

Regional Cotton Cooperation in Southern and Eastern Africa

An Address by Lawrence H. Shaw
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The International Cotton Advisory Committee is committed, under its terms of reference, to the furtherance of international collaboration directed towards developing and maintaining a sound world cotton economy. The Committee in the last 15 years has also endeavored to establish regional cooperation, particularly in cotton production research matters. More recently, since 1990, as the international commodity body for cotton under the Common Fund for Committee, the ICAC sponsors commodity development measures financed by the Common Fund. These commodity development measures must involve several countries and often involve regional cooperation. Cotton doesn't really respect political boundaries. It grows where the conditions are right. And even if man does impose some restrictions on where cotton grows, cotton insects certainly don't respect political boundaries.

Regional cooperation is certainly in the nature of things in the cotton world. But before I can think about promoting cooperation in Southern and Eastern Africa, it's necessary for me to grasp the size and potential of the cotton sector in the region.

The Current Cotton Sector

In 1995/96, the countries from Uganda to South Africa grew cotton on 1.2 million hectares and produced 270,000 tons of cotton lint for a yield of 234 kgs per hectare. That yield is only about 40% of the world average. It is only 50% of the yield in Francophone West Africa and only 80% of the yield in India. Yet 1995/96, with better growing conditions, may represent a record high yield for Southern and Eastern Africa.

High yields do not always mean high profitability. There is always a balance between the cost of inputs used to boost yields and the value of the cotton produced. In the USA farmers in West Texas have found that they can produce cotton with low input costs and low yields and make as much or more money than their friends in California with yields over 1000 kgs per hectare. Similarly, farmers in some areas of India using no fertilizers or insecticides, when they have rain, may be some of the most profitable cotton farmers in the world.

There is also a small but growing demand for organic cotton, cotton grown without artificial fertilizers, insecticides or chemicals. Some buyers will pay a significant premium for chemical-free cotton. This cotton is usually of low yield, as those varieties which can withstand low fertility and insects are usually older varieties without the yield-boosting properties of modern varieties developed under assumed high levels of fertilization and pest control. Due to the price premiums, organic low yielding cotton may have unexpected profits associated with it.

The total output of Southern and Eastern Africa this season would, if considered as a country, rank 11th in terms of world production. In other words there are only 10 countries which produce as much cotton as this region. At the ICAC Secretariat, we forecast cotton production out to the year 2000. Based on current trends, Southern and Eastern Africa is expected to grow 300,000 tons of cotton lint by 2000.

Textile mills in the region will use about 158,000 tons of cotton this season, 100,000 tons produced in the same country where it is used or 37% of production. 58,000 tons will be imported to meet textile needs. The major activity of cotton producers in the region is export. Cotton exports from Southern and Eastern Africa this season are expected to reach 148,000 tons, 55% of production. The destination of these exports is a combination of within the region, Europe and the Far East.

Looking to the future, and considering country trends and the overall world situation, Southern and Eastern Africa textile mills may increase their cotton use from 158,000 tons to 183,000 tons by 2000, accounting for 25

of the 30,000 ton expected increase in production. The other five is likely to go to increased exports.

The Potential

The region's future will only develop in the context of the world cotton situation. In the period to 2000, we currently expect world cotton prices to remain higher than average. The Cotlook A Index averaged 67 cents in the period from 1984/85 to 1992/93. In the period from 1993/94 to 2000/01 we expect the average to be near 80 cents. Over the last 25 years, the Cotlook A Index has averaged 72 cents.

Higher than average prices should be a plus for producers in the region. Prices should not be so high as to discourage consumption. The very high prices at the end of the 1994/95 season, when the Index exceeded \$1, led to declining cotton use and loss of cotton's share of market.

World demand for cotton is expected to rise about 2.5% a year in the period to 2000 or 13% in the next five years. World exports are expected to increase less rapidly, only about 2% in total over the next five years, from 6.3 million tons to 6.4 million tons. Average cotton yields are expected to rise from around 542 kgs currently toward 600 kgs in 2000, at a rate of about 2% per year.

