



Cotton Country Report



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Contents

1. INTRODUCTION	2
1.1. Zimbabwe Cotton Sector Background	2
1.2. Government Efforts to Revive the Cotton Sector	3
2. COTTON PRODUCTION AND PRODUCTIVITY	3
2.1 Cotton Production	3
2.2 Cotton Productivity.....	5
3. COTTON MARKETING IN ZIMBABWE	5
3.1 Seed Cotton Buying	5
3.2 Seed Cotton Prices	6
4. COTTON AND COTTON BY-PRODUCTS TRADE	7
4.1 Cotton Lint Trade.....	7
4.2 Cotton Linters Trade.....	8
5. INVESTMENT OPPORTUNITIES IN THE COTTON INDUSTRY	10
5.1 New Seed Varieties	10
5.2 Value Addition In The Cotton To Cloth Value Chain	10
5.3 Recapitalization Of Textile Companies.....	11
5.4 Research and Development.....	11
6. CONCLUSION	11

1. INTRODUCTION

1.1. Zimbabwe Cotton Sector Background

Zimbabwe's cotton industry remains an integral sub-sector in agricultural development. It is one of the main endeavour crop projects in drier parts of the country following livestock production. The crop is drought tolerant and tolerate rainfall amount that ranges from 400mm to 600mm per annum. The crop is grown by over 300 000 smallholder farmers across the country and is a major source of livelihood for over 600 000 families. The crop is strategic in that it provides raw materials for the clothing and textile industry, food industry (cooking oil), feed industry (cotton seed cake) and fibre industry (cotton lint into threads). The linters also used in paper money making. Cotton is also among top earning export crops generating foreign revenues for the country hence, improving the foreign reserve ratio in the country's balance sheets.

Cotton production in Zimbabwe can be traced back to 19th century growing the indigenous crop by the then Southern Rhodesia. During the early 1900s, first research trials were conducted using seed from Peru, Egypt, Brazil and the United States (Hanyani-Mlambo 2009). Commercial production started in 1923 and a research station was established in Kadoma in 1925.

Some of the cotton companies and ginning companies that have operated in Zimbabwe since 1997 include Tarafen, Chollima, Farmers' World, FSI Agricom, Dynamic Cotton, IDAI Modzone, Bartco, Comtex, Insing Investments, Parrogate, Olam Zimbabwe, Cargill, Synthesis, ZESA Enterprises, Cot trade, Arm grain, REA, Copaco, Cottco, Cotpro Fleming as well as Recor. However, to date, during the 2021/22 season, there are five large contractors in the cotton subsector namely Cotton Company of Zimbabwe (Cottco), Alliance Ginneries, Southern Cotton Company, ShawashAgri as well as Zimbabwe Cotton Consortium. Cottco has the largest market share of about 85% and it operates across the country. The remaining companies share the remaining 15% of the cotton market share.

Other important key stakeholders in the cotton value chain include seed houses, research centres, fertilizer companies, ginners, weavers, spinners, feed manufacturing, oil processors and expressors, and machinery distributors. This

makes the cotton industry an integral part, especially in oil processing, feed manufacturing as well as the textile industry.

1.2. Government Efforts to Revive the Cotton Sector

The Government of Zimbabwe is making relevant strides to revive the declining cotton industry through input subsidy schemes, market orderliness, and climate-smart and sustainability measures. In the 2021/22 season, farmers received cotton input packages under a Presidential Climate Proofed Programme as a means of promoting climate smart and sustainability farming. The Government and other stakeholders negotiated a producer pricing paid partly in USD and in local Zimbabwe dollars (ZWL\$) which have seen farmers getting Us\$0.30c/kg plus ZWL34.50/kg (approx. US\$0.07). The move was largely meant to incentivize the farmers and hence encourage more seed cotton production in the 2022/23 farming season. The Government is also promoting contract farming to provide farmers with guaranteed markets, and agronomic practices as well as easy access to production inputs.

