

# **S O U T H A F R I C A**

**KATOEN  
S U I D -  
A F R I K A**



**COTTON  
S O U T H  
A F R I C A**

## **STATEMENT ON THE COTTON SITUATION**

**77<sup>th</sup> PLENARY MEETING  
OF THE  
INTERNATIONAL COTTON  
ADVISORY COMMITTEE**

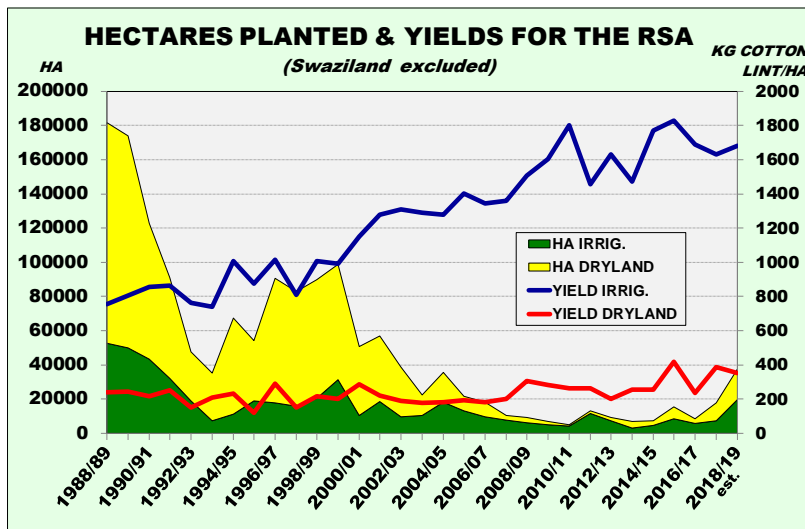
**ABIDJAN, CÔTE D'IVOIRE  
2 – 6 DECEMBER 2018**

# SOUTH AFRICA

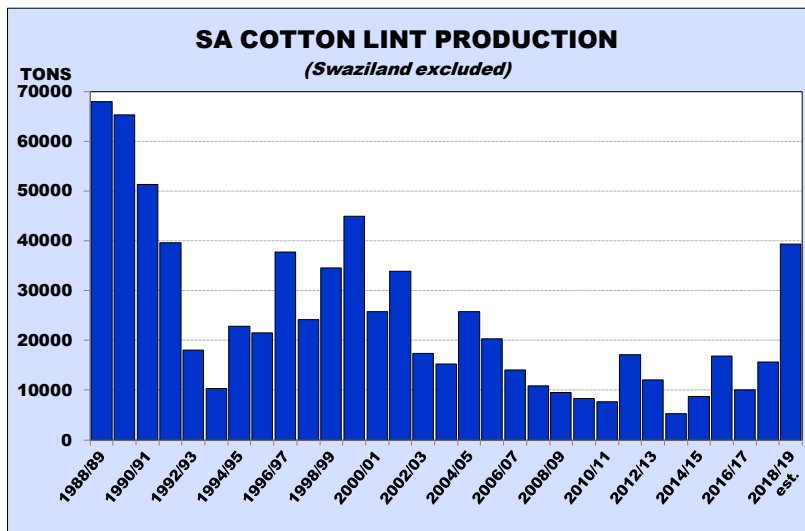
## LOCAL COTTON SITUATION AND OUTLOOK

### PRODUCTION

Production of cotton lint by South African cotton ginners totalled 15 714 tons for the 2017/18 marketing year (1 April 2017 to 31 March 2018), up 56% from the previous year, mainly due to interventions implemented under the Sustainable Cotton Cluster, one of which was the introduction of the cheaper cotton stripper technology which was instrumental in bringing about a 320% increase in RSA dryland cotton plantings.