I wish I could also predict the weather. It seems that the dry spell that has affected certain parts of the world for several years is over. Spain, Argentina, Australia and Southern Africa have received rain, unfortunately too much in some places. I think we have to assume that it will rain in the next five years and the long droughts that have characterized parts of this region will not be repeated.

In sum, the outlook is not too bad. Prices will be about 20% higher than they were in the last decade and demand should be growing. Export competition will be generally tough.

Opportunities for the Region

Admittedly yields are low in the region as a whole. Are there opportunities for increasing yields through the sharing of expertise, given the farming systems of the various countries?

Western Africa increased yields from 100 to 200 kgs per hectare in the last 25 years, through better seed and increased input use. Given current institutional arrangements, does it make sense to increase input use in order to boost yields? Are higher yields possible through some concerted action to make better seed available to growers?

When I first became involved in cotton, I was told that the best demand is demand close to home. There is a local market for cotton in the region. Forecasts suggest that it will grow more rapidly than the export market. Can locally produced products compete with imported goods? What kinds of cotton are most in demand in the local market? Should producers specialize for this market?

Exporting will be generally tough in the next five years, but hopefully it will be fair. There are no extra stocks of cotton in Central Asia which have to be moved to the market. Barter is out of favor and cash transactions are becoming the rule, despite hardline preference for barter, or nation to nation, transactions on the part of some of the buyers. The subsidy programs of the US and the EU are still in place, but they may not be as disruptive to other exporters as in the early 1990s. Certainly at the moment US producers are growing cotton for the market and not for any government payments. There are relatively few places in the world now where textile mills buy locally produced cotton at below international market levels.

Can the region develop a critical mass of cotton available to the world market which would have a known quality? Textile mills want certainty. They want to be able to buy the same kind of cotton from the same countries year after year. Clearly, if common qualities were available from a large base within the region, there would be greater assurance of supply. There would also be the possibility of developing and enhancing the reputation for this kind of cotton. Zimbabwe has a great deal of experience in preserving quality and developing a niche market and could guide others.

What Can the ICAC Do?

First, let me assure you that the ICAC Secretariat is ready to support member countries in the region with all the information it can muster -- information about markets, likely price developments, production practices, insect control techniques and research developments. We are in the information business. To use these services, which come with membership, ICAC lead agencies in each country need only ask.

Second, while the ICAC does not itself have funds to support major projects, it has supported regional meetings of cotton researchers. We are prepared to give some support to a proposed meeting of an African Cotton Research Network to discuss common research problems, in connection with the All African Crop Science Congress to be held in South Africa from January 13-17, 1997.

Third, ICAC can provide training opportunities to individuals in member countries through its research associate program. This year's program in developments in cotton classification has just finished. The region had participants from Uganda and Zimbabwe.

Future research associate programs can be organized on topics of particular interest to the region, including marketing and yield improvement.

Finally, the ICAC can sponsor projects financed by the Common Fund for Commodities.

Since 1991, the Common Fund has allocated \$9 million toward cotton projects involving more than 20 countries. So far projects have been on production problems. The next project to be considered, however, will look at ways to improve the marketing of cotton produced in zones affected by stickiness.

Under its Second Account, the Common Fund supports commodity development measures. These measures should be aimed at improving the structural conditions in markets and at enhancing the long-term competitiveness of prospects of particular commodities. Such measures shall include research and development, productivity improvements, marketing and measures designed to assist vertical diversification.

The Common Fund has decided that it will only support projects which have a definite beginning and end and will not support what it calls institution-building, or simply building buildings or buying equipment for laboratories unrelated to the needs of a specific project, or basic research. Projects must also be of benefit to the commodity as a whole and must therefore be of direct benefit to several countries.

The Common Fund is interested in considering different kinds of cotton projects and would be interested in considering projects improving institutional infrastructure for better marketing. The Common Fund is also particularly interested in projects of benefit to the least developed countries. In this region, projects involving Angola, Mozambique, Tanzania, Uganda, Zaire and Zambia could have a preference.

