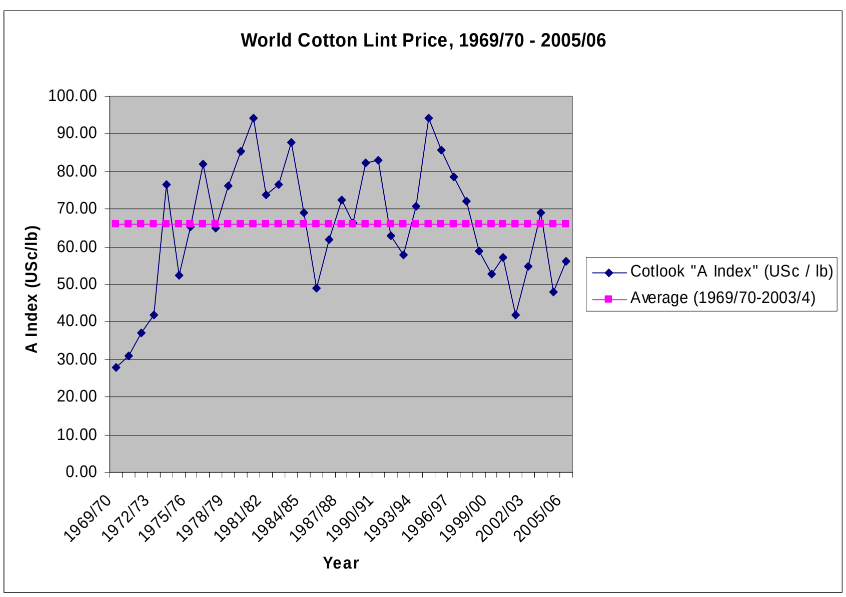
Context and Overview: Comparing Performance Across the Four Sectors

