ACTIF Newsletter

AFRICAN COTTON & TEXTILE INDUSTRIES FEDERATION

ACTIF Newsletter - NOVEMBER 09'

China's Cotton-to-Clothing Value Chain: A unique experience by Eastern and Southern African Cotton Producers

China is the largest cotton producer, consumer, and importing country in the world. In the recent years the Chinese cotton production accounted for 33% of the global cotton production while their consumption accounted for 40% of the world's. Chinese textile and apparel products account for 25% of the international market share.

It is against this backdrop that Cotton producer's representatives from Kenya, Malawi, Mozambique, Tanzania, Uganda, Zambia and Zimbabwe set out on a two-week mission to China to participate in a capacity-building workshop. The workshop was jointly organized by the International Trade Centre (ITC) and the China National Textile and Apparel Council (CNTAC) for Eastern and Southern African cotton producers and ginners within the framework of ITC's African Cotton Development initiative. The programme was supported by the Ministry of Commerce of China and financed under the EU-ACP All Commodities Programme as part of the implementation of the COMESA regional cotton-to-clothing strategy. ACTIF assisted ITC in participants' selection through its member associations and also made a presentation on Eastern and Southern Africa cotton to the Chinese Cotton importers on behalf of the participants during the training program.

Chinese textile has been a very consistent industry. It registered rapid growth from 1980 to 2008 due to the favourable policies put in place by the Chinese Government to tap into the increased demand in the domestic and export markets. Some of the polices put in place by the Government are: a textile up-gradation fund, increased allocation of resources in education and research, massive construction of road and high-speed railways and related infrastructure, improved telecommunication services, interest-free loans to the industry, promotion of the textile clusters, and affordable energy ranging between **US$c 5-7/Kwh.**

Participants at the China workshop

Cotton and ginning industry in China: China has a long history of cotton cultivation, hailing as early as 2100 years ago. At present, Chinese cotton cultivation is small and scattered. The national cotton area is about 5.33 million hectares involving more than 40 million cotton-farming households and 140 million cotton farmers with an average of **0.13 hectares** crop area. Since 2006, the Chinese Government has allocated 500 million Yuan annually, offering preferential subsidies for cotton production. Subsidy seed is provided through the Ministry of Agriculture. Because of these positive policies, the Chinese annual production has been more than 7 million tons in three consecutive years. The cotton production in 2007/08 season hit a historical record that is 7.6 million tons.

Cotton processing: The general flow in Chinese

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ACTIF NEWS: *Tanzania Cotton-to-Clothing Value Chain stakeholders meet the ACTIF team*

13th October, 2009 was a significant day for the cotton, textile and apparel sectors in Tanzania. Courtesy of ACTIF, a daylong cotton-to-clothing value chain workshop was held at the **Protea Hotel Courtyard, Dar-es-Salaam,** bringing together a total of 22 participants including ginners and millers and a strong delegation from the Tanzanian Government.

While opening the meeting, Ms. Joyce Mapunjo, Tanzania's Permanent Secretary in Ministry of Industry, Trade and Marketing, recognized ACTIF's efforts in bringing together stakeholders from the Tanzanian industries. She noted that the cotton industry in Tanzania had witnessed the re-emergence of TEXMAT, which sought to unite stakeholders in the textile and apparel industries in the articulation and promotion of their interests as well as in providing a platform for dialogue with the Government. The resurgence of TEXMAT was in tandem with the formation of the Textile Sector Development Unit within the Tanzania Cotton Board for purposes of coordinating Government and private efforts geared at promoting the cotton-to-clothing value chain. These developments were significant as they were in line with the strengthening of coordination efforts with ACTIF.

The Chairman of ACTIF, Mr. Jas Bedi, acknowledged that ACTIF had been working with the Tanzania Cotton Board (under the leadership of Dr. Joe Kabissa) and the Tanzania Cotton Association (TCA). He, however, pointed out that the clothing sub-sector had been the missing link, one of the best in the East African Community, yet not well known in the region. It was hoped that Tanzania's stake holders would take advantage of ACTIF's structures and partner with it to address its challenges.

Participants of the Tanzania workshop

While touching on ACTIF's milestones and its future, the ED for ACTIF Mr. Rajeev Arora highlighted the objectives of ACTIF as: creating a unified and recognised voice in both regional and global trade affairs while providing an effective regional representation at international forums; building cooperation, interaction, and linkages within the region; promoting inter-regional trade; and addressing key policy issues and post MFA challenges.

