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**Distortions in the cotton commodity system of Tanzania: a PAM approach: The
university of Dar es Salaam Department of Economics**

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In this study, we have discussed not only the history but also the importance of cotton production to the Tanzanian economy. We have confirmed that there have been some distortions in the cotton commodity system which inhibit cotton producers from maximizing profits from cotton production. PAM as a method of quantifying distortions and their effects on private and social profitability, and transfers in different relevant markets has been discussed and found more powerful than the NRP and ERP; hence the rationale for us to invoke it in our empirical analytical treatise. This study, applying PAM, reveals that generally the cotton producer incurred a loss of Tshs. 6.61 per kilogram of seed cotton while the ginning and marketing agents earned profits amounting to Tsh.21.29 per kilogram of cotton lint equivalent. Similarly the overvaluation of the exchange rate caused losses of Tsh. 31.91 and Tsh. 7.42 per kilogram of seed cotton in 1985/86 and 1992/93 respectively to cotton producers. The study has also found that transfers among interest groups are rampant in the output and tradable – input markets, and hence profit transfers are analogously affected. We have established, on the basis of our empirical results, that the private profitability of cotton production is negative, amounting to Tsh – 15.05 per kilogram while the social profitability is positive to the tune of Tsh 52.65 per kilogram of seed cotton owing to these distortions, during the time – period studied.