Cotton- Textile -Apparel

Value Chain Report For

Uganda

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Acronyms

AGOA – African Growth and Opportunities Act
ACP - African, Caribbean and Pacific countries
CDO – Cotton Development Organization
CRDB- Centenary Rural Development Bank
COMESA – Common Market for Eastern and Southern Africa
COMPETE– Competitive Private Enterprise & Trade Expansion
DCA - Development Credit Authority
EAC – East African Community
FTA – The East African Community Free Trade Agreement
EU – European Union
GOT- Ginning Out Turn
GOU – Government of Uganda
IITC-Inter-Institutional Trade Committee
IDEA – Investment in Developing Export Agriculture
MTS- Multilateral Trading System
MTTI – Ministry of Tourism, Trade and Industry
NTB - Non-Tariff Barriers
RATES- Regional Agricultural Trade Enhancement Project
SADCC- Southern Africa Development Coordinating Conference
SPEED – Support for Private Enterprise Expansion & Development
UGCEA – Uganda Ginners & Cotton Export Association
UIA - Uganda Investment Authority
UMA- Uganda Manufacturers Association
USSIA-Uganda Small Scale Industries Association
UWEAL- Uganda Women Entrepreneurs Association Limited
VCA- Value Chain Analysis
USAID – United States Agency for International Development
WTO – World Trade Organization

Executive summary

Uganda’s trade policy is attuned to a national strategy of promoting economic growth, diversifying the export sector, attracting investment, and improving productivity and efficiency in the international and domestic trade activities. Apart from addressing fundamental domestic impediments to trade, Uganda has been active in participating and building market coalitions and economic partnerships intended to expand trade within respective trading arrangements, both regional and international.

The volume of trade between the countries in the East African Community is still small, accounting for less than 10% of total trade. The community envisages increased harmonization of monetary and fiscal policies that should aid trade, industrial growth and investment among members. A key feature of this integration is expected to be simplified procedures and lower tariffs, which will make it easier for Ugandan exporters to reach regional markets. Increased regional trade as a result of tariff reduction is expected to spur production and widen the tax base. These, however, are likely to be medium- to longer-term benefits, the immediate implications for Uganda being loss of revenue.

Cotton was introduced into Uganda in 1903 and dominated the economy as a leading cash crop and foreign exchange earner until the 1950's, when it was superseded in its importance to the agricultural sector by coffee. Cotton can be produced in most parts of Uganda, but over 50 percent of the crop is today produced in the areas north and east of River Nile. Uganda has adequate land resources, labor, and conducive weather for the production of high quality cotton. It has in the past demonstrated its capacity to produce quality cotton and, with appropriate incentives to farmers, Uganda could regain its prime position in the world market. The achievement of its cotton potential will, however, require a satisfactory resolution of certain constraints. These include the limited acreage of cotton, inaccessibility to markets, services, credit and inputs, and lack of basic market information.

Cotton exports within the region are minimal although it is acknowledged that a lot of intra-regional in agricultural products trade is unrecorded. Uganda’s cotton is regarded as high premium on the world market. Given that Uganda’s production is low, there tends to be a shortage on the local market during some seasons, which fuels intra-regional trade. Apart from raw cotton, there exists trade in other cotton products such as yarn, garments and apparel.

The supply chain for cotton and textiles reveals concentration both upstream and downstream, with a large number of farmers and tailors. Players in these groups, though numerous, are small and operate informally as individual or family owned income generating activities. Farmers and tailors also tend to be heterogeneous in terms of skill, technology and location. Products are sold at virtually all stages of the value chain on both small and large scale. The amount of value added ranges from 25% for spinning and weaving, to 55% for knitted and crocheted fabrics. The manufacture of apparel and clothing in Uganda still very minimal, partly due to the low purchasing power of consumers, which has fed trade in second hand clothing. Government policy is to discourage this trend through the imposition of excise duty on used clothing.

There are a total of 38 ginneries throughout Uganda; 31 of which are operational at present, 7 are dormant. The ginneries are operated by 38 ginners, consisting of co-operatives, contract ginners and private operators. For a vast majority of them, the owners double as managers. 23 ginneries are privately owned with many being in the hands of African-Indians. 17 ginneries are owned by cooperatives, but seven of these have leased out their ginneries to private operators. In addition, 5 co-operatives have made joint ventures with private firms. Many ginneries are now in need of substantial repair and/or upgrading to ensure that the high quality cotton that Uganda can produce is properly maintained through good post harvest handling.

The textile/ apparel section of the cotton value chain typically consists of three types of firms. These are textile mills that primarily carry out spinning and weaving; finishing mills that do bleaching, dyeing, printing, and garment cutters and household manufacturers. Most of the larger firms are vertically integrated, carrying out spinning, weaving, finishing, converting, and in some cases, tailoring. Textile firms are mainly small to medium sized, and use only modest technology. Low capacity utilization is common in the industry. There are 6 large-scale textile mills in Uganda, 2 of which are not fully operational.

The manufacture of apparel and clothing in Uganda is limited, and dominated by micro and small-scale tailors of various garments, mainly for domestic consumption. Local consumption of cotton is less than 20%, a reflection of the processing capacity in Uganda. There is, however, a vibrant cottage industry of hand made items, comprising mostly household items.

For the development of cotton production and exports/imports in Uganda, several key factors need to be addressed. Firstly, aging ginneries need to be revamped in terms of technology, management and integration to increase their capacity utilisation. Secondly, the quality of cotton must be kept high through improved post-harvest handling. At the manufacturing level, labour productivity must be improved through appropriate skills training, remuneration, adopting flexible work schedules and re-tooling. Thirdly, the cost of financing needs to be made more attuned to the specific needs of the textile and garment sector, to increase their capitalization of the textile & garment sector. Fourthly, duty-free access to imported raw materials to produce for export as well as the smoother implementation of the duty draw back system and the manufacturing under bond would greatly enhance the export of textiles and apparel. Lastly, the sector would benefit from support through the timely provision of relevant information, inputs and infrastructure, including communication, road and rail transport.

1.0 Introduction

1.1 Uganda's trade commitments

Uganda's trade policy is now broadly attuned to a national strategy of promoting economic growth, diversifying the export sector, attracting investment, and improving productivity and efficiency in the international and domestic trade activities. This strategy is intended to meet the country's poverty alleviation objectives and its effective integration into the evolving multilateral trading system. The formulation of the trade policies is undertaken through a consultative process between relevant ministries, major stakeholders and the private sector through the Inter-Institutional Trade Committee (IITC) led by the Ministry of Tourism, Trade and Industry (MTTI).

The status of Uganda's current trade regime is mainly underpinned by the continued effort to liberalize trade activities and the economy within the framework of macro-economic stabilization policies and measures designed to spur growth and economic performance. Such measures supportive of trade activities include those intended to remove uncertainties within the overall trade environment and to instill price and economic stability necessary for efficient allocation of resources, while helping to boost confidence in the role of international trade in Uganda.

Apart from addressing fundamental domestic impediments to trade, Uganda has also been active in participating and building market coalitions and economic partnerships intended to expand trade within respective trading partners. On the international scene, Uganda is member to the World Trade Organization (WTO), the Cotonou Agreement that governs trade between the European Union and some countries in the Africa, Caribbean Pacific (ACP) region. Within Africa, Uganda is a member of the Common Market for East and Southern Africa (COMESA) and the East African Community (EAC). These regional trading agreements are expected to culminate in customs unions. While Uganda is negotiating on two fronts, it has been agreed that the EAC will be a fast track to COMESA. Serious concern has been expressed over the practicality of belonging to 2 Customs Unions simultaneously, and consultations are underway to resolve this. As regards COMESA, Uganda has attained 80% tariff reduction, but has not joined the Free Trade Area (FTA). Therefore trade with her COMESA counterparts is based on the principle of reciprocity. The EAC customs union is expected to come into force in November 2003.

In addition to the above, Uganda is a beneficiary to several market access initiatives. Notable of these is the Africa Growth Opportunity Act (AGOA), which grants duty free and quota free access to the American market for specific products, until 2004. It is expected that AGOA II will follow in 2005. Uganda enjoys similar GSP-based preferences for access to markets in Canada and Japan. Under the "Everything-But-Arms" (EBA) initiative, the European Union has decided to do away with entry quotas and tariffs for all products, except for arms, exported into its market by the 49 poorest countries, of which Uganda is part. This decision came into force on March 5, 2001. The market's opening will nonetheless be progressive for three sensitive products: rice, bananas, and sugar, which are produced in the European territory.

Since the Trade Policy Reviews of Uganda in 1995 and subsequently in 2002, the GOU has continued to implement policies consistent with free trade including through the liberalization of the exchange system and marketing of inputs and products, elimination of trade-distorting biases, and reduction of undesirable trade barriers. In keeping with the ideals of the multilateral trading system (MTS), Uganda has effectively undertaken to reform its trade policies and trade-related institutions in order to unwind previous rigidities that often impeded trade. The GOU under its Strategic Export Initiative is giving full support to the review and adjustment of the policy agenda in eight targeted export sectors including cotton and its related products. Through this initiative the GOU is working to ensure that funding is made available in support of cotton production, ginning, research, extension and value added activities. Through legislation GOU has created these support institutions that are playing a critical role in the cotton sector. One more indication of the positive support coming from GOU is the passing of enactment of required changes to permit Uganda participation under AGOA.

1.2 Regional Markets

The volume of trade between EAC countries is still small; taken together, intra-regional trade accounts for less than 10% of total trade. The only significant flow of goods is between Kenya and Uganda, the former exporting 15% of its goods (mainly finished consumer goods) to the latter. The EAC envisages increased harmonization of monetary and fiscal policies that should aid trade, industrial growth and investment among members.

Table 1.0: East African Trade

	Kenya	Uganda	Tanzania	Total
Population (m)	29.3	24.6	32.1	**82.3**
Real GDP (US$ billion)	9.9	7.7	6.4	**24**
GNI per capita (US $)	360	310	280	
Total trade (US$ billion)	6.7	2.7	3.6	**13**
Total trade within EAC (US$ m)	435	6.0	63	**504**
With: Uganda	350		25	
Kenya		1.0	38.0	
Tanzania	85.0	5.0		
Net FDI (US$ m)	127.0	248	193	**568**

Source: African Development Indicators 2002, World Bank Database

On the other hand, a number of regional markets most notably COMESA, a regional economic co-operation group of 20 African countries with an estimated population of 367 million people; and possibly SADCC continue to offer market access prospects for Ugandan goods and services. Under COMESA's customs union, all tariff and non-tariff barriers are supposed to be eliminated in line with the establishment of a free trade area, which requires the emergence of uniform legislation and procedures.