Mr. Fred Kong'ong'o, the Program Manager for ACTIF, highlighted the need for Tanzania to develop synergies with ACTIF to take advantage of its regional integration. The meeting discussed areas where ACTIF and the Tanzania value chain stakeholders could develop synergies that included but were not limited to creation of trade linkages and partnership within and outside the region, carrying out studies to develop regional industry and trade data, promotion of investment in the sector, trade facilitation and advocacy to create an enabling environment, and promotion of joint ventures and partnerships.

At the close of the workshop, Mr. Bedi, noted that the world trade would soon become duty-free, which posed a challenge as to whether Africa would survive the change. 'By 2025, Europe will be exporting everything duty-free, and the only way Africa can improve its competitiveness and market access is through investment in education, technology, research , innovation and marketing ' said Mr. Bedi.

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MINISTERS FROM 7 AFRICAN COUNTRIES MEET TO DISCUSS INFRASTRUCTURE DEVELOPMENT & TRADE FACILITATION IN THE NOTHERN CORRIDOR

It was a significant moment when Ministers for Transport, Regional Cooperation and Public works from seven African countries converged to discuss with various stakeholders on ways of reducing the cost of doing business in the Northern Corridor. They were drawn from Kenya, Uganda, Tanzania, Rwanda, Burundi, Sudan and DR. Congo and had gathered at a landmark conference on Northern Corridor transport and trade facilitation under the theme: "Reducing the Cost of Doing Business".

The Conference was sponsored and organized in collaboration with the Northern Corridor Transit Transport Coordination Authority (NCTTCA), East African Business Council (EABC), Kenya Ports Authority (KPA), East African Community Secretariat (EAC), Common Market for Eastern and Southern Africa (COMESA) Secretariat and USAID/COMPETE. The meeting was held on **29th September to 1st October 2009** at the Sarova Whitesands Hotel & Spa in Mombasa.

The Northern Corridor is the transport corridor linking the Great Lakes countries of Burundi, D. R. Congo, Rwanda and Uganda to the Kenyan sea port of Mombasa. The corridor also serves Northern Tanzania, Southern Sudan and Ethiopia.

The event presented a great opportunity for leading public and private sector stakeholders in East Africa to engage each other with a view to accelerate reforms that promote improved transit and trade facilitation and ensure that the benefits envisioned, such as increased intra-EAC trade and improved global competitiveness, are achieved.

The Conference, the first of its kind in the region, brought together key ministers from the five EAC countries including DRC and Southern Sudan to address transit and trade facilitation challenges on the Northern Corridor within a public-private partnership approach that will lead to tangible measures and practical solutions and more importantly, collective commitment from Governments.

ACTIF was represented at the conference by six representatives from the secretariat and National Associations from Ethiopia, Uganda and Kenya. Mr. Bedi delivered a presentation entitled: Impact of Existing Transit/Transport Regimes on Exports - Experiences from the Cotton Sector. In his presentation, Mr. Jaswinder Bedi highlighted the challenges faced in the cotton sector with respect to the existing Transport and Transit conditions and also proposed some measures that could help the region exploit its existing potential.

Among the issues that were covered in the 3-day workshop include: **Promotion of competitiveness: Service delivery in a competitive world; Eliminating non-tariff barriers along the corridor; Regional trade & transport agreements and instruments; The way forward & action plan.**

Among the sponsors of the event were the Northern Corridor Transit Transport Coordination Authority, East African Business Council (EABC), Kenya Ports Authority (KPA), East African Community Secretariat (EAC), Common Market for Eastern and Southern Africa (COMESA) Secretariat and USAID/COMPETE.

Other institutions that were represented included: Eastern Africa Freight Forwarding Associations (FEAFFA), Eastern African Fine Coffees Association (EAFCA), Kenya Shippers Council, Kenya Maritime Authority, Kenya and Uganda Railways and RVR, Kenya Transport Association, Kenya and Uganda's Revenue Authorities.

REGIONAL CONFERENCE ON NORTHERN CORRIDOR TRANSPORT AND TRADE FACILITATION TOWARDS REDUCING THE COST OF DOING BUSINESS

UPCOMING EVENTS:

1. **East African Stakeholders Capacity Building workshop - ETHIOPIA**

   Date: 18 - 19 November 2009

   Venue: Addis Ababa, Ethiopia

ACTIF POST-AGOA MEETING HELD IN CAPE TOWN, SOUTH AFRICA

11 ACTIF Committee members converged at the Cullinan, Cape Town, South Africa on 10th September 2009 to review the progress that had been made after the AGOA meeting. The status of the various countries was noted as follows:

In **Lesotho,** sales to the USA had reduced significantly while sales to Europe had slightly increased compared to 2008 but this was negligible. This was due to accessibility, terms and costs of doing business being lower then South Africa. Their factory work force had reduced from 54,000 workers at its peak in 2004 to 39,000 in July 2009. Lesotho's only textile mill had reduced capacity and workforce as well.

