



COTTON FROM UGANDA



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Fact Sheet of Uganda Cotton

Why should you choose Uganda to source your cotton needs?

- Lint cotton production in 2011: estimated 27, 087 Metric tons.
- For season 2014/2015 Uganda expects to export 92,500 Metric tons of lint cotton.
- All seed cotton is handpicked, which better preserves the intrinsic quality of the lint.
- 40 ginneries all equipped with roller gins except 2 saw gins operators.
- A very homogeneous cotton production: Uganda has only one cotton variety which is unique to the country and which has very good fibre properties, including a staple length up to 1 3/16”.
- Cotton has been streamlined by Government as one of its priority sectors.
- Potential to increase the country’s cotton production with a large and experienced cotton community with 2/3 of arable land suitable for cotton cultivation.
- A strong and competent governmental arm, the Cotton Development Organisation (CDO), to oversee the cotton sector.
- Some 250,000 households produce and or earn their livelihood from cotton.

| Uganda Official Cotton Standards | | | | | | |
|----------------------------------|------------|----------------|----------------------|---------------------|---------|-------------------------------|
| UGANDA STANDARD | Micronaire | Strength g/tex | Staple Length (inch) | Share in total crop | | Equivalent International Std. |
| | | | | 2009/10 | 2010/11 | |
| ROLLER GINNED | | | | | | |
| UCON | 3.8-4.0 | 30-32 | 1 5/32-1 3/16 | 3.6% | 5.6% | Good Middling |
| UCOB | 3.8-4.0 | 30-32 | 1 1/8 - 1 5/32 | 18.0% | 18.7% | Strict Middling |
| UCOP | 4.0-4.2 | 29-30 | 1 1/8 - 1 5/32 | 65.8% | 59.6% | Middling |
| UCOA | 4.0-4.2 | 29-30 | 1 1/8 | 11.5% | 9.4% | Strict Low Middling |
| UCOM | 4.0-4.2 | 28-29 | 1 1/8 | 1.1% | 0.7% | Low Middling |
| SAW GINNED | | | | | | |
| UCOSA I | 4.0-4.2 | 29-30 | 1 3/32-1 1/8 | 0% | 0.3% | Strict Middling |
| UCOSA II | 4.0-4.2 | 29-30 | 1 3/32-1 1/8 | 0% | 5.2% | Middling |

| HVI Results | | | | | | |
|-----------------|------------|-------------------|--------------|---------------|------------------|----------|
| Uganda Standard | Uniformity | Short Fiber Index | Colour Grade | Rd (Color Rd) | + b (yellowness) | maturity |
| UCOB | 84.2 | 6.2 | 21-3 | 77.2 | 9.9 | 85.0 |
| UCOP | 83.8 | 7.1 | 22-2 | 75.5 | 10.1 | 84.5 |

Overview of Cotton Industry in Uganda

Cotton is Uganda's third largest export crop after coffee and tea. It is the main source of income for some 250,000 households, who cultivate cotton under rain-fed conditions and with minimal use of inputs, such as fertilisers and chemicals. Since the climate and the soil are very suitable for cotton cultivation, it is a very popular commodity among smallholders with an average farm size of 0.5 hectares. In Uganda, national average yields of seed cotton have increased from 625 kg/ha in 1994 to 1250 kg/ha in 2010, while on the rich volcanic foothills of Mt. Rwenzori, yields of 3,750 kg/ha have also been achieved.

Serious efforts are being devoted towards increasing yields, with gradual introduction of modern farming techniques and within south-south cooperation mechanisms. Favourable conditions for growing cotton, coupled with the effective reforms undertaken since 1994, including the appropriate institution building, have laid a strong foundation on which the cotton subsector can build.



Cotton cultivation

Presently, with 40 ginneries, Uganda has a total installed seasonal ginning capacity of around one million bales of lint production (200,000 tons), which is well above the maximum production achieved in the last two decades. Because the textile industry in Uganda has lost a lot of ground to the competition coming from the Far East and to second hand clothing, only around 5 % of the total cotton production is consumed by two local textile factories. Besides textiles production, there is one factory producing cotton wool. In Uganda there are also 12 privately-owned cottonseed crushing and oil extraction facilities, located in various parts of the country. Cottonseed is processed into edible oil, cotton seed cake and soap.



