The Evolution of the Cotton and Textile Industry in Zambia

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Outline

• Introduction
  – FSRP and the cotton sector

• Developments in the cotton sector
  – Background information
  – Production and Marketing trends from 1994 to 2008
  – Successes and Challenges

• Developments in the textile industry
  – Background information
  – Current situation

• Conclusion
FSRP involvement in the cotton sector

- The Project is funded by USAID and SIDA
- Since inception in 1999, the project has been working in the cotton sector
  - Empirical research
  - Capacity building
  - Outreach activities

FSRP Collaborators in cotton issues

- The Government of the Republic of Zambia through MACO
- Agricultural Consultative Forum (ACF)
  - Promotes policy dialogue with all agricultural stakeholders
- Cotton Development Trust
  - Varietal development
  - Extension & Training of farmers
FSRP Collaborators in cotton issues

- **Cotton Association of Zambia (CAZ)**
  - Strengthening farmers groups for effective participations in the industry

- **The Cotton Ginner’s Association**
  - Observance of the rules and regulations of the industry as per cotton Act

- **Golden Valley Agricultural Research Trust**
  - Cropping systems research

- **Conservation Farming Unit**
  - Promote the use of conservation agriculture technologies

Zambia

- Landlocked country
- Over 11 million people
- 1 million smallholder farmers
- Currently around 150,000 smallholder cotton farmers
- The economy is dependent on minerals
- Now, there is a shift to support agriculture
Background information

- Cotton is a smallholder farmer crop grown by over 150,000 households in Zambia currently.
  - With a dependence ratio of 1 to 6, there are about 900,000 people directly or indirectly dependent on cotton production for their livelihoods.

- Cotton production is under contract farming through out-grower schemes.
  - And the pre-financiers buy the crop from the farmers so there is a guaranteed market.

- Initially the cotton sector was run by a parastatal company called Lintco from 1979 to 1994.
  - Production fluctuating but low (30,000MT).
  - Farmer participation (30,000 smallholder cotton farmers).

- The current installed ginning capacity is around 352,000mt.
  - However, pirate buying and side selling have increased.

- Cotton sector – source of Forex (Over US$64 million & US$ 70 million was earned from cotton exports during 2005 & 2006).

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Periods of Success and challenges in Smallholder Seed Cotton Production (1994-2008)

![Graph showing periods of success and challenges in smallholder seed cotton production](image-url)
Contract Farming of Seed Cotton

- Farmers have:
  - guaranteed access to inputs
  - guaranteed market for their crop
  - But limited price competition among firms

- Ginners have:
  - Greater assurance of throughput in their plant
  - Larger management burden
  - Risk of credit default by farmers
    - Poaching by other ginners

Success story

- There was political will in liberalization and privatization of the sector
- The sector is driven by the private sector
- Job creation for many Zambians as the sector expanded
- Revenue contribution to Zambia's economy is around US$ 60-70 million annually
- The private companies have improved the quality of Zambia cotton lint
  - It now earns PREMIUM on the international market
- Production has been improved after privatization
  - At privatization production was about 30,000mt now on average is around 100,000mt
- Number of households growing seed cotton has also improved after privatization
  - Currently it is around 150,000hh (900,000 depending on cotton income) found in the rural parts of the country
Cotton Sector Major Concerns

- Productivity is still low
  - National average is 550 – 700kg/ha of seed cotton

- Current installed ginning capacity is 352,000mt but national production is around 100,000mt
  - Resulted in increased incidences of pirate buying and side selling of seed cotton

- Inconsistent Government policy on provision of inputs.
  - The government provision of subsidized inputs for crops like maize creates a big swing out of other crops like cotton to maize hence disturbing the production plan

Cotton Sector Major Concerns cont’d

- Absence of an effective regulatory framework (Cotton Board)
  - More players in the sector, and more are likely to come and some of these undermine:
    - Input credit provision
    - Provision of extension service
    - Maintenance of quality of seed cotton

- Reduced demand of cotton lint due to worldwide financial crisis
  - If this problem continues it will reduce further the number of farmers growing in seed cotton

- Need to increase productivity by use of Bt & Biotech cotton

- Need to use improved cultural practices and animal traction
The Textile Industry in Zambia

- In the 1980s Zambia’s textile & clothing sector had 140 companies
  - Employed over 15,000 people
  - Source of foreign exchange

- After liberalization in 1991, saw massive closures of these industries and now there are less than 8 companies left

Major reasons for the collapse of the textile Industry

- The textile industry in Zambia lacked competitiveness compared to all other major textile exporting countries
  - Influx, particularly from Asia and South Africa of low priced textile and garments

- The country permits unlimited imports of used clothing and are sold at cheap prices compared to local produced clothing

- Import parity pricing of cotton lint (Liverpool index including CIF costs, plus a premium to cover credit cost and stocking holding cost)
  - Before Lintco was privatized lint was available at Liverpool index less the freight element

- Non-availability of low cost financing for securing cotton supplies
Conclusion

➢ Both Industries need help to improve the value chain of cotton and its products

➢ Cotton Industry
  ❖ There is need to consolidating the regulatory framework for production and ginning of seed cotton
  ❖ Raising productivity in that sector
  ❖ The government should help the industries to reduce the cost of doing business.

➢ Textile Industry
  ❖ The government should introduce more punitive tariffs and quantitative limitation against imports of worn clothing
  ❖ Zambia should take advantage of trade agreements such as COMESA, SADC, AGOA
  ❖ Introduction of the export processing zone should be implemented

Food Security Research Project-Zambia Website

http://www.aec.msu.edu/agecon/fs2/zambia/index.htm
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