



African Cotton & Textile Industries Federation

ACTIF Newsletter

The Kenyan Cotton and Textile industry Situation: ACTIF Chairman's Perspective

FEBRUARY 2011



Mr Jaswinder Bedi, (Pictured left) the chairman of the African Cotton and Textile Industries Federation (ACTIF) and Managing Director of Nakuru District to Francis Mureithi, of Kenya's Business Daily -on the future

of the ailing cotton industry:

So what ails the sector?

A: The most important person in the cotton supply chain, the farmer, has been forgotten. The big question is why we can't give farmers a true representation of the world prices. That is the link that is missing. The future is also pegged on raw materials. If you have a secure raw material supply chain you can be assured of a better future.

What's the solution to the problems facing textile industry?

A: We don't have to reinvent the wheel. If you look at the industrialized countries such as Japan, UK and emerging giants such as South Korea, China and India, they have developed because of the textile industry.

We need to embrace a basic textile industry which employs thousands of people. This factory you are sitting in has employed 800 people and this is a small factory. Imagine if all the 52 textile mills were running in the country.

Why can't the local cotton industry develop?

We got a lot of imports which are not regulated. The influx of second-hand clothes has had a major impact on the survival of most of the textile mills, forcing them to shut down.

When you liberalise the economy you must regulate import so that local industry can adjust. That time was not given and that is why the industry has collapsed.

Is there a willingness on the part of the government to revive the sector?

A: I don't think there is a focused view on this industry and that is why it is going

through hardships. However, I'm happy Prime Minister Raila Odinga took an initiative and formed a task force to revive the industry.

The only problem is that the recommendations of the task force on the implementation of the Kenya Textile Industry Position Paper of 2006 are still gathering dust on the shelves.

Bedi is equally affected by shortage of cotton, how do you survive?



Picture illustrating the dwindling cotton supplies in the country



Picture illustrating the employment potential at a local textile and garment factory

A: This is a major headache. We get raw materials from the United States. If we were getting them from Kenya we would be running full blast. The raw material supply chain can only function where there is enough raw materials.

Comment on the cost of doing business.

A: It is prohibitive due to high cost of electricity and once this issue is fully addressed we can have a sustainable industry and be able to pay good wages and expand. We have invested heavily in technology which has reduced costs.

The government has issued directive requiring disciplined forces to source their apparel from local industry. What is your take on this?

A: It's a fantastic and brilliant idea. We are finally looking within our borders and this in itself will keep our factories running and everybody will start expanding because demand from the disciplined forces is huge.

If you were to invest your money again, would you still invest in textile?

A: Yes. Africa is the next big place. Africa will soon be a trillion-dollar market for the industry and with such potential still unexploited it's a sure bet.

The 2011/2012 financial estimates will be read in the next four months. What are your prayers?

A: The report of the task force on the implementation of the Kenya Textile Industry Position Paper of 2006 should be implemented in full. This will give us a new lease of life.

Any radical thoughts?

I think we need to have a Ministry of Agribusiness to address the woes in the industry

because this idea of being tossed from the Ministry of Agriculture to Industry makes us look as if we have no father or mother.

Article extracted from of an interview published on Kenya's Business Daily on Feb 21st 2011

Continued dominance and pressure on the global textile industry by developed countries' currencies such as the US Dollar and the Euro remain a major cause of uncertainty on the future of the industry.

The outgoing ITMF president, Halit Narin, told the ITMF annual conference held in Sao Paulo, Brazil, Oct 17th -19th 2010, that a solution was needed in the near future to accommodate the industry's significant improvements and bigger capacities. The conference's theme was 'Compliance sustainability and profitability'.

"Perhaps an alternative currency may be the solution to the industry's significant improvements and bigger capacities," he said.

The significance of the Textile Industries to the global economy was highlighted by Aguinaldo Diniz Filho, the President of Brazilian Textile & Apparel Industry Association. He noted that the world trade of Textile and apparel had reached more than USD 600 billion annually according to data from the World Trade Organization (WTO). In addition, when examining the trade of manufactured products, the Textile and Apparel industry was only surpassed by trade in chemicals, telecommunications equipment and the automotive segments.

Aguinaldo further highlighted the significant economic and social relevance of the Textile and Apparel industry in Brazil. He explained that the industry was responsible for direct employment of 1.7 million people in about 300,000 companies distributed throughout the country. In total, some 8 million people depend on the sector for their livelihoods. It was further noted that the textile and apparel sector in Brazil was the second largest employer in their manufacturing industry accounting for 11% of the existing jobs in that sector and 5.15% of the GDP according to IBGE data.

