The ICAC Recorder

# Possible Impact of COVID-19 on the Global Cotton Sector: The Kenyan Perspective

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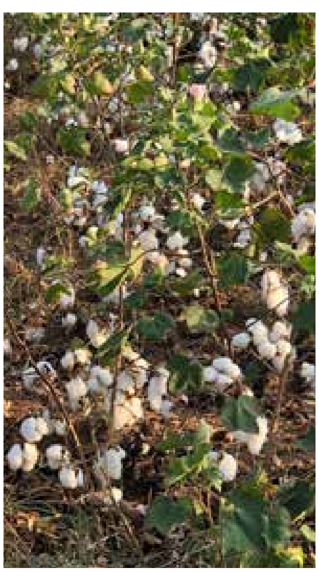

## Introduction

Before the pandemic, Kenya was consolidating its new plans and strategies that would contribute to sustainable socio-economic development of communities growing cotton in line with the Country Big 4 Agenda[1]. The Country imports an estimated 70% of its lint requirement from Tanzania, Uganda and Mozambique. In its new strategy, the country seeks to improve its capacity to supply enough high-quality cotton to its textile manufacturing sector. For efficient implementation of the strategy, the government established 8 operational field offices covering all the 22 cotton-production counties[2]. These offices work closely with the County governments' extension service department and the private sector (ginning factories, input suppliers and spinning/ textile firms) spread across these areas. The strategy entails provision of technical and advisory services, improving quality inputs access, marketing and creating an enabling environment for active private sector participation.

## Impacts

Normally farmers receive free cotton planting materials (fuzzy seeds) from the government delivered near the growers' fields. The seed is usually accessed from designated private and government stores. In its strategy to improve cotton productivity, early this year (2020) new superior commercial seeds were released by the Kenya Plant Health Inspectorate Service (KEPHIS). Just before the COVID-19 outbreak, promotion campaigns were ongoing to sensitise growers on how to access the new seeds through direct purchases from the seed suppliers based in the capital city (Nairobi). On average, conventional seeds including their transportation would cost the government 64US cents/Kg. The seed rate is 6-7kg/acre. The cost of the new seed is 20USD/Kg (30 times higher). The seed rate is 1.6Kg/ acre (low density crop) and 4.5-5.0 Kg/acre (narrow spaced crop). The productivity of the new seed is 3 times higher than the conventional seeds. The western and coastal regions of the country plant their cotton crop in March/ April season.

Figure 1. Quality assurance of cotton

COVID-19 has necessitated the restriction on movement and social distancing to contain the pandemic, because of which there will be disruption in acquisition of daily labour in some regions. This will affect the cost and access to hired farm labour. There are acute delays in acquisition of imported seed supplies and pesticides. The government has witnessed the cancellation of production contracts between ginning factories, seed suppliers and growers emanating from the late delivery of planting seeds in the March/ April season. The superior planting seeds arrived into the country late after the closure of the planting window practiced in the irrigation schemes where the seeds were to be planted. Growers accrued loss from land lease and tractor hire costs for ploughing while the seed suppliers have dead stock from the seeds. With restriction on the movement of carriers of goods and persons, transportation costs for inputs between some parts of the country may increase. Apart from cost increases for the transport of inputs, there will be inefficiencies arising from interrupted operations that will have an impact on outputs. The national area under production may reduce by 10% in the short term and may decline further in the coming seasons of October/November 2020 and in March/April 2021. Future area under production would depend on growers' perception of the impacts of the pandemic on seed cotton markets and the implemented mitigation measures. Growers are monitoring the price of seed cotton because of an anticipated global price drop of lint arising from the reduction in the demand for textile products. Being a net importer of lint, the country's stakeholders continue to peg seed cotton price on the global lint price and therefore the cotton price to the grower will likely be impacted. Without early interventions, cotton grower families are likely to become more vulnerable to risks of food insecurity from poor yields, post-harvest loses, interrupted markets and depressed prices. Growers and their families may not be able to meet their food requirement and decent nutrition for good health.

