November 18, 2004), the batch N° 3 having been declared unfruitful. Unfortunately, faced with some dragging from the Government (following the social claims of the workers) and demands from those who took over the batches, the Council of Ministers of March 15, 2006 decided to suspend the process of transfer by batch of the industrial tool of SONAPRA. The process will start again in June 2006 to end on September 24, 2007 with the creation of Cotton Development Society (SODECO). To the surprise of everybody, the process will once again be cancelled during the Council of Ministers meeting of October 22, 2007. We have to wait until July 2008 when the process is started again but this time for good since it has just been concluded with the transfer of 33,5% of the capital to the "Société Commune de Participation" (SCP)¹⁰, the same one which had been declared successful in 2007.

The privatization of the industrial tool of the SONAPRA is one of the phases in the global approach to the reform of the cotton commodity chain. In effect the Council of Ministers meeting of May 19, 2008 made a declaration about the conclusions of a study aimed at reforming the cotton chain. Apart from the privatization of the industrial tool of the SONAPRA which remains the principal focus of this study, there is also the creation of a Central agency for the provisioning of Benin in Agricultural Inputs and the global reform of the commodity chain. A restricted committee made up of experts (all disciplines put together) focused on this subject and in July 2008 produced a document entitled the "New Approach for the global reform of the cotton chain in Benin". This document is being discussed and shared at this moment and it is still too early to talk about its approval or not by the actors.

There is information that the first General meeting of the Board of directors of the SODECO took place on Friday October 10, 2008. The Chairman of the board is still the President of the ICA Group who was already owner of 6 out of the 19 shelling factories in Benin. With the ten factories of the ex SONAPRA, the group becomes owner of 16 factories out of 1911.

¹⁰ SCP belongs certainly to the ICA since it is the same person who chairs the two Boards of Directors.

¹¹ Originally, ICA was owner of 3 factories. After its failure to take over SONAPRA in 2007, it bought over 3 factories which were in difficulty in the country. This gave it factories at the beginning of 2007-2008 campaign. With the take over of the SONAPRA, ICA becomes owner of 16 factories today.

4.3 Perspectives for the Development of the Commodity Chain

In the strategic plan for the revival of the agricultural sector adopted in the Council of Ministers meeting of June 2008, the Government clearly declared its will to promote the development of the agricultural commodity chains within the framework of Public/Private partnerships. The form which was retained for the structuring of the commodity chains is the Interprofession based on the successes realized by the AIC despite the many dysfunctions which it experienced. Unfortunately the same Government which is turning to the Interprofession is doing everything to weaken all the efforts to cleanse the sector.

It is clear today that one of the reasons which encourage this game of ping pong between the State and the AIC is the absence of law. The AIC has the statute of non-profit-making association (types based on the French law on associations of July 1, 1901) whereas some its members are private sector organizations whose main objective is the profitability of their activities. From this view point, it is an economic entity and therefore should be treated as such by the law. There is need for Benin to have a law on the Interprofessions of agricultural commodity chains, so that each commodity chain can on the basis of this law elaborate its own agreements and conventions which can govern their operations as well as their relations with the state.