A PROFILE OF THE SOUTH AFRICAN COTTON MARKET VALUE CHAIN

2011

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1. DESCRIPTION OF THE INDUSTRY

Cotton remains the most versatile crop grown by mankind. It is noted for its versatility, appearance, performance and comfort and it provides useful products and used to create thousands of jobs in South Africa as it moved from field to fabric. In 2003, it was estimated that the cotton industry spent an estimated R223 million on agricultural inputs, paid an estimated R38 million in wages and produced raw material for the processing industry worth about R136 million. However, this situation is changing over the years due to a substantial decrease in the local cotton crop size. In 2001, Cotton SA established a formal program at the Lowveld College of Agriculture at Nelspruit where about 50 small-scale farmers were trained. The training capacity was increased in order to reach the production objective of the Cotton Sector Strategy Plan, namely the emerging farmers should contribute on average 25% of the national cotton crop by 2007 and 35% by 2014. The contribution of the cotton industry to the Gross Value of Agricultural Production is summarized in Figure 1.

![Figure 1: Cotton gross value of production](image)

Source: Statistics & Economic Analysis

Figure 1 indicates contribution of the cotton industry in South Africa to the gross value of agricultural production between 2000/01 and 2010/11 period. The graph further indicates that cotton gross value of production started to increase in 2001/02 and then a slight decline occurred in 2002/03 and 2003/04 years. The graph also indicates that in 2001/02 and 2004/05 years gross value of production attained a peak at approximately R400 000 and R390 000 rands respectively. Between 2004/04 and 2007/08 years, cotton gross value of production experienced a dramatic decline due to amongst others things, a decline in domestic production due to competition from cotton imports arising mainly from SADC countries and cheap textile imports from the East. Another factor was low international cotton prices due to subsidies in a developed world; and this depressed local cotton production.
The contribution of this industry to the gross value of agricultural production continued to decline even further between 2005/06 and 2007/08 production seasons, with a slight increase in 2008/09 season and a decline again in 2009/10 with a very slight increase in 2010/11 season.

1.1. Production Areas

Traditional cotton production areas in South Africa are as follows: Limpopo Province in Loskop, North and South flats from Bela-Bela to Mokopane, Dwaalboom, Thabazimbi and WeiPe. North West Province covering the areas of Taung, Stella, Delareyville and Maratsane, KwaZulu-Natal in the Makhathini Flats, Mpumalanga and Northern Cape in the lower Orange River, Vaalharts, Douglas and Prieska Districts. This situation has slightly changed over the years with the result that during 2010/11 in the North West Province, cotton is grown in Taung and Stella / Setlagoli.

In the SADC region cotton is produced in countries such as Namibia, Swaziland, Botswana, Malawi, Angola, Mozambique, Tanzania, Democratic Republic of Congo (DRC), Zambia and Zimbabwe.
As is evident from Figure 2 that South Africa’s production of cotton is far below the domestic demand while other SADC countries such as Malawi, Mozambique, Tanzania, Zambia and Zimbabwe produce far above their domestic demand. On average the production of cotton by South African producers has been declining continuously between 2005/06 and 2010/11 periods, while at the same time is far below the domestic demand. The deficit shown in Figure 2 above is met through imports, mainly from SADC countries. Cotton consumption by local spinning mills has shown a similar decline as production, as can be seen from Figure 2. This trend can be mainly ascribed to the continued imports of low-priced textiles and apparel from Asia, and also to the relative strength of Rand against the US dollar, all of which impacts negatively on demand for locally manufactured textiles.

South African producers are unable to compete with their SADC counterparts as far as production of cotton is concerned. These SADC countries can produce cotton much cheaper than South Africa because they do not have minimum labor wages, amongst others. It is also clear from Figure 2 that cotton consumption by South African spinners have also been declining over the period under review. A sharp decline in cotton consumption in South Africa was experienced between 2002/03 and 2003/04 marketing season due to global economic downturn, which also resulted in a situation where global cotton consumption fell by 12% during the same period. The graph also shows that in 2010/11 production season, the demand for cotton was higher than cotton production during the 2010/11 production season.
1.3 Production of cotton lint

During the 2010/11 production year 5 111 ha (4 151 under irrigation and 960 under dryland) were dedicated to cotton production in SA, against 18 114 ha in 2006/07 production year. This represents a decline of 72% in area planted over a period of five years. The decrease in cotton production over recent years can mainly be attributed to the following factors: to the perception that cotton is no longer a viable option in view of the more favourable prices of other competing summer crops; cotton prices over recent years have not increased to the same extent as in the case of other summer crops; and the low international prices of recent years, which discouraged any growth in cotton production. Cotton faces stiff competition from crops such as maize and sunflower where prices offer farmers greater profitability whilst requiring less management inputs.

According to Cotton SA the following volumes (as shown in Figure 3) of cotton lint were produced over the ten year period starting from 2000/01 to 2010/11.

**Figure 3: Cotton lint production in South Africa**

![Cotton lint production graph](image)

**Source: Cotton South Africa**

Figure 3 depicts production of cotton lint in South Africa between 2001/02 and 2010/11 period. The graph further depicts that there were greater fluctuations between 2001/02 and 2004/05 production seasons, and then there was a continuous decline in production of cotton lint from 2005/06 up until 2010/11 year due to increasing cotton lint imports. In 2001/02 year, cotton lint production attained a peak at approximately 34 000 tons. In 2010/11 year, cotton lint production reached the lowest levels at approximately 7000 tons.
Figure 4 shows small cotton production as against total production of cotton by all farmers in South Africa. The production of cotton by small scale farmers has followed a similar trend to total cotton production in the country. Total cotton production started to decline in 2002/03 and 2003/04 and again in 2005/06 production season until the lowest levels were attained in 2010/11. Similarly, production of cotton by small scale farmers experienced a continuous decline between 2007/08 and 2009/10 production season. On average, cotton production by small scale farmers has been below 5 000 tons per annum during the period under examination. In spite of increases in the total Republic of South Africa’s cotton production during 2001/02 and 2004/05 production seasons, cotton production by small scale farmers did not follow the same trend.

The graph also shows that during the period under scrutiny, total cotton production attained a peak in 2001/02 at approximately 38 500 tons, while the lowest levels were approximately 7 200 tons.

Source: Cotton SA
Figure 5 depicts the area that was planted as against what was produced between 2001/02 and 2010/11 period. The graph further depicts that in 2001/02 production season, production of cotton lint attained a peak in 2001/02 at approximately 34 000 tons. Cotton lint production was very low between the period 2006/07 and 2010/11 production seasons at approximately 15 000 tons and less. Figure 5 also depicts that on average farmers have continuously decreased the size of land allocated to cotton lint production since it is easy to substitute cotton with other grain crops. The graph further depicts that there were greater fluctuations in terms of the area that was planted to cotton between 2001/02 and 2010/11 period. There were production efficiencies in 2001/02, 2003/04 to 2005/06 and between 2008/09 and 2010/11 production seasons, as the area planted was less but cotton lint production was relatively high. In 2010/11 year, the area planted with cotton lint experienced a slight increase in terms of the size of the land from 1 566 hectares to approximately 1 625 hectares.

