A COMPARATIVE STUDY OF THE IMPACT OF FOREIGN DIRECT INVESTMENT (FDI) ON ECONOMIES OF MALAWI AND ZAMBIA: A CASE OF TEXTILE MANUFACTURING

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1.0 INTRODUCTION

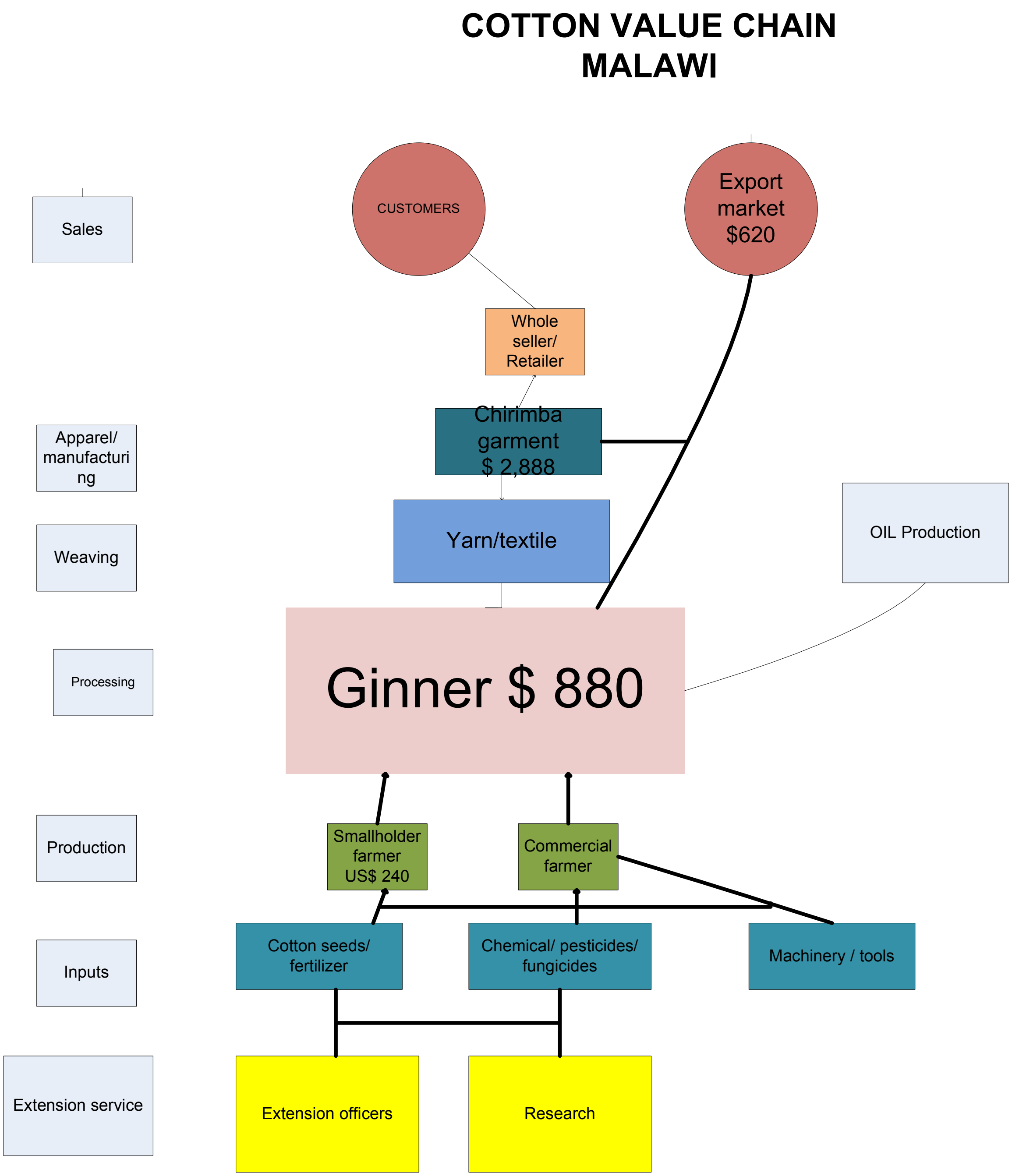
Malawi is a landlocked country and ranks among the world's least developed countries. The economy is predominately agricultural, with about 90% of the population living in rural areas. Agriculture accounts for 40% of GDP and 88% of export revenues.

Cotton has traditionally been an important cash crop in Malawi, especially in the lakeshore and other low-laying areas where the climate and soil are suitable for cotton growing. Between 120,000 to 150,000, smallholder households cultivate the crop. A limited number of large commercial farmers previously cultivated cotton, yet its declining profitability, in the face of sharply reduced international prices over the past years has led to most growers to move away from this crop. Historically, a major proportion of ginned Malawi cotton was sold to domestic garments and textile companies, with the balance of the crop exported as lint within and outside of the region. The downsizing of the garment and textile industries since the early 1990s has resulted in a pattern whereby the bulk of seed cotton is ginned and then exported as lint.

Malawi's annual cotton production has fluctuated between 40,000 and 65,000 metric tons over the past decade, however with better farming practices and incentives, production levels currently hovering around 1,000kh/ha can be increased to 3,000 kg/ha.

