Cotton- Textile & Apparel

Value Chain Report

For Kenya

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Acronyms

ACP–EU	African Caribbean and Pacific–European Union
AGOA	African Growth Opportunity Act
ASAL	Arid and semi-arid lands
ASARECA	Association for Strengthening of Agricultural Research in Eastern and Central Africa
CBK	Cotton Board of Kenya
CDC	Cotton Development Council
CDO	Cotton Development Organization
CET	Common external tariff
CGD	Centre for Governance and Development
CODA	Cotton Development Agency
COMESA	Common Market for Eastern and Southern Africa
CPG	Cotton Parliamentary Group
GOK	Government of Kenya
EPZ	Export processing zone
GOT	ginning out turn
ICAC	International Cotton Advisory Committee
IDF	Import declaration form
IGAD	Inter-Governmental Authority on Development
KAM	Kenya Association of Manufacturers
KAMEA	Kenya Apparel Manufacturers Exporters Association
KARI	Kenya Agricultural Research Institute
KCGA	Kenya Cotton Ginners' Association
KEBS	Kenya Bureau of Standards
KEPHIS	Kenya Plants, Health Inspectorate Services
KES	Kenya shillings (approximately US$ 1= KES 76)
KSTCIE	Kenya Standing Committee for Imports and Exports
MUB	Manufacturing under bond
NGO’s	Non-governmental organization
NIB	National Irrigation Board
NTB	Non-tariff barriers
PIP	Plant import permit
PRA	Pest-risk analysis
RATES	Regional Agriculture and Trade Expansion Support Programme
SADC	Southern Africa Development Co-operation
SPS	Sanitary and phytosanitary
STABEX	Export Stabilization Fund
TBT	Technical barriers to trade
TRADE	Trade for Africa Development and Enterprise Initiative
VCA	Value-chain analysis
WTO	World Trade Organizatio

1.0 Executive Summary

1.1 Background

The Regional Trade Center (RATES) seeks to achieve impact on food security through enhanced volumes and value adding in agricultural trade. To accomplish its objectives, RATES is going to carry out a program designed to increase regional competitiveness in targeted commodities, including cotton. RATES will work through regional organizations to develop and implement strategies that support producers of these commodities. The purpose of this study is to identify the existing cotton–textile supply chain, analyze its strengths, weaknesses, threats and opportunities (SWOT) to formulate a strategy towards the rapid revival of the sub-sector, through interventions identified from the study.

1.2 Cotton production

On average, cotton farmers are making a loss of KES 3 per kg of seed cotton produced, largely because of the high cost of production in an environment characterized by a global decline in lint prices. World lint prices fell in real terms by more than 60% between 1950 and 2000. Major cost drivers are cost of pesticides, lack of extension services, and poor infrastructure. Costs associated with pesticides constitute about 29% of the total production cost.

General disorder and several failures, including in regulation, policy, and marketing characterize the operating environment for the cotton sector. After liberalization, the Cotton Board of Kenya has been inactive creating a regulatory and monitoring vacuum. This has resulted in seed contamination, inadequate control of lint quality, and the collapse of input credit mechanisms because of a lack of coordination. Moreover, there is inadequate regulation for fair competition between cotton buyers that may adversely affect the farmers. This lack of organization is a serious concern considering that the supply response of cotton is particularly sensitive to organizational infrastructure.

Policy failure is manifested in lack of extension and other support services for cotton farmers, abrupt removal —as opposed to gradual adjustment—of producer price support, and lack of a cotton council to coordinate the sector. It is also manifested by a poor macroeconomic environment that is characterized by high cost of borrowing, low and declining purchasing power, increasing insecurity such as banditry (observed in Lamu District) and ethnic clashes that may displace farmers, and poor infrastructure, particularly lack of access roads.

Market failure is manifested by the absence of fair competition among ginners in some parts of the country and excessive competition (predatory practices) that renders important mechanisms like input credit supply schemes unfeasible in other parts.