Source: Cotton South Africa
Figure 6: SADC Cotton Production vs. Demand (2010-11)

Source: Cotton SA

Figure 6 shows various SADC countries that are major producers of cotton as against the demand of cotton during the 2010/11 marketing season. The graph further shows that Zimbabwe was the main cotton producer during the 2010/11 marketing season followed by Tanzania. It is further evident from the figure that Angola, South Africa and DRC are the lowest cotton producing countries during 2010/11 marketing season. When the supply and demand of cotton during the 2010/11 period is compared, countries such as Zimbabwe, Zambia, Malawi and Mozambique produced cotton in excess of their domestic requirements; making them exporters to South Africa. On the other hand, the demand for cotton in South Africa and the DRC during the 2010/11 period far outweighed their domestic production making way for imports from other SADC countries to meet domestic demand. Cotton production in Zimbabwe attained a peak in 2010/11 period at approximately 25 000 tons while Tanzania attained a peak at approximately 20 000 tons over the same period under examination. As shows in figure 6, Angola is the lowest cotton producing country during the period under examination. The figure also shows that production of cotton in Zimbabwe and Tanzania during the 2010/11 period far outweighed their domestic demand, making way for them to export to other SADC countries to meet their domestic demand.
1.4 Employment

In 2003 it was estimated that the primary cotton industry employed on average an estimated 58,950 seasonal and 6,550 permanent workers which could increase to 154,215 seasonal and 17,135 permanent workers should local cotton production increase to 74,000 tons annually, or in a scenario where small scale farmers produce 27% of a crop of 74,000 tons of cotton lint, an increase of 112,534 seasonal and 12,504 permanent workers, as well as an additional 11,533 small farmers can be expected.

In 2008/09 production year, employment figures were estimated at around 7,000 cotton farm workers and in 2009/10 production year, employment figures increased to 8,000 cotton farm workers due to the increase in the area planted.

2. MARKET STRUCTURE

2.1 Marketing arrangements

Since deregulation, local seed cotton and cotton lint are marketed in one of the following three ways:

- The seed cotton is sold by the producer to a ginner who gins the cotton and in turn sells the cotton lint for his own account to spinners and the seed to processors, either directly or by making use of agents. The gin determines the price the producer obtains for his seed cotton and the producer relinquishes ownership of the cotton.
- The producer may decide not to sell his seed cotton to the ginner, but contracts the ginner to gin it on his behalf on payment of a ginning fee. The cotton lint and seed remain the property of the producer who then either market these products himself or contracts the gin or someone else to market the cotton lint (and seed) on his behalf.
- Producers can gin their own cotton in their own gins. They then either market the cotton lint and seed themselves or contract someone else to do it on their behalf.

Seed cotton is ginned by the cotton gins where the seed is separated from the fibre – the ginning process. The purchase of seed cotton takes place in terms of the grading standards applicable to hand picked and machine picked cotton and linked to the South African Grading Standards for lint. The latter serves as a norm for the sale of the cotton lint. In the event of any disputes arising during the delivery of the seed cotton that cannot be resolved to the satisfaction of both parties, the Quality Control Department of Cotton SA is accepted as an impartial body in the role of arbitrator.

In the event of a dispute that may arise during the delivery of cotton lint, international organizations such as the Liverpool Cotton Association and the Bremen Cotton Exchange will fulfill this role.
2.2 Domestic Market and Prices

Figure 7 illustrates average producer prices of seed cotton in South Africa between 2001/02 and 2010/11 period. The figure further illustrates that cotton production in South Africa has been declining over the past few seasons, mainly because of the low level of international cotton prices due to subsidies and government support by developed countries, which are creating serious distortions in the international market. Figure 7 further illustrates that there were less fluctuations between 2003/04 and 2004/05 years, continuous declines in the domestic production of seed cotton began in 2005/06 until 2006/07. During the same period of declining cotton production, the industry experienced improvement in cotton producer prices which began increasing in 2007/08 and at the same time a peak was attained at approximately R4 700 per ton in response to improvement in international cotton prices. In 2008/09 marketing season, there was a slight decline in prices of seed cotton due to low production levels and low demand for South African seed cotton. In 2009/10 and 2010/11 marketing seasons, average producer prices of seed cotton started to increase again to approximately between R400 rands per ton and R4 500 rands per ton. The increase between 2009/10 and 2010/11 period represents 11% increase in average producer prices of seed cotton.

Source: Cotton South Africa & Statistics & Economic Analysis
3. COTTON EXPORTS

Figure 8 indicates volumes of cotton exports (not carded or combed) from South Africa to various regions of the world between 2002 and 2010 period. The figure further indicates that during the period under examination, South Africa exported most of its cotton to Asia followed by Africa. The figure also indicates that during the same period under review, South Africa exported very few of its cotton to Africa due to the fact that African countries like Zimbabwe and Tanzania are big producers and exporters of cotton. Exports of cotton from South Africa to Asia experienced a peak in 2005 and 2010 at approximately 5331.6 tons and 5683 tons respectively. Exports of cotton from South Africa to Africa attained a peak in 2010 at approximately 2128.34 tons. Very low or minimal volumes of cotton were exported to the Americas, Europe and Oceania due to long distance and tariffs that exists between these regions and South Africa.
Figure 9: Exports volumes of cotton (not carded or combed) to Africa

Source: Quantec Easy Data

Figure 9 depicts volumes of cotton exports (not carded or combed) from South Africa to Africa between 2002 and 2010 period. The figure further depicts that during period under scrutiny, the greatest cotton exports from South Africa went to the SADC region. Over the past ten years our major source of cotton lint in particular is from SADC countries with cotton import volumes increasing every year. The figure also depicts that exports of cotton from South Africa to SADC attained a peak in 2010 at approximately 2128.34 tons, during the same period under scrutiny.

The SADC Free Trade agreement as well as closeness between South Africa and other SADC countries is the main reason behind such a huge flow of cotton exports and imports from the region to South Africa and otherwise. Other SADC countries such as Zimbabwe, Tanzania and Zambia have a comparative advantage in cotton production, and this allows them to produce more cotton at a lower cost and intensifies their potential to export to less producing countries like South Africa.

South Africa exported very low levels of cotton to Western Africa between 2002 and 2010 period.
Figure 10 shows exports volumes of cotton (not carded or combed) from South Africa to the SADC region between 2002 and 2010 period. The graph further shows that in the SADC region, exports of cotton landed primarily in Mauritius followed by very minimal exports to Zimbabwe, during the period under review. The figure also shows that between 2002 and 2006, South Africa did not export cotton to Mauritius, in return Mauritius attained a peak in exports of cotton from South Africa in 2010 at approximately 2128.33 tons.

The stronger Rand to the US$ in relation to the weaker SADC currencies contributed to the fact that cotton from SADC can be discounted in the SA market, thereby making the local crop less attractive to take up. Producers in Zambia and Zimbabwe are paid considerably lower prices than SA producers and thus ginners in these countries can be aggressively competitive when selling into the SA market. Many SADC governments are also providing some or other form of support to their cotton growing sectors and this is opposite with South African producers.

Source: Quantec Easy Data
Figure 11 indicates volumes of cotton exports (not carded or combed) from South Africa to the Americas between 2002 and 2010 period. The figure further indicates that South Africa exported most of its cotton to South America as shown in the Figure above. During the same period under examination, exports of cotton from South Africa to South America experienced a peak in 2005 at approximately 637.449 tons and then a decline occurred in 2006 at approximately 500.293 tons. During the period under scrutiny, there were very low or minimal volumes of cotton exports by South Africa to NAFTA due to long distance and tariffs that exists between this region and South Africa. The figure also indicates that there were no exports of cotton from South Africa to South America between 2002 and 2004 and again between 2007 and 2010 years. South Africa only managed to export cotton to NAFTA in 2005 year at approximately 0.05 tons.
Figure 12 illustrates volumes of cotton exports (not carded or combed) from South Africa to Asia between 2002 and 2010 period. The major export market for cotton from South Africa to Asia was South-central Asia followed by Eastern Asia during the period under scrutiny. The graph further illustrates that exports of cotton from South Africa to South-eastern Asia attained a peak in 2010 at approximately 3177.12 tons, while eastern Asia attained a peak in 2005 at approximately 3158.61 tons. From 2002 and again between 2004 and 2010 years, South Africa did not export its cotton to Western Asia due to the declining domestic production of the product during the period under scrutiny. Between 2006 and 2010 years, South Africa did not export its cotton to South-central Asia due to strong domestic production in that region.