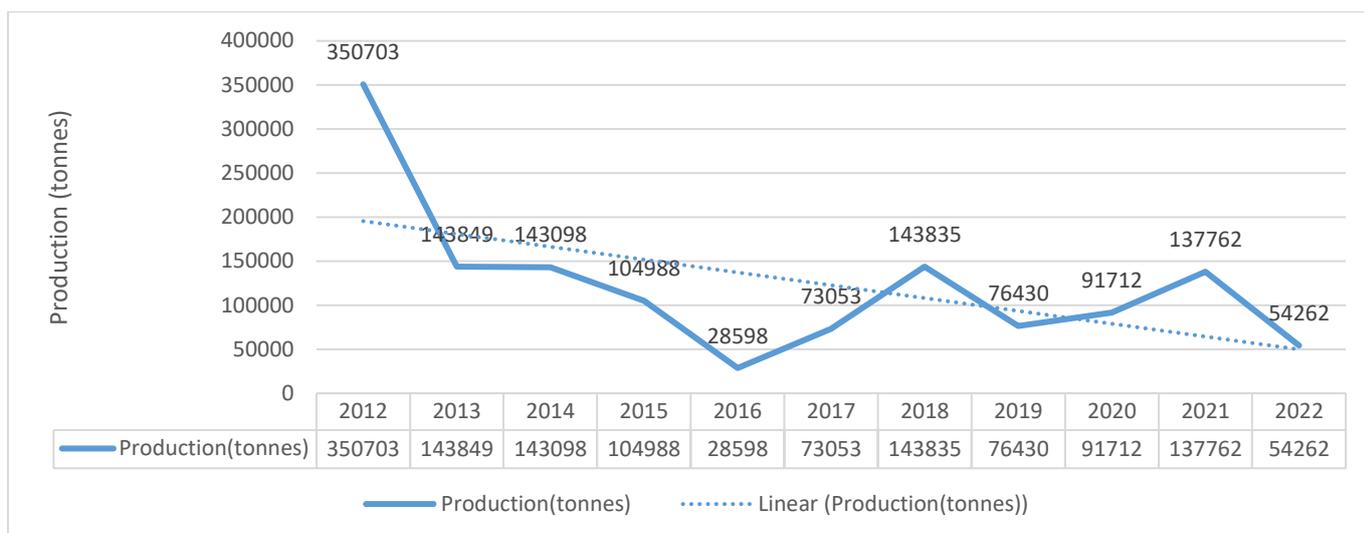
This country cotton report presents the production, marketing, and trade of cotton and cotton products for a ten-year period covering 2012 to 2022.

2. COTTON PRODUCTION AND PRODUCTIVITY

2.1 Cotton Production

Cotton production is largely practiced by smallholder farmers in Zimbabwe with an average of one hectare for every farmer. Production is mainly done in averagely drier parts of the country with considerable high temperatures and rainfall amounts averaging 500mm per annum. Major areas include Gokwe, Sanyati, Kadoma, Muzarabani, Mt Darwin, Chipinge, Masvingo, Matebeleland, and many others that are suitable for cotton production.