New agriculture land being opened up for mechanised cotton farming

A Brief History of Cotton in Uganda

History of Cotton in Uganda

Cotton was first introduced in Uganda by the British in 1903 with initial investments in ginning by Missionaries, Britain companies and Asian businessmen.

In 1930s, Asian businessmen dominated the sector, while the colonial government, engaged itself in regulating the operations, investing in seed varietal research, distributing seed free to producers and announcing floor prices, while the Lint Marketing Board (LMB) marketed lint cotton and cotton seed locally.

Cotton gained commercial importance with railway construction linking Uganda with the Indian Ocean through the Kenyan port of Mombasa.

With new seed varieties, annual lint cotton output reached 60,000 tons during the mid-1930s. At that time Uganda was the 5th largest exporter of cotton in the world.

After independence in 1962 all ginning operations were taken over by co-operatives. In the late 1991 lint cotton marketing was under the responsibility of the LMB.

The area allocated to cotton reached 360,000 hectares in 1969 with a record cotton output of 87,000 tons of lint cotton, making Uganda the third largest cotton producer in Africa, after Egypt and Sudan.

From 1970 until 1986, the country went through economic difficulties resulting in the disruption of research, long delays in paying farmers for their cotton crop, poorly run cooperatives and inefficient ginning operations,

all of which eventually caused the collapse of the cotton industry.



Flowering stage

Major Achievement since the 1990s

In 1992 the National Agricultural Research Organisation (NARO) was established to undertake research, seed breeding and technology development.

1994 was a turning point for the economy towards liberalization, with accompanying reforms and restructuring. The Cotton Development Act was enacted.

The Cotton Development Organisation (CDO) was created to promote and regulate production, processing and marketing of cotton.

In a liberalised marketing environment, cotton farmers were assured spot cash payments for their crop at farm gate and a robust private sector emerged.

Overview of Agriculture in Uganda

From 1995 onwards, the cooperative unions were relieved from their heavy indebtedness, following their acceptance to dispose all excess ginneries to creditworthy operators and only retain one for their own use.

Certification of seeds by the National Seed Certification Service (NSCS) was initiated to ensure seed purity and viability.

In 1997 the Uganda Ginners and Cotton Exporters Association (UGCEA) was formed.

In 2007 the Uganda Cottonseed Oil Processors Association (UCOPA) was formed as an umbrella organisation of cotton seed processors.



A cotton field

Uganda's favorable soil conditions and climate have greatly contributed to the country's agricultural success. Most areas of Uganda, except the north East, usually receive plenty of rain, which in the southeast and southwest plateaus can be as high as 150 mm per month. In the north, there is a short dry season in December and January, with temperatures varying only a few degrees above or below 20°C. These exceptionally good conditions allow continuous cultivation in the south and annual crop in the north. The north-eastern corner of the country is the driest region, best suited for livestock breeding. So far, only about one-third of the estimated area of arable land has been under cultivation. Uganda has adequate land resources, labour and an excellent climate for the production of high quality cotton in large volumes. Cotton can be grown across two-thirds of Uganda where fertile soils, a suitable climate, favorable policies and a solid marketing structure may lead to increased production.