Colin Poulton

International Lint Prices

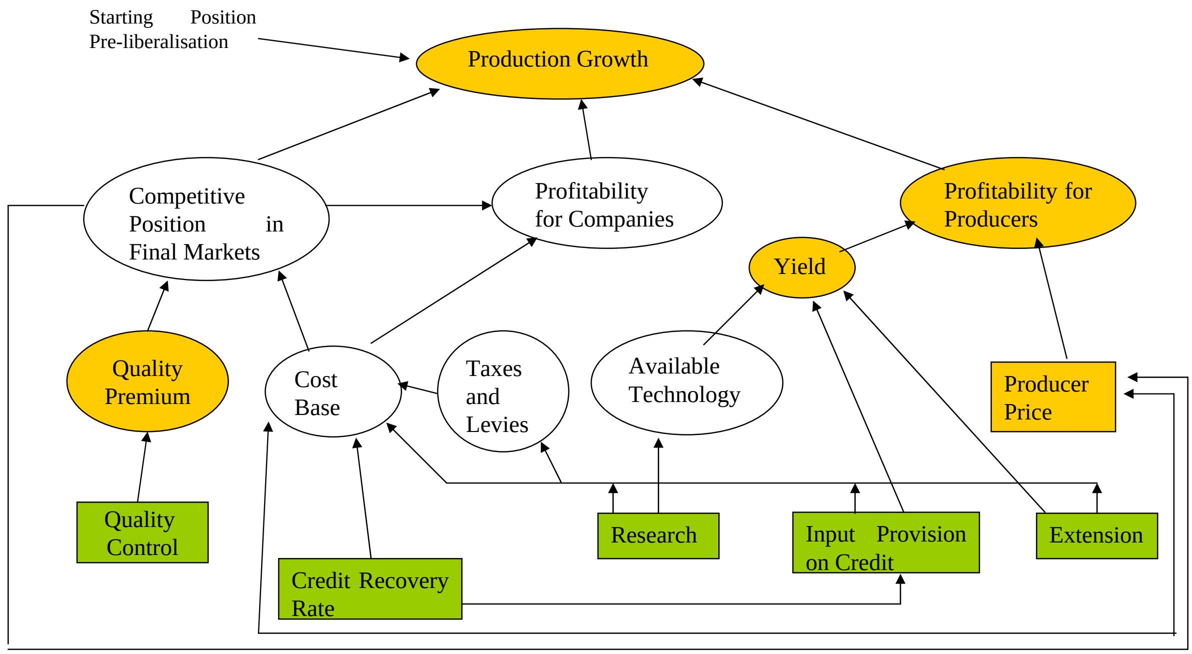


Prices: Looking Forward

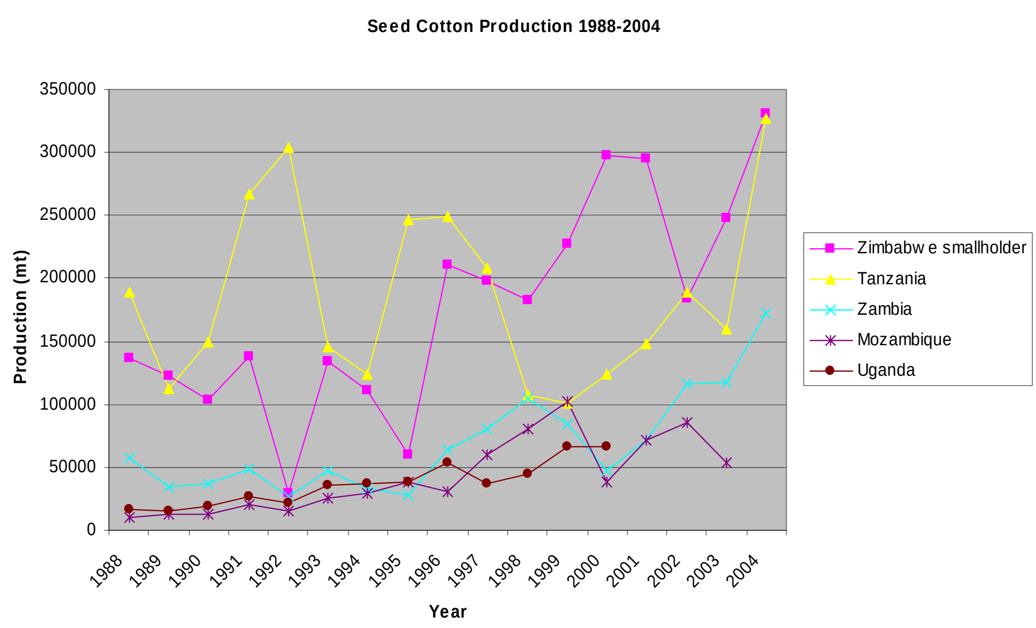
- Production will at least keep up with demand
  - New sources of supply
  - Spread of GM cotton
  - Global yields are rising (2003/04 record mean yield)
  - Tough competition from synthetic fibres
- Spread of GM cotton
  - 90%+ of cotton in China, soon 50% globally?
  - Either same yield for lower cost (China) or higher yield for similar cost (South Africa)
- ICAC projection: A Index USc 50-60 / lb (to 2015)
- African production generally low cost, but sectors need to remain competitive

Possible benefit of US, EU subsidy cuts?

- 2004 WTO ruling Brazil vs US
  - Some time before benefits seen
- Reduce severity of price downswings (e.g. 2001/02, 2004/05)
- World price 10-15% higher (full subsidy removal) from base of USc50/lb
- Window of opportunity: who will supply instead?
  - Quantity
  - Quality



Seed Cotton Production 1988-2004



Yields (kg/ha) 2000/01 – 2002/03

	2000/01	2001/02	2002/03
Zambia	600	620	650
Zimbabwe	783	472	712
Tanzania	500	500	450
Mozambique	303	376	342

Sources: project reports, Dunavant, CSO Harare, Cotton Institute (Mozambique)

Competition and Coordination in Liberalised African Cotton Market Systems

International Buyer Survey 2004-05

Marianne N. Larsen

Cross-Country Workshop, Lusaka February 2005

The Objectives of the Questionnaire are:

- To see how trading relationships between our focus systems and international buyers have changed in recent years and to relate this to changes that have been taking place within these systems;
- To see how the quality of lint from our focus African cotton systems has changed in recent years;
- To discern trends within international markets that players within our focus systems should be aware of.

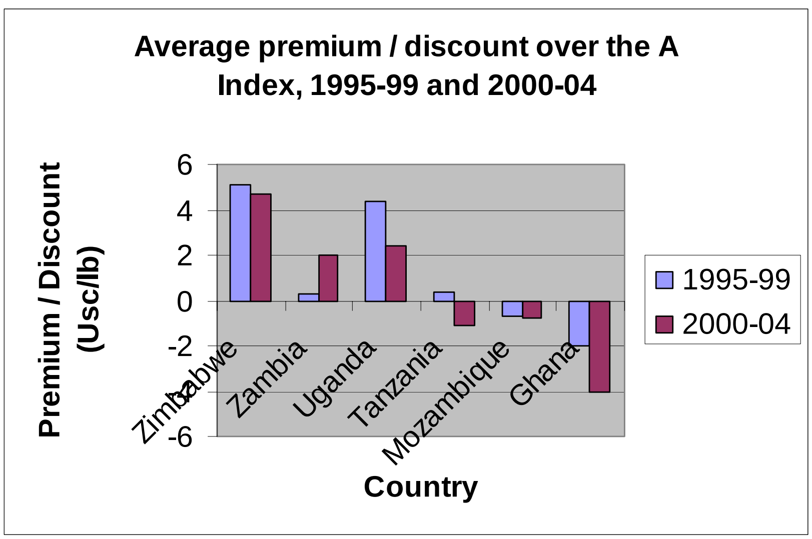
The Sample

- Around 50 international trading companies
- Around 20 companies trade in lint from our focus countries
- Questionnaire received from 13 companies
  - Zimbabwe: 7
  - Zambia: 5
  - Tanzania: 12
  - Mozambique: 5
  - Uganda: 9
  - Ghana: 3

Trading Relationships

- Several companies made investments in ginneries in recent years
- Several companies have started trading lint from focus countries (since 2000)
- Strengthening their pre-financing arrangements with African ginners
- Reliability in quality and quantity key aspects of changes in volumes of lint purchased from focus systems.

Average Premium / Discount over the A Index



Quality Trends within the World Market

- Lint attributes most valued by customers: Staple length, grade, and low contamination, followed by micronaire, uniformity, and strength.
- Recent changes in preferences for lint attributes
  - – High uniformity has become more important
  - – Foreign matter less acceptable
  - – Detailed calibration of fibre properties more important (HVI test).

Reasons for Changes in Preferences

- A move to higher speed spinning technology and automation of spinning process

➢ Detailed measurement of uniformity and contamination-free lint much more important

- African cotton – competitive position within world markets
  - Hand-picked cotton
  - Slow ginning process

- African cotton sectors need to be able to ensure production of high quality lint (reliability in quantity and quality)