African Cotton & Textile Industries Federation

ACTIF Newsletter

NOVEMBER 2010

AGOA Textile and Apparel Imports decline by 23%

The US Department of Commerce's official statistics of US imports of textiles and apparel from Africa during January-August 2010 showed a 23% decrease compared to the same period last year.

US textile and apparel imports from Africa in January-August 2010 were 147.187 million square meter equivalents (sme), down from 190.044 million sme in January-August 2009. The data through August 2010 continues a disturbing trend of declining textile and apparel imports from Africa. During 2009, US textile and apparel imports from Africa were down 18.99% from 2008, and were also down 21.98% from 2007.

U.S. Textile and Apparel Imports from Africa
(in million sme)

Country	Jan.-Aug. 2009	Jan.-Aug. 2010	Jan.-Aug. 2009-2010 % Change
Botswana	1.732	1.738	0.31%
Ethiopia	2.606	2.091	-19.77%
Ghana	0.091	0	-100.00%
Kenya	44.049	41.179	-6.53%
Lesotho	52.216	46.339	-11.25%
Madagascar	42.202	15.266	-63.83%
Malawi	2.64	2.261	-14.37%
Mauritius	10.417	12.25	17.60%
Namibia	0	0	-100.00%
South Africa	7.374	4.493	-39.07%
Swaziland	22.718	19.022	-16.27%
Tanzania	0.554	1.578	184.71%
Sub-Sahara Africa	**190.044**	**147.187**	**-22.55%**

U.S. Imports from China of Key Apparel Categories
in million sme

Category	Jan.-Aug. 2009	Jan.-Aug. 2010	% Change
338	52.037	79.433	52.65%
339	153.878	216.042	40.40%
340	92.065	137.889	49.77%
345	100.055	111.245	11.18%
347	123.363	174.705	41.62%
348	327.040	476.700	45.76%
352	98.054	179.486	83.05%
447	1.823	3.418	87.52%
638	33.561	49.782	48.33%
639	143.206	190.173	32.80%
640	20.817	26.510	27.35%
645	1.487	3.501	135.41%
646	32.543	41.913	28.79%
647	59.519	71.979	20.93%
648	45.312	72.125	59.17%
652	146.238	198.049	35.43%

To put this into perspective, US apparel imports from Sub-Saharan Africa have fallen sharply since 2004, following the expiration of the Multi-Fibre Arrangement (MFA) system of quotas, down 48% from 462.268 million sme in 2004 to just 238.506 million sme in 2009. (See February 28, 2010 edition of the Trade Report).

At the same time, apparel imports from China were up 23.18% in 2009. Even more troubling, there was especially strong growth during January-July 2010 in imports from China of certain key product categories of greatest importance to Africa, including Category 338 men's and boys' knit cotton shirts up 53%, Category 339 women's and girls' knit cotton blouses up 40%, Category 340 men's and boys' woven cotton shirts up 50%, Category 347 men's and boys' cotton trousers up 42%, Category 348 women's and girls' cotton slacks up 46%, Category 638 men's and boys' man-made fibre (MMF) knit shirts up 48%, and Category 639 women's and girls' MMF knit blouses up 33%. China's strong growth in those product categories that matter most to Africa is definitely contributing to the fall in imports from Africa in January-August 2010.

Source: Article by Paul Ryberg, African Coalition for Trade report, Nov 3, 2010

ACTIF continues to discuss with the US government for future modifications and continuity of provisions under AGOA on a longer term basis for its growth and sustainability in SSA.

Opportunity for Synthetics?

With increased cotton prices and the resulting cost increases for cotton fabric and apparel throughout the supply chain, synthetic yarn manufacturers were looking forward to a significant upsurge in business as retailers sought less expensive alternatives for their winter and spring fashions. However, these manufacturers have been hit with substantial raw material price increases as well.

"It started with acrylic in the first part of the year," said one spinner. "Acrylonitrile was in very short supply and was actually on allocation for much of the year. We were concerned at the beginning of this year not so much about prices going up, but about whether we were even going to be able to get product. This happened about six months before the current cotton situation, but it almost exactly mirrors what has happened to cotton. Fortunately, it has levelled off."

