



USDA Foreign Agricultural
Service

GAIN Report

Global Agriculture Information

Voluntary Report - public distribution

Date: 6/5/2006

GAIN Report Number: RH6008

Zimbabwe

Cotton and Products

Voluntary report

2006

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Report Highlights:

Cotton is currently Zimbabwe's second biggest agricultural export after tobacco and is expected to earn \$140 million in foreign currency in 2006. Seed cotton production is estimated at 330,000 MT after 196,000 MT was produced in 2004/05. Cotton lint production is estimated at 135,300 MT compared to the 80,360 MT produced in 2005. Lint exports may reach 95,000 MT after nearly 86,000 MT was exported in 2005.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Pretoria
[RH]

Summary

Zimbabwean seed cotton production increased by 68.3% from 196,000 MT in 2005 to an estimated 330,000 MT in 2006. The average yield is estimated at 900 kg/ha. The country experienced a favorable rainfall season but production was hampered by inadequate supplies of fertilizers and chemicals as well as reduced inputs support by cotton ginning companies.

The opening market prices are between Z\$37,000/kg to Z\$45,000/kg. Industry experts do not foresee the government subsidizing lint prices by offering a support price this year.

Currently, the export quota for lint in 2006 is 70% of production, and lint exports are thus expected to reach 94,700 MT.

Exchange rate: US\$1 = Z\$101,000

Cotton lint.

PSD Table

Country	Zimbabwe					
Commodity	Cotton					
Hectares	2004	Revised	2005	Estimate	2006	Forecast
MT lint	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	04/2004		04/2005		04/2006	
Area Planted	0	355000	0	300000	0	370000
Area Harvested	330000	354375	390000	300000	0	370000
Beginning Stocks	38320	38320	35054	35055	44852	4270
Production	76204	135710	119750	80360	0	135300
Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
TOTAL SUPPLY	114524	174030	154804	115415	44852	139570
Exports	54432	110225	87091	85845	0	95000
USE Dom. Consumption	21773	26000	19595	24100	0	24000
Loss Dom. Consumption	3266	2750	3266	1200	0	1000
TOTAL Dom. Consumption	25039	28750	22861	25300	0	25000
Ending Stocks	35054	35055	44852	4270	0	19570
TOTAL DISTRIBUTION	114525	174030	154804	115415	0	139570

Production

The 2006 seed cotton harvest is estimated at 330,000 MT, an increase of 68.36% on the previous year's 196,000 MT. Lint production is estimated at 135,300 MT compared to 80,360 MT in 2005.

Production year	2003/4	2004/5	2005/6
Area (ha)	354,375	300,000	370,000
Seed cotton production (MT)	331,000	196,000	330,000
Lint production (MT)	135,710	80,360	135,300

The normal to above normal rainfall in cotton producing areas and an increased area planted this season are the main reasons for the increased crop output. About 7,200 MT of certified seed was either distributed or sold to growers bringing the area under cotton to about 300,000 hectares. Growers also planted seed carried over from the previous season after a smaller crop was planted in the 2004/5 season due to drought.

The national average yield improved from last season's average of 750kg/ha to about 900 kg this season. The good rainfall was largely responsible for the higher yield as it resulted in good vegetative growth and higher ball formation. The adoption of proper crop management practices by growers can further improve yields to about 2 MT/ha.

A number of constraints affected cotton production in the 2005/6 season. The limited availability and high cost of fertilizer and chemicals was a major constraint to production. The shortage of foreign currency to import the necessary raw materials was the main cause of the shortages experienced. Leaching of nutrients and high weed pressure as a result of incessant rains early in the season were important constraints.

Due to its drought tolerant characteristics, cotton can be successfully grown in areas where the average annual rainfall is 600mm or less. In Zimbabwe this agro-ecological area covers approximately 60% of the agricultural land. Most of it comprises communal areas where small-scale farmers produce the bulk of the cotton crop. This sector has been the least affected by the land reform program. Input and technical support by ginning companies is critical to production.

Since the marketing of the crop was liberalized in 1994, the number of cotton buyers has increased from one to fifteen. However, only a few ginning companies are currently supporting production through provision of inputs such as seeds, fertilizers, chemicals as well as extension support to contracted farmers. Buyers who are not investing in the crop are encouraging side marketing of the contracted crop by offering higher prices leading to many farmers breaching contractual agreements and threatening the viability of contract growing in the industry. As a result input scheme providers have reduced the level of their input support to growers in order to minimize the losses from poor recoveries of seed cotton. In the long term this reduction in farmer support may lead to a decline in production and foreign currency earnings. This proliferation of cotton lint merchants has also resulted in a decline in quality standards of lint.

Ginning capacity is estimated at 600,000 MT annually.

