

IMF Working Paper

November 19, 2002

Subject: **Cotton Sector Strategies in West and Central Africa**

<p>The views expressed in this Working Paper are those of the author(s) and do not necessarily represent those of the IMF or IMF policy. Working Papers describe research in progress by the author(s) and are published to elicit comments and to further debate.</p>
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CORRIGENDUM

The attached correction to WP/02/173 (October 2002) has been provided by the staff:

Page 6, first para., lines 6–10: for “China provides substantial...about 20 percent higher than world prices.”
read “In China, the procurement and marketing of cotton are monopolized by the government and the procurement and sales prices have been about 20 percent higher than world prices owing to the high cost of freight.”

Att: (1)

Other Distribution:
Department Heads
Division Chiefs

Table 1. Major Producing Countries: Production and Net Exports of Cotton, 1980/81-2001/02
(In thousands of metric tons)

	1980/81	1985/86	1990/91	1995/96	1998/99	1999/00	2000/01	2001/02 Proj.
Production								
China, Peoples Rep. of	2,703	4,142	4,513	4,774	4,513	3,837	4,425	5,123
United States	2,425	2,928	3,380	3,902	3,034	3,699	3,747	4,374
India	1,323	1,967	1,991	2,886	2,774	2,655	2,376	2,572
Pakistan	715	1,218	1,640	1,788	1,373	1,875	1,788	1,744
Uzbekistan	1,671	1,730	1,595	1,251	1,003	1,129	959	1,046
European Union	676	756	945	1,337	1,334	1,365	1,321	1,401
West and Central Africa 1/	214	364	536	683	878	848	701	959
Brazil	623	831	701	390	458	676	894	719
Others	3,491	3,565	3,680	3,269	3,061	2,942	3,083	2,989
World	13,841	17,501	18,981	20,280	18,428	19,026	19,294	20,928
Net Exports								
China, Peoples Rep. of	-773	610	-278	-659	70	344	47	-65
United States	1,286	420	1,698	1,584	850	1,450	1,471	2,134
India	119	77	154	105	-68	-334	-327	-382
Pakistan	324	685	295	286	-199	-13	27	-87
Uzbekistan	1,448	1,487	1,173	985	830	893	740	718
European Union	-715	-1,071	-827	-725	-783	-1,021	-871	-923
West and Central Africa 1/	185	336	440	600	778	816	689	818
Brazil	6	24	67	-363	-296	-335	-82	-207
Memorandum item:								
World exports	5,721	6,117	6,441	6,051	5,142	5,952	5,755	6,206

Source: International Cotton Advisory Committee.

1/ CFA franc zone only.

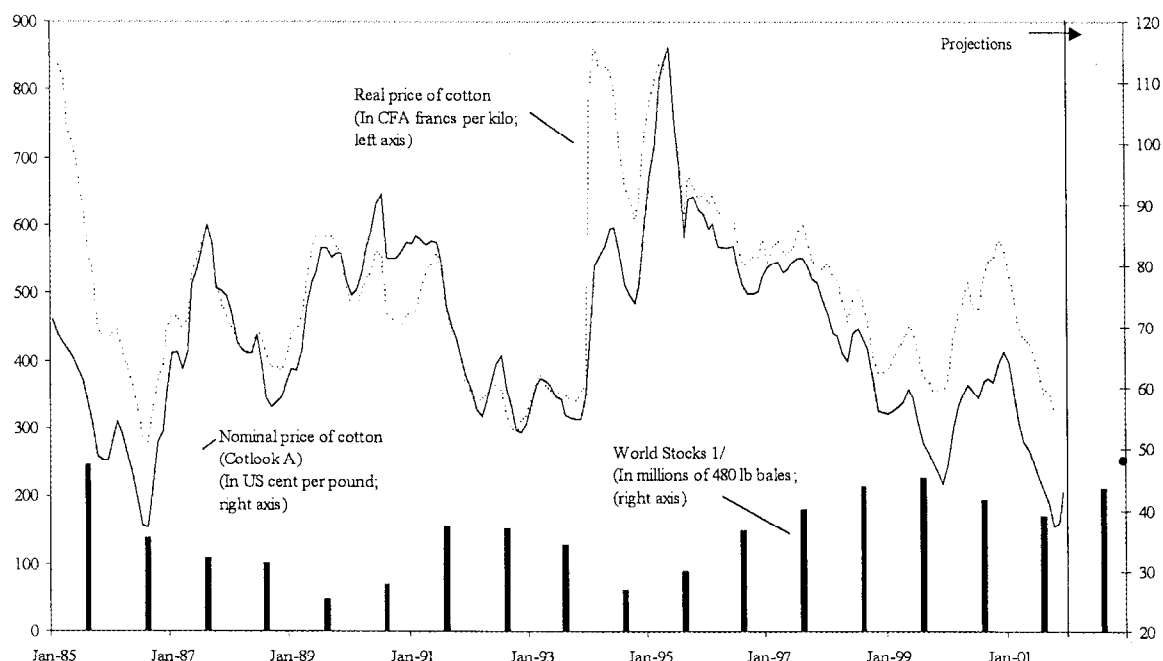
Table 2. Assistance Provided to Major Cotton Producers, 1999/00

Country	Production Thousand tons	Assistance	
		U.S.\$ Per kilogram	Million U.S. dollars
Total	9,942	0.57 1/	4,764
United States	3,694	0.56	2,056
China, People's Republic of	3,829	0.34	1,534
European Union	558	1.42	795
Greece	428	1.39	596
Spain	130	1.53	199
Turkey	791	0.36	287
Brazil	700	0.06	44
Mexico	135	0.21	28
Egypt	235	0.09	20
Memorandum item:			
World cotton price		1.25	

Source: International Cotton Advisory Committee.

1/ Average.

Figure 1. Nominal Price, Real Price and World Stocks of Cotton, January 1985 - December 2002 1/



Sources: USDA; and IMF staff.

1/ Stocks reported in August, the last month of the cotton marketing year. Real cotton price relative to average WAEMU CPI, based in 1990.

The European Union provides the most generous assistance to cotton growers, more than 100 percent of world prices. Moreover, EU subsidies for cotton are exceptionally generous when compared to other crops: 3 to 4 times larger per hectare than for maize and oilseeds and 7-8 times larger than for cereals. However, production (limited to Greece and Spain) is much lower than that in China or the United States. The Common Agricultural Policy's cotton subsidy system was reformed in 1999 to increase penalties for excess production. In China, the procurement and marketing of cotton are monopolized by the government and the procurement and sales prices have been about 20 percent higher than world prices owing to the high cost of freight. With China's WTO entry, the state-trading monopoly is expected to be phased out and domestic prices should move closer to international prices. In the United States, the program of agricultural support is notable because it has been based on the assumption that agricultural prices would remain stable or increase slightly, and thus initially aimed at enhancing the role played by market forces in production decisions when it was designed in 1996. As production expanded and prices started to fall, the level of subsidies increased significantly. Instead of facilitating