Chairman, Mr. Bedi, addressing the Cape meeting

As for **Madagascar,** owing to political instability, the country may lose their AGOA eligibility by 31st December 2009. They need urgent support to secure more time since AGOA represented 40% of the imports while E.U was 60%. Looking at **Mauritius,** concentration is being placed on diversifying their exports to seafood, as they believe the trade preferences would not last forever. They are members of AGOA, EU, and LDC. They have also experienced a fall in duty from 15% to 12% as a result of which they are increasing coastal productions, developing Branding Mauritius and going for high premium. As for **Ethiopia,** they believe AGOA should be measured by growth and not time and should be permanent until beneficiary countries see growth. They have 4–5 big investments; 2 are new while 3 are expansions, and are mainly backed by the Ethiopian government. Between 2007 and 2009, their export figures have doubled to $18m. They are also initiating a programme for developing 15 companies. Ninety percent of factories are Ethiopian-owned, while employees are operating between 40%–50%. In **South Africa** 100,000 people were employed in clothing as of July 2004. Of those 41,000 had lost their jobs. Their biggest problem was imports from China, subsidies offered in China and the dumping of cancelled orders into the South African market. A range of measures were proposed at the meeting, including: An amendment to AGOA legislation, to allow 180 days window to member countries before loss of eligibly for soft landing; Instill buyer interest by introduction of incentives; The AGOA EIAP proposal presented by Lesotho was generally accepted except that it would be recommended as applying to all AGOA and not just AGOA LDCs; Building of regional integration for both imports and exports to encourage growth in the local African market.

REVIVING AN AFRICAN GIANT: THE NIGERIAN TEXTILE INDUSTRY

The first international conference on Nigerian textile was organized by a private management consulting company and supported by the Federal Government of Nigeria with the objective of finding ways of resuscitating Nigeria's ailing textile industry.

Various local regional and international stakeholders converged in Abuja, Nigeria on 20th-23rd October, 2009 in the landmark Conference, which was opened by the President of the Federal Republic of Nigeria, HE Alhaji Umaru Musa Yar'Adua, and also attended by a host of other senior government and industry players. The Conference played host to powerful speakers among them industry gurus such as Mr. Shri Prem Malik, Chairman of the Bombay Textile Research Association, Prof. Walter E. Viera, former chairman of the International Council of Management Consulting Institutes, a visiting professor in Kellogg Business School Northwest University, USA, and Mr. Fred Kong'on'go, Program Manager African Cotton and Textile Industries Federation (ACTIF).

Some of the delegates at the 1st International Conference on Nigeria's textile industry
L-R: Mr. Olalu Ogunlade, CEO, Banquaries Facilities Int'l; Mr. Fred Kong'ong'o Program Manager, ACTIF; Shri Prem Malik, Chairman, Bombay Textile Research Association; Mr. Alhaji Bashir, President, Manufacturers Association of Nigeria; Mrs. Perpetua I. Okeke DMD, Banquaries Facilities Int'l; Dr. Felix Adesanmi, CEO, Banquaries Facilities Int'l; Prof. Walter Viera, Fmr Chairman, International Council of Management Council Institute.

Nigeria's textile industry emerged before the country's independence in 1960. The industry prospered in the early years meeting the requirements of its large domestic market and even the demand from outside the country. As at late 1980's, it was noted that there were as many as 124 textile firms meeting the demand of an economy that was catching fire as a result of oil proceeds. At that time, wearing Nigeria's Ankara and other local textile brands was the main fashion statement.

In the mid eighties, the countries attention slowly shifted to oil and gas at the expense of the textile industry. From as many as 120 textile factories as noted in the mid eighties, the industry took a nosedive and the count of factories is currently about 45. The employment sector in the textile industry took one of the biggest blows in the decline. On examining one case study, the United Nigeria Textile PLC was once the largest textile industry in West Africa employing over 250,000 employees during its full operation. The sorry state however is that the employees at the company have since dropped to 24,000 with junior staff accounting for about 62.5% of the workforce.