1.3 Implications of the trade commitments

Simplified procedures and lower tariffs will make it easier for Ugandan exporters to reach regional markets. These, however, are likely to be medium- to longer-term benefits. The immediate implications for Uganda will be revenue loss on regional trade. Studies conducted on the FTA in the COMESA region indicate that Uganda could experience a direct loss of up to 5% of total revenue[1] as a result of joining a regional FTA. Increased regional trade as a result of tariff reduction is expected to spur production and widen the tax base. This with lower levels of smuggling could partially compensate for the loss.

On the policy management side, the implications of negotiating several regional and multilateral agreements cannot be overlooked. Uganda has to commit numerous resources to officials attending these frequent meetings. Further, trade negotiations are often complex and the capacity to effectively participate is not sufficient. Civil service reforms saw the downsizing of the public service. With staffing levels at the bare minimum, key decisions are sometimes deferred because ministries are heavily involved in negotiations. Although efforts have been made widely involve stakeholders, the pressure and urgency of the process results in inadequate consultation and lack of rigour in the necessary analysis of the impact of given negotiating positions on the various sectors of the economy. A related concern is on co-ordination. While the MTTI is the line ministry for trade related issues, other ministries such as Finance, Foreign Affairs and, to some extent, Office of the President, take leadership on different trade agreements.

Uganda has a relatively small domestic market due to the population size, low purchasing power and the dominance of the subsistence economy. Internal markets could be promoted through improved infrastructure, dissemination of market information, value addition to products and product diversification, and establishment and enforcement of product grades and standards. Uganda does have some comparative advantage within the region for the export of agricultural products including cotton; although it requires the supply of products of the right volumes and quality.

However, some fundamental problems relating to the modalities for conducting effective trade within the membership of these regional groupings still remain. For instance, COMESA still faces problems of implementation mainly on account of weaknesses in customs procedures and regulatory control. In the EAC region, there are challenges faced

[1] COMESA Report on the Revenue Implications of the elimination of intra-COMESA tariffs on trade (March 2000) put the figure for the whole region at 1.6% of total revenue. This figure is not likely to vary much for EAC because the only significant trade between Uganda and any regional partner is with Kenya. A 1999 IMF study on the same subject put the figure in the 1-2% range. An earlier study by International Development Consultants (IDC) estimated this to be about 5.2% of the 1994/95 revenues. Only the World Bank study (1999) warned of bigger implications (6.2% or more depending on the level of tariff reduction).

on how to effectively monitor NTB’s to make their removal a permanent feature, and to develop a mechanism of control so as to have some degree of predictability. Further, it appears that binding decisions made at the EAC headquarters in Arusha are not transmitted to policy implementers in a timely manner.

The issue of membership to multiple trading arrangements is likely to have an impact on trade in the region. While Kenya and Uganda are members of COMESA, Tanzania is not. Among the 3 states, Tanzania is the only member of SADCC. There is fear that goods from strong SADCC countries (eg South Africa) may eventually end up in the other EAC countries at very low prices, hurting local industry and diverting intra-regional trade. This is a valid concern, which would normally be overcome by strict Rules of Origin. However, strict rules of origin could be expensive to enforce and lead to delays and high compliance costs to businesses in the region.

On the whole, developments in the regional and multi lateral trading system are likely to make it easier and less cumbersome for goods and services to flow both within the region, and beyond.

1.4 Key concerns on the cotton sector

Uganda has adequate land resources, labor, and conducive weather for the production of high quality cotton. It has in the past demonstrated its capacity to produce quality cotton and, with appropriate incentives to farmers, Uganda could regain its prime position in the world market. The achievement of its cotton potential will, however, require a satisfactory resolution of certain constraints, of which the key constraints are summarized below:

1.4.1 Competitiveness of Cotton in the Farming System

Cotton competes with other crops in the allocation of smallholder resources, particularly land and labor. The allocation of smallholder resources to cotton will depend on the comparative returns from cotton compared with the returns from competing crops (maize, sorghum, millet, oil seeds, etc.,). It remains to be demonstrated that cotton, with yields of 300Kg/acre of seed cotton, at an average price of USh 350/kg for seed cotton, will be competitive with other crops. Urgent measures are required to improve the yields and quality of cotton and hence the price received by producers. The government of Uganda has taken some measures to facilitate the attainment of better yields and quality. The GOU is laying the foundations for improved yields through the Strategic Exports Initiative. CDO is seeking to improve Uganda’s quality controls and quality certification. CDO has already established Ugandan Official Cotton Standards, recognized internationally. Locally, CDO has established FAQ grades at primary buying points and ginneries. To be able to effectively control quality and guarantee that Uganda's cotton quality regains its former status, CDO requires training of personnel in quality certification services, and for monitoring the quality assurance process of cottonseed and lint. The pricing mechanisms that will assure fair, more equitable shares of the benefits to smallholder producers deserve further attention and will be more achievable through improved market performance.

1.4.2 Access to Services, Markets, Credit and Inputs

The liberalization of markets and privatization of services provide additional opportunities for producers and other operators to benefit from developments in the cotton sector. However, they have limited capacities to exploit these opportunities. An enabling environment is required. Smallholder cotton producers need to organize themselves to improve their market access and secure the necessary support services, including access to inputs and credit. CDO needs to play an active role in providing technical services, organizing training and developing the necessary capabilities to facilitate the emergence of an enabling environment and the necessary incentive oriented policy framework.

1.4.3 Access to Basic Market Information for both Inputs/Outputs

Commodity markets are typically volatile and timely access to basic market information is therefore essential to ensure the potential benefits of a free market are fully exploited. CDO needs to develop its capacity to effectively monitor both the commodity and the price outlook, publish indicative prices and regularly disseminate basic market information. Similarly, a domestic capacity should be developed to collect basic market and production data. Besides the logistical support services, such as the internet and e-mail, to create more efficient communication links with important international cotton markets like Liverpool and New York, CDO requires additional staff training in data management and related fields, including exposure to international cotton exchange markets. This can be achieved through short term training programs. Such training will facilitate the establishment of a basic market information system and the capacity to manage the system.

1.5 Background, objectives and purpose of assignment

1.5.1 Background

The Regional Trade Centre (RATES) seeks to achieve people level impact on food security through enhanced agricultural trade volumes/values. To accomplish its desired impacts, RATES will carry out targeted program designed to increase regional competitiveness in targeted commodities including cotton. It will work with and through existing organizations located throughout the region to develop and implement strategies that support the producers of these commodities, their business support organizations and the ability of their countries to benefit from expanded production and market access.

RATES operates as a specialized capacity-building service operation devoted to increasing the flow and/or value of targeted commodity products within and among regional market places. RATES' strategic focus is placed on three key factors:

a) Targeting and providing support to efforts that can be sustained by strategic alliance partners/organizations that are themselves actors within country/or regional marketplaces;
b) Designing all of its activities to increase trade flow and/or value while at the same time providing the foundation for the sustainability of participating organizations; and
c) Leading with activities that develop more competitive, transparent regional marketplaces.

By extension, all of these activities will lead to expanded participation in inter-regional/international commodity marketplaces.

1.5.2 Objective, Purpose & Scope

RATES requires careful approaches to management and organization within a strategic framework that establishes a clear vision and guidelines for all involved in the project regardless of their location or their specific role in implementation. RATES has a Strategic Framework that describes the project structure, key results areas and targets, and purposes and overall directions for the Partners Fund.

From within the context provided by this strategic framework, the RATES team develops and agrees upon its approaches to implementation within a 12-month work plan that will define key activities in terms of results areas on the Results Framework, major tasks, resource requirements and benchmarks.

The purpose of the assignment set forth in this report is to conduct a market assessment of cotton and cotton products in Uganda including a value chain analysis (VCA) that provides a framework for the development of a strategic plan to improve the value and or volume of cotton marketed in Uganda. This assignment includes the following components:

- Conduct a VCA starting with seed-cotton and moving through all points of market transfer and value-added including but not exclusive to: producers, ginners, spinning industry and the garment industry. Include by-products such as seed, oil and cake. Produce a VCA flow chart following and improving on the attached example.
- Determine regional demand and current market for raw cotton, cotton lint and yarn.
- Identify and build upon existing cotton initiatives; and,
- Assessment of Policy and Regulatory environment on intra and extra regional trade in raw cotton, cotton lint and yarn.

The specific scope of this assignment is embodied in three (3) tasks and several questions to be answered, which include:

(1) To research and identify all material and documents on the assignment subject including Internet information.
(2) To interview leading officers and management in the major institutions to provide up to date information on key issues affecting the trade and to develop viewpoints from institutions along the chain.
(3) To visit a representative sample of the producer organizations, ginning companies, textile mills and apparel companies to collect data, interview officers, and to develop a “feel” for the industry at the various points of the chain.

1.5.3 Methodology

To carry out this assignment the Consultant started with an entrance interview with the Cotton Development Organization (CDO) and Uganda Ginners and Cotton Exporters’ Association (UGCEA). The Consultant then initiated an industry wide interview program with cotton cluster members, respective government officials, partner organizations, donors, and others that had information of relevance to the cotton sector.

In addition to the interviews the Consultant conducted field visits to the major cotton growing areas in eastern, northern and western Uganda, where cotton production could be viewed and studied. Also, ginneries, textile and garment mills were visited. While traveling to the east the Consultant went to Serere to visit SAARI where the majority of cotton research is conducted.

In addition to the interviews, and field trips, the Consultant reviewed reference documents provided by USAID Kampala, SPEED project, IDEA Project, CDO, FOODNET and other organizations. In addition the Consultant utilized earlier materials that were developed during the COMPETE project.

2.0 Supply and demand analysis

Cotton was introduced into Uganda in 1903 and dominated the economy as a leading cash crop and foreign exchange earner until the 1950's, when it was superceded in its importance to the agricultural sector by coffee. With intensified research efforts and extension services during the 1960's, the cultivated area was expanded to over one million hectares by the end of the decade, the yield (of seed cotton) per hectare reached a peak of 440 kg/ha in the 1972/73 season and Uganda produced over 75,000 tons of cotton lint that year.