1.3 Lint production

The operating environment for ginning enterprises in the country is characterized by regulatory failure, lack of government support, inadequate supplies and low quality of seed cotton. It also includes high cost of electricity (accounting for about 31% of total variable cost) and its unreliable supply, high cost of production, and declining world lint prices.

Every ginnery has its traditional seed cotton supply zones. Currently most of these zones have not intensified cotton production and the ginneries that have been revived cannot get ample supplies of seed cotton and are forced into fierce competition to get it. Within some of these zones, some ginners have taken it upon themselves to support the local outgrowers with credit for inputs and distribution of cottonseed, which they expect to recover from the deliveries. The 'predatory' practices where some ginners buy cotton outside their zones undermine the ability to recover loans from these farmers. This type of competition, without any regulations among primary cotton buyer's forces many ginneries to cover long distances to purchase small quantities of seed cotton, and make organization of outgrower schemes with farmers unfeasible.

There is also stiff competition from imported lint after liberalization from neighboring COMESA countries. Kenya imports most of its lint from Sudan, Tanzania and Uganda because there is an annual deficit of 70,000 to 90,000 bales in the country.

Ginneries are still stuck with old technology acquired when seed cotton supply was large. Most of the ginneries were introduced in the 1930s and have since maintained the same technology. Modern saw-ginning technology requires a steady supply of seed cotton for efficient processing of lint to be profitable. The present cotton production levels cannot support saw-ginning technology, as recouping returns on the investment becomes unattainable.

Most ginners prefer the roller technology to saw ginning because of the long-staple fiber produced from the former for which the market offers premium prices. Besides it is the technology that is currently in place and spare parts can be fabricated locally. The high initial investment cost in saw ginning deters most investors from investing in this technology. Kenya's operating environment is suitable for small-scale ginning using roller gins considering the low and unreliable supplies of seed cotton currently available, and the different ecological cotton producing zones whose cotton production output also varies.

There have been attempts to revive some ginneries but progress has been slow. In some parts of the country ginneries have failed to revive partly because of crippling debts occasioned by mismanagement of farmer's co-operatives and other policy failures. In other areas, there are negative sentiments among farmers, some of whom feel were swindled when the ginneries were sold to the private sector during the 1990s. Cooperative members perceived themselves as 'shareholders' of the ginneries by virtue of the money they were owed (unpaid-for seed cotton deliveries) by the Cotton Board of Kenya, which owned the ginneries. In yet other areas, there are court cases and receiverships surrounding the ownership of some ginneries.

A major challenge for the cotton–lint–textile–apparel industry is how to attract investment in lint production given this operating environment. Farmers require incentives such as better producer prices to induce supply response. Ginners on the other hand are unable to offer such prices given that ginners operate in an environment characterized by low utilization capacity due to limited supply of seed cotton, high cost of production, and are affected by weak institutional support. The cotton–textile chain is thus clogged at this stage: farmers are not responding to cotton farming because current prices offered are too low and ginners are unable to offer better prices because of the poor prices they get from the spinners for their lint. This is a result of two factors. The first factor is that some of the spinners have formed a cartel and offers low prices to gins. Secondly, some ginners also are spinners and equally dictate prices to other ginners. The chain is affected due to lack of transparency in the pricing structures and mechanisms including seed cotton conversion to lint and from lint to thread by the spinners. The various players in the cotton–textile industry must work together to address constraints affecting the chain.

To kick-start the industry, it should agree on a floor price to farmers for seed cotton, which will be honored by all the ginneries. In return the ginners should offer farmers certified seed that has been approved and treated. The government should invest in seed research and multiplication, and prevent fake chemicals and pesticides from being sold to farmers. The present farmers' organizations should be strengthened and **zoned** Ginners should offer packages to farmers and also respect the credit zones. Robust ginners' association can enforce this.

1.4 Yarn, fabric, and apparel manufacturing

There is a major problem of inadequate investment in yarn spinning (and fabric manufacturing to some extent) and poor technology, which leads to high costs of production and production of low-quality fabrics. The high cost of electricity and high taxes and levies are major cost drivers as is the lack of markets and high cost of borrowing.