Fred, Prof Viera and Shri Prem Malik at the meeting

'Analyses by various stakeholders have emphasized the fact that the industry is near collapse. This situation has had a great impact on over seven million Nigerians that depend on the industry for sustenance either as traders, farmers or as employees.'

CHALLENGES

The Nigerian textile industry is faced with numerous challenges. These include: Massive smuggling of textile and ready-made garments; Outdated and inefficient technology in its production processes; High cost of manufacturing; High cost of funds; Shortage of black oil; Power shortages and attendant challenges; High cost of labor; Inadequacy of skilled manpower; Taxation challenges; Lack of marketing & market diversification; and last but not least, minimal product diversification.

HOPE FOR THE NIGERIAN TEXTILE INDUSTRY:

ACTIF promoted the concept of embracing a regional supply chain "from farm to fashion" under the banner of 'Brand Africa' 'Buy Africa' 'Made in Africa', a principle that acts as a driving force for all its members spread in over 20 county countries in Africa. This can enable Nigeria to develop synergies with other African countries to tap into the regional and international market. Participants were reminded that the current market is a buyers' market where innovation and marketing are key to success in revenue generation. Therefore, it's important for manufacturers and exporters to not only know their buyer but also their buyers' buyer. The presentation also highlighted recent policy changes that have been carried out by the Mauritius, Ethiopian and Ugandan Governments that can be emulated by the Nigerian policy makers to revamp the textile industry. Below is a summary of some of the recommendations made that will form a communiqué to be send to the President of the Federal Government of Nigeria:

PROPOSED SOLUTIONS:

Other suggestions that have been proposed in aid of the ailing industry include: Declaration of an immediate emergency in the Industry; Establishment of a Textile Industry Trust Fund (TITF); Accessing of massive capital and investment; Establishment of textile development institutes; Development of alternative sources of energy; Steady mergers, Acquisition and recapitalisations; Review of textiles/fabrics import policy; Establishment of National Agency for Textiles Production and Imports (NATEPI); Establishment of a tax holiday for the industry; Sustained media campaign to shore up local demand for Nigeria's textiles; Formulation of an all-inclusive textile policy

COUNTRY PROFILE: NIGERIA

Population: 154.7 million (UN, 2009)
Capital: Abuja
Largest city: Lagos
Area: 923,768 sq km (356,669 sq miles)
Major languages: English (official), Yoruba, Ibo, Hausa
Monetary unit: 1 naira = 100 kobo
Main exports: Petroleum, petroleum products, cocoa, rubber
GNI per capita: US $1,160 (World Bank, 2008)
Source: www.bbc.co.uk

NEWS ROUND UP'

ACTIF BOARD MEETING - AUGUST 2009:

The Board of Directors of the African Cotton & Textile Industries Federation (ACTIF) met on Monday 3rd August, 2009 at the Safari Club Hotel, Nairobi. During the meeting, which was chaired by ACTIF's Chairman Mr. Jaswinder Bedi and attended by 11 other board members, a range of issues were discussed touching on the establishment of the ACTIF secretariat and ongoing program activities. These include: ACTIF AGM and re-launch along with revamping of the ACTIF information and trade linkage website, which should be ready by January 2010; COMPETE grant update on disbursement of the initial funds to ACTIF; Membership fees, where it was agreed that the membership fees of US$ 300 set in the previous board meeting be implemented as from January 2010; Set up of satellite offices in Southern Africa and Indian Ocean regions by March 2010; Engagement of a management consultant to streamline the secretariat management structure, define staff responsibilities and train the staff. Updates from Kenya, Lesotho, Mauritius and South Africa were also noted.

Some participants at the cotton to value chain meeting in China

China's Cotton to Clothing Value Chain: A unique experience by Eastern and Southern African Cotton Producers

…..From Pg 1 cotton process is ginning and pilling as well as one-stop processing; that is, ginning, peeling, oil extraction and cotton by-products. There are two types of ginning: the saw ginning, and leather- roller ginning. The saw blade is the most dominant while the application of the leather roller ginning accounts for 1%.

Cotton consumption: Since China's WTO accession in 2001, the textile industry developed rapidly, with the 20%s increase in speed of annual yarn output. Currently, there are 11,000 scale textile enterprises, among which over 4,000 are cotton textile enterprises with 100 million spindles. In 2008, the yarn output was 21.1 million tons, increasing by about 10%. The financial crisis last year resulted in the blocked textile and product overstock.

