# Ginneries and Cotton Distribution in Kenya

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## ABSTRACT

*Cotton has been grown in Kenya for a long time. Cotton ginning started in the 1920s when the first buying agents received their licences. It is cultivated in the Western and Nyanza Provinces, and in the Central Eastern and Coast provinces. The objective of this study were to assess the performance of the cotton ginneries, taking into account government policies and industrialization, outline the difficulties facing the industry and how they could be solved and identify specific possibilities for import substitution of major inputs, export promotion and job promotion. Data were collected through questionnaires filled in a field interviews, from secondary sources and through visits to ginneries. The results of the study will be used to give suggestions for the solution of problems in the cotton industry and to provide an alternative structure to give impetus to an otherwise stagnant sub-sector.*

## Introduction

Cotton has been grown for a very long time in Kenya, the first European interest dating back to the 1890's when German owned plantations run with slave labour existed in Lamu area of the Coast Province. In 1907 the first agricultural grants were issued to European firms that wanted to grow cotton on big estates in the Tana River Valley. About the same time the colonial government started encouraging cotton growing in other parts of the country. In 1954 it established the Cotton Lint and Seed Marketing Board (CLSMB), charged with four (4) major responsibilities:

- fixing producer prices,
- purchasing all raw cotton from growers and cotton lint and cotton seed from ginners,
- promotion of cotton crop,
- marketing the cotton lint and seed either in the colony or outside (GOK, 1954).

The Board started promoting cotton cultivation in the wake of declining production through a propaganda campaign coupled with improvements in buying arrangements and financial support, using the cotton crop as the surety. The result of these measures was a sharp increase in cotton production and by the time Kenya attained independence, cotton had been established as a permanent crop.

The government of Kenya inherited CLSMB at independence and maintained all its previous functions. The Board has continued to promote cotton through the establishment of ginneries, increased producer prices, prompt payments to farmers and availability of farm inputs with interst free loans for equipment.

The CLSMB possessed a legal monopoly over the purchase and sale of all raw cotton until various reforms within the sub-sector were brought about by the structural adjustment programmes of the World Bank. For at least the last 35 years the cotton sub-sector has been the focus of a high degree of government regulation and intervention. This policy has been reinforced since 1977, in a strenuous effort to increase national self-sufficiency. Donor funding has been channelled into subsidies for all components of the sub-sector. In the period up to 1984/85, this strategy succeeded in raising production to historically high levels. However, external support has dwindled in the last few years and output has fallem back to pre-1977 levels. It has become apparent that the present system with the Cotton Board holding a monopoly in every aspect of marketing and primary processing, is ineffective, extremely costly and unlikely ever to be self financing. Against this background, it has been decided to design an alternative structure in which the Board's role is much more limited and prices more market oriented.

## Seed Cotton Production and Distribution

### *Distribution*

Cotton is cultivated in different regions of Kenya, the main growing areas including: Western Kenya (Western and Nyanza Provinces), Central Province (mainly Kirinyaga District-Mwea Irrigation Scheme), Eastern Province (mainly Meru,Kitui and Machakos), Rift Valley (mainly Baringo District) and the Coast Province (Lamu, Kalifi and Tana River Districts). The main cultivars are UKA 59/240 and BPA 75. UKA medium staple cultivar that is grown as a rain fed crop in the Coast, Central and Eastern provinces and also in South Nyanza and Kerio Valley. It recovers well from drought, is resistant to bacterial blight and jassids (*Empoasca* sp.) and capable of yielding more than two tons of seed cotton per hectare under good management. However, it has a very low ginning outturn and a prolonged growing period of approximately 10 months in Central and Eastern provinces, making weeding and pest control expensive. BPA 75 has a slightly longer staple, is quicker maturing and is grown in the whole of Western Kenya except South Nyanza and in the irrigated areas of Hola, Bura and Mwea. BPA is less resistant to drought but performs well under irrigated conditions where yields up to 5 tons per hectare have been registered. The only other cultivar grown in Kenya is IL69, largely restricted to Taita-Taveta district. Since the cultivar is delivered to the same ginnery as UKA at Malindi, the planting seed that is distributed by the ginnery is mixed.

All the cultivars currently grown in Kenya were developed in Tanzania (UKA and IL) and Uganda (BPA). There is a need to breed for higher ginning outturn in Kenyan cultivars as the current levels of 30-31 percentage constitutes a handicap to the competitiveness of the whole sub-sector. Research should also address spinning qualities more directly.

***Production***

When cotton production was introduced into Kenya it was exclusively destined for export, since there was no spinning industry in the country. Recently, particularly since the collapse of East African Community in 1977, textile and oil mills have been established, making it necessary for Kenya to pay for imported lint in hard currency. Efforts have been made to boost domestic production to provide locally grown raw material for the expanded textile and oil industries. The government through the cotton development programme launched a cotton self-sufficiency policy in 1976.

