

United Nations Conference on Trade and Development  
Regional Workshop on Promoting Cotton By-Products in Eastern and Southern Africa  
28-30 May 2019, Johannesburg, South Africa  
Hosted by Cotton SA

**Remarks from** Cotton South Africa

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

## **THE RELATIVE IMPORTANCE OF THE SA COTTON INDUSTRY**

Good morning ladies and gentlemen

On behalf of the SA government and the cotton industry, it is my honour and privilege to welcome all the distinguished guests from UNCTAD, UNECA, COMESA, officials from project countries, and officials from governments and relevant industries here today. I hope that you will enjoy the South African hospitality and cuisine during your stay and we are looking forward to constructive dialogue about the development of the cotton by-products value chain.

As cotton is a high input cost crop every possible opportunity must be investigated to increase the value of cotton at farm level. In SA, the first step was to encourage farmers to forward integrate into cotton ginning to unlock additional value by shortening the marketing chain. The result is that all the local cotton gins today are owned by farmers. Similarly, against the backdrop of ever-increasing production costs new income opportunities, other than increasing the productivity of seed cotton, could be value addition of cotton by-products that can make cotton more profitable for farmers. Therefore, we accepted the invitation by Mr. Kris Terauds of UNCTAD late last year to host the two-day Regional Workshop in SA to assess the viability of the development of cotton by-products and to hear about evidence-based policies that could promote value addition activities.

Cotton production in SA has gone through challenging times over the last decade and reached a low point of just 5 500 tons of lint in 2013/14, the lowest since the previously recorded high of 80 000 tons towards the end of the 20<sup>th</sup> century, and largely because of the non-profitability of cotton. Against this backdrop, Cotton SA engaged with government and like-minded role players in 2014/15 to embark on a strategy called the Sustainable Cotton Cluster to revive the cotton value chain. The objectives of the 5-year government funded programme, are to improve global competitiveness, to stimulate local beneficiation of homegrown cotton and to increase job creation across the value chain while building and improving capacity in the related cotton value chains.

I am proud to say that since the initiative started 5 years ago, cotton production increased by more than 800% (25 500 bales to 235 000), consumption of domestically grown cotton increased by more than 20% while exports of cotton reached a record high in 2018/19. The growth of the primary and secondary sectors was further supported by a R 500 million investment in two new cotton ginneries and the latest harvesting technology. Although the challenges to rebuild the cotton textile and clothing value chain are immense and time consuming, the excellent progress made over the last five years compelled government to continue with the funding of the

programme as the textile and clothing sector have great potential to create jobs and contribute towards economic growth that is so badly needed by our country.

Further aspects affirming the importance and competitiveness of the primary cotton industry in South Africa are the following:

- **Cotton yields** - South African cotton yields, compared to the rest of Africa and the world are also outstanding. Yields are lately on average about 1 100 kilograms cotton lint per hectare which is not only the highest in Africa but also compare favourably with the world average which currently stands at 764 kilograms cotton lint per hectare and which makes us the eight highest yielding country in the world.
- **Cost of production** - The cost of cotton production in South Africa is also very competitive compared with that of the rest of the world. In the last Production Cost Survey conducted by the International Cotton Advisory Committee (ICAC), South Africa's cost to produce a kilogram of cotton was calculated at 24 - 30 US cents/kg of seed cotton and considering South Africa's high lint yield, its cost to produce a kilogram of cotton lint is amongst the cheapest in the world.
- **Quality** - Although local cotton production is small in terms of world production, the qualities produced are as a rule excellent, with roughly 80 % of the crop normally in the higher-grade categories of Middling to Good Middling and staple length of 1 1/8" and longer and are highly suitable for export. Due to relative low levels of contamination the SA crop is rated amongst the least contaminated cotton in the world which gives SA a competitive advantage over many of its counterparts in Africa.
- The cotton gins currently are all **farmer owned** which translates to value adding, the shortening of the marketing chain and therefore the reduction of costs.
- A **price hedging mechanism** is in place which affords the farmer protection against inevitable price fluctuations and price uncertainty as he can now fix pre-planting prices daily.
- South Africa has access to the best cultivars available as well as to the **latest gmo technology** in this regard.
- The South African cotton industry is also **well organised under Cotton South Africa**, who provides public infrastructure in support of the cotton industry that cannot be performed by the private sector.

From the above it is clear that there is a future for the primary cotton industry in South Africa with real prospects to expand production and to diversify to other value-added products. Other than stockfeed for ruminants and edible oils during the 90's, early 2000, development of other downstream products from cottonseed is minimal in SA.

Therefore, the SA delegation is looking forward towards the outcomes over the next two days of possible new opportunities offered by the by-products of cotton that could raise the profitability of cotton through value addition.