UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

PROMOTING COTTON BY-PRODUCTS in Eastern and Southern Africa

Zimbabwe Policy Recommendations

Agreed by consensus at the multi-stakeholder national workshop
(Bronte Hotel, Harare, Zimbabwe, 29 September 2017)

Validated by Mrs. Abigail Shonhiwa, Secretary for Industry, Commerce and Enterprise

31 January 2018

This document has not been formally edited.

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UNITED NATIONS
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in partnership with United Nations Economic Commission for Africa and Common Market for Eastern and Southern Africa

United Nations Economic Commission for Africa

COMESA

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Summary

The participants of the national workshop on "Promoting cotton by-products in Zimbabwe" recommended, by consensus, that the Government of Zimbabwe adopt the following policies, to support the development of value added activities on cotton by-products in Zimbabwe:

1. Enable the use of cotton stalks in value added activities;
2. Favour the acquisition and adoption of appropriate technologies to add value to cotton by-products;
3. Establish a consensus pricing model for seed cotton producer prices;
4. Favour self-sufficiency in oilseeds and edible oils; and
5. Establish a unified, public-private funding model for increased productivity and production of seed cotton.

On behalf of the Government, the Secretary for Industry, Commerce and Enterprise validated these policy recommendations on 31 January 2018 (see Annex 1).

The following section introduces the national workshop and the context for these policy recommendations, while the subsequent sections provide a detailed description of each recommendation.

Introduction

The United Nations Conference on Trade and Development (UNCTAD) and the Ministry of Industry and Commerce organised a three-day national capacity-building workshop in Harare on 27-29 September 2017, as part of the technical cooperation project "Promoting cotton by-products in Eastern and Southern Africa". Approximately 60 participants attended the workshop, including policy makers, researchers and stakeholders from the cotton value chain.

The objectives of the workshop included: a) equipping stakeholders to identify priority value added activities on cotton by-product to develop in Zimbabwe; and b) assisting government officials in drafting evidence-based policies to support the identified initiatives. Correspondingly, the national workshop comprised a two-day programme for stakeholders (27-28 September) and a one-day programme for policy makers (29 September).

During the stakeholder component of the workshop, participants agreed on a National Action Plan for developing cotton by-products in Zimbabwe. The action plan includes the following three proposed initiatives:

1. Establish a stabilisation fund for cotton prices;
2. Develop a new value chain for cotton stalks; and
3. Extend the market for cottonseed to the non-ruminants feed segment by implementing de-gossypol technology.

Participants tasked UNCTAD with drafting the agreed National Action Plan, which will be submitted as a separate document, for validation by the Secretary for Industry, Commerce and Enterprise.

In support of the National Action Plan, participants at the policy-making component of the workshop agreed by consensus on the following policy recommendations. At the request of participants, UNCTAD drafted the agreed recommendations and submits them alongside the National Action Plan, for validation by the Secretary for Industry, Commerce and Enterprise.

Each policy recommendation includes its overall political objectives, as well as the institutions and stakeholders that agreed to carry the policy forward.

Recommendation 1: Enable the use of cotton stalks in value added activities

Background

The cotton amendment to the Plant Pests and Diseases Regulations of 1988 requires farmers to destroy cotton stalks, principally by burning them, to prevent the spread of pink bollworm.

Nonetheless, based on examples from India and other countries, of commercial products derived from cotton stalks, workshop participants formulated a strategy to develop similar value added activities in Zimbabwe.

Using cotton stalks in value added activities would require that the Government amend the regulation requiring the destruction of cotton stalks.

Policy objectives

By developing value added activities on cotton stalks, the Government aims to:

- Generate revenues and jobs by processing cotton stalks into commercial products, including fuel, such as briquettes and pellets;
- Create a new source of renewable energy, i.e. briquettes and pellets derived from cotton stalks;
- Reduce the import bill for substitute fossil fuels, including coal and natural gas; and
- Reduce waste and emissions from burning cotton stalks.

Specific actions

- Review and replace the statutory instrument requiring farmers to destroy their cotton stalks;
- Include this review in the Rapid Results Initiative; and
- Conduct a pest risk analysis on the activity steps involved in processing cotton stalks, namely: harvesting and chipping on the farm, followed by transportation to a processing facility.

Implementing agencies

Lead: Ministry of Agriculture, Crops Research Division
Support: None identified

Recommendation 2: Favour the acquisition and adoption of appropriate technologies to add value to cotton by-products

Background

Zimbabwe has a mature cottonseed oil expression sector, using established technologies to produce the two most valuable cotton by-products: cottonseed meal and edible oil. Nevertheless, new technologies have been commercialised in other cotton-producing countries that can add value to other cotton by-products that are currently undeveloped in Zimbabwe.