Figure 2. Mills are closed

On the production front, the immediate outlook is that where cotton farming will continue, the deployed practices may be less than optimal which could affect yields and quality of produce. As such existing economic security in the rural cotton farming communities that would normally support other needs in the families such as health and education could be disrupted. Businesses will be threatened and the resilience of rural Agro-dealers and other peripheral operators (seed cotton aggregators, stores operators and ginneries) will be lost, thereby impacting liquidity flows in the rural areas, thus further aggravating the challenges in the sector.

## Possible remedial policy measures

For African countries such as Kenya where cotton is grown in Arid and Semi-Arid Lands (ASALs) for food security, it is important to recognise that COVID-19 pandemic crisis can quickly transform into a food crisis in these areas. There is an urgent need to mitigate any possibilities of serious disruption of the rural economies where livelihoods are predominantly reliant on cotton to meet their basic needs of food, health, employment and education. Governments need to put in place measures to ensure that cotton production, its marketing and trade continues to function. Central to the interventions will be to ensure that farmers remain interested in growing the crop and are assured of timely access to inputs, information and markets. Tools must be provided to growers and the supporting rural infrastructure systems to help them adapt to the impending changes to ensure quicker recovery. Governments and private sector actors need to be encouraged to leverage on digital tools to ensure services such as agriculture extension and inputs supply channelled through e-voucher systems to deliver them to the beneficiaries efficiently. Continued service delivery through such innovative systems will strengthen trust between growers and their respective public and private sector support agencies. Finally, governments may deliberately set aside funds in the form of a rural poor stimulus facility to cushion growers from risks. The facility can be supplemented through appeals to development partners and international agencies to:

- provide inputs for the production of cotton by poor smallholder producers so that they can combat the immediate effects of the pandemic
- facilitate access to markets to support smallholder farmers to sell their cotton in conditions where restricted movement is interrupting the functioning of markets, including providing logistics and storage support.
- provide targeted funds for the cotton related Small and Medium Enterprises (SMEs)s in the rural areas to ensure that sufficient liquidity is available and to ease immediate loan repayment requirements to maintain services to growers and sustain jobs offered by this segment to the community.
- Leverage on the use of digital services to share key information on production, weather, and markets under the limited movement

The immediate policy measures may encompass analysing needs and availing stimulus support to cushion the vulnerable groups. This consideration must go beyond the crop production to include processing and marketing. The interventions must target outcomes that would catalyse quick recovery at the shortest time to protect loss of investments, employment and reduce suffering of rural communities. The long-term national strategy measures need to consider creation of sustainable demand, price stabilisation of cotton and lowering operational costs. With restriction on movement and poor access to outside markets, deliberate market-oriented policy actions like