Apparel manufacturing is the most vibrant activity located at the uppermost end of the

chain largely because AGOA permits (until September 2004) imports of fabric from low-cost producers in Asia. Kenya was the first country to be eligible under the AGOA textile protocol in sub-Saharan Africa after successfully putting in place a textile visa-monitoring system. Currently there are 35 companies exporting to the AGOA market from the export-processing zone (EPZ). Most of these companies are sourcing their fabric from Asian countries because of lack of and short supply of fabric locally.

The textile and apparel sub-sector in the country operates in an environment characterized by competition from imports of second-hand clothes, counterfeit textile products, and from imports that evade duty. What is more disturbing is the widespread belief in the industry that the government was abetting, or even facilitating, such unfair competition against mainstream legal businesses who were subjected to the various taxes. It is hoped that the present government will address these concerns.

Other elements of the operating environment include:

(I) Poor infrastructural network and high cost of electricity in particular compared to other COMESA countries. Mauritius charges US$ .48 per kWh of electricity compared to US$ 1.0 charged by Kenya.
(ii) An adverse macroeconomic environment in which the cost of capital and fiscal policies make businesses internationally noncompetitive. In Kenya, the cost of capital is between 25 and 30% compared to 7–12% in Mauritius.
(iii) Lack of government support to operators outside the EPZ structures who benefit from tax exemptions and other duty free benefits.
(iv) Inadequate supply of skilled labor (including qualified managers and design experts) and rigid and corrupt immigration procedures that raise the cost of hiring foreign experts and delays in granting work permits.
(vi) Some member states within EAC and COMESA hinder rather than facilitate trade. Examples of unfavorable trade policies include the import inspection fees (IDF) charged on investors in Kenya when in other countries they would not pay such fees and taxation of second-hand items on weight basis rather than value in Kenya. The latter leads to unfair competition from new or high quality second–hand clothes often disguised as cheap second–hand imports. Some of these discrepancies should be harmonized under the regional treaties.

The conduct and management of the cotton–lint–textile–apparel chain, also affect the operating environment. International buyers and procurement agents dominate the chain; they set the prices, quality, and deliveries times, and often closely supervise the production of garments right from the development of fabrics. Largely because of this buyer control of the chain, the firms are operating in an environment of high volumes and low margins.

Another important element of the operating environment has been the political and economic uncertainty, which seriously affected investment decisions, as it became increasingly difficult to attract the massive investment required in yarn spinning and fabric manufacturing. This uncertainty has been removed with the smooth political transition and it is hoped that increasingly Kenya will become a preferred destination for investment in the region. Nevertheless, uncertainty still remains over what will happen after September 2004 when garment producers intending to export to the US market will be required to source fabric either from the US or from producers in AGOA-accredited countries. The benefits under the AGOA Act have been extended to 2015, making this good news for investors who want to be assured of their long-term investment in the region. Different countries within sub-Saharan Africa eligible for AGOA exports under the textile and apparel protocol are at different levels of developing their cotton–textile supply chain and therefore, some may be unable to meet the deadline for September 2004. There is need to assess the region's ability to meet the AGOA market requirements with regard to fabrics sourced from a third country and fabrics that are in short supply. The region may need to petition the US Congress to provide for an exemption on fabrics that cannot be sourced from the region due to short supply after September 2004.

The challenge for Kenya's textile and garment producers is either to become globally competitive in terms of cost, or to establish unique market niches for themselves that are characterized by barriers to entry. This is a strategy they can employ to increase their share of the profits generated in the chain.

1.5 Chain supply issues

Major concerns cutting across the entire cotton–lint–textile–apparel chain in the country are lack of coordination, institutional failure, policy failure, and lack of competitiveness globally.

