

REPUBLIC OF ZIMBABWE

COUNTRY STATEMENT

TO THE

64th PLENARY MEETING

OF THE

**INTERNATIONAL COTTON ADVISORY
COMMITTEE**

LIVERPOOL ENGLAND

SEPTEMBER 2005

The Cotton Industry

The cotton industry continues to be a major agricultural mainstay of Zimbabwe's economy and in good climatic seasons is one of the country's biggest earners of foreign exchange with revenue in excess of USD 150 million.

The pivotal role of cotton as a foreign currency earner has been recognized as such by the Ministry of Agriculture and the Reserve Bank of Zimbabwe. The industry has thus been challenged to raise foreign currency earnings from cotton to USD 250 million within the next 2 seasons. Government has assisted the industry this season with a support price to offset the low international lint prices and this will remain in place for the 2006 cotton harvest.

It is envisaged that this target can be attained by maximizing on the existing production base and encouraging beneficiaries of the land reform programme in suitable areas to grow cotton.

Notwithstanding the above the industry does have hurdles to overcome in that the deregulation of the industry and the introduction of new ginners has resulted in Zimbabwe's high quality standards being compromised in some instances. Accordingly efforts are underway to introduce a regulatory framework to control quality standards as well as to increase cotton production through industry support to farmers. The newly constituted Agricultural Marketing Authority is expected to play a positive role in this area.

More than 200 000 growers are involved in cotton production with around fourteen or so buyers involved in cotton procurement and ginning.

Cotton Production

Production at present is almost totally in the hands of small scale farmers and is largely dependent on seasonal rainfall patterns. The Government, however, has initiatives in place to increase the nation's irrigation capacity and it is anticipated that medium to long term this will impact favourably on cotton production.

The following table gives production since 1996 :-

<u>Year</u>	<u>Production</u>
1996	284 000
1997	278 000
1998	273 000
1999	303 000
2000	353 000
2001	337 000
2002	196 000
2003	250 000
2004	331 000
2005	196 500

Grower Support

Established industry players, notably the Cotton Company of Zimbabwe have supported growers through the timely provision of inputs such as planting seed, fertilizers and chemicals on credit for recovery at time of delivery.

The absence of a regulatory framework to compel growers to deliver cotton has resulted in poor recoveries as growers have side marketed their cotton to players with whom they are debt free. This has placed existing inputs schemes under threat and has resulted in existing schemes being scaled back. The inputs schemes are on a full cost recovery basis with no element of subsidization.

In the absence of a regulatory framework, the National Cotton Council which represents the cotton industry has embarked on a plan of action to bring the established players and new entrants together in an endeavour to place cotton production on a sustainable footing. The first step is to encourage all ginners particularly new entrants to participate in the purchase and distribution of planting seed to growers. The view is that with a solid enhanced crop base all players will be more keen to support the provision of other inputs such as chemicals during the growth cycle.

Research and Development

The Government owned Cotton Research Institute is at the forefront of research activities pertaining to cotton. The Quton Seed Company, a privately owned company, which works closely with the institute, has bred and tested its own varieties with promising results and expects to commercialize some lines within the next two to three years after following the varietal release protocols that are in place.

Currently all cotton varieties grown emanate from the Cotton Research Institute but are multiplied, processed and marketed by the Quton Seed Company which pays a royalty to the Cotton Research Institute.

Seed Production

About 10 000 farmers in the Cotton Seed Multiplication Scheme are contracted to multiply a chosen variety under certain stringent conditions. The current varieties grown in Zimbabwe have been agreed upon by a Variety Release Committee which represents all industry stakeholders i.e. farmers, ginners and spinners and which seeks to strike a balance between a good yield and excellent fibre characteristics.

Ginning Capacity

Capacity is 600 000 tonnes due to the entry of new players and the highest crop produced to date in 2000 of 353 000 tonnes implies capacity utilization at best of 59% in a good crop year.

Given the above situation all players established and new realize the need for a sustainable and increased crop production strategy to lift seed cotton production to levels in excess of 600 000 tonnes. Land and human resources are available to achieve this target, however, an equally committed financial input will be required from the ginners if the installed capacity is to be fully utilized.

Spinning Capacity

Seven spinning mills are currently operational in Zimbabwe with an annual consumption of up to 30 000 tonnes of lint, however, the current problematic macro economic situation has reduced this to +- 20 000 tonnes.

Government is keen to see additional investment in spinning, weaving and the clothing sector as it will result in increased foreign currency earnings from finished goods as opposed to exports of cotton lint.

Markets

20% of the lint is consumed domestically, 25% is shipped to Europe and 65% to the Far East.

Future Prospects

- a) Government recognition that cotton is central to agricultural foreign currency earnings will result in industry initiatives to grow production being given due support by the authorities.
- b) With the right programmes in place and full commitment from the existing industry players, production levels of 600 000 tonnes of seed cotton are attainable. A regulatory framework will be central to efforts to attain this production level.
- c) The downstream textile industry, given the knock on efforts of beneficiation has the potential to contribute significantly to manufacturing output both locally and regionally.