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Zimbabwe

Cotton and Products

Annual

2005

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Report Highlights:

The 2005 seed cotton harvest is estimated at 200,000 MT compared to 258,000 tons in 2004. The 2005 lint production is estimated at 80,400 tons compared to 116,000 tons in 2004. This should allow exports of about 64,300 tons of lint after about 95,000 tons were exported in 2004.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Pretoria [SF1]
[RH]

Summary

Seed cotton production declined by 24% from 258,000 MT in 2004 to an estimated 196,000 MT in 2005 (year of harvest). The average national seed cotton yield is estimated between 750 and 800kg/ha. Poor rainfall, inadequate fertilizer and chemicals, shortage of labor at harvesting, and reduced inputs support by the cotton companies contributed to the reduced output.

Due to the falling world prices for cotton lint, the cotton companies dropped the prices paid to growers to maintain their own viability. The opening market prices for lint this season were ranging between Z\$800/kg and Z\$1200/kg against farmers' production costs of between Z\$3800 and Z\$4500. In a move aimed at restoring viability of cotton production, the Government of Zimbabwe intervened by offering growers a support price of Z\$3500.00/kg of seed cotton. The market price of lint is currently between Z\$4500 and Z\$4800/kg.

The 2005 lint exports are expected to reach 64,300 MT. The export quota for lint in 2005 is 70%. Domestic lint consumption is expected to drop in 2005 as a result of the prevailing harsh economic conditions.

Ending stocks are expected to decline due to the reduced cotton output.

Exchange Rate: US \$1 = Z\$6200 on 31 May 2005.

PSD Table

Country Zimbabwe

Commodity Cotton lint

Market Year Begin	2003		2004		2005	
	Revised USDA [Old]	Post [New] 08/2003	Estimate USDA [Old]	Post [New] 08/2004	Forecast USDA [Old]	Post [New] 08/2005
Area Planted	0	0	0	0	0	0
Area Harvested	360000	329500	330000	334800	0	300000
Beginning Stocks	26345	26345	38320	20905	25256	12525
Production	108863	103880	76204	115850	0	80360
Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
TOTAL SUPPLY	135208	130225	114524	136755	25256	92885
Exports	65318	77750	59875	95200	0	64300
USE Dom. Consumption	28304	28304	26127	26127	0	24100
Loss Dom. Consumption	3266	3266	3266	2903	0	1200
TOTAL Dom. Consumption	31570	31570	29393	29030	0	25300
Ending Stocks	38320	20905	25256	12525	0	3285
TOTAL DISTRIBUTION	135208	130225	114524	136755	0	92885

Production

The 2005 seed cotton harvest is estimated at 196,000 MT compared to 258,000 MT in 2004. Lint production in 2005 is estimated at 80,360 MT compared to 115,850 MT in the previous season.

Cotton planting seed availability was more than adequate for the 2005 season. About 17,000 MT of planting seeds were produced in 2004, compared to the national demand for 8,000 MT. Despite this, a number of constraints and challenges affected cotton production in the 2005 season.

The bulk of the cotton crop is rain-fed. The rainy season started late, around mid to late December 2004 in most of the cotton producing areas. Poor rainfall distribution as a result of the unusually long mid-season dry spell that started in late January 2005 and stretched to the end of March negatively affected crop yield and output.

The rising cost of inputs such as seeds, fertilizer, chemicals, and labor were critical factors to production of the crop. Smallholder farmers, who produce 98% of Zimbabwe's cotton, had difficulties accessing affordable funding outside the private sector cotton input scheme. Over the years the major cotton ginning companies have been providing inputs such as seed, chemicals and fertilizers as well as extension services to contracted growers. The high levels of inflation and high interest rates have made borrowing on the open market expensive for most companies. Coupled with a static exchange rate and outside contract selling by farmers forced the ginneries to scale down their levels of support.

The limited availability of fertilizers, particularly ammonium nitrate had a detrimental effect on the yields. Inadequate tillage and chemicals also negatively affected production.

