



## INTERNATIONAL TradeProbe

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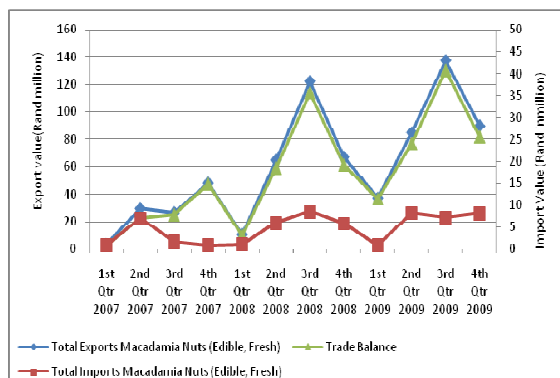
The **TradeProbe** is a joint initiative by the NAMC and the Department of Agriculture, Forestry and Fisheries Directorate International Trade. The aim of this initiative is to create knowledge of trade-related topics by discussing/reporting trade statistics, inviting perspectives from people working in related sectors, reporting on trade-related research and stimulating debate.

### THIS ISSUE OF TRADEPROBE COVERS THE FOLLOWING TOPICS:

- Trade profile of macadamia nuts, edible, fresh
- Trade profile of wood products (forestry)
- Trade profile of bananas
- South Africa's agricultural trade profile for 2009
- Cotton trade in Africa: What is its significance?

### 1. TRADE PROFILE OF MACADAMIA NUTS, EDIBLE, FRESH (HS 080260)<sup>1</sup>

**Figure 1** presents the quarterly trends in respect of South Africa's macadamia nut exports and imports, in value terms, from the first quarter of 2007 until the fourth quarter of 2009. Over the depicted period imports of macadamia nuts remained below R10 million. The value of exports on the other hand increased significantly, from R3.44 million in the 1<sup>st</sup> quarter of 2007 to R89.96 million in the 4<sup>th</sup> quarter of 2009. It is also clear from **Figure 1** that there was a significant improvement in the macadamia nut trade balance.



**Figure 1:** South Africa's total trade in macadamia nuts (HS-080260)

Source: World Trade Atlas (2009)

**Table 1** lists the top ten world exporters of macadamia nuts in 2008, expressed in value terms. The top ten exporters of macadamia nuts accounted for 95.5 % of the value of world exports of this product in 2008. The leading exporter was Australia, followed by South Africa and the Netherlands, respectively accounting for 41.7 %, 18.5 % and 9.6 % of the total value of exports in 2008.

**Table 1:** Leading exporters of macadamia nuts in 2008

Exporter	Export value (in US\$ 000)	Share in world exports (%)
World exports	172 909	100
Australia	72 155	42
<b>South Africa</b>	<b>32 034</b>	<b>19</b>
Netherlands	16 651	10
Germany	10 871	6
Guatemala	9 559	6
Belgium	7 623	4
Hong Kong (SARC)	6 425	4
Kenya	4 236	2
China	3 992	2
USA	1 622	1

Source: ITC Trade Map (2010)

**Table 2** shows the top ten world importers of macadamia nuts in 2008, expressed in value terms. These top ten importers accounted for 87.7 % of the value of world imports of this product in 2008. The USA, Germany and the Netherlands were the top three importers in 2008, respectively accounting for 25.1 %, 14.9 % and 12.1 % of the value of world imports.

**Table 2:** Leading importers of macadamia nuts in 2008

Importer	Import value (in US\$ 000)	Share in world imports (%)
World imports	186 004	100
USA	46 682	25
Germany	27 778	15
Netherlands	22 415	12
Japan	16 988	9
China	11 135	6
Luxembourg	10 980	6
Spain	7 871	4
Belgium	7 466	4
Hong Kong (SARC)	6 166	3
United Kingdom	5 592	3

Source: ITC Trade Map (2010)

<sup>1</sup> This article was compiled by Ms Heidi Phahlane (economist at the NAMC).

The Netherlands features prominently in both world imports and exports of macadamia nuts, which is an indication of a high level of intra-industrial trade.