During the fiber session of the ITMF conference, Executive Director of ICAC, Terry Townsend, made a presentation on setting the record straight regarding cotton volatility and uncertainty. It was noted that the world cotton prices had risen by 27% during the 2009/10 period while the Cotlook A Index averaged 78 cents per pound, the highest since 1995/96 period. It was further noted that the surge in prices was caused by a depletion of stocks

as a result of production falling during six consecutive seasons.

Townsend further noted that the structure of the world cotton trade was changing with consolidation occurring among the existing merchants. New entrants were mostly multi-commodity and multi regional traders. The 10 largest firms traded an average volume of 620,000 tons in 2009 as compared with 19 firms in the same category who traded an average of 320,000 tons in 1994. Despite continued concentration however, it was noted that the cotton shipping industry remained highly competitive, with the largest companies trading about a quarter of the world's cotton production.

Christian Schindler, the executive director of ITMF, Switzerland, made a presentation on the situation and outlook in the aftermath of the global financial and economic crisis. He noted that the year 2009 was most difficult and unpredictable in the recent history of the world textile industry, bringing to light some of the structural changes that had been looming for some time.

First, he noted that the world economy was facing the end of a long and strong in-

Continued in page 3

Global Apparel & Clothing Exports & Imports

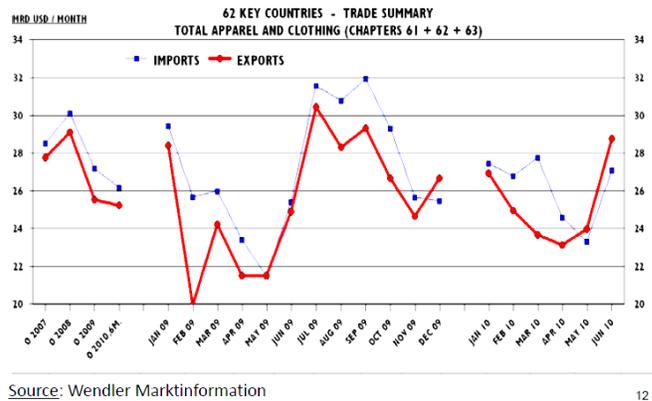


Fig 1: While imports reached a monthly average of USD 30 billion in 2008, this number fell to USD 27 billion in 2009 and USD 26 billion in 2010. In May 2009, imports of apparel & clothing amounted to only USD 21.5 billion

Top-10 Importing Countries of Apparel and Clothing



(USD billion: Ø per month)

	2007	2008	2009	2010*
- USA:	7,513	7,281	6,392	6,472
- Germany:	2,720	2,944	2,872	2,710
- Japan:	2,080	2,241	2,287	2,055
- U. K.:	2,184	2,146	1,901	1,778
- France:	1,879	2,046	1,848	1,733
- Italy:	1,330	1,468	1,311	1,231
- Hong Kong:	1,541	1,495	1,255	1,139
- Spain:	1,160	1,284	1,128	1,051
- Netherlands:	851	952	881	855
- Belgium:	812	915	776	651

Source: Wendler Marktinformation; * first six month

Fig 2: It is interesting to note that all other top 10 countries' average monthly import levels in 2010 are lower than in 2009 while in the US they are higher indicating that demand seems to stabilize though admittedly on a low level. (ITMF 2010 Conference report)

Top-10 Exporting Countries of Apparel & Clothing



(USD billion: Ø per month)

	2007	2008	2009	2010*
- China:	10,187	10,810	9,777	9,854
- Hong Kong:	2,303	2,237	1,844	1,626
- Germany:	1,506	1,685	1,561	1,489
- Italy:	1,839	2,030	1,585	1,444
- India:	963	1,036	1,043	1,194
- Turkey:	1,298	1,271	1,074	1,124
- France:	916	977	844	791
- Netherlands:	624	717	648	647
- Belgium:	745	861	738	638
- Spain:	535	651	641	584

Source: Wendler Marktinformation; * first six month

Fig 3: All countries felt the impact of the global financial and economic crisis in 2009 with one exception - India

Global Share of top-10 Exporting Countries of Apparel and Clothing

ITMF

(USD billion: ∅ per month)