He continued: "As oil prices have gone up and as retailers look at finding alternates for cotton, we are now seeing polyester prices begin to tick up significantly. So, we are hoping we will be able to realize some significant gains in business from those who are turning away from cotton. But, at the same time, we're concerned that steady increases in our prices will work to negate some of the advantage."

Textile World, Jim Phillips, October 19, 2010

Ethiopian Government May Ban Cotton Exports

A proposal to ban raw cotton exports has been drafted by the Ethiopian Textile Industry Development Institute (ETIDI) setting the stage for the Ethiopian government to impose the ban.

The textile sector has been insisting on banning export of raw cotton because domestic demand for the white gold has outstripped supply, a situation which could see the country importing cotton thereby spending valuable foreign exchange.

However, cotton exporters are up in arms and have raised concerns over the proposal as they have already taken orders from international clients and if the ban were to be imposed, it would mean reneging on commitments.

Another viewpoint put across by experts is to add value to the raw cotton in Ethiopia itself rather than exporting raw cotton, as it will help generate seven times more value than that generated by raw cotton exports, which could help in bringing much needed foreign exchange.

Fibre2Fashion (Ethiopia), October 21, 2010

Apparel Workers Insist on Rationing System

The National Garments Workers Federation of Bangladesh has urged the government to initiate rationing system for the country's apparel workers who are among the lowest paid industrial workers in the country.

To press their case, the apparel workers formed a human chain on World Food Day, October 16, 2010 at Muktangon, where the leaders of the federation came out with their demand. The leaders said the rationing system was a necessary to alleviate the misery of the apparel workers.

The government of Bangladesh recently announced a new wage structure for the workers of the RMG sector, which the leaders described as 'not enough".

The government has assured that it will start the rationing system several times but has never fulfilled its commitment. Federation leaders have demanded the government implement the system for the sake of three million workers in an industry responsible for about 77 percent of the total export revenue.

Fibre2Fashion (Bangladesh), October 19, 2010

US Legislation to Boost RMG Exports from Bangladesh

The approval of a bill by the US House of Representatives to protect US companies and workers against the currency practices of China is expected to give a boost to the export of ready-made garments from Bangladesh.

The legislation will permit the US government to impose countervailing duties on those countries, which manipulate the exchange rates by going against the rules of free trade. The increase in the value of Chinese currency is expected to make the products, which are to be exported from China to the global market, more expensive.

China is slowly increasing the value of its currency. Over the past three years, the value of Yuan was increased by 15 percent. If the currency is further appreciated by another 15 percent, it will enhance the exports from Bangladesh greatly.

The RMG sector contributes around 80 percent of the total export earnings of Bangladesh. But the boost in exports might negatively affect the imports of the country.

Fibre2Fashion (Bangladesh), October 12, 2010

ACTIF Secures CDE's Support to conduct a CTA Supply Chain Analysis in Kenya, Uganda, Tanzania & Sudan

This activity is expected to commence in the first quarter of 2011. ACTIF is gratified to CDE for coming on board to support this important intervention for developing regional and international trade.

India's Cotton Export Policies under Fire by Global Textile Organisations

Textile organisations in the United States, European Union (EU), Mexico and Turkey have sent a joint letter to their respective governments urging immediate action to halt cotton trade restrictions by the government of India. The organisations include the National Council of Textile Organisations (NCTO), European Federation of Cotton and Allied Textiles Industries (Eurocoton), Cámara Nacional de la Industria Textil (CANAINTEX), Istanbul Textile and Apparel Exporter Associations (ITKIB) and Turkish Textile Employers Association (TTEA).

Together, the organisations represent more than 1 million textile workers, whose jobs could be threatened by what the groups contend are discriminatory and illegal actions by India – the world's second-largest cotton exporter – to restrict or ban cotton exports in an effort to protect its domestic textile industry. The groups note that the actions, imposed in April 2010, have caused global cotton prices to surge from 62 cents per pound to $1.20 per pound, while India has guaranteed low prices for cotton consumed by its own textile mills. They further note that resulting price inequities are skewing competition in favour of not only Indian textile and apparel producers – which are able to offer their products at subsidized prices – but also Chinese state-owned textile mills – which are purchasing the remaining global supply at the high prices demanded while also enjoying government subsidies that allow "enormous price flexibility."