A company would subcontract farmers to produce cotton, providing them with the inputs, technical expertise and guarantee a price for seed cotton at the end of the season.

MAP OF MALAWI



Evaluating the cotton, textile and garments value chain shows that the level of integrated up and down the chain is limited in Malawi. Until the 1990s there was an integrated cotton, textile and garment chain in Malawi with intra-sector linkages, however trading circumstances during the 1990s and the decline of the only remaining textile company Davis Whitehead and Sons meant that the chain was effectively broken into three separate entities: cotton, textile and garments, with textile no longer functioning.

2.0 EXTENSION SERVICES

2.1 Research

The value chain is starting with research, in Malawi there are national institutions, which have been instrumental in developing area specific seeds, which are being used by farmers.

There is a promising pilot credit scheme conducted by Grate Lakes Company, this scheme is conducted in cooperation with a carefully selected localized Farmers Unions that can assist and advise the participating smallholders.

These development present practical innovations which catalyze interaction between two major players, the farmers union and Great Lakes company a ginning company which buy seed cotton from the farmers, jointly delivering higher yields , greater production and plus Ginning Out- Turn. This could increase yields from the current 1000 kg/ha to 3,000 kg/ha. Lint production is expected to increase from the current levels 40,000 tons to 65,000 tons per year.

2.2 Extension officers

Cotton farming in Malawi is dominated by rural small holders farmers and the majority of them are illiterate and do not know modern techniques of good husbandry so as to help them to grow and manage seed cotton, the Malawi government has trained extension workers who round training the farmers how to when grow, manage and spot pests which can destroy the crop. The problem is that these extension workers are not many to cover all the cotton smallholder farmers, the extension workers are also ill trained, the majority of them are not cotton specialists.

3.0 INPUTS

This section examines four key inputs to cotton production: seeds. Fertilizers, agricultural chemicals, which includes (herbicides, pesticides and fungicides) and machinery used in planting and harvesting of cotton.

3.1 Cotton Seeds

The ginners are the main suppliers of cottonseeds to farmers. Once the seed cotton has been ginned, the ginners are left with cotton lint and cottonseed so a proportion of cottonseed, up to 10% is kept back for the ginners to supply farmers with seed for the following year. This is sold at a highly subsidized price of $ 0.017 to $ 0.027/kg or $ 45/tonne against its realizable commercial value for oil pressing at $ 120 to 130/ tone. The ginners provide seed at this price to encourage farmers and in recognition that the farmers will be short of ready cash at the time when they need to purchase.

3.2 Fertilizers

Key companies in the fertilizer sector are as follows: Optchem Malawi limited, Cargill, Agricultural and Marketing Corporation (ADMARC), Small farmers' fertilizer revolving fund, Yala Company, Norskhydro Company. Farmers' world and the Taiwanese have just constructed a plant in Lilongwe but the operations are yet to begin.

These companies are not able to certify the demand of fertilizer in the country so most of the fertilizer is imported from South Africa and abroad.

3.3 Agricultural Chemicals

ICI, Pesticides Malawi Limited, Chirani and Sons Limited, Chemical and Marketing Board of Malawi, Agricultural and Marketing Corporation are the main suppliers of agricultural chemicals, but the bulk of it is imported from South Africa and overseas suppliers.

3.4 Agricultural Machinery

There is one major manufacture of Agricultural machinery by the name of Agrimal Malawi limited. The machines produced by this company are mainly useful for smallholder farmers who use them manually. Tractors, sprayers, pickers, planters and tillage equipment are imported from South Africa and overseas.

4.0 PRODUCTION

The production of cotton lint consists of three main activities before shipment to textile mills: The cotton is grown, ginning of raw cotton and ware housing of ginned cotton and cottonseeds. Farmers manage the stage up to production and harvesting. Ginning is the process of removing the cotton and cottonseeds. Cotton is stored in warehouses after it has been graded, packed in bales and weighed until private companies ship it and when necessary by the ginning companies.
There are three types of cotton farmers in Malawi: Smallholder farmers, large farmers and contract farmers. We examine bellow the nature of activities and the key players within the smallholder farmers, the large farmers and the contract farmers.

4.1 Smallholder Farmers

Cotton growing has been an important smallholder farmer cash crop in Malawi. Smallholder Cotton growing in Malawi supports up to 120,000 families.
Cotton is grown in three areas in Malawi: The Lower Shire Valley accounting for up to 50% of national production; The Southern region upland areas around Balaka, accounting for 30% of production: The Lakeshore area around Salima, accounting for the remaining 20%

Declining profitability in the face of sharply reduced international prices over the past 10 years has led to most smallholder farmers have tended to substitute other cash crops for cotton over the past 15 years, although this is difficulty as many small farmers grow cotton out of tradition and lack of an alternative cash crop in low laying areas, particularly in the shire Valley.

The decline in the production and quality is due to many reasons, first, the high input requirement for cotton growing such as pesticides and herbicides and limited resources of smallholders and lack of micro-finance credit. The other reason is the decline of the official extension service and the resultant decline in cotton husbandry, including pest management.

4.2 Large cotton Farmers

Large commercial farms have also been engaged in cotton farming like Press General Farms. Private investors are given land on lease bases, the lease runs up to 50years but renewable for another 50 years. They too have been faced with the problem of low prices offered at the international market for cotton.