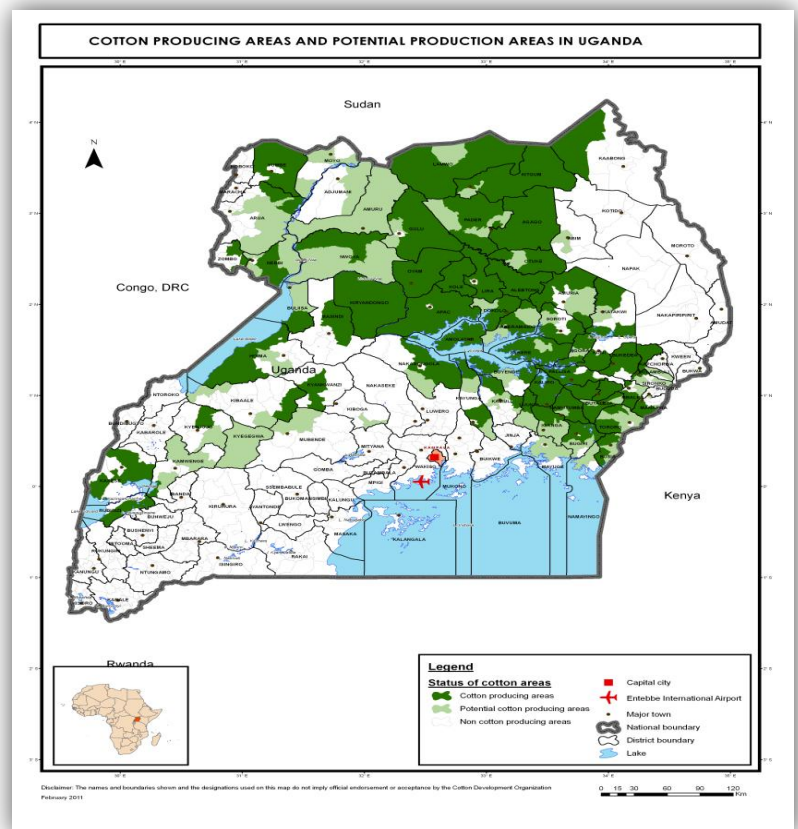
Cotton Cultivation in Uganda

Cotton Growing Areas

Cotton in Uganda is grown in areas with altitudes of not more than 1,500 m above sea level. It is grown mostly by small scale farmers with a farm size of around 0.5 hectare (~one acre), which can increase up to around 4 hectares (~10 acres) in the Northern, West Nile and Western Regions. The Eastern, Northern, Lower West Nile and South Western Regions remain the dominant cotton growing areas, whose sandy and loamy soils are suitable for cotton production. Cotton is grown in rotation with other crops.

Cotton Cultivation Practices

Cotton cultivation is mostly done manually under rain-fed conditions. Preparation of land for planting is mostly by hand-hoe or plough with animal traction. The use of tractor power is limited to comparatively large fields, such as those in western Region and those being gradually developed by the UNACOFF Ltd which is a company operating in the West Nile region and Amuru district. All seed cotton is harvested manually.



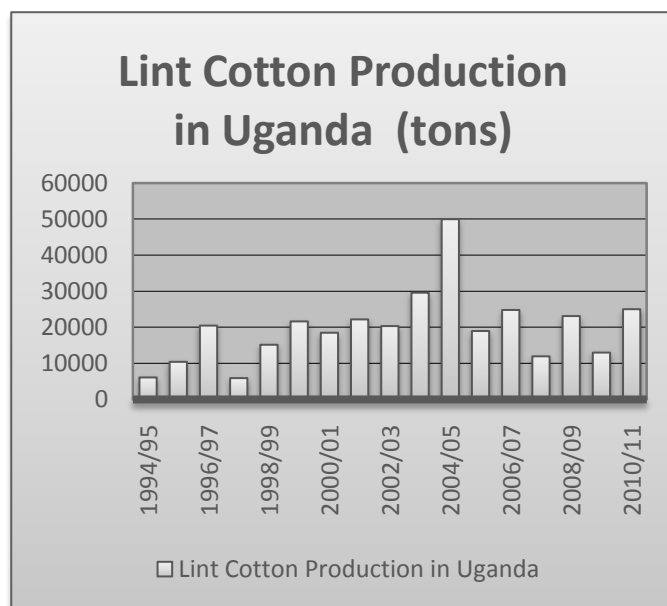
Scouting for pests

Cotton Varieties

Uganda cotton belongs to the (*Gossypium hirsutum*) species, whose origins trace back to the American Upland Varieties (Allen and Sunflower). These two varieties underwent selections and breeding to produce the Uganda Bukalasa Pedigree Albar (BPA) and Serere Albar Type Uganda (SATU). Currently, Uganda farmers cultivate only the BPA type cotton, which is a finer fibre of medium to long staple length, with excellent fibre characteristics, silky and well-known for its spinnability. SATU is a coarser fibre of short to medium staple length. SATU lines are still maintained at the National Semi-arid Agriculture and Animal Resources Institute (NaSAARI), purely for research purposes. NaSAARI still holds the mandate to produce breeder and foundation seed that is passed to CDO for further multiplication.