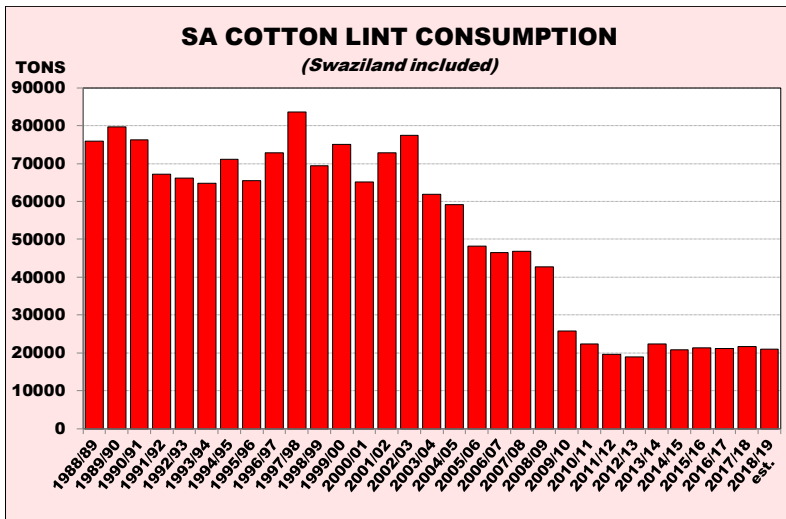
Production of cotton lint by South African cotton ginners for the 2018/19 marketing year is estimated at about 39 161 tons, which represents a 149% increase over the previous season mainly due to more favourable prices of cotton in relation to competitive crops but also due to renewed interest in cotton production. Dryland hectares show an increase of 68% over the previous season whilst irrigation hectares are 171% more.



Production prospects for the new planting season which begins in October 2018, remains very favourable and early indications are that dryland and irrigation hectares could increase by as much as 80% and 35% respectively over that of the current year. This means that at current yields, a crop of 60 000 tons could be possible which would be the biggest in 30 years.

To accommodate bigger crops, a new cotton gin has recently been commissioned whilst an existing gin's machinery has been replaced which will substantially increase its capacity.

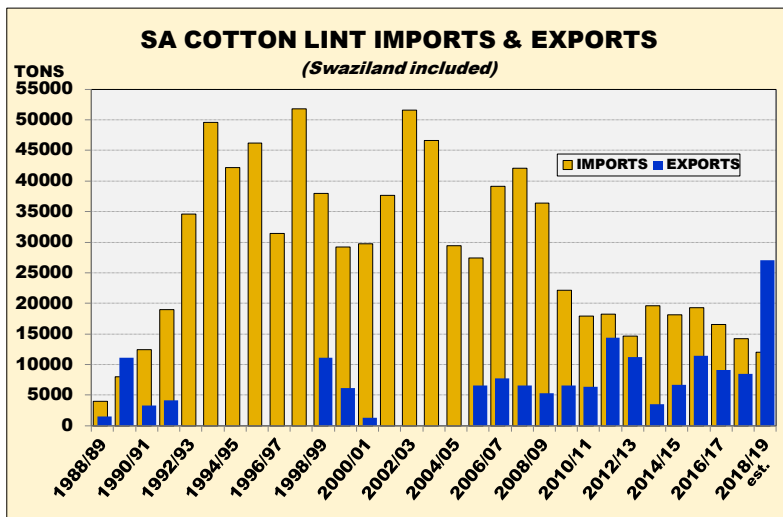
# CONSUMPTION



The total lint consumption by the 4 RSA cotton spinning mills and one Swaziland spinning mill (temporary closed down in Dec 2017) for the 2017/18 marketing year of 21 664 tons, was more or less unchanged from the previous year as well as the two years before that. Cotton consumption by local spinning mills is however 54% down from 10 years ago, mainly due to the continued imports of low-priced textiles and apparel from Asia which impacts negatively on local demand as well as on textile and clothing exports.

Looking ahead towards consumption prospects for the 2018/19 marketing year, no increase in cotton lint consumption by local spinning mills is expected at this stage.

# TRADE



Local cotton spinning mills imported 66% of their cotton requirements during the 2017/18 marketing season, 60% of which originated from Zambia. The other main suppliers in 2017/18 were Zimbabwe, Mozambique and India, accounting for about 36% of cotton lint imports. Total lint imports amounted to 14 232 tons. As a rule, between 80% to 90% of all cotton imports originate from countries within the Southern African Development Community (SADC) as there is no import duty applicable on cotton lint imports from these countries in terms

of a free trade agreement.