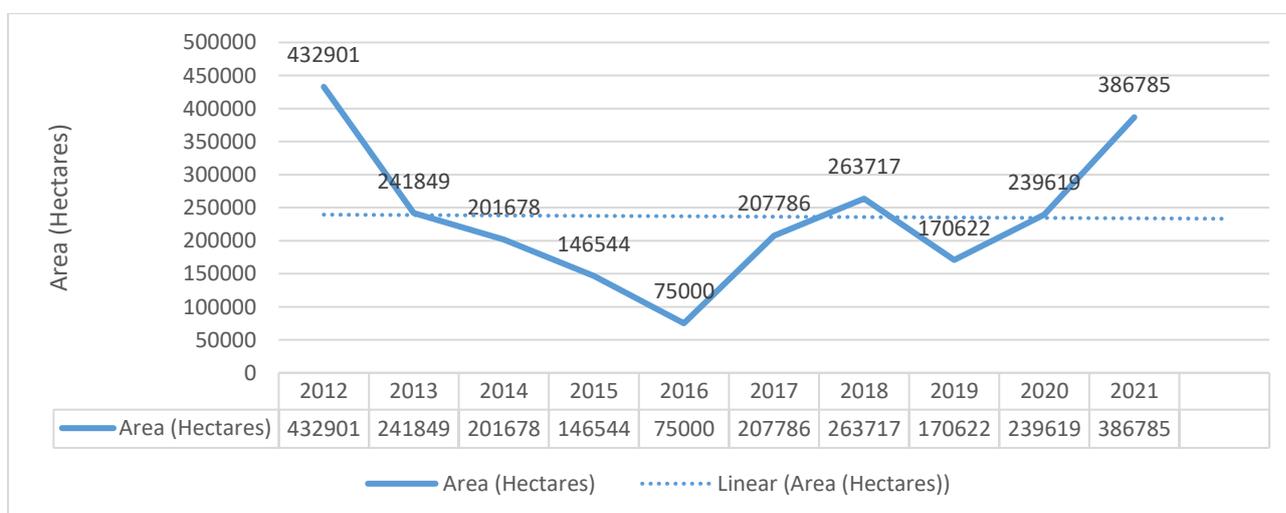
Figure 1: Cotton Production 2012-2022



Source: AMA Records

The chart above provides an average of cotton production performance over a ten-year period from 2012 to 2022. Highest production was recognized in marketing year 2012 with 350 703MT. Since then, production sharply declined down to 28598MT by 2016. Cotton production is showing a declining trend as shown by the blue dotted trendline. Some of the challenges that affect production in the period include but are not limited to droughts, low producer prices which become a disincentive for farmers to establish a crop, provision of late and inadequate inputs, contractor withdrawal as well as farmer frustration and withdrawal from the white crop industry.

Figure 2: Area under Cotton Production 2012-2021



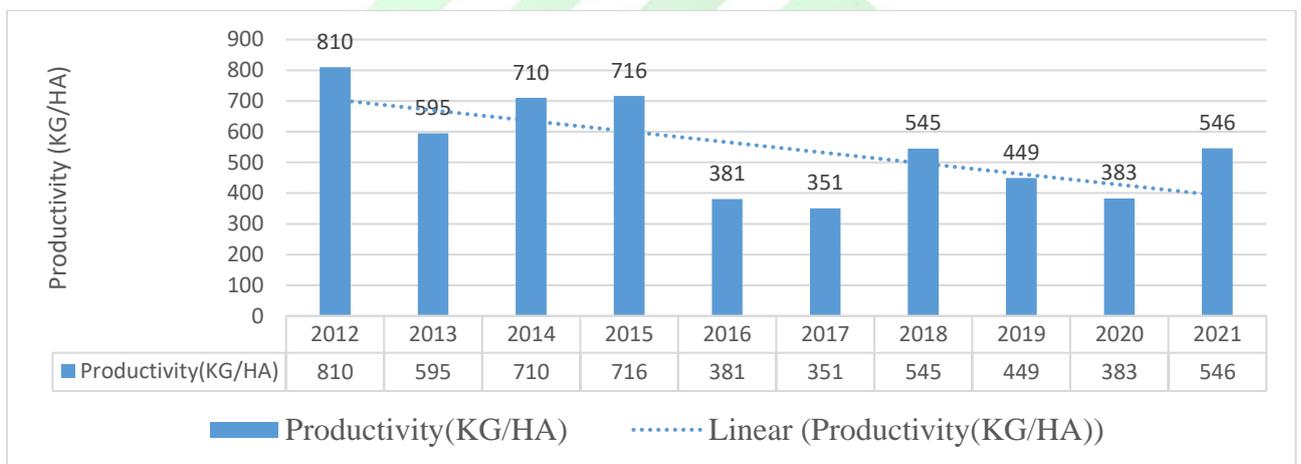
Source: AMA

The above chart shows that over the past ten years, area under production for cotton remained stable for most of the years as shown by the trendline. However, 2012 and 2021 are the outliers with 432 901 and 386 785 hectares respectively and have neutralized the 75000hectares in 2016. The recent increase in area under production have also been facilitated by the Presidential Cotton Input Scheme. The declines in area under production are ascribed to input costs, withdrawal of contractors as well as induced farmer withdrawal due to lower producer prices.