However, the subsequent political and economic turmoil reversed this progress to such an extent that total production during the 1987/88 season, at just over 11,500 bales (or 2,000 tons), was the lowest recorded cotton output in Ugandan history. The cultivated area fell further, from the 300,000 ha planted in the early 1980's to just 70,000 ha in 1993/94. Since this historical low, production has begun to recover, doubling from 5,000 tons in 1993/94 to 10,000 tons in 1995/96 and was expected to rise to 18,000 tons in 1996/97. The total value of the 1996/97 cotton lint output, ex-ginning mill, was estimated at close to USD 25 million at prevailing international prices.

Domestic demand for cotton reached a record peak of about 65,000 bales in the 1973/74 period. In the years between 1965 and 1973, annual local consumption ranged between 40,000 and 65,000 bales. By 1969, Uganda had at least 3 reputable textile mills, one spinning mill and several weaving and garment industries. The country has satisfied its domestic requirements for cotton over the last ten years, while exporting a substantial volume of high quality cotton. The political and economic turmoil during the 1970's and 1980's disrupted local processing capacities and led to a reduction of domestic cotton consumption, declining from 15,000 bales in 1987/88 to just 2,800 bales in 1994. Although cotton consumption averaged close to 2,000 tons during the 1980's and declined to less than 1,000 tons during the first half of the 1990's, it was projected to rise back above 100,000 bales in 2001/2.

The textile and spinning sectors shared equally in the macro-economic decline of the period. Under the government divestiture policy, some of these mills were sold off to the private sector, raising hopes of an increase in domestic demand. Prospects for setting up other cotton related industries have also improved. In 2000/1, 38 ginneries were in operation under the ownership of co-operatives and private sector companies and/or individuals. Textile mills have also started to be reconstituted.

The trend in African cotton production has been rising over the period 1991/1992 to 2001/2 and ranged from 1.26 million tones of ginned lint in 1991/1992 to 1.54 million in 2001/2. The major producers of cotton in Africa are Egypt, Mali, Ivory Coast, Benin, Zimbabwe, Sudan, Burkina Faso, Chad and Cameroon. In Eastern and Southern Africa, fourteen countries are cotton producers including Sudan, Angola, Central African Republic (CAR), Madagascar, Burundi, Ethiopia, Kenya, Mozambique, the Republic of

South Africa, Tanzania, Uganda, former Zaire, Zambia and Zimbabwe. These countries accounted for 23% of Africa's output in 2001/2. The major producers in the sub-region are Mozambique, Sudan, Angola, South Africa, Tanzania, Ethiopia, Zambia, Zimbabwe and Uganda and account for over 90% of the sub-regions output.

World raw cotton markets have not been most attractive to farmers in recent years, and it continues to be weak due to very high production in 2001/02. World cotton production increased to an estimated 96.9 million bales in 2001/02. World cotton consumption totalled 91.7 million bales in 2001/02. In 2000/01 consumption was greater than supply by just over 3 million bales, but in 2001/02 the production exceeded consumption by 5.2 million bales. Thus, the swing between the two years increased stocks and is putting pressure on prices. In fact, prices in January 2002 on the A index averaged 43.42 cents per pound, but futures prices for May 2002 are averaging 38.36 cents per pound. Thus, the underlying fundamentals in the world cotton market are symptomatic of a significant oversupply of cotton. The past few years have seen significant stock building, particularly in China and this keeps prices under pressure. Weakened demand has also plagued the world cotton market following the Asian financial collapse.

The U.S. Department of Agriculture estimates that exports of raw cotton in 2001/02 reached about 28.9 million bales, and prices of this trade have remained under pressure and below the prior year. In the raw cotton market Uganda has met the customer needs, and the majority of the country's cotton has sold, some at a premium. China, India and Pakistan, three of the world's biggest textile exporters in 2001/02, accounted for over 44 million bales of textile mill use, about 48% of the world's total. Further, these countries have accounted for over 75% of the increase in world mill use since 1998.

2.1 Raw Cotton

Cotton production in Uganda is mainly carried out by smallholder families, which operate on average land holdings of 0.5 to 2.0 ha. There are estimated to be some 4.5 million farmers in Uganda accounting for more than 90% of agricultural output, of which it is estimated there are between 100,000 and 300,000 farming families engaged in cotton production. Cotton is usually inter-cropped with other cash and food crops and competes for the limited resources of land and family labor, typically absorbing the highest proportion of family labor. Traditional farming practices are based on hand hoes and axes as the predominant mode of cultivation. A few farmers now adopt oxen-based cultivation practices and, in even fewer cases, tractors are utilized. No fertilizers are used in cotton production, which is typical of the agricultural sector in general, where despite diminished soil fertility and the recommended use of pesticides, few farmers can afford to buy the necessary inputs.

2.1.1 Exports and Imports of Cotton

Cotton exports within the region are minimal although it is acknowledged that a lot of intra-regional trade in agricultural products is unrecorded. Uganda's cotton is regarded as high premium on the world market. Given that Uganda's production is low, there tends to be a shortage on the local market during some seasons. Furthermore, most of the cotton merchants operate with short-term pre-financing from international lenders, who expect returns immediately following harvest; traders therefore have to import cotton from Northern Tanzania to offset this shortage, however records on this intra-regional trade were not available.

The major importers of Uganda cotton in the period 1997/2002 were:

United Kingdom	47%
Switzerland	20%
Kenya	15%

Minor importers included Germany, Italy and the Far East.

Table 1:Imports and exports of raw cotton in East Africa (1997-2001)
Raw cotton (000 tonnes)

Country	**1997**		**1998**		**1999**		**2000**		**2001**	
	Imp	*Ex*	*Imp*	*Ex*	*Imp*	*Ex*	*Imp*	*Ex*	*Imp*	*Ex*
Kenya	16.1	N/A	16.6	N/A	18.8	N/A	18.9	N/A	21.2	N/A
Tanzania	N/A	86.3	N/A	37.3	N/A	26.3	N/A	36.8	N/A	36.3
Uganda	N/A	19.0	N/A	4.9	N/A	14.9	N/A	16.8	N/A	15.6

Table 2: Imports and exports of yarn and textile fibres in East Africa (1997-2001) (US$000's)

Item	**Country**	**1997**	**1998**	**1999**	**2000**	**2001**
Imports of textile yarn and woven or made fabrics	Kenya	8,728	12,086	9,868	11,235	13,459
	Tz	N/A	N/A	N/A	N/A	N/A
	Uganda	25,692	23,121	23,539	26,132	18,967
Imports of textile fibres and wastes, not manufactured	Kenya	17,385	18,090	60,859	20,974	22,342
	Tz	N/A	N/A	N/A	N/A	N/A
	Uganda	21,392	23,024	22,477	19,876	21,365
Exports of textile yarn and woven or made fabrics	Kenya	20,632	19,628	22,879	24,357	28,967
	Tz	N/A	N/A	N/A	N/A	N/A
	Uganda	1,609	1,393	1,463	2,103	1,781

Source: Statistical abstracts and Economic surveys of Uganda, Kenya and Tanzania

2.2 Cotton Lint

Since cotton in Uganda is a smallholder, rather than estate crop, there has traditionally been little or no organized backward linkages between ginners and farmers since no ginnery produces its own cotton. However, ginners are now being supported through the efforts of CDO and USAID-funded SPEED Project, to provide extension services to the farmers, including supervising demonstration plots. Less than 10% of the ginneries currently retain some percentage of the seed for planting, although it is anticipated that this practice will become more widespread.

There are a total of 38 ginneries throughout Uganda; 31 of these are operational at present, 7 are dormant. In the 2002/3-cotton season there were 44 ginners (co-operatives, contract ginners and private operators) who ginned cotton from these ginneries. For a vast majority of them, the owners double as managers. A total of 23 ginneries are privately owned with many being in the hands of African-Indians. 17 ginneries are owned by cooperatives, but seven of these have leased out their ginneries to private operators. In addition, 5 co-operatives have made a joint venture with private firms. According to CDO officials, the total installed capacity is somewhere around 500,000 bales per annum.

The ginneries are located near the production in the main cotton growing regions; eastern region, northern region and Kasese. According to CDO in the 2001/2 season, 58% of the ginning took place in the eastern region, where 15 ginneries are located.

Table 3: Ginneries- Location, ownership, capacity

	Name/ Ownership	Location	Installed capacity	Capacity utilisation (00/01)	Postal Address	Phone	Fax	Contact/ Operator
1.	Aboke ***Rafiki Cotton Industries***	Apac	15,000	11.3	55 Lira	041-250 406	041-342 870	Muddu Awulira Ent **
2.	Aduku*	Apac	15,000	0	N/A	N/A	N/A	
3.	Arapai ***Teso Co-op Union***	Soroti	13,500	12.2	5158 Kampala	041-285 390 071-785 390	041-222 083	Mr. Okello-Ocero Teso Agri Base Ltd**
4.	Balawoli ***Balawoli Cotton Ginnery Ltd***	Kamuli	31,500	8.3	196 Kamuli	041-343 066 077-786 007	041-234 335	Mr. Sarayona/ Mubarak
5.	Bamunanika ***Bamunanika Ginnery Ltd***	Luweero	13,500	19.5	1615 Kampala	077- 425 452		Moses Muzeeyi
6.	Bugema ***North Bukedi Cotton*** Co	Mbale	54,000	5.5	2496 Mbale	077-777 123 077-469 451	045- 351 25	Bruce Robertson
7.	Bulumba ***Busoga Co-op Union***	Kamuli	16,500	31	3794 Kampla	075- 770 033	041-344 218	Mr. Hitesh Panc Bon Holdings**
8.	Bulumba A ***Busoga Growers Co-op***	Kamuli	16,500	31	Private Bag	077-586 975	041-344 218	Mr. Moses Ngobi
9.	Bulumba ***Busoga Growers Co-op***	Kamuli			Private Bag			Mr. Mugisha Mutuma Commercial **
10	Bulumba ***Busoga Growers Co-op***							Intraco (U) Ltd**

