

Increasing Demand for Quality in World Cotton Markets

How has Zambia Performed?

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Outline

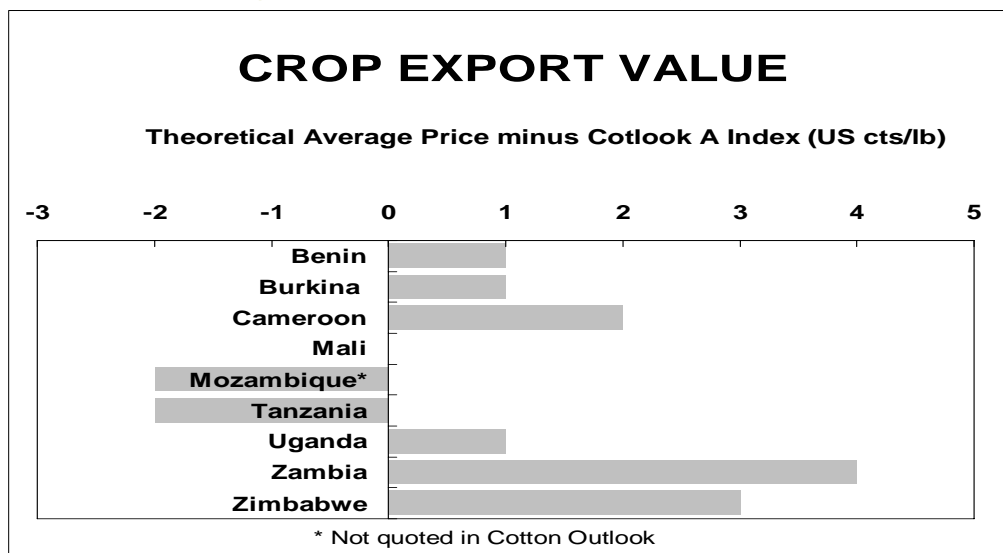
1. Why should countries produce quality cotton lint?
2. Performance of each sector type in enhancing quality cotton lint
3. Key lessons for Zambia

Why should countries produce quality lint?

- Demand for quality lint drive by new spinning technology
 - African cotton has natural advantages, but contamination a major problem
- Indicator: estimated average export price differentials across the nine countries relative to the A Index

What are the benefits of enhancing the quality of Cotton lint?

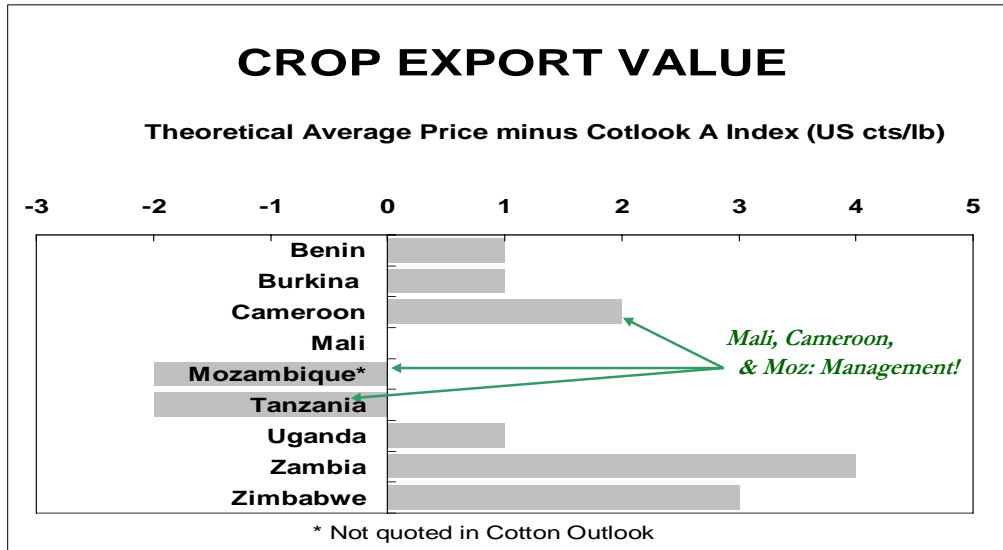
Estimated Average Premium over A Index (US cents/lb), 2005/06



