SOUTH-SOUTH COOPERATION – COTTON VALUE CHAIN TRAINING AND PROMOTION OF AFRICAN COTTON TO CHINA

Beijing and Zhengzhou, 14 – 25 September 2009
Cover photo: Participants observe quality control testing equipment at the Zhengzhou Textile Company No.1
Project INT/75/24E
Introduction

The ITC African Cotton Development Initiative consists of three main components:

1. Building Cotton Trading Capacity in developing countries;
2. Facilitating South-South Cooperation in Cotton and Cotton Value-addition;
3. Promoting African cotton

For the first component, ITC developed the Cotton Exporter’s Guide and is developing an online version of the Guide.

The second component includes:

- a) Learning from successful cotton producing countries in the south;
- b) Developing capacity to transform cotton through training;
- c) Sourcing cotton inputs from other developing countries, and
- d) encouraging Intra-African cooperation.

The third component provides a firm understanding of cotton markets and promotes African cotton in Asian markets through, *inter alia*, buyer/seller meetings.

The International Trade Centre (ITC) organized a training programme on South-South cooperation in cotton development, jointly with the Ministry of Commerce (MOFCOM), the China National Textiles and Apparel Council (CNTAC), formerly known as Ministry of Textiles, and the China Cotton Association (CCA), in Beijing and Zhengzhou from 14 – 25 September 2009.

A total of 31 country delegates from Kenya, Malawi, Mozambique, Tanzania, Uganda, Zambia and Zimbabwe, participated in the cotton promotion and value-addition training event. The participants included government officials, ginners and cotton producers as well as representatives from the African Cotton Textiles Industries Federation (ACTIF) and the Federation of African Cotton Producers Associations.

The training seminar had the following seven objectives:

- Gain a clear understanding of:
  - The cotton sector in China: past and future developments as well as the roles of major players;
  - Cotton to clothing value chain in China and how China managed to become the largest cotton producer, importer and consumer in the world
  - The cotton market in China and Chinese business practices including cotton imports, quality requirements, spinning mills expectations
  - Value addition to cotton: learning from China’s experience in developing a textiles and clothing industry.

- Transfer of know-how and knowledge on:
  - Cotton production techniques used in China such as seed development, planting and harvesting
  - The ginning sector in China

- Promote African cotton in China

A potential market for Africa - China is looking to diversify its cotton sources

China is the largest cotton producer, consumer and importer in the world. Cotton consumption in China is growing significantly in view of its rapidly expanding textile industry. In 2008, China produced around 7.5 million tons of cotton lint, but this is insufficient to meet its growing consumption needs, which exceed 9 million tons. With consumption steadily increasing, China is likely to import 2 million tons annually. Besides sourcing raw cotton from its traditional suppliers, China is looking to diversify its cotton sources beyond the United States, Australia and India. This provides an enormous potential and opportunity for Africa to trade with China.
Some of the major challenges facing African cotton-producing countries are limited supply of cotton, high content of foreign fibre, lack of information on Chinese market requirements and no direct trade between China and Africa. The ITC training programme was designed to address these constraints and increase the competitiveness of African exporters through information, open discussions, field visits and direct contacts with Chinese enterprises during a buyers/sellers meeting.

