

Add Introductory/Greetings remarks...

The Mozambican Government is currently formulating its next Five Year Development Plan (*Plano Quinquenal do Governo* – PQG) for the period 2020 -2024. At the same time, the current agrarian sector strategy (PEDSA, 2010-2019) and the agrarian national agricultural sector investment plan (PNISA, 2013 – 2017, extended to 2019) are in their final year of implementation. Accordingly, there is an urgent requirement to formulate the PEDSA II (2020-2029) and PNISA II (2020 – 2024), in order to be properly synchronized with the emerging new PQG, currently under preparation by the Ministry of Planning and Finance. This is the perfect timing to discuss about cotton by-products because important information can be added to the next Agricultural Sector Development Plan (PEDSA II), and the next National Agricultural Investment Plan (PNISA II).

Agriculture is the second largest sector in the economy of Mozambique, contributing to 25% of the GDP and employing over 80% of the active workforce. In addition, about 99% of the country's 3.9 million farming households are smallholder farmers. They depend on agriculture for their primary livelihoods, cultivating about 95% of all the agricultural land and producing about 95% of the country's agricultural output in 2015. More than two thirds of the people in the country are either directly or indirectly employed in the agriculture sector and 90% are women.

In 2018/2019 there were about 214 thousand cotton growers in the country, working with 11 companies in a concession system, which creates more than 20,000 direct jobs. Cotton is one of the priority crops identified in PEDSA and PNISA. Worth noting is that the number of cotton growers changes considerably annually, depending on the price of cotton in the previous season. Minimum prices are set by the government based on parity criterion whereby farmers receive 50%-55% of the international market. Because cotton is mainly grown for its fiber, small price variations in the international markets are transmitted to the domestic markets, and farmers tend to substitute cotton for other crops since cotton by-products are rarely explored.

There is only one firm producing cotton soap in the country, and little information exist about the production of other by-products. Within PEDSA there is a specific cotton policy document, the cotton revitalization program. It has some projections for cotton seed for oil, but the actual production amount is unknown. As we develop the second generation of PEDSA, the Mozambican government hopes to make cotton by-products a priority in the specific cotton program. Cotton by-products would contribute significantly to increasing household welfare.

Available research from Mozambique indicate that lower profitability of cotton is a result of low producer prices, high input costs, and lack of effective coordination which results in low productivity and poor quality of farm output, in addition to the lack of effective use of cotton by-products. The literature also shows that expansion of cotton production with productivity gains and integral use of cotton by-products has a more broad-based effect on poverty reduction. Even when impacts are limited among growers, any expansion in cotton production results in some benefits to non-growers.

Cotton by-products therefore represent an opportunity for producing countries to increase the benefits they derive from their cotton production. These benefits can include: i) new income streams for farmers and processors; ii) through new income streams increased resilience of farmers against external shocks; iii) increased domestic value added; iv) access to new markets; v) improved trade balance, through increased exports or import substitution; and vi) reduced waste in the cotton value chain.

Through these benefits, value addition including through cotton by-products can contribute to poverty reduction, inclusiveness, and enhanced sustainability of the cotton sector and cotton processing technologies in Mozambique. Once again, this is the perfect timing to discuss these issues as we embark on the development of the next Quinquennial Plan, and the next PEDSA and PNISA. The government of Mozambique would like to express gratitude in the support you are currently providing to the National Cotton Institute to potentially develop a pilot project and action plan for technology transfer, know how, investments and technical assistance towards the development of cotton by-products value chains. Your support on both project preparation phase and project implementation phase is highly appreciated.