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Commodity Report - Cotton and Products Annual

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Report Highlights:

Seed cotton production in Zimbabwe decreased by 6.25 percent from 224,000MT in 2008 to an estimated 210,000MT in 2009. Lint production in MY 2009/10 is expected to reach 98,400MT of which lint exports are expected to reach about 78,500MT. The Zimbabwe government has changed the biotechnology policy and now allows Bt cotton trials under the supervision of the Biotechnology Authority of Zimbabwe. Currently there is no commercial cultivation of Bt cotton in Zimbabwe.

Executive Summary:

Seed cotton production decreased by 6.25% from 224,000MT in 2008 to an estimated 210,000MT in 2009. Average seed cotton yield was low mainly due to high cost and shortage of key production inputs such as fertilizer and chemicals at the beginning of the season. Also, in the absence of legislation to protect their investments, input providers were reluctant to expand input schemes also contributing to a decline in seed cotton area and production.

Lint production in MY 2009/10 is expected to reach 98,400MT (451,000 bales) of which lint exports are expected to reach about 78,500MT (360,000 bales) or 80% of lint production.

General Information:

Production:

SEED COTTON

Production

Cotton is mainly produced in marginal rainfall areas in the central, north and south-east of the country. Of all the summer crops, cotton is the only crop that has maintained reasonably steady volumes of production after the land reform program. The main reason for this is that the crop is grown predominantly by small scale farmers whose activities were not disrupted by the land reform program. Approximately 99.2% of the cotton crop is produced by about 300,000 small scale growers whose individual cotton fields average about 1 hectare. Due to the small size of their operations the seed cotton is hand-picked and graded according to cleanliness. As a result the country has managed to maintain high quality standards renowned world-wide.

Cotton ginners and merchants, all belonging to the Cotton Ginners Association (CGA), are directly involved in seed cotton production through provision of inputs such as seed, fertilizers and pesticides on loan to growers as well as technical advice. Each supported grower enters into a contract to supply harvested seed cotton to the contractor (the provider of inputs). Under the contract system farmers are given inputs such as seed, chemicals and fertilizers to produce the crop and in turn part of the harvested seed cotton goes towards offsetting the inputs loan. The contractor is also responsible for all marketing costs such as transporting and packaging the seed cotton. Currently, there are 25 companies involved in contract growing, purchasing and ginning of seed cotton, although three of the companies account for between 60 to 70% of total production.

The Cotton Ginners Association plays an important role in cotton production through regulating the activities of contractors. It ensures that all members directly support seed cotton production and maintain high quality standards in the cotton industry.

The forecast for the 2009 seed cotton production is 210,000MT, a decrease of 6.25% from last year's crop size of 224,000MT. The country's ginning capacity of about 600,000MT is more than double current seed cotton production. The area planted to cotton in 2008/9 season decreased by 7.5% to about 370,000 hectares from last year's area of 400,000 hectares. The national average cotton yield is estimated at 0.56t/ha.

Table 1: Cotton production table

Marketing year begin	08/2007	08/2008	08/2009 Forecast
Area planted (ha)	350,000	400,000	370,000
Area harvested (ha)	350,000	390,000	370,000
Seed cotton production MT or ('000-480lb bales)	254,000MT (1164 bales)	224,000 MT (1026 bales)	210,000MT (962 bales)
Yield (t/ha)	0.73	0.57	0.56
Lint production MT or ('000-480lb bales)	104,140MT (476 bales)	123,000MT (564 bales)	98,400MT (451 bales)

(Source: Cotton Ginners Association)

The decrease in area planted was partly due to limited availability of fertilizers at planting time and high cost of inputs. Local fertilizer companies produced very small quantities of fertilizer for summer crops due to inadequate foreign currency to import the necessary raw materials. Contracting companies also faced similar foreign currency challenges and could not import enough chemicals and fertilizers. Failure by some farmers to honor contractual obligations by selling to buyers who did finance seed cotton production, referred to in the industry as 'side-marketing' compounded the situation. As a result the larger ginning companies reduced their level of support thereby negatively impacting the crop area. Despite the good rainfall season experienced in most parts of the country, national yield was limited by poor availability of fertilizer and pesticides.

Zimbabwe's cotton industry plans to increase seed cotton production from the current levels to a target of 1,000,000 MT by 2011 through expanding area planted, appropriate grower support input packages, improved varieties and training.

The Ministry of Agriculture together with stakeholders in the cotton sector are finalizing the formulation of legislation that controls and regulates the cotton industry and encourages expansion of production and investment in the sector. This has been necessitated by an increase in incidences of side-marketing that pose a threat to existing input credit schemes that sustain seed cotton production.

Bt Cotton

The government has shifted its policy on Bt cotton and now allows Bt cotton trials under the supervision of the Biotechnology Authority of Zimbabwe (BAZ). Currently there is no commercial cultivation of Bt cotton in Zimbabwe.

Quton, the sole cotton seed producing company in Zimbabwe has entered into an agreement with a USA GMO technology provider to boost locally adapted varieties with insect resistant and herbicide tolerant

genes. Commercial production of Bt cotton is expected to start after 2010.

Trade:

Policy:

Early in the year the government made some changes in economic policy. In February 2009 the government liberalized the foreign exchange systems and adopted multi currencies (US dollar, South African Rand, Euro and Botswana Pula) as legal tender. Also, foreign currency surrender requirements where exporters were required to sell 7.5% of all export proceeds to the Reserve Bank of Zimbabwe were scrapped. The government de-regulated the marketing of all agricultural products.

Marketing:

Prices

Price of seed cotton is based on quality. There are four seed cotton quality grades that determine price. The current base price of seed cotton is US\$ 0.20 to 0.25 per kg and is based on the Liverpool Price Index, but farmers get differential prices based on the grade of the crop.

