

Comparative Analysis of Cotton Sector Reforms in SSA

Performance on Pricing to Farmers

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Cotton Sector Stakeholder Meeting
27 November 2007, Lusaka

Pricing Approaches

- WCA price setting:
 - Administered, panseasonal, panterritorial
 - Announced before planting,
 - Purchase guaranteed at official price
 - Stabilization funds, now exhausted
 - Move in recent years to pricing systems providing more linkage to world price and more flexibility
 - Greater farmer voice in pricing decisions
 - And other aspects of sector management

Pricing Approaches (2)

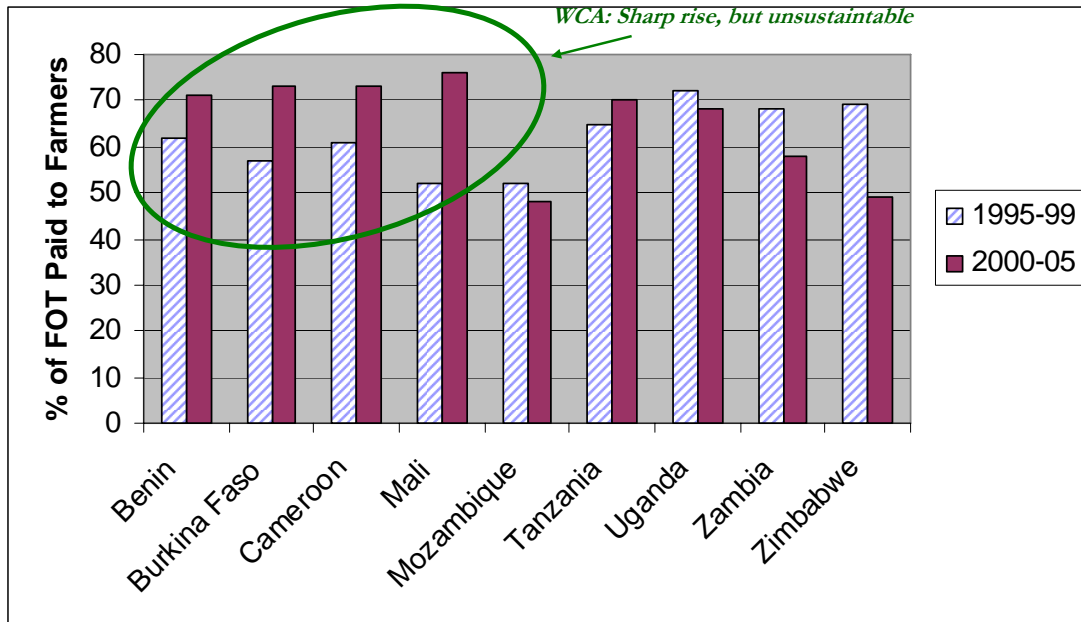
□ SEA

- Zambia and Zimbabwe: price leadership
- Tanzania: pure competition
- Mozambique: administered, but much less attractive for farmers than in WCA
- Uganda: Pre-planting price announced, but actual price fluctuates