**Table 3** lists the leading export destinations for South Africa's macadamia nuts in 2008. The top three were the Netherlands, the USA and Spain, respectively accounting for 33.8 %, 27.9 % and 7.2 % of the value of South Africa's total exports of this product in 2008.

The top ten destinations for South Africa's macadamia nuts accounted for 87.5 % of the value of South Africa's exports of macadamia nuts in 2008. No African countries were amongst the top ten export destinations for South Africa's macadamia nuts in 2008.

**Table 3:** Leading export destinations for South Africa's macadamia nuts in 2008

Importer	Export value (in US\$ 000)	Share in South Africa's exports (%)
Total South African exports	32 034	100
Netherlands	10 841	34
USA	8 943	28
Spain	2 298	7
Japan	2 261	7
Hong Kong (SARC)	2 046	6
United Kingdom	1 438	5
Vietnam	764	2
Germany	655	2
France	600	2
China	636	2

Source: ITC Trade Map (2010)

## 2. TRADE PROFILE OF WOOD (HS44) – FORESTRY<sup>2</sup>

**Table 4** lists the top ten world importers of wood products in 2008, expressed in value terms. The top ten importers accounted for 55 % of the value of world imports of wood products in 2008. Topping the list were the USA, Germany, China and Japan, respectively representing 13 %, 8 %, 7 % and 5 % of the total value of world imports of wood products in 2008.

No African countries were amongst the top ten importers of wood products in 2008.

**Table 4:** Leading importers of wood products in 2008

Importer	Import value (in US\$ million)	Share in world imports (%)
World imports	16 232	100
USA	2 164	13
Germany	1 204	8
China	1 132	7
Japan	762	5
France	695	4
United Kingdom	631	4
Italy	553	3
Netherlands	494	3
Belgium	470	3
Republic of Korea	435	3

Source: ITC Trade Map (2010)

**Table 5** shows the top ten leading exporters of wood products in 2008, expressed in value terms. The top ten exporters of wood products accounted for 46 % of the total value of world exports of this product in 2008. Topping the list were Germany, China, the USA and Japan, respectively accounting for 9 %, 9 %, 8 % and 5 % of the total value of world exports of this product in 2008. Interesting to note is that the top four exporters were also the top four importers in 2008; this indicated a high level of intra-industrial trade.

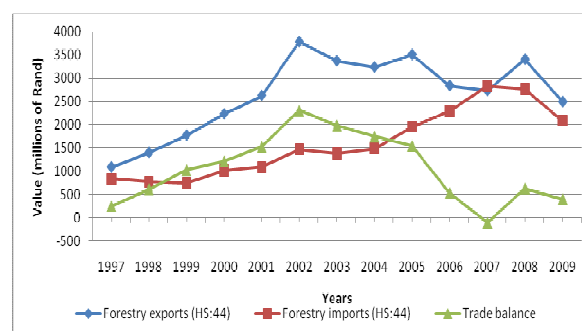
**Table 5:** Leading exporters of wood products in 2008

Exporter	Export value (in US\$ million)	Share in world exports (%)
World exports	15 944	100
Germany	1 466	9
China	1 430	9
USA	1 299	8
Japan	781	5
France	594	4
Netherlands	545	3
Italy	537	3
Belgium	477	3
Russian Federation	467	3
Canada	455	3

Source: ITC Trade Map (2010)

**Figure 2** shows that South Africa's exports and imports of wood products since 1997. Except for 2007, South Africa was a net exporter of wood products. Exports increased steadily from 1997 to 2002, and have shown a gradual decrease since.

Imports increased between 1997 and 2007, after which there was a slight decline. In 2009, the trade balance was approximately R400 million (R2.4 billion less R2.0 billion). It should be noted that the import and export values were both lower in 2009 than in 2008.



**Figure 2:** South Africa's trade in wood products

Source: WTA (2010)

**Table 6** lists the top ten export destinations for South Africa's wood products in 2009, expressed in value terms. The top three export destinations were Japan, the United Kingdom and Mozambique, respectively accounting for 55 %, 10 % and 6 % of South Africa's total exports of wood products in 2009. Note that the list of top ten export destinations includes four African countries, namely Mozambique, Zambia, Zimbabwe and Ethiopia.