The cotton crop is handpicked. Shortages of cash to pay laborers at picking time have discouraged production in some areas.

The national average seed cotton yield is about 750 - 800kg/ha. Despite the availability of high yielding varieties, poor agronomic practices result in the low yields.

Production Policy

The government does not set or announce prices for cotton. The marketplace sets the price for cotton and its products. In 2004 seed cotton was purchased by cotton ginning companies at Z\$1800/kg. As a result of the fallen world prices for lint, seed cotton prices at the beginning of the 2005 cotton selling season were between Z\$800 and Z\$1200/kg (Z\$6200 = US\$1), compared to farmers' production costs of \$3800 to \$4500/kg. At these prices, cotton production was not viable.

The government intervened on May 19, 2005 to support seed cotton prices by offering an additional Z\$3500/kg. The support price is meant to restore the viability of cotton production in light of the poor opening prices offered by cotton merchants and to be an incentive for increasing the output of cotton next season. Currently, producers are receiving between Z\$4500 and Z\$4800/kg of lint.

Government policy prohibits the production of transgenic cotton in Zimbabwe.

Consumption

Domestic lint consumption declined to 26,127 MT in 2004 and is expected to continue to drop to 24,100 MT in 2005 in line with the general slow down in the economy. The shrinking consumer buying power as well as the influx of cheap textile products mainly from China and second-hand clothes has resulted in the decline in demand for domestic textile products.

Ginning capacity in the country is estimated at 600,000 MT compared to the crop of 196,000 MT produced in 2005.

Trade

Cotton is the second largest export earner after tobacco, contributing 15-22% of the total agricultural export-earnings.

Cotton lint marketing in Zimbabwe has been de-regulated since 1994. In this regard, the market sets the prices for cotton and its products. Most of the seed cotton is sold through cotton ginning companies. Zimbabwe's lint has gained a reputation for high quality and is marketed internationally and locally. The Government, in consultation with the stakeholders in the cotton industry has adopted a system of quotas for the marketing of cotton lint where the local spinning industry is allocated a percentage of the total production while the remainder is available for export. The current quota for 2005 is 70:30 in favor of exports whilst in 2004 the ratio was 80:20. This export/domestic lint ratio is subject to review depending on the achieved production. When supply exceeds demand on the local market, the surplus is channeled to exports.

Cotton lint exports are estimated to reach 64,300 MT in 2005. In CY 2004 Zimbabwe exported about 110,000 Mt of cotton lint to the following destinations:

Export Trade
Matrix

Country	Zimbabwe		
Commodity	Cotton lint		
Time Period	CY	Units:	MT
Exports for:	2003		2004
U.S.	0	U.S.	0
Others	Others		
Thailand	24082	Thailand	21083
South Africa	22962	South Africa	18608
Portugal	12982	Italy	12664
Italy	7399	Indonesia	9150
Germany	6097	China	7494
Taiwan	5143	Taiwan	6344
Japan	4015	India	6300
Spain	3980	Japan	4336
UK	1873	Germany	2502
		Rest of Africa	2857
Total for Others	88533		91338
Others not Listed	1661		18888
Grand Total	90194		110226

Zimbabwe does not import cotton lint but imports substantial amounts of cheap synthetic textiles mainly from Asian countries.

Cotton yarn and fabric are exported to various destinations, the major ones being as follows:

Cotton Fabric Exports (MT)

	CY 2003	CY 2004
South Africa	1828	2569
United Kingdom	1747	2000
Mozambique	1140	645
Italy	624	731
Zambia	105	20
Belgium	52	102
Tanzania	10	25
Others	340	1019
Total	5846	7111

Cotton Yarn Exports (MT)

	CY 2003	CY 2004
South Africa	3046	5612
Botswana	723	532
Germany	165	0
Canada	39	29
United Kingdom	0	16
Italy	0	16
Others	320	1050
Total	4293	7255

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

Stocks

The ending stocks for 2005 are expected to decline due to a reduced harvest and an increased export drive to earn the country much-needed foreign currency.