Production, Supply and Demand Data Statistics :

PSD Table

Country	Zimbabwe								
	Cotton			(HECTARES)1000 480 lb. Bales (PERCENT)			(KG/HA)		
Commodity	2007 Revised		Post	2008 Estimate		Post	2009 Forecast		Post
	USDA Official	Post Estimate		USDA Official	Post Estimate		USDA Official	Post Estimate	
Market Year Begin	08/2007		08/2007	08/2008		08/2008	08/2009		08/2009
Area Planted	380	350	380	350	370	400	380	370	370
Area Harvested	380	350	380	350	370	390	380	370	370
Beginning Stocks	201	78	201	171	62	171	201	66	231
Production	475	509	475	460	565	564	460	451	451
Imports	0	0	0	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	676	587	676	631	627	735	661	517	682
Exports	400	356	400	325	376	376	350	360	360
Use	90	153	90	90	170	113	90	100	100
Loss	15	16	15	15	15	15	15	15	15
Total Dom. Cons.	105	169	105	105	185	128	105	115	115
Ending Stocks	171	62	171	201	66	231	206	42	207
Total Distribution	676	587	676	631	627	735	661	517	682

Author Defined:

Cotton Lint

Production

Lint recovery rate from seed cotton is 41%. Lint production in 2009 is expected to fall from 123,000MT

(564,000 bales) in 2008 to 98,400MT (451,000 bales). Zimbabwe has an installed ginning capacity of about 600,000MT (2750 bales) seed cotton annually. Thus, more than 50% of ginning capacity is currently idle. The CGA ensures that the local industry has adequate supplies of lint by ensuring that all cotton ginning companies comply with the requirement to supply cotton lint to local spinners.

Different grades of seed cotton are ginned separately, making Zimbabwean cotton lint of premium quality. A major constraint to lint production was persistent power outages.

Consumption

Out of the total lint production, 30% is reserved for the local market as per legal requirement. Thus the export quota for lint is 70%. The 2009 prescribed domestic lint quota of 30% is 29,520MT (135,000 bales).

Ginners are only permitted to export after demonstrating ability to fulfill the local quota. However, not all ginners supplied the stipulated quota primarily due to power outages that disrupted ginning activities and the economic challenges that prevailed in the country. On average ginners supplied 20% of their lint production to the local industry in 2007 and 2008. When the prescribed domestic quota exceeds domestic demand, the surplus lint will be channeled to exports to take advantage of market opportunities. It is likely that the local industry will consume less than the prescribed quota due to the current national economic challenges particularly the liquidity crisis.

The textile industry is considered strategic to the economy as it contributes significantly to the Gross Domestic Product, bringing in foreign currency through export receipts and also through direct employment creation of thousands of jobs. Main cotton products produced locally include yarn, textiles and cotton wool. Zimbabwe's textile industry is experiencing a downturn due to the poor state of the economy and lint uptake by local spinners was slow. The major factors limiting spinning activities were increased input costs particularly of energy, lint and labor and low cash flows from local sales. Spinners sell 50% of their yarn to the domestic market and exports make up the other half. The majority of spinning and weaving firms have reduced capacity utilization and face stiff competition from the Asian textile industry where labour costs are lower.

Trade

Cotton lint is Zimbabwe's second largest agricultural export after tobacco. In 2007 Zimbabwe earned over US\$120 million from the export of about 86,000MT (394,000 bales) of cotton lint. Cotton lint exports reached 82,237MT (376,000 bales) in MY2008/9 and earned the country about US\$150 million.

Lint exports are only possible if the prospective exporter applies for and is granted an export permit by government. Export permit applications have to be supported by the CGA who only recommend members

that are supporting cotton crop production through provision of inputs to growers and also complying with supplying their lint quota to the domestic market.

Exports

In 2009 cotton lint exports are expected to reach about 78,500MT (360,000 bales) whilst in 2008 a total of 82,237MT (376,000 bales) lint was exported.

The table below shows lint exports for 2007 and 2008.

Export Trade Matrix

Country Zimbabwe
Commodity Cotton lint

Time Period Units:
Exports for:
U.S. U.S.
Others Others

South Africa	34373	South Africa	27912
Thailand	6829	Thailand	10780
Italy	3852	Italy	4290
Singapore	8989	Singapore	11229
UK	2362	UK	5921
Switzerland	845	Indonesia	1418
Japan	3325	Japan	2960
Germany	1377	Germany	1164
China	5683	China	6629
Portugal	3462	Portugal	2638
Tanzania	5225	Colombia	3187
Lesotho	2974	Mozambique	916
Total for Others	79296		79044
Others not Listed	6935		3193
Grand Total	86231		82237

Exports declined by 4.63% from 86,231MT in 2007 to 82,237MT in 2008. The major export destinations in 2008 were South Africa, the Far East and Europe, similar to 2007. The Far East accounted for 40.3% of exports whilst Africa and the EU accounted for 35.9% and 17.7% of the exports respectively. The high export figure for South Africa is not all for consumption therein but is predominantly a warehousing centre prior to re-export to other destinations. Data on re-exports from South Africa is not available.

In the Far East the main export destinations were Singapore, Thailand and China whilst the major European export destinations were the UK, Italy, Portugal and Germany. South Africa and Mozambique were the main African export destinations. Colombia was the main South American destination.

Cotton fabric was also exported to various destinations, South Africa being the top destination. Zimbabwe imports cheap fabrics from other countries mainly China, Hong Kong, South Africa and Mauritius. However, the country does not import lint.

Stocks

Cotton lint ending stocks at the end of MY 2009 are expected to decline due to a reduced harvest.