<sup>2</sup> This article was compiled by Mr Bonani Nyhodo (a senior researcher at the NAMC).

Of the top ten export destinations, the value of exports declined for three countries between 2008 and 2009, namely Japan, the United Kingdom and Mozambique, by approximately 27 %, 40 % and 12 %, respectively. The value of exports between 2008 and 2009 increased for the remaining countries.

**Table 6:** Leading export destinations for South Africa's wood products in 2009

Country	Value (R million)	Share in South Africa's export value	% Change (2008 - 2009)
Japan	1 367	55	-26.78
United Kingdom	246	10	-39.67
Mozambique	145	6	-12.29
Netherlands	73.	3	24.98
Korea, South	52	2	19.65
Zambia	51	2	23747.81
Zimbabwe	50	2	84.87
Australia	43	2	23.2
Vietnam	30	1	4.11
Ethiopia	30	1	1.14

Source: WTA (2010)

**Table 7** lists the different wood products according to their contribution to the total export value of South Africa's wood products in 2009. The top three wood products were fuel in logs, wood charcoal, and rough not sapwood, respectively accounting for R1.4 billion, R146 million and R145 million in 2009.

It is also important to note that of the eleven leading wood products (HS44), seven experienced a decrease in export value compared to 2008, while the remaining four experienced an increase in export value (see **Table 7**).

**Table 7:** Leading wood products exported by South Africa in 2009

Product	Value (R million)	% change (2008 - 2009)
Fuel in logs	1482	-36.55
Wood charcoal	146	13.6
Rough	145	-10.44
Hoopwood	39	48.23
Wood wool	0.15	-45.34
Sleeper	0.30	-73.27
Lumber	70	-28.13
Veneer	48	-56.54
Tongued	13	-26.05
Particle & Similar	82	93.91
Fibreboard	83	2.12

Source: WTA (2010)

**Table 8** lists the leading sources of South Africa's imports of wood products in 2009, expressed in value terms. Malaysia, China and France were the top three sources, respectively accounting for 18 %, 15 % and 11 % of total wood-product imports by South Africa in 2009.

It is important to note that amongst the top ten sources of South Africa's wood imports, only two were African countries, namely Gabon and Zimbabwe, each accounting for 4 % of South Africa's total imports of wood products in 2009.

Comparing the 2008 and 2009 imports of wood products by South Africa reveals that only one country, namely Germany, experienced an increase (approximately 6 %) in the value of its wood products exported to South Africa over that period. All other countries on the list saw a decrease in the value of their wood products imported by South Africa.

**Table 8:** Leading sources of wood products imported by South Africa in 2009

Country	Value (R million)	Share in South Africa's import value	% Change (2008 - 2009)
Malaysia	385	18.44	-24.51
China	308	14.75	-30.74
France	223	10.68	-15.02
Germany	132	6.32	5.5
Brazil	129	6.18	-1.79
Indonesia	121	5.8	-3.45
USA	99	4.75	-19.89
Gabon	88	4.22	-27.63
Argentina	79	3.78	-45.32
Zimbabwe	74	3.55	-41.61

Source: WTA (2010)

**Table 9** lists the different wood products according to their contribution to the total value of wood products imported by South Africa in 2009.

The top three products were lumber, veneer sheet, and tongued grooved, accounting for R680 million, R144 million and R105 million, respectively. It is also important to note that of the top ten wood products (HS44) imported by South Africa in 2009, only two – namely hoopwood and sleeper – experienced an increase in value from 2008, while the remainder experienced a decrease in value.

**Table 9:** Leading wood products imported by South Africa in 2009

Products	Value (R million)	% Change (2008 - 2009)
Lumber	680	-37.03
Veneer sheet	144	-29.62
Tongued	105	-20.21
Particle	38	-30.09
Rough	21	-46.22
Wood charcoal	18	-5.38
Sleeper	16	43.50
Fuel in log	5	-29.45
Hoopwood	1	11.39
Wood wool	1	-35.59

Source: WTA (2010)

### 3. TRADE PROFILE OF BANANAS (HS 0803)<sup>3</sup>

**Table 10** lists the world's top ten producers of bananas in 2007. The top three producers were India, China and Brazil. The only African country to make the list of the world's top ten producers of bananas in 2007 was Tanzania.