Source: Quantec Easy Data
Figure 13: Exports volumes of cotton (not carded or combed) to Europe

Source: Quantec Easy Data

Figure 13 shows volumes of cotton exports (not carded or combed) from South Africa to Europe between 2002 and 2010 period. The figure further shows that, the major export market for South African cotton was European Union, with less competition from Western Europe Rest. Exports of cotton from South Africa to the European Union started to increase in 2003 and at the same time attained a peak at approximately 444.85 tons. Exports of cotton from South Africa to Western Europe Rest started to increase also in 2003 and during the same period attained a peak at approximately 49.566 tons. The graph further illustrates that South Africa did not export cotton to the European Union in 2002, 2004, and 2005 and again between 2007 and 2008 years due to low domestic production. Between 2006 and 2010, South Africa did not export cotton to Western Europe Rest due to low or minimal volumes of cotton that were produced in the country.
Figure 14: Exports volumes of cotton (not carded or combed) to Oceania

Source: Quantec Easy Data

Figure 14 shows volumes of cotton exports (not carded or combed) from South Africa to Oceania between 2002 and 2010 period. The figure further shows that the major export markets for South Africa cotton during the period under examination was Melanesia. The graph also shows that exports of cotton from South Africa to Melanesia started to increase in 2009 and during the same period attained a peak at approximately 202.136 tons. The figure also shows that between 2002 and 2008 and again in 2010, South Africa did not export cotton to Melanesia.
Figure 15 depicts volumes of cotton lint exports (not carded or combed) from South Africa to various regions of the world between 2001 and 2010 period. The figure further depicts that the major export markets for South Africa cotton lint exports was Europe followed by very minimal exports of cotton lint to Africa. The graph also shows that exports of cotton lint from South Africa to Europe started to increase in 2001 and during the same period attained a peak at approximately 1465 tons. The figure also shows that between 2002 and 2010 years, South Africa did not export cotton lint to Europe. On the other hand, the figure further depicts that South Africa only managed to export cotton lint to Africa in 2003 and 2007 years.

Source: Quantec Easy Data
Figure 16 indicates values of cotton exports (not carded or combed) by provinces of South Africa to the world between 2001 and 2010 period. The figure further indicates that the major exporters of South Africa cotton during the period under scrutiny were Gauteng province with no competition from other provinces. The figure also indicates that exports of cotton by Gauteng province started to increase in 2003 with a dramatic increase in 2004 and 2005 years. Exports of cotton by Gauteng province experienced a decline between 2006 and 2007 until a continuous increase occurred between 2008 and 2010 years. In 2010 exports of cotton from Gauteng province attained a peak at approximately R130 million. Minimal exports of cotton by Northern Cape Province to the world were noted in 2010 at approximately R27.8 million during the period under examination. In percentage terms, the increase of cotton exports from Gauteng to the world between 2009 and 2010 represents an increase of 59%.
Figure 17 shows values of cotton exports (not carded or combed) from the Western Cape Province between 2001 and 2010 period. The figure further shows that City of Cape Town Metropolitan municipality was the main supplier of cotton from South Africa to the world. Cape Winelands District had very low levels of cotton exports during the period under review and only managed to export cotton in 2008 year. The figure also shows that exports of cotton from the City of Cape Town Metro started to increase in 2005, 2006 until a peak was attained in 2007 at approximately R6.2 million. The graph also shows that between 2001 and 2003 years, there were no exports of cotton from the City of Cape Town Metro. Between 2001 and 2005 and again between 2007 and 2010 years, there were no exports of cotton from Cape Winelands District of the Western Cape Province.

Source: Quantec Easy Data
Figure 18 illustrates values of cotton exports (not carded or combed) from Eastern Cape Province between 2001 and 2010 period. The figure further illustrates that Nelson Mandela Metropolitan municipality was the main supplier of cotton from the Eastern Cape Province to the world during the same period under examination. The graph also illustrates that Nelson Mandela Metro only managed to export cotton in 2002 year, with no exports of cotton in 2001 and between 2003 and 2010 years. Exports of cotton from Nelson Mandela Metro started to increase in 2002 and during the same period attained a peak at approximately R160 rands. The increase of cotton exports from Nelson Mandela Metro to the world in 2002 represents 100% increase of cotton exports.

Source: Quantec Easy Data
Figure 19 depicts values of cotton exports (not carded or combed) from Northern Cape Province between 2001 and 2010 period. The graph further depicts that Frances Baard District municipality was the main exporter of cotton to the world, followed by Pixley ka Seme District municipality during the period under scrutiny. The graph also depicts that exports of cotton from Frances Baard District started to increase in 2005, until a peak was attained in 2010 year at approximately R20 million, while exports of cotton from Pixley ka Seme District also attained a peak in 2010 at approximately R7.6 million. Siyanda District had very low levels of cotton exports during the period under examination. The graph also depicts that South Africa only exported cotton to Frances Baard District in 2005 and 2010 years. The figure further depicts that between 2001 and 2004 years, there were no exports of cotton from both Pixley ka Seme, Siyanda and Frances Baard Districts during the period under examination. The increase in cotton exports from Frances Baard District to the world in 2010 represents 100% increase of cotton exports compared to 2009 year.

Source: Quantec Easy Data
Source: Quantec Easy Data

Figure 20 shows values of cotton exports (not carded or combed) from KwaZulu-Natal Province between 2001 and 2010 period. The figure further shows that eThekwini Metro municipality was the main supplier of cotton from KwaZulu-Natal Province to the world followed by very minimal exports of cotton from the other four municipalities. The figure also shows that cotton exports from eThekwini Metro started to increase in 2003 and then a decline occurred in 2004, until a surge of exports in 2005 that led to a peak in 2006 and 2010 years at approximately R14.8 million and R14.4 million respectively. The figure also shows that in 2004 and 2008 years, there was a decline in exports of cotton of approximately R425 148 thousand rands and R4.8 million from eThekwini Metro municipality due to low production that led to low exports. The increase in cotton exports from eThekwini Metro municipality to the world in 2010 represents 30% increase of cotton exports compared to 2009 year.
Figure 21: Value of cotton exports (not carded or combed) by Gauteng Province

Source: Quantec Easy Data

Figure 21 indicates values of cotton exports (not carded or combed) from Gauteng Province between 2001 and 2010 period. The figure further indicates that during the period under examination, City of Johannesburg Metro municipality was the main exporter of cotton from Gauteng Province followed by very minimal/low cotton exports from Ekurhuleni Metro municipality. The graph also indicates that cotton exports from the City of Johannesburg started to increase in 2003 to 2005 and then a decline occurred between 2006 and 2007 years. Between 2008 and 2010 years, there was continuous increase cotton exports until a peak was attained in 2010 at an export value of about R130 million. The decline in cotton exports from 2006 to 2007 years was due to a dramatic decline in domestic cotton production and that led to low exports from the City of Johannesburg. A dramatic increase in cotton exports from City of Johannesburg Metro municipality to the world in 2010 represents 61% increase of cotton exports compared to 2009 year.
Figure 22 illustrates values of cotton exports (not carded or combed) from Mpumalanga Province between 2001 and 2010 period. The graph further illustrates that during the period under examination, Gert Sibande District was the main supplier of cotton exports from Mpumalanga to the world. The graph also illustrates that during the ten year period; Gert Sibande District only managed to export cotton to the world in 2003 and during the same year attained a peak at approximately R64 510. A dramatic increase in cotton exports from Gert Sibande District municipality to the world in 2003 represents 100% increase of cotton exports compared to 2002 year. The graph also illustrates that in 2001, 2002 and between 2004 and 2010 years, Gert Sibande District did not export cotton to the world.