Participants

<table>
<thead>
<tr>
<th>Country</th>
<th>Name</th>
<th>Position/Title</th>
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<tbody>
<tr>
<td>KENYA</td>
<td>Mr. Fred Okoth Kong’ong’o</td>
<td>Programme &amp; Trade Coordinator, African Cotton &amp; Textile Industries Federation (ACTIF)</td>
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<td></td>
<td>Dr. Brenda Kwamboka Isaboke</td>
<td>(ACTIF)</td>
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<td></td>
<td>Mrs. Mary S. Mtoka</td>
<td>Director, Bungoma Cotton Growers</td>
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<td></td>
<td>Mr. Micah P. Powon</td>
<td>Managing Director, Cotton Development Authority</td>
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<td></td>
<td>Mr. Dennis N. Ochwada</td>
<td>Chairman, Kenya Cotton Growers Association</td>
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<td></td>
<td>Mr. David W. Masika</td>
<td>Finance Director, Makueni Ginners</td>
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<td>MALAWI</td>
<td>Mr. Johnson K. Kitta</td>
<td>Finance Director, Iponga Cotton Company</td>
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<td></td>
<td>Mr. Wilson Lowins Musa</td>
<td>Department of Crop Production, Ministry of Agriculture</td>
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<td></td>
<td>Mr. Ali Kamanga</td>
<td>Industrial Development Officer, Ministry of Industry and Trade</td>
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<td></td>
<td>Mr. Synowden Mbalafana</td>
<td>Regional Manager, National Smallholder Farmers’ Association (NASFAM)</td>
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<td>GHANA</td>
<td>Mr. Mohammed Adam Nashiru</td>
<td>National President, Peasant Farmers Association</td>
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<td>National Secretary (Cotton Growers), Vice President and Official</td>
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<td></td>
<td>Representative of AProCA</td>
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<td>MOZAMBIQUE</td>
<td>Mr. José Domingos</td>
<td>National Forum for Cotton Producers/Farmers</td>
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<td>Mr. Gabriel Paposseco</td>
<td>Deputy Director, Mozambique Institute of Cotton</td>
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<tr>
<td>TANZANIA</td>
<td>Mr. Emmanuel Dandu</td>
<td>General Manager, NGS Investment Company</td>
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<td></td>
<td>Mr. Emmanuel I. Mwangulumba</td>
<td>Regulatory Officer, Tanzania Cotton Board</td>
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<td></td>
<td>Mr. Lazaro K. Nduta</td>
<td>Chairman, Tanzania Cotton Growers Association</td>
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<td></td>
<td>Mr. William M. Matonange</td>
<td>General Manager, Kahama Oil Mills Ltd.</td>
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<td></td>
<td>Mr. Isaac J. Masusu</td>
<td>Relationship Manager, CRBD Bank</td>
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<td></td>
<td>Mr. Goodluck Nkini</td>
<td>Trade Finance Manager, CRBD Bank</td>
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<td>Mr. Xavery Makwi</td>
<td>Manager Loan Approval, CRBD Bank</td>
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<td></td>
<td>Mr. Paulo Sayi Nyanda</td>
<td>Vitrecs Oil Mills</td>
</tr>
</tbody>
</table>
UGANDA
Mrs. Margaret Nankabirwa Ngabo
Principal Accountant
Cotton Development Organization
Mr. Adam Bwambale
Secretary Manager of
Nyakatonzi Co-operative Union
Uganda Farmers Association
Mr. Hitesh Panchmatia
Chief Executive Officer of
Bon Holdings
Uganda Ginners Association

ZAMBIA
Mr. Sanjeev Kohli
Vice-President
Ginnery Manager
Continental Ginnery
Mr. Joseph Nkole
National Coordinator and
Chief Executive Officer
Cotton Association of Zambia
Cotton Board of Zambia
Mr. West K. Chitah
Board Vice-Chairman
Cotton Development Trust

ZIMBABWE
Mr. Godfrey M. Buka
Director General
Cotton Ginners Association
Mr. Berean Mukwende
Second Vice-President
Farmers Union Cotton Commodity Association
Mr. Rob Jarvis
Managing Director
Quton Seed Company
Mr. John Machiwenyika
Sales Manager
The Cotton Company of Zimbabwe

Contributing Associations and Companies

- China National Textile & Apparel Council (CNTAC)
- China Cotton Association (CCA)
- China Cotton Textile Association (CCTA)
- China Textile Planning Institute of Construction (CTPIC)
- China National Cotton Exchange (CNCE)
- ESQUEL Group, a leading producer of premium cotton shirts
- AQSIO, General Administration of Quality Supervision, Inspection and Quarantine
- Wakefield Inspection Services (WIS)
- Cotton Research Institute, Anyang
- Zhengzhou Textile Companies, Nos. 1, 2 and 4
- Zhengzhou Commodity Exchange
- Zhongyuan University of Technology (School of Textile)

