BRIEF FOR THE ON COTTON MARKET REVOLUTION

II. Stakeholders/Players in Malawi’s Cotton Sector

Important Cotton stakeholders along the Cotton value chain include farmers, ginners, seed
crushers, input suppliers, government, non-governmental organisations, fabric
manufacturers and research institutions. The declining trends in production levels over the
last two decades has prompted government and the private sector players to intervene in
the sector, through supporting the provision of Cotton inputs among others to smallholder
farmers.

Cotton marketing is dominated by few ginning companies that have adopted a vertical
integration approach by assuming marketing functions that would ordinarily be performed
by other value chain players such as producers. There has been an attempt to address some
of the existing structural and technical weaknesses of the domestic Cotton value chain. The
number of ginning companies has declined significantly from twelve in 2014 to four in
2018 mainly due to the low volume of Cotton produced. Increasing production of Cotton
will open up opportunities for more ginners and Cotton processors and manufacturers to
enter the market, which will in turn create jobs.

Currently, there are only two companies involved in the manufacturing of textiles (fabrics),
namely; Mapeto-David Whitehead and Sons (Malawi) Limited (MDWS) and Knitwear
Industries Limited, while the Malawi Council for the Handicapped (MACOHA) does
weaving at its Bangwe factory. Though still operational, these companies have drastically
scaled down their operations due to various challenges, such as outdated and inefficient
machinery, unreliable energy supply, high water tariffs, inadequate raw materials and other
inputs, as well as unfavourable competition from smuggled products. For instance, the
spinning section under the MDWS is not fully utilized and currently prints imported fabrics.
Knitwear Industries Limited on the other hand, imports base fabric for its garment
manufacturing as it appears to be cheaper than knitting its own fabrics.

III.
 Cotton Production Value Chain in Malawi

The main growing areas are in four agro
-ecological zones suitable for cotton production,
namely low altitude (Shire Valley), lakeshore, medium altitude and high altitude. Shire
valley has predominantly accounted for over 50 percent of total national seed cotton
production but itsn share has dwindled to below 50 percent with Machinga appearing to
rival its production
 in recent years.

Cotton is grown principally for lint production, with oil and cake as valuable by
-products.
The global cotton lint market is mainly driven by the dynamics in the major consuming
and producing countries. Currently, the MDWS is the only spinning company in Malawi
and utilizes less than 5%
 of the lint produced domestically. This is due to insufficient lint
processing ability in Malawi, resulting from use of obsolete
 machinery. Additionally,
domestic lint sales are pegged at export parity prices which is considered too expensive for
Malawian local processors. Instead of local
textile producers such as MDWS using locally
produced lint, almost all the lint is exported thereby exporting jobs. At the same time,
MDWS is forced to import yarn from China for production of its textile and fabrics. About
95% of total fabric and textile products that MDWS produces are consumed domestically,
while some of the textiles are also exported.

Seed crushing is another important activity in the Cotton value chain. In 2016, seed crushers

IV. Investments and Support to the Cotton Sector

Investments by both government and private sector players towards input provision over
the past decades has demonstrated the potentiality of capital injection towards Cotton
production. The following input supply models were implemented previously towards
input supply to smallholder cotton farmers:

• The ADMARC Model (Mid 1990s- 2000s): The model had some rudimentary
elements of ‘contract farming’ in the sense that ADMARC was the defacto supplier
of Cotton inputs and buyer of the crop from the same farmers. The arrangement
ensured that farmers would get inputs on time.
• The Cotton Development Assistance Model (2003-2005): The model was driven by
private sector players, especially ginners, who provided inputs to farmers at
concessionary prices that ranged between 5-15 % of prevailing commercial prices.
Production increased by about 12 % from 53, 000 MT to about 60,000 MT during
the initial years.
• The Cotton Production Up-scaling Mo3 612 792 re
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V. Conclusion and Recommendations
It can never be more emphasized that cotton continues to be a strategic product for Malawi
and continues to play a vital role in the economy including export revenue generation,
employment and food security contribution among others. The crop ranks forth as a
foreign exchange earner after tobacco, tea and sugar. Though the ranking has been
maintained over the past 10 years, cotton production levels have been declining steadily.
Despite the crop’s potential for pro-poor growth, the future of the cotton sector faces
numerous market failure questions.

The overall global demand of cotton is expected to increase in the upcoming years. But
however, yields per hectare continue to be the limiting factor for Malawi which continue
to hover around 300kg/ha compared to an average of 700kg/ha on the global average
and as high as 2000kg/ha for other advanced economies. The Government has continued
to support the sector and recently through the cotton irrigation project, under the Green
Belt Authority (GBA), for the first-time irrigated cotton is being harvested in the country.
In this regard, there is need to continue embarking on further efforts to improve the
productivity of the cotton farmers in order to benefit from the increased global demand
from cotton.

In addition, as the country continues promoting increased production of cotton, it will be
vital for the relevant national stakeholders of cotton to work hand in hand with vital
institutions like the International Cotton Advisory Committee (ICAC) and other
development partners in order to be guided on marketing and production at the global
scale. It is worth noting that development partners including China, India, Brazil, USA,
Japan, Switzerland, Germany and the EU continue to have development packages to
support the sector. It will also be important for the Government to pursue these
development partners on how Malawi can benefit from such assistance in the sector.