REPUBLIC OF KENYA

COTTON DEVELOPMENT AUTHORITY

# THE STATUS REPORT ON THE COTTON INDUSTRY IN KENYA

## FOR ICAC PLENARY MEETING IN CAPETOWN SOUTH AFRICA, SEPTEMBER 7TH-11TH-2009

**COMPILED BY COTTON DEVELOPMENT AUTHORITY**
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**TABLE OF CONTENT** **PAGE**

## 1.0 EXECUTIVE SUMMARY

Cotton is considered under the Country Vision 2030 and in the Government Medium Term Plan 2008-2012 as one of the most important industries to implement the long term Arid and Semi Arid Lands (ASAL) development initiatives and industrialization strategy. The government is implementing revival initiatives of the sector that started 4 years ago (2005).

The establishment of legal and institutional framework to guide the industry has been concluded including the creation a facilitative regulatory framework for development of a competitive cotton sector.

In the last two seasons, the Kenyan cotton production was affected by inadequate rains. The 2007/2008 production fell by about 17 % from the previous season of 2006/2007 but there was increased planting in 2008/2009 due to improved prices of seed cotton from 0.3USD to 0.37USD per kg farm gate price offered to farmers.

On support, the Kenyan government is not providing subsidy to cotton growing or price support for producers nor at ginning or marketing. Instead the government is providing targeted support to the smallholder farmers in form of provision of planting seeds as a food security measure, advisory service through extension service and cotton research. The government is also supporting rehabilitation of irrigation schemes to reinstate irrigated cotton production in the next 5 to 10 years. Alongside provision of irrigation water, the government is promoting increased efficiency of water use by embracing modern production techniques through conservation and management in cotton production.

The government has embarked on development of infrastructure that would support reliable testing of cottons through instrument based classing system to pave way for branding of Kenyan cottons. However currently Kenya has 2 main commercial cotton varieties, HART 89M and KSA 81M.

The Government through the Cotton Development Authority has initiated the following to improve competitiveness in terms of yields, quality, costs and logistics:

- Establishing an Apex forum: This will be a strong National Apex body of cotton stakeholders comprising both public and the private sector;
- Establishing an input supply and credit system: This will allow competitive production and recovery of loaned funds and inputs. This will be enhanced by Cotton (General) Regulations, 2007. Currently majority of the farmers make own arrangements for

inputs acquisition except for the seeds which are given free by the Authority;

- Collaborative Research Seed management system: The system is enhancing the breeding of certified environmental stable seeds for the local Agro-ecological conditions.

## 2.0 COTTON DEVELOPMENT AUTHORITY (CODA)

The Government of Kenya has established Cotton Development Authority (CODA) through the Cotton (Amendment) Act, 2006. The Authority is a body corporate established by an act of Parliament to provide for promotion of the cotton industry and for connected purposes. The principal object of the Authority is to promote, co-ordinate, regulate and direct the cotton Industry in Kenya.

**Vision**
To be the leading agent in the transformation of the Kenya cotton industry into a vibrant and sustainable sector in the Region.

**Mission**
To promote development of a competitive cotton industry for improved livelihoods and industrialization.

### 2.1 Core functions

- To enforce regulations and standards as spelt out in the Cotton (General) Regulations, 2007;
- To promote cotton production through extension and advisory services;
- To strengthen research and technology development in the Industry;
- To promote cotton value addition;
- To facilitate marketing of cotton and cotton products

### 2.2 Strategic Issues

- Facilitative Legal & Regulatory framework
- Efficient Input Supply system
- Globally competitive Processing and Value addition
- Efficient Marketing system
- Increased Production and Productivity
- Research and Technology Development
- Stakeholder Collaboration

**Main activities:**

- Implementation of the Cotton amendment Act, (2006) and the accompanying subsidiary legislations;
- Building partnerships for efficient delivery of services and reduce conflict and duplication of roles among stakeholders;
- Creating linkages with relevant bodies; cotton research institutions, Governments, international organizations and cotton growing countries with a view of exchanging information, experiences and technologies;

## 3.0 COTTON PRODUCTION

In Kenya cotton is produced on a food security front as a source of livelihood for farmers in ASAL areas. It contributes in increasing the households' incomes and at the same time plays a big role in reducing poverty and increasing food security.

Production was low, at below 23,000 bales of lint up to year 2005 due to lack of incentives to growers in terms of prices, marketing system, credit and poor coordination of the sector. Production increased to 51,000 bales, (10,000 tons) lint in 2006/2007 due to government intervention in form of provision of seeds, chemicals, training and expectation by producers of a more streamlined marketing system. In 2007/2008 planted area increased though production fell to 45,000 bales (8300 tons) mainly due to poor rains, inadequate access to inputs (chemicals) and difficulties in realization of enough quantities of certified seed for planting.

### 3.1 PRODUCTION STATISTICS

Cotton is planted in months of September/October for Eastern part of Kenya while it is planted in March – June in the west of rift cotton growing regions.