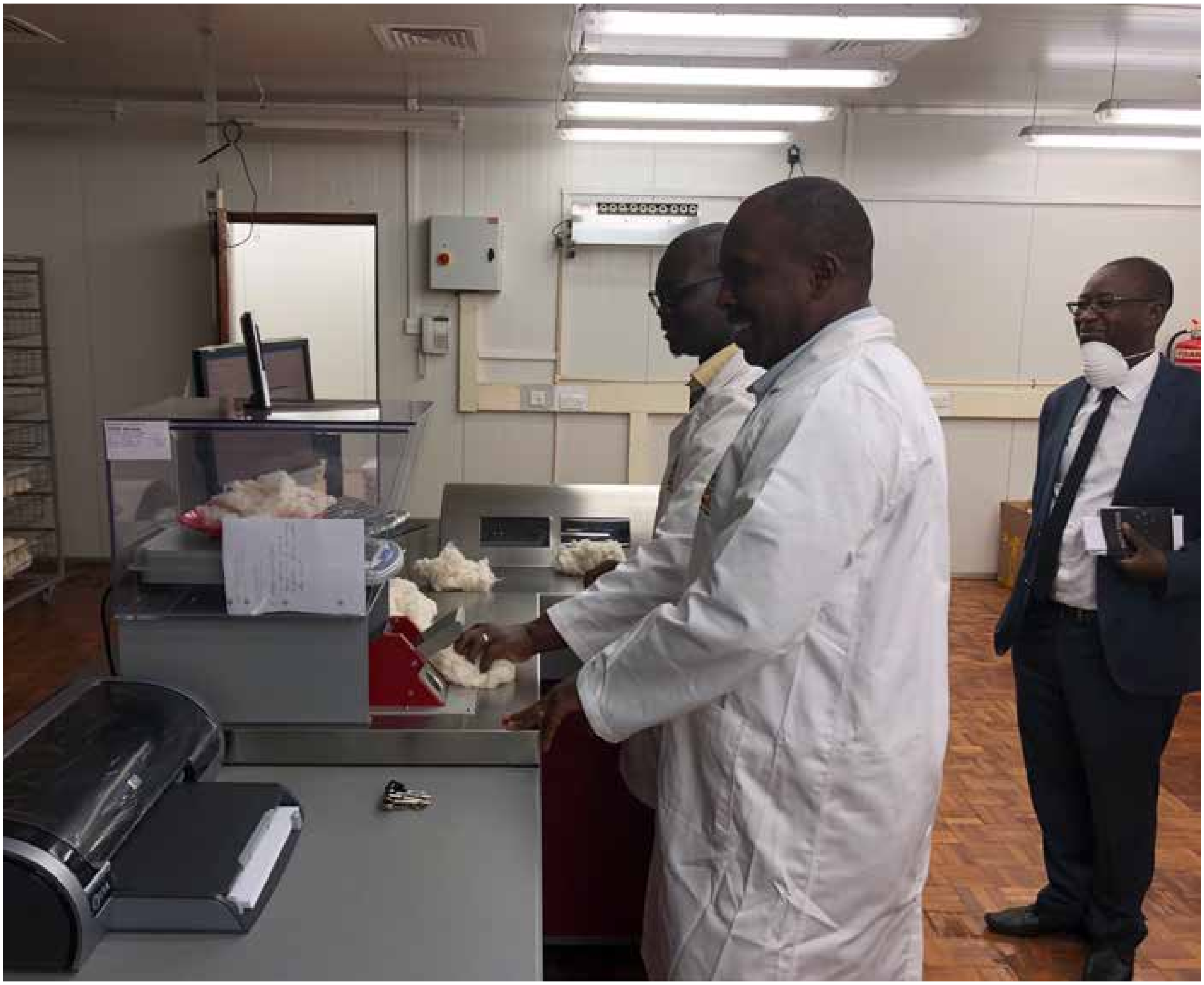

Figure 3. Fibre testing in Kenya

enforcing preference and reservation rules to support local manufacturing industries through 100% regulated local sourcing of public sector requirements from these factories will guarantee sustained demand for lint immediately. In return, the factories will cushion the producers and Small and Medium Enterprises (SMEs) to continue producing and operating. Other support measures to the manufacturing sub-sector can be targeted revision of power tariffs and tax waivers to reduce their operational costs.

## Conclusion

Considered policy measures to support the cotton value chain enterprises in dealing with the impacts of the Corona virus pandemic will have to be dynamic in nature. For quicker recovery, it would be imperative for governments and policy makers to continuously encourage and rely on social dialogue with affected groups in the chain for solutions. Although governments will play a focal role in giving the required interventions to lay grounds for recovery and pave the way out of the crisis, all the necessary actions cannot be left to the governments. Support will be required from financial institutions, non-government organisations, sector associations and relevant agencies in mitigating the pandemic effects on growers, businesses, economies and industries.

### References

Big 4 Agenda[1] – This is an economic blueprint that was developed by the government to foster economic development and provide a solution to the various socio-economic problems

Counties[2] –These are geographical units established by the 2010 Constitution of Kenya as the units of devolved government. They perform essential administrative and devolved functions of the national government including welfare services for the public.