2.2 Cotton Productivity

Figure 3 below shows productivity as indicated by kg per hectare. The average productivity for the past decade is at 0.55mt/Ha. However, productivity is showing a declining trend. The decline in productivity over the years is attributed to droughts, diseases, the effects of climate change, as well as shortage of manpower especially during weeding and picking periods leading to falling productivity as well as the emergency of ratoon crops.

Figure 3: Cotton Productivity over the years



Source: AMA

3. COTTON MARKETING IN ZIMBABWE

3.1 Seed Cotton Buying

AMA is the regulator of cotton marketing in Zimbabwe. The marketing follows an established local market approach. In this approach, the Agricultural Marketing Authority (AMA) will be working closely with the registered cotton contractors to

ensure a smooth and successful marketing season. Seed cotton is purchased only by licensed buyers from the approved Common Buying Points (CBPs) which also work as Common Input Distribution Points (CIIDPs) during input disbursement. In this system, all contractors are required to register with the Agricultural Marketing Authority and submit the database of their contracted farmers. Those farmers will receive inputs under the watchful eye of AMA clerks with database checklists. The database will then be used during the marketing season. Licensed contractors can only purchase seed cotton from farmers they are contracted to and have provided the required inputs. This has helped a great deal to instil order in the cotton marketing space as well as prevent side marketing.

3.2 Seed Cotton Prices

The Government normally announces the seed cotton producer prices. In coming up with this price, government carry out widespread industry consultation and prices are based on a production cost plus model. Contractors often adopt the announced prices but will at times slightly go beyond this in order to attract deliveries.

Figure 4: Local Seed Cotton Producer Prices



Source: AMA Reports

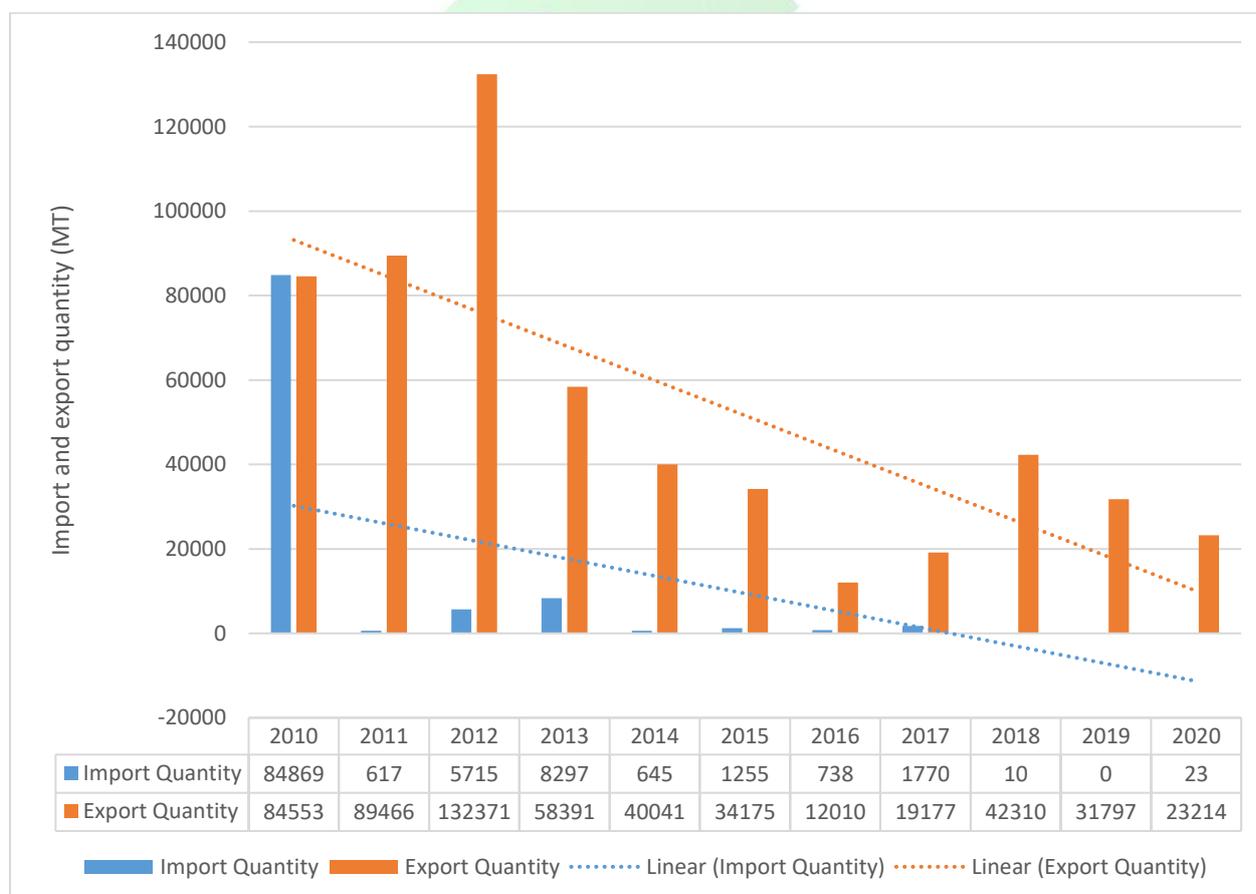
Cotton producer prices remained relatively stable for the past ten years. The average price of cotton per kilogram over the past ten years stood at USD0.30. However, in some years the prices improved to nearly USD0.60.