"For the first time in history, US mills are worried about running out of cotton because India's actions have constricted the worldwide supply and have caused panic buying," said NCTO President Cass Johnson. "Large state-owned Chinese textile producers are now paying any price to secure cotton. These actions are imperilling what had been a robust recovery for US textile mills."

Hacoit Benoit, president of Eurocoton, stated: "India's anti-trade actions on cotton have caused turmoil in world markets. Under these circumstances, competition is seriously distorted. As a result, our European textile customers are faced with difficult options. They are forced either ... to pay prohibitive prices for their cotton and suffer increased competition on processed products imported into the EU at lower price, or they must reduce their own costs by relocating their production facilities and jobs outside of Europe, or they must simply close their doors."

The letter states: "If the current scenario of India curtailing and delaying export of its cotton crop continues to play out, European, Mexican, US and Turkish textile mills will face the prospect of prolonged high prices for cotton or having no supply of cotton at all. Either way, our mills cannot survive such a scenario for an extended period of time." It further asks "that our governments immediately send the strongest message to India that it must not restrict or delay export of its cotton to world markets and must abide by international trade rules."

Textile World News October 26, 2010

Employment statistics in the world's Textile industry

An extract from ITMF Country Statements 2010: This was one of the presentations made at the ITMF conference in Sao Paulo, Brazil. ACTIF will continue to provide more information in our next 2 issues.

Country	Average Number of People Employed ("full-time equivalents")		Number of Hours Worked per Year per Person (i.e. per "full-time equivalent")		Average Cost of Labour of Textile Workers (per hour and incl. social charges)			
					Domestic		USD	
	2008	2009	2008	2009	2008	2009	2008	2009
Argentina	47,000	48,000	2,000	2,000	16.00	19.90	4.62	17.56
Austria								
	13,346	12,118						
Belgium	6,000							
	27,430	26,000[1]	1,725	1,725	24.28	24.13	35.71	33.65
Brazil								
	1,627,600	1,639,444	2,112	2,112	8.33	8.79	4.55	4.42
China	3,246,474[43]	3,065,668[43]	2,008	2,008				
	6,146,120[43]	5,957,150[43]	2,008	2,008				
Czech Republic								
	33,000							
Egypt	92,000[5]	86,535[5]	2,874[5]	2,533[5]	4.65[5]	5.13[5]	0.85[5]	0.93[5]
France			1,607	1,600				
	82,160	73,326			16.12	16.14	23.70	22.51
Germany	10,300	9,000	1,500	1,400				
	66,700	59,800	1,400	1,300	18.05	18.26	25.42	25.72
Greece	11,654	11,559	1,600		14.31	15.13	20.15	20.17
India								
	806,388	804,402	2,800	2,800	58.00	65.00	1.26	1.37
Indonesia	1,262,450	1,337,497	2,100	2,100	6,500	6,878	0.60	0.67
Italy	41,000	38,600			16.43	16.84	24.15	23.46
	508,200	482,300						
Japan								
	129,251	111,560						
Korea, Rep.	4,635[10]	4,548[10]	2,761.1[10]	2,682.7[10]				
					9,823	10,384	8.91	8.14
Nigeria								
	24,000	21,000	2,100	2,100	150	160	1.27	1.07
Pakistan	2,425,000	2,509,000	2,456	2,496	37.70	37.50	0.59	0.47
Russia	60,800	50,250	1,993	1,820	54,000	57,200		
	130,000	109,700	1,993	1,820	55,100	59,500		
South Africa								
	45,673	40,207						
Spain	6,328	5,706	1,747	1,725	9.16	9.39	13.46	13.05
Sri Lanka								
	22,000	21,000	2,400	2,400	70.00	75.00	0.65	0.65
Switzerland								
	11,000		1,927		28.00		25.96	
Taiwan, China								
	119,091	114,309	2,377	2,536	191.16	172.29	5.82	5.38
Turkey								
	1,950,000	1,900,000	2,062[17]	2,062[17]	10.62		8.21	
U.S.A.	162.800							
	298,400	252,200	38.65[27]	37.30[27]	14.04	14.44	14.04	14.44

short-staple   pan-textile

short-staple   pan-textile

Upcoming events

14–27 November 2010:
ITC South-South Cooperation along the Value Chain – Mumbai, India