**TABLE 1**

| | AREA | YIELD | PROD | BEG STKS | IMPTS | CONS | EXPTS | END STOCKS |
|---|---|---|---|---|---|---|---|---|
| | 000 Ha | Kgs/Ha | 000 Metric Tons | | | | | |
| 2003/04 | 25 | 165 | 4 | 1 | 15 | 20 | 0 | 0 |
| 2004/05 | 30 | 165 | 5 | 0 | 15 | 22 | 0 | -2 |
| 2005/06 | 30 | 165 | 5 | -2 | 17 | 22 | 0 | -2 |
| 2006/07 | 44 | 215 | 10 | -2 | 12 | 22 | 0 | -2 |
| 2007/08 | 50 | 177 | 8.5 | -2 | 13 | 22 | 0 | -2 |

## SALE OF COTTON

All cotton produced in the country is consumed locally. After harvesting, cotton is sold at seed cotton buying centers to agents and ginners who then gin, bale, package and label the bales ready for sale. The ginner sell the bales of lint to spinners while the seed is sold to the feed manufacturers.

**Challenges to producers**

In the last season the difficulties faced by cotton producers include the following:

- Cotton is produced in semi arid areas that received low and unreliable rainfall and there were high pest incidences.
- Lack of affordable credit for inputs purchase.
- Low Cotton yields due to poor quality planting seeds, untimely land preparation, poor pest control as well as inadequate use of fertilizers and manure.
- Un predictable cotton prices in the world market;
- Inadequate availability of certified seed.
- Weak Farmer organizations denying them lobbying power for marketing and access to other benefits;

## 4.0 CURRENT GENERAL GOVERNMENT INTERVENTIONS:

- The government is reviving two irrigation schemes (Bura and Hola) for large scale production of irrigated cotton. The schemes used to produce 40% of national cotton production.

- Cotton being a strategic crop for communities in the marginal areas (*and the poor crop performance last season*), government is giving free cotton planting seeds as a food security measure;

- Government is working with other stakeholders (including the Banking sector) to advance credit in form of targeted inputs support to smallholder farmers at a rate of 552 USD per HA. Financial sector in the country is averse in advancing credit to smallholder farmers.

- Continued support to training and demonstration on better crop practices through extension and advisory services

- On Cotton Quality and Grades measurement, the government has developed Kenya Standard Test Methods for Measurement of Physical Properties of Cotton Fibres by High Volume Instruments HVI in association with the Kenya Bureau of Standards and other stakeholders to pave way for *Branding* of Kenya cottons in the near future;

- There is now a National Biotechnology Development policy and a Bio-safety Act to pave way for introduction of Biotechnology cotton (BT cotton) into the country among other Biotechnology crops.

- Bio-safety Act was enacted late last year to regulate, guide safe use, transfer as well as commercialize biotechnology;

- The private sector is being encouraged to provide extension services to complement the government's efforts for example the Cotton Growers Association and the Ginners Association.

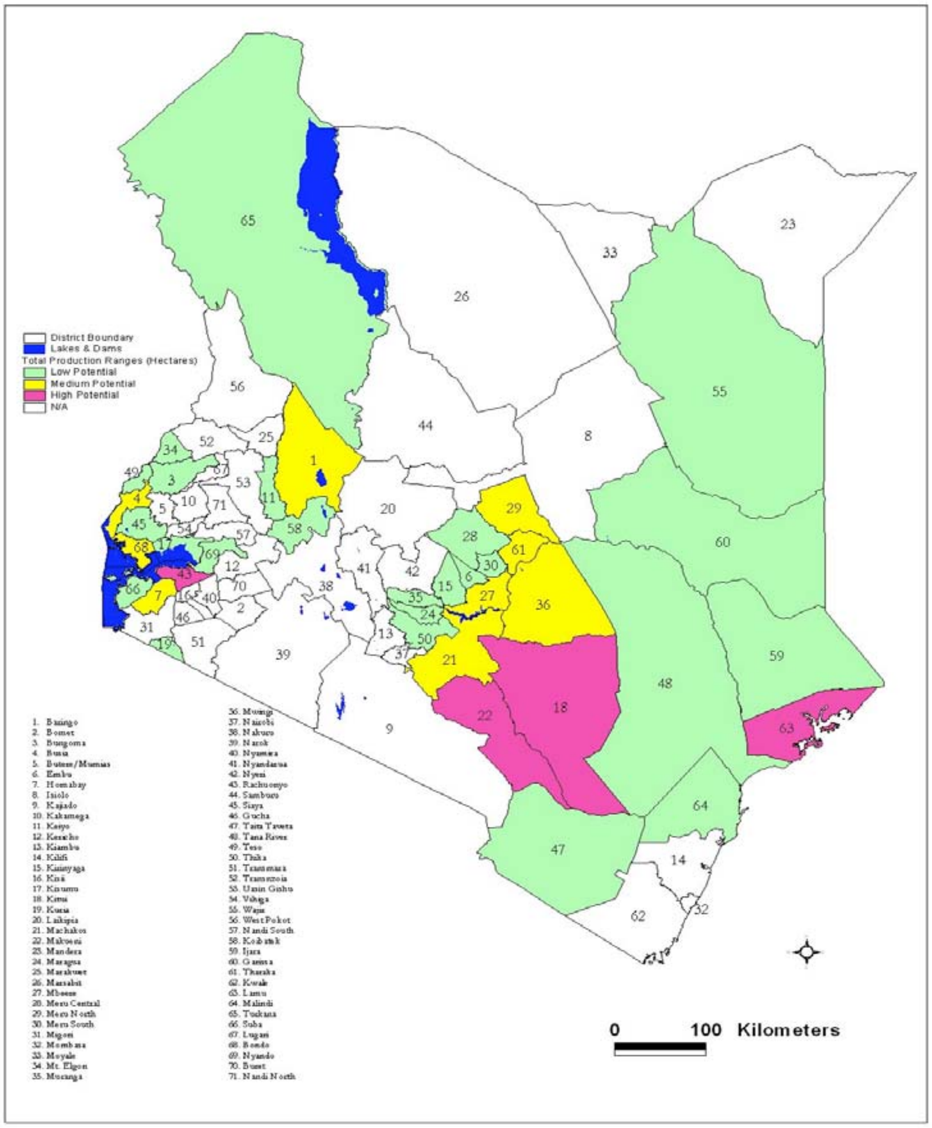
- Establishment of cotton development committees in all cotton growing areas.