	Name/ Ownership	Location	Installed capacity	Capacity utilisation (00/01)	Postal Address	Phone	Fax	Contact/ Operator
11	Bulumba ***Busoga Growers Co-op***							UNEX**
12	Busembatia ***Pramukh Agro Industries***	Iganga	15,000	5.5	996 Jinja	043-122 522 077-612 777	043-122 523	Mr. Macanbhat Patel
13	Busolwe ***South Base Agro Industries***	Tororo	15,000	28.8	22787 Kampala	077-725 626	041-343 563	K. Kinariwalla
14	Busolwe ***South Base Agro Industries***	Tororo						Global Cotton Ltd
15	Clark Cotton ***Clark Cotton (Uganda) Ltd***	Soroti	50,400		684 Soroti	045-61827 077-702 070		Mr. Johan.J. Eksteen
16	Co-orom ***West Acholi Co-op Union***	Gulu	20,250	6.4	225 Gulu	077-605 321 077- 603 414		
17	Dabani ***Minar Trading Co***	Busia	15,000	4.4	8506 Kampala	041-257 816 077-200 084	041- 341 306	Mr. Devan
18	Hoima ***Magnetic Enterprises***	Hoima	15,000	4.2	1914 Kampala	041-348 638	041-251 652	Mr. Seguya
19	Iceme ***Dounavant Ltd***	Apac	10,000	41	5103 Kampala	041-345 202	041-345 193	Mr. Pakku Patel
20	Iki Iki ***North Bukedi Cotton Co***	Pallisa	21,000	41.1	2496 Mbale	077-777 123 077-469 451	045- 351 25	Bruce Robertson
21	Jaber *		12,000	0				

	Name/ Ownership	Location	Installed capacity	Capacity utilisation (00/01)	Postal Address	Phone	Fax	Contact/ Operator
22	Kabole ***North Bukedi Union***	Pallisa	16,000	47.5	2496 Mbale	077-777 123	045-351 25	Bruce Robertson North Bukedi Cotton Co
23	Kabulubulu ***Twin Brothers Ltd***	Soroti	15,000	17.2	172 Lira	041-285 898 077- 636 336		Mr. Alfred Opio
24	Kachumbala ***C.N Cotton Enterprises***	Kumi	22,500	14.8	231 Soroti	043-122 522 077-612 777		Mr. Patel
25	Kasese ***Nyakatonzi Growers***	Kasese			32 Kasese			Kakyu Hardware Sale
26	Kibuku*		7,500	0				
27	Kitgum ***East Acholi Co-op Union***	Kitgum	22,000	0.7	8056 Kampala	041-257 816	041-341 306	S.Pravin
28	Ladoto Minar Trading Co	Pallisa	15,000	0	As Dabani			
29	Lukhonge ***Masaaba Cotton Co***	Mbale	15,000	7.3	7518 Kampala	041-222 666	041-222 634	Vinay Dawda
30	Luzinga*		15,000	0				
31	Masindi ***Bunyoro Growers***	Masindi	15,500	17.4	1 Masindi	077-513775	041-257 504	Mr. Barnabas Barugahare
32	Mukongoro ***Teso Agri Base Ltd***	Kumi	10,000	3.4	5158 Kampala	041-285 390 071-785 390	041-222 083	Mr. Okello-Ocero
33	Nakasongola* ***Dunavant***	Nakasongola	54,000	0	5103 Kampala	041-345 202	041-345 193	
34	Nakivumbi ***Bon Holdings***	Iganga	31,500	20.2	3794 Kampala	077-770 033	041-344 218	Mr. Hitesh Panc
35	Namusale*		7,500	0				

	Name/ Ownership	Location	Installed capacity	Capacity utilisation (00/01)	Postal Address	Phone	Fax	Contact/ Operator
36	Ngetta ***Lango Co-op Union***	Lira	22,500	13.9	50 Lira	041-531 489		Patrick Oryang
37	Nyakatonzi	Kasese	22,000	48.4	32 Kasese	0483-443 70	0483-441 35	Adam Bwambale
38	Nyakesi ***South Bukedi Co-op Union***	Tororo	22,500	13	101 Tororo	045-443 27 077-515 794	045-450 93	Mr. Michael Ogundi
39	Nyakesi ***South Bukedi Co-op Union*** Novo Enterprises**	Tororo		13	101 Tororo			Mr.Tusha & Mitesh
40	Odokomit*		22,000	6.1				
41	Pakwach ***South West Nile Co-op***	Nebbi	22,500	5.9	33 Packwach	077-417 524		Mr. Phillip Upakrwoth
42	Parombo ***Muddu Awulira Enterprises***	Parombo	15,000	30.8	22575 Kampala	041-257 503 077-625 284	041-257 503	Mr. G. Sentongo
43	Rhino Camp ***Central West Nile Union***	Pakwach	30,000	1.6	33 Arua	077- 522 365		Dan Kangave**
44	Rwenzori ***Rwenzori Cotton Ginners***	Kasese	15,000	31.7	164 Kasese	0483-444 85		Mr. Amdan Khan

* Dormant ginneries
** Contract operators

2.2.1 Prospects for operationalising stalled ginneries

When the industry was at its peak, many ginneries were built to support the cotton farmer with effective processing of raw cotton. However, with the 80% decline in cotton production, the former population of ginneries with their present estimated capacity (350 thousand bales/year) cannot be supplied with sufficient cotton quantities, thus many still operate at less than 40% of present estimated capacity.

Many ginneries are now in need of substantial repair and/or upgrading to ensure that the high quality cotton that Uganda can produce is properly maintained through post harvest. However, the lack of sufficient cotton results in many marginal ginning operations and discourages the required investments necessary to upgrade ginneries, and/or establish new ginneries that may be required.

There have been efforts by the Uganda Investment Authority (UIA) to attract investment in this sector. These efforts, coupled institutional support and market projections in the sector, have seen the revitalization of some previously stalled ginneries. A significant proportion of ginneries is operated on contract basis, with 2 to 4 ginners using the same ginnery.

2.2.2 Institutional framework

Since 1997, cotton ginners have organised themselves into an association known as the Uganda Ginners and Cotton Exporters Association (UGCEA). It was formed following the difficulties faced by ginners in enforcing repayment of inputs supplied to farmers. UGCEA was officially launched in 1998 as a private limited company, to coordinate industry efforts. The membership of UGCEA consists of registered cotton ginners, cotton traders and exporters. The main objectives of UGCEA are:

- To promote cotton production and facilitate the purchase and processing of high quality cotton and by products in Uganda.
- To provide a forum for discussing common issues affecting ginners and exporters in relation to cotton industry.
- To constantly monitor the prices of cotton and its by-products and suggest changes in accordance with the changing circumstances
- To provide machinery of contact with those interested in dealing with cotton in Uganda

The association is still young and could therefore benefit from strengthening in association governance, developing and enforcing codes of conduct and operating as an independent private sector trade group.

Table 4: Cotton production, local consumption and export in bales (1997-2002)

Period	Production	Local consumption		Export		Value (USD)
		Volume	%	Volume	%	
1996/7	110,710	2,200	2	108,500	98	28,490,000
1997/8	31,808	1,500	4.7	30,500	95.8	8,222,602
1998/9	82,328	3,000	3.6	79,000	96	17,680,693
1999/00	117,000	3,100	2.6	113,000	97	25,030,500
2000/01	100,000	3,600	3.6	96,400	96.4	27,000,000
2001/02	120,000	12,000	10*	108,000	90	17,760,000
2002/03	125,000*	12,500	10	112,500	90	21,565,122

Source:CDO * Estimates

2.3 Cotton Yarn

The textile/ apparel section of the cotton value chain typically consists of three types of firms:

1. Textile mills- spinning and weaving
2. Finishing mills-bleaching, dyeing, printing
3. Garment cutters and household manufacturers.

Textile firms are mainly small to medium sized, and use only modest technology. Low capacity utilization is common in the industry.

There are 6 large-scale textile mills in Uganda, 2 of, which are not fully operational.
Table 3 below shows the estimated capacity of the major 4 textile mills.

Table 5: Textile Mills Capacity

Enterprise	Capacity
Phenix Logistics (U) Ltd	1, 200
Southern Range Nyanza	9,000
Guo Star Lira Spinning Mill	16,000*
African Textile Mill	2,000

Most of the larger firms are vertically integrated, carrying out spinning, weaving, finishing, converting, and in some cases, tailoring. A good number of tailoring institutions exist, reflecting a need for integration and a shift from sole proprietorship to more developed partnership arrangements. There is a vibrant cottage industry of hand made items, comprising mostly household items (upholstery, kitchen and table materials) and broad ranges of apparel, including ceremonial wear. The majority of these are micro and small enterprises run by women. Table 4 contains a summary of the major players in this industry sector.

Table 6: Major textile firms- contact information and Capacity

	Name	Location	Installed capacity	Capacity utilization (00/01)	Postal Address	Phone/ Fax	Products
1	Pearl Blankets ***Mr. Pradeep Shah***	M453 Nakawa Industrial Area Kampala	300,000 pieces of blankets	50%	10499 Kampala	T:075-790 912 041-220 556 041-7410499	Blankets
2	Phenix Logistics (U) Ltd. ***Yuichi Kashiwada, Gordon Wavamunno***	82/85 5th Street Industrial Area, Kampala	648 MT of combed/ carded yarn per year; 2,000 dozens of Shirts and 9,000 dozens of T-Shirts Shirts per month		4378 Kampala	T: 041-344 378/9	Carded/ combed yarn, men's clothing, t-shirts, pants
3	Simba Blankets ***Dr. William kalema***	2/2A Old Portbell Rd, Kampala	300,000 pieces per year	About 30%	22822 Kampala	T: 041-257 538./9 F: 041-257 539	Blankets
4	Southern Range Nyanza Ltd ***Viren Thrakar***	Plot 1 Yusuf Lule Rd, Jinja	Spinning: 3,650 MT per year; Weaving: 4,380 MT per year; Processing: 36,500 MT per year	Spinning: 60% Weaving: 76% Processing : 10%	1025 Jinja	T:043-130 181 043- 121 082 F: 043-130151	Yarn, fabric, bed sheets

	Name	Location	Installed capacity	Capacity utilization (00/01)	Postal Address	Phone/ Fax	Products
5	African Textile Mill ***Praful Patel***	78/79 Pallisa Rd, Mbale	20,000 bales	25%	242 Mbale	T:05-34549 077-512294 F:045- 34549	Blowing, spinning, weaving, finishing. bedsheets, baling cloth for lint, cotton poplin, cotton fabrics, grey cloth
6	Guo Star ***Chris Katongole***	Lira	27,000 bales per year			T: 077-406 336	Not in production

2.4 Textiles and apparel

The manufacture of apparel and clothing in Uganda is limited, and dominated by micro and small-scale tailors of various garments, mainly for domestic consumption. Local consumption of cotton is less than 20%, a reflection of the processing capacity in Uganda. Of this, industrial consumers comprise schools, upholstery and interior design firms, manufacturers of mattresses and hotels.