	2007	2008	2009	2010*
- China:	36.9%	37.2 %	38.3 %	39.0 %
- Hong Kong:	8.3%	7.7 %	7.2 %	6.4 %
- Germany:	5.4%	5.8 %	6.1 %	5.9 %
- Italy:	6.7%	7.0 %	6.2 %	5.7 %
- India:	3.5%	3.6 %	4.1 %	4.7 %
- Turkey:	4.7%	4.4 %	4.2 %	4.5 %
- France:	3.3%	3.4 %	3.3 %	3.1 %
- Netherlands:	2.3%	2.5 %	2.5 %	2.6 %
- Belgium:	2.7%	3.0 %	2.9 %	2.5 %
- Spain:	1.9%	2.2 %	2.5 %	2.3 %

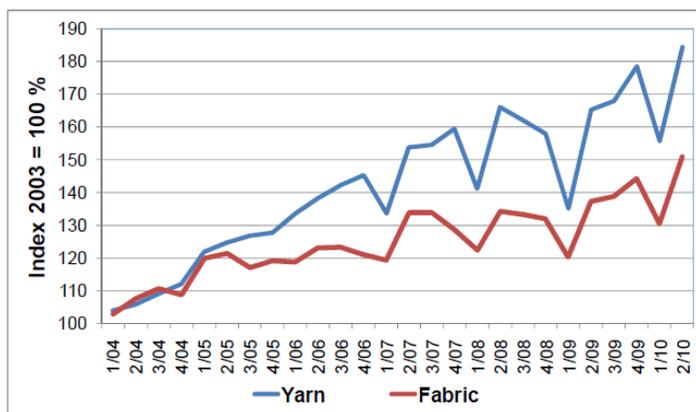
Source: Wendler Marktinformation; * first six month

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Fig 4: In spite of the global recession and lower apparel and clothing exports, China & India were able to increase their share of global exports of apparel and clothing between 2007 and 2010. (ITMF 2010 Conference report)

World Yarn and Fabric Production 2004 - 2010

ITMF



Source: ITMF

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Fig 5: The strong rebound in global yarn and fabric production was mainly driven by Asia in general and China in particular. (ITMF 2010 Conference report)

vestment boom cycle and secondly, that end had been accelerated and intensified by the world financial and economic crisis. It was further noted that the global economic crisis had led to an unseen decline in demand and investment which resulted in shrinking GDP's, lower trade, higher unemployment levels and saving rates and finally into a recession in most of the industrialized countries. A general improvement has since been recorded across the Textile and apparel sectors even though it still remains below the pre-crisis levels.

Article developed from the ITMF 2010 Conference report



16th - 18th March 2011

The Origin Africa concept is to showcase the best of textile, design, sourcing and accessories available in the region. The designer's collection should embrace this concept

"Origin Africa" is an initiative of the USAID Competitiveness and Trade Expansion (COMPETE) Program. Through its Origin Africa awareness campaign, USAID COMPETE, in collaboration with the African Cotton & Textile Industries Federation (ACTIF), a pan-African private sector association covering over 20 countries, are working to change perceptions about doing business in Africa, and showcasing talents that capture the spirit, style and innovation of modern Africa. They help African firms get the right technical expertise to sell in global markets and they bring international buyers to the region.

The overall concept is to identify the designer talent in the region, not necessarily just those that are emerging into the spotlight, but also the latent and promising talent that must be out there, which perhaps cannot progress because of a lack of resources, contacts or opportunity. This includes students. It is also to identify weavers and knitters in the region as a source of fabric supply, to be used in the collections produced by the designers. It is hoped that the inaugural Designer Showcase in Nairobi, will promote opportunities for local talent and local manufacturers to work together to develop a strong African fashion industry.

We want to raise awareness about Africa as a preferred sourcing destination and to give up and coming designers the chance to work alongside industry leaders in designing apparel with commercial appeal and African flair. To also provide an opportunity for designers to present their latest designs and talents as well as providing a platform to create new networks, to promote and profile to the world at large, African fashion; where Origin Africa celebrates innovation, resourcefulness and design, that is uniquely African.

The "Origin Africa - Fiber to Fashion" Mauritius event covers a wide base of design entries from throughout the region, and brings African designers together to put a spotlight on modern fashion made from African fabric. The event will include other innovative topics, such as new technologies, product development, new fabric technologies and other innovative topics/subjects cutting across the cotton/textiles/clothing value chain. Innovation and something different will be the key.

