

## COMMENTARY ON LATE AND NON-PAYMENT OF COTTON FARMERS

*“Injustice anywhere is a threat to justice everywhere. We are caught in an inescapable network of mutuality, tied in a single garment of destiny. Whatever affects one directly affects all indirectly.” – Martin Luther King jr.*

The Zimbabwe Coalition on Debt and Development (ZIMCODD) condemns the purported business behaviour of the Cotton Company of Zimbabwe (COTTCO) leading to unfavourable, late and non-payment of cotton farmers. ZIMCODD echoes sentiments and concerns by Members of Parliament recently during a question and answer session in Parliament. The revelations from parliament show that some farmers were paid in groceries<sup>1</sup> in lieu of cash. ZIMCODD equates the practice to modern day slavery and forced labour as paying cotton farmers with groceries is unjust, counterproductive and does not take into account the interests of the poor and marginalized thereby perpetuating the vicious cycle of poverty. The acting Minister of Agriculture, Hon. Felix Mhona, in the question and answer session,<sup>2</sup> stated that the payment of cotton with groceries was a voluntary process which was done at some point but not anymore. The process however, cannot be treated as voluntary as there was no other alternative way of paying farmers thereby leaving grocery as the only payment method. Farmers were given a choice to wait indefinitely or receive payments in groceries. This is economic injustice and in fact contrary to Vision 2030 aspirations of an upper middle-income economy pronounced by His Excellency, President Mnangagwa.

Cotton is one of the important cash crops in Zimbabwe and is grown by thousands of smallholder farmers on average plot sizes of about one hectare in the summer rainfall growing season. Cotton is a major source of income for rural communities in these areas. The socio-economic state of cotton farmers is a cause for concern, reflected by farmers in Gokwe North and South, Checheche, Mwenezi, and Mtandahwe among others who have no other source of livelihood. Therefore, using groceries to pay them is inhumane as farmers can neither buy farm inputs and equipment nor pay children's fees and meet health costs using groceries. Against this background, ZIMCODD highlights the following key concerns:

- Cotton uplifted farmers in marginalised communities especially in the period before 2018 when the multi-currency system was in place (when the cost of cotton per kg was ranging from \$1.42 to \$1.51 per kg between 2015 and 2017) prior to the reintroduction of the multi-currency system which saw farmers being paid in local currency. However, cotton prices tumbled over the years and farmers have had to bear bankruptcy.

1. <https://www.zimeye.net/2023/02/12/cottco-paying-farmers-with-groceries/>

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- While cotton remains the only cash crop which many in the Midlands and Masvingo region can grow, due to low rainfall patterns received, many cotton farmers continue to sink deeper in poverty as a kilogram of cotton fell to an unfair price of below US\$0.50 cents. As if it's not enough, the payment does not come on time. This is against the clarion call by farmers' unions, particularly Zimbabwe Farmers Union demanding that farmers receive full payment in exchange for their product with payments in the form of cash, mobile money, bank transfers as acceptable means of payment.
- Time value of money has not been considered by the poorly resourced COTTCO when making payments. Cotton farmers continue to lose value from their cotton produce as they endure not only delayed payments (vis-à-vis ballooning inflation in local currency) but also payments through grocery payments.<sup>3</sup>
- Evidence shows that Zimbabwe's cotton price on the international market has fluctuated over the years, where a kg of cotton was US\$ 1.51 in 2017, US\$ 1.49 in 2018, US\$ 1.16 in 2019, US\$ 1.26 in 2020, US\$ 1.33 in 2021 and US\$ 1.30 in 2022 however, in spite of such fluctuations in cotton pricing, Zimbabwe has continued to generate relatively high foreign currency.
- Trade statistics on Zimbabwe Cotton Exports show that cotton is one of the major generators of foreign currency in and Cabinet confirmed this in June 2022 when it announced to the nation that cotton was now treated as an export crop like tobacco. In 2019, cotton generated approximately US\$ 36,9 million, US\$26,5 million in 2020, US\$ 79,9 million in 2021 and US\$41,3 million in 2022.<sup>4</sup> Zimbabwe's main export destinations are Mauritius, Colombia, Lesotho, Botswana and United Arab Emirates.
- The government is commended for launching the National Presidential Cotton Input and Tillage scheme covering the period 2016 to 2022, paving way for approximately 400,000 households to receive inputs such as cotton seeds and fertilizers from the government.
- Resultantly, cotton output significantly peaked from 10 800mt in 2016 to 116 053mt in the 2020/2021 season while export revenue grew from US\$4,5million in 2016 to US\$85million in 2017/18 season. It is worrisome however, to note that this has not yet changed the fortunes of many cotton farmers, if anything cotton farmers are worse-off due to low unrealistic producer prices, and trade injustices in the sector.
- Rampant corruption has not spared the cotton sector, instead, it has undermined the cotton value and supply chain thereby relegating the farmers to the periphery. The cost of corruption continues to weigh heavily on struggling cotton farmers.

3. In 2020 alone, farmers were owed ZWL 3 billion in arrears for products from the previous season

4. <https://www.selinawamucii.com/insights/prices/zimbabwe/cotton/>

- Late payments, grocery payments coupled with a lack of an alternative cash crop to grow has plunged some cotton farmers in household debt and poverty as they are left with no choice but to borrow so that they are able to meet the losses they incur in producing cotton while hoping for better returns in each season.

In all this, what is evident are trade injustices, poor incentives and exploitation of small-scale farmers. The plight and agony of farmers is evident in their acceptance of grocery as the mode of payment. To this end, ZIMCODD calls for justice at all levels of trade along the cotton value and supply chains. This can be achieved through prudent, transparent and accountable management of resources, by both state and non-state actors, to allay fears and negative public perceptions around cotton production in Zimbabwe. In the context of scarce resources and limited fiscal space, officials mandated and entrusted with public finances are expected to do the utmost to safeguard resources for the public good and betterment of livelihoods. ZIMCODD recommends the following:

- The Ministry of Agriculture in conjunction with the Ministry of Finance must ensure that small-scale farmers are paid all their money timely, in foreign currency since cotton exports are paid in foreign currency. If this is possible in tobacco, so it must be with cotton.
- The ministry of Agriculture must institute an investigation into this matter of public interest to establish how many farmers are still owed by COTTCO from the 2019 farming season to date and the amounts involved with a view to expedite corrective measures.
- The Ministry of Finance should ensure judicious utilisation of public funds allocated in the 2023 national budget i.e. the US\$22.5 million from Special Drawing Rights for retooling, for new equipment and replacement under the Value Chain Revolving Fund targeted at cotton, leather, pharmaceutical and fertilizers.
- The Parliamentary Portfolio Committee on Agriculture must amplify its governance and oversight role in cotton trade to ensure fair trade practices between the farmers and buyers.
- The Parliamentary Portfolio Committee on Agriculture should spearhead a holistic consultative forum and public hearings with cotton farmers to understand their grievances for better livelihoods and sustainability.
- Cotton growing areas must be classified special economic zones (Gokwe, Chipinge, Sanyati).
- There is need for immediate intervention by the Agriculture Marketing Authority (AMA) of Zimbabwe to investigate and ensure fair remuneration and compensation of cotton farmers.
- The AMA should ensure that the cotton value and supply chain is more inclusive and transparent.