

# Increasing Demand for Quality in World Cotton Markets

## How has Zambia Performed?

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*Stephen Kabwe and David Tschirley*  
*Food Security Research Project*

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## Outline

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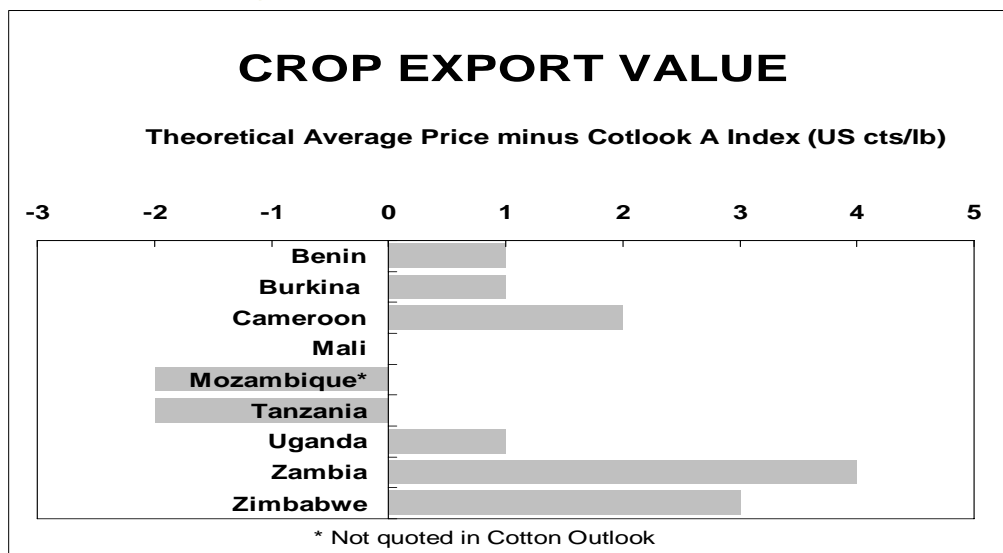
1. Why should countries produce quality cotton lint?
2. Performance of each sector type in enhancing quality cotton lint
3. Key lessons for Zambia

## 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?

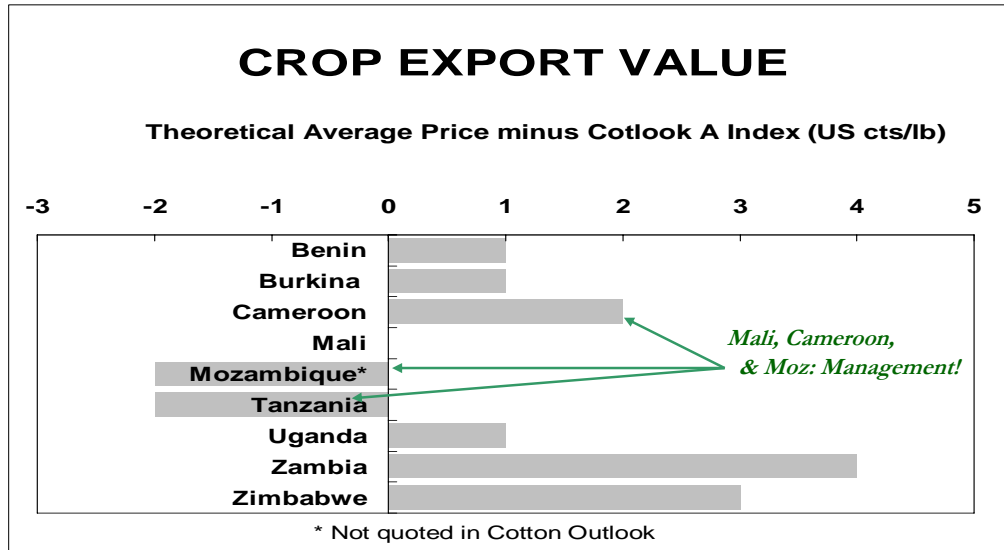
Estimated Average Premium over A Index (US cents/lb), 2005/06