1.5.1 Lack of coordination

Kenya's cotton–textile industry lacks coordination following liberalization, and has had serious implications on quality control. Different actors in the industry operate independently from each other, without co-ordination and consultation, yet these are key ingredients to good performance in terms of quality and distribution of profits. Such a vacuum exposes the industry to total external control. Thus, only two years before it becomes mandatory for garment makers exporting into the US market to source fabric locally or from other AGOA-accredited countries, nothing much has been done to streamline the lower parts of the chain (cotton growing, ginning, spinning, weaving, and fabric finishing). There is a need to form an industry-driven cotton council, which will interact with other associations including the apparel

manufacturers' association, the spinners', ginners' and producers' association as a strategy to harness the synergy in the chain.

1.5.2 Institutional failure

Besides lack of coordination, institutional failure is also manifested by lack of strong producer associations; weak or ineffective mechanisms for overseeing critical issues such as quality seed production and distribution, provision of inputs to producers on credit, quality of such important inputs as pesticides; and the virtual collapse of extension services. Cotton farmers and micro and small-scale garment producers are the weakest in terms of institutions for lobbying. They lack broad representation and aggressive associations.

1.5.3 Policy failure

Key among policy failures in the entire cotton–lint–textile–apparel industry is the abrupt way that liberalization was carried out. The sector was opened up completely and suddenly, without offering players some time for adjustment. The Cotton Board of Kenya was left without any role in the industry and yet no alternative institution was set up to carry out crucial regulatory and coordination tasks. Besides this failure, the industry lacks a manpower development policy, a dynamic technology development policy, a regulatory and legal framework consistent with the current liberalized environment, a comprehensive policy framework covering all links in and aspects of the cotton–lint–textile–apparel value chain, and comprehensive institutional strategy. There is also a glaring absence of strategic positioning policy. Thus, even as global dynamics of the cotton–lint–textile–apparel chain governance change, there is no strategic response in the country, with the result that the country’s producers continue suffering worsening terms of trade.

1.5.4 Lack of competitiveness

There is lack of competitiveness in all parts of the country’s cotton–textile chain. This is largely attributable to such macroeconomic variables as poor and costly infrastructure, high interest rates, corruption, unfavorable fiscal policies, and an inappropriate trade policy that permitted uncontrolled liberalization without providing time for adjustment.

1.6 Key recommendations

While the study has made many broad and specific recommendations, the key ones include:

1.6.1 Government support to cotton producers

In spite of the high cost of production, cotton production should be supported largely on poverty-reduction grounds. Most of the cotton farmers are in arid and semi-arid areas where poverty is concentrated. Promoting productive capacities of the poor is a superior poverty-reduction strategy as the poor can allocate their income according to their needs. Support should be provided in the form of credit, inputs, extension; restructuring of cooperative producer organizations; and capacity building and technical assistance to growers' associations.

To address the problem of price uncertainty, the Kenya government should try and tap resources from the Common Fund for Commodities, which currently is financing a cotton project on development of price risk-management instruments for use by producers in eastern and southern Africa.

1.6.2 Establishment of an industry-driven institution

An apex institution representing stakeholders (modeled on the Boards recently constituted for coffee, tea and sugar industries) needs to be established urgently to coordinate the industry, provide policy direction and continuous strategic oversight, and guidance. Such an institution would, for instance, decide on the most effective use of Stabex funds if they become available. The Cotton Development Organization (CDO) of Uganda is such an institution and is coordinating the industry well. Many other countries that established such institutions when liberalizing their cotton sectors have performed well.

1.6.3 Creation of additional stakeholder organizations

A Parliamentary Cotton Group should be formed to raise the national profile of the cotton–lint–textile–apparel industry. In addition, stakeholder groups should be formed in parts of the chain where these are lacking or are weak, particularly in cotton farming, spinning and weaving. There is need to further develop and encourage the formation of a cotton growers' association, spinners' association, weavers' association, fashion designers' associations in order to strengthen the supply chain links.

1.6.4 Harmonization of cotton tariffs under EAC/COMESA

COMESA and EAC are working towards a common external tariff (CET) which will require member states to align their tariffs on various products with the proposed CET of 15.9%. The tariff structure on most agricultural products including seed cotton has been zero-rated. However, the tariff on imported fabrics ranges from 20 to 25% in the EAC countries.