- Facilitating stake holders' fora to map out strategies for the sector revitalization at all levels regional (provincial) and National.

- Farmers are continuously being encouraged to form organized groups to lobby for their interests and to benefit from economies of scale.

- The private sector is being encouraged to provide extension services to complement the government's efforts.

**Cotton Production Regions in Kenya**




### 6.0 PROCURMENT OF INPUTS

## Seeds:

Currently the government is supplying farmers with planting seeds. This is a targeted food security measure.

## Pesticides, sprays/insecticides, spraying equipment, fertilizers:

The farmers source these inputs from general stockiests or through ginneries where contractual arrangements are in place.

## GINNING AND PROCESSING

Capital investment machinery for cotton and agricultural machinery are exempted from duty and other taxes. There are 22 ginneries in the country of which 18 are privately owned while the rest, (4) are owned by farmers through cooperative societies. There are high costs associated with ginning in the country due to old machineries /equipment and low seed cotton supply processing (25,000 bales annually) against a capacity of over 140,000 bales. Investments of ginneries and processing equipment (Baling equipment, cleaning etc) is a prerogative of the investors in the processing sub sector which is fully liberalized.

## 7.0 COTTON QUALITIES AND GRADES AVAILABLE

The main Quality and Grade measure for local cottons is by Variety (HART 89M and KSA 81M) and Grades A (AR) and B (BR). Grade AR is the higher grade for Roller ginned cotton and BR is the lower grade of the Roller ginned cotton. All the cottons in the country are roller ginned.

## 8.0 THE TEXTILES AND CLOTHING SECTOR (YARN, APPAREL AND FABRIC MANUFACTURE)

The domestic textile and apparel sub sector face competition from imported synthetics, fabrics, and clothing. However Kenya manufacture and export yarns with about 60% of the exports destined to EAC and COMESA markets where Kenyan products enjoy preferential access an area. Chinese investors can consider direct investments in Kenya to manufacture yarns to utilize this opportunity.

TABLE 2

| YEAR | EXPORT (TONS) TEXTILE YARNS | EXPORT (MILLION) KSHS |
|---|---|---|
| 2002 | 2192 | 485 |
| 2003 | 1854 | 394 |
| 2004 | 1380 | 349 |
| 2005 | 3027 | 606 |
| 2006 | 3560 | 712 |

**Garment**

All textile mills in Kenya are privatized. The garment sector is principally driven by exports to the USA under the AGOA initiative. Currently there are 35 large scale garment manufacturers exporting to the USA of which 15 (in 2008) are located in the EPZ, seven (7) enjoy manufacture under bond (MUB) while five (5) operate outside the EPZ and MUB.

**Country's Vision to develop the sector further**

- Government enforcing productivity driven wages
- Creation of a green channel for import/export at the port of Mombasa
- GOK is exploring ways to offer incentives to enhance competitiveness as offered by other countries.
- GOK is studying ways to offer export credit guarantee schemes to shelter export risks and offering pre-export finance

## 9.0 EXPECTATIONS OF THE KENYAN MISSION:-

a) **Market and negotiation deals /Knowledge**
   - Possibilities and requisites of exporting lint, other peripheral textile accessories and materials to china
   - Import of high quality planting cotton seed from china (relevant to the Kenyan local requirements)
   - Benchmark on areas of shared interest and make business networks between the 2 countries (Public and Private)
   - Attracting direct investment into Kenyan cotton sector by Chinese investors / government (in areas of production and processing)

b) **Learning Experience**
   - Learn lessons about transformations of the successful Chinese cotton and textile industry and benchmark on some of the best practices
   - Explore the possibility of initiating an exchange program on training on cotton (BT cotton, value addition and capacity building between industry players and research institutions).
   - Import/Export ventures especially for cotton seed among other inputs.