Source: Quantec Easy Data
Figure 23: Value of cotton exports (not carded or combed) by Limpopo Province

Source: Quantec Easy Data

Figure 23 depicts values of cotton exports (not carded or combed) from Limpopo Province between 2001 and 2010 period. The figure further depicts that during the period under review, Waterburg District was the main supplier of cotton exports from Limpopo Province to the world. Greater Sekhukhune, Vhembe and Mopani Districts had very minimal levels of exports of cotton to the world during the period under review. Exports of cotton from Waterburg District started to increase in 2003 and during the same period attained a peak at approximately R8.5 million rands, while Greater Sekhukhune District attained its peak in 2007 at approximately R1.4 million rands. A dramatic increase in cotton exports from Waterberg District municipality to the world in 2003 represents 100% increase of cotton exports compared to 2002 year. The graph also illustrates that Mopani District had very low / minimal exports of cotton to the world during the same period under examination. Between 2001 and 2004 years, there were no exports of cotton from Mopani, Vhembe and Greater Sekhukhune Districts of Limpopo province to the world.
3.1 Share Analysis

Table 1: Share of Provincial cotton exports (not carded or combed) to the total RSA cotton exports (%)

<table>
<thead>
<tr>
<th>Years</th>
<th>2001</th>
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<th>2003</th>
<th>2004</th>
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<th>2007</th>
<th>2008</th>
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<th>2010</th>
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<td>0.32</td>
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</table>

Source: Calculated from Quantec Easy Data

Table 1 indicates the share of provincial exports into South African cotton exports in percentages between 2002 and 2009 period. The table further indicates that between 2002 and 2009, Gauteng Province commanded the greatest share in terms of cotton exported by South Africa to the world throughout the period under review. In 2002, 2004, 2005, 2008 and 2009, Gauteng attained the highest share of cotton exports of between 80% and 98% while in 2006 and 2007 the share in cotton exports was between 52% and 58%.

Table 2: Share of district cotton exports (not carded or combed) to the total Western Cape Province cotton exports (%)

<table>
<thead>
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<th>Years</th>
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<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Cape Winelands</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec Easy Data
Table 2 shows the share of district exports into Western Cape Province cotton exports in percentages between 2001 and 2010 period. The table further shows that between 2001 and 2010, City of Cape Town commanded the greatest share in terms of cotton exported by Western Cape Province to the world throughout the period under review.

Table 3: Share of district cotton exports (not carded or combed) to the total Eastern Cape Province cotton exports (%)

<table>
<thead>
<tr>
<th>Years</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Districts</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nelson Mandela Metro</td>
<td>0.00</td>
<td>100</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec Easy Data

Table 3 depicts the share of district exports into Eastern Cape Province cotton exports in percentages between 2001 and 2010 period. The table further depicts that between 2001 and 2010, Nelson Mandela Metro commanded the greatest share in terms of cotton exported by Eastern Cape Province to the world throughout the period under review.

Table 4: Share of district cotton exports (not carded or combed) to the total Northern Cape Province cotton exports (%)

<table>
<thead>
<tr>
<th>Years</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Districts</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pixley ka Seme</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>21.5</td>
<td>8.01</td>
<td>49.5</td>
<td>0.00</td>
<td>0.00</td>
<td>27.4</td>
</tr>
<tr>
<td>Siyanda District</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>45.9</td>
<td>91.9</td>
<td>50.5</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Frances Baard</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>32.5</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>72.6</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec Easy Data

Table 4 illustrates the share of district exports into Northern Cape Province cotton exports in percentages between 2001 and 2010 period. The table further illustrates that between 2001 and 2010, Siyanda District commanded the greatest share in terms of cotton exported by Northern Cape Province to the world throughout the period under review.
### Table 5: Share of district cotton exports (not carded or combed) to the total KwaZulu-Natal Province cotton exports (%)

<table>
<thead>
<tr>
<th>Years</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tbody>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UMgungundlovu District</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.62</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Uthukela District</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1.06</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Uthungulu District</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.12</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>iLembe District</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>17.6</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>eThekwini Metro</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>81.3</td>
<td>100</td>
<td>100</td>
<td>99.4</td>
<td>99.9</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec Easy Data

Table 5 indicates the share of district exports into KwaZulu-Natal Province cotton exports in percentages between 2001 and 2010 period. The table further indicates that between 2001 and 2010, eThekwini Metropolitan municipality commanded the greatest share in terms of cotton exported by KwaZulu-Natal Province to the world throughout the period under review.

### Table 6: Share of district cotton exports (not carded or combed) to the total Gauteng Province cotton exports (%)

<table>
<thead>
<tr>
<th>Years</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Districts</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Rand District</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.06</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.02</td>
<td>0.00</td>
<td>0.19</td>
</tr>
<tr>
<td>Ekurhuleni Metro</td>
<td>2.67</td>
<td>59.2</td>
<td>0.46</td>
<td>0.01</td>
<td>0.39</td>
<td>0.83</td>
<td>13.8</td>
<td>14.0</td>
<td>16.9</td>
<td>13.2</td>
</tr>
<tr>
<td>City of Johannesburg</td>
<td>96.6</td>
<td>40.9</td>
<td>99.5</td>
<td>99.9</td>
<td>97.7</td>
<td>99.2</td>
<td>86.2</td>
<td>84.9</td>
<td>82.9</td>
<td>86.6</td>
</tr>
<tr>
<td>City of Tshwane</td>
<td>0.73</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1.90</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.05</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec Easy Data

Table 6 shows the share of district exports into Gauteng Province cotton exports in percentages between 2001 and 2010 period. The table further shows that between 2001 and 2010, City of Johannesburg Metropolitan municipality commanded the greatest share in terms of cotton exported by Gauteng Province to the world throughout the period under review.
Table 7: Share of district cotton exports (not carded or combed) to the total Mpumalanga Province cotton exports (%)

<table>
<thead>
<tr>
<th>Years</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Districts</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gert Sibande District</td>
<td>0.00</td>
<td>0.00</td>
<td>100</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec Easy Data

Table 7 depicts the share of district exports into Mpumalanga Province cotton exports in percentages between 2001 and 2010 period. The table further depicts that between 2001 and 2010 period, Gert Sibande District municipality commanded the greatest share in terms of cotton exported by Mpumalanga Province to the world throughout the period under review.

Table 8: Share of district cotton exports (not carded or combed) to the total Limpopo Province cotton exports (%)

<table>
<thead>
<tr>
<th>Years</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Districts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mopani District</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>100</td>
<td>0.00</td>
</tr>
<tr>
<td>Vhembe District</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>100</td>
<td>69.4</td>
<td>42.9</td>
<td>100</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Waterberg District</td>
<td>0.00</td>
<td>0.00</td>
<td>100</td>
<td>0.00</td>
<td>0.00</td>
<td>30.6</td>
<td>0.79</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Greater Sekhukhune District</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>56.3</td>
<td>0.00</td>
<td>0.00</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec Easy Data

Table 8 indicates the share of district exports into Limpopo Province cotton exports in percentages between 2001 and 2010 period. The table further indicates that between 2001 and 2010 period, Vhembe District municipality commanded the greatest share in terms of cotton exported by Limpopo Province to the world throughout the period under review.
Figure 24 indicates volumes of cotton imports (not carded or combed) from various regions of the world into South Africa between 2001 and 2010 period. The figure further indicates that during the period under scrutiny, the major import market for cotton from the world was Africa. South Africa’s imports of cotton started to increase in 2001 to 2002 and then a slight decline occurred in 2003 until a peak was attained in 2004 at approximately 729,725.28 tons. From 2005 to 2006 imports of cotton from Africa started to decline until there was an increase a slight increase in 2007 and 2008 years. Very minimal volumes of cotton from Europe, Americas, Asia and Oceania were imported by South Africa during the period under examination. During the period under review, imports of cotton from Africa into South Africa were mainly from Mozambique, Malawi, Zambia and Zimbabwe as they are big producers and exporters of cotton in the region.
Figure 25: Imports volumes of cotton (not carded or combed) from Africa

Source: Quantec Easy Data

Figure 25 depicts volumes of cotton imports (not carded or combed) from Africa into South Africa between 2001 and 2010 period. The figure further depicts that during period under scrutiny, the biggest supplier of cotton imports from Africa into South Africa was the SADC region. The major source of cotton lint in particular is from SADC countries with cotton import volumes increasing every year. Imports of cotton from SADC into South Africa started to increase in 2001 to 2002 and then a slight decline in 2003 year. The figure also depicts that imports of cotton from SADC into South Africa attained a peak in 2004 at approximately 712 997.9 tons during the period under scrutiny.