4.3 Contract Farming

The ginning companies are sub-contracting farmers to grow cotton. They provide them with inputs, technical expertise and guarantee a price for the seed cotton at the end of the season. This has worked in some cases but in others it has not worked very well as farmers would sale their cotton to traders the market for a better price.

4.4 GROSS MARGIN FOR COTTON

Seed	$ 3.94
Pesticides	6.90
Sprayers	1.66
Herbicides	8.97
TOTAL SEEDS & CHEMICALS	**21.47**
Labour	117.24
TOTAL COST	**138.71**
Production Yield (kg)	1,000
TOTAL RVENUE @ $ 0.24/kg	**240.00**
Net Profit	**101.29**

5.0 BUYING OF SEED COTTON

5.1 Sale direct to ginners

Some smallholder farmer's sale the seed cotton direct to the ginners especially those who are located near to the four ginneries in Salima, Balaka, and two in the lower shire, or to the ginners own buying points. By selling directly to the ginners, farmers get a better price, but farmers have to organize transport and to meet its cost, though ginners would collect large volumes. Operating selling points is expensive for the ginneries, but it is necessary to encourage the farmers to grow more seed cotton and that they can secure a share of the crop. Therefore, Ginners are increasing the buying points.

5.2 Sales through traders

From the survey made, many smallholder farmers like selling seed cotton to privet traders. This can be explained by geographical problems, as production of cotton is widely spread and the locations of ginneries are too far. The traders take care of transport, this is easier for the smallholder, the trader also pays cash, which is urgently needed by the farmer, there is a danger that some times the trader can get the crop and not pay for it. Traders buy seed cotton @ US$ 141 and sales it @US$ 179/ton value adding of 27%.

5.3 Sale through farmer organizations

Sale is also done through farmers Association like the Balaka Smallholder Farmers Association (BASFA), which is affiliated to and supported by the National Smallholder Farmers Association of Malawi. BASFA has a membership of 3,000 in Balaka area. The problem being experienced by BASFA is that they do not have enough money to buy all the seed cotton produced by the smallholders. Balaka Farmers Association buyer seed cotton from farmers @ US$ 159 and Sales it @ US$ 179/ton, Value adding of 16%.

6.0 PROCESSING OF SEED COTTON

6.1 Ginneries

Malawi has three companies processing seed cotton, these are; Clark Cotton of Malawi (CCM) and Great Lakes Cotton Company (GLCC), Iponga that is locally owned has an oil crushing plant, the other two are foreign companies Ginning is the process of removing seeds from seed cotton.

Clark Cotton Malawi controls approximately half of the National ginning capacity; they have two plants, one in Salima and the other one in the lower shire valley. Great Lakes Cotton Company also has two plants, one in the lower shire and the second one in Balaka.

All the four ginneries are in very good condition, the only problem is that they are under utilized, only about 25% capacity is being utilized and 75% is idle. This is an indication that the industry is not profitable. On the other hand, this is an indication that there is capacity to be fulfilled by the growers without the ginneries having to make significant capital expenditures. **Ginners buy seed cotton @ US$ 179 either from farmers direct or traders and sales it Locally at US$ 880 adding value of 391% and Export the lint cotton at US$ 620/ ton adding value of 246%**

7.0 **MANUFACTURING**

7.1 Textile manufacturing

Once the seed cotton has been ginned, the ginners are left with cotton lint and cottonseed. The cotton lint is then sold to the textile manufacturing companies. The Textile Company pay for the Lint Cotton **US$ 1100/ ton** one of such companies is Mapeto David White and Sons, who are the manufacturer of Yarn and fabric, it is also involved in spinning, weaving and dying and other several finishing processes this factory uses about 1,000 tones of cotton lint 60-80% is exported to South Africa and other overseas countries especially South Asia.

Mapeto David Whitehead and Sons is the sole textile mill whose machines are very old and need to be rehabilitated to international standards and has experienced severe financial problems, the garments industry does not use textiles produced by MDWS, they use imported fabric, because MDWS is unable to provide variety and quality at the right time. With the changing trading regimes for a two-tariff heading co version that encompass the use of local fabric, Malawi has to develop its textile industry. All the trade agreements such as AGOA have increased future requirements on exporting nations to use either national or regional textile, but AGOA has stipulated that only local textiles should be used.

This factory before the above problems started, it was able to employ over 4,000 people, but now it can only employ less than 400.

7.1 Cotton seed

About 10% of the cottonseed is kept by the ginneries to supply to smallholder farmers for seeds to be used for the next planting season. Most of the cotton seed is exported to South Africa and the balance is sold to some five local companies who crush the seed extract cooking oil, these are NIRA, Mbado Enterprise, Walitsa Oil, Maone and Unilever International and some of the oil is used for making soap .When the seed cotton is pressed to extract oil, the bi-product is cotton cake, which is used to make animal feed.

Ginneries like exporting the cottonseeds because of more attractive export price and it also earn them foreign exchange. What is surprising is that some of these oil-crushing companies are importing some of the cottonseed from Zambia or Mozambique or they are using groundnuts to crush, they say it is cheap importing the cottonseed from these countries.