1.6.5 Credit facilities to cotton growers

There is urgent need to finance cotton farmers through a micro-finance institution in collaboration with the Kenya Ginners Association and the proposed Cotton Council. These institutions must develop an effective distribution system of input packages and also a loan recovery system that works.

1.6.6 Seed production, multiplication and distribution

The industry currently lacks a body to certify clean seed for multiplication and distribution to farmers. The Kenya Plant and Health Inspectorate Services (KEPHIS), in conjunction with Kenya Agricultural Research Institute (KARI), the Ginning Association and private sector investors should collaborate and develop a protocol for certification of cottonseed.

1.6.7 Quality assurance and control

Quality control and quality assurance systems through collaboration with the Kenya Bureau of Standards and KEPHIS should be enforced and uniform standards of baling lint should be adopted regionally. Currently the average bale of lint varies from 175 kg to 200 kg in Kenya and this is also the case for Tanzania and Uganda. The EAC and COMESA should work out a strategy to harmonize the weights and standards of cotton lint bales.

1.6.8 Sanitary and Phytosanitary Requirements (SPS)

Kenya has regulations and procedures for importing and exporting any form of plant material such as seeds, cutting, fresh fruits, flowers, plantlets and agricultural produce. These regulations are enforced through the Plant Protection Act (Cap 324) and the Agricultural Produce (Export) Act (Cap 319). These regulations are aimed at protecting Kenya's agriculture from foreign pests (insects, pathogens). All intending importers wishing to bring into Kenya plant material must obtain a Plant Import Permit (PIP) from Kenya prior to shipping in such plants. Equally a party wishing to export plant and plant material must meet the phytosanitary requirements including the necessary certificates. EAC and COMESA secretariat are working towards harmonizing the SPS certification processes where member states will use only one certificate to trade in cottonseed within the region. This will hasten the time it takes to procure a phytosanitary certificate and will improve and generate trade in seed cotton in the region.

1.6.9 Provision of fiscal and other incentives

Incentives to stimulate investment at the ginning, spinning, and fabric manufacturing parts of the chain are urgently required. An example is the plan to attract spinning and fabric manufacturing firms in the export processing zones (EPZ). Kenya EPZ has 35 garment manufacturing companies under the AGOA agreement. After September

2004 these companies will be required to source fabric either from US or from the region hence the need to build up capacity to produce the required fabric especially those in short supply such as corduroy, velvet, chamois, silk, denim, knitted fabric. Sources of affordable credit should be looked into to support the development of the necessary industry and infrastructure in readiness for the AGOA deadline.

1.6.10 Interventions for cost reduction

Cost reducing interventions are critical at various points in the chain. Such interventions include bulk purchases and distribution of farm inputs, availability of affordable capital and credit, rationalization of cost of electricity, rationalized transport costs, improvement in macroeconomic management including effective tackling of corruption, and investment in new technology like saw ginning.

1.6.11 Enforcement of standards and regulations

Introduction of minimum standards for second-hand textile products, restriction of textile and clothing imports (through application for a safety net within WTO like Egypt has done), and improved surveillance to ensure all such imports pay the requisite taxes are important to ensure fair competition. The taxation on used clothing should not be punitive since the majority of the population in Kenya cannot afford new clothing for lack of disposable income and also quite a number of self-employed business people engage in this business.

1.6.12 Gender mainstreaming

Both EAC and COMESA treaties recognize the importance of women as a vital link in agriculture, industry and trade. The cotton–lint–textile–apparel chain, women play a key role in cotton production and even a greater role in the weaving of traditional hand-made products in Kenya. The study had difficulty in identifying gender statistics along the chain and more effort and emphasis should be put on data collection to capture the role and contribution of women to this sector.

2.0 Introduction

The history of cultivating cotton for fiber dates back to 3000 B.C. in Asian countries like India. In Kenya, a private company introduced cotton in 1906 with the assistance of the British Cotton Growing Association. However, these efforts to develop cotton failed. In 1922, the Kenya Government made efforts to revive cotton growing in places such as Nyanza and Western Provinces where two ginneries were built at Asembo Bay and Malakisi.

