Cotton Sector Policies and Performance in Sub-Saharan Africa:

Lessons Behind the Numbers in Mozambique and Zambia

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Challenges

- Support strong varietal research
- Ensure varietal maintenance
- Ensure timely and appropriate use of inputs
  - Treated seed
  - Pesticides (avoid pesticide treadmill)
  - Fertilizer (if profitable …)
Challenges (2)

- Maintain and improve lint quality
- Pay farmers a remunerative price
- Meeting input provision challenges with poorly functioning input and credit markets …
  - Interlocked transactions (Pearce’s product market credit)
- So final challenge is to recover credit

Major long- and short-run coordination challenges

Mean cotton export value/ha against mean and range of producer price share for seven countries of SSA, harvest years 1995 – 2002

Prodr price share of mean export value(%)
### Selected Characteristics of “Subsector Environment”

<table>
<thead>
<tr>
<th></th>
<th>Zambia</th>
<th>Mozambique</th>
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</thead>
<tbody>
<tr>
<td>Initial Conditions</td>
<td>Declining but functional state monopoly</td>
<td>Collapsed</td>
</tr>
<tr>
<td>Regulation of competition</td>
<td>None</td>
<td>Geographical monopolies, poorly enforced</td>
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<tr>
<td>Price setting</td>
<td>No government role</td>
<td>Pan-seasonal, pan territorial price</td>
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<tr>
<td>Market structure</td>
<td>Concentrated: two dominant firms which compete</td>
<td>Less concentrated: 4-5 major firms, 3-4 others</td>
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**Zambia stands out for virtual absence of direct government involvement or financial support**

### Selected Performance Characteristics

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<tbody>
<tr>
<td>Current yield (trend)</td>
<td>600 kg/ha (rising)</td>
<td>350-400 kg/ha (stagnant)</td>
</tr>
<tr>
<td>Varietal rsch &amp; maintenance</td>
<td>Two varieties 10-14 yrs old, well maintained. Experimentation with RSA variety</td>
<td>Varieties 20+ yrs old, poorly maintained Unsuccessful attempts at new development</td>
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<tr>
<td>Input use</td>
<td>Treated seed</td>
<td>Untreated seed</td>
</tr>
<tr>
<td></td>
<td>Well labeled pesticides</td>
<td>Frequently unlabeled</td>
</tr>
<tr>
<td></td>
<td>Foliar feed (micronut.)</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>Basal fert for cash sale</td>
<td>None</td>
</tr>
<tr>
<td>Credit recovery</td>
<td>85-90%? Improving</td>
<td>Highly variable temporally and spatially</td>
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Conclusions

- Clear conclusions linking policy to performance are difficult
  - Complex long- and short-run coordination challenges
  - History, path-dependency
  - Optimal path will be specific to country

Conclusions (2)

- Zambia seems to have struck effective balance between competition and coordination
  - Avoided “debilitating competition” of Tanzania and Uganda
  - Enough competition to spur private institutional innovation
    - Dunavant Distributor System
Conclusions (3)

- Mozambique’s concession system has provided few incentives for private institutional innovation
  - Need regular evaluation and re-awarding
  - But can public sector handle this?
- Will new entrants (Dunavant, Cottco) bring new ideas and practices?

Conclusions (4)

- Need for more effective interaction between public and private sectors to grapple with long-run challenges
  - Zambia needs more, may be moving in this direction
  - Mozambique needs a different kind, but no indication it is moving in that direction