During the course of the overall event (16 to 18 March), exhibition space will be made available to each designer to showcase their outfits, together with any other collections they may wish to add for the exhibition itself. This will also provide an opportunity to network with delegates and buyers from the region, the US and the EU.

For more information visit: www.origin-africa.org

Africa's share of EU textile and clothing imports on the decline

But average price of imports from Africa into EU reported to have risen by 6.3%, after having increased by 8.0% a year earlier

Apparel produced in Africa and the Middle East accounts for only 4 per cent of the total sourcing requirements of the major global apparel brands according to a report in the Textile Outlook International publication. This contrasts sharply with Asia which accounts for a whopping 71% of the worlds Apparel production.

This is in relation to the global apparel consumption that is estimated to be worth between US\$ 550bn and US\$ 570bn a year. Among the factors that major global brands consider when choosing their sourcing locations include container vessel routing and frequencies; currency exchange rate movements; customs clearance times and efficiency; labour costs; natural disasters; political stability; port facilities; preferential trade agreements; quota availability and local skills levels.

In other reports, adoption of latest technology has continued to make an impact in the global textile and apparel scene. Tukatech, which is a leading developer and supplier of computer aided design and computer aided manufacturing (CAD / CAM) technology continues to roll out its products for use by the participants in the apparel supply chain. CAD refers to the use of computers for design purposes while CAM is used to control machineries.

Some of Tukatech's clients include manufacturers, designers, export companies and other suppliers as well as retailers and buyers. Its range of products includes software for pattern making, pattern grading, marker making, fabric design and virtual 3D sample making.

Tukatech global headquarters is in USA with regional headquarters in India. CAD / CAM can be utilized throughout the development of an article of clothing but it is especially useful for certain design processes. Today, CAD /CAM technology is a crucial part of the apparel production process. The full profile of the company as well as some of its major products and clients is available in the Textile Outlook International publication (Issue 145)

The report also examines the trends in EU imports and import prices for textiles and clothing as a whole for 12 major product categories, namely cotton yarn, fabrics

woven from synthetic staple fibers, fabrics woven from synthetic filament yarn, T - Shirts, pullovers, trousers, women blouses, men's shirts, women's overcoats, women's dresses, women's skirts and women's suits. The overall EU Textile & clothing imports were reported to have fallen in value by 7.0% in 2009 to Euro74.93bn, which was the first fall since 2003. The Textile imports were also reported to be down by 16.2% in value terms and 13.8% in volume, while clothing imports fell by 3.8% in value and 6.8% in volume.

Africa's share of EU textile and clothing imports was reported to have fallen in 2009 as imports from the region declined at double digit rates in both value and volume terms. In value terms, Africa's share declined from 8.8% to 8.1% while in volume it was down from 5.5% to 5.0%.

The fall in share reflects a general decline of EU imports from Africa amounting to 14.6% in value and 19.7% in volume. The drop in share was witnessed in both Textile & clothing. In textiles, the imports from Africa accounted for 4.6% of total EU textile imports in value, down from 4.7% in 2008. In volume terms, the share of textiles fell from 5.2% to 4.6%. In clothing, Africa's share fell in value from 10.3% to 9.2%, while the volume share declined from 6.9% to 5.5%. The positive side however was that the average price of imports from Africa into EU was reported to have risen by 6.3%, after having increased by 8.0% a year earlier.

The detailed reports on the business market analysis for the global textile apparel industries can be found in Textile Outlook International publication -Issue 145. This includes: a summary of the global textile & apparel sourcing - a view from four brands; the world textile & apparel trade production trends - South Asia and South East Asia; a survey of European Fabrics fairs for Spring /Summer 2011; World Markets for Textile machinery: Part 1 - Yarn Manufacture; Profile of Tukatech - Pioneering clothing design technology for developing countries; Trends in EU Textile and clothing imports.

Article developed from Textile Outlook International publication -Issue 145

Upcoming Events

16-18 March 2011:

Origin Africa: Fibre to Fashion event - Mauritius

31 March-1st April 2011:

Prime Source Forum - Hong Kong

6th-8th April 2011:

4th Entrepreneurs Textiles de l'Océan Indien (ETOI), at Carlton Hotel in Antananarivo

14th-17th June 2011:

15th International Exhibition on Textile Industry, Shanghai

04-09 September 2011:

ICAC Conference - Buenos Aires, Argentina

19-21 September 2011:

ITMF Annual Conference - Barcelona, Spain

22-29 September 2011:

ITMA 2011 Exhibition - Barcelona, Spain

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