

## A NATIONAL INSTITUTION FOR PRO-POOR GROWTH: THE CMDT AND THE COTTON ZONE

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## INSTITUTIONAL HISTORY

Today in West Africa cotton is seen as a rare example of an agricultural success story of the 1970s and 1980s. At the heart of this success was the 'CFDT system', an integrated vertical structure of research-production-marketing, introduced in the newly independent West African francophone countries by the Compagnie Française pour le Développement des Fibres Textiles (CFDT)<sup>1</sup> and its various national partners/subsidiaries. The CFDT system provides inputs, purchases cotton and pays farmers for their produce. Furthermore, the system provides a technological package that includes varieties of high yield seeds, pesticides and fertilizers introduced by French agricultural engineers working at the research centres of the Institut de Recherches sur le Coton and les Textiles Exotiques (Cotton and Exotic Textiles Research Institute). While the CFDT system was a success, during the same period the cotton production system in Anglophone Africa performed relatively badly. The 1970s and 1980s were largely characterised by an upward trend in yield per hectare and in the surface area of cultivated land per grower, as well as a sustained increase in the number of producers. Two particular factors that contributed to the success of the CFDT are the use of boys coton – local extension agents working to popularise and disseminate new techniques and seed varieties – and a two-level pricing scale which pays producers for sorting their cotton according to the quality of its grain.<sup>2</sup> On behalf of the company, field agents loan smallholders the money to buy inputs, deducting what they owe the company from profits on the sale of their cotton. Furthermore, the company's monopsony on the purchase of cotton ensured that the integrated vertical system of research-credit-production-marketing functioned efficiently.

The involvement of the CFDT in the Malian cotton industry started at the beginning of the 1950s under the French colonial regime. When the country became independent in 1960, the status quo remained unchanged because of an agreement guaranteeing the CFDT a monopoly over cotton production and processing. In 1974 the Malian government and the CFDT agreed to create the Compagnie Malienne pour le Développement des

Fibres Textiles (CMDT), for which 60 per cent of the capital was put up by the Malian government and 40 per cent came from the CFDT. For Bingen,<sup>3</sup> the establishment of the CMDT should not be seen as an expression of nationalism, but as an initiative benefiting both parties equally. The CMDT gave the Malian government a means by which to attract foreign capital for rural and infrastructure development in the cotton region, allowing its own investment to be directed towards production and marketing. On the other hand, as a local and part-nationalised subsidiary of the CFDT, the CMDT benefited from substantial French investment in cotton research which was taking place across the whole of West and Central Africa, as well as from an agreement for exclusive marketing with the marketing branch of the CFDT, COPACCO.

In the mid 1980s the unstable cotton market led the Malian government to accept the World Bank's recommendation to change the status of the CMDT from a government agency to a parastatal commercial and industrial organisation.

## VILLAGE ASSOCIATIONS AND SYCOV

The relationship between the CMDT and the farmers under its administrative authority has had its ups and downs. Since 1974, just after the company's establishment, farmers banded together to expose dishonest practices in the sorting and weighing of cotton. In response, the CMDT gradually shifted the responsibility for sorting and weighing, for ordering equipment and supplies and for managing credit arrangements to village groups. After years of informal agreements, the CMDT formalised relations by establishing a series of criteria for the setting-up of Village Associations (VAs). Several Village Association leaders were chosen as 'pilot producers' (producteurs pilotes) to promote the use of new and improved marketing techniques and practices. With the end of the authoritarian regime in 1991 came the opportunity for farmers to vent their pent-up frustrations, built up over many years, concerning the workings of the CMDT system, culminating later that year in a strike. The cotton growers formed a union, the Syndicat National des Producteurs de Coton et de Cultures Vivrières (SYCOV - National Union of Cotton and Food Crop Producers); it became

1. The CFDT, a joint venture bringing together the French State and private interest in the textiles sector, was created in 1949. It was largely funded by taxes imposed on French cotton firms in order to subsidise cotton production in overseas French territories.

2. Farmers sort their cotton into two categories: clean, white cotton and raw, discoloured cotton, the former being better quality and therefore worth more. Because producers sort their own cotton, they can more easily select and develop strong strains of seeds themselves, and are directly involved in maintaining the quality of cotton for export.

3. Bingen, RJ (1998) 'Cotton, Democracy and Development in Mali'. *Journal of Modern African Studies*, 36(2), pp. 265–152.

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the channel through which growers in the cotton region dealt with the CMDT and the government. SYCOV representatives were given permission to sit on several policy-making committees which brought together the CMDT and the government. From its foundation, SYCOV has developed strong corporatist links with the CMDT, being regarded by the latter, as well as by the government and by investors, as a producers' association rather than a union. It became, however, more attractive for farmer to see it as a 'Malian peasant movement' as it was the only genuine organisation run by and working for the farmers themselves. That said, SYCOV has not replaced the mutual aid groups within communities and villages, founded on principles of reciprocity and on indigenous structures of authority and responsibility (through kinship, religious and ethnic groups). Writing about the experience of SYCOV, Bingen<sup>4</sup> notes that 'unlike the historical experiences of peasant organisations in many industrialised countries, where contractual organisations grew out of the community or customary organisations which they went on to replace, in sub-Saharan Africa, the tendency has been for community groups to coexist and, in many cases, to continue to exist as the working element at the heart of organisations founded on mutual interest'.