8.0 GARMENTS MANUFACTURING

8.1 When the textile is made garments manufacturers buy the fabric for making garments. The garment industry in Malawi is relatively small with only six companies namely, Crown Fashions, Giant Clothing, Knitwear Industries, Chirimba Garments, Crossbow Clothing and HAPS Investment Co. Ltd/ Vanguard Garment Company. Apart form the six there are small and individual tailors which employ 2-10 workers

The six garments companies employ over 7,600 workers

Three companies are locally owned and South African companies and the others a Taiwanese company own owns one two.

Originally, thirty garments factories as we have seen above only six are left because of unfavorable trade agreements or failure to implement those are favorable.

9.0 SALE OF GARMENTS AND TEXTILE

9.1 Trade agreements, such as African Growth Opportunity Act (AGOA). Community of East and Southern Africa (COMESA) free trade area and the Malawi Mozambique, Tanzania and Zambia (MMTZ)/ Southern African Customs Union (SACU) Agreement offer opportunities for both cotton and garments sector.

The garment sector has not taken advantage of the AGOA, only three companies are exporting to America under the agreement, the rest are not able due to poor quality and lack of modern machinery

9.2 Some of the fabric manufactured by MDWS is sold direct to the wholesalers who intern sale the fabric to retailers and retailers' sale to the end consumers.

9.3 The fabric is also exported direct from the factory to the region or overseas.

9.4 The cotton wool after being packed by the textile company is sold locally especially to the hospitals and pharmacies

10.0 ISSUES ON COTTON GROWING IN MALAWI

The following are issues on cotton growing in Malawi:

1. The high cost of input requirement for cotton growing in MALAWI such as pesticides, herbicides, fungicides and fertilizers.

2. Limited resources of smallholder farmers.

3. Lack of Micro-credit for smallholder farmers.

4. The decline of the official extension service which result in poor cotton husbandry, poor pest control.

5. Lack of modern equipment, most of the farmers use hoes for farming; they cannot afford buying tractors, harvesters, planters and sprayers.

6. Weak price incentives because of the decline of the international prices.

7. Inefficiencies in marketing arrangements.

8. Poor organization of producer organization in the past and limited farmer's access to credit and the ability to achieve economies of scale through joint purchase of inputs and transport of seed cotton to buyers.

9. Small-scale traders exploiting the smallholder farmers by buying the seed cotton at low prices and sometimes not even paying them.

10. "Free riding" by others traders, credit is given by the ginneries but when it come to selling the seed cotton, the farmer who obtained credit from the ginner would choose to sale the cotton to the trader who is offering good price and thereby defaulting repayment of the loan.

11. These days the world market is interested in ORGANIC cotton, but in MALAWI farmers are still growing the old type of cotton, organic cotton fetches good price on the market, so it is high time the government encouraged farmers to grow organic cotton.

12. The smallholder farmers do not benefit from the sweat of their work as they sale seed cotton which is not processed, they would benefit quite a lot if they were able to sale seed cotton which is processed, thus they could also have access to the seed which they would either export or sale direct to crushing companies. Nevertheless, for them to do that they need to form Association.

13. How can the textile industry in Malawi compete with the importation of second hand clothing and line, which is imported from overseas?

14. How do we revamp the textile and garment industries, which are dying in Malawi.

15. Malawi has no schools for garment designing, how can the Government ensure that this programme is incorporated in our education system

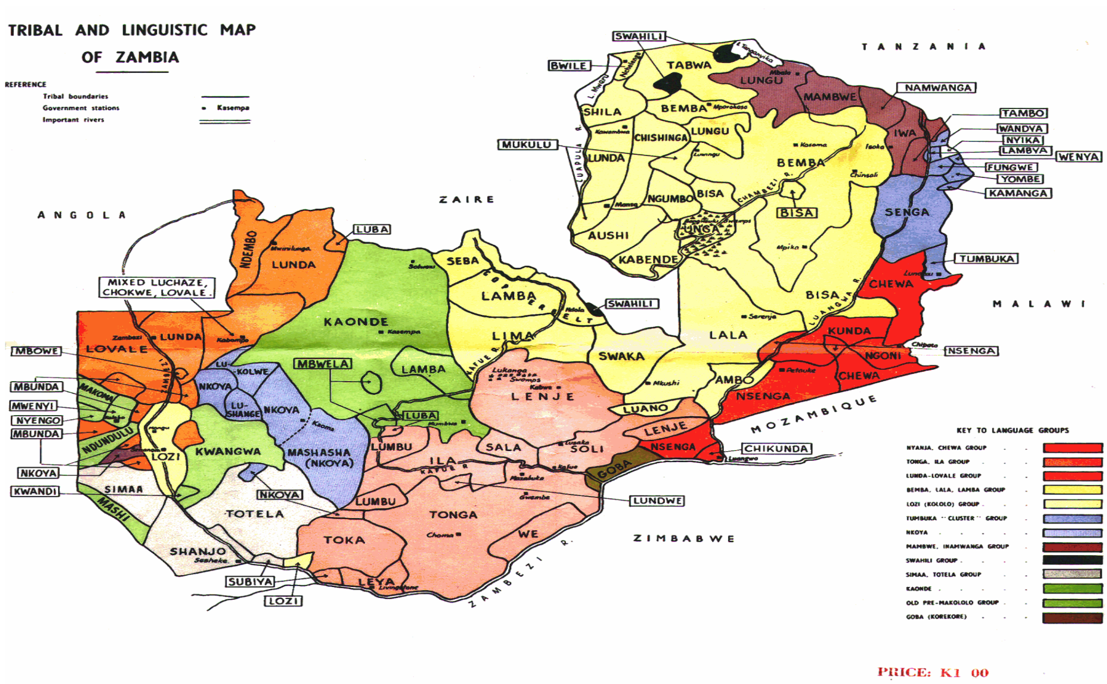
LIST OF STAKEHOLDERS TO BE SURVEYED/ INTERVIEWED.