India dominate the world market in terms of the volume and value of bananas produced.

<sup>3</sup> This article was compiled by Mr Bonani Nyhodo (a senior researcher at the NAMC) and Ms Heidi Phahlane (an economist at the NAMC).

**Table 10:** World's leading producers of bananas in 2007

Country	Value (in US\$ thousands)	Quantity (million tons)
India	3 101 930	23.2
China	1 145 599	8.0
Brazil	1 011 586	7.1
Philippines	959 899	7.5
Ecuador	855 388	6.0
Indonesia	777 281	5.5
Tanzania	498 785	3.5
Costa Rica	289 167	2.4
Thailand	285 020	2.0
Mexico	279 967	1.9

Source: FAO (2010)

**Table 11** lists the world's top ten importers of bananas in 2008, with the top three importers being Belgium, the USA, and Germany in terms of volume imported.

**Table 11:** World's leading importers of bananas in 2008

Importer	Quantity imported (MT)	Import value (in US\$ thousands)
Belgium	1 946 318	1 510 976
USA	1 685 384	2 532 444
Germany	1 095 048	1 389 129
Japan	825 843	1 092 997
UK	725 635	989 443
Russia	670 499	1 006 754
Italy	562 286	707 664
France	494 914	582 323
Canada	313 898	477 594
Poland	231 882	254 066

Source: ITC Trade Map (2010)

**Table 12** lists the world's leading exporters of bananas in 2008, expressed in value terms. Exports by Belgium attracted the highest value, followed by Ecuador. Ecuador exported the largest quantity and Belgium was only the sixth largest exporter.

**Table 12:** World's leading exporters of bananas in 2007

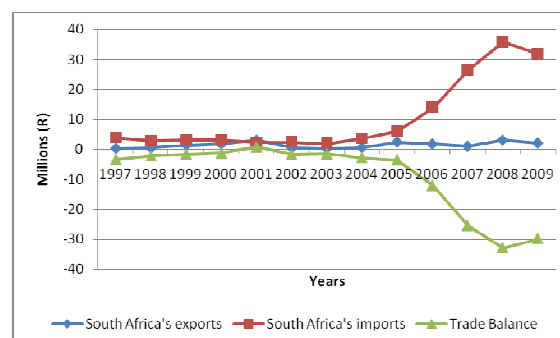
Country	Quantity (tons)	Export value (in USD thousands)
Ecuador	5 174 565	1 282 036
Costa Rica	2 272 332	675 406
Philippines	1 793 930	856 447
Colombia	1 639 833	531 765
Guatemala	1 408 804	300 484
Belgium	1 167 511	1 303 559
Honduras	566 539	152 891
USA	459 521	253 478
Germany	420 793	452 520
Cameroon	224 546	185 927

Source: ITC Trade Map (2010)

**Figure 4** shows the total value of South Africa's banana exports and imports from 1997 to 2009. The value of South Africa's banana exports in 2009 amounted to R2 million, a 32 % drop from 2008. The value of South Africa's banana imports amounted to R32 million, an 11 % drop from 2008, resulting in a trade deficit of R29 million in 2009.

Banana imports by South Africa have been increasing at a much faster rate than exports. This increase since 2005, can most probably be attributed to a significant drop in local production from 2001/01 to 2003/04, i.e. the low level of production in 2003/04 prompted an increase in imports the following year. Production started to increase again to reach its high-

est level in 2008/09 (estimate by Department of Agriculture, Forestry and Fisheries). The increase in production appears to have resulted in lowering imports.



**Figure 4:** South Africa's banana trade in 2009

Source: World Trade Atlas (2010)

**Table 13** lists the top ten sources of bananas imported by South Africa in 2009. Mozambique, Zimbabwe, the Philippines and Ecuador were the top three sources, respectively accounting for 85 %, 10 %, 3 % and 3 % of the total value of bananas imported by South Africa in 2009. Notably, this list of top ten sources of banana imports included four African countries, namely Mozambique, Zimbabwe, Nigeria and Tanzania.

