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Sub-Saharan African Cotton Policies in Retrospect

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The elusive question of market reforms in Sub-Saharan Africa (SSA)

- Inconclusive results at the sector-wide level
- Significant variation in policy options and evolution
  - For different crops
  - Through time
  - Across countries within SSA
- First step of an attempt to focus on cotton

Why cotton?

- A key crop for numerous countries both at macro & HH level (a.o. Moseley & Gray, 2008; Baffes, 2009)

- Unsettled institutional puzzle
  - Historically: monopolistic public or para-public companies
  - Reforms since the late 1980s & increasingly since the mid-1990s
  - Interlinked transactions

- Interesting set-up for examining variations in the supply responses to liberalization & differences in performance
  - Policies historically similar in a large number of countries
  - Significant variation in reform options adopted

SSA Cotton Policies in the Literature

- Growing body of literature
- Mainly on a case-by-case basis...
- Focus on a small number of countries
- Short time lags between reform implementation & assessment

Comprehensive Approach

- Offer a comprehensive panorama of how market organization has evolved in SSA

- Compilation of a database of market organization indicators

  - Long time frame: since the early 1960s
  - Broad coverage: all cotton producing countries in SSA (today: 25 countries → target: 32)
  - Detailed understanding of policy & reform nature

Present & Future

1. Describe policy trends at the SSA and sub-regional level
   - Identification of a recent mitigation of the ‘disintegration’ trend

2. New opportunities for empirical work…

- … to answer political economy questions
- … to test the link between market organization & performance

Characterizing Cotton Markets (1)

- Start from the links between market organization & performance identified in the literature (a.o. Tschirley et al., 2009 & 2010)

- Detailed approach: market structure, nature of ownership, pricing
  - → In view of allowing disentangling impact in future empirical work

- Indicators
  - Series of exclusive dummy variables for each area of market organisation (vs. composite indicators)

Characterizing Cotton Markets (2)

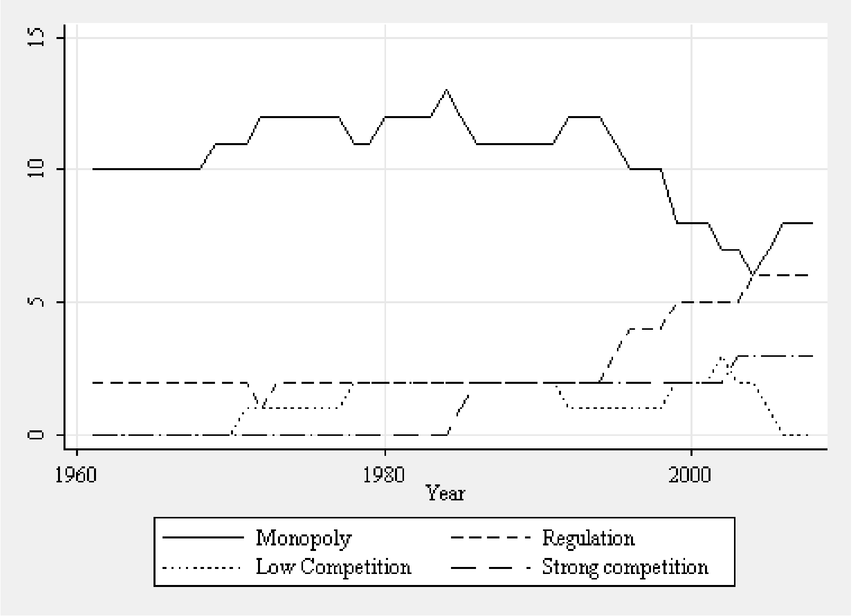
- Is the sector competitive?
  - Strong competition, low competition, regulation, monopoly
- How are producer prices determined?
  - Fixed pan-territorially & pan-seasonally, indicative, market based
- What is the nature of ownership?
  - Fully private, mixed, fully public
  - Ownership by colonial or ex-colonial public enterprises
  - Ownership by farmers

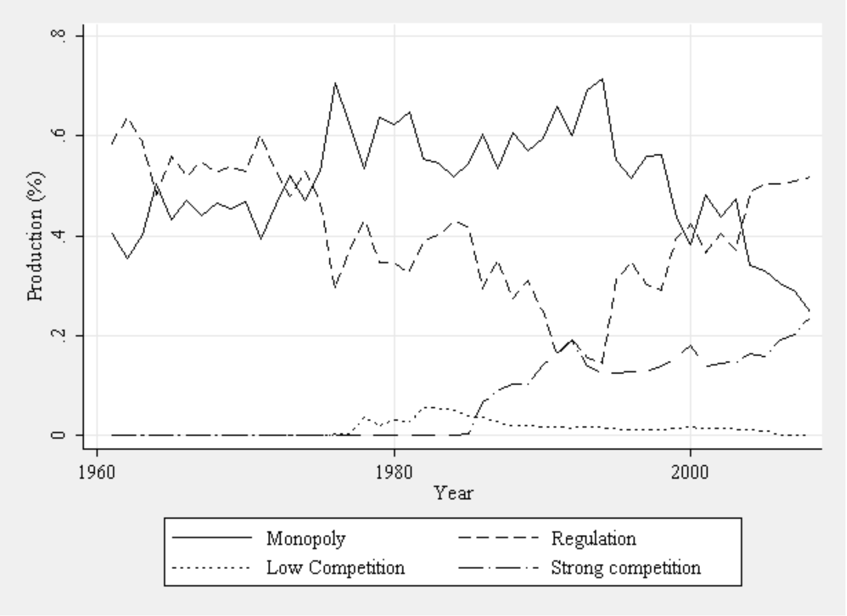
Characterizing Cotton Markets (3)