1. Ministry of Agriculture and Food Security
2. Ministry of trade and Industry
3. Malawi Chamber of Commerce and Industry
4. Investment Promotion council
5. Cotton council of Malawi
6. Reserve Bank of Malawi
7. Cotton Farmers
8. Export Promotion council of Malawi
9. Malawi Revenue Authority
10. Personal Knowledge

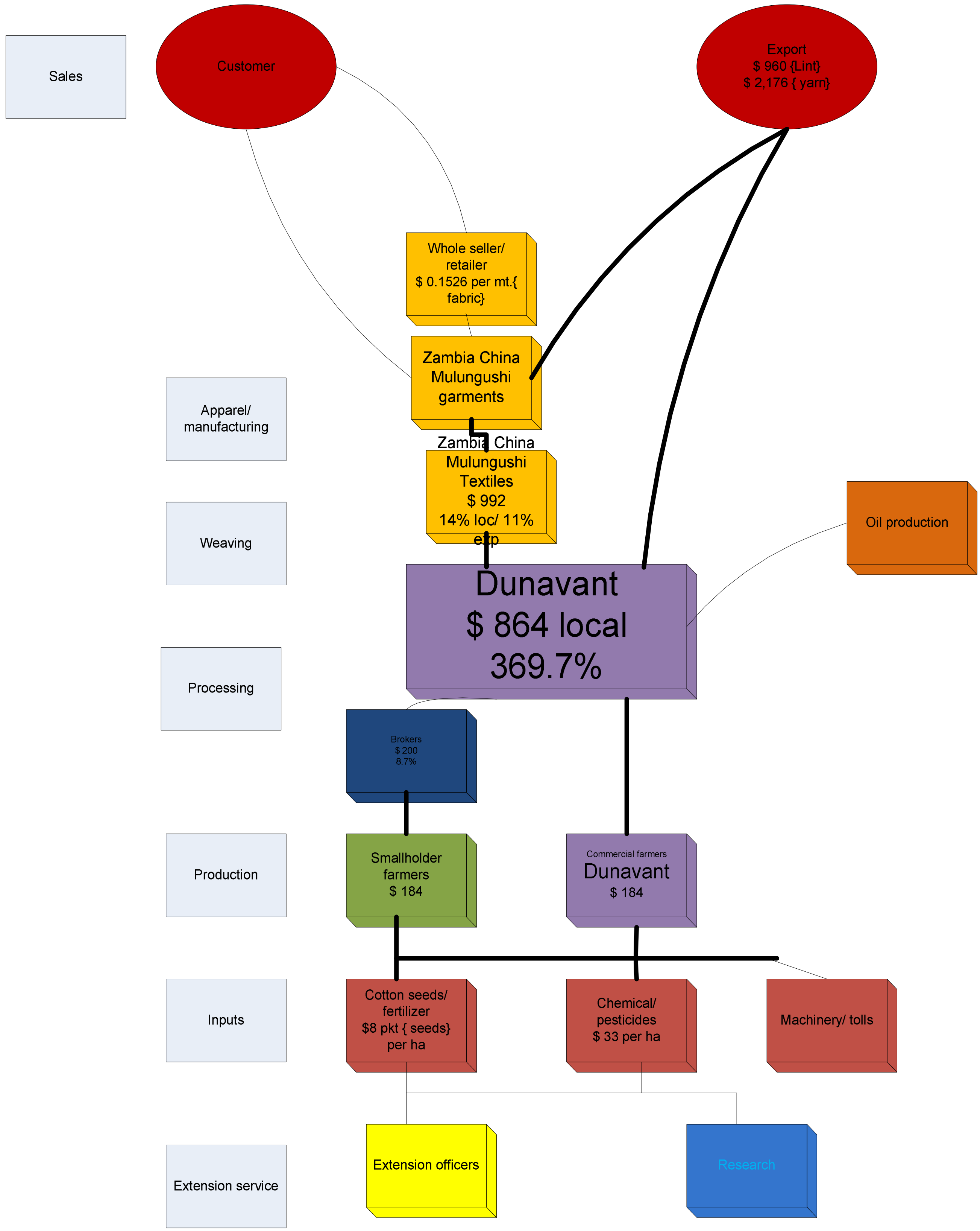
ZAMBIA

INTRODUCTION

CLIMATIC CONDITION OF ZAMBIA



DUNAVANT VALUE CHAIN- ZAMBIA


Sales
Customer
Export
$ 960 {Lint}
$ 2,176 { yarn}
Whole seller/
retailer
$ 0.1526 per mt.{
fabric}
Apparel/
manufacturing
Zambia China
Mulungushi
garments
Weaving
Zambia China
Mulungushi
Textiles
$ 992
14% loc/ 11%
exp
Oil production
Processing
Dunavant
$ 864 local
369.7%
Brokers
$ 200
8.7%
Production
Smallholder
farmers
$ 184
Commercial farmers
Dunavant
$ 184
Inputs
Cotton seeds/
fertilizer
$8 pkt { seeds}
per ha
Chemical/
pesticides
$ 33 per ha
Machinery/ tolls
Extension service
Extension officers
Research