The SADC Free Trade agreement as well as closeness between South Africa and other SADC countries is the main reason behind such a huge flow of cotton imports from the region to South Africa and otherwise. Other SADC countries such as Mozambique, Malawi, Zimbabwe and Zambia have a comparative advantage in cotton production, and this allows them to produce more cotton at a lower cost and intensifies their potential to export to less producing countries like South Africa.
Figure 26: Imports volumes of cotton (not carded or combed) from SADC region

Source: Quantec Easy Data

Figure 26 shows volumes of cotton imports (not carded or combed) from SADC region into South Africa between 2001 and 2010 period. The graph further shows that in the SADC region, imports of cotton originated mainly in Zimbabwe, Zambia, Malawi and Mozambique with few imports volumes from Tanzania during the period under review. Imports volumes of cotton from Zimbabwe into South Africa started to increase in 2001 and then experienced a decline in 2002 year. The figure further shows that imports volumes of cotton from Zimbabwe into South Africa attained a peak in 2004 at approximately 389,181.9 tons while the stronger Rand to the US$ in relation to the weaker SADC currencies contributed to the fact that cotton from SADC can be discounted in the SA market, thereby making the local crop less attractive to take up.

Producers in Zambia and Zimbabwe are paid considerably lower prices than SA producers and thus ginners in these countries can be aggressively competitive when selling into the SA market. Many SADC governments are also providing some or other form of support to their cotton growing sectors and this is opposite with South African producers.
Figure 27 indicates volumes of cotton imports (not carded or combed) from the Americas into South Africa between 2001 and 2010 period. The figure further indicates that during the period under examination, South Africa imported most of its cotton from South America as shown in the Figure above. The graph also indicates that imports of cotton from South America into South Africa started to increase in 2001 and during the same period attained a peak at approximately 30714.5 tons. In 2002 there was a sharp decline in cotton imports from South America until 2004 year. Between 2005 and 2010 years, there were no imports of cotton from South America into South Africa. The figure also indicates that there were very low or minimal volumes of cotton imported from the NAFTA into South Africa between 2001 and 2010 years due to long distance and tariffs that exists between this region and South Africa.

Source: Quantec Easy Data
Figure 28 illustrates volumes of cotton imports (not carded or combed) from South America into South Africa between 2001 and 2010 period. The major import market for cotton from South America into South Africa during this period was Brazil followed by Paraguay as illustrated in the Figure above. The graph further illustrates that imports of cotton from Brazil into South Africa started to increase in 2001 and during the same period attained a peak in 2001 at approximately 25,218.3 tons. The graph also illustrates that in 2002 to 2003 year, there was a sharp decline in imports of cotton from Brazil into South Africa due to the declining domestic production of the product in that country. Imports of cotton from Paraguay into South Africa started to increase in 2001 and then declined in 2002 until a peak was attained in 2003 at approximately 8,013.9 tons.

During the same period under examination, the figure also illustrates that imports volumes of cotton from Argentina into South Africa were very minimal not more than 5,000 tons per annum.

Source: Quantec Easy Data
Figure 29: Imports volumes of cotton (not carded or combed) from Asia into South Africa between 2001 and 2010 period. The graph further depicts that the major supplier of cotton from Asia was mainly Western Asia followed by South-central Asia. The figure also depicts that between 2004 and 2005 and again between 2007 and 2010 years, there were no imports of cotton from Western Asia during the same period under review. Imports of cotton from Western Asia into South Africa started to increase in 2001 and during the same period attained a peak at approximately 8545.7 tons. Imports of cotton from South-central Asia into South Africa started to increase in 2007 and during the same period attained a peak at approximately 1673.3 tons.

Source: Quantec Easy Data
Figure 30 illustrates volumes of cotton imports (not carded or combed) from Europe into South Africa between 2001 and 2010 period. The figure further illustrates that the major supplier of cotton from Europe into South Africa during the period under review was European Union. The figure also illustrates that imports of cotton from the European Union started to increase in 2001 with a dramatic increase and a peak in 2003 at approximately 18390.3 tons. The figure also illustrates that between 2006 and 2010 years, there were no imports of cotton from the European Union into South Africa. Western Europe Rest had very low / minimal imports of cotton into South Africa during the period under scrutiny.
Figure 31: Imports volumes of cotton (not carded or combed) from the European Union

Source: Quantec Easy Data

Figure 31 shows volumes of cotton imports (not carded or combed) from the European Union into South Africa between 2001 and 2010 period. The graph further shows that, the major suppliers of cotton from the European Union into South Africa were mainly France followed by very minimal volumes of cotton imports from Greece and the United Kingdom. The figure also shows that imports of cotton from France started to increase in 2002 with a dramatic increase and a peak in 2003 at approximately 1601.5 tons. The figure also shows that between 2006 and 2010 years of the period under scrutiny, there were no imports of cotton from France, United Kingdom, Greece and Italy into South Africa.
Figure 32 indicates volumes of cotton imports (not carded or combed) from Oceania into South Africa between 2001 and 2010 period. The graph further indicates that most of cotton imports from Oceania were originated from Australia and New Zealand during the same period under examination. The figure also indicates that imports of cotton from Australia and New Zealand started to increase in 2002 and during the same period attained a peak at approximately 5159.7 tons. The graph also indicates that in 2001 and between 2003 and 2010 years, there were no imports of cotton from Australia and New Zealand.

Source: Quantec Easy Data
### MARKET INTELLIGENCE

#### Table 3: List of importing markets for cotton exported by South Africa in 2010

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>19331</td>
<td>100</td>
<td>13332</td>
<td>1450</td>
<td>40</td>
<td>30</td>
<td>-11</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>4396</td>
<td>22.7</td>
<td>3038</td>
<td>1447</td>
<td>77</td>
<td>63</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>China</td>
<td>3025</td>
<td>15.6</td>
<td>1994</td>
<td>1517</td>
<td>54</td>
<td>25</td>
<td>7</td>
<td>6.5</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2074</td>
<td>10.7</td>
<td>1564</td>
<td>1326</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mauritius</td>
<td>2004</td>
<td>10.4</td>
<td>2128</td>
<td>942</td>
<td>2</td>
<td>14</td>
<td>125</td>
<td>0</td>
</tr>
<tr>
<td>Singapore</td>
<td>2001</td>
<td>10.4</td>
<td>1161</td>
<td>1724</td>
<td></td>
<td>123</td>
<td>321</td>
<td>0</td>
</tr>
<tr>
<td>Portugal</td>
<td>1533</td>
<td>7.9</td>
<td>952</td>
<td>1610</td>
<td>110</td>
<td>77</td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>1513</td>
<td>7.8</td>
<td>823</td>
<td>1838</td>
<td></td>
<td></td>
<td></td>
<td>9987</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1000</td>
<td>5.2</td>
<td>625</td>
<td>1600</td>
<td>-4</td>
<td>-14</td>
<td>-56</td>
<td>0</td>
</tr>
<tr>
<td>Viet Nam</td>
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<td>265</td>
<td>1596</td>
<td></td>
<td></td>
<td></td>
<td>-59</td>
</tr>
<tr>
<td>Oman</td>
<td>405</td>
<td>2.1</td>
<td>198</td>
<td>2045</td>
<td></td>
<td></td>
<td></td>
<td>20150</td>
</tr>
<tr>
<td>Morocco</td>
<td>197</td>
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<td>100</td>
<td>1970</td>
<td></td>
<td></td>
<td></td>
<td>2.5</td>
</tr>
<tr>
<td>Italy</td>
<td>128</td>
<td>0.7</td>
<td>84</td>
<td>1524</td>
<td>58</td>
<td>19</td>
<td>-87</td>
<td>0</td>
</tr>
<tr>
<td>Japan</td>
<td>126</td>
<td>0.7</td>
<td>75</td>
<td>1680</td>
<td>3</td>
<td>21</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>120</td>
<td>0.6</td>
<td>5</td>
<td>24000</td>
<td>146</td>
<td>-48</td>
<td>400</td>
<td>2.5</td>
</tr>
<tr>
<td>Malaysia</td>
<td>80</td>
<td>0.4</td>
<td>50</td>
<td>1600</td>
<td>128</td>
<td>26</td>
<td>-83</td>
<td>0</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>75</td>
<td>0.4</td>
<td>48</td>
<td>1563</td>
<td>-5</td>
<td>-13</td>
<td>-95</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Trade Map
Table 3 shows the list of importing markets for cotton exported by South Africa to the world in 2010. The table further shows that during the period under scrutiny, Thailand followed by China and Bangladesh were the biggest import markets for cotton exported by South Africa in 2010. The table also shows that although Thailand was the leading import market for South African cotton, the exported growth in value increased at 77% per annum, as compared to Portugal as the sixth highest at an increase of 110% per annum between 2006 and 2010 period.