In 1933 Kenya produced 4,000 bales rising to 9,000 in 1935 and 15,000 bales in 1936. In 1938 Kenya produced 20,000 bales. The current production level of 5000 metric tones predates the 1938 production, 65 years later.

The current national demand for cotton stands at 120,000 bales per annum. With the opening up of AGOA this demand is projected to increase at an annual rate of 15% to 20%. The cotton growing regions are western region which comprises Nyanza and Western Provinces; eastern region, which is made up of Eastern and Central Province; and the coastal region.

2.1 The Cotton Board of Kenya (CBK)

Until 1991, the Cotton Board of Kenya largely controlled the cotton industry. The Board had monopoly powers in all aspects of regulation such as, licensing and control of ginneries, licensing of imports and exports, pricing, quality control and supply of planting seed through ginneries. The government decided to liberate the sector in 1991 and to allow private investors to participate in the cotton sector, and eight ginneries have since changed hands to private investors.

The abrupt manner, in which the cotton–lint–textile–apparel industry was liberalized, left the Cotton Board of Kenya without any role in the industry and yet no alternative institution was set up to carry out crucial regulatory and coordination tasks. Besides this failure, the industry lacks a manpower development policy, a dynamic technology development policy, a regulatory and legal framework consistent with the current liberalized environment, a comprehensive policy framework covering all links in and aspects of the cotton–lint–textile–apparel value chain, and comprehensive institutional strategy. There is also a glaring absence of strategic positioning policy. Thus, even as global dynamics of the cotton–lint–textile–apparel chain governance change, there is no strategic response in the country, with the result that the country's producers continue suffering worsening terms of trade.

All this is happening when the Cotton Act that governs the cotton–lint–textile–apparel industry is still intact but has left the CBK without any role to play. It has neither been

repealed, amended nor suspended, a situation that requires urgent intervention.

2.2 Current status of the cotton industry

Cotton is one of the cash crops grown by small-scale farmers in Kenya. Its present contribution to GDP is relatively small, less than 2%, when compared to major export crops like, tea, horticulture and coffee whose contribution to total exports stands at 28%, 16% and 6% respectively as at 2002 (Central Bureau of Statistics, 2002). However, the demand for textile materials in Kenya is increasing rapidly as a result of the African Growth and Opportunity Act (AGOA)—an American initiative to expand trade between the USA and sub-Sahara Africa, Latin America and the Caribbean. The textile protocol under this Act requires that the region develop capacity to produce fabric locally by the year 2004 in order to qualify for duty-free and quota-free benefits under the program. The demand for cottonseed for crushing by oil mills is also high, in the region reflecting a growing demand for vegetable oils, and cottonseed and cake for the animal feeds industry.

The textile industry ranks first among Kenya's manufacturing industries such as tea production, sugar processing, soft drinks and beer production, both in terms of size and employment. Cloth-making mills employ a large number of people, while the garment-making industries employ more people directly and indirectly. The textile industry also makes a sizeable contribution to the economy through income generation in rural areas by providing a market for locally produced cotton. Kenya has the potential of producing about 300,000 bales yearly through irrigated and rainfed farming. Out of this, 120,000 bales are for the local market, which due to shortage, now imports more than 70,000 bales of cotton per year to meet their annual demand.

Liberalization has not yielded notable benefits to the industry. Instead the sector's 1930 performance has continued to deteriorate. The annual lint production remains at pre-liberalization levels of 20,000 bales. The shortfall is met from the import market in the form of lint, seed cotton, yarn, and fabric, old and new clothes. In addition to local cotton production, many ginneries and textile and apparel manufacturers collapsed in the early 1990s, leading to enormous job losses.