**Table 13:** Leading sources of bananas imported by South Africa in 2009

Exporter	Value (R million)	Share in South Africa's import value (%)
<b>Total South African imports</b>	<b>31.87</b>	<b>100</b>
Mozambique	27.05	85
Zimbabwe	3.034	10
Philippines	0.889	3
Ecuador	0.881	3
Netherlands	0.008	0.0
Nigeria	0.003	0.0
UK	0.003	0.0
Tanzania	0.002	0.0
India	0.001	0.0

Source: WTA (2010)

#### 4. SOUTH AFRICA'S AGRICULTURAL TRADE PROFILE FOR 2009<sup>4</sup>

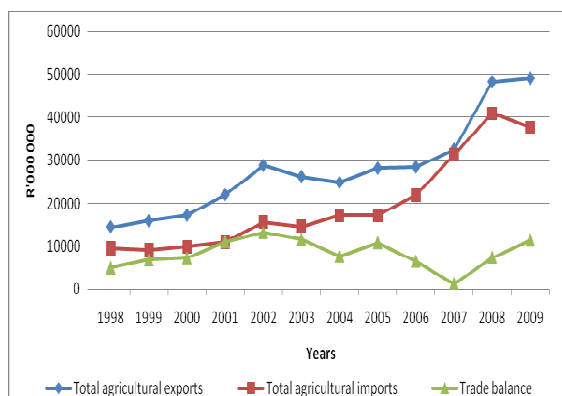
Agricultural trade<sup>5</sup> in this section is defined to include all agricultural products as specified in the Agreement on Agriculture (AoA) of the World Trade Organisation (WTO, 2003).

Between 1998 and 2009, South Africa experienced growth in the value of its agricultural exports; between 2008 and 2009 exports grew by 2 %. The value of imports dropped between 2008 and 2009. **Figure 5** shows that the trade balance in 2009 has recovered

<sup>4</sup> This article was compiled by Mr Bonani Nyhodo (a senior researcher at the NAMC) and Ms Heidi Phahlane (an economist at the NAMC).

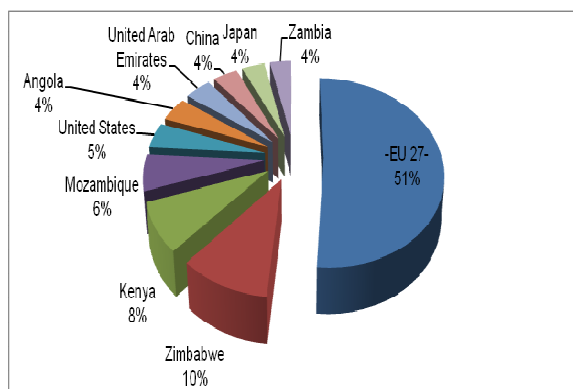
<sup>5</sup> Includes all agricultural products (HS1-HS24, HS2505.43, HS2905.44, HS33.01, HS35.01-HS35.05, HS3809.10, HS3823.60, HS41.01-HS41.03, HS43.01, HS50.01-HS50.03, HS51.01-HS51.03, HS52.01-HS52.03, HS53.01, and HS53.02). It should be noted that forestry (HS44) is not included in this definition.

to the level previously experienced in 2005. In 2009, agricultural exports amounted to approximately R49 billion, while imports stood at R37 billion, implying a R12 billion agricultural trade surplus.



**Figure 5:** South Africa's agricultural trade (1998 – 2009)  
Source: WTA (2010)

**Figure 6** shows the top ten export destinations for South Africa's agricultural products in 2009 based on the value of exports. The top five destinations were the European Union (EU-27), Zimbabwe, Kenya, Mozambique, and the USA, respectively accounting for 51 %, 10 %, 8 %, 6 % and 5 % of the total value of South Africa's agricultural exports in 2009.



**Figure 6:** Leading export destinations for South Africa's agricultural products in 2009  
Source: WTA (2010)

Amongst the top ten export destinations, five were African countries, jointly accounting for 32 % of the total value of South Africa's agricultural exports in 2009, i.e. Zimbabwe (10 %), Kenya (8 %), Mozambique (6 %), Angola (5 %) and Zambia (4 %).