The table further shows that although Thailand was the leading import market of South African cotton, the exported growth in quantity increased at 63% per annum, as compared to Singapore as the fifth highest at an increase of 123% per annum between 2006 and 2010 period.

The table also shows that Thailand had the highest share in South Africa’s exports of cotton in 2010, followed by China and Bangladesh. One other key point to notice was that South Africa’s exported growth in value to both Thailand and China increased at 3% and 7% per annum, while the average world figures declined between 2009 and 2010.
Figure 23: Growth in demand for cotton exported by South Africa in 2010

Source: Trade Map
Figure 23 depicts growth in demand for cotton exported by South Africa to the world in 2010. The figure further depicts that China, Thailand and Indonesia were the biggest import markets for cotton exported by South African during the period under scrutiny. The graph further depicts that the annual growth of South Africa’s cotton exports to Malaysia and Zimbabwe was higher at 100% in a dynamic market, as compared to the annual growth of South Africa’s cotton exports to China and Thailand at approximately 55% and 70%.

This means that in Malaysia and in Zimbabwe, the growth in demand for cotton exports from South Africa was high during the period between 2006 and 2010.

The annual growth of South Africa’s cotton exports to Germany and Portugal also increased at approximately 100% respectively but in declining markets. The bubble graph also depicts that it was not a good economic decision for South Africa to export cotton to both Germany and Portugal as both markets are declining in terms of South Africa’s cotton exports during the period between 2006 and 2010.
Figure 24: Market diversification for cotton exported by South Africa in 2010

Source: Trade Map
Figure 24 indicates options for South Africa to diversify markets for its cotton exports to the world in 2010. The figure further indicates that China was the biggest market for South African cotton during the period under review. The graph also indicates that if South Africa had to diversify its markets for cotton, small but attractive markets exists in Singapore, Bangladesh, Zimbabwe and Viet Nam.

The graph further indicates that Thailand had a highest share in South Africa's cotton exports at approximately 23% between 2006 and 2010, as compared to China at approximately 16% share. 3% to 5%.
Table 4: List of supplying markets for cotton imported by South Africa in 2010

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>49711</td>
<td>100</td>
<td>29451</td>
<td>1688</td>
<td>-2</td>
<td>-10</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Zambia</td>
<td>29209</td>
<td>58.8</td>
<td>17292</td>
<td>1689</td>
<td>17</td>
<td>10</td>
<td>76</td>
<td>0</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>18839</td>
<td>37.9</td>
<td>11080</td>
<td>1700</td>
<td>-2</td>
<td>-11</td>
<td>-23</td>
<td>0</td>
</tr>
<tr>
<td>Malawi</td>
<td>1405</td>
<td>2.8</td>
<td>874</td>
<td>1608</td>
<td>-37</td>
<td>-43</td>
<td>-72</td>
<td>0</td>
</tr>
<tr>
<td>Mozambique</td>
<td>199</td>
<td>0.4</td>
<td>165</td>
<td>1206</td>
<td>-53</td>
<td>-55</td>
<td>-65</td>
<td>0</td>
</tr>
<tr>
<td>India</td>
<td>51</td>
<td>0.1</td>
<td>25</td>
<td>2040</td>
<td>38</td>
<td>38</td>
<td>12.9</td>
<td>12.9</td>
</tr>
<tr>
<td>China</td>
<td>5</td>
<td>0</td>
<td>15</td>
<td>333</td>
<td>22</td>
<td>212</td>
<td>-44</td>
<td>12.9</td>
</tr>
<tr>
<td>United States of America</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td>12.9</td>
</tr>
</tbody>
</table>

Source: Trade Map

Table 4 confirms the list of supplying markets for cotton imported by South Africa from the world in 2010. The table further confirms that during the period under review, Zambia followed by Zimbabwe and Malawi were the biggest supplying markets for cotton imported by South Africa in 2010. One of the reasons for this result is that all the countries are from the SADC region which means the distance to the market is short and the tariff agreements are suitable for trade as South Africa is also part of SADC.

It is also interesting to note that South Africa’s imported growth both in value and quantity to Zambia increased at 17% and 10% respectively, as compared to negative 2% and 10% respectively of what was imported from the world during the same period. Also important to note was that, South Africa’s imported growth in value to Zambia also increased at 76%, as compared to 6% from the world between 2009 and 2010 period.

Zambia share in South Africa’s imports accounts for 58.8%, while Zimbabwe accounts for 37.9% during the period under scrutiny.
Figure 25: Competitiveness of supplying markets to South Africa for imported cotton in 2010

Source: Trade Map
Figure 25 illustrates competitiveness of supplying markets to South Africa for imported cotton product in 2010. The figure further illustrates that Zimbabwe was the biggest supplying markets of cotton imported by South Africa during the period under review, although their annual growth of partner counties exports to the world is negative at 2%, 11% and 23% respectively.

The figure also illustrates that during the period under examination, the most competitive supplier for cotton imported by South Africa was Zambia with an annual growth of South Africa’s imports from the partner between 2006 and 2010 at 19%.
Figure 26: Prospects for diversification of suppliers for cotton imported by South Africa in 2010

Source: Trade Map
Figure 26 depicts diversification of suppliers for cotton imported by South Africa from the world in 2010. The figure also depicts that United States of America was the biggest supplier for cotton imported by South Africa during this period. The figure also depicts that if South Africa had to diversify its suppliers of cotton, small and attractive markets exist in Nigeria, Brazil, India and China during the period under examination.

6. MARKET ACCESS

There is no restriction on the importation of cotton, but a duty on imported cotton lint of R1.60c/kg is payable. This duty is, however, in terms of the SADC Free Trade Agreement (FTA) not applicable to cotton lint imports from within SADC. The full duty of R1.60c/kg of cotton lint is still applicable to imports from outside SADC, in respect of imports that do not qualify under the WTO minimum market access provision. Cotton originating from SADC countries such as Zimbabwe, Zambia, Malawi, Mozambique and Tanzania incur no import duty.

Table 5: Tariffs applied by different countries to cotton product exported by South Africa in 2010.

