



The Impact of COVID-19 on Cotton Production in Mozambique

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Abstract

This paper shares the impact of COVID-19 on cotton production in Mozambique, basically in the central and northern part of the country where cotton is grown. Cotton in Mozambique is an important cash crop for over two hundred thousand rural households. Due to COVID-19 pandemic, a state of emergency was declared by the President of the Republic of Mozambique, on 1st April 2020, for two months and consequently all citizens (including in the rural areas) were not supposed to have meetings in large groups and travel across the country. The state of emergency also included several other restrictions to contain the pandemic. Analysis has revealed that at the farm level, the minimum price for the current season has decreased by 18%, which may lead farmers to abandon the crop without picking and also cause a reduction in the number of farmers growing cotton in the next season. Nevertheless, the government is looking to subsidize the minimum price to support farmers. At the factory level, COVID-19 does not appear to have caused any effect on the unemployment situation. Very often, ginners complain about lack of market for their fibre of the preceding season (stocks) which may compromise the liquidity for marketing of the seed cotton of the current season (2019/20).

Introduction

Cotton is an important source of income and livelihood in Mozambique for around 200,000 smallholder farmers. Currently it accounts for over 8% of agricultural exports and ranks as the country's fourth major export commodity ahead of tobacco, vegetables and legumes, and fruits. Though farmers engage in the production of other commodities, especially food crops, their main source of income is usually cotton.

This cash crop represents 52 to 83 percent of household's income and 20% of household's total sale. Along the value chain, it creates about 20,000 job opportunities for permanent and temporary workers. Its contribution to the balance of payment is around \$35 million annually.

Cotton production is mainly carried out in the central and northern regions of the country, where edaphic and climatic conditions are suitable compared for the crop to the southern region. Across the country, Nampula and Cabo Delgado Provinces in the northern region contribute to about 70 percent of the total cotton output. Approximately 75 to 80 percent of the crop is planted between 11th December to 10th January and harvested from the end of April to June. Technical assistance is provided by the public and private extension services. The average land-holding size is 0.8 hectares, and the average yield per hectare has been about 500 kg seed-cotton per hectare (400 to 600 kg/ha), which is very low in comparison to the yield per hectare achieved by smallholders elsewhere in other African countries (around 1500 kg/ha).

The growing season 2019-20

For the growing season 2019-20, about 190,000 farmers planted cotton in 140,000 hectares with most of the area in the central and Northern regions of the country. However, a few fields were affected due to erratic rainfall and floods mainly in the central region and also due to poor quality seeds. It is estimated that farmers may have only managed to sow 135,000 hectares and could expect a production of 56,000 tonnes of seed cotton. This amount of seed cotton may yield 22,400 tonnes of fibre that would mainly be exported to Asian



Figure 1. Garments: made in Mozambique

countries such as Bangladesh, Vietnam and Indonesia. About 2 to 5% of the cotton produced in Mozambique is consumed domestically.

Response to COVID-19

The COVID-19 pandemic hit Mozambique as it spread across the world. The crisis caused by this pandemic around the world is overwhelming; the primary sector most affected is tourism; consequently, lots of jobs and livelihoods were lost. As on 16 June 2020, the country recorded 609 positive cases with 3 deaths. A state of emergency was declared by the President of the Republic of Mozambique, on 1st April for two months (April – May), when there was only 9 cases, activating a stage 3, meaning the closure of the borders and other measures that limit people from moving across the country, practicing a social distance of 1.5 meters between people, mandatory usage of face masks, washing hands regularly and avoid meetings of more than 10 persons.

Consequently, the sector has noticed suspension of training sessions in large groups, avoidance of individual

contacts, observing social distance and delay on inputs delivery -mainly pesticides that were necessary for boll protection. Regulators have prepared specific precautionary measures to be undertaken during the purchase of seed cotton which takes 4 months from June to September. This activity involves physical interaction of persons in the market at purchase points that may evolve as hotspots of contamination.

Despite the fact that the number of positive cases is very less in Mozambique, the ripples that the pandemic has caused across cotton trade in the world has affected the cotton sector in the country. The impact of COVID-19 on the cotton sector may be divided in three sections, at farm, factory and export levels. At the farm level, the minimum price has decreased from 23.3 Mts/kg (\$0.34/kg) to 19 Mts/kg (\$0.28/kg); as a direct consequence of which, some farmers have abandoned cotton fields without picking. This situation is likely to have a strong negative impact in the next season, leading to a decrease in the number of cotton farmers and a consequent decline in area and production. The government, through the Ministry of Agriculture and Rural Development, is exploring the possibility of extending subsidies through minimum support price to prevent negative impacts on cotton farming and also thereby supporting farmer incomes and livelihoods.

At the factory level, the ginning sector did not report any cases of rising unemployment due to the pandemic. Very often, ginners complain on lack of proper liquidation of stocks. Unfortunately, the stocks from of the previous season and the production of the current season together can pose a big challenge to exporters in view of the fact cotton consumption in international mills has declined and trade operations haven't resumed as yet. The biggest fear of the ginners is the impediments in cash-flow that would be required to procure seed-cotton of the current season's harvest; because the stocks of the last season are lying without market and consequently the lack of liquidity blocks cash-flow.

Though cotton consuming countries have partially resumed activities, cotton imports and exports are far from reaching normalcy. In the absence of exports, local stocks will increase, especially in countries that do process fibres and rely on exports of raw fibre to liquidate stocks. Increasing stockpiles can be immensely challenging for ginners and traders who will incur expenses on extended warehousing over uncertain periods of time, at the risk of incurring losses due to deteriorating quality in long-term storage. Thus, the current situation will have short-term and long-term impacts on production, processing, trade and exports. The COVID-19 pandemic calls for a concerted joint action by all countries to be able to circumvent the challenges so as to minimize negative impacts on health, economy and livelihoods.