Source: Gerald Estur, Quality Survey, World Bank, 2007

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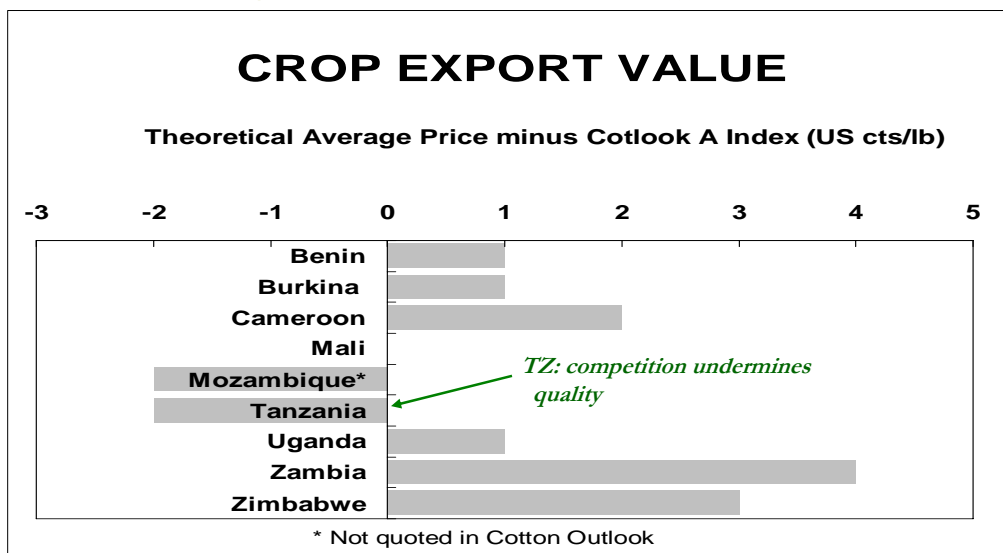
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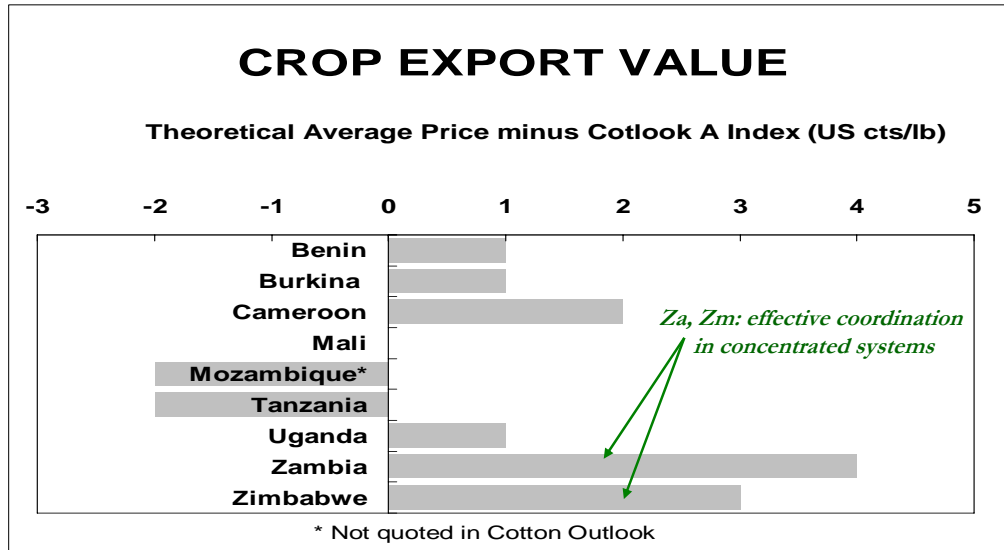
Estimated Average Premium over A Index (US cents/lb), 2005/06