Cotton production is largely influenced by cotton price trends and changing weather

conditions. It is expected that cotton production will further increase in the 2011/12 season due to high prices during the 2010/11 season.

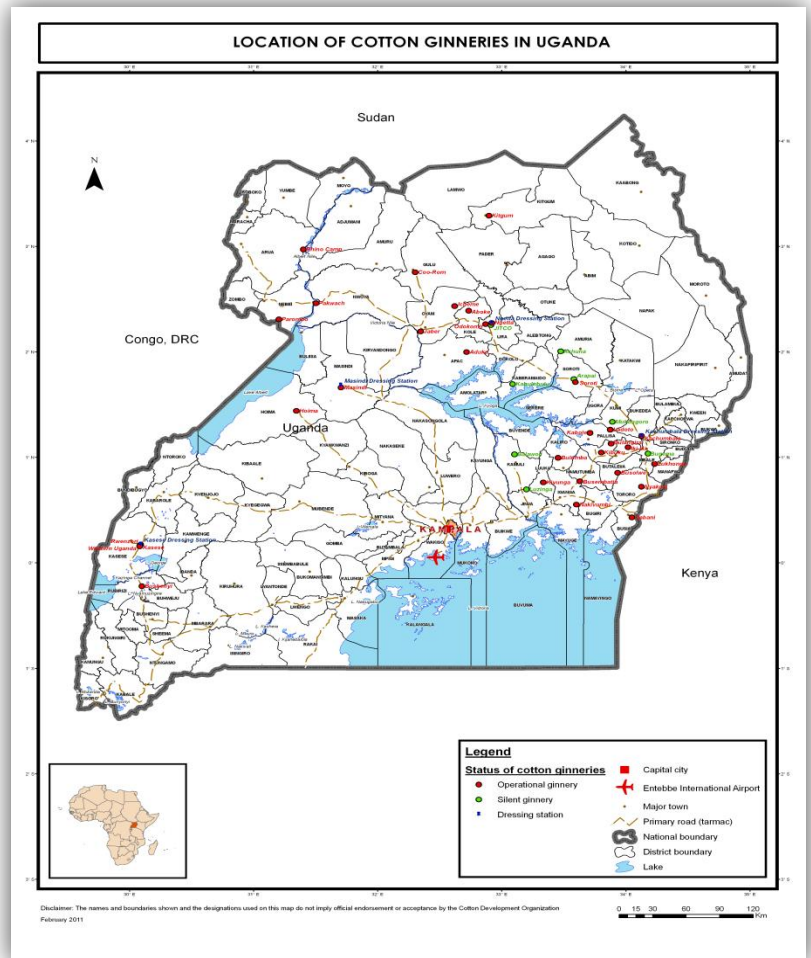


| Periods of Planting, Harvesting and Marketing | | | |
|---|------------------|--------------------|-------------------|
| REGIONS | PLANTING PERIODS | HARVESTING PERIODS | MARKETING PERIODS |
| Northern | May- June | December-February | Jan- May |
| Eastern | May- June | December-February | Jan- May |
| Western | July- August | January-March | February-June |
| Mid Western | July- August | January-March | February-June |
| Central | July-August | January-March | February-June |
| West Nile | June- July | January- March | February-June |

Seed Cotton Marketing

Just before the start of cotton harvesting and ginning activities, CDO, in consultation with the industry stakeholders, evaluates the situation in world and domestic markets, at the end of which an indicative price is set. This price, which can be considered as a minimum price, is not binding and the actual market price for seed cotton depends on market demand and supply.

Ginners usually operate seed cotton buying posts, where farmers deliver their seed cotton, which is bought at the ongoing market price. Seed cotton so collected is transferred to the respective ginnery, where the consignment is checked for its quality, moisture, etc., and emptied into the seed cotton warehouse, ready to be fed into the gins. Often the agents act as intermediaries between the farmer and ginner in seed cotton marketing.