Zambia is a land locked country like Malawi and they share boarders. It experiences three type of weather that is warm wet season from mid- November to April, a cool dry season from May to August and hot dry season fro September to November. Mean annual rainfall tend to increase from 600 millimeter in the South to Over 1400 mm in some North and North- Western areas. The peak of rainfall is January over the greater part of the country.

ECONOMIC POSITION OF ZAMBIA

Zambia is strategically situated in the Southern part of Africa; it shares boarders with Democratic Republic Of Congo (DRC) and Tanzania in the North, Malawi and Mozambique in the east, Botswana, Namibia and Zimbabwe in the South and Angola in the West.

This aspect puts Zambia at an advantage in terms of easy access to the expanding opportunities in the region.

The Agriculture sector and the textile industry are the most promising growing industries in Zambia. The copper belt Province, which was the known for mining, people have now shifted from mining to Agriculture, the agriculture sector is creating employment for the majority of people in this area for example, Cotton industry alone provides cash earnings to more than one million rural people.

ZAMBIA'S COTTON INDUSTRY

Cotton is grown for the fiber both for local textile industry and for export market, it is grown as a cash crop by small scale farmers. Cotton has a substantial smallholder participation, with an average of 140,000 small scale farmers contracted to grow cotton each year (Zambia cotton handbook,2001, EBZ: Primary Agriculture Sector Report, 2002), the output per worker per year in the industry is $ 208 (Dunavant Ginners).

EXTENSION SERVICE

1.The Government operates an extension service scheme, it has trained extension workers who go round to train the smallholder farmers on good farming Husbandry, but the problem with these extension workers is that they are very few and not specialists in cotton farming they generists, because of this shortfall, the large cotton farmers like Donavan Zambia Limited have out growers schemes which operates training and extension service across all its small producers. The out grower scheme recruits and trains the small-scale farmers. The training concentrates on agronomic skills and judicious use of pesticides and fungicides

2. Research is mainly done by the government institutions, currently, study is being done on improving the quality of cottonseeds and trials on Organic cotton that is being highly demanded on the world market and it is fetching competitive prices than the traditional

cotton. The establishment of the Cotton Development Trust, an autonomous grant-aid institution in 1999 has added impetus to the cotton industry in Zambia. The trust is a technical arm of the industry in that its main functions are research and development, extension and training in cotton, other activities includes cottonseed production and cultivar development, contract research and commercial innovations.

INPUTS

1. Cottonseeds are some of the input used by the farmers during plating season, the major source of these seeds is the ginneries, who normally after separating the lint from the seeds, they keep some for the farmers and it is sold to them at a very low price just to encourage the farmers to keep on growing cotton.
2. Fertilizer is another input, there companies who are manufacturing fertilizers in Zambia for the use of the farmers, but the bulk of it is imported from South Africa.
3. Most of the small farmers are still using primitive methods of farming, they are using hoes instead of tractors dues to lack of capital to buy these advanced machinery. There are several supplier of farm equipment, although most of the equipment is imported from South Africa and abroad.

PRODUCTION

1. SMALL SCALE FARMERS

Zambia as is the case of Malawi most the farmers are smallholders. Cotton is grown mostly in Central, Eastern and Southern Province of Zambia. Eastern Province is the most important area for cotton growing and it accounts for 50% of the total output of cotton in Zambia. There is an estimated 86,000 farmers cultivating about 173,000 hectares of land. The yield has remained low, due to lack of intensification in cotton production and due to poor management skills for farmers. The production constraints affecting the small farmers at farm level are:

- Late planting
- Low plant population
- Untimely and inadequate weed control
- None – use of fertilizers
- Ineffective control of pests and diseases
- In appropriate tillage, soil and water management practices
- Inappropriate improved varieties for different agro-ecological zones
- Poor seed quality
- Inadequate information flow especially on prices
- Inadequate extension services.

GROSS MARGIN ANALYSIS PER HECTAR FOR SMALLHOLDER FARMER

INPUT		COST
Seeds	US $ 8/Packet	US$ 8.00
Chemicals	US$ 33/1Ha pkt	US$ 33.00
Solubor	US$ 1.8 kg /Ha pkt	US$ 1.80
Labour	110 man days @ US$ 0.44	US$ 48.40
TOTAL Variable cost		US$ 91.20
Total Revenues 800Kg/Ha x 0.23/Kg		**US$ 184.00**
Gross Margin		**US$ 92.80**

2. LARGE FARMERS

There are two major cotton-growing companies, namely Dunavant in the Central and Southern Provinces of Zambia and Clark Cotton, which is based in the Eastern Province. Dunavant Zambia limited is the leading company in cotton growing in Zambia.