Cotton import: Since 2003, cotton import has been in the momentum of rapid growth. The cotton import amounted to 2.57 million tons in 2005, 3.64 million tons in 2006, 2.46 million tons in 2007, 2.11 million tons in 2008, and 0.87 million tons from January to August of 2009, 40% lower than the previous year.

China's cotton management system: The National Development and Reform Commission – is responsible for macro-control of cotton: import quota allocation; Ministry of Agriculture – is responsible for the national cotton production planning, cotton seed promotion, and subsidies and production technology promotion; Department of Commerce – is responsible for qualification accreditation of foreign-invested enterprises in the domestic cotton business, and management of textile export quota; Administration of Quality Supervision, *Inspection* and Quarantine – is responsible for imported cotton inspection; China Fibre Inspection Bureau – is responsible for domestic cotton inspection; National Bureau of Statistics – is responsible for the statistic survey and regular issuance of cotton and textile information; China Agricultural Development Bank – is responsible for providing the cotton purchase funds, loan business of processing link technological reform, and textile enterprise purchase fund.

Contribution to the national economy and development: The Chinese textile industry absorbs 1/7 of the labour thus making an outstanding contribution to the expansion of national employment. It also plays an important role in solving agricultural issues related to the livelihood of millions of farmers and herdsmen, improving the income of over 16 million farmer households and over 16 million farmer children working in textile and apparel factories.

Slow down in China cotton textile industry in 2008: The slowdown has been caused by the world financial crisis. The yarn export was 547,200 tons 6.26% lower than 2007, the exported cotton textile cloth was 6.731 billion meters 7.74 higher than 2007. The cotton blended and dyed fabric does not account for large proportion but has a higher growth rate.

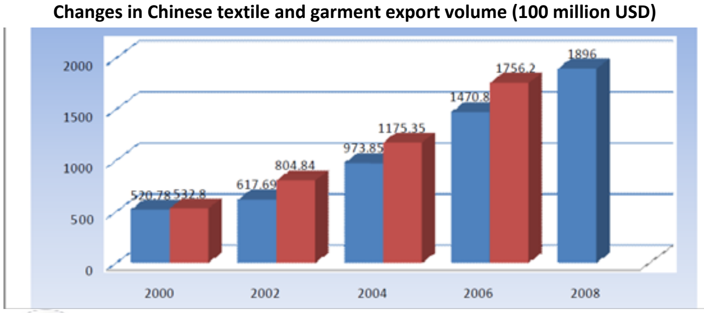
CHALLENGES

Like many other Countries, China also has its fair share of challenges. These include: Reduced market demand hence surplus of production capacity; Presence of some backward technology and equipment leading to low production efficiency; An increasing tax burden including a 13% VAT on local cotton and 18-20% on imported cotton; Increasing costs of Energy and raw materials; Shrinking profit margins with banks reluctant to extend loans to low-margin enterprises, and last but not least, the recent world economic decline.

RESPONDING TO THE CHALLENGES: It is encouraging to note that China has taken a range of measures to address its challenges. This include: Intensifying technological innovation to reduce the dependency on cheap labour; Upgrading of backward production capacity; Increasing contribution of technology & branding to total sales; Encouraging development of multi-fibre blend fabrics and improving quality of combed cotton, compact yarn and fabric to increase the profit margins.

KEY LESSONS: Some key lessons to learn from the Chinese experience include: the need for good governance and policies; Need for a culture of hard work and reward for the same (the Government and private companies have established several awards for excellence, marketing & excellent customer's service); Placing an emphasis on education, research & infrastructure development; Prioritization of the sector for job creation; Targeting both domestic and export market; Provision of various incentives & subsidies to the sector by the Government; Instituting a policy framework to protect the interest of all players in the value chain; Advance planning to pre-empt future challenges to prevent them before they take place. The trip presented opportunities for developing synergies with the African cotton-to-clothing value chain stakeholders.

Changes in Chinese textile and garment export volume (100 million USD)



COUNTRY PROFILE: CHINA

Population: 1.34 billion (UN, 2008)
Capital: Beijing
Largest city: Shanghai
Area: 9.6 million sq km (3.7 million sq miles)
Major language: Mandarin Chinese
Monetary unit:
1 Renminbi (yuan) (Y) = 10 jiao = 100 fen;
Main exports:
Manufactured goods, including textiles, garments, electronics, arms
GNI per capita: US $2,360 (World Bank, 2007)
Source: www.bbc.co.uk

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