Inaugural Session

Welcoming remarks and keynote speeches by:
- Mr. Yu Jianwei, Director, Ministry of Commerce, Department of International Trade and Economic Affairs
- Mr. Yang Jichao, Secretary-General, China National Textile & Apparel Council
- Ms. Li Lin, Vice-Secretary General, China Cotton Association
- Mr. Yu Ronggeng, President, China Textile Planning Institute of Construction
- Mr. Li Jincai, Vice-President, China Textile Planning Institute of Construction
- Mr. Zheng Jiewen, Director, International Cooperation Division, China Cotton Textiles Association
- Mr. Matthias Knappe, Programme Manager for Cotton, Textiles and Clothing, Sector Competitiveness, (ITC)
## Training Seminar Presentations

Knowledgeable and eloquent Chinese government officials, cotton traders and spinners delivered technical presentations and lectures focused on the following key topics:

1. Introduction to China’s Cotton Production - CCA
2. Introduction to China’s Cotton Industry - CCA
4. Overview of the Chinese Textile and Clothing Industry - CNTAC
5. Development of China’s Cotton Textile Industry - CNTAC
6. African Cotton for Chinese Spinners - ESQUEL
8. Relevant policies of China’s import and export cotton quality inspection & quarantine
   - Quality summary of the cotton imported from Africa - AQSIQ
9. Cotton Controlling - WIS
11. Presentations by African participants on their country’s cotton situations.

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<tr>
<th>Mr Zhao Hong, Vice-President, China Knitting Industry, presents an overview of the Chinese Textile &amp; Clothing Industry</th>
<th>Presentation by a Delegate of Zambia on the cotton situation in his country</th>
<th>Participants from Uganda inquire about cotton pricing mechanisms during discussions</th>
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</table>

| Participants from Zimbabwe and Uganda discuss cotton grades and prices with a representative from ESQUEL | The Kenyan Delegation examines a luxury finished garment produced by the ESQUEL Group | Participant from Zambia exchanges contact details with a representative from the China National Cotton Exchange |
Field Visits

Anyang Cotton Research Institute

The Anyang Cotton Research Institute, the largest in China, is actively involved in breeding cotton varieties, addressing production and market demands of users. The Institute is highly efficient in transgenic technology and has received awards for creating new breeds of transgenic *Bt* cotton.

Dr. Wang Kun-bo, *right*, Professor & Vice-Director of the Research Institute answers questions on fibre properties of *Bt* cotton.

A ginser from Kenya inquires whether research on ginning equipment is performed at the Institute.

A participant from a seed company in Zimbabwe observes seed breeding processes at the laboratory.

A research scientist demonstrates the use of laboratory equipment.

Manager shows major *Bt* cotton growing areas in China.

Senior research scientist explains the use of the centrifuge to extract cotton DNA.

*Bt* cotton fields

The Cotton Research Institute owns cotton fields where trials of new varieties such as the *white cotton* are grown experimentally.

A Kenyan delegate inquires about new cotton varieties, pest resistance and yield per plant.

A farmer from the Cotton Research Institute explains farming practices, harvesting periods and cotton yields.

A group of participants learn technical details of weeding, spraying practices and yield of cotton balls per plant.
Field Visits

Farm plantation in Zhengzhou

Visit to a farm in Fugou Village, where cotton fields are owned by families. On this farm, there is no contract farming and farmers decide on their own, according to market conditions, when and to whom they want to sell.

Participants were able to observe cotton being hand-picked and intercropped with soya and maize.

Ginners from Tanzania and Kenya handpicking cotton

Participants from Kenya and Tanzania representing the farming and banking sectors inquire about farming and buying practices

On this farm, all cotton is hand-picked

Ginning Company for cotton

This ginnery is used by the Cotton Research Institute to gin new cotton varieties and to test ginning efficiency and ginning out-turn. Participants had the opportunity to inspect the saw gins

Zhengzhou Textile Company Ltd. No. 1

A visit to the Zhengzhou Textile Company No. 1 was organized to learn of Chinese cotton quality requirements and to establish closer links for possible future collaboration.

