COTTON DEVELOPMENT TRUST

ZAMBIA COUNTRY REPORT TO THE 66TH ICAC PLENARY MEETING, 22ND – 26TH OCTOBER, 2007, IZMIR, TURKEY

1. Introduction

The Zambian economy has historically been dependent on copper mining. The gradual decline in world copper prices during the eighties and nineties led to economic decline. Agriculture has therefore become a major driver of growth and a significant source of export earnings and diversification. Agriculture and agro-processing account for more than 40% of Zambia's GDP and contribute about 12% of export earnings. The sector provides employment to some 67% of the labour force and supplies raw materials to agro-related industries, which account for some 84% of manufacturing value-added in the country.

Zambia has 42 million hectares of arable land (about 55% of total land area), of which only 1.5 million hectares (about 4%) is cultivated every year. The country's 800,000 smallholders account for some four-fifths of this area. The Government of the Republic of Zambia (GRZ) recognizes the importance of smallholder agriculture and is committed to supporting their development.

Following the economic reforms of the early 1990s, the Government reduced its role and budget for agriculture. With reduced Government role, the private sector has been spearheading the impressive growth in agricultural exports. During the period of 1990 to 2000, agricultural GDP grew at an average rate of 3.9% per annum, faster than the population growth of 2.9%, indicating a positive growth per capita.

2. Cotton Production

The Zambian cotton sector has during the last 15 years recorded consistent growth in cotton production. Following liberalisation of the sector in the year 1994 seed cotton production has risen from 42,000 metric tonnes (mt) in 1994/1995 season to 227,000 mt in 2003/2004. Though a small improvement in farm yields has been recorded over the last decade, the growth in national cotton production is primarily as a result of more farmers participating in cotton production. The number of cotton farmers has increased from about 50,000 in 1994/95 season to 250,000 in 2003/04 season.

Table 1. 10 Year Evolution in Cotton Production in Zambia

2001-2002	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Production of seed Cotton (Tons)	104,000	88,000	75,000	80,000	145,000	160,000	227,000	121,000	170,000
Average Yield for SSF	600 Kg/ha	600 Kg/ha	600 Kg/ha	700 Kg/ha	700 Kg/ha	700	750	750	750

Data source: CDT Outgrower Fund Data

Cotton Production

Zambia has however experienced a big slump in seed cotton production over the last two seasons (2005/2006 and 2006/2007). This has come about mainly as a result of fewer farmers in the country cultivating cotton as a response to low internal seed cotton prices brought about by the sharp appreciation of the local currency in relation to major world currencies over the last two years. It is also a result of farmers dumping cotton or reducing cotton production hectarages in favour of maize production because of increased government support to maize production and marketing. Production of seed cotton dropped from 277,000 mt in 2003/2004 to about 121,000 mt in 2005/2006 and to only 87,000 mt in 2006/2007 season. Production is however expected to go up again next season (2007/2008) due to an anticipated price increase following a steady depreciation of the local currency against the dollar and also because of the problems farmers are experiencing this season in maize marketing.

3. Challenges in Cotton Production

The biggest concern in the smallholder cotton sector is still the low seed cotton yields at farm level (400 to 800 kg/ha for 90% of the farmers) in comparison with the very few commercial plantation cotton farmers who achieve 2000-2500kg/ha. Low seed cotton yields hamper income growth in the smallholder cotton sector and reduce its competitiveness. The important factors constraining yields are prolonged dry spells, degraded farming lands and poor soil fertility, poor quality planting seed, inadequate labour and animal draft power, poor production practices and inadequate access to improved production technologies for the large number of cotton farmers who are attracted to the sector only by the farmer-friendly marketing arrangements and pre-finance.

Many cotton promoting and ginning companies are seriously addressing the problem of low farm yields of seed cotton through bilateral programmes with donor aid agencies like the USAID's joint project with Dunavant Limited "YIELD". Through these projects focused and consistent extension services are provided to large numbers of cotton producers in all important cotton growing districts positively and gradually contributing to yield and income improvements.

Following the increase in the number of ginning companies quality standards in grading of seed cotton before buying from farmers are being disregarded by several of them. This poses a real danger of Zambian cotton losing its acquired good reputation on quality that came as a direct result of a strong campaign by Dunavant over several years to raise Zambian cotton quality by eliminating or minimizing contamination. There is need for a new country-wide campaign to raise cotton quality standards for Zambian cotton to remain competitive.

The poor state of rural infrastructure, particularly roads still hampers the development of cotton production in a lot of rural communities; as production inputs cannot be delivered on time and the collection of produce cannot be efficiently conducted. This is exacerbated by the high costs of transportation which increases the costs of cotton production making Zambian cotton less competetive.