The Common Fund has also started to use part of its First Account monies to support projects to assist producers in risk management and to develop mechanisms to allow farmers to participate more directly in world commodity markets. The ICAC has discussed the possibility of developing projects in cooperation with the World Bank and the Common Fund that would take place in this region.

Securing Common Fund financing for a project is not a rapid process. It is possible that a project could be submitted and approved and money flowing in a year's time, but it is more likely that there will be two years elapsed before the first funds flow. Projects have to meet the requirements of the Common Fund's Project Manual; they must pass the muster of the Common Fund's Secretariat; they must be approved by a group of 11 commodity experts, who usually suggest modifications; and they must be approved by the Executive Board of the Common Fund. The last two groups meet three times a year and have full Agendas. It is possible that projects can be delayed if meeting dates are missed.

The ICAC Secretariat has developed some expertise in presenting projects to the Common Fund and is prepared to assist in the development of projects which will benefit ICAC member countries.

What Should the Forum Do to Get ICAC's Help?

First you should decide among yourselves the directions to follow. We can help you but we can't help you if we don't know what your interests are.

We often get requests at the Secretariat "to tell me everything you know about cotton." These requests get very little attention, because we don't even know where to begin. A request like "What are cotton prices likely to do in the next two seasons?" does get an answer, as well as ones asking about the uses of boron on cotton or the techniques being used to measure cotton maturity.

Second, email and Internet access will greatly speed your access to information. Anything you can do to begin communicating on the Internet will be a step toward putting the world's resources at your fingertips.

Thirdly, if Common Fund assistance for regional initiatives is contemplated, don't delay.

Regional Cooperation Isn't Easy

The project coordinator of one of the ICAC sponsored Common Fund project recently complained to the Common Fund that a trinational project was more than three times as difficult as a national project. I'm sure he is right. Getting the agreement of different parties is never easy. Dealing with one bureaucracy is onerous. Dealing with several very difficult to say the least. However, I'm sure the Common Fund read his complaint and felt good that they were doing their job. Cooperation among countries for the solution of common problems is exactly what the Common Fund is seeking to foster.

In 1939, when the International Cotton Advisory Committee was founded, the then Secretary of Agriculture of the USA, Henry Wallace, who later became a Vice President and an unsuccessful Presidential candidate, told delegates that "the gradual development of international cooperation along commodity lines is one of the most encouraging indications that men will yet find a way to prevent political and economy anarchy. Prejudices, hatreds and ideologies find no place in the councils of the commodity experts. They face facts in a realistic manner and come to reasoned conclusions." "Eventually," he said, "the sensible and the practical things will prevail."

But no one ever said it would be easy.

COTTON SUPPLY AND USE IN
Southern and Eastern Africa

	AREA	YIELD	PROD	BEG STKS	IMPORTS	CONS	EXPORTS	END STKS	S/U *
	000 Ha	Kgs/Ha	000 Metric Tons						Ratio
1980/81	1,666	142	236	153	8	138	132	143	0.53
1981/82	1,293	157	202	143	19	131	117	134	0.54
1982/83	1,230	163	200	134	24	130	99	129	0.56
1983/84	1,402	178	250	129	22	138	118	197	0.77
1984/85	1,299	206	267	197	25	148	113	213	0.82
1985/86	1,191	193	230	213	38	156	138	215	0.73
1986/87	1,326	207	275	215	29	166	126	200	0.68
1987/88	1,465	232	340	200	11	165	113	259	0.93
1988/89	1,426	204	291	259	23	173	167	234	0.69
1989/90	1,087	201	218	234	23	186	135	158	0.49
1990/91	1,195	209	250	158	27	178	112	143	0.49
1991/92	1,194	156	186	143	53	166	126	92	0.32
1992/93	1,203	201	242	92	86	161	83	177	0.73
1993/94	1,015	186	189	177	67	169	126	138	0.47
1994/95, est.	828	207	171	138	66	162	103	110	0.42
1995/96, for.	1,152	225	259	110	58	158	136	133	0.45
1996/97, for.	1,194	233	278	133	45	163	133	161	0.54
1997/98, for	1,225	235	288	161	38	167	137	183	0.60

*7/ Ending stocks divided by consumption plus exports.