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>PRODUCT DESCRIPTION</th>
<th>TRADE REGIME DESCRIPTION</th>
<th>APPLIED TARIFFS</th>
<th>TOTAL AD VALOREM EQUIVALENT TARIFF (ESTIMATED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARGENTINA</td>
<td>Cotton, neither carded nor combed, rendered absorbent or bleached</td>
<td>MFN duties (Applied)</td>
<td>6.00%</td>
<td>6.00%</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>Cotton, neither carded nor combed, rendered absorbent or bleached</td>
<td>MFN duties (Applied)</td>
<td>10.00%</td>
<td>10.00%</td>
</tr>
<tr>
<td>CHINA</td>
<td>Cotton, neither carded nor combed, rendered absorbent or bleached</td>
<td>MFN duties (Applied)</td>
<td>87.66$/ton</td>
<td>6.79%</td>
</tr>
<tr>
<td>GERMANY</td>
<td>Cotton, neither carded nor combed, rendered absorbent or bleached</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>UNITED REP OF TANZANIA</td>
<td>Cotton, neither carded nor combed, rendered absorbent or bleached</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>Cotton, neither carded nor combed, rendered absorbent or bleached</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>UNITED STATES OF AMERICA</td>
<td>Cotton, neither carded nor combed, rendered absorbent or bleached</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>ZAMBIA</td>
<td>Cotton, neither carded nor combed, rendered absorbent</td>
<td>MFN duties (Applied)</td>
<td>15.00%</td>
<td>15.00%</td>
</tr>
<tr>
<td>COUNTRY</td>
<td>PRODUCT DESCRIPTION</td>
<td>TRADE REGIME DESCRIPTION</td>
<td>APPLIED TARIFFS</td>
<td>TOTAL AD VALOREM EQUIVALENT TARIFF (ESTIMATED)</td>
</tr>
<tr>
<td>---------</td>
<td>---------------------</td>
<td>--------------------------</td>
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<td>---------------------------------------------</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>or bleached</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ZIMBABWE</td>
<td>Cotton, neither carded nor combed: Other: in staple lengths not exceeding 25.5mm</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>Cotton, neither carded nor combed: Other: in staple lengths exceeding 25.5mm</td>
<td>MFN duties (Applied)</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

Source: Mac Map

Table 5 shows countries from various regions, tariffs and trade agreements applied by those countries for cotton exported by South Africa in 2010 period. The table further shows that most countries used the most favoured nation duties to facilitate trade with South Africa in terms of cotton exports.

Table 6: Tariffs applied to different countries for cotton product imported to South Africa in 2010.
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>PRODUCT DESCRIPTION</th>
<th>TRADE REGIME DESCRIPTION</th>
<th>APPLIED TARIFFS</th>
<th>TOTAL AD VALOREM EQUIVALENT TARIFF (ESTIMATED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEXICO</td>
<td>Cotton, neither carded nor combed: Not ginned</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>Cotton, neither carded nor combed: Ginned but not further processed</td>
<td>MFN duties (Applied)</td>
<td>235.28$/ton</td>
<td>20.63%</td>
</tr>
<tr>
<td>MOZAMBIQUE</td>
<td>Cotton, neither carded nor combed: Not ginned</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>Cotton, neither carded nor combed: Ginned but not further processed</td>
<td>Preferential tariff for SADC countries</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>PAKISTAN</td>
<td>Cotton, neither carded nor combed: Not ginned</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>Cotton, neither carded nor combed: Ginned but not further processed</td>
<td>MFN duties (Applied)</td>
<td>235.28$/ton</td>
<td>20.63%</td>
</tr>
<tr>
<td>SRI-LANKA</td>
<td>Cotton, neither carded nor combed: Not ginned</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>Cotton, neither carded nor combed: Ginned but not further processed</td>
<td>MFN duties (Applied)</td>
<td>235.28$/ton</td>
<td>20.63%</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>Cotton, neither carded nor combed: Not ginned</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>Cotton, neither carded nor combed: Ginned but not further processed</td>
<td>MFN duties (Applied)</td>
<td>235.28$/ton</td>
<td>20.63%</td>
</tr>
<tr>
<td>UNITED STATES OF AMERICA</td>
<td>Cotton, neither carded nor combed: Not ginned</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>Cotton, neither carded nor combed: Ginned but not further processed</td>
<td>MFN duties (Applied)</td>
<td>235.28$/ton</td>
<td>20.63%</td>
</tr>
<tr>
<td>ZAMBIA</td>
<td>Cotton, neither carded nor combed: Not ginned</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>Cotton, neither carded nor combed: Ginned but not further processed</td>
<td>Preferential tariff for SADC countries</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>Cotton, neither carded nor combed: Ginned but not further processed</td>
<td>MFN duties (Applied)</td>
<td>235.28$/ton</td>
<td>20.63%</td>
</tr>
<tr>
<td>ZIMBABWE</td>
<td>Cotton, neither carded nor combed: Not ginned</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>Cotton, neither carded nor combed: Not ginned</td>
<td>Preferential tariff</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>COUNTRY</td>
<td>PRODUCT DESCRIPTION</td>
<td>TRADE REGIME DESCRIPTION</td>
<td>APPLIED TARIFFS</td>
<td>TOTAL AD VALOREM EQUIVALENT TARIFF (ESTIMATED)</td>
</tr>
<tr>
<td>---------</td>
<td>---------------------</td>
<td>--------------------------</td>
<td>----------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>combed: Ginned but not further processed</td>
<td>for SADC countries</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cotton, neither carded nor combed: Ginned but not further processed</td>
<td>MFN duties (Applied)</td>
<td>235.28$/ton</td>
<td>20.63%</td>
</tr>
</tbody>
</table>

Source: Mac Map

Table 6 illustrates countries from various regions, tariffs and trade agreements applied by South Africa when it’s importing cotton from various regions in 2010 period. The table further illustrates that during the period under scrutiny, countries from the SADC region prefer to use the preferential tariff for SADC countries to facilitate and fast-track trade with South Africa and that makes it cheaper to export and import cotton product between the SADC countries and South Africa.

7. PROCESSING AND THE VALUE CHAIN TREE

The first step in the processing of picked cotton occurs at the ginnery where the fiber, which is about 37% of the total mass of the cotton, is separated from the seed. The fiber consists exclusively of cellulose and is the most important product of cotton from a commercial viewpoint. There are currently nine ginneries in South Africa. Seed cotton is either sold by the grower to a ginner who gins the cotton and sells the cotton lint for his own account to spinners (and the seed to processors), or the grower does not sell his seed cotton to the ginner but contracts the ginner to gin it on his behalf on payment of a ginning fee (some growers also own their own gins). In this case the cotton lint and seed remain the property of the producer who then either markets it himself or contracts the gin or someone else to market the cotton lint (or seed) on his behalf. Cotton seed processors use the seed to manufacture animal feeds and the spinners use the cotton lint to spin yarn. Weavers and knitters use the yarn to produce a variety of products such as textiles, towels, denim, canvas, furnishings, etc.

The various products derived from cotton are outlined in Figure 14. During the course of oil extraction, the seed is processed into fuzzy cotton (3%), hulls (30%), pulp (61%), and cotton waste (6%). The pulp is then further processed into the following products: crude oil (21%), oil-cake (74%) and waste (5%). The oil is used in the preparation of foodstuffs while the cake or meal is used in the manufacture of fodder. Cotton seed contains a poisonous substance known as gossypol, which is removed from the edible oil during the refining process. The gossypol in the oil-cake is rendered harmless by the addition of chemicals.

The major products of cotton lint are weaving yarns (used for toweling, denim, sheeting, etc) and knitting yarns (used in knitted fabrics for T-shirts, underwear, etc). Major products produced from cotton seed are meal (used in cake/meal for flour, feed and fertilizer); oil (used in soaps, explosives, etc), hulls (used for feed, fertilizer, synthetic rubber, etc), linters (used in pulp, medical appliances, yarns and felts) and planting seed.
Figure 27: Cotton value chain tree explaining its various uses (Cotton South Africa)

SEED COTTON

SEED

MEATS
- Cake & meal
- Crude Oil

HULLS
- Feed (beef & dairy cattle)
- Fertilizer (mulch)
- Bran (livestock feed)
- Pulp (see linters)
- Furfurals (synthetic rubber)

LINTERS
- Absorbent Cotton medical supplies

PLANTING PURPOSES
- Yarns
- Felts

LINT

CLOTHING
- Clothes, underwear, gloves, etc.

INDUSTRIAL
- Linings for tires, bags, ropes, canvas, tents, medical bandages.

HOUSEHOLD
- Sheets, towels, bedspreads, curtains, etc.