The producer prices of seed cotton increased by 80 percent between 1975 and 1979 and farm inputs such as seed, insecticides, spraying pumps and land preparation services were provided to farmers through interest free loans. The CLSMB was responsible for the financial administration and recovery of these loans.

Despite the major expansion of irrigation in the 1980's, cotton production in Kenya remains predominantly rainfed and is concentrated in marginal areas where its relative drought tolerance and the lack of many alternative cash crop gives it an advantage. However, because of growing competition from food crops, particularly in Western Kenya; it is being inter-cropped increasingly with maize and beans rather than grown in pure stand; often with negative impact on yields. The low priority given to cotton by most farmers results from several factors. Chronically low producer prices and delayed payments may be the most important. Others include: -

- lack of credit for purchase of chemicals and spray pumps;
- delays on the part of buying agents in purchasing the crops;
- high level of local taxes and other deductions from crop;
- receipts (these should be abolished as far as possible);
- lack of resources devoted to agronomic research and failure to gear it to farmers needs (this should be co-ordinated by the Cotton Board, which should also be responsible for managing an effective seed multiplication programme).

There is general evidence that farmers in most districts regard cotton as a marginal crop, giving it low priority in the allocation of farm resources. This explains the widespread incidence of cotton inter cropping and late planting that combined with negligible application of inputs, fertilizers and insecticides leads to reduced yields and low quality cotton.

It is perhaps significant that, on a relative scale, the shift in production from Western Kenya to Eastern Kenya is a result of increased production in the East rather than a decrease in the West. This is possibly a sign of more farmers coming into cotton production in Eastern Kenya following favourable incentives for cotton farming. The inference is supported by the fact that much of the crop in Eastern province, in particular, is grown in the agro-ecological zones (AEZ) of lower midlands, that is, cotton zone (LNs and LM4), that is marginal for most food crops on account of uncertain rainfall and where risks of crop failure are high. Cotton being a two season crop, provides better insurance against drought. The chances of missing both rains and failing to get a crop are lower than with crops that rely on single season rainfall. In Western Kenya, cotton is largely grown in AEZ LM that can support a number of competing crops at lower risks.

A second change in distribution and production patterns has been the increased importance of irrigated cotton. By 1984/85, 17 percent of lint output was derived from irrigation schemes at Hola and Bura, but by 1988/89 irrigated cotton contributed 37 percent of national seed cotton production. However, between 1988/89 and 1990/91, irrigated cotton production at Bura dropped by over 60 percent due to problems with the pumping stations. In Hola, no cotton was produced under irrigation in 1989/90 season because Tana river changed course away from the water delivery canals. While the initial results from these schemes appeared to confirm the official view that such irrigation schemes hold the greater promise for increasing both quantity and quality of cotton in the country; the problems that have arisen cast doubt on their sustainability. While it has not been possible within the scope of this study to assess the production constraints on these irrigation schemes; it may be significant that among the options reportedly being considered for re-launching the schemes on a more secure financial footing is the replacement of cotton with possibly more economically profitable horticultural crops.

## Cotton Ginning

Cotton ginning in Kenya started way back in 1920's when the first buying Agents received their licenses. Most of these were Asian traders who had settled in Kenya as importers of Indian textiles, but changed their business interests during the rise of Kenyan cotton production. They started to buy seed cotton and some of them established ginneries. The Asian traders remained the only buying agents and ginners till the rise of cotton co-operative societies shortly after independence. During the 1960's newly established co-operative societies took over six out of ten existing ginneries. All of them were situated in Western Kenya, the most important cotton growing area at the time, and where the level of co-operative representation was high.

At the beginning of 1970's the Board took over one private ginnery and established five new ones and as a result Kenya possesses fifteen ginneries at present, distributed throughout the cotton growing areas, majority of which being located in Western Kenya (CLSMB).

Cotton ginneries perform one main function and that is to separate the lint from the seed. How this is performed is identical worldwide, whether by roller or by ginning. After this operation, cotton seed is packed in 50Kg. bags each and cotton lint is sold locally to Kenyan textile mills for making yarn while cotton seed is sold to Kenyan oil mills for the processing of edible oils, cattle cakes, soap, chicken feed etc. Ginneries also prepare, among other things cotton seed for distribution to farmers for planting purposes. The ginned cotton seed is dressed with copper fungicide and packed in 4.5Kg. and 9Kg. polythene bags at the ginnery. The dressing and packaging materials are supplied by the cotton Board irrespective of their ownership. Area specific cotton seed requirements are estimated in advance of each season by the Board's regional and branch personnel in consultation with the Ministry of Agriculture field staff, bearing in mind previous seasons seed cotton production, with a seed reservation rate of 20Kg. per hectare. The dressed and packed seed is distributed free of charge through seed cotton buying centres after prior notification to the farmers through the ministry of Agriculture field staff and local leaders.

