



BUILDING SUSTAINABLE COTTON SUPPLY CHAINS IN AFRICA

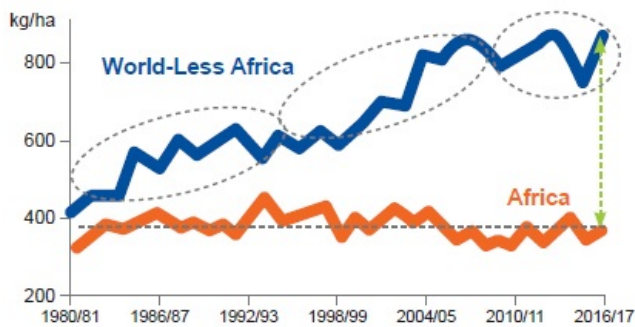
By **Anupam Gupta, Senior Vice President, Olam Cotton**

Africa produces 1.5 million MT and exports 90-95% of its cotton production, accounting for 18% of global trade. It is central to Olam Cotton's core objective of delivering traceable and sustainable cotton to the world's textile mills.

We have built a sizable cotton business in Africa consisting of integrated ginning (IG), trading and exports. Olam Cotton has achieved preferred partner status in most origins and markets, offering differentiated products through the Better Cotton Initiative (BCI) and Cotton made in Africa (CmiA), both of which provide traceability throughout the supply chain.

By directly engaging with farmers, we have put Olam's core purpose of Growing Responsibly into practice, improving the livelihoods of thousands of farmers along the way, in close partnership with development agencies including IDH, USAID and BMF.

In our view, Africa holds the highest agronomic potential for growth in the cotton sector. Current yields are relatively low, leading to high cost of production per hectare. There is a potential to improve yields significantly through deeper farmer engagement, deploying better agronomic practices and the use of higher quality agri-inputs, thereby bringing down production costs.



Africa: Potential for better yields.
(Source: International Cotton Advisory Committee)

Through our IG model, which is key to sustainable production and improving yields, we intend to scale up current locations and replicate in other select countries within Africa.

We now have IG operations in Côte d'Ivoire (SECO), Mozambique and Zimbabwe, and we engage about 100,000 farmers across these three origins. Through SECO and our operations in Mozambique and Zimbabwe, we produce 38,000 MT of lint annually.

SECO in particular has been the flag bearer of our IG business model. Our success in SECO gives us confidence to pursue this winning strategy more aggressively in Côte d'Ivoire and expand it to other origins. We plan to invest US\$60 million of fixed capital over the next few years to expand our IG footprint organically in Africa and scale up production from 38,000 MT currently to 120,000 MT of lint by 2020, with our three existing businesses accounting for 75,000 MT of lint. This is expected to deliver an EBITDA on invested capital at the higher end of Olam Group's expected supply chain return of 10-13%.

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Anupam Gupta



Biography

Anupam Gupta is Senior Vice President and head of Olam's Cotton business in Africa. He has been part of the Olam Cotton team for the past 17 years. He is a member of the governing council of the Better Cotton Initiative, which is engaged in making the cotton production system socially, economically and environmentally sustainable and equitable for all participants in the cotton value chain. Prior to joining Olam in 2000, Anupam worked with several manufacturer exporters in the textile sector for about eight years. Anupam is a Mechanical Engineer and holds a Master degree in International Business from the Indian Institute of Foreign Trade in New Delhi.

Quote

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Anupam Gupta, Senior Vice President, Olam Cotton

The countries we have identified for IG are large crop producers of about 100,000 MT or more annually, which allows us to grow meaningfully and impact a large number of farmers. They have a good cotton growing culture and effective industry governance.

Effective industry governance is a pre-requisite for the IG model to be successful. In this model, farmer engagement and provision of agricultural inputs to small farmers on credit are key drivers. Effective industry governance ensures performance of contractual obligations between the ginner and the farmer and reduces risk of side marketing, i.e. taking inputs on credit from one ginner and selling the produce to another ginner.

We believe the basic infrastructure of policy framework, central administrative agencies and industry associations exists within our focus countries, and if the industry players, particularly leaders such as Olam Cotton, show initiative and willingness, the governance of the sector can be strengthened.

With a strong industry framework, farmers and ginners can take a long term view of the engagement and invest accordingly in activities such as improving soil fertility, seed research and training in good agronomic practices, which will deliver a more enduring payback over several crop seasons.

Olam Cotton believes the potential for responsible growth for the cotton sector in Africa is significant and we will continue to be a central driver of that growth in a way that benefits all stakeholders.

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