The EU-27 and the USA jointly accounted for 56 % of the total value of agricultural products exported by South Africa in 2009; this is indicative that both these destinations are strategically important for South Africa's agricultural exports, especially the EU-27.

China only accounted for 4 % of the total value of South Africa's agricultural exports, which is notable because China has one of the world's fastest growing economies.

**Table 14** shows the top ten agricultural products exported by South Africa in 2009, expressed in value terms, as well as their share in the total value of agricultural exports. The top three agricultural products exported by South Africa in 2009 were wine 2 litres (9 %), maize (7 %) and fresh oranges (7 %).

The top ten agricultural products accounted for around 46 % (R23 billion) of the total value of South Africa's agricultural exports in 2009. A relative few products contribute to a relative large proportion of the value of agricultural exports suggesting a low degree of export diversification.

The list of top ten export products is dominated by fruit products, with only one grain product and one animal (wool) product.

**Table 14:** Leading agricultural products exported by South Africa in 2009

Product	Value (R billion)	Share in South Africa's export value (%)
Wine 2 litres	4.3	9
Maize	3.4	7
Oranges	3.3	7
Grapes	3.0	6
Cane sugar	2.1	4
Apples	1.9	4
Wine	1.5	3
Wool	1.2	2
Pears and Quinces	1.2	2
Chem Pure Sucrose Refind Nesoi	1.1	2
<b>Total</b>	<b>23.0</b>	<b>46</b>

Source: WTA (2010)

In the aforementioned discussion it was noted that the EU-27 is South Africa's leading export destination. **Table 15** shows that the EU-27 is also the leading origin of agricultural imports by South Africa. The EU-27 accounted for 26 % of the total value of agricultural products imported by South Africa in 2009.

The other noteworthy import origins in 2009 were Argentina, Thailand, Brazil and China, respectively accounting for 14 %, 11 %, 9 % and 6 % of the total value of agricultural products imported by South Africa in 2009.

It is interesting to note that no African country was amongst the top ten sources of agricultural products imported by South Africa in 2009.

The list also includes a number of emerging economies (Brazil, Argentina, India, China and Malaysia), some of which are located in the southern hemisphere.

The top ten origins of South Africa's imports of agricultural products jointly accounted for 84 % of the total value of South Africa's imports of agricultural products in 2009.



**Table 15:** Leading sources of agricultural products imported by South Africa in 2009

Country	Import value (R billion)	Share in South Africa's import value (%)
EU-27	9.8	26
Argentina	5.1	14
Thailand	4.1	11
Brazil	3.5	9
China	2.2	6
Malaysia	1.6	4
United States	1.5	4
Indonesia	1.3	4
Canada	1.1	3
India	1.1	3

Source: WTA (2010)

**Table 16** lists the leading agricultural products imported in 2009 in value terms. The top three products were rice, soybean oilcake and wheat, respectively accounting for 10 %, 7 % and 6 % of the total value of agricultural products imported by South Africa in 2009. Imports consisted mostly of products classified as processed products. The top ten products shown in Table 16 jointly accounted for 46.5 % of the total value of South Africa's imports of agricultural products in 2009.

**Table 16:** Leading agricultural products imported by South Africa in 2009

Product	Value (R billion)	Share of total import value
Rice	37.6	9.8
Soybean oilcake	3.7	6.5
Wheat	2.5	6.2
Palm oil	2.3	5.2
Whiskies	1.9	4.3
Tobacco	1.6	3.6
Chicken	1.3	3.2
Beer	1.2	3.1
Food preparations	12	2.6
Sardines	0.9	2.0

Source: WTA (2010)

## 5. COTTON TRADE IN AFRICA: WHAT IS ITS SIGNIFICANCE?<sup>6</sup>

For social and economic reasons, cotton is an extremely important commodity in Africa. The continent enjoys a comparative advantage in terms of the production of this crop. Of the 53 countries on the African continent, 35 produce cotton – 32 of which are cotton exporters. In some West African states, cotton contributes as much as 5 – 10 % of GDP annually (Tschirley & Kabwe, 2007a).

