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2010 Cotton International Annual 2010: Charting Cotton's New Course

Increasing Africa's Role: Moving Beyond Production

Africa needs to play a more prominent role not only in cotton production but also in cotton trade. With 95% of francophone and 57% of anglophone African cotton being exported, almost exclusively through intermediaries, and with prospects for long-term market growth, closer market links will affect Africa's economic performance. However, the present situation is rather difficult, as cotton production has fallen by more than 50% in some African countries since 2005. According to The International Cotton Advisory Committee (ICAC), cotton production in Burkina Faso, Senegal, the United Republic of Tanzania and Zambia fell by 25–50% while production in West and Central African countries such as Benin, Cameroon, Chad, Côte d'Ivoire, Mali and Togo as well as in South Africa and Uganda dropped by more than 50%. While many African countries were discussing fibre transformation and investment into textile industries only four years ago when production was at its peak, today priorities have changed. Production needs to be stabilized, yields increased and contamination reduced so that premiums for clean cotton can be captured. In order to achieve this and to improve African competitiveness, a more strategic orientation needs to be given to African cotton, and farmers as well as ginning companies need to be empowered. In the past the focus was on production, but competitiveness demands a much wider focus. Competitiveness starts from the market by understanding market and buyer requirements and addressing identified bottlenecks along the entire value chain from cotton research to premiums available in the market.

Stakeholder-driven inclusive strategies that start from the market and address the entire value chain are important tools that can help African cotton stakeholders¹ to become more equal players in the international cotton world. By taking full control of the strategy formulation and implementation process, African cotton stakeholders will gain the leverage to play a more active role beyond production. As equal partners, stakeholders will improve their position, as they will have access to market information, direct contact with buyers, and feedback on cotton quality, knowledge about premiums, and full information about costing and pricing structures. Once full value chain understanding and market transparency (on both the market side and the input side) are achieved, stakeholders will also be better equipped to guide support providers such as technical assistance agencies, NGOs, and private sector bodies into areas where support is needed. In addition, their negotiating position with trading companies will be improved, leading to mutual benefits in a position of strength. Coordinated strategy implementation will result in synergy development among all players and will provide Africa with greater prominence in global cotton trade. It will also ensure that benefits will be passed on to cotton farmers.

Some progress has been made. For example, the Common Market for Eastern and Southern Africa (COMESA) and the African Cotton Textile Industry Federation (ACTIF), with assistance from the International Trade Centre (ITC), have developed a regional cotton-to-clothing strategy, which was formally launched during the COMESA Heads of State summit in June 2009. Through coordinated

¹ African cotton stakeholders include farmers, seed developers, ginners, domestic merchants, research institutions, textile and clothing manufacturers and public sector representatives.

strategy implementation, including trade capacity building and South-South cooperation activities, cotton stakeholders are slowly expanding their value chain engagement and are becoming more equal partners. Among other things, three major trade-related bottlenecks are now being addressed:

- **Irregular and non-continuous offer.** National production levels are relatively low compared to major world market competitors. As a result, cotton is on offer during the four or five months of the cotton season only, whereas spinning mills need delivery throughout the year. That makes national stakeholders vulnerable in price negotiations.
- **Contamination and non-differentiation by origin.** While some countries receive price premiums for clean cotton, overall Africa suffers from a bad reputation. Problems with cotton contamination are evident but generalized and African cotton is labelled as contaminated.
- **Local banks need to get closely involved.** As a result of the financial and economic crisis, as well as the sudden price hikes in the cotton sector in March 2008, banks' lending practices have become much more cautious. In many African countries cotton shipments are released only once a reputable international buyer has signed a contract and opened a letter of credit. Many local banks regard only strong international merchants as fully creditworthy. This, however, does not support the idea of developing African cotton stakeholders as equal partners in the international cotton business.

Africa is now addressing these issues:

- In East and Southern Africa the four countries of Mozambique, Zambia, Zimbabwe and Malawi (MoZaZiMa) will work closely together to cooperate along the entire value chain, from seed development to research into joint marketing and promotion of MoZaZiMa origin cotton. This initiative is still in its infancy, but the direction is right.
- In West and Central Africa the African Cotton Association (ACA) is addressing the issue of contamination and is developing a common approach and fibre quality standard at the regional level. This will help to overcome Africa's reputation for delivering highly contaminated cotton. ITC is helping ACA by providing the market perspective and by engaging interested spinning mills and cotton stakeholders from major Asian consuming countries in the process. With improved contamination levels, price premiums are achievable in the future.
- CRDB bank in the United Republic of Tanzania is actively engaged in understanding foreign markets and their requirements, and how to help domestic ginning companies to find more advantageous markets overseas. The presence of a bank during negotiations with foreign clients makes a difference as financial and contractual concerns are immediately addressed. Moreover, CRDB bank also helps its clients to improve operations and follow internationally recognized standards and contract requirements, as well as building an institutional support structure for the cotton industry.

More bottlenecks need to be addressed but the first steps towards increased competitiveness and a more important role for Africa are done.

ITC is supporting the African cotton sector with strategy formulation and implementation. ITC's efforts are aimed at making Africa a stronger player in international cotton trade. This depends on boosting competitiveness and establishing stronger links with cotton importers, especially in Asia. To compete better, all stakeholders – from farmers and ginners to commission agents and government officials – need a better understanding of destination markets and consumers, as well as the value chain itself.

Finally, ITC is facilitating cooperation among developing countries, with a special focus on links between Africa and Asia, where about 80% of global cotton is processed. This involves five main themes:

Learning from success. Training programmes organized by ITC allow successful cotton producers in countries such as China, Turkey and India to share their knowledge with African cotton professionals.

Developing capacity to transform cotton. Through ITC training, successful textile and clothing producers are relaying their experiences to African countries.

Promoting African cotton. ITC links African producers with potential customers through promotional activities in Asia.

Sourcing from other developing countries Encouraging African producers to search out suppliers in the developing world promotes savings on items ranging from seeds and fertilizer to technology.

Encouraging intra-African cooperation. Better knowledge of the cotton and textile sectors in other African countries is essential to regional strategies, yet is often lacking.

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