16–18 March 2011:
Origin Africa: Fibre to Fashion event – Mauritius

31 March–1st April 2011:
Prime Source Forum 2011 – Hong Kong

19–21 September 2011:
ITMF 2011 Annual Conference – Barcelona, Spain

22–29 September 2011:
ITMA 2011 Exhibition – Barcelona, Spain

2011 TBA:
70th ICAC 2011 – Buenos Aires, Argentina

Origin Africa: Fibre to Fashion event rescheduled

ORIGIN AFRICA *Celebrating the spirit, style & innovation of modern Africa*

The "Origin Africa -Fibre to Fashion" event which was earlier scheduled for November 10 to 12 2010 at the **Intercontinental Mauritius Resort Balaclava Fort** in Mauritius will now be held March 16-18 2011, organisers have announced.

Origin Africa is a project of the USAID Competitiveness and Trade Expansion Program (COMPETE) in partnership with EDUN, Mauritius Export Association, Ministry of Industry & Commerce/Enterprise Mauritius, Mauritius Tourist Promotion Authority, Air Mauritius, and African Cotton & Textile Industries Federation (ACTIF).

The concept behind Origin Africa is to capture the spirit, style and innovation of modern Africa. It will raise awareness about Africa as a sourcing destination and change perceptions about doing business in Africa, targeting a global audience of buyers, business leaders and designers. *Fiber to Fashion* 2010 will highlight the creativity and innovation of the African cotton, textile and clothing industries, and raise the profile of the continent as a source of supply of cotton, textile products, fabrics and clothing. This world class event will bring together business leaders and decision makers from 20 countries across Africa, providing opportunities for international buyers to establish contacts with African designers and industry, and to do business.

The Mauritius Fibre to Fashion 2010 is one of Origin Africa's activities that highlight the creativity and innovation of African designers and exposes African cotton and textile products and fabrics to international buyers.

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Egypt's active spinning capacity on the decline

Egypt's active spinning capacity in the cotton sector for ring spindles went down by 14.2% in 2009 compared to 1,569,849 ring spindles in 2008 reflecting a general decline in the Gross National Product (GNP).

The country's GNP decreased by 4.7% during the fiscal year 2008/2009 against a positive growth rate of 7.2% registered in the previous fiscal year. The trade balance recorded a deficit of USD 25.2 billion in 2008/09, up from a deficit of USD 23.4 billion in 2007/08.

On the other hand, the capacity for installed open-end rotors rose to 17,752 in 2009. Within the cotton weaving sector, the number of active shuttle-less and shuttle looms decreased (in 2008-2009) by 50.9% and 5.8% respectively.

With regard to cotton consumption, there was an increase from 96,000 tons in 2008 to 108,000 tons in 2009 and the consumption of all fibres went up by 10.9% to 125,600 tons as compared to 113,270 in 2008. However, the production of cotton yarns and fabrics production decreased to 92,694 and 28,696 tons respectively in 2009. Blended cotton yarns production recorded significant jump by 95% while production of blended fabrics increased to 5,871 tons in 2009, compared to 5,800 tons in 2008.

On the Textiles & Apparel trade, Egyptian exports increased during 2009 in both volume in tons and value in USD by 7.6% and 0.9%, respectively.

On the employment scene, there was a general decline in the public sector owing to the continuous early retirement programme as a result of privatisation. The wages of textile and apparel workers are expected to improve.

Source: ITMF Country Statements 2010

EU to Ease Trade Rules for Poor Countries

The EU is due to adopt a simplified set of rules of origin for developing countries exports. Particular relaxations are foreseen for the least developed countries (LDCs), but the rules may mainly profit the strongest of them.