Meeting with the executives of the Textile Company to discuss quality requirements.

Women workers inspecting incoming cotton and removing contaminants.

Participants observe foreign matter, i.e. cotton contaminations found during sorting of cotton fibres.
Field Visits
Zhengzhou Textile Company Ltd. No. 2

A visit to the Zhengzhou Textile Company No. 2 was organized to observe the spinning production processes. The company has 60,000 spindles and a yarn capacity of 15,000 tons per year.

Participants observe quality control yarn testing machines
Processing of cotton yarn
Managing Director explains the functioning of spindle machines

Zhengzhou Textile Company Ltd. No. 4

The Zhengzhou No. 4 Textile Company is one of the largest of 100 textile companies in China, supplying the best yarns and fabrics. The annual output is 18,000 tons of cotton yarns and 80 million meters of cotton fabrics.

Participants were able to observe old and new weaving technologies during a tour of the factory. This Textile Company plans to open a new plant, where more recent machinery will be installed.

Textile Research Institute - Zhongyuan University of Technology

The Zhongyuan University of Technology offers studies in textile engineering, textile design and textile chemistry, dying, printing and finishing. The School of Textiles comprise 13 professors, 12 associate professors and 17 lecturers. There are 173 scientific projects and nearly 500 papers and 29 books were published by the Institute.

Prof. Tianyong Zheng, Deputy Dean of the Textile Research Institute, extends a warm welcome to the participants from Africa.
Participants listening attentively to presentations on quality control testing equipment.
Participants gain insight into newly-developed textile technologies.
Textile Research Institute - Zhongyuan University of Technology

Presentation of a new experimental textile fabric that is fire resistant, anti-static and bullet resistant

A microscope is used to study samples of fabric structures.

The University expressed its firm commitment for future collaboration with African cotton producers, including testing of cotton samples.

China National Cotton Reserves Corporation

The China National Cotton Reserves Corporation is a wholly state-owned enterprise that has the overall responsibility for the management of the state cotton reserves. It executes government cotton policies, regulates and stabilizes the cotton market by establishing reserves that are released in times of high demand.

The participants were allowed to visit one of the National Cotton Store Rooms in Luohe.

Visit to the Zhengzhou Commodity Exchange

The Zhengzhou Commodity Exchange, established in 1990, is one of the three futures exchanges in China. It provides a marketplace with associated facilities and services for futures trading in cotton and other commodities. The Exchange gathers 2,500 traders. In 2008, 1,080 transactions were negotiated amounting to RMB 70 billion.

At the Zhengzhou Commodity Exchange, the participants could observe trading operations and real time price developments of commodities.
A visit was also made to the China *Everbright Futures Co. Ltd.* a main state-owned conglomerate with business lines focusing on banking, securities, insurance and investment management. Pricing mechanisms as well as the role of the Chinese government in the development of the textile industry and quotas were discussed with executives.

**Business Networking Event - Zhengzhou**

A buyers-sellers meeting was organized to exchange cotton samples, cotton quality test results and engage in price negotiations. A total of 31 *African participants* had direct business negotiations with more than 30 *Chinese enterprises*, local cotton merchants and traders from cotton-importing spinning companies, integrated textile mills and farm-input suppliers. Textile technology manufacturers and representatives from the Zhengzhou Commodity Exchange as well as cotton and textile research institutions were also present at the event.

On behalf of the participants, Mr. Godfrey Buka, Cotton Ginters Association, Zimbabwe, gives an overview of the Eastern and Southern Africa cotton sectors

The cotton company of Zimbabwe discusses cotton sales with Chinese traders

The Mozambique delegation shows cotton samples to prospective buyers

A ginner from Tanzania shows cotton test results to Chinese cotton buyers

Delegation from Kenya displays cotton samples to Chinese spinners

Representatives from the CRDB Bank in Tanzania discuss prices

Cotton samples from the delegation of Uganda

Participant representing the Federation of African Cotton Producers Association (AProCA) exchanges information with traders

Representatives from the Ministry of Trade and the Ginters Association in Malawi discuss with Chinese ginning technology suppliers
During these bilateral negotiations, three Chinese spinning mills based in Qingdao, Shandong province, signed a contract with two ginners from Malawi and Kenya for the import of 3,000 cotton bales, representing export earnings close to US$ 800,000.

