

# Comparative Analysis of Cotton Sector Reforms in SSA

---

## *Performance on Pricing to Farmers*

David Tschirley and Stephen Kabwe  
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

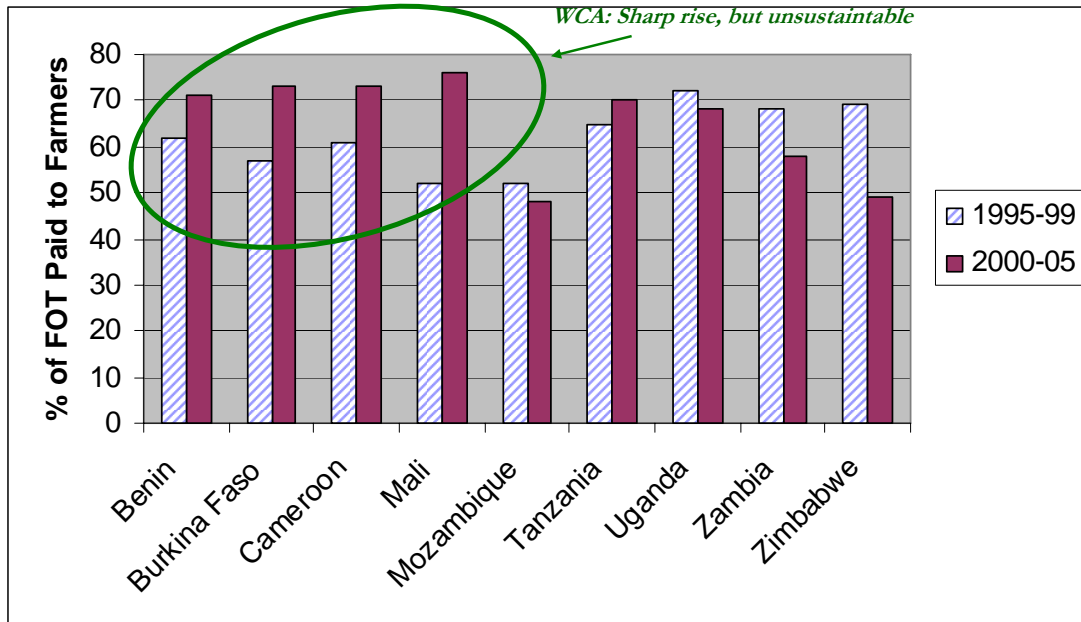
- Zambia and Zimbabwe: price leadership
- Tanzania: pure competition
- Mozambique: administered, but much less attractive for farmers than in WCA
- Uganda: Pre-planting price announced, but actual price fluctuates