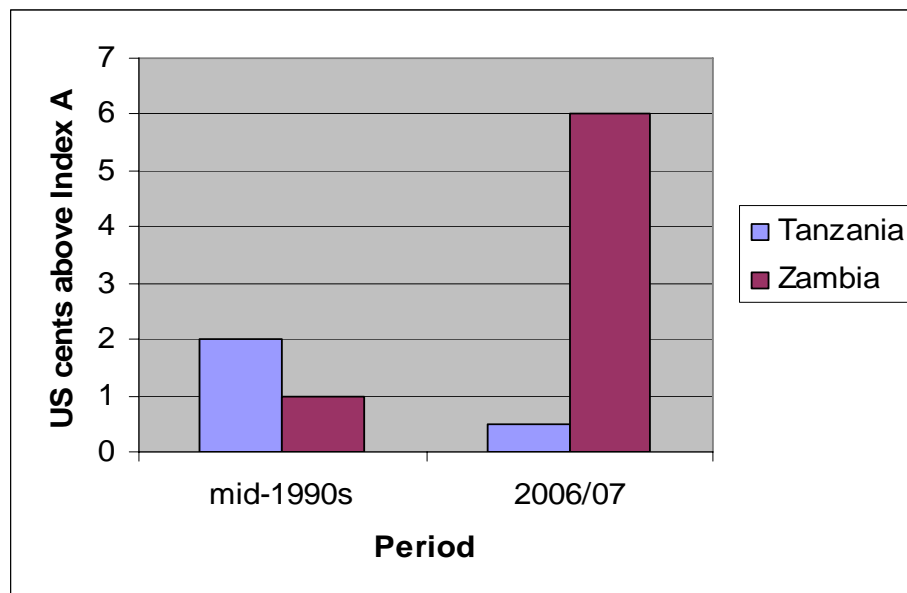
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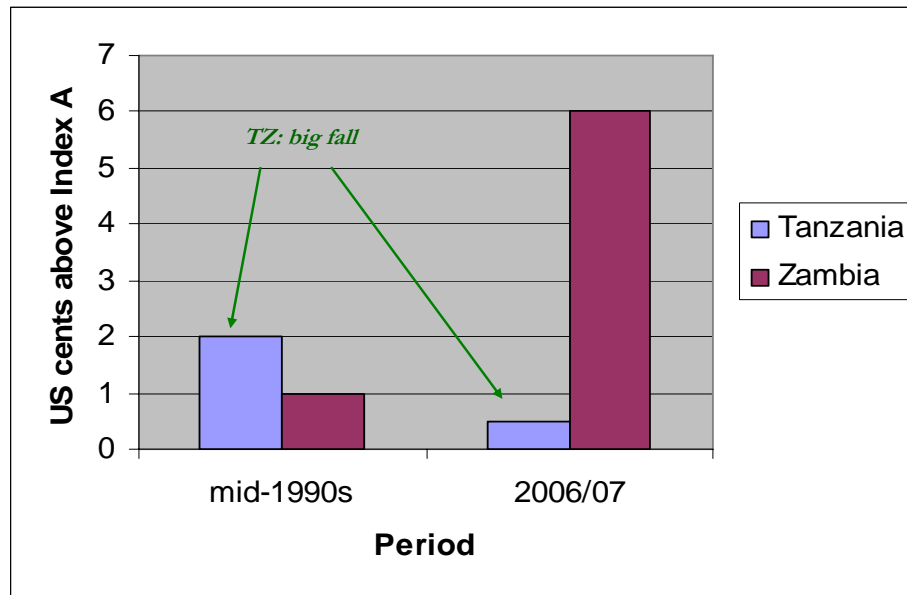


Change in price premia for top Tanzanian and Zambian lint types, mid-1990s to 2006/07



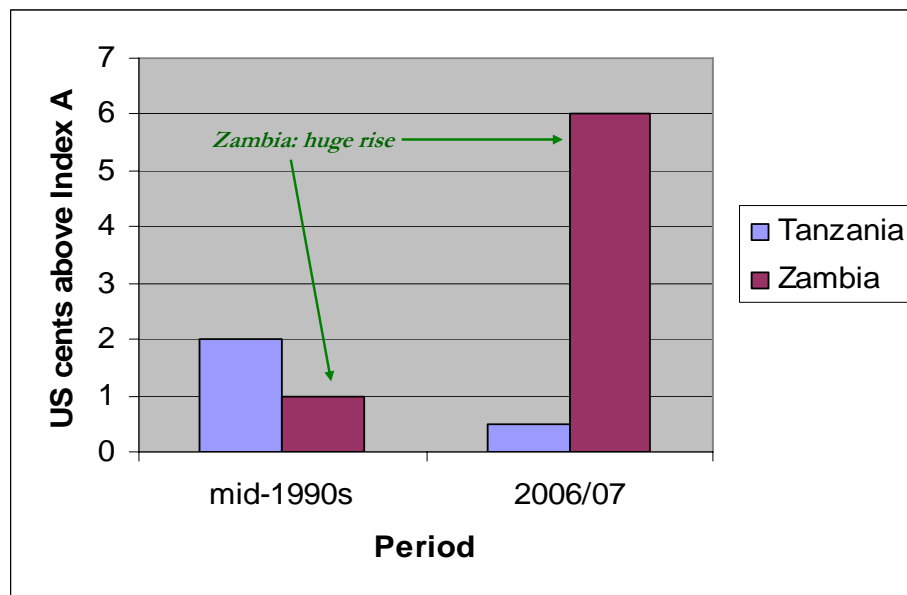
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Lesson for Zambia

- Concentrated sectors were expected to perform best on quality;
- Zambia's performance, driven by persistent efforts of Dunavant and Cargill, confirms this expectation
- But concentrated sectors tend to be unstable
 - persistent problems of new entry by companies that may not share established companies' commitment to quality and input credit

Lesson for Zambia (2)

- The study suggests collaborative, multi-stakeholder regulation of the sector
 - Limited barriers to entry for new entrants
 - More formalized price setting process
- Revised Cotton Act once passed will provide a legal framework that facilitates such collaborative regulation
 - And collaboration between ZACOPA and CAZ is a positive example



Thank You!