Seed cotton arrivals from buying posts to the ginnery, loaded and empty trucks pass through the weighbridge



The ginnery warehouse

Ginning Operations

Uganda predominantly uses roller-gin technology, which is preferred for preserving the integrity of the cotton fibre. Out of total 40 ginneries, only two have saw-gin units. Lint outturn usually ranges between 34% and 36%. Being hand-picked, lint has superior fibre characteristics compared to machine-picked cottons, with less short fibres and less neps.

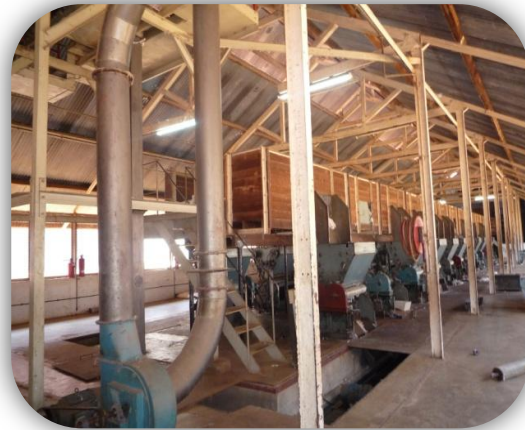
In 1997, CDO established a Ginning Training School at Busitema National College of Agricultural Mechanization (now Busitema University), where training has been provided to technicians/ginneries engineers for the cotton industry.

Growing Awareness and Prevention of Contamination

“Contamination” reduction is the major focus of work of every stakeholder, particularly by the CDO and by the Uganda Ginners and Cotton Exporters Association (UGCEA). There has been a significant reduction over the years as the ginners in Uganda have taken important steps towards its minimization, by making the farmers aware of the seriousness of the problem as well as installing special picking lines to remove foreign matters before they reach of the bale press.

Bale sizes, for roller-ginned cotton bales vary according to bale press:

- Length: 104 cm
- Width: 51cm
- Depth: 84cm
- Weight (Average): 185kg
- Range: 178-193kg Density: 415.2kg/m³



Roller gin installation



Seed cotton fed to roller-gin



Bale press

Quality Control, Classing and Grading of Uganda Cotton

Quality Control, Classing and Grading of Uganda Cotton

CDO is responsible for quality control of lint based on international standards. CDO is a member of and/or in close contact with international organizations concerned with cotton quality measurements, such as ICA, Bremen Fibre Institute, ICAC, USDA, etc.

As cotton is baled at the ginneries, a sample is automatically taken from each bale. A total of 4% of the samples are subjected to analysis, by either “manual classing” or “HVI classing”. CDO intends to raise the percentage of HVI analysed samples to 10% in the near future.



CDO's HVI Laboratory

mm). Staple strength values are on the high side, while micronaire values are within a narrow range. In short quality of Uganda cotton is unique and extremely favourable to spinners.



CDO's HVI Laboratory

Type and Quality of Cotton Produced

Uganda is one of the very few countries in the world that grows only one variety of cotton, which is the BPA type. Using one variety of cotton seed with excellent fibre characteristics enables the production of cotton, yarn and fabric with consistent quality throughout the country. Besides, this uniformity and consistent quality make it easier to apply quality control measures in all production phases.

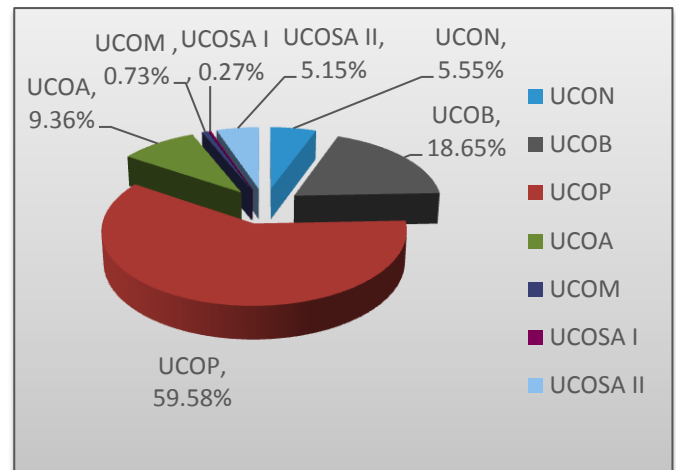
Uganda Official Cotton Standards

The Uganda Official Standards are reviewed and approved biennially by both the International Cotton Association and the Bremen Cotton Exchange since June 1995. With roller-ginned cotton it is possible to obtain staple lengths as high as 1 3/16" (~30

Quality Parameters of Recent Seasons

Over the last couple of years Uganda has significantly improved its cotton quality. For the 2009/2010 crop, only 13% of the crop had a grade below Middling (i.e. Strict Low Middling and Low Middling), while the remaining 87% of the crop had quality parameters of Middling and above.