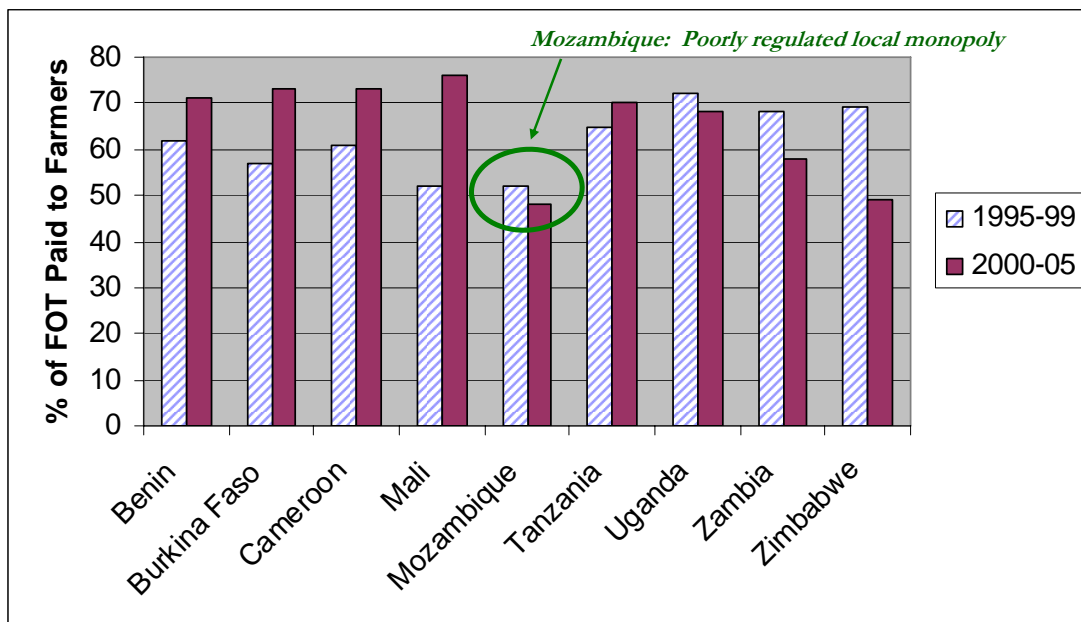
Performance Indicator

- Share of FOT price paid to farmers 1995-2005
 - Adjust for :
 - Transport costs from destination market to gin
 - Quality premia/discounts
 - GOR
 - Does not adjust for differential costs from farmgate to gin

Farmer Share of FOT Lint Price, 1995-2005



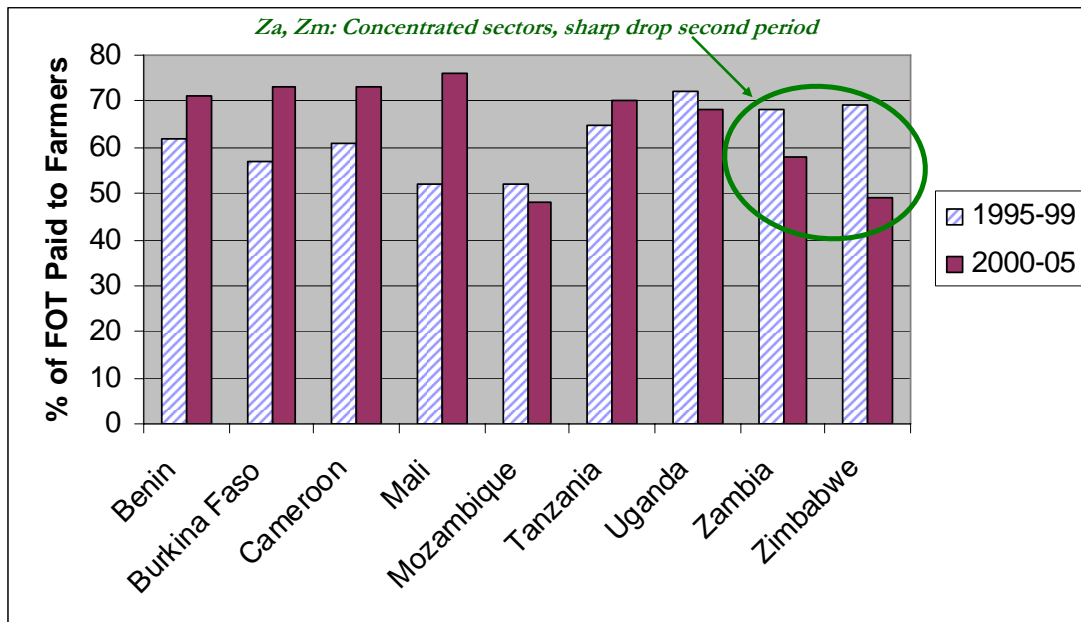
Farmer Share of FOT Lint Price, 1995-2005



Farmer Share of FOT Lint Price, 1995-2005



Farmer Share of FOT Lint Price, 1995-2005



Pricing Issues

- Study suggests “more formalized approach” to price setting in concentrated systems
- Government as facilitator, not active participant
- ZACOPA/CAZ approach a good start
- Both sides need full set of information on
 - World market conditions
 - Marketing practices
 - Actual vs. “reasonable” costs from farmgate to gin