In today's global supply chain, determining the origin of a pair of jeans – that may be designed in Italy, with denim tissue from Pakistan, yarn from Tunisia, the zip from France, final production in Lesotho, manufacturing in Tunisia and recycling in China – is a real headache. Industrialised countries have granted preferential trade regimes to developing ones mainly by reducing import tariffs. But the latter have not been able to fully benefit from these arrangements because of other non-tariff barriers. Among these, rules of origin are a particularly difficult hurdle, but the European Union (EU) is on its way to changing its system.

"Right now we are not exporting one single textile to the EU," a diplomat from an African LDC told IPS in an interview, "but rather to the US because the AGOA scheme (the African Growth and Opportunity Act that grants preferential market access to African exports) is much more relaxed in terms of RoO, among others. But maybe with the new European regime we will see more investors coming in." "Since 2003, the EU wanted to overhaul and simplify all RoO on its preferential trade regimes, starting with the Generalised System of Preferences (GSP)," says Andreas Julin, first counsellor at the EU delegation in Geneva. The GSP is a preferential trade regime accorded by the EU to 176 developing countries that grants them entry into the European market at lower tariff rates. For LDCs, it foresees duty-free and quota-free market access for all their products under the 'Everything but Arms' initiative. One of the major novelties is the simplification and relaxation of the appropriate rules for determining the origin of a product that will be adapted to each sector.

For processed goods, what counts is the place where the substantial transformation has taken place, that is, the last country where it emerged from a given process with a distinctive name, character or use. One way of determining that is to simplify the classification of products according to their tariff headings. Another is to look at the value added, and here "one of the major breakthroughs is that we have specific rules for LDCs," said Andreas Julin. "We will require only 30 percent of local content on processed agricultural products, compared to 50 percent to 70 percent before." The third way is to identify specific processing techniques goods have to go through to qualify for a preferential rule of origin.

The diplomat from the African LDC sees benefits, but he still has doubts: "The new system may bring in some benefits," he told IPS, "but competition among LDCs, particularly from different regions, will be an issue. In Bangladesh, the textile industry is locally owned and strongly supported by the government. In Africa, investments often come from Asia; they are footloose industries that can leave at any time.

Source: Inter Press News Service Agency

Cotton Prices Continue to Soar

With the current state of the cotton market, it would not be beyond the bounds of believability to see senior spinning executives standing by the roadside holding up signs that say "will work for cotton."

Demand for cotton has skyrocketed throughout 2010, particularly in the last several months. Correspondingly, prices for raw cotton and cotton yarn have gone through the roof as well. On January 18, 2010, quotations for the base quality of cotton averaged 67.66 cents per pound in the seven designated markets measured by the US Department of Agriculture. On October 15, the average had increased to $1.06.52, the highest price recorded since May 26, 1995, when the average was $1.11.53 cents per pound.

The rapid increase in raw material cost has resulted in significant – but not proportionate – increases in wholesale prices of cotton yarn. In January 2010, a ballpark price for 18/1 ring-spun carded cotton was around $1.50 per pound. By mid-October, that same yarn was selling anywhere from $1.85 to $2.

"We're lucky in that we've bought the cotton we need to fill our orders," said one spinner. "But if you don't have it in-house or on the way, it is hard to find. I understand that the crop is, basically, completely sold, and there is not any availability. At one point, there were even some offerings of the 2011 crop, but it's been taken off the market."

Said a yarn broker, "as we got into the summer months, the cotton business was already strong. Many apparel manufacturers started looking to restock their inventory as the economic recovery continued. With the continued strength of the textile industry and some concerns about the availability of fibre, it created a very strong demand for cotton. I think some mills became concerned about availability of cotton but weren't really sure the long-term demand would be there. They expected business to weaken as we headed into the fall months, and they took on some business that, in the end, they did not have the capacity to meet. As a result, the cotton they had purchased as a hedge against future production needs was used to fill orders and they were left with a shortage of raw materials. That, in turn, triggered some panic buying, which further served to drive prices up."

At this point, cotton spinners are concerned with two issues, said one southern specialty spinner. "Those who don't have cotton are worried about how they'll get it and how much they'll pay for it," he said. "And those who have already bought their cotton based on current demand projections and prices are worried that consumer spending will slow, prices will drop and they will be stuck with a lot of high-dollar raw material."

Textile World, Jim Phillips, October 19, 2010

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