Uganda roller-ginned cotton is among the higher grades quoted in Cotton Outlook. UCON has been able to fetch a price premium of up to 2-4 cents per pound over the Cot look A Index.



Grade performance 2009/2010 crop

| Quality Performance for the 2010/2011 season (as at 29/4/2011) | | | | |
|---|--------|----------|-------|-------|
| Roller ginned cotton | | | | |
| UCON | UCOB | UCOP | UCOA | UCOM |
| 5.55% | 18.65% | 59.58% | 9.36% | 0.73% |
| Saw ginned cotton | | | | |
| UCOSA I | | UCOSA II | | |
| 0.27% | | 5.15% | | |



Official Standard Boxes (from left to right): UCOB; UCOP; UCOA; UCOM

| Uganda Standard | Equivalent International Standard |
|----------------------|-----------------------------------|
| Roller Ginned | |
| UCON | Good Middling |
| UCOB | Strict Middling |
| UCOP | Middling |
| UCOA | Strict Middling |
| UCOM | Middling |

Lint Cotton Marketing

Lint Cotton Marketing

Marketing of baled cotton commences immediately after cotton is ginned and baled. A good part of the cotton crop is sold before the harvesting starts as “forward contract”. Virtually all the cotton crop produced in Uganda, except a small percentage, is exported through international cotton trading companies. Most of the ginning companies in Uganda, have so far preferred “indirect exporting”, delivering baled cotton on “Ex-Gin” or on “FOT” (Free on Truck) basis to the exporting company, which assumes ownership of the goods, completes the export formalities and physically exports the cotton. Harvesting and marketing of cotton starts each year in January and can extend until end of June. This extended period gives Uganda marketing advantage.



Major Destination markets for Ugandan Cotton

India, China, Thailand, Malaysia, Indonesia, South Korea, Switzerland and UK are the major importing countries for the Ugandan cotton.

It should be noted that the UK, Switzerland and Singapore are not destinations for physical cotton but the location of international merchants that buy cotton mostly on FOT or FOB basis for onward sale in major consumer markets. Some merchants even have ginneries, through which they buy seed cotton, gin, bale and export the lint cotton to the above destinations under their own label.



Baled cotton being loaded onto trucks

Future Prospects and Investment Climate

Future Prospects for Ugandan Cotton

The Uganda Investment Authority (UIA) is a semi-autonomous government agency operating in partnership with the private sector and government to drive national economic growth and development. The Authority was established by the Investment Code Act, Cap 92 Revised Edition 2000 Laws of Uganda. UIA offers all the required services, which might be needed by the potential investors.

- The Government of Uganda and all cotton stakeholders have come together to revamp the cotton sub-sector.
- A cotton sub-sector strategic plan was prepared with the aim to increase the production of high quality cotton and domestic value addition. The strategic plan provides a strong base for a successful and sustainable renaissance of the cotton sector. The objective is to produce 500,000 bales (92, 500 Metric tons) of lint by 2014/15.
- Uganda has the potential and the ginning capacity to produce one million bales (200,000 tons) in the coming decade.
- Uganda is set to regaining its place among the top cotton producers and exporters in Africa, and to becoming a reliable and consistent supplier of cotton to satisfy the growing demand for high quality lint.



Harvesting in the Northern Region of Uganda

A Distinct and Pro-business Trade and Investment Climate

- Strategic location; at the heart of East and Central Africa, sharing borders with some of Africa's most economically important and resource rich countries.
- A liberal economic regime with free inflow and outflow of capital, excellent macro-economic stability with a fairly stable annual economic growth around 6% and exchange rates floating.
- An active membership to the Common Market for Eastern and Southern African States (COMESA), a regional market for over 380 million people in 20 countries with more than 80% tariff reduction.