Flour (bread, cake, biscuits)
Feed (cattle, sheep)
Fertilizer

Refined Oil (salad & cooking), mayonnaise, margarine, packing oil.
Other (soap, glycerine-explosives, cosmetics, pharmaceuticals; Fatty acids-rubber, insecticides, fungicides, waterproofing)

Viscose
- Rayon Industrial fabrics, Films, Sausage, etc

Cellulose Nitrate
- Plastics, lacquers, smokeless

Papers
- Writing materials, Filters.
- Cellulose Acetate
- Yarn, Plastics, films.

Lamp & candle wicks, twine, rugs, mops

Automotive upholstery, pads, cushions, furniture upholstery
There are five important stakeholders in the cotton industry. These are producers of seed cotton, ginners, spinners, oil pressers and clothing and garment manufacturers. For the 2006/07 production season it is estimated that cotton was planted by approximately 2 849 small scale cotton farmers (representing between 15% and 20% of total cotton lint production), as opposed to approximately 300 commercial farmers. Small scale farmers in the past also represented the vast majority of local cotton growers. The ginning industry is made up of only eight companies or gins. They buy seed cotton from producers, gin it and sell the lint. Ginners also gin the cotton for the farmers who could retain ownership of the lint and the seed, at a cost. In this case, the farmer is then responsible for the marketing of his won product. The output of the ginners is lint and seed. The lint is sold to the spinners and the seed to the oil pressers. There are nine spinners in the spinning industry (from 16 in 2003), of which the biggest are Frame Textiles and Da Gama Textile Co. Ltd. These spinners buy the cotton lint from ginners, process the lint and deliver the output (yarn) to the clothing and textile industry. Most of the spinners also perform the task of weavers and knitters and are thus vertically integrated. There is only one oil presser in South Africa. Cotton oil is pressed from the seed, and the oil cake is used as input in animal feeds.
In order to fulfill South Africa’s commitment under the World Trade Organization: Marrakesh Agreement regarding market access, the Directorate: Marketing issues rebate permits under the Market Access rebate scheme to importers of cotton lint for a total of 17 101 tons (85 505 bales of cotton lint) (for 2010) per annum. The import arrangements for cotton lint are as in Table 2.
### Table 7

<table>
<thead>
<tr>
<th>TARIFF HEADING</th>
<th>DESCRIPTION</th>
<th>EXTENT OF REBATE</th>
<th>ANNUAL TONNAGE</th>
<th>QUOTA</th>
</tr>
</thead>
<tbody>
<tr>
<td>52.01</td>
<td>Cotton, not carded or combed</td>
<td>Full duty less 12%</td>
<td>17 101</td>
<td>(85 505 bales of cotton lint)</td>
</tr>
</tbody>
</table>

Source: Government Gazette Notice 1297 of 2009

#### 9. Developments in the cotton industry.

A trend that has emerged over the past few years is the establishment of farmer-owned gins as well as the incidence of contract ginning (where the farmer retains ownership of the cotton lint after ginning). About 54% of cotton lint produced for the 2005/06 marketing year was by way of contract ginning. This means that farmers are increasingly getting involved in the marketing of their produce than before, although the majority of sales are still being brokered by local cotton traders.

As 40-60% of South Africa’s cotton requirements are imported annually, three international cotton traders (namely Cargill, Plexus Cotton and Dunavant) are also involved in the local market, in addition to the local commodity traders who also offer import services. Some of these international cotton traders own their own gins in SADC and Cargill also owns gins in South Africa having acquired Clark Cotton in 2006. The above two developments show market fragmentation within the industry.

#### 9. EMPOWERMENT ISSUES AND TRANSFORMATION IN THE SECTOR

South Africa’s cotton growers together with the input suppliers, output processors and the Department of Agriculture have developed a Strategic Plan for the South African Cotton Sector with the following objectives: broadening participation to enable developing farmers to contribute on average 25% of the national crop by 2007 and 35% by 2014, raising productivity by training at least 60% of developing farmers by 2007 and by improving research, extension services and technology transfer.

A cotton gin has been commissioned by cotton farmers in the Vaalharts irrigation area during 2004. The gin is a joint venture between IDC and cotton farmers with a BEE component of at least 25% reserved for workers and emerging farmers.

Makhathini Cotton Company in KZN is also a BEE firm with 65% black empowerment shareholding.

The Cotton Project in the Eastern Cape is a joint initiative by the Eastern Cape Development Corporation and Da Gama Textiles. It involves 500 emerging farmers from Addo, Tyefu, Middeldrift, Keiskammahoek, Qamata, Kat River and the Karoo. A new gin has been commissioned in 2005/06 and will eventually jointly be owned by farmers and Da Gama Textiles (the off-take partner of their produce), with small scale farmers having a major share.

From 2001, Cotton SA established a formal training program for small scale cotton growers at various centres mainly at the Lowveld College of Agriculture in Mpumalanga province, Tompi Seleka College of
Agriculture in the Limpopo Province, Mjindi Training Centre and Owen Sithole College of Agriculture in Kwazulu-Natal and Fort Cox Rural Development Centre in the Eastern Cape Province. Up to the end of 2006 close to 600 small scale cotton farmers have attended these courses.

10. BUSINESS OPPORTUNITIES AND CHALLENGES

- The fact that South Africa is a net importer of cotton indicates that there is scope for substantial increases in production without fear of creating surpluses. As cotton is a Summer crop cultivated on the same land as maize, many hectares which are currently under maize can be switched to cotton, which would not only lessen South Africa’s dependence on cotton imports but will also contribute to alleviating the overproduction which occurs in the maize industry from time to time. In this respect it should also be noted that because of cotton’s drought tolerant ability, it is much more suited for marginal agricultural lands than maize.
- Domestic support and export subsidies provided by governments of many cotton producing countries create serious distortions in the international market. This factor together with the strength of the rand against the dollar and combined with uncertain weather conditions, have placed serious pressure on the domestic cotton production in recent years. International markets for cotton and derived products remain distorted because of the huge amounts of trade and production distorting support granted to cotton producers mainly in the USA, China and the European Union.
- The South African cotton production industry also faces strong import competition from SADC countries. About 99% of cotton lint imports during the 2005/06 season originated from SADC countries. Since January 2004 when the SADC Free Trade Agreement allowed duty-free cotton lint imports from SADC countries, South African producers are finding it increasingly difficult to compete with SADC imports. The current crop for 2010/11 is estimated to be 15% down from the first estimate earlier this year, mainly due to a decline in yields as a result of floods and unfavourable weather conditions.

10.1 Other factors that constrain commercialization of emerging farmers’ cotton products.

- Access to productive land. In most cases small scale farmers do not own the land they farm on.
- Lack of land tenure as well as own equity make these farmers high risk customers to financial institutions.
- Lack of institutional support such as limited extension services.
- Lack of credit since the ginning companies no longer act as intermediaries.
- Lack of irrigation infrastructure.
- Lack of regional and provincial structures for emerging farmers in order for them to participate in partnership programs with commercial companies.
- Lack of knowledge and expertise among small scale farmers relating to cotton agronomy.
- The lack of formal skills development programmes (which involves a certain number of unit standards at NQF level 1).
11. GINNERSIES

11.1 Cargill Cotton
   P.O.Box 864
   SLOANE PARK
   2152
   Tel: (011) 799 2000
   Fax: (011) 759 8078
   E-mail: geoff_watson@cargill.com

11.2 NSK (Noordelike Sentrale Katoen)
   P.O.Box 1285
   Mokopane
   0600
   Tel: (015) 491 2267/8/9
   Fax: (015) 491 6901
   E-mail: ghefer@worldonline.co.za

11.3 Orange Co-op Ltd
   P.O.Box 49
   Upington
   8800
   Tel: (054) 334 0015
   Fax: (054) 334 0173

11.4 Makhathini Cotton (Pty) Ltd
   Room 203
   Musgrave Park
   18 Musgrave Road
   Durban
   4001
   Tel: (035) 572 5319
   E-mail: Derek@makcotton.co.za

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