Available statistics indicate that Ugandans spend approximately 4% of their total consumption on clothing and footwear. Due in part to the state of the textile industry and the purchasing power of the Ugandan consumer, most of this expenditure is on imported used clothing. This suggests that potential market exists for low priced, mass-market apparel.

Table 7: Uganda's textile and garment trade by value (1995-1999) in USD, 000

Imports	**1995**	**1996**	**1997**	**1998**	**1999**
Textile fabrics not manufactured	23,421	25,788	21,392	23,024	22,477
Textile Yarn, fabrics made up of articles	37, 599	28,378	25,692	23,121	23,539
Articles of apparel and clothing accessories	14,754	14,125	11,490	17,335	17,587
Total (a)	**75, 744**	**68,291**	**58,574**	**63,480**	**63,603**
Textile fabrics not manufactured	11,478	14,963	29,197	8,447	18,965

Textile Yarn, fabrics made up of articles	2, 073	3, 162	11,609	1,393	1,465
Articles of apparel and clothing accessories	290	92	76	-	81
Total (b)	13, 841	18,247	40,882	9,840	20,511
(a-b)	16, 993	50,044	17,692	53,640	43,092
b as % of a	18	27	70	15	32

Source: Statistical abstract, June 2000

2.4.1 Institutional Framework

Given that Uganda's textile sector has been in limbo until recently, there is no active trade association for this sector. Textile manufacturers are associated under broader groupings such as the Uganda Manufacturers Association (UMA), Uganda Small Scale Industries Association (USSIA) and Uganda Women Entrepreneurs Association Limited (UWEAL). A new group, the AGOA-EU-ACP association has recently been formed and it is a loose coalition of cotton farmers, traders, micro and small textile operators, and policy activities in Uganda. The association has made attempts to include individuals and firms in the region, particularly North Eastern Congo and parts of Southern Sudan.

Table 8: Garment and Apparel manufacturers

	Name	Contact	Postal Address	Tel	Fax	Products
1.	Butterfly fashions	Robinah Balwanyi	N/A	041-530 755		Printed ladies' wear
2.	Chrisams Designers	Christine Lubogo	1532 Kampala	041-531 815		Ceremonial wear, uniforms
3.	Christex Garments	Mr. Mutegyeki	3309 Kampala	041-231 976 041-235 914	041-231 976	Uniforms, assorted garments
4.	Classic Uniforms		4145 Kampala	041-236 858		Uniforms
5.	Kwera Ltd	Mr. Bwankosya		041-566 532 075-649 054	041-566 532	Uniforms, sportswear, industrial garments
6.	Lakai Uniforms	Kizito Kisiitu	28284 Kampala	041-232 022		Uniforms
7.	Mona Enterprises	Ida Wanendeya	9314 Kampala	041-266 493	041-266	Printed casual wear for men &

	Name	Contact	Postal Address	Tel	Fax	Products
					493	women, household items
8.	Peacock Fashioners		73 Kampala	041-259 115		Printed casual wear for men, women, children
9.	RSU Vocational Institute		4793 Kampala	071-844 018 077-662 102		Hand made, woven garments, casual ladies and gents wear
10	School Outfitters		4802 Kampala	041-230 999 041-235 493	041-232 716	Uniforms
11	Textile Vision	Grace Kinobe	401 Kampala	077-462 209		Ceremonial wear, Religious vestments
12	Uganda Brassieres Manufacturers Ltd	Muhammed Kyeyune	2002 Kampala	077-412 228		Underwear for men and women, T-Shirts, ladies casual wear
13	Alfa Woolen	Jain Anurag		043-120 512		Industrial Garments, uniforms
14	BTGE	Martin Tibalira	2085 Jinja	043-120 898	043-122 050	Mattress covers, bed sheets, uniforms
15	Eladam Enterprises	Eyasu Sirak	163 Jinja 1237 Kampala	043-130 136 041-341 909 077-672 972	043-130 177	Uniforms, safari suits
16	Sigma Knitting	Anant Parmar	2140 Jinja	043-121 133 075-721 133	043-121 322	Uniforms, knitwear
17	Nookie sewing and knitting		668 Mbarara	0485-21304		Assorted apparel, sweaters, uniforms
18	Bhadehia Habib Ltd		10506 Kampala	041-342 005		Strips of fabrics, padding, motifs, lace
19	Button City Centre		1342 Kampala	041-348 300		Buttons, zippers, trimmings

	Name	Contact	Postal Address	Tel	Fax	Products
20	Star Garments			041-231143 041-342 808		Thread
21	Tri-star Apparels	Mr. V. Kananathan		075-751 202		Shorts,Shirts

3.0 Cotton sector development initiatives

Several initiatives associated with Uganda cotton/textile development are being implemented effectively. In this section an attempt is made to discuss the development programs/projects in the sector at each level – production, ginning, spinning, textiles, and garments.

3.1 Production

With respect to cotton production the study team found that several action steps were being taken and each is discussed below.

- CDO has been implementing the production, delinting/grading and distribution of seed and agricultural chemicals via ginners. The system is getting the job done, but it would be good to see local private stockers begin to assume the distribution role in order to have inputs when and where farmers most need them.
- CDO has been working to establish block farms to increase production, via utilization of their field extension workers and those of the districts. This program was started in 2002, and 23 block farms totalling 2350 acres in 14 districts have been established.
- CDO through this block farming concept and the issuing of published materials, cotton production promotion campaigns, and radio extension bulletins is working to mobilize and sensitise farmers. This effort is having positive benefit as more and more farmers begin to become aware of cottons importance to the country.
- CDO is carrying out a quality control program, which ensures proper handling of cotton at farm level and through to gin. This program continues basically as it did in the past but with greater enforcement. Some quality problems persist at the farm level where farmers do not have good equipment for harvesting, and do not have adequate storage, or transport facilities.
- NARO research efforts are progressing, but budgets have been inadequate to realize all aspects of their desired programs. Thus, more can be done through proper focused support. In addition to the present programs supporting good foundation seed development, research efforts need to be reinforced in the area of disease and pest control using agricultural chemicals, and this can be strengthened via IPM programs underway.
- The private sector (Ginners) and donors (SPEED/IDEA) have been assisting with demo plots (900) in the East (300) and West (600) in 2002. The farmers that have been exposed to these demo plots indicate they have learned new technological skills, which they are ready to apply on their own farms. They have observed that yields can be more than doubled. In addition to demonstrating the technology it is now time to ensure adoption by farmers, and this will require input availability at the right place and right time, as well as, financial support (loans) to help farmers obtain inputs.
- Technical and market information is provided, but much more can be done to improve support in this area. On the technological front it is necessary to prepare

information products in simple to understand formats, as well as videos that can be seen and heard so that farmers obtain information that they can understand. Also, on the marketing front, it is necessary to provide the industry and farmers with up to date reliable price information in addition to news about what is going on in the markets so that industry players are kept informed.

3.2 Ginning

With respect to cotton ginning the study team visited several ginneries and talked to several gin owners and found that several action steps were being taken and each is discussed below.

- The ginning sector utilization still remains low at about 30%. It was discovered through interviews and visits that several ginneries were making upgrades in their facilities, but more ginneries need assistance in defining upgrade plans, and an industry technical audit may be appropriate. Also, in spite of low utilization several new investors of domestic and international repute e.g., Mudu Awulira (local), Dunavant (USA), Clark (SA), and NC Enterprises (INDIA) have entered the industry. These new groups are making investments to upgrade the ginneries they have bought. Thus, the action aimed at improved gin utilization is gaining attention, but the problem will not be resolved until cotton production increases or ginneries are closed.

- Another action aimed at increasing lint production involves making available improved finance programs that would permit modernization of ginneries and their storage operations so as to ensure the high quality of Ugandan cotton. In recent months new finance programs have been initiated – USAID loan guarantee program Development Credit Authority (DCA) operated through several banks operating in Uganda, Centenary Rural Development Bank (CRDB) programs, and new monies from new investors. Thus, the ability of ginneries to obtain financing has improved, but many would say it is not adequate because they would like better access to funds for financing cotton production.
- Ginners play a critical role in ensuring cotton quality because they are the interface between the farmer/cotton purchasing agent and the broad market. If ginners accept bad cotton from these suppliers they cannot correct its quality in the gin and they will suffer price penalties when they go to the market. It goes to the saying "quality is grown into the cotton" but it cannot be added at other levels in the commodity chain. Thus, the ginner needs to make sure that the suppliers are well trained and provided with the necessary materials – Hessian squares, jute bags, on farm storage advice, and responsive transportation from the farm to the gin. Ginners are working at doing a better job, but there is still room for improvement, particularly in storage, moisture control, and removal of debris.
- Technical and market information is available to ginners from the UGCEA, buyers, international parent companies, and the Internet. And, most ginners find this to be adequate. However, if ginners are to develop the most appropriate

market strategies supportive of themselves and the Ugandan farmer and textile manufacturer additional analytical information could be useful. UGCEA being the umbrella organization for the ginners needs to develop capacity for accessing technical and market information that will permit serving the members most effectively.

The study team has observed that several actions have been taken at the ginning level that has helped the industry. However, it is also noted that several actions related to distribution of inputs, control of cotton quality, technical and market information, and technical audits that would help to improve gin efficiency are needed.

3.3 Textile & Garments

With respect to spinning and weaving the study team visited most of the leading participants in the sector- ATM Mbale, Southern Range Nyanza, Phenix Logistics, and Tri Star Apparels. Based on these visits it was found that several of the action steps necessary to support expanded production of fabric and garments and their marketing have been realized or are in the process of being realized.