During the 2017/18 marketing season, 8 443 tons of cotton lint were exported by ginnerers. In the past between 70% to 90% of the local cotton production was annually exported but this percentage may shrink in future as more South African cotton is expected to be taken up in the local integrated supply chain programs initiated under the Cluster.

## **PRICES**

The average domestic cotton lint price for the 2017/18 marketing year was about R23.62/kg (82.41 US c/lb lint calculated at the 2017/18 average R/\$ exchange rate) which was 4% up from the previous marketing year.

## **QUALITY**

### **QUALITY CONTROL**

The Quality Control Division of Cotton South Africa is mainly involved in the grading and classification of the South African Cotton Crop and responsible for establishing and maintaining of the SA grading standards for seed cotton and cotton lint. This Division also presents introductory grading and classification courses, which includes HVI fibre testing, to the SA cotton industry.

### **PARTICIPANTS**

#### **Ginners**

Local ginners (presently all farmed-owned gins) submit samples of cotton lint to Cotton SA on a bale-for-bale basis to receive a grading certificate which provides a full quality profile of the particular cotton and serves as basis for the marketing of the cotton.

#### **Spinners**

Spinners utilize the service mainly due to the fact that comprehensive HVI information is available for all assessable lint characteristics, which are required for the preparation and production of the various quality blends, as well as the monitoring of imported and local cotton in relation to the purpose for which it was purchased.

#### **Producers**

Producers submit samples for grading and classification purposes mainly to check the consignment in terms of that for which it was purchased by buyers and/or to obtain information concerning the expected quality of their crop.

#### **Research**

The Research Institute for Industrial Crops also submit samples to the Quality Control Division for testing purposes, in order to evaluate the various selections of new and present cultivars as well as advanced breeding lines still in the pipeline.

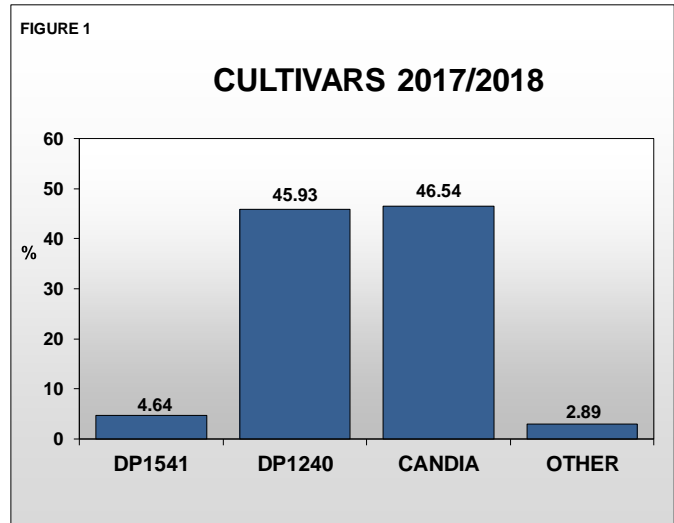
#### **Other participants**

Other participants such as international cotton merchants and ginners, from time to time submit samples for grading and HVI testing.

# PERFORMANCE OF THE SOUTH AFRICAN PRODUCED COTTON CROP

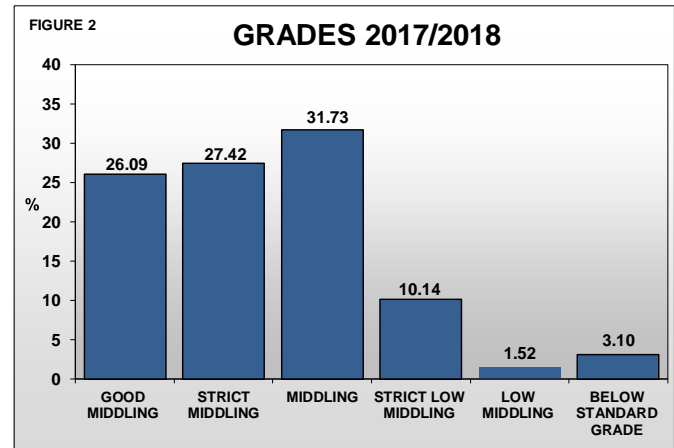
## Cultivar Composition (Figure 1):

All the cotton planted in South Africa are Biotech Cottons. Bayer's Candia cultivar accounted for about 46% of cultivars planted. This is a major shift from three years ago when Monsanto cultivars represented about 80% of all cultivars planted in South Africa.