The International Trade Centre (ITC) defined the objectives and outcomes and designed the ITC – China Cotton Value Chain Training and Promotion of African Cotton to China, in Beijing and Zhengzhou, 14 - 25 September 2009, under the supervision of Mr. Matthias Knappe, Programme Manager for Cotton, Textiles and Clothing. The Sector Competitiveness Section, Division of Market Development, together with the Trade Support Institutions Strengthening Section, Division of Business and Institutional Support, organized the training seminar.

The programme was elaborated and realized in cooperation with the Ministry of Commerce (MOFCOM), the China National Textiles and Apparel Council (CNTAC), and the China Cotton Association (CCA). Ms. Sarah Hua Shan and Ms. Amy Yang, China Textile Planning Institute of Construction (CTPIC), coordinated logistics at the national level.

Ms. Beatriz Rodriguez (ITC) provided technical support, assisted African delegations in preparing for the event and organized the buyers/sellers meeting jointly with CNTAC.

Ms. Cynthia Zijlstra-Adriano (ITC) managed seminar logistics and prepared this Brochure on cotton activities. Photos taken by Cynthia and Beatriz.

The European Commission provides financing to the ITC Cotton Programme under the EU All ACP Agricultural Commodities Programme.

Next Steps

As the world’s largest cotton importer and consumer, China needs African cotton. However, African cotton must satisfy the requirements of a demanding and expanding textile industry. Africa needs to build confidence among Chinese spinners to increase the use of African cotton. While direct cotton transactions are not likely to occur in the short term, promotion of African cotton to China can be facilitated by linking African ginners to Chinese spinners through South-South Cooperation initiatives, buyers/sellers meetings and participation of African cotton producing countries in Chinese cotton-related events.

A compilation of major lessons learnt and potential follow-up activities are summarized below:

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<tr>
<th>LESSONS LEARNT</th>
<th>SUGGESTED FOLLOW-UP ACTIVITIES</th>
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<tr>
<td><strong>AGRICULTURAL DEVELOPMENT</strong></td>
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<td>• China managed to dramatically increase its cotton production. In 2005, lint output amounted to 582 kg/ha and increased to 1300 kg/ha in 2007.</td>
<td>• Visit of experts from the Zhengzhou Cotton Research Institute to establish cooperation mechanisms with African Research Institutes on seed development.</td>
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<td>• The increase in productivity was mainly due to the adoption of new technologies rather than increases in the cultivated area, including:</td>
<td>• Visits of experts of the China Cotton and Textile Association (CCTA) and the China Cotton Association (CCA) to provide detailed information on affordable water saving and delinting technologies and how they could be used in Africa.</td>
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<td>✓ New breeding varieties</td>
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<td>✓ Rapid introduction of BT cotton: According to the China Cotton Association (CCA), in 2005, transgenic cotton represented 70% of the total cotton cultivated area.</td>
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<td>✓ Water saving (plastic films and strains) and delinting technologies</td>
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<td>✓ Mechanization of labour-intensive farming tasks (i.e.: planting and harvesting).</td>
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<td>• Forms of Government support include: Research investment in seed development; lowering of prices of inputs; training farmers through regular extension services, all of which have been instrumental in increasing the use of new varieties and the application of fertilizers.</td>
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**COTTON QUALITY**