## CURRENT STRUCTURE AND PERFORMANCE OF THE INSTITUTION

The production system of the CMDT is built on simple principles. Each year before the growing season, the cotton purchase price is fixed by the CMDT in conjunction with SYCOV and other interested parties. Together with the farmers, extension agents work out the surface area of farmers' fields to be put to cotton cultivation, and, based on this information, VAs provide farmers with credit. After harvest the CMDT buys up the cotton, gins it and then exports it. If the price of cotton on the international market means that the CMDT makes significant profits, in principle a share of these should return to farmers the following season – in practice this rarely happens. The CMDT system in effect trades off return in favour of risk minimisation for farmers; therefore even before harvest farmers know what the returns on their crop will be. However, the price offered by the CMDT is likely to be lower than growers would be offered by a more decentralised system. Furthermore, the CMDT practice of offering credit on the basis of the total area of their cultivated land rather than on the total output of that land does not encourage growers to try to increase their yield.

Since the CFA franc was devalued in 1994, cotton and cottonseed producing regions have seen an increase in speculation.<sup>5</sup> Exports have also increased and, despite the rising production costs associated with devaluation, farmers' net revenue has also risen. Moreover, areas allocated to cereal cultivation are also expanding. The total production of domestic food crops linked to the CMDT has increased since devaluation. The complementary nature of growing cotton and cereal crops together has led many commentators to think that the prospects of economic growth and reduced poverty in Malian cotton-based economy are inextricably linked to the performance of the cotton zone.<sup>6</sup>

## INSTITUTIONAL CONSTRAINTS

The debate surrounding whether the current CMDT system works in the interests of farmers has still not been settled. Undoubtedly the vertically integrated research-production-marketing system in Mali and other francophone African countries has removed the problems encountered in the Anglophone African cotton market. In particular, the CMDT's partnership with the CFDT, CIRAD and French development and research agencies has benefited the cotton sector in matters of research, ginning and marketing, in financing development and investment (into cotton gins and roads), and in covering shortfalls in times of crisis. On the other hand, transport and energy costs are higher for growers in the cotton region because of the inadequacies of the CMDT system. Moreover, salary costs at the CMDT tend to increase well above the level of inflation. These significant general running costs mean that purchase prices offered to growers by the CMDT do not follow increases in cotton prices on the international market. What is more, as with parastatal organisations involved in the marketing of cash crops elsewhere in Africa, profits made by the CMDT are for the main part handed over to the government instead of being reinvested in the cotton region. On top of that, the CMDT's insistence on increasing the cultivated area rather than increasing yield is a major obstacle to growth in the cotton sector.

The World Bank is anxious to see the CMDT privatised and the cotton region liberalised, and there is good reason to think that this will happen over the next few years. At this stage, it is not known what organisational structure the World Bank would favour after privatisation (although the Tanzanian case study has shown that a variety of different structures could emerge); nor is it known how the Malian State would want to conduct the matter.

4. Op.cit, pp.281.

5. Tefft, J. (2000) 'Cotton in Mali: The 'White Revolution' and Development' in J. Bingen, D. Robinson and J. Staatz, *Democracy and Development in Mali*. East Lansing: Michigan State University Press.

6. Research and surveys of growers conducted by the CMDT quoted by Tefft (op.cit) indicate that the production of secondary cereal crops is higher among cotton planters than other growers, and that the better equipped cotton growers are more productive and have higher cotton yields as well as higher cereal crop yields.

## RESEARCH QUESTIONS AND SUBJECTS FOR FUTURE PHASES OF THE PROGRAMME

1. What have been the advantages and disadvantages of vertically integrated research-production-marketing systems, such as that of the CMDT, in francophone African cotton regions, compared with the more decentralised systems of Anglophone Africa?

2. To what extent have such parastatal organisations benefited the growers under their administration? To what extent have the parastatal organisations working in particular agricultural sectors, such as the CMDT, enabled the transfer of surplus from rural to urban areas?

3. What explains the movement towards privatisation in Mali and other West African countries? What are the political 'drivers of change' within these organisations that manage the cotton and other major commercial agricultural sectors?

4. What type of institutional set-up will become most prevalent in the cotton region following the privatisation of the CMDT? What have been the impacts on pro-poor growth following privatization in other African countries where the cotton sector had been managed under the CFDT system?

5. To what extent are farmers' unions such as SYCOV effective in obtaining higher revenues for growers? Are increases in pro-poor growth brought about by their activity? Can such unions 'successfully question the existing power and institutional structures'<sup>7</sup> in agrarian societies, as was the case with industrial workers' unions in many industrialised or semi-industrialised countries? What are the relations between formal organisations founded on mutual interest, such as SYCOV, and informal institutions such as mutual aid groups in rural societies, and how do these relations change over time?

7. Bingen op. cit., pp. 284.



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