Context and Overview: Comparing Performance Across the Four Sectors

Colin Poulton

International Lint Prices

![Graph showing World Cotton Lint Price, 1969/70 - 2005/06]
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

Seed Cotton Production 1988-2004

Production (mt) 0 50000 100000 150000 200000 250000 300000 350000

Zimbabwe smallholder
Tanzania
Zambia
Mozambique
Uganda
Yields (kg/ha) 2000/01 – 2002/03

<table>
<thead>
<tr>
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<th>2000/01</th>
<th>2001/02</th>
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<tbody>
<tr>
<td>Zambia</td>
<td>600</td>
<td>620</td>
<td>650</td>
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<tr>
<td>Zimbabwe</td>
<td>783</td>
<td>472</td>
<td>712</td>
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<tr>
<td>Tanzania</td>
<td>500</td>
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<td>Mozambique</td>
<td>303</td>
<td>376</td>
<td>342</td>
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</tbody>
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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

![Average premium / discount over the A Index, 1995-99 and 2000-04](chart.png)
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)