HOW CAN ZAMBIA ACHIEVE A SUSTAINABLE COTTON SECTOR?

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Outline

- An African success story (SSA)
- Challenges faced by Cotton Farmers in SSA
- Overview of the Zambia’s Cotton Sector: Evolution
- Challenges – Zambia Cotton Sector
- Way forward
Cotton: An African Success Story

- Cotton is a rare economic success story in Sub-Saharan Africa after liberalization:
  - Continent’s agricultural trade fell by half from 1980 to 2005
  - But its share of world cotton trade more than doubled
  - Major source of FOREX in > 15 countries
  - Source of cash income for millions of smallholder farmers
Major Cotton Challenges in SSA

- Inadequate provision of input credit to farmers
- Lint quality
- Low productivity
- Conflict regarding pricing mechanisms
- Difficulty adding value (spinning, weaving)
- Limited high-quality research system to feed into effective extension of resulting research knowledge and products
Sector types and performance

- Sectors with few buyers ("concentrated", e.g. Zambia, Zimbabwe)
  - Generally lower prices
  - More input credit $\rightarrow$ better yields
  - High quality $\rightarrow$ high price premium on world mkts

- Sectors with many buyers ("competitive", e.g. Tanzania)
  - High prices to farmers
  - No input credit $\rightarrow$ low yields
  - Low quality
Overview of Cotton Sector: Evolution

- **Post-Reform Boom (Private sector success story)**
- **1st Crash (Credit default)**
- **Second Boom (Private innovation, rising gov’t involvement, increased private sector entry)**
- **2nd Crash (Macro-economics + credit default)**

Year:
- 1994
- 1995
- 1996
- 1997
- 1998
- 1999
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012

Privatization

Seed cotton prod in MT
- 0
- 50,000
- 100,000
- 150,000
- 200,000
- 250,000
- 300,000

Indaba Agricultural Policy Research Institute
“Semi-competitive” sector

- Implications
  - Potential production instability
    - Farmers react strongly to previous year’s price
  - More difficult to address productivity challenge
    - Continued low productivity
  - Potential deterioration of lint quality
Effect of Cotton Price on production

Lagged cotton price driver of production increase

Seed Cotton Production (MT)  
Cotton Price ZMK/kg
Challenges of Cotton Sector [1]

- Low productivity eg 550-600kg/ha against 1,200-1,500kg/ha in West Africa
- Provision of effective extension service by some companies is inadequate
- Maintenance of high quality cotton seed, with 40,000ha of cotton seed is threatened.
- Rebuilding of a high-quality research system
  - Limited research activities to ensure increased productivity
Challenges of Cotton Sector [2]

- Lack of price mechanism system
  - Unfruitful price negotiations led to low production and increased mistrust among players eg, 2005/06 and 2011/12

- Maintenance of lint quality control threatened
  - Zambia has had SSA’s highest price premium
  - Will that continue?

- Lack of value addition
  - Most seed cotton is sold in raw form (lint)

- Cotton under FISP
How can the Cotton Sector Respond to these challenges to ensure Sustainable Cotton Sector Growth and Poverty Reduction of farmers?
Way forward [1]

- Need to develop appropriate **regulatory regime** that understands strengths and weaknesses of the Cotton Sector
  - Cotton Board of Zambia
    - Licensing rules that specify capabilities and conduct of firms wishing to participate in the sector
    - How adequate is the current Cotton Act?

*Fundamental to improving service provision ➔ higher productivity and quality*
Way forward [2]

- Develop more formalized and transparent price setting mechanisms to enhance trust among stakeholders
  - Inter-professional board to determine indicative price
- Value addition – key for job creation,
  - Clear government policy required
- Cotton under FISP,
  - Many possible problems,
  - But could be avoided if implementation is coordinated with the ginner’s and farmer’s organizations
Way forward [3]

- **Enhanced productivity** at farm and ginnery levels is key for the sustainable cotton sector
  - Provision of effective extension services
  - Adoption of proper agronomic practices
  - The use of high quality planting seed
  - Use of effective pest control mechanisms
  - Use of macro fertilizers in cotton production
Thank You