Stakeholders identified two of these technologies with commercial potential in Zimbabwe, namely: a) a sequence of machines that enable the processing of cotton stalks into a range of products; and b) a chemical process that removes the enzyme gossypol from cottonseed meal, allowing it to be used in stockfeed for non-ruminants, such as poultry, pigs and fish.

In the case of cotton stalks, these technologies are often small in scale and relatively affordable, making them suitable for use in rural areas, either directly by farmers or by rural collectives.

Adopting these technologies in Zimbabwe would require that the Government facilitate their importation and their adaptation to local rules and end user requirements. Policies also need to support training in the operation and maintenance of these technologies, as well as the building the capacity to manufacture them locally.

Policy objectives

By developing value added activities on cotton stalks, the Government aims to:

- Generate revenues and jobs by processing cotton stalks into commercial products, including fuel, such as briquettes and pellets;
- Create a new source of renewable energy, i.e. briquettes and pellets derived from cotton stalks;
- Reduce the import bill for substitute fossil fuels, including coal and natural gas; and
- Reduce waste and emissions from burning cotton stalks.

By developing de-gossypol technology for cottonseed meal, the Government aims to:

- Expand the market for cottonseed meal into stockfeed for non-ruminants; and
- Increase the domestic demand for cottonseed, and by extension, seed cotton.

Specific actions

- Allow for farmers' unions or associations to purchase and import the cotton-stalk technologies;
- Arrange the duty-free importation of the identified technologies;
- Provide for the delivery of technical training on the operation and maintenance of the machines; and
- Explore a legal arrangement by which, over time these technologies could be manufactured in Zimbabwe.

Implementing agencies

Lead:	Ministry of Industry and Commerce
Support:	Ministries and Finance and Agriculture, Agricultural Research Council, Zimbabwe Association of Consulting Engineers

Recommendation 3: Establish a consensus pricing model for seed cotton producer prices

Background

In a survey commissioned by the UNCTAD project, farmers identified the lack of a transparent pricing model as a disincentive to grow cotton, as well as a point of contention in their relationship with ginners. Furthermore, the absence of a consensus pricing model makes it a competitive risk for ginners to announce pre-season indicative prices to farmers. The latter group identified the resulting lack of visibility as a further risk and disincentive to grow cotton.

More generally, the absence of a clear pricing model prevents farmers from ascertaining whether they receive their due share of any value added to cotton by-products.

Policy objectives

By establishing a transparent, consensus pricing model for seed cotton producer prices, the Government aims to:

- Improve trust among stakeholders in the cotton value chain, particularly between farmers and ginners;
- Create shared incentives for the development of value added activities;
- Reduce incentives for the side marketing of seed cotton; and
- Establish the foundation for other price-related measures, such as pre-season indicative prices or a price stabilisation fund.

Specific actions

- Establish a legal basis for a consensus pricing model;
- Convene a multi-stakeholder process to formulate a pricing model, including clear provisions for the inclusion of cotton by-products;
- Establish effective mechanisms for oversight, dispute resolution and communication related to the pricing model;
- Provide for the extension of the policy to include, for example, pre-season indicative prices and a price stabilisation fund;
- Coordinate these policies with the existing initiative on this subject, undertaken by the Association of Cotton Value Adders of Zimbabwe (ACVAZ) and the Agricultural Marketing Authority (AMA).

Implementing agencies

Lead: Agricultural Marketing Authority
Support: Association of Cotton Value Adders of Zimbabwe

Recommendation 4: Favour self-sufficiency in oilseeds and edible oils

Background

In 2016, Zimbabwe imported more than US$ 120 million in edible oils, adding to the country's overall trade deficit. Meanwhile, in 2016, oil expressers in Zimbabwe were operating at below 30 per cent of installed capacity. Moreover, in the survey commissioned by the UNCTAD project, oil expressers described an uncoordinated policy framework for oilseeds, with incentives and policies varying, or even competing, among different crops, thus complicating oil expressers' efforts to procure the feedstock they need from among the oilseed crops.

As for oil refiners, they often find it more profitable to use cheaper imports of crude edible oil, rather than buying locally.

Policy objectives

- Create incentives to add value to oilseeds and crude edible oils produced in Zimbabwe;
- Improve food security through self-sufficiency in oilseeds and edible oils;
- Reduce Zimbabwe's annual import bill; and
- Increase predictability in farmer's cropping decisions and oil expressers' procurement plans through a coordinated oilseeds plan, including policy supports.