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

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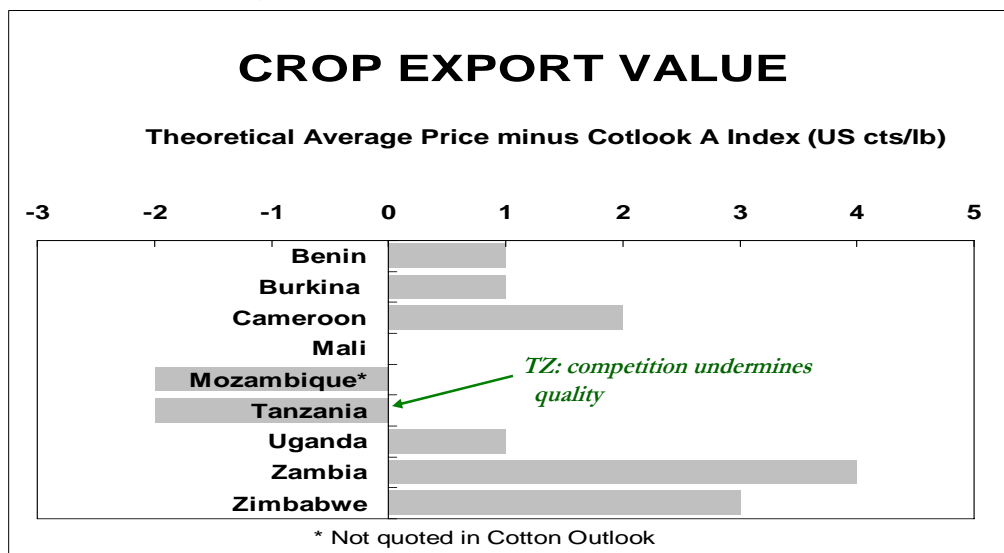
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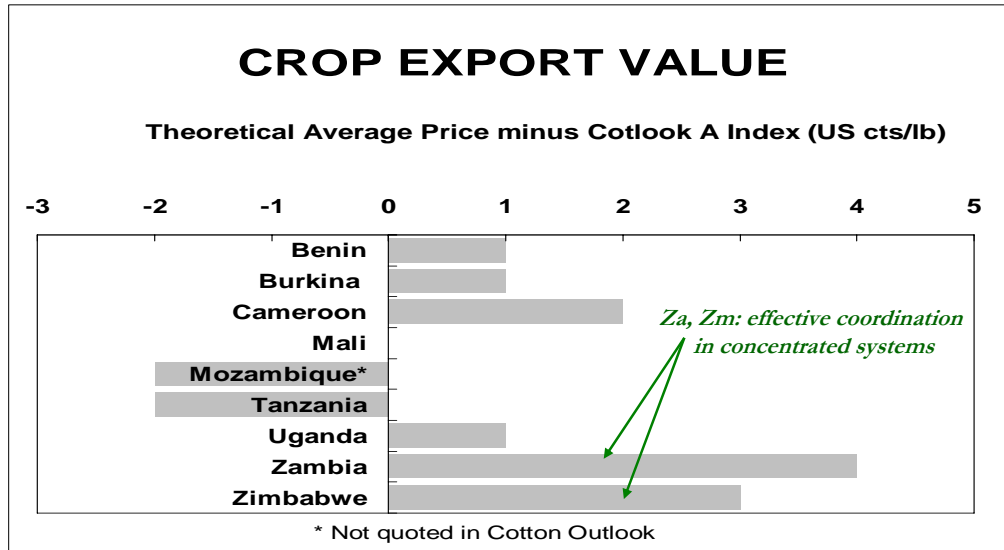
Estimated Average Premium over A Index (US cents/lb), 2005/06