4. COTTON AND COTTON BY-PRODUCTS TRADE

4.1 Cotton Lint Trade

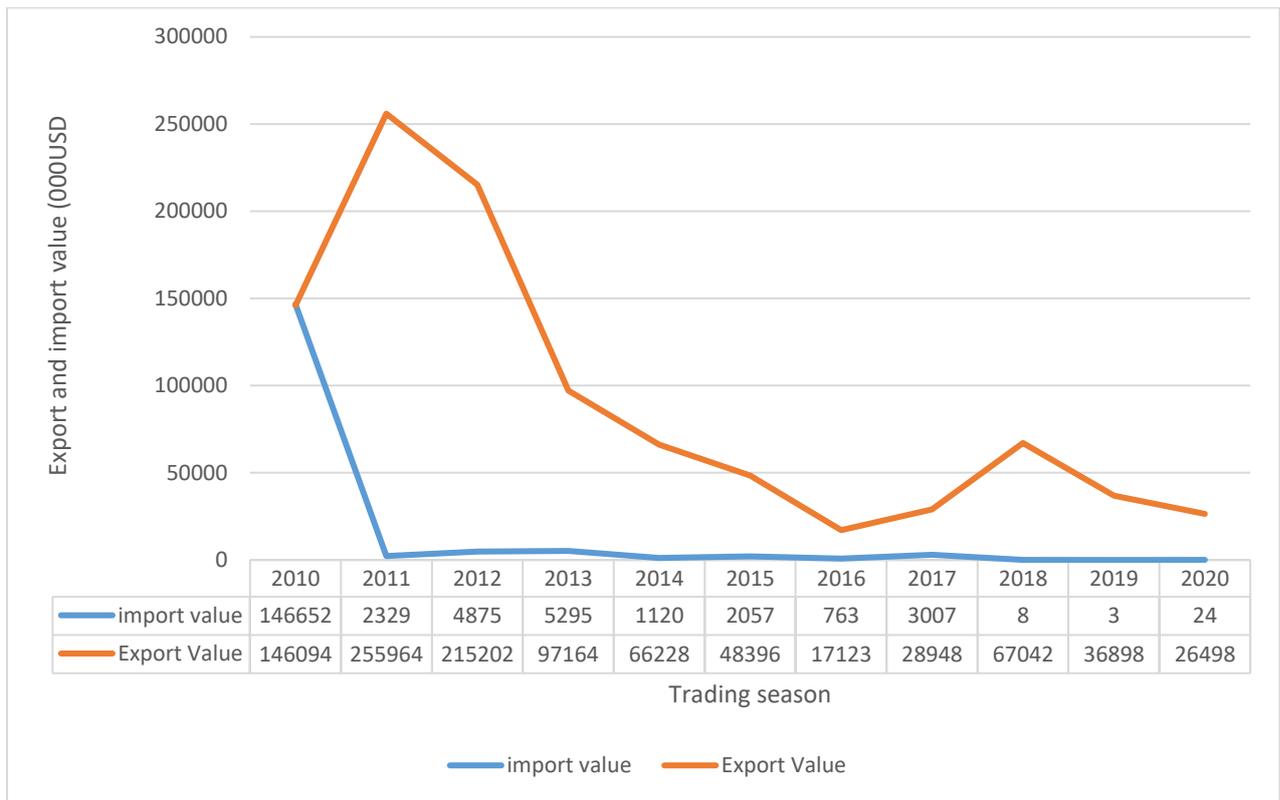
Zimbabwe is among major cotton producers in Africa, and as such import very few quantities of cotton lint. The country recorded highest import quantity in 2010 of 84869MT of cotton lint. Since then, import quantity decreased marginally with 2019 recording zero imports and 23MT of imports in 2020. The 2019 and 2020 fall in import quantities are also subject to the novel coronavirus outbreak. However, much of the cotton seed produced in Zimbabwe enter the export market, hence, the chart below clearly shows that export quantities surpass the import quantities in the period under review. In 2012, the country recorded 132371 MT which is the highest and a lowest of 12010 MT of cotton lint in 2016. Reduction in export quantities are also a result of lower production, exchange rate volatility, and COVID19 outbreak. Generally, export performance in the cotton industry is declining as shown by the orange trendline.