At independence in 1963, private ginneries dominated the industry. Over the following 10 years, the government helped cooperative societies to buy private ginneries from colonialists and instituted a regime of controlled margins and fixed farm-gate cotton prices. In addition, it invested in a number of textile mills, which supplied the largely private textile and apparel industry (that included Kisumu Cotton Mills [KICOMI] and Rift Valley Textile Mills [RIVATEX]) at a time when donor support was high.

Cotton lint production expanded in 1965/1966 from 24,000 bales compared to 70,000

bales in 1984/1985 an increase of 190% in lint production and processing capacity by 60% in the 1970's. However, donor assistance started declining in the mid 1980s which resulted in a lint production drop by 57% between 1984–85 and 1992–93. By the time the government began to liberalize the industry in 1991, cotton production had almost ground to a halt, many ginneries had either collapsed or had excess capacity and many textile firms had equally collapsed. This problem became even bigger when an import ban was slapped on Kenyan textile products in the USA market in 1994 and compounded by the increased trade in used clothing imports into the country.

The government and the private sector have shown substantial interest in the revival of the industry in the last 2–3 years. Part of the motivation has been the realization that cotton–textile industry offers unique opportunities for increased employment, poverty reduction, rural development and generation of increased incomes in arid and semi-arid lands (ASAL). Cotton is one of the few cash crops suitable for marginal, low rainfall areas, which cover about 87% of the country and are home to 27% of the population. Small-scale farmers grow the crop and the potential for irrigated cotton is high. (The enactment of the African Growth and Opportunity Act (AGOA) by the USA Congress in 2000 provided a unique opportunity to supply garments and apparel into the US market free of quotas and duty.)

Under the African Caribbean Pacific–European Union (ACP-EU) Cotonou Agreement ratified in 2000 and the expected Freer Textile Trade beyond 2005 under WTO, the textile trade provides positive opportunities for the revival of the sector. This is expected to help generate between 150,000 and 200,000 jobs over a period of five years in the chain (Ministry of Trade and Industry, 2002).

2.3 The AGOA initiative

The AGOA initiative has put graduated export limits ranging from 1.5–3.5% of the total US garments market. Collectively, by December 2001, the AGOA designated sub-Saharan countries had supplied less than 20% of the export limit. The current export cap for sub-Saharan African countries to the USA is 313,303,986 sq meters equivalent (SME). This is the single most important investment opportunity available to sub-Saharan Africa to manufacture apparel for US exports under AGOA. Most of the recent new investments in the export processing zones are attributed to AGOA. Employment in the EPZ has more than doubled from 6,620 in the year 2000 to 13,758 persons in 2001 mainly due to opening up of new factories taking advantage of the AGOA initiative (EPZA News, Feb–April 2002). The textile industry is currently operating at 30–40% capacity utilization. The export processing zones are located in Mombasa, Mazeras, Athi River, and Indigo, Sarin, Sameer and Rafiki in Nairobi.

2.4 WTO and the Agreement on Textiles & Clothing's

The objective of this study is to conduct a market assessment of cotton and cotton products in Kenya including value chain analysis (VCA) that will provide a framework for the development of a strategic plan to improve the value and or volume of cotton marketed in Kenya. Trade in cotton textiles (STA) in 1961 and the Long Term Arrangement (LTA) 1963-1973 followed by the Multifibre Arrangement (MFA). The MFA was extended five times and eventually came to end in 1994, when the Agreement on Textiles and Clothing (ATC) was introduced. These agreements were restricting the volume of trade. They were not in conformity with the existing GATT rules. Therefore, this sector has not been subjected to WTO rules. Trade in textile has reduced in value, from a high of US $ 159 Billion in 1997 to in US $ 151 Billion in 1998. This is largely due to the recession in the South East Asia. *See details in table 1.*

The global trade of textiles and apparel exports amounted to $ 342.0 in 2001. The USA was the largest importer of textiles and apparel valued at US $ 72.2 Billion. China is the world's largest exporter of apparel and the second largest exporter of textiles. China's apparel exports quadrupled between 1990 and 2002, and China's competitive position is likely to strengthen further. In a post-quota, lower tariff trading environment, China will exert considerable pressure on other