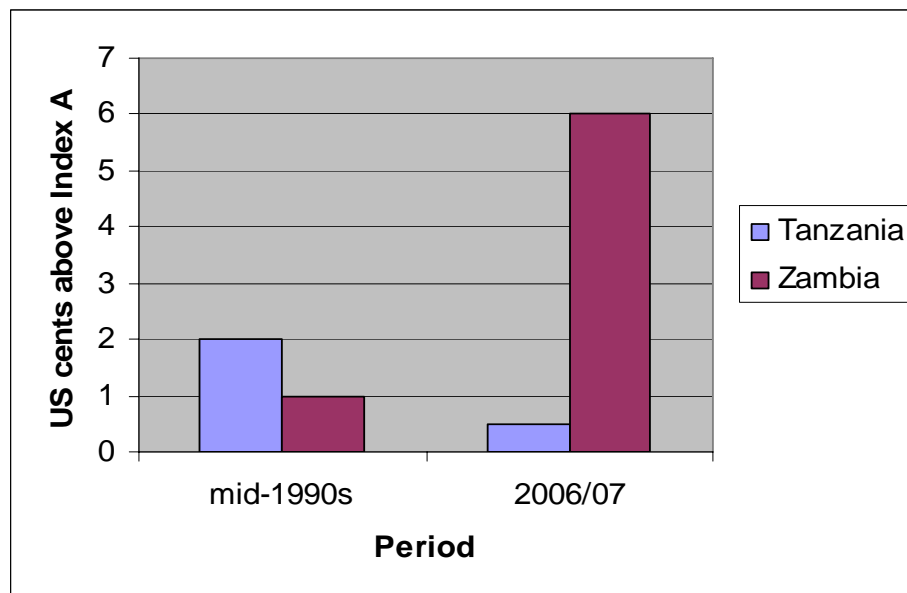
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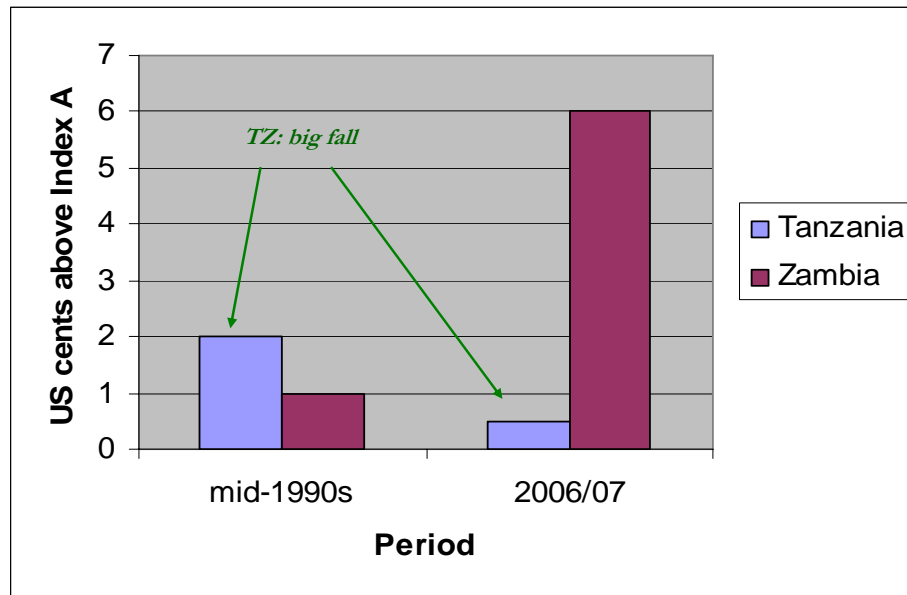


## Change in price premia for top Tanzanian and Zambian lint types, mid-1990s to 2006/07



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

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## Lesson for Zambia

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- 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)

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- The study suggests collaborative, multi-stakeholder regulation of the sector
  - Limited barriers to entry for new ginners
  - 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



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*Thank You!*