Figure 5: Import and Export of Cotton Lint



Source: FAOSTAT

Figure 6: Import and export value of Cotton Lint



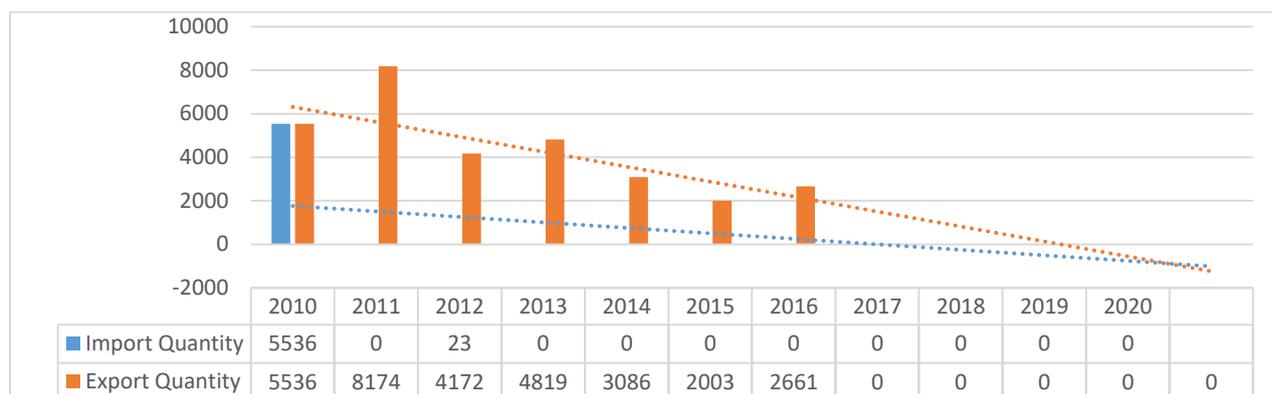
Source: FAOSTAT

As shown by the two-line charts above, the general outlook shows that both import and export value are decreasing marginally. Decrease in value is owing to volatile exchange rate, inflation, fall in production and productivity. However, the local consumption of cotton has increased over the years prompting decline in export of cotton seed.

4.2 Cotton Linters Trade

The export and import quantity for cotton linters follows the similar trend as that of cotton lint with the general overview of decline in trade of cotton linters. Zimbabwe usually exports linters to countries such as South Africa, United States and Germany where the very fine fibre is used in the manufacturing of expensive linen as well as in paper money making. The decline in demand from those major importing countries has affected trade balances hence the decline in exports. Exports have also decreased owing to lower seed cotton production.