## Performance Indicator

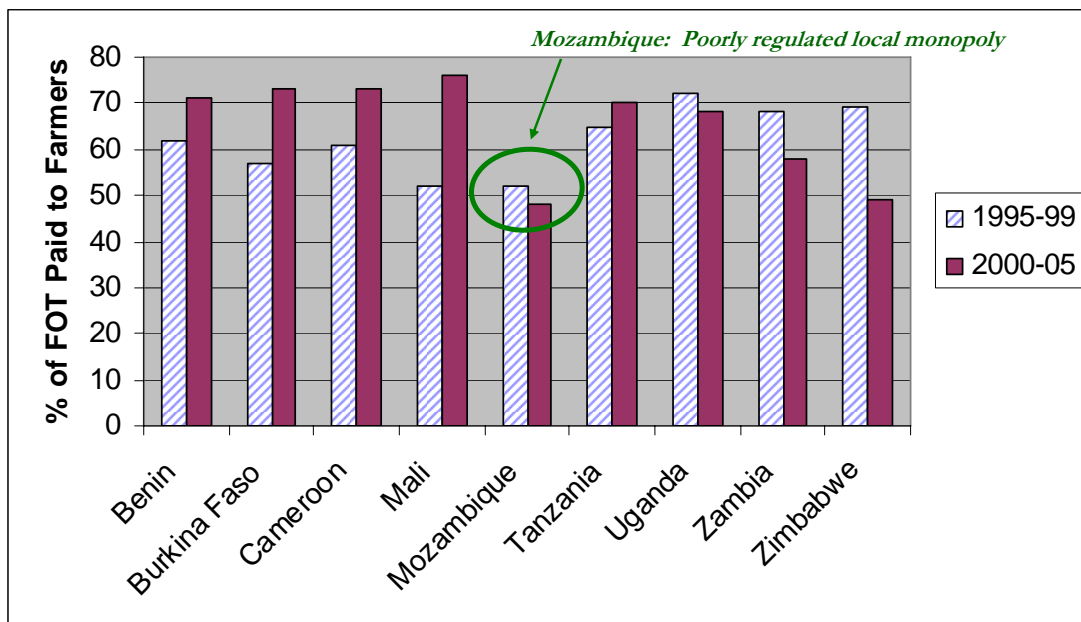
---

- 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

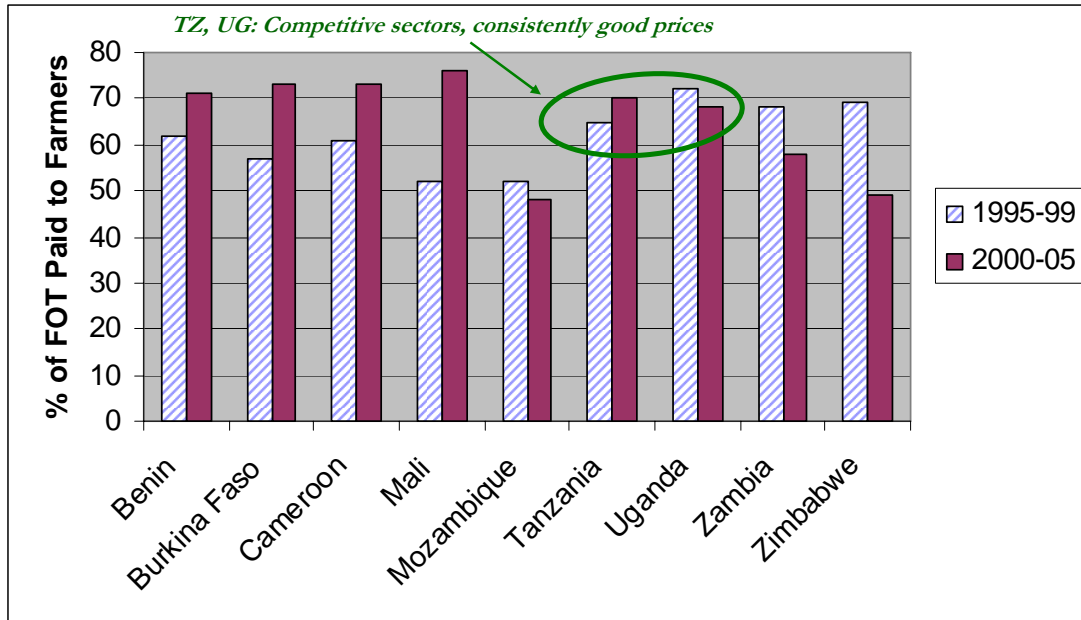
## Farmer Share of FOT Lint Price, 1995-2005



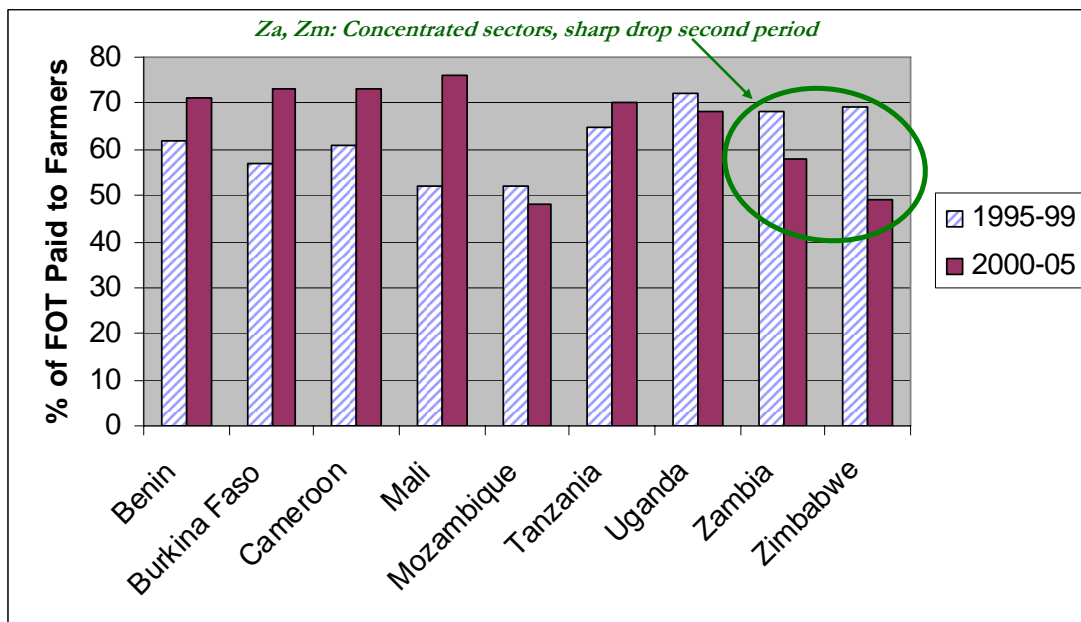
## Farmer Share of FOT Lint Price, 1995-2005



## 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