



The Impact of the COVID-19 Pandemic on the Global Cotton Sector

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The global cotton sector via its cotton, textile and apparel value chains supports the livelihoods of an estimated 26 million households and up to 250 million people worldwide. By providing employment, income and valuable foreign exchange earnings, the value chains are quite critical for economic development particularly in least developed countries (LDCs). Cotton plays a major role in economic development in Africa: 37 of the 53 African countries produce cotton and 30 are exporters. The economies of LDCs, which collectively account for over 7.0% of the global cotton output, stand to be gravely affected by the COVID-19 driven economic crisis. The pandemic is set to plunge the global economy into a recession that may eclipse the economic damage caused by the Global Financial Crisis of 2007- 2008.



Figure 1. Market yards and warehouses are closed across the world

When COVID-19 became a pandemic between 21st February and 24th March 2020, lockdowns, closure of national borders and social distancing measures were imposed worldwide in order to limit its transmission. Such actions resulted in worldwide disruption of supply chains and as manufacturing activity came to a grinding halt, orders had to be cancelled as workers went home. Consequently, many countries with big ready-made garment sectors have suffered

due to cancellation of orders by firms, retailers and brands based in the US, UK and EU. Cancellation and deferral of orders has led to unintended inventory build-ups.



Figure 2. Garment and apparel sales are closed



Figure 3. Small-scale handloom industry is the worst hit

With an expected 12% slump in cotton consumption, stoppage of textile and apparel manufacturing will result in stockpiles of raw cotton rising over and above the already overstocked supply chains. Lint prices have also fallen to just above 50 US cents per pound to date. Given that prices cannot recover anytime soon, cotton growers and ginnerers stand to suffer income losses as well due to a COVID-19 knock-on effect across the entire cotton



Figure 4. Ginning factories are either closed or have been operating only partially

supply chain. And because the value of most currencies has dropped quite substantially against the US dollar, governments, particularly in LDCs, will find it very difficult to provide emergency disaster lending to cotton businesses unless and until International Financial Institutions can provide some form of a debt moratorium in the case of LDCs (Figure 4).

The COVID-19 saga has no doubt served as a good wake-up call for businesses on the need to review future strategies. Firms are likely to increasingly adopt a business model

which emphasises fewer links in the supply chains and with more that are closer to home and thence steadily diminishing their dependence on external suppliers in their chains. For cotton dependent economies in the LDCs, the case for diversifying either vertically or away from cotton and revamping quality has become more compelling than ever before. In other countries such as Australia where growers pride themselves for their high-quality cotton, the COVID-19 pandemic has been nothing more than a mere hiccup in the production cycle as they are absolutely sure to market their lint in spite of the odds.