### *Location and Capacity of Kenya's Ginneries*

Most of the ginneries are owned either by the cotton Board or co-operative unions. The remaining few; mainly private ones, are owned by private Kenyan citizens of Asian origin. There are about four private ginneries, five owned by the Board, six co-operative ginneries and one ginnery owned jointly by the Board and a co-operative society. The largest single ginnery is Gaitu ginnery in Meru with 30 Double Roller gins while Malindi ginnery at Kalifi with five Single Roller gins is the smallest. These are very small enterprises without multinational companies influence and, on average, employing about 30 permanent staff and 50 seasonal workers annually.

### *Performance of Private versus Parastatal Ginneries*

Currently there are five private ginneries in the country and reports abound about the enormous interests on the part of the private entrepreneurs in opening more ginneries. This is a strong prima facie that private ginning is a profitable venture. This belief was reinforced by the recent increase in the commission rates payable by the cotton Board for buying, transporting and ginning cotton prior to complete liberalization of cotton marketing in late 1991.

Some of the main reasons for the relative success of private ginners, in comparison to the dismal financial performance of both co-operative and Board ginneries relate to their (private ginners) managerial and organizational capabilities as also their greater financial strength coupled with relative freedom with which they carry out their business.

Due to their financial strength and given the 1991 liberalization of cotton marketing (negating the earlier zoning system) which meant ginneries are free to purchase cotton crop from any part of the country; private ginneries have been able to increase their working capacity tremendously. Kitui ginnery (private), for e.g., receives only one-fourth of its cotton requirement from Kitui district. The rest (3/4) comes from cotton producers in other districts namely Meru, Machakos and Embu. This is so despite the fact that there are cotton ginneries in those districts which are operating below capacity.

The main reason is that those ginneries (Board and co-operative owned) do not pay the farmers promptly while Kitui ginnery, a private ginnery, pays farmers cash on delivery. Secondly, due to their financial strength, private ginneries are capable of acquiring gin spare parts at quick notice thereby avoiding unnecessary long periods of closure whenever the ginnery break down, a phenomenon very common with Board/co-operative ginneries. Thirdly due to 1991 market liberalization by the government, there has been a great improvement in the ginning profit margins which enhances and encourages expansion of private ginneries, and better financial management in their pursuit for more profits. Last but not least private ginneries are viable and successful due to their ability to operate without much political and bureaucratic red tape which are so prevalent with union and Board ginneries.

The relative success of the private ginneries and their greater ability to avoid political interference and other non-commercial pressures which are so inimical to the performance of co-operative organizations warrants that such private entrepreneurs be provided with enabling environment so as to continue to take over as much of the primary marketing and processing of cotton as possible for the good of the sub-sector. This will eventually lead to increased cotton production and inevitably strong textile industry necessary for the country's industrial take-off; a stage Kenya is yet to achieve.

## Recommendations – A Summary

Reforms are urgently needed in:

Primary Marketing and Processing
Lint Marketing
Pricing System
 - Post harvest to ex-ginnery
 - Lint sales
Imports
Crop Finance
Input Supply
Seed for Planting
Research
Deductions from Payments to Farmers
Ginnery Licensing
Funding of Cotton Board Operations

## Conclusions

For the last 35 years the cotton sub-sector has been the focus of a high degree of government regulation and intervention. This policy has been reinforced since 1977, in a strenuous effort to increase national self-sufficiency, and donor funding has been channelled into subsidies for all components of the sub-sector. In the period up to 1984/85, this strategy succeeded in raising production to historically high levels. However, external support has dwindled in the last few years and output has fallen back to pre-1977 levels. It is apparent that the present system of marketing and pricing-with the Cotton Board playing a dominant role is ineffective, extremely costly and unlikely ever to be self-financing.

Seed cotton production has been declining; except between 1965/66 and 1978/79 when production more than doubled from 13.6 to 35.4K tons, and in 1984/85 when it reached an all time record of 39.3K tons. Apart from these years, production has declined with occasional insignificant increases in production. The present ginning capacity is estimated to be just over 100,000 bales, so the average capacity utilization is barely 30 percent and reflects the slackened growth in the Kenyan textile and edible oil industries.

Against this background, it has been decided to design an alternative structure of liberalized marketing and pricing policies that will give a strong impetus to an otherwise stagnant sub-sector.