Dunavant has a scheme whereby 100,000 out-growers farmers are contracted; the aim is to train these small farmers to produce high quality cotton. Dunavant use Local distributors to recruit out-grower farmers and issuance of farm input on credit, these Distributors are responsible for debt collection. Therefore, the distributors us their local knowledge and peer pressure to collect the debts, these distributors are expected to achieve a minimum of 65% loan recovery

There are however problems affecting the out-grower scheme, some of them are:

The farmers sale the cotton to other agents other than Dunavant for better prices and this happens at harvest time, Low out put due to high transaction costs, poor yield per hector, logistical problems in servicing a group of 40-50 farmers by individual distributor, as the group is too big and can be scattered.

Clark cotton is based in the Eastern Province of Zambia, however it has small operations in the Southern part of Zambia, it has recruited over 57, 000 seed cotton farmers, The seed cotton production is around 40,000 MT a year and out of 90% is produced in the Eastern Province of Zambia.

Clark Cotton also engages Out-grower farmers through the distributors. Most of these distributors were from Lusaka, so after distributing the inputs, they would go back to Lusaka leaving one or two supervisors. Because of inadequate supervision, during harvest time the out-growers farmers would sale the cotton to other dealers.

Continental Ginnery is located in the Eastern Province, they have recruited 16,000 farmers with about 15,000 hectares, and they produce about 4,000 MT of seed cotton.

BUYING AGENTS

After seed cotton is harvested the farmers sale the cotton direct to Ginneries or through Agents.

The Ginneries have set picking points at various locations, so farmers get around US$ 0.25 to 0.30 per Kg. **That is $ 200 to$ 240 per 800kg adding value of 8.7%**

The agents also have set markets for buying cotton. The advantage of these agents is that they are able to organize transport to ferry the cotton to the ginners. One big disadvantage is that they offer low prices and some times, they do not pay the farmers after promising them that they will get their money after the Agent has sold the cotton to the ginneries.

PROCESSING

All seed cotton is processes in the country. There are six major ginning companies namely; Dunavant (Z) Limited, Clark Cotton Limited, Amaka Holdings Limited, Continental Ginneries Limited. Zambia China Mulungushi Textiles and Mukumba Textiles. These companies have a capacity of over 180,000 MT but seed cotton production is low so there is idle capacity. These companies separate the seed from cotton, the lint is either exported or sold locally to Textile manufacturers, and the seeds are sold locally for oil production, cake for animal feed.
30% of cotton is sold locally, 40% is sold to South Africa, 20% goes to EU marketed and 10% to the Far East, South Africa is the key export destination for lint cotton from Zambia. **The lint is sold at $ 864 value adding of 369.56%.**

MANUFACTURING

Zambia China Mulungushi Textile Limited is the only company in Zambia who apart from ginning has machinery for weaving yarn into cloth and finally produce garments.

This company has also set up an oil processing plant so that all the delinted fuzzy seed is used for oil expelling and the cake is made into stock feed for livestock.

Swarp Spinning Limited is the major local buyer of cotton lint, so about 12,000 MT is required annually.

The textile sector is one of important sectors in Zambia's economy in terms of its contribution to GDP (between 16% -20%), export earnings and creation of employment for the bottom of the pyramid.

There are 12 weaving and knitting companies in Zambia, these are:

1. Zambia China Mulungushi Textiles, this is a joint venture between Zambia Government and Chinese Government, and it is located in Kabwe
2. Kafue Textiles is located in Kafue
3. Excell Textiles is located in Ndola
4. Mukumba Textiles located in Ndola
5. Towel Textiles located in Kitwe
6. Townap textiles located in Ndola but closed due to poor business
7. Sambro Textiles located in Ndola but closed due to poor business
8. Zambia Knitting located in Ndola but closed due to poor business
9. Ndola Knitting located in Ndola
10. Deetex textiles located in Ndola
11. Rain Knit Located in Ndola
12. Swarp Limited Located in Ndola

All weaving companies in Zambia are privately owned except two companies, Kaffue textiles that are wholly owned by the Government and the Zambian Government and the Chinese Government jointly own Zambia Chinese Mulungushi Textiles.
Those privately owned belong to families of Asian origin. **The lint is exported at $960 per ton value adding of 11% and locally the lint is sold at $ 992 value adding of 14%. The local spinners are not happy with this discrimination because their products cannot compete with those manufactured from out side the country**

GARMENTS MAKING

The apparel/ garment industry had more than 140 manufacturers employing more than 15,000 people but now there are less than 15 all have closed down. some of the reasons why the manufacturers closed are: The influx into the market of second hand clothing from overseas, the globalization of the economy, so these companies could not compete with high quality goods manufactured in other countries such as South Africa since they were using old technology and they could not afford to upgrade there machines.

Most of the remaining garments manufacturers produce industrial uniforms, protective clothing and school uniforms.

The following are garments Manufacturers in Zambia:

1. Zambia China Mulungushi, they are a large company are located in Kabwe
2. Amalgamated Dress , this is a medium company located in Ndola and producing protective wear, uniforms for school.
3. Caress Lingerie located in Ndola it a small company producing uniforms and protective clothing.
4. Carol Exclusive Manufacturers small company located in Ndola producing casual/ designer wear uniform for the defense force.
5. City clothing Manufacturers are located in Lusaka, medium company, producing uniforms and school wear.

