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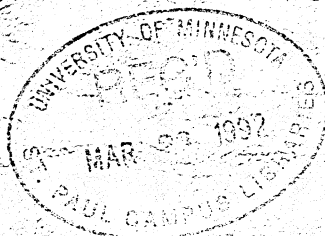
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AGRICULTURAL OUTLOOK CONFERENCE 1982

'82

PRESENTED BY -

- Agricultural Economics Association of South Africa
- Co-ordinating Committee of Control Boards
- Department of Agriculture and Fisheries



**CSIR - Conference Centre
Meiring Naude Road
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COTTON PREVIEW

1. INTRODUCTION

The Cotton Board was established in 1974 and is classified as a supervisory board. The Cotton Board is mainly responsible for the orderly marketing of seed cotton from the producer to the cotton gin. The Board is also empowered to purchase cotton lint when offered by the ginners.

The marketing of cotton lint is managed by the South African Cotton Industry Committee of Eight. This committee is responsible for the orderly take-up, allocations, to lay down grades and classes, fixing of prices, determine terms of payment and arbitrate in the event of disputes. The enforcement of the powers vested in the committee is done by virtue of a marketing agreement between spinners and ginners. The Cotton Board acts as secretaries to the Committee of Eight.

2. LOCAL PRODUCTION

2.1 Main production areas

Due to climatic conditions cotton production is limited to the following areas: Limpopo Valley, North Eastern Transvaal Lowveld, Mid-Northern Transvaal, Loskop Scheme, South Eastern Transvaal Lowveld, Swaziland, Northern Natal, Upington, Vaalharts/Douglas area.

2.2 Extent of production

Cotton is grown in the Republic on approximately 120 000 ha. The undermentioned indicates the production as from 1971.

Year	Cotton lint (200 kg bales)	Cotton seed (ton)
1971	76 260	27 833
1972	82 070	29 953
1973	88 679	32 365
1974	200 492	73 173
1975	202 518	73 913
1976	92 122	33 622
1977	173 505	63 324
1978	255 000	93 067
1979	275 288	100 472
1980	325 071	118 641
1981	288 520	105 301

The prospect for 1982 are not very impressive. A decrease of up to 15% is expected in production. The main reason is that the cotton prices did not keep up with the production costs. Other crops like groundnuts, tobacco, etc. are competing well with cotton.

2.3 Gross value

The gross value of cotton increased from R8,87 in 1971 to R108,90 in 1981, as indicated in the following table:

Year	Value of Cotton lint (R/m)	Value of Seed (R/m)	Total (R/m)
1971	7,59	1,28	8,87
1972	9,67	1,53	11,20
1973	11,02	1,78	12,80
1974	45,03	4,24	49,27
1975	34,02	4,43	38,45
1976	21,19	2,61	23,80
1977	52,34	5,29	57,63
1978	66,43	7,77	74,20
1979	77,15	10,15	87,30
1980	102,77	13,64	116,41
1981	94,50	13,59	108,09

As it was mentioned under production, it is expected that the gross value for 1982 will decrease further to approximately R94 million because of lower production.

3. PRICES

The South African cotton price is based on the world price (C.I.F. Liverpool Price Index) and is annually determined according to a price formula as prescribed in the marketing agreement. The price of seed for oil press purposes is determined according to supply and demand. The following table indicates prices during the past ten years:

Year	Price of lint c/kg	Price of seed R/ton
1971	49,97	46,00
1972	58,889	51,00
1973	62,15	55,00
1974	112,29	58,00
1975	84,00	60,00
1976	115,00	77,50
1977	150,83	83,50
1978	130,26	83,50
1979	140,12	101,00
1980	158,07	115,00
1981	163,64	129,00

The average world price for cotton lint during November 1981 amounts to only 152,87c/kg against a price of 163,64c/kg for 1981. Due to these circumstances it is not expected that the 1982 price would be higher than the 1981 price - even a lower price is possible. A further decrease in production is expected as a result of the decrease in price and due to the fact that producers will change to crops more profitable.

4. CONSUMPTION OF COTTON LINT

The Republic of South Africa has always been an importing country of cotton. In other words the total South African crop is yearly taken up locally. Small quantities of cotton were however exported from time to time to keep the local supply and demand in balance.

The following table indicates the local consumption, imports and exports:

Year	Consumption (200 kg bales)	Imports (200 kg bales)	Exports (200 kg bales)
1971	284 356	163 883	9 080
1972	293 158	199 676	6 000
1973	323 208	242 481	16 760
1974	283 567	150 959	54
1975	264 254	65 817	13 064
1976	303 000	210 000	-
1977	238 000	101 334	-
1978	244 435	50 840	21 682
1979	292 185	50 922	4 743
1980	328 236	50 668	1 000
1981	360 000	60 168	-

The imports of cotton during 1982 may increase to over 100 000 bales due to the expected decrease in local production. There may be some fluctuation in the consumption but it is expected not to differ much from the present 360 000 bales. No exports are expected.

5. TECHNOLOGICAL DEVELOPMENT

It can be stated without doubt that it is exceptionally important that a major technological input should be made in the production of cotton in the Republic with regard to research and extension. Cotton will not be able to maintain its position in the South African agricultural set-up without such an action.

6. SUBSTITUTION OF COTTON

Cotton competes with a variety of manmade fibres. These fibres are by-products of the petro-chemical industry. Cotton can only maintain and improve its position when it is promoted meaningfully and kept competitive price-wise. Fortunately there is presently a world tendency towards natural fibres of which cotton remains the most important fibre in the world.

7. OVERSEAS PRODUCTION AND CONSUMPTION

The following table indicates the world stocks, production, imports, consumption and exports for the past 10 years:

Year	Opening stock	Production	Imports	Total	Consumption	Exports	Closing stocks
(million bales of 200 kg)							
1971	21,7	65,1	20,1	106,9	63,6	20,3	23,0
1972	22,9	65,0	19,9	107,8	63,6	20,4	23,9
1973	23,8	68,5	22,8	115,1	65,5	23,0	26,7
1974	26,6	68,9	21,6	117,1	67,5	21,3	28,1
1975	28,1	70,1	18,3	116,5	63,5	18,9	34,1
1976	24,1	58,8	20,8	113,7	66,4	21,0	26,3
1977	26,3	62,5	19,7	108,5	66,5	19,0	23,0
1978	23,0	69,1	21,0	113,1	66,2	20,6	26,3
1979	26,3	65,2	21,1	112,7	67,4	21,6	23,6
1980	23,6	69,8	20,6	114,3	68,3	20,4	25,6
1981*	25,6	70,0	21,0	116,6	68,0	20,0	28,6

* Estimated

8. FUTURE GLANCE

Cotton is regarded as a strategical product and plays an important part in the local textile industry. The value of retail sales of clothing amounts to approximately R2 500 m per annum. Cotton has a market share of more than 50% of all fibres in South Africa. Approximately 180 000 people are employed in the Cotton industry. The most important production areas are on the borders of/or in Homelands and/or National States. The Republic of South Africa produces less than the local consumption of cotton.

Due to the abovementioned facts it is therefore of great importance that the cotton industry maintains and extends its vitality in the National interest.