Zimbabwe Cotton to Clothing Value Chain

A case for Promoting value addition and the enhancement of domestic productivity capacity through local economic empowerment & regional integration

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A BRIEF HISTORY
COTTON PRODUCTION IN ZIMBABWE

Cotton is first introduced to Zimbabwe. Grown by commercial farmers.

1925

China enters the market. Turning point for textiles & clothing. Failure to adapt.

1995

Limited modernisation and questionable management of key plants.

2004-2009 Hyper-inflation takes its toll.

2009

Since 2000 cotton grown almost entirely by small scale farmers.

1999

Economic downturn starting 1999 compounded by effects of land reform.

Poor prices and low support leads to plummeting production.

2012

Peak production of 350,000 tonnes in 2012

2015/16

Lowest production in 2015-16 28,000 tonnes

Government steps in with support system.

In 2018 seed distributed to over 350,000 farmers

Dollarisation in 2009 creates more challenges for the sector.

Most companies unable to be competitive. Multiple closures & downsizing.
NATIONAL SEED COTTON PRODUCTION

- 2012: 350,000 MT
- 2013: 200,000 MT
- 2014: 100,000 MT
- 2015: 28,000 MT
- 2016: 74,000 MT
- 2017: 140,000 MT
- 2018: 80,000 MT
## Financing of Seed Cotton Crop

<table>
<thead>
<tr>
<th>Year</th>
<th>Approximate Finance</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>2012</td>
<td>US$26 000 000</td>
<td>Total crop grown 350 million kgs. All players financed the crop</td>
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<tr>
<td>2013</td>
<td>US$30 000 000</td>
<td>World prices drop significantly and side marketing in Zimbabwe rampant.</td>
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<tr>
<td>2014</td>
<td>US$22 000 000</td>
<td>COTTCO operations collapse</td>
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<tr>
<td>2015</td>
<td>US$60 000 000</td>
<td>Govt support through COTTCO</td>
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Structure of value chain

- Seed cotton remains the basis for building Cotton to Clothing Value Chain
- Govt policy: 30% of lint produced must be reserved for local industry
- Competition from fabrics from man made fibres a major factor
- Cotton to Clothing Strategy 2014 – 2019 developed: Govt, NGOs, Private sector
- Association of Cotton Value Adders of Zimbabwe (ACVAZ) setup
Strategy broad goals

• Addressing the supply side by improving support for farmers in turn improving productivity
• Improving the business/operating environment by aligning fragmented policies which hinder collaboration & streamline function of the value chain
• Ensuring stakeholders have adequate knowledge of markets and trends.
Strategic deliverables 1

• Improve yields by 73% to 1 200kgs per hectare
• Annual seed cotton production to reach 450 000tons from the base of 145 000tons in 2014 (2019 production 2019)
• Usage of available ginning capacity to attain 69.5% up from 20% in 2014. (Currently below 10% of 2014 baseline less than 12 000tons)
• Volumes of cotton fibre processed locally increased to 25% from the 3,5% in 2014. (No significant increase remains below 5% as focus is on yarn production)
• Export of textile and garment to increase 390% to US$110 million. (Export still less than US$20 million in 2018)
Strategic deliverables 2

• Zimbabwe’s lint exports to reach 90 000 tons from the 55 000 tons in 2014. (For 2019 lint exports will not exceed 25 000 tons)

• 250 000 of smallholder farmers benefit from revenues from Cotton growing - 350 000 smallholder farmers benefitted from cotton growing revenues

• More than 40 000 new jobs in textiles and clothing sector – Jobs in the Textile sector are at 3 800 – 5 000 & in the Clothing sector 6 800 – 8 000
Prospects for enhancement of production and economic empowerment for farmers

• Cotton is currently viewed as a poor man’s crop and farmers have Farmer attitudes due to returns however prospects will be improved
• Increase extension service and quality thereof
• Change of the support model to that of rewarding productivity rather than blanket support at the outset
• Farmer either owns seed cotton and has ginners toll gin for them rather sell the seed cotton to ginners
• Encourage farmers to invest in ginneries so that the control return on product up to lint and cotton seed stage
• Participation of farmers in processing of seed cotton by products which include extraction of oil, making of stockfeed, bio-mass fuels
Prospects of enhancement of production and economic empowerment for textiles

• Readily available seed cotton forms basis for investment in textile mills.
• Value return through the conversion of seed cotton to lint is 400%
• Quality of seed cotton and lint will enable Zimbabwe to focus on a cotton niche markets such as work wear and linen.
• Value return through the conversion of lint to yarn in excess of 100% and thereafter conversion to fabric remains beyond 60%
Prospects of enhancement of production and economic empowerment for clothing

• Greater cotton fabric production or cotton blends provides great opportunity for formal garment manufacturers – probably the quickest route to enhance formal employment in the value chain due to limited capital investment

• Formal and informal sector collaborations relatively easier such as the ZIMRA case in Zimbabwe

• Fashion designers are able to work with materials and impact markets and trends

• Clothing sector will provide pull factor for Textiles resulting in growth
Conclusion

• Value addition presents opportunities for enhanced productivity and local economic empowerment as seen in the Cotton to Clothing Value Chain through
• Enhancing production at primary level as in the case
• Involvement of primary producers at higher levels in the value chain increasing returns.
• Increasing employment opportunities
• Providing greater opportunity for informal and formal sectors to collaborate
• Provide scope for other sectors to grow such as oil expression and stockfeed production
With thanks to the Association of Cotton Value Adders of Zimbabwe.