- Sample
  - 17 WCA countries: Benin, Burkina Faso, Cameroon, Central African Rep., Chad, Congo (Dem. Rep.), Gambia, Ghana, Guinea, Guinea Bissau, Ivory Coast, Mali, Niger, Nigeria, Senegal, Sudan, Togo
  - 8 ESA countries: Kenya, Madagascar, Malawi, Mozambique, Tanzania, Uganda, Zambia, Zimbabwe

- Average market organization
  - Trend in the number of countries characterized by different market characteristics
  - Trends in the production share emanating from these sub-groups of countries
  - SSA level vs. WCA & ESA level

Example 1: Competition in WCA

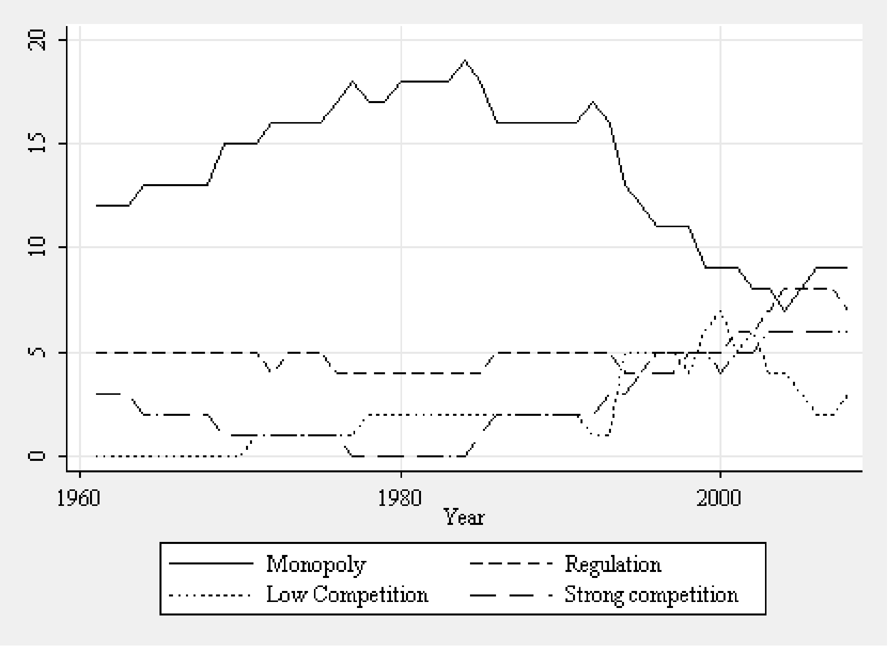




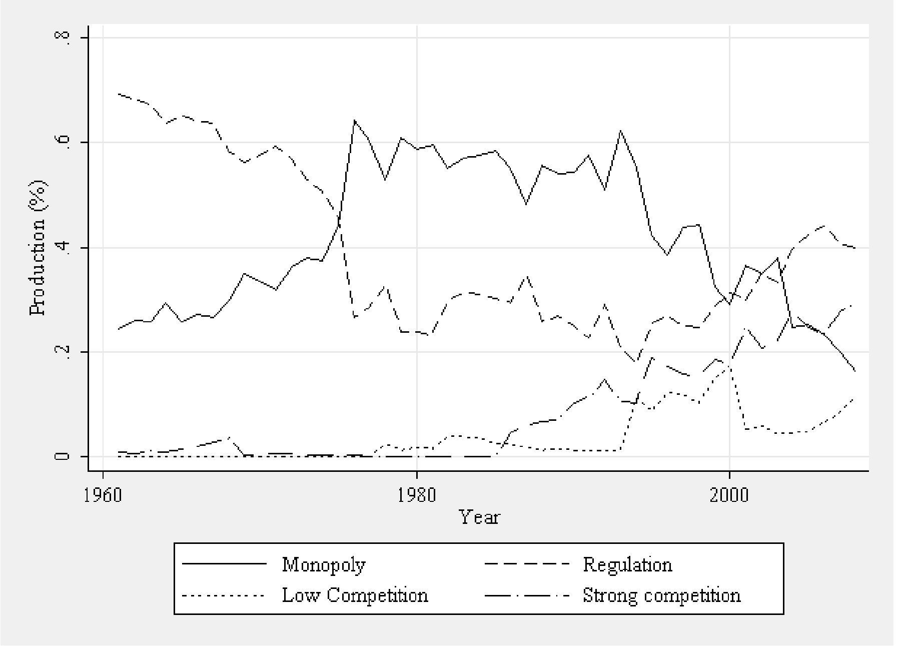
Degree of competition

Production by degree of competition

Example 2: Orthodox reforms? Competition in SSA cotton markets

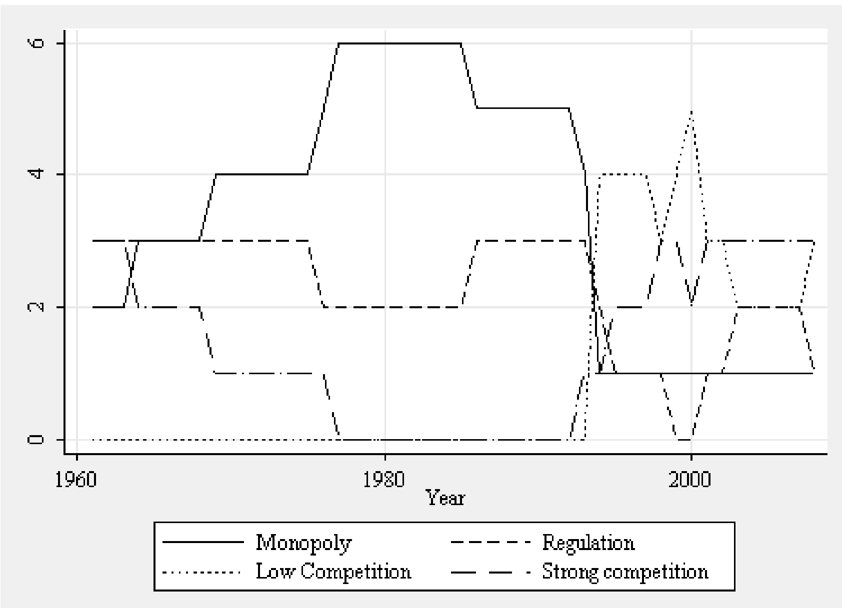


Degree of competition in SSA

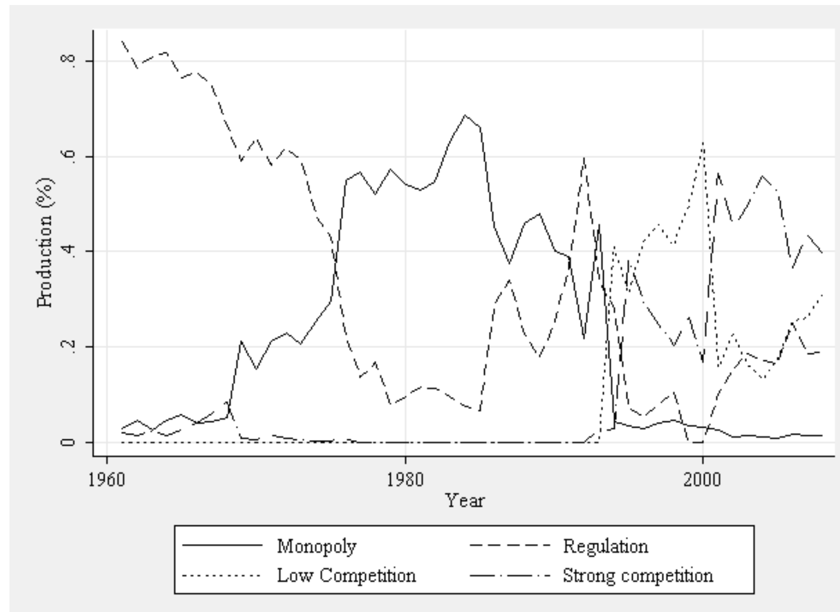


Production by degree of competition in SSA

Example 2: Orthodox Reforms? Competition in ESA



Degree of competition



Production by degree of competition

Re-integration?

- State-driven re-regulation
- Private sector-driven re-regulation
- Market exit

Conclusion

New perspective on reform processes

- Instability in market organisation

- Difficulty of achieving true competition
  - Over two thirds of the markets under consideration are uncompetitive
  - Regulatory bodies created in a number of countries where their impact remains to be measured, hence not in our indicators yet (e.g. *Cotton Development Authority* in Kenya)

- Frequent de facto re-involvement of the states
  - Beyond our indicators: indications of increasing involvement through subsidising

Conclusion

The way forward

- Enhance our database
  - From 25 to 32 countries
  - Broaden the policy spectrum: government transfers, research & extension policies
  - Additional targets: input markets, transport

- Avenues for further research
  - Indicators can be used in several empirical frameworks
  - Work in process: the three sets of indicators appear are crucial explanatory variables of export performance using an augmented gravity model

Thank you for your attention

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