- In 2001, the regulation of the Chinese cotton industry underwent a drastic reform to raise the quality of cotton processed for its textile industry. The cotton reform set up a quality management system in line with international standards, including cotton inspection and ginner accreditation carried out by the Administration of Quality Supervision, Inspection and Quarantine (AQSIQ). In 2008, 1,210 ginneries obtained certification with an actual processing capacity of over 20 million tons. A minimum ginning capacity is required for accreditation to encourage economies of scale and reduce energy costs.
- Cotton inspection is compulsory for any cotton lint consumed in China (imported and locally produced).
- The Government supports ginneries to comply with the accreditation system by providing interest-free loans to modernize the ginning factories.
- From China’s perspective, African cotton is not graded as required by AQSIQ, i.e., foreign fibre content is high and packaging of cotton bales displays low quality and limited resistance.
- In China, close cooperation between the industry and universities has helped to maintain quality standards in the long-term. The China National Textile and Apparel Council (CNTAC) cooperates with the Chinese University of Textiles and Technology to ensure that their programmes are aligned to the needs of the Chinese textile industry.

**COTTON TRADE AND PROMOTION**

- The Chinese government intervenes in cotton trade through two main mechanisms:
  - Buying and selling in the market to stabilize domestic cotton prices. The Government buys cotton when there is excess supply and prices are low. When cotton prices are high, the Government sells cotton stocks to reduce excess demand, thereby exerting downward pressure on prices.
  - Applying a sliding quota-tariff encourages consumption of locally produced cotton. 894,000 tons of cotton can be imported into China at 1% tariff. Additional quotas are issued when domestic cotton consumption is not enough. Depending on the difference of the domestic and international prices, a sliding tariff of 5-40% is applied. If international prices are high, the tariff is low and vice versa.
- A Cotton Exchange was created in 1990 in Zhengzhou gathering 2,500 traders in an electronic commercial platform. The Cotton Exchange increased market transparency and provided price mitigating mechanisms through futures hedging.
- China has limited understanding of African cotton due to the lack of promotion in China and the limited information available on African giners and their cotton standards. Many international trading companies have opened offices in China to increase their market share. African countries are lagging behind in their strategies to promote African cotton to China.
- Visits of experts from AQSIQ to familiarize African Giners with Chinese prequalification requirements and advantages of AQSIQ prequalified cotton suppliers.
- Increase the use of the regional HVI classification system and facilities recently installed in Tanzania for Eastern and Southern Africa. Cooperate with AQSIQ to establish national quality management systems.
- Improve the operation of African farmers and ginners associations: Set up codes of conduct, reward and penalty mechanisms to encourage transparency in domestic transactions between farmers and ginners to prevent fraudulent practices that exacerbate cotton contamination. This also includes information sharing on mechanisms to fix prices of seed cotton in various African countries.
- Obtain feedback from the University of Textiles and Technology, Zhengzhou on African samples collected during the training seminar.
- Cooperate with CCA to introduce basic measures and good practices to reduce cotton contamination:
  - At farming level: use of hats, cotton bags and protection for drying seed cotton on the ground, no access to domestic animals, etc.
  - At ginning level: manual picking of foreign fibres before ginning and mechanized picking during ginning, no ginning in the evening.
- Promote African cotton in China to improve the existing negative perception of African cotton in the market through:
  - Participation in the China International Cotton Conference
  - The Private Sector Consultative Committee of the ITCB
- The Chinese Government has promised to provide duty-free and quota-free access to the Chinese market for African LDCs, including for cotton. However, details are not yet available to African countries as to how to utilize this facility, make it known, and work with Chinese officials and spinning mills to increase Africa’s cotton share in China.
- Develop and distribute together with CCA, CNTAC and the University, tailor-made promotion material to convince Chinese spinners of African cotton quality and efforts undertaken to reduce contamination.
- Increase the scope and duration of specialized buyers/sellers meetings covering the whole cotton value chain to promote exports of African cotton fibre to China and imports of Chinese agricultural inputs, machinery and other related products by African cotton producers and ginners.
- Strengthen in cooperation with CCA and CCTA, national ginners and farmers associations on cotton trading and marketing, through their involvement in trade promotion activities and specialized workshops. Ensure that the lessons learnt are systematically disseminated to their members.
- Promote regional cooperation for the establishment of an African trading office in China.

**FOR FURTHER INFORMATION, PLEASE CONTACT**

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