Cotton is a major source of foreign exchange earnings in more than 15 countries across all regions of Sub-Saharan Africa and is a crucial source of cash income for millions of the rural inhabitants. Cotton is therefore critical in the fight against rural poverty.

However, the majority of cotton production and exports are concentrated in only a few countries glob-

<sup>6</sup> This article was prepared by Mr Taku Fundira (economist at tralac).

ally. **Table 17** shows that the world's largest cotton producers are China, India, the USA and Pakistan. Jointly, these countries account for approximately 76 % of the world's cotton production for 2009/2010.

**Table 17:** World cotton supply and distribution 2009/2010

Country	Production	
	Quantity (000 tons)	% Share
<b>World</b>	<b>22 363</b>	
China	6 967	31.2
India	5 117	22.9
USA	2 700	12.1
Pakistan	2 134	9.5
Brazil	1 208	5.4
Zimbabwe	100	0.4
Zambia	47	0.2
Malawi	22	0.1

Source: USDA (2010)<sup>7</sup>

It should be noted that most of the main cotton-producing countries are also the leading mill users of raw cotton. The top three consumers, accounting for two-thirds of the world's cotton consumptions, are China, India and Pakistan. On average, from 2007 to 2009, China produced 32 % of the world's cotton, followed by India (21 %), the USA (14 %) and Pakistan (8 %). In value terms, the dominant countries in the world's cotton trade are China (27 % of imports) and the USA (33 % of exports).

A World Bank (2007) publication<sup>8</sup> noted that Sub-Saharan Africa's share in the world cotton trade increased from 7 % in 1960 to 15 % in 2006, driven entirely by growth in West and Central Africa. The world market share of East and Southern Africa (ESA) declined from 6 % to 4 % over the same period, although it has risen since liberalisation in the mid-1990s. The decline in market share for ESA may be attributed (but not entirely) to falling prices due to increased competition and subsidies in the world cotton market.

### **SADC cotton trade**

Agricultural trade for SADC member states is generally characterised by reliance on a few large markets rather than on trade within the SADC. Within the region, most member states target the South African market, with only a few member states trading amongst one another. Most of the goods produced are intended for export markets in the EU, the USA, or Asia.

For many agricultural products, as classified under the HS system, 50 to 100 % of exports or imports are traded with an individual country (tralac calculations). An opportunity for diversification exists for goods like cotton, meat, palm oil, rice and their products, which are products that many SADC nations predominantly

<sup>7</sup> USDA (United States Department of Agriculture), (2010). Foreign Agricultural Service. *Current cotton market*. Available online at: <http://usda.mannlib.cornell.edu/usda/current/cotton-market/cotton-market-01-12-2010.pdf>

<sup>8</sup> The paper was prepared by Tschirley and Kabwe (2007).

export and others predominantly import (though not to and from one another).

This could potentially save on transport costs if the infrastructure between trading countries is sufficient for trading. According to tralac calculations based on ITC UN Comtrade data specific to cotton, SADC exports of cotton account for less than 1 % of world cotton exports. Within SADC, cotton is not a major export product, ranking only at number 34 on the list of top export products in 2008 and accounting for only 0.3 % of total exports.

Cotton exports are dominated by a relatively few countries in SADC – which partly explains the low market share. Furthermore, the exports are mainly dominated by unprocessed or raw cotton. In most cases, South Africa is the major recipient of the cotton produced in the SADC.

### **Cotton pricing**

The price of any commodity is typically influenced by market forces in response to supply and demand. In the case of cotton, demand derives primarily from the textile industry and from its ratio of natural relative to artificial fibres in production. In addition, demand is influenced by growth in the world population and its buying power.

With both factors on the increase, the demand for textiles could also rise – and with it the demand for fibres, including natural fibres like cotton<sup>9</sup>. On the supply side, there are distortions in the market, largely caused by subsidisation mainly in developed countries like the USA and the EU countries, as well as developing countries such as China.

The supply of cotton is also influenced by the prevailing situation in respect of competing products. Other crops such as corn and soybeans have normally fetched higher prices on the international market and hence are more attractive to producers than cotton. The structure of the cotton market varies from country to country and from one region to another. This has an influence on the price mechanisms adopted.