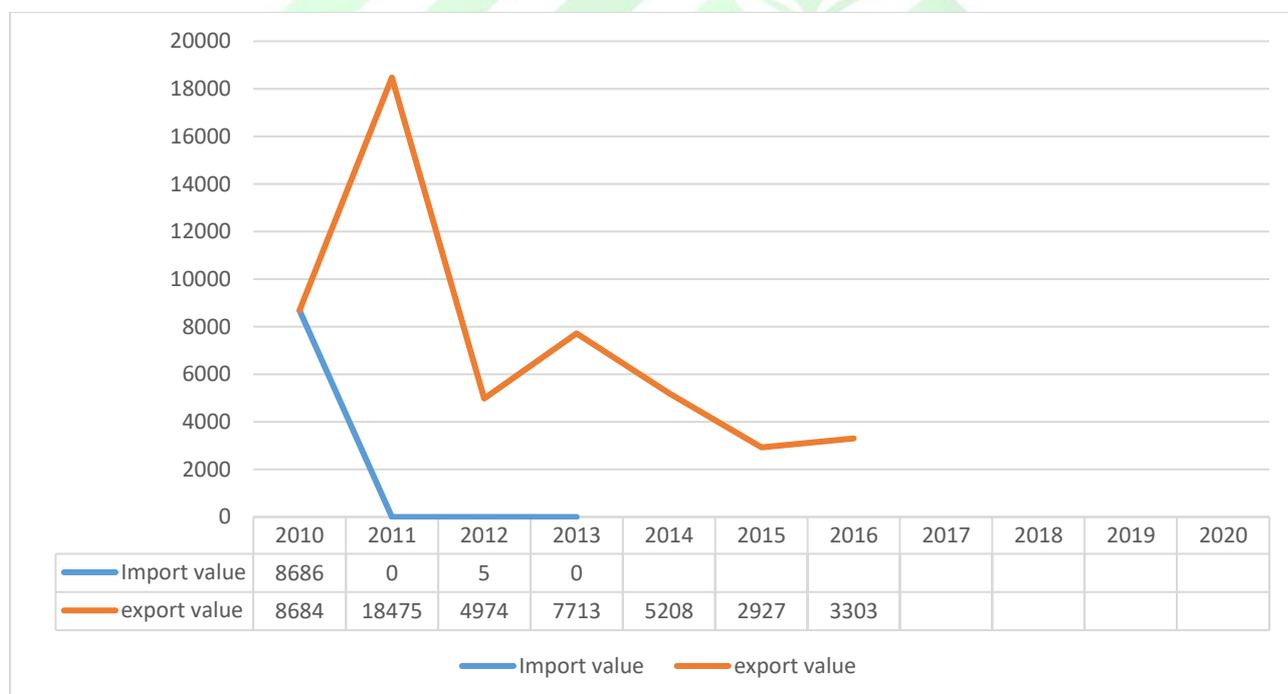
Figure 7: Import and export of cotton linters



Source FAOSTAT

The value of export for linters has increased from USD8 684 000 in 2010 to USD18 475 000 in 2011. However, the trend has been declining since then. The import value of cotton linters decreased marginally and in 2011 and 2013, zero imports were recorded. This signifies that the country is either producing enough linters to satisfy domestic consumption or else, the country has limited use of the fine fibre. Linters are usually produced by oil expressers during oil processing.