6. Colwyn Group is a large company located in Ndola their product is Rain wear.
7. Gaurock Ropes and canvas a large company located in Ndola producing protective and rain wear
8. Lusaka Clothing are Medium company located in Lusaka and producing school wear and protective clothing,
9. Modern Clothing a medium company located in Lusaka and producing protective wear
10. Naran Bros a small company located in Lusaka and producing protective wear.
11. Swarp Limited a medium company located in Ndola making shirts/ school shirt.
12. Unity Garments is a large company located in Ndola making protective wear, uniforms and trousers

The cost of yarn is $ 2,176.35 per meter

SALE

Lint cotton is sold to the local manufacturers direct from the ginning factories and also is exported to other countries direct from the ginning companies. The gate price ranges from US$ 1,24 TO US$ 1.99 per Kg

With the high demand of lint and yarn in South Africa and Zambia's recent accession to the US market through AGOA (textiles and clothing provision) passed by the American Congress, the export market for textiles has improved.

The establishment of Export Processing Zone in Zambia where manufacturers of export goods are enjoying tax concessions has helped the companies to produce more for export.

Negotiations are under way to increase trade under the SADC trade protocol and the SADC-MMTZ.

CONSUMERS

The Lint cotton is sold to Hospitals and Pharmacies in the country locally and some is exported to other countries in the region like South Africa.

The Garments some are sold locally to wholesalers and retailers who in turn sale to end customers like Government, schools, parents, individuals and companies. **The fabric is sold at $ 0.1526 per meter**

ISSUES ON COTTON GROWING IN ZAMBIA

1. Side – selling by farmers. This happens at harvest time when farmers pt to sell to other buying agents despite having entered in contract with the ginneries like Dunavant and Clark Cotton and others on out grower scheme.
2. Poor understanding and poor contract interpretation among distributors and farmers. This to some extent has brought about failure by either party to meet contractual obligations and this affects input loan recovery.
3. Most contract buyers have no transport hence any delay in collecting the cotton from farmers leads to the farmer to sell the cotton else where
4. The contract buyers sometimes redirect the money else where when they have been loaned money for buying the seed cotton from small-scale farmers.
5. Limited and in many cases farmers participation in producer marketing prices determination. The ginners normally finance the out-growers and in most cases, ginners squeeze the producer's price to maximize their margins.
6. Distributors are to busy so much so that they are not able to trace the source of poor quality cotton when they are buying the cotton from the farmers
7. There are poor yield of cotton per Ha, with good husbandry, one ha should be able to produce 1,500 Kg.
8. The farmers are using out dated technology; they would do better if they incorporated new technology, that is cultivating using machinery.
9. The out-grower farmers do not receive training, so they need to be trained.
10. Zambia produces more cotton than what it can use because most of it is exported due to lack of capacity in the country and lack of local and international market,
11. Many Textile companies have closed due to inadequate business because of the liberalization; Government does not protect local industry.
12. The Garment industry is also facing the same problem of liberalization, that why they have closed. They could not match the quality of products imported from South Africa and other countries.
13. How can the textile industry in Zambia compete with Second hand cloths that are so cheap?
14. The government is not doing enough to negotiate better terms for cotton on the world market, it need to do a lot for this sector.

SUMMARY AND RECOMMENDATIONS

As we have seen above, there is an enabling environment of cotton industry in both Malawi and Zambia due to AGOA facility, the reduction of duty rates by the SACU on SADC.
Malawi and Zambia are members of COMESA and SADC and can export to these countries duty free cotton.

The two countries have challenges to deal with if they have to compete regionally or internationally:

1. They need to improve on the quality of cotton produced and the textile manufactured to international levels. To do this they need to improve on the technology and this can come about by inviting foreign investors with the technical know how. These can invest in cotton growing, ginning, Textile and Garment manufacturing.
2. The countries need to take advantage of the AGOA, SADC, COMESA facilities
3. The Governments need to spearhead marketing, since it very expensive for individual companies to do that.

COMPARISION OF THE TWO VALUE CHAIN, CLARK COTTON OF MALAWI AND DUNAVANT OF ZAMBIA

	CLARK COTTON MALAWI	**DUNAVANT ZAMBIA**
Farmer	$ 240	$ 184
Broker	------	$ 200
Ginner	$ 880	$ 860
Textile	-------	$ 992
Export/ yarn	$ 620	$ 960
Garments	$ 2,888	$ 2,176

1. In Malawi farmers are a bit better than in Zambia due to productivity, Malawi cotton yield per hectare is 1000 kg as opposed to Zambia at 800kg.
2. The gate price at the ginners, Malawi is offering a better price than Zambia
3. Zambia is doing well on export price for yarn as opposed to Malawi
4. Malawi is doing fine on garments prices.
5. Please note that where there are dashes on the Malawi side, I could not find the figures, I need to go to the field to collect this data.

Overall, Malawi is competitive and the reason behind all this is that productivity in Malawi is high.

Sources of these Stakeholders

1. Ministry of Agriculture and Food Security- 2006/2007 Annual Agricultural Statistical report.
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3. Credit Demand and Supply, cotton sector, Malawi, by Jason Agar September 2007
4. Cotton Without boarders 2003 by Kadale consultants Ltd.
5. Cotton – Textile- Apparel Value Chain Report- Zambia August 2003