



## Promoting cotton by-products in Eastern and Southern Africa



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UN Development Account Project 1617K

Implemented by UNCTAD

Beneficiary countries: Tanzania, Uganda, Zambia, Zimbabwe

Duration: 2016-2019

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

### Inception mission to Tanzania and Zimbabwe

The UNCTAD project team travelled to two of the project's four beneficiary countries, Tanzania and Zimbabwe, from 7-17 November 2016. The objective of this inception mission was to meet with key stakeholders, solicit their input on the project and engage them in the coming activities. The trade ministries in both countries were kind enough to host these meetings.

Overall, the mission objectives were achieved. Stakeholders in both countries acknowledged the need to investigate how to better realise the potential of cotton by-products as a viable diversification strategy. This mandate from stakeholders established the basis for undertaking the project's activities.

### Zimbabwe

#### Meetings with government counterparts

Senior officials at the Ministry of Trade and at the Ministry of Agriculture re-confirmed Zimbabwe's interest in being a pilot country for the project. They stressed the importance of the cotton sector (along with tobacco) as a key driver of economic growth and poverty reduction in the country. Promoting cotton and its by-products is a priority for the Zimbabwean Government, as the sector is facing a challenging time, due, in part, to a growing number of farmers choosing not to grow cotton. The Government of Zimbabwe requested that the project activities lead to tangible results and avoid duplication of existing projects or studies. The Ministry of Commerce and Industry agreed to identify the key cotton by-products to be covered by this project.

#### Policy issues

**Farmers' incentives:** All stakeholders agreed that the revival of the cotton sector depends on improving incentives for farmers to grow cotton. The present lack of raw seed cotton is a key issue for local businesses, from ginners, to textile manufacturers, to by-products producers. For example, cottonseed oil production capacity in the country is about 580,000 tonnes. But these factories currently operate at an estimated 10% of capacity and Zimbabwe is a net importer of edible oil.

**Value chain integration:** There is a need to look at how cotton to by-products value chains are integrated in the wider cotton value chains and recommend ways to promote vertical integration.

**Policy and Institutional coordination:** In the past, a National Cotton Council provided a forum for stakeholders to meet and discuss strategic issues facing the cotton sector. Today, this role is partly played by the Association of Cotton Value Adders of Zimbabwe (ACVAZ), with representation from all stakeholder groups in the value chain, from farmers to textile and by-products manufacturers. But some stakeholders suggested that the ACVAZ needs to be strengthened from an association into a council, and that its membership needs to be more inclusive, with a view to improving its influence and visibility.<sup>1</sup>

Discussions also uncovered the need for optimising policy coherence between industrial, trade and agricultural policies that would contribute to better supporting the cotton sector in Zimbabwe.

#### Existing studies and initiatives of relevance to the project

With the support of COMESA Secretariat,<sup>2</sup> two relevant studies have been conducted in Zimbabwe, namely: i) a Feasibility Study determining the Viability of Investment in Seed Cotton By-Products Processing and Marketing and ii) Potential Markets for Seed Cotton By-Products. A key finding of these studies is that cotton by-product businesses are not currently

viable, due to low cotton production levels. In the current situation where cotton production in the country is very low, cotton by-products businesses are not viable.

As for the programmes, for the current crop season, the Government has allocated US\$ 36 million to support cotton farmers through an input procurement scheme.

## Guidance on planned activities

### Survey

In addition to the survey examining the market potential of cotton by-products, stakeholders requested that it also investigate the economics of farming households, with respect to their decisions whether or not to grow cotton. There is also a need for the survey to catalogue the real infrastructure in the country that is relevant to cotton by-products.

### Capacity building workshops

The Government requested support in devising policies that respond to the specific challenges facing the cotton and by-products sector in Zimbabwe.

Representatives of SMEs requested that they be included in the workshops, and that their capacity concerns be reflected in the programme with topics such as: access to finance, management skills, and access to technologies and markets. SMEs also requested that they work with policy makers to design assistance for SMEs to move from the informal to the formal sector. Lastly, SMEs requested that these activities focus on the edible oil sector, where they are most active.

### Investment profile

Senior officials at the Zimbabwe Investment Agency (ZIA) reaffirmed their commitment to collaborating with the UNCTAD project team to formulate an investment profile for the cotton and its by-products sector. They plan to use the agency's website, Zimbabwe's embassies around the world and professional associations to disseminate the investment profiles.

## Tanzania

### Meetings with government counterparts

The Ministry of Trade welcomed the project at a time when the Tanzanian Government is looking for ways to revive cotton sector and increase farmers' revenues. Cotton remains a strategic cash crop for farmers in the country. Promoting cotton by-products and diversifying the industry from the traditional cotton to clothing value chain has the potential to increase prices paid to farmers while generating employment in local communities. These could in turn contribute to improving food security in cotton farming areas.

### Policy issues

**Farmers' incentives:** Several stakeholders underlined the need to better support farmers on production, marketing and value-addition. Contract farming is rare in Tanzania, mainly because the sector faces stiff competition at the ginning activity and policy makers are reluctant to promote this type of contractual arrangement. Meanwhile, the farm gate price is determinant in farmers' decisions whether or not to grow cotton. The minimum cotton farm gate price is set by a board composed of representatives from the Tanzania Cotton Board, government, growers and ginners. But the minimum price formula does not include any variable of interest for farmers. In

addition, despite a fixed buying season, side marketing persists, undermining the reliability of contracted deliveries.

## Guidance on planned activities

### Survey

In addition to the survey examining the market potential of cotton by-products, stakeholders requested that it also investigate the demographic, economic and social characteristics of cotton farming households in cotton-growing areas, including area-by-area differences.

### Capacity building workshops

Stakeholders insisted that capacity-building seminars for policy makers raise their awareness of the centrality of farmers in the country's agricultural and industrial development trajectory.

### Investment profile

Senior officials at the Tanzania Investment Centre (TIC) expressed interest in developing detailed investment profiles for cotton and its by-products sector in Tanzania. Although a profile exists for the cotton-to-textile value chain, it is not sufficiently detailed. Currently no profile exists for cotton by-products.

## Next steps

### Upcoming project activities

In the coming three months, the UNCTAD project team will undertake the following activities:

1. Travel on an inception mission to Uganda and Zambia.
2. Recruit survey providers in all four beneficiary countries.
3. Begin designing and conducting the surveys.

### Contact us

For information about the project,<sup>3</sup> please do not hesitate to contact the UNCTAD project team.

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<sup>1</sup> The current DA project aims at establishing a multistakeholder committee which is a relevant way to ensure the commitment from the various stakeholders to carry out their respective actions and roles as identified in the action plan. In Zimbabwe, ACVAZ could form such a committee.

<sup>2</sup> COMESA has secured €1.2 million from the EU to help Zimbabwe implement its cotton-to-clothing strategy. ITC has been contracted to implement the project.

<sup>3</sup> This project follows UNCTAD's ongoing work on the Pan-African Cotton Road Map (PACRM). For more information on the PACRM, please visit: <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1095>.