4. The Cotton Development Trust (CDT)

The Cotton Development Trust was formed in 1999 as an initiative of the Government of the Republic Zambia under the Ministry of Agriculture and Cooperatives (MACO) and the private sector driven cotton industry. It is governed by an independent board of Trustees. The Trust aims at contributing towards agricultural development in Zambia through strengthening the cotton industry by playing an important role in research and development, extension services, farmer training; and seed technology and production.

Cotton Development Trust targets the 200,000 – 250,000 smallholder farmers in Zambia who produce cotton in the high potential areas of Southern, Eastern, Central, Lusaka Provinces and parts of Copperbelt and Western Provinces both directly and through the structures of the Ministry of Agriculture and Cooperatives (MACO) but mainly though the structures and networks of cotton promoting companies who are mainly ginners.

The Trust's aim is to provide an effective technological base for increased and competitive seed cotton production in Zambia. The core mandate of the CDT is production technology development and transfer. In the short life of the Trust's existence one cotton variety (CDT II) has been developed and released for commercial cotton production in Zambia and several are in the pipeline targeting the diverse soil-climatic environments of Zambia. In addition, low cost production technologies have been developed and evaluated for use by the smallholder cotton producers and today smallholder farmers have increased the use of foliar fertilisers, agricultural lime (necessary in most cotton growing areas) tillage rippers, herbicides etc.

5. Cotton Ginning

There has been notable increase in the ginning capacity in Zambia over the last several years. This has been either a result of established ginners opening up new ginneries or new entrants into the industry. Zambia's ginning capacity currently stands at approximately 277,000 mt. The increasing number of ginners in Zambia is however contributing to some disharmony in the industry particularly that production is well below the ginning potential. Notable among the new entrants in Zambia's ginning industry are Alliance Cotton of Geneva (2006) and Great Lakes (Plexus) in (2005).

Table 2. Capacity of Ginneries in Zambia

Company	Gin Location	Province	Capacity mt/Season
Dunavant	Katete	Eastern	22,000
	Mumbwa	Central	25,000
	Gwembe	Southern	19,000
	Petauke	Eastern	17,000
	Kabwe	Central	22,000
	Lundazi	Eastern	10,000
Chipata Cotton Ginneries	Chipata	Eastern	14,000
	Petauke	Eastern	14,000
Cargill (Zambia) Ltd	Two (2) Gins in Chipata	Eastern	55,000
Continental	Kalomo	Southern	8,000
	Petauke (Sinda)	Eastern	15,000
Mulungushi Cotton Co. Ginnery	Kabwe	Central	10,000
Great Lakes Cotton Company	Sinazengwe	Southern	20,000
Alliance Cotton	Kafue	Lusaka	14,000
Berchand Cotton Zambia Ltd	Chama	Eastern	12,000
TOTAL			**277,000**

The Zambian ginning capacity has grown to 277,000 mt during the 2004/2005 growing season, when Zambian cotton production reached the maximum of 221,000 mt. This would indicate that excess ginning capacity in Zambia for the 2004/2005 season stood at 56,000 mt as opposed to the current excess of over 169,000 mt. The excess ginning capacity has, unfortunately ,resulted into the negative practice of side buying of seed cotton from cotton farmers by the cotton ginning companies as the seed cotton produced during the last two seasons is not enough to feed all the ginneries adequately.

The Zambian cotton lint consumption by domestic spinners is still very small and amounted to less than 20,000 mt in 2006/2007. Zambian ginners exported the remaining 57,500 of mt.

Growers Association

In order to enhance the participation of the over 250,000 smallholder cotton growers in the cotton industry in Zambia and to reduce their vulnerability, the growers have formed the Cotton Association of Zambia (CAZ 2005). The Association is affiliated to the Zambia National Farmers Union and has structures in all cotton growing districts of Zambia. The Association is currently mobilizing cotton growers and improving grass-root organisation to facilitate the improved servicing and empowerment of seed cotton producers in Zambia. There is more confidence building between the ginners who pre-finance cotton production and the producers themselves through the Association. This should contribute to creating a more harmonious environment for seed cotton production and marketing in Zambia. In this regard, the Cotton Association of Zambia (CAZ) is active in the sensitisation of its members against bad practices in cotton marketing which have been aggravated by the increased number of ginning companies buying cotton and the decrease in production.

Regulatory Legislation

The economic reforms of the mid-ninenties that resulted in the privatisation of the cotton industry in Zambia has led to an increased number of participants, particularly ginners, in the cotton industry. New institutions like the Cotton Development Trust and the Cotton Association of Zambia have also evolved. On the other hand with an increased number of participants, the industry has failed to self-regulate and practices and conduct detrimental to the positive development of the cotton industry in Zambia have also appeared and are worsening every season. It has therefore become imperative to regulate the industry through legislation so that only those players with positive responsibilities in the industry can play their role and benefit from the opportunities in the industry. With this in mind Parliament passed the Cotton Act. 2005. However certain amendments are necessary to the Act to make it functional. It is this Act. which will decide the fate and future of cotton production in Zambia.

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