For example, the pricing mechanisms in West and Central Africa (WCA) are different to those applied in East and Southern Africa (ESA).

According to Tschirley and Kabwe (2007b), a study of nine Sub-Saharan African countries identified:

- Publicly owned national monopolies (Mali and Cameroon);
- Local monopolies in which private firms hold monopoly rights in defined geographical zones (Mozambique and, most recently, Burkina Faso);
- Concentrated market-based sectors in which two to three private firms dominate the cotton market (Zimbabwe and Zambia);
- Competitive sectors in which many private firms compete vigorously for seed cotton

- (Tanzania); and
- Hybrid sectors that combine elements of different types (Benin and Uganda).

Tschirley and Kabwe (2007b) argue that competitive sectors such as Tanzania's will pay better prices to farmers than regulated national or local monopolies, and that prices in concentrated systems (such as Zambia's) depend very much on the dominant companies' behaviour.

There is therefore a need for countries to continuously reform the cotton sector into a free market system where many actors compete rather than a situation where few actors dominate the market and thus hold producers to ransom. It should also be noted that the cotton prices vary, in particular, depending on the variety grown and the quality of the harvested cotton. The United Nations Conference on Trade and Development (UNCTAD) notes that there is no world futures contract currently used as an international cotton price benchmark.

Prices of cotton (the cash price) are generally set in actual transactions or through relatively short-term contracts for forward delivery (two to four months). Cotlook Limited, a private UK cotton consultancy, monitors and publishes daily world prices by means of price indexes (the 'Cotlook Indexes', A and B).

The Indexes are intended to be representative of the price level on the international raw cotton market.

### **Opportunities: Organic cotton**

Currently the demand for organic cotton is higher than the supply and it is likely that this trend will continue in future with new opportunities emerging in the main consumer markets, even though the market share of organic cotton is still small. Manufacturers demand had an annual growth for fibres of 118 % from 2004 to 2006, with 58 % of the global fibre demand taken up by large brands and retailers.

The main consumer markets are the USA (which accounted for 41 % of total consumption) and the EU – mainly Switzerland and Germany – (accounting for 30 %) in 2006 (Organic Exchange, 2007). The market niche for the production of organic cotton can possibly be exploited by developing countries. Organic cotton initiatives have taken place, but the scale is insignificant compared to the global production of conventional cotton.

Although there are opportunities to expand the market for organic cotton, some supply difficulties exist in terms of production requirements. Conversion from conventional to organic cotton requires knowledge, expertise, time and investment. Generally, organic cotton production is more labour intensive.

The yield of organic cotton is also initially lower when moving from conventional to organic cotton. Growing organic cotton also requires crop rotation, reducing the available land for cotton production (Monday, 2007). In terms of standards and technical require-

<sup>9</sup> See <http://www.cotton-made-in-africa.com/Article/en/57>

ments for processing and trade, there is a lack of government policy, with standards being set by private initiatives in each country.

However, the Global Organic Textile Standards have been developed by certifying bodies and are aimed at assuring the end-user that organic production has taken place, from harvesting to manufacturing and labelling (International Trade Centre, 2007).

Private initiatives have determined various stringent certification, marketing and processing requirements so as to distinguish conventional cotton from organic cotton fibre and products. Consumer markets require organic cotton to be inspected and certified on an annual basis. If no inspection has taken place in a year, the crop is not allowed to be marketed as organic.

For traceability purposes, all cotton bales must be labelled as being organic and identified to a particular producer by name and code number. All ginneries must also be inspected before, during and after the ginning of organic cotton. During the complete process, from harvesting, transportation and manufacturing, organic cotton must be kept and stored separate from conventional cotton to avoid contamination (Monday, 2007).

The prices of organic cotton fibre and products are normally higher than that of conventional cotton. But the benefit of a higher price can be eroded by the costly certification and monitoring process.

Financial and technical support and capacity building are required to assist farmers and manufacturers in the conversion process by facilitating the access to

information and support associated with the costs of control measures and certification (International Trade Centre, 2007).

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