- Uganda is blessed with ideal natural and climatic conditions. However, the full potential for the cotton of “potential of cotton from the Pearl” remains largely untapped. There is an ample area for its extensive development.
- Government’s dedication and commitment to private sector development.
- Low labor costs compared to neighboring countries.
- A constitution (1995) and the Investment Code Act 2000 to protect investor’s rights and property.
- Exemption from import duties and sales tax, entitlement of a drawback of duties and sales tax payable on imported inputs, which are used in producing goods for export. Foreign Direct Investments between the years 2006-2009 was as follows:



A view from the capital Kampala

| Foreign Direct Investment Inflows | | | | |
|--|-------|-------|-------|-------|
| Years | 2006 | 2007 | 2008 | 2009 |
| FDI Inflows (US dollar Million) | 644.3 | 733.0 | 787.4 | 798.8 |

Source: UNCTAD World Investment Report

Overview of Uganda's Economy

Uganda is rich in natural resources, particularly in large mineral deposits of copper and cobalt, as well as recently discovered oil. Agriculture is one of the most important sectors of the economy, contributing around 24% to total GDP. At the same time it provides employment to almost 82% of the total workforce. Fertile soils, which receive regular rainfall, offer a good potential for the cultivation of many crops, particularly coffee, which accounts for the bulk of export revenues, followed by tea and cotton. Industries contribute 24% to GDP, while the remaining 52% comes from the services sector.

Since embracing free market reforms in 1994, which included the privatisation of industries and services, the devaluation of the Uganda Shilling (UGX), and the liberalisation of the exchange rate system, Uganda has become one of the most economically liberal countries in the world. Uganda's economy has enjoyed consistently high GDP growth rates (6-10%) since the late 1980s, thanks to free market reforms. International organisations, such as the IMF and the European Union (EU), proclaimed Uganda as one of the key success stories of free market reforms in Africa.



Oil revenues and taxes will become a larger source of government funding as oil comes on line in the next few years. The GDP at purchasing power parity for 2010 was around 42 Billion USD and per capita income was 1200 USD.

Overview of the Country

The present Parliament of Uganda was created by the 1995 Constitution.

Uganda has a mixed executive system with a strong president, who is elected nationally and has the power to appoint ministers. A parliament is separately elected. Uganda is divided into 112 districts, within four administrative regions: Northern, Eastern, Central (Kingdom of Buganda) and Western. The districts are subdivided into counties, sub-counties, parishes and villages.



Grey Crowned Crane (Uganda's national bird)



Rainbow above Murchison Falls

| A Brief Profile of Uganda, the Pearl of Africa | |
|--|--|
| Uganda is located in East Africa, bordering with Kenya in the East, Rwanda and Tanzania in the South, Democratic Republic of Congo in the West and Sudan in the North. | |
| Total surface area : 236,040 sq km | |
| Total arable land : 84,617 sq km | |
| Population : ~33million | |
| Climate: Tropical and mostly rainy with two dry seasons (Dec-Feb and Jun-Aug) | |
| Average temperature : 17-32 C | |
| Average annual rainfall : 1200-1500mm | |
| Governance: Parliamentary Democracy (The elections held in February 2011 was won by the present ruling party, the NRM) | |
| Capital: Kampala | |
| GDP (purchasing power parity): US\$ 42.15 billion (2010 est) | |
| GDP per capita (ppp): US\$ 1,300 (2010 est) | |
| Exchange Rate: Ugandan shillings (UGX) per US dollar 2,166 (2010 est) | |



A Fashion-show with Uganda Cotton

CONTACT DETAILS OF SOME IMPORTANT ORGANIZATIONS

| | |
|---|--|
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| <p>Uganda Investment Authority Plot 22 Lumumba Avenue, Kampala, Uganda Tel: +256 41 430 1000 Web site: http://www.ugandainvest.com E-mail: info@ugandainvest.com</p> | <p>Uganda Ginners & Cotton Exporters Association Ltd P.O. Box: 7018 Clement Hill Road, Ruth Towers Kampala, Uganda Tel: +256 414 255970 Email: cginners@gmail.com</p> |



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