## Grade (Figure 2):

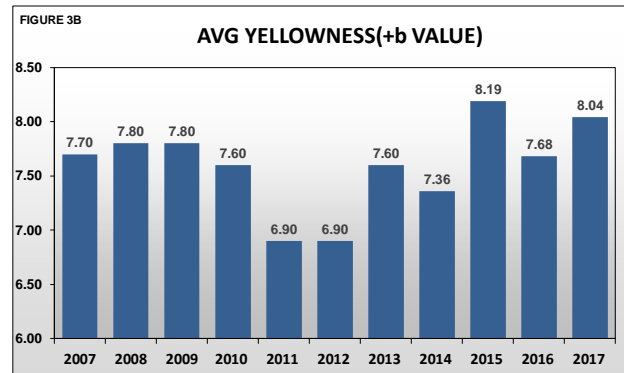
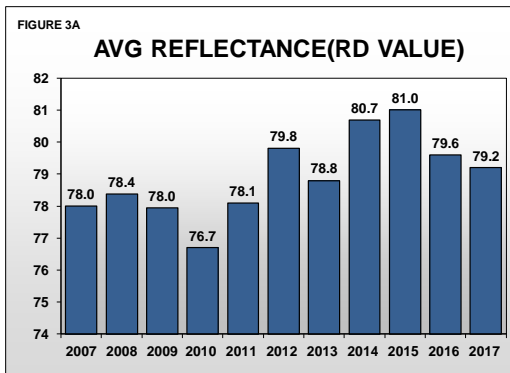
The graph shows that about 85% of the 2017/18 SA cotton crop was classed within the Good Middling to Middling range mainly due to favourable weather conditions experienced during the growing and picking season.



## Fibre characteristics

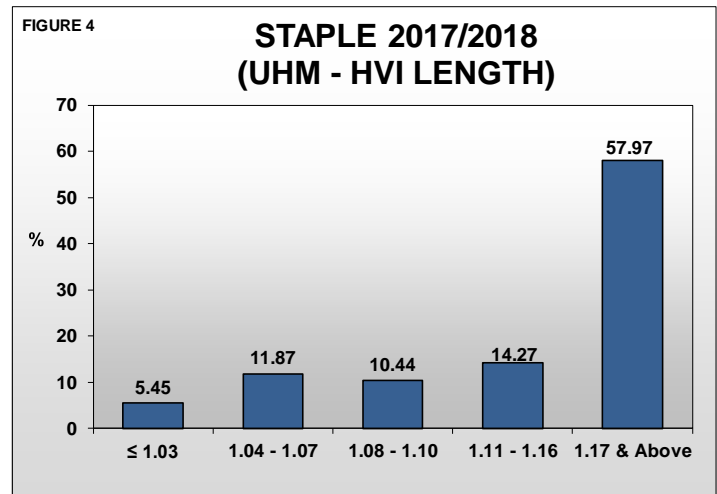
### Colour Values (Figures 3A & B):

The graphs illustrate the average RD and +b values (reflectance & yellowness) colour values obtained over the past 10 years. The RD and +b values indicate that South Africa produces very bright white cottons.



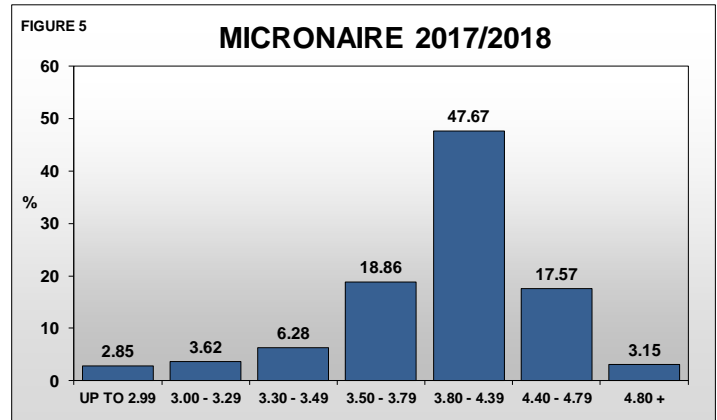
**Staple length (Figure 4):**

This graph illustrates the upper half mean length values of the 2017/18 cotton crop. About 72% of the crop was classified in the longer staple range of 1.11 – 1.17 inches and above with about 11% being in the 1.08 – 1.10 range (inches) and with 17% of the crop being in the shorter staple ranges.