Specific actions

- Require refiners to consume all edible oil produced domestically before allowing imports;
- Impose trade policy restrictions on imports of oilseeds and crude edible oil;
- Draft a plan for self-sufficiency in oilseeds and edible oils, including a coordinated policy treatment across oilseed crops; and
- Coordinate these policies with the 2017 study of the oilseeds value chain, undertaken by Zimbabwe Economic Policy Analysis and Research Unit (ZEPARU).

Implementing agencies

Lead: Ministry of Industry and Commerce
Support: Ministry of Finance, Reserve Bank of Zimbabwe, Agricultural Marketing Authority, Zimtrade, Agricultural Research Council

Recommendation 5: Establish a unified, public-private funding model for increased productivity and production of seed cotton

Background

Prior to the 2015-16 growing season, ginners were the main underwriters of the cotton crop, providing input packages to farmers, on credit, through their contract farming agreements. Beginning with the 2015-16 season, the Government committed to deliver free inputs to cotton farmers for three years, until the 2017-18 season. In the 2016-17 cotton growing season, for example, the Government distributed US$ 42 million in free inputs to farmers.

Since the introduction of the Government's free input scheme, ginners' financing of cotton cultivation has largely evaporated, as they are unable to compete with a scheme that delivers free inputs to farmers, without contractual obligations.

Stakeholders express criticisms of both input schemes. For example, farmers accuse ginners of providing less than the contracted quantities of inputs and delivering them late or not at all. This depresses cotton yields and creates incentives for farmers to double-contract their crop to procure sufficient inputs.

Meanwhile, ginners criticise the Government scheme for the absence of conditions or monitoring, which has created incentives for farmers to sell the free inputs they receive and not grow cotton. Ginners also complain that the Government input scheme crowds them out of the market, undercutting their contract-based production model, and places them at a competitive disadvantage to state-owned Cottco, which is authorised to distribute the Government's free inputs to its contracted farmers.

Resolving the competition between the parallel input schemes in the cotton sector would require the Government to establish a unified, public-private funding model that capitalises on the comparative advantages of the two providers. For example, with the Government supplying the free or subsidised inputs and having ginners distribute them and monitor their use, through their established contract arrangements and buying networks.

Policy objectives

By establishing a unified, public-private funding model for cotton production, the Government aims to:

- Improve cotton yields through the provision of a full input package that responds to the potential yield of the planted seed varieties;
- Improve the return on public funds spent on free or subsidised inputs, in terms of seed cotton yields and production;
- Ensure the sustainability of the funding model for cotton production;
- Reduce incentives for the side marketing of seed cotton; and
- Preserve the participation of the private sector in cotton, including both existing private ginners and future investors.

Specific actions

- Convene stakeholders to negotiate a unified, public-private funding model for cotton production;
- Consider including oil expressers – consumers of cottonseed, the main cotton by-product, by volume – in the funding model;
- Consider establishing a common-fund input scheme, for example adapted from the Ugandan model;
- Increase resources and policy tools to monitor that distributed inputs are used to grow cotton;
- Ensure an equitable relationship between farmers and ginners by reviewing contract farming guidelines for fairness and to align with the new funding model.

Implementing agencies

Lead:	Agricultural Marketing Authority
Support:	Ministry of Industry and Commerce

For more information

General information on the project, including the project document, background materials and activity reports, can be found at the project site:

http://unctad.org/en/Pages/SUC/Commodities/SUC-Project-1617K.aspx

Please address specific inquiries to the following members of the project team:

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Annex 1: Validation letter

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MINISTRY OF INDUSTRY & COMMERCE
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31 January, 2018

United Nations Conference on Trade and Development
Special Unit on Commodities
Chief, Commodity Policy Implementation Outreach Section

Attention: Yanchun Zhang

Dear Madam,

NATIONAL WORK PLAN ON PROMOTING COTTON – BY PRODUCTS IN EASTERN AND SOUTHERN AFRICA.

We acknowledge with thanks, receipt of your letter dated 18 January, 2018 and are pleased to inform you that the Ministry has approved the report.

We are now ready to call for a meeting with the multi- stakeholder committee that was approved at the workshop held in Harare in September, 2017.

We thank you for your continued support as we move towards the implementation stage of this programme.

Yours sincerely,

BManatsa
B. Manatsa
for: Secretary for Industry, Commerce and Enterprise Development