Production policy

The challenge facing the cotton industry is to ensure equitable participation in supporting production by all buyers. To this end, the cotton industry has called for the introduction of a legal framework that seeks to boost production by compelling all buyers to fund production of seed cotton. It has been proposed that the issuing of export permits be based on the buyer's contribution to production. However, this is still to be agreed upon by the industry.

The price for seed cotton is not determined by the government but by market forces. Currently seed cotton prices are in the range Z\$37,000 – Z\$45,000 (US\$1 = Z\$101,000). Cotton industry experts do not foresee a government seed cotton support price for the 2006 season.

Government policy prohibits the production of transgenic cotton in Zimbabwe. A National Biotechnology Authority Bill was passed through Zimbabwe's House of Assembly recently. If it becomes law, the bill will establish a governing body responsible for managing the importation, research, development, and production of biotechnology. This may well open up the country to the use of biotechnology.

Consumption

The government together with cotton industry stakeholders has put in place a system of quotas for cotton lint marketing where the local spinning industry is allocated a percentage of the total production and the remainder is for export. The export/domestic lint quota is reviewed periodically and currently the lint quota for the domestic market is 30% of national output. Due to the larger crop this season, it is expected that the quota will be reduced to 20% i.e. 27,060 MT and more lint will be available to the export market.

Although the local industry has the capacity to process 40,000 – 50,000 MT lint, domestic lint consumption is expected to be much lower at about 25,000 MT due to a slow down in the economy. Zimbabwe's textile industry is experiencing a downturn due to the prevailing harsh economic conditions and may be unable to consume the entire quota. When supply exceeds demand, the surplus will be channeled to exports.

Domestic demand for textile products continues to decline due to the erosion of consumer buying power by the hyper-inflationary environment prevailing in the country.

The disqualification of Zimbabwe from the AGOA pact, which gives developing countries free access to the United States market, has resulted in a number of textile companies relocating to neighboring countries benefiting from AGOA pact. This coupled with low profitability and low investment in the textile-manufacturing sector has led to a lower local demand for cotton lint.

The influx of cheap textile products from the Far East has negatively affected the local textile industry.

Trade

Cotton lint is the country's second largest agricultural export commodity after tobacco and is expected to earn the country over US\$140 million in exports this season. About 70% of the cotton lint is destined for the export market where exports are expected to reach 94,700 MT.

In 2005 Zimbabwe exported over 85,000 MT of lint, 64,000 MT of which was from the 2004/5 crop the remainder being carryover stock. The major destinations were the Far East accounting for over 32.5% of exports. Europe and Africa accounted for 31.3% and 36% respectively. Among the major destinations in the Far East were Thailand, Japan, Singapore and Hong Kong. Germany, UK, Portugal, Italy, and Switzerland were the main European destinations. South Africa and Zambia were the main African destinations.

The high export figure to South Africa is not all for consumption therein. Some of Zimbabwe's ginning companies warehouse lint in South Africa as they speculate on

the world price. Most of the lint is later re-exported to other destinations but this data is not available.

Export Trade
Matrix

Country	Zimbabwe		
Commodity	Cotton		
Time Period	CY	Units:	MT
Exports for:	2004		2005
U.S.	0	U.S.	0
Others	Others		
Thailand	21,083	Thailand	13,353
South Africa	18,608	South Africa	27,906
Italy	12,664	Italy	4,102
Indonesia	9,150	Singapore	7,491
China	7,494	UK	5,054
Taiwan	6,344	Switzerland	3,123
India	6,300	France	3,196
Japan	4,336	Japan	5,201
Germany	2,502	Germany	4,817
Total for Others	88481		74243
Others not Listed	21,745		11,602
Grand Total	110226		85845

The tables below show cotton yarn and fabric exports to various destinations as follows:

Cotton Fabric Exports (MT)

	2004	2005
South Africa	2569	1119
United Kingdom	2000	137
Mozambique	645	25
Italy	731	52
Zambia	20	0
Belgium	102	0
Tanzania	25	0
Germany	0	3453
Malawi	0	533
Kenya	0	658
Egypt	0	268
Others	1019	405
Total	7111	6650

Source: Central Statistical Office, Ministry of Industry and Trade and Ministry of Finance, Government of Zimbabwe
Cotton Yarn Exports (MT)

	2004	2005
South Africa	5612	4623
Botswana	532	587
Egypt	0	17
Others	1111	0
Total	7255	5280

Source: Central Statistical Office, Ministry of Industry and Trade and Ministry of Finance, Government of Zimbabwe

Imports:

The country does not import cotton lint but imports cheap textiles, mainly from Asian countries.

Stocks

The ending stocks for 2006 are expected to increase as a result of the increased production and the local textile industry's low capacity utilization.