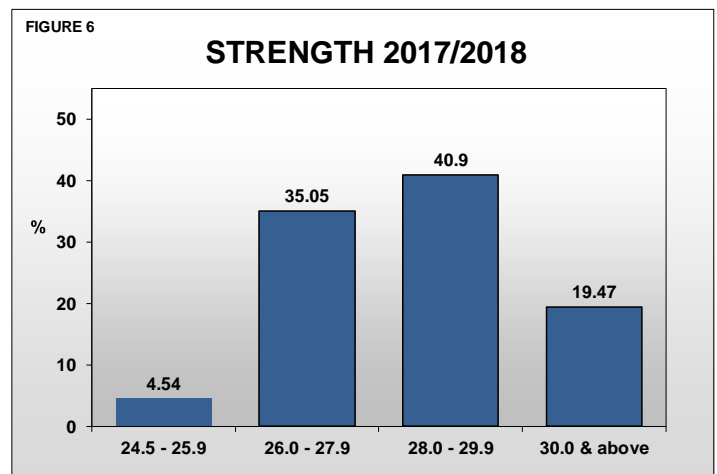


**Micronaire (Figure 5):**

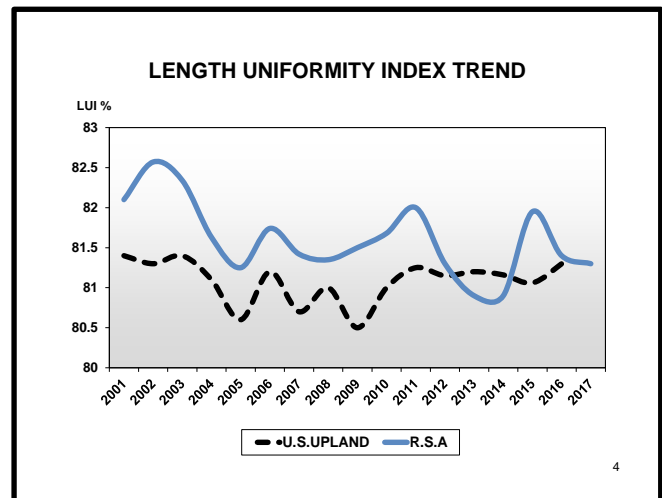
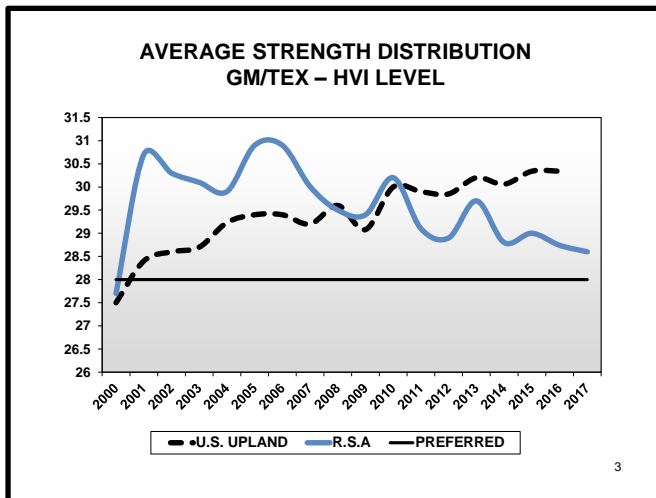
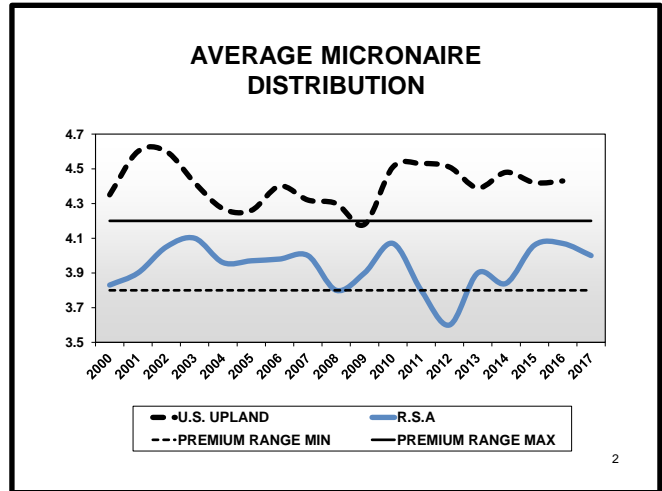
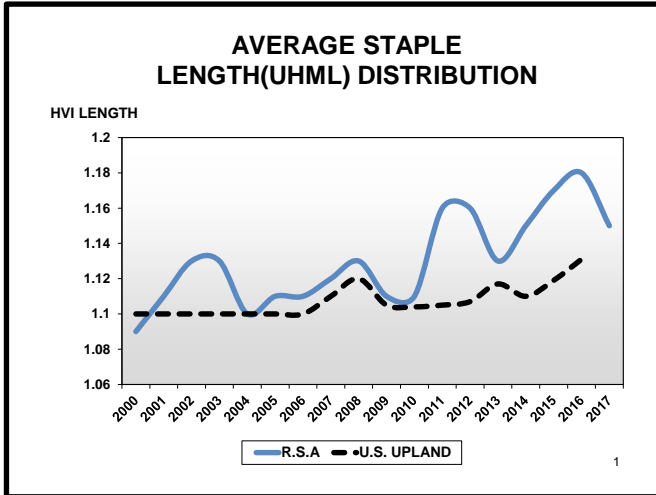
The graph shows that 48% of the 2017/18 cotton crop was classed within the premium micronaire range, whilst 13% was classed in the discounted micronaire ranges.