Figure 8: Import and Export value of Cotton Linters

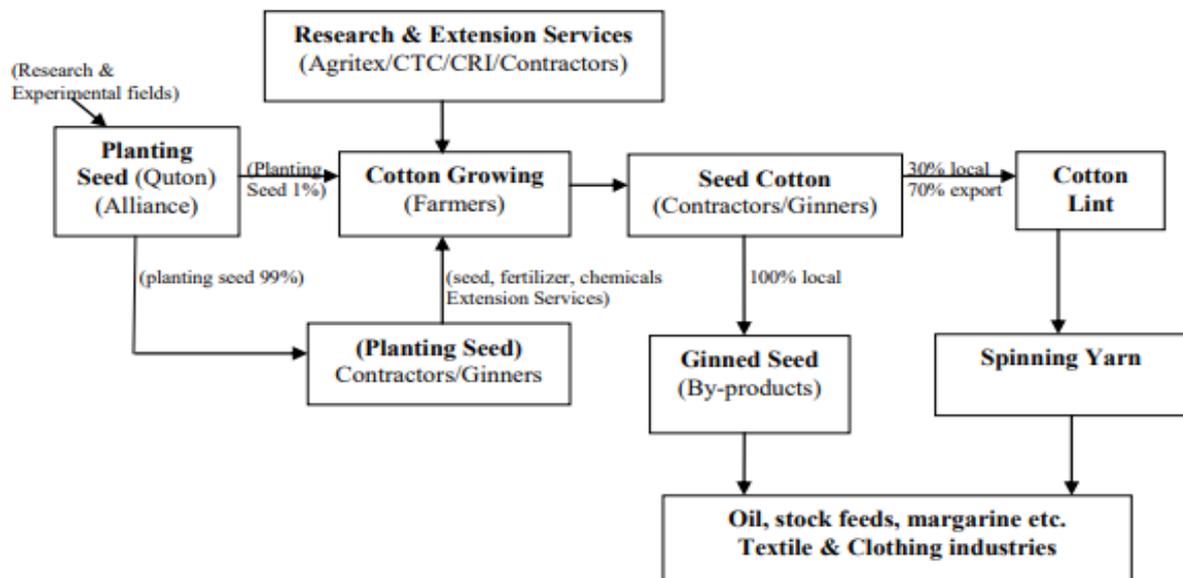


Source: FAOSTAT

5. INVESTMENT OPPORTUNITIES IN THE COTTON INDUSTRY

There are several opportunities in the cotton value chain in Zimbabwe. The Zimbabwe's cotton value chain is shown below. The opportunities are discussed in the following subsections.

Figure 9: Zimbabwe Cotton Value chain



Adapted from UNCTAD, 2016: Cotton and its By-Products Sector in Zimbabwe

5.1 New Seed Varieties

Zimbabwe's cotton yields and output remain depressed and declining due to poor agronomic practices by the local farmers and undoubtedly the negative effects of climate change and variability. To enhance production and productivity, a possible solution is the adoption of hybrid planting seed. Currently, the open-pollinated seed varieties dominate the sector and are estimated at close to 85%. The hybrid seed varieties grown are currently being imported from an Indian Firm, Mahyco, through a local seed company called Quton Seed. Research and Development in seed varieties that are pest and disease tolerant, high yielding and adapted to climate change is one of the areas where investment opportunities are available in the country for both domestic and foreign investors.

5.2 Value Addition In The Cotton To Cloth Value Chain

Cotton seed and lint are the main products derived from seed cotton. There are four main products that can be produced from cottonseed. These are cooking oil,

cottonseed meal, linters, and hulls. In all these by-products, there are opportunities for investment especially in terms of bringing the cutting-edge technology to fully extract these by products.

In terms of lint, at least 70% of it is exported to China, India, Bangladesh, among other nations, while only 30% is consumed locally. This is due to low-capacity utilisation in Zimbabwe. Increasing investment in lint utilisation therefore presents an opportunity for growth.

5.3 Recapitalization Of Textile Companies

Several spinning mills and textile- manufacturing closed down in recent years due to low through put, obsolete machinery and technology and low capital due to some macro-economic challenges the country experienced over the years. Revival of the spinning and weaving industry has potential to increase capacity utilisation and increase yarn production and therefore revive the clothing industry.

5.4 Research and Development

As the global trends change, technology in production, ginning and seed processing is also not spared. The whole cotton to clothing value chain therefore presents research and development opportunities for exploitation under the Zimbabwean landscape.

6. CONCLUSION

Zimbabwe's cotton industry is dogged by production and productivity challenges. This has seen the Government making concerted efforts to intervene through provision of inputs as well as promotion of smart agriculture. The sustained implementation of these programmes should see a reversal in negative production and productivity trends and rebound the nation to its 2012 levels where seed cotton production exceeded 350 000mt. It therefore also means that there will be need to increase investments along the value chain in order to fully exploit the opportunities created thereafter.