- Improving labor productivity- this is being addressed through training centres that have been established by the GOU in cooperation with Apparels Tri Star. In the past few months more than 1200 people have participated in these training programs. In addition, other firms in the industry have conducted their own in-house training activities.
- With respect to improving technology in textile mills and garment plants significant progress has been made. For example, Phenix Logistics has been rehabilitating their plant and is about 80% complete; Southern Range Nyanza has an aggressive rehabilitation program underway, whereby the latest spinning technology from Germany is being installed as well as upgrades in the fabric and garment sections of the plant. It is expected that within a few months international grade fabric will be available to support garment production for local, regional and AGOA export markets. At present these companies use 10 to 15 percent of the cotton lint produced in Uganda. Based on present understandings this could reach 50% of the present cotton production within two years.
- With respect to garments several investments are being made and several orders have been received to supply buyers under AGOA legislation. The larger investors include Southern Range, Phenix Logistics, and Apparels Tri Star. These investors are already shipping their products to USA buyers. It is reported by the US Embassy Commercial Office that in 2001 the industry exported $9,000 worth of apparels. Based on the information obtained from recent interviews with apparel manufacturers it would appear that this could expand to US$5 to 7 million by year-end 2003.
- In addition to the labor and technical rehabilitation activities, other actions have also taken place - duty free access to imported raw material, regulatory and logistical support has helped make it possible to compete against other AGOA

suppliers, financing has been facilitated to textile mills and garment fabricators, and investors have been accorded the opportunity to produce garments in Uganda.

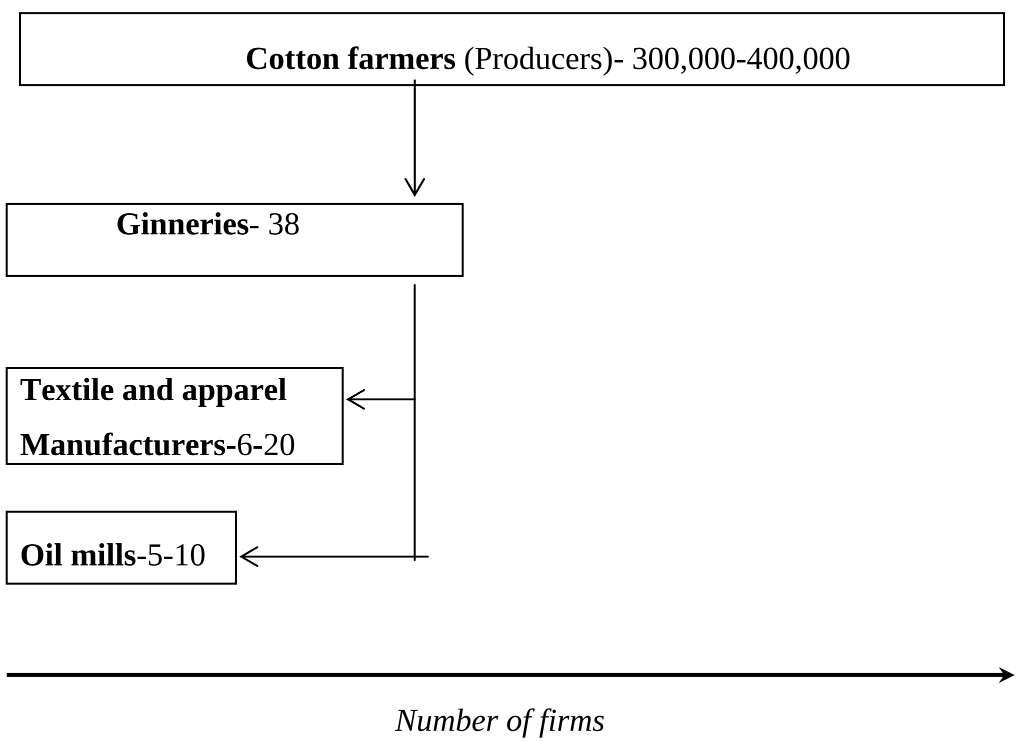
4.0 Cotton value chain analysis

Introduction

The supply chain for cotton and textiles reveals concentration both upstream and downstream, with a large number of farmers and tailors. Players in these groups, though numerous, are small and operate informally as individual or family owned income generating activities. Farmers and tailors also tend to be heterogeneous in terms of skill, technology and location. Products are sold at virtually all stages of the value chain on both small and large scale. The manufacture of apparel and clothing is still very minimal. The amount of value added ranges from 25% for spinning and weaving, to 55% for knitted and crocheted fabrics. Uganda imports large quantities of fabrics and garments, including used clothing. The value of imported second hand clothing is valued at over $10 million.

Potentially, cotton is a commodity that has numerous applications and therefore extensive market value. The cost, complexity of process and time involved in value transformation from one stage of the chain to the next is varied. Research shows that less than 20% of the potential is exploited. This is due principally to the low level of industrialisation, and absent or weak intra-industry linkages both in Uganda and the region. Other reasons are the lack of knowledge of the full potential of cotton, over emphasis of support organs/institutions on lint and textile, and the high investment and marketing costs.

Figure 1: Distribution of firms along supply chain.



4.1 Value chain

Cotton is harvested from the plant in the form of seed cotton and requires processing (ginning) to separate seeds from the fiber (lint). The cotton fiber is the more valuable component, representing 85-90% of the farm value of cotton. Sometimes the producers sell and deliver their cotton directly to the ginnery, and at other times, agents contracted by the ginneries work as middlemen and coordinators of transportation between the production site and the ginnery. At other times, independent middlemen carry out the same operation in a more informal way. None of the ginneries in Uganda produces their own cotton in a plantation (vertical integration) type operation.

Cotton ginneries in Uganda are purely dependent on the production and sale of cotton to them by the producers. Ginning is a highly specialized process whereby the seed is separated from the cotton; the cotton is cleaned, and finally pressed into bales of lint. The purpose of the ginning process is to separate lint from the seed. Ginning can be done with single roller ginneries, double roller ginneries or the traditional saw gin. In the roller gin the cotton is carried on the surface of a leather-covered roller that has a blade fixed parallel to the axis of the roller and nearly touching its surface. The cotton fiber passes under the blade on the roller, but the seeds cannot pass the blade and are forced out of the fiber.

Processors in Uganda have traditionally used double roller ginneries, although they are comparatively slower. Attempts were made to introduce saw and high speed single roller ginneries, which are more suitable for short staple varieties and black seeded cotton, but these proved futile, partly due to the long staples and fuzzy seeds of Uganda's cotton.

In order to measure the performance of the ginning process the GOT is used as a standard indicator. As an example of average ginning performance in Uganda, GOT has been 35% lint; 64% seed, and 1% process waste for the variety BPA. Only 2 of the ginneries in Uganda have saw gins, while the rest are equipped with roller gins. In the present situation with an excess ginning capacity it could prove profitable to avoids the saw gins and earn margins on quality parameters instead.

Even though Uganda has a high number of ginneries, it is estimated that a few large companies account for 50-60% of the cotton ginned. For example, North Bukedi Cotton Company (NBCC) has a combined ginning capacity of 91.5 bales on its 3 ginneries, which is enough to cover the ginning of the whole cotton harvest in most years since 1994. The total annual ginning capacity in Uganda is estimated at 61,600,000Kg, which roughly translates into 40,000 tons of cottonseed and 21,500,000 kg (approx. 116,000 bales) of lint. Ginneries are required to sell 20% of all their seed to CDO for replanting, and the rest, totalling about 32,000tons, is sold to oil mills for crushing. The crushed seed yields 16% crude oil.

4.2 Exporters

Most of the local ginners participate in cotton export trade. Currently there are five international firms/merchants involved in cotton export see table 7 below. Two of the international firms ie Dunavant and Paul Reinhert have gone into ginning by acquiring gins in various parts of the country.

Table 9: Exporters and importers of cotton and cotton products

Name	**Location**	**Contact**	**Product**
Paul Reinhert			Lint
Baumann Hinde			Lint
Dunavant	H/O Kampala		Lint
Plexus			Lint
Olam International			Lint

Note: All ginners export lint

4.3 Importers of cotton products

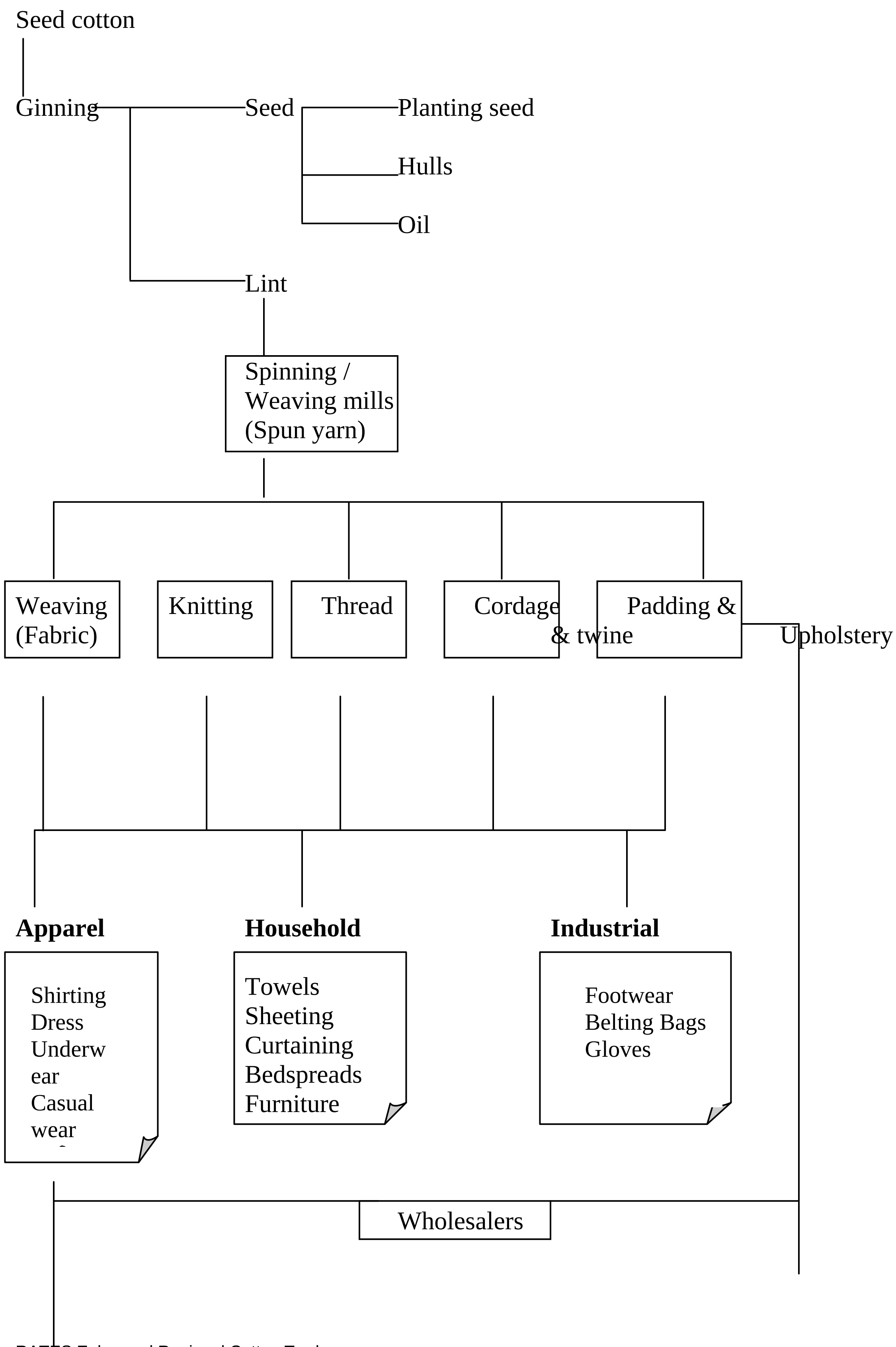
The main textile imports comprise machinery, spare parts, dyestuff and chemicals. In addition to this the Ugandan textile sector imports polyester fiber, acrylic tow and polyester yarn while the garment industry imports most of its fabric and other requisites. Most of these imports are from Asia and within the region except for machinery and spare parts, which are imported from Europe.