**Fibre Strength (Figure 6):** As in the past, acceptable fibre strength values were obtained in the 2017/18 marketing season with 60% of the cotton crop recording levels of above 28.0. gms/tex.



# PERFORMANCE OF THE SOUTH AFRICAN PRODUCED COTTON CROP COMPARED TO U.S. UPLAND COTTON



## **DOMESTIC STRUCTURES**

### **COTTON SOUTH AFRICA**

Cotton South Africa is a non-profit cotton industry service company, representative of all sectors of the South African cotton industry, with the following main functions:

- *the rendering of information services to all role players;*
- *the promotion of cotton production and usage;*
- *the maintenance of quality standards and norms and the provision of training;*
- *the co-ordination of research;*
- *the facilitation of the development of the small-holder cotton farming sector; and*
- *to act as the representative industry forum.*

The above functions are mainly funded by way of a statutory levy on cotton lint produced by local ginneries and payable by them. Other income is generated from rental of office space as well as through rendering services to the industry on a cost recovery basis.

### **THE SUSTAINABLE COTTON CLUSTER**

The Sustainable Cotton Cluster was established in June 2014, funded by an initial grant from the South African Department of Trade and Industry. The grant supports a five-year plan to establish a strong momentum for the growth and development of the Southern African cotton sub-national cluster aimed at growing the beneficiation of local cotton and stimulating the SA cotton industry. Due to the success of the Cluster which is currently in its final year, government has indicated that the continuation of the Cluster in a slightly different format will be favourably considered.

The role of the Sustainable Cotton Cluster is to create jobs, build capacity in the Southern African cotton industry value chain and also to improve competitiveness in general. The following interventions can be highlighted:

#### **Integrated Supply Chain Programmes (ISCP)**

The ISCP model was previously tested with a retail group and was successfully demonstrated on a commercial scale. Subsequently three other retailer groups also joined the Cluster and in the end resulted in 15 such ISCP's. This Cluster initiative resulted in increasing the local cotton off-take by retailers.

#### **Information Systems and Traceability Platform**

This IT Platform was successfully completed and implemented from farm to spinning level. This Cloud-based Information Systems Platform has the capability to ensure item-level traceability, sustainability compliance and supply chain management from fibre production to retail point of sale.



## **Implementation of Better Cotton Initiative (BCI) Standards**

Cotton SA is the South African BCI Implementing Partner, responsible for implementing the BCI standard at farm-level. In the past year 1110 small-holder farmers, 44 medium farmers and 7 large farmers, farming cotton on 15 606 ha of the total cotton hectares of 37 477 ha, obtained BCI compliancy.

## **Technology Demonstration and Development**

Stripper Cotton Harvester Technology: This was successfully demonstrated and was instrumental in bringing about the increase in dryland cotton plantings with a number of new generation cotton stripper harvesters having been imported so far. Due to the renewed interest in dryland cotton production, many more stripper harvesters are expected to be imported in the foreseeable future.

## **LOCAL TEXTILE AND CLOTHING SECTOR**

The total turnover during 2017 for the South African manufacturing industry showed an increase of 6% compared to 2016, with an estimated growth of about 5% for 2018. The turnover for the local textile and clothing industry in 2017 amounted to R43.6 billion with the expectation that it will increase in 2018. Ex-factory sales for the spinning, weaving and finishing sector increased by 1% from 2016 to 2017 with an expected of 14% increase for 2017 to 2018. The value of sales for knitting mills (total for fabrics and garments) for 2017 show an increase of 11% over 2016 but it is expected to grow by 4% in 2018. Clothing's sales increased by 2% from 2016 to 2017 with an expected increase of 8% in 2018.

According to the average volume of production index (seasonally adjusted 2015=100) for the spinning, weaving and finishing sector, production for 2017 increased by about 1.3% compared to 2016. The figure for the first half of 2018 showed a decline of 0.3% compared to the first half of 2017. The average volume of production for the knitting sector (fabrics and garments) for 2017 was approximately 4% lower than in 2016. During the first of half of 2018, production for the knitting sector was down by approximately 5% compared to the same period in 2017. Clothing's index shows a decline of about 10% from 2016 to 2017, however this index is expected to show an increase of approximately 3.6% in 2018.

Capacity utilisation in the textile sector was 63% in 2017 with an expected utilisation of 65% for 2018. It is expected that the capacity utilisation for clothing would remain at 75% in 2018.

During 2017 the value of imports of textiles have decreased by 0.3% compared to 2016 and amounted to R19.2 billion. The value of clothing imports in 2017 decreased by 6% to amount to R22.3 billion. The value of yarn and fabric imports represent about 50% of the total value of textile imports into South Africa during 2017 whilst clothing imports represented 50% of the total textile

and clothing imports in 2017. The value of textile exports increased by 11% from 2016 to 2017 and amounted to R11.7 billion, whilst clothing exports remained more or less the same and amounted to R5.3 billion. These figures include trade with South Africa's customs union partners.

Total retail trade sales for South Africa at current prices showed an increase of approximately 7% from 2016 to 2017. Retail trade sales (at current prices) of textiles, clothing, leather and footwear increased by only 1% in 2017 compared to 2016. It is expected that this figure could increase by 3% in 2018. However, consumer spending is being hampered mainly due to higher electricity cost and fuel prices, amongst others.

Weak output growth in the manufacturing sector could be ascribed to a gradual weakening in domestic demand, low and deteriorating business confidence, rapidly rising input costs and a loss of competitiveness and skills shortages.

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## **LOCAL COTTON SITUATION AND OUTLOOK**

### **S U M M A R Y**

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The total lint consumption by RSA and Swaziland spinning mills for the 2017/18 marketing year of 21 664 tons was more or less unchanged from the previous three years. Looking ahead towards consumption prospects for the 2018/19 marketing year, a moderate increase in cotton lint consumption by local spinning mills is expected at this stage.

Local cotton spinning mills imported 66% of their cotton requirements during the 2017/18 marketing season, 60% of which originated from Zambia. The other main suppliers in 2017/18 were Zimbabwe, Mozambique and India, accounting for about 36% of cotton lint imports. Total lint imports amounted to 14 232 tons. As a rule, between 80% to 90% of all cotton imports originate from countries within the Southern African Development Community as there is no import duty applicable on cotton lint imports from these countries in terms of a free trade agreement. During the 2017/18 marketing season, 8 443 tons of cotton lint were exported by ginners. In the past between 70% to 90% of the local cotton production was annually exported but this percentage may shrink in future as more South African cotton is expected to be taken up in the local integrated supply chain programs initiated under the Cluster.

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