As stated earlier, the level of imports of second hand clothing is extremely high and this caused the demise of the garment industry in the early 1980s.

Table 10: Importers of textile products

	Name	Product
	Tri-Star apparel	Cotton fabric
	Nyanza Textiles	
	Eladam	
	All major garment stitchers & wholesalers	

Figure 2: Value chain for lint



Retailers

Consumers

4.4 Cotton availability calendar and projections for the 2002/2003 season

Cotton can be produced in most parts of Uganda, but over 50 percent of the crop is today produced in the areas north and east of River Nile. Table 9 below shows the production planned for the 2002/3 season. The projection is based on the response by the mentioned districts to the calls for the revival of cotton production in recent seasons and on the availability of planting seeds from the previous season.

Table 11: Planned production for 2002/2003 season

REGION	DISTRICT	VARIETY	MONTH OF THE YEAR WHEN COTTON IS HARVESTED	PRODUCTION (KGS)* PROJECTIONS FOR THE PERIOD 2002/3
SOUTH EASTERN	KAMULI IGANGA BUGIRI BUSIA TORORO	BPA 2000 BPA 2000 BPA 2000 BPA 2000 BPA 2000	October-December	2,154,567 1,860,684 558,348 229,337 3,378,077
				8,181,013
NORTH EASTERN	MBALE PALLISA KUMI SOROTI KATAKWI KAPCHORW AA MOROTO KOTIDO	BPA 2000 BPA 2000 BPA 97 BPA 97 BPA 97 BPA 97 BPA 97 BPA 97	October-December	4,284,000 12,852,000 1,460,558 510,082 76,541 102,816 28,560
				19,314,557
NORTHERN	KITGUM GULU LIRA APAC	BPA 97 BPA 97 BPA 99 BPA 99	October-December	5,887,930 2,140,001 9,761,808 9,398,380
				27,188,119
WEST NILE	ADJUMANI MOYO	BPA 97 BPA 97	October-December	14,851 42,269

	ARUA NEBBI	BPA 97 BPA 97		1,035,300 6,312,902
				7,405,322
WESTERN	KASESE BUSHENYI KABAROLE RUKUNGIRI	BPA 2000 BPA 2000 BPA 2000 BPA 2000	January-March	5,185,600 1,573,600 173,600
				6,932,800
MID-W & CENTRAL	MUKONO LUWERO MUBENDE NAKASONG OLA KIBALE KIBOGA HOIMA MASINDI	BPA 99 BPA 99 BPA 99 BPA 99 BPA 99 BPA 99 BPA 99 BPA 99	October-December	35,985 55,978 4,284 702,576 67,401 21,420 619,466 2,301,079
TOTAL				**3,808,189**
GRANDTOTAL				**72,830,000**

*Source: CDO *Conversion factor : Seed cotton to bales: 560Kgs=1bale*

4.5 Value along the supply chain (2001/2 season)

A. Cotton

Table 12: Value addition by various traders along the way to ginnery

Transaction Point	Buying price (Ushs)	Sold to	Selling price (Ushs)
Farmers	255	Brokers, Agents, co-operative, ginner	270
Brokers/Agents	270	Ginneries	
Ginneries (seed)		Cotton seed traders	150-180
Ginneries (Lint)		Exporters (Lint)	1,500

B. Cotton Lint

Table 13: Value addition at ginnery level

Ginnery	Purchase price of cotton	Selling price of cotton lint (Factory)
	270	1,500

CDO provides indicative prices; all ginneries buy and sell at similar prices.

C. Cotton yarn

Table 14: Value addition at spinning level

Spinner	Purchase price of cotton lint ($)		Selling price of cotton yarn (factory)
	Imported cotton lint	Local lint	
Nyanza Textiles	Nil	1.52*	2.45*
Phenix Logistics			
ATM			

**Average prices*

4.6 Issues, Problems and Constraints

During the study, the trade flow leaders revealed that there are issues, problems and constraints which they face when exporting/importing cotton, lint and yarn. For cotton production and exports/imports to develop in Uganda, these issues, constraints and problems must be addressed.

4.6.1 Underutilization and Technologically Aging Ginneries

When the industry was at its peak, many ginneries were built to support the cotton farmer with effective processing of raw cotton. However, with the 80% decline in cotton production, the former population of ginneries with their present estimated capacity (350 thousand bales/year) cannot be supplied with sufficient cotton quantities, thus many still operate at less than 40% of present estimated capacity.

Many ginneries are now in need of substantial repair and/or upgrading to ensure that the high quality cotton that Uganda can produce is properly maintained through post harvest. However, the lack of sufficient cotton results in many marginal ginning operations and discourages the required investments necessary to upgrade ginneries, and/or establish new ginneries that may be required.

4.6.2 Maintenance of Cotton Quality

Uganda cotton is inherently high quality, however, to maintain the high quality proper handling at farm, gin and market is required. The use of improper picking practices (harvesting wet cotton, not removing debris in the field, use of polyester bags for field handling and transport to gin, etc.) and, improper storage (on dirt floors at the farm, under high moisture levels at buying centers and ginneries) of the seed cotton prior to ginning has led to degradation in quality during handling. Quality potential is “grown” into cotton and cannot be improved after harvest. The quality level of cotton can only be maintained (not improved) after harvest. Therefore, the practices used on the farm and in the ginneries are a major concern in efforts to maintain or improve cotton quality.

4.6.3 Low labor productivity at manufacturing levels

Textile worker productivity in Uganda is quite low, due to a combination of low level of basic skills, poor or non-existent training, ineffective wage incentives (although piece rates are paid in some assembly plants), small-scale of production (particularly for garments), lack of bundling production flow-through, and use of outdated equipment that does not allow for higher through-put. Uganda's labor productivity compares badly with that of other textile and garment producing countries such as India, Pakistan, and Sri Lanka, causing Uganda to be a higher cost producer. However, through proper training the labor productivity can be improved and be competitive with other textile and garment producing countries.

4.6.4 Under capitalization of the textile & garment sector

The textile and garment sector is characterized by a number of older facilities that have been unutilized for several years, and are now equipped with older technology, much of which should be replaced. In some facilities, such as Southern Range Nyanza and Phenix substantial refurbishment efforts are underway and these facilities are improving. However, the sector is still extremely weak in terms of the technology employed to be competitive with the principal industry suppliers from Pakistan, India, Sri Lanka, China, and other major textile producers. Substantial additional capital will need to be invested to bring the industry to the level where it can compete in many of the product categories available under AGOA. To compete under AGOA Ugandan industry will need to be able to produce fabric to standards that can compete on the US market, and to do this will require additional investment, even in the best plants in Uganda.

4.6.5 Duty-Free Access to Imported Raw Materials to Produce for export

To effectively produce to meet export product requirements a broader range of textile materials will be required by garment manufacturers than is presently supplied by Ugandan textile mills. Therefore, in the short run to meet export standards Uganda's textile mills need to produce acceptable export-quality fabrics in a broad enough range, and accessory items are produced locally duty-free access to imported fabric and accessories is necessary. Even with this ensured it is not a guarantee that Ugandan garment manufacturers can compete under AGOA with neighboring countries because of the high cost to transport material in and out of the country. To compete it will be necessary to produce the fabric used from Ugandan cotton.

4.6.6 Cost of financing for textile sector

High cost or lack of availability of finance pose severe challenges for textile mills and garment exporters. On the textile side, a critical working capital need for purchase and storage of Uganda high quality lint is required. It requires storage of this lint for up to eight months. If the Ugandan mills cannot access reasonable credit they will face having to use lower quality cotton in the production of the textiles they produce, causing product homogeneity problems.

On the garment side, the cash-flow problems are even greater. Most firms find it onerous to buy imported raw materials for cash, and would prefer to borrow against letters of credit (LCs) supplied by the foreign customer. However, letters of credit are likely to be difficult to arrange for new entrants onto the international supply scene.

Such tightness in the capital market obviously makes large investments in rehabilitation of factory equipment difficult to finance. Investments in new production capacity are presently being contemplated by a number of groups, but the capital situation prevents rapid development and loan guarantee programs that include the textile and garment sector could help.

4.6.7 Inadequate Information Support

Presently market information provided to farmers, ginners, and textile manufacturers is limited. The farmer has little information that would allow for knowing whether the prices being offered are fair market prices, or whether the technologies being utilized are adequate. Further, the ginner depends largely on the international buyer for price information. Also, yarn and textile mills depend on the international market for information related to cotton and fabric prices. Help is required in developing market information that will permit textile manufacturers, ginners and farmers to maximize their returns, and to help them manage the risk associated with ownership of cotton or fabric in a most effective manner.

4.6.8 Inadequate Government Support for the sector

Governments in the developed countries often provide support to their cotton sector. Developing countries and LDCs cannot afford to do so. The result is that the cost of production has increased to unacceptably high levels in many developing countries and LDCs thus threatening the economics of cotton production.

GOU should provide investment promotion assistance at all levels from production to marketing. Currently UIA has put in place a promotion initiative that mainly focuses on the further processed products sector leaving production with little promotion. Specifically, in the cotton sector, if AGOA and other market thrusts are to be addressed the promotion initiatives need to match those of other countries exporting textiles and garments.

4.6.9 Inadequate Logistical Support for the sector

When producing garments for the international market, on time delivery is essential; otherwise, markets will be lost or never gained. The greater on-time delivery can be assured to the buyer the higher the price the buyer will be willing to pay. Thus, since

Uganda is a landlocked country with inherent high costs for transportation it is necessary to compensate for these disadvantages. Road and rail transport must be improved throughout the region with emphasis on cotton and textile producing regions. This effort will require the GOU to be supportive of rural road developments to ensure assembly of cotton as well as other agricultural products. Also important is the ensurance that transport between cotton ginners, textile and garment manufacturers to port is efficient and low cost. Thus, logistical support infrastructure should be an important priority of the GOU. Without strong support for improved logistics it will be very difficult for Uganda to compete under AGOA and this constraint must be addressed, perhaps with mini unit trains.

4.7 Constraints for the Textiles and clothing industries in Uganda

The textile and clothing industries in Uganda face the following additional constraints:

- The influx, particularly from Asia and South Africa, and some COMESA countries, of subsidized textiles and garments;
- The second hand clothes factor, which, whatever its social and political benefits, caused the death of the clothing industry in Uganda with the consequential loss of a substantial number of jobs;
- Foreign shopping (people able to travel abroad, even within the region, invariably buy their clothing and textile requirements on such trips, whereas it is not so easy to import as baggage other necessities of life);
- Commercial smuggling of competitive products, including the “badging” of foreign garments (and footwear) in some COMESA countries, with the result that the articles enter Uganda free of duty;
- Non-availability of low cost financing for securing cotton and other supplies;
- The fact that textile producers have to secure cotton contracts from local suppliers at the beginning of the season, thereby incurring increased costs in respect of finance and storage (by either party);
- Unfair competition and price pressure from other cotton producing countries where cotton production is subsidized (e.g. USA, China, the EU, Central and South and East Asia);
- Lack of competitiveness compared to all other major textiles exporting countries which provide substantial direct cash incentive payments for exporters (e.g. South Africa), who also enjoy lower production costs, economies of scale and greater installed capacity utilisation.

5.0 Policy and regulatory environment

5.1 Import/Export procedures

In a bid to promote export-oriented growth, Uganda abolished all taxes on exports in 1996. The current tax structure comprises the following:

- A 3-band import duty structure of 0%, 7% and 15% for goods originating from outside the COMESA region;
- COMESA duty rate of 0%, 4% and 6%
- Value Added Tax (VAT) of 17%
- Excise Duty of 10%, 15%, 20%, 60%.
- Importers also pay a withholding tax of 4% and import commission of 2%.

Import procedures (Cotton Not carded or combed 5201.00):

Import duty	7%
COMESA	4%
VAT	17%

Cotton Lint (cotton, carded or combed 5203.00)

Import duty	7%
COMESA	4%
VAT	17%

Cotton Yarn (52.05)

Import duty	7%
COMESA	4%
VAT	17%

Woven fabrics of cotton (52.09, 52.10, 52.11)

Import duty	7%
COMESA	6%
VAT	17%

Woven fabrics of cotton (52.12)

Import duty	7%
COMESA	6%
VAT	17%
Excise Duty	10%

In the proposed EAC Customs Union due to come into effect late 2003, it has been agreed that Uganda and Tanzania will levy taxes on certain goods from Kenya for a 5 year period. Uganda will levy duty of 10%, 8%, 6%, 4% and 2%, before conforming to the 0% duty characteristic of FTA's and CU's. With respect to cotton, the following tariff lines fall in this category:

Table 15: Tariffs for cotton, lint and yarn

HS Code	Description	Number of lines
52.03.00	Cotton Yarn	
52.08	Unbleached plain cotton weave containing 85% or more by weight of cotton, weighing not more than 200 g/m^2	20
52.09	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/m^2	16
52.10	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres weighing not more than 200 g/m^2	16
52.11	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres weighing more than 200 g/m^2	16
52.12	Other woven fabrics of cotton	10

5.2 Non-tariff charges

Physical and institutional non-trade barriers limit trade. A 2000 survey by Technoserve Inc. identified a number of non-tariff barriers (NTBs) limiting trade within the EAC and concluded that removing them is more important to increasing regional trade than the removal of tariffs. This implies that the EAC should place special emphasis on the abolition of these NTBs. Some of these NTBs prevalent in Uganda include:

- Standard specification and regulations-act as non-tariff barriers and increase the effective rate of protection.
- Quality control- the use of quality control has become a means to protect local industry through limiting imports by adding bureaucratic ties to the process. The current quality control system has two main deficiencies- the multiplicity of agencies involved in issuing and enforcing the regulations and the lack of transparency and due process in the system.

5.3 Phytosanitary requirements

Under article IV of the International Plant Protection Convention, Uganda has responsibilities for establishing an official organization for phytosanitary export inspection and certification in order to assure that the exports meet the import requirements of foreign countries.

To be able to stop the introduction or spread of pests that present major hazards to agriculture, use of safe guards is inevitable. The methods of implementing these safe guards are as follows:

- Use of permits
- Uses of quarantine stations
- Lines of defense-usually, quarantine activities are organized on a scale demanded by the value and variety of a country's agricultural production and volume of world wide imports of pest carrying imports.

On cotton imports and exports, there are no specific phytosanitary requirements; unless there are specific requirements by a foreign country importing Ugandan cotton and its byproducts. Generally, the method in use presently causes no serious obstacles to importers or exporters of cotton and other agricultural products. The method is customer friendly in that it seeks to protect the Uganda's agricultural industry and plant resources. And through its export certification procedures, the quarantine system is protecting Uganda's cotton and other agricultural exports.

6.0 Towards enhanced regional cotton trade

6.1 Regional Trade Policy and Regulations

The trade policy agenda of the EAC aims at turning the three partner states into a single investment and trade area in order to increase the volume of trade among them with the rest of the world. The ultimate goal is to promote rapid economic growth and development, generate employment and uplift the standard of living of the East African people. Eventually, goods, labour, and capital will move freely among the three countries.

The three East African states have been operating under the COMESA trade regime that emphasized a phased tariff reduction program to reach a Free Trade Area (FTA). In October 2000, when the COMESA FTA was launched, Kenya along with eight other COMESA countries (out of the total of 20) reduced their tariffs to zero on imports from other COMESA countries. Under the same program Uganda and Tanzania have so far reduced their tariffs by 80% but have delayed moving to a zero rate.

Under the new EAC Treaty, the three partner states have given themselves up to 2004 to establish a Customs Union as a first step to greater economic integration (Article 75 (7)). The partners completed a draft Customs Union Protocol by the end of 2001 and the implementation of this protocol will reduce the internal tariff to 0% and put in place a Common External Tariff (CET). The Treaty also requires partner states to remove all existing non-tariff barriers on the importation of goods originating from other partner states, and thereafter to refrain from introducing any further non-tariff barriers.

Plans to achieve free trade within the EAC include the following:

- Creation of a Single Bill of Entry document.
- Harmonization of duty drawback and other export promotion schemes.
- Standardization of trade documentation and procedures.
- Harmonization of exemption regimes.
- Strengthening of the East African business council.
- Having a common transit bond form.

6.2 Other factors affecting regional cotton trade

GOU is in discussion with stakeholders and is being requested to make quick and bold changes in regulations concerning this sector, to encourage investment in production and the adoption of new techniques to substantially increase exports (AND also increase supply to the local market). The areas that Uganda will need to address are detailed below:

6.2.1 Market Competitiveness

The three countries produce similar goods (especially primary agricultural goods); e.g. cotton, tea, coffee and fish. This calls for a strategy to produce higher-quality goods that are not only competitive within the region, but also on world markets. A regional effort to increase competitiveness in world markets is more likely to succeed than promoting each country individually.

6.2.2 Negotiate for improved access under the EAC Trade Protocol

This at present offers Ugandan exporters better prospects (than COMESA) for increasing its exports. However, under the new EAC Treaty, the three partner states have given themselves up to 2004 to establish a Customs Union as a first step to greater economic integration that will cover textile, yarn and other other products.

6.2.3 Introduce Export Processing Zones (EPZ)

The provisions of the EPZ Act should be put into effect immediately, and within a year the Act should be enhanced to include (or have reduced provisions and benefits for) exporters who export greater than 60% but less than 80% of their production. The proposed improved DDS should also continue to be available to those industries that will be operating under the new Export Processing Zones (EPZ) Act.

6.2.4 Encourage local consumption

Uganda urgently needs to put in place safeguard measures against imports of textiles and clothing from countries that offer unfair advantage to their exporters, thereby causing material injury to Ugandan producers. The differential in the import duty structure between raw materials (cotton, yarn, fabrics) and finished goods (garments, household textiles) should be increased. Here, the difference of only 10% in the tariff for fabrics (at 15%) and for garments (at 25%) is too low. Industry is also lobbying GOU to ensure that Government Tender Procedures become more transparent and proactive in supporting and encouraging local industries.

6.2.5 International trade

Whereas there is little that Uganda can do to correct unfair trading practices in other countries or to influence the Liverpool UK CIF cotton price, there are positive measures that it can take to stimulate its own industries. Other cotton producing countries continue subsidizing their production of the basic raw material, COTTON (e.g. USA, China, the EU, Central and South East Asia), thus artificially keeping world prices lower than they otherwise would be; this in turn puts undue pressure on the local cotton growing and ginning industry to charge spinners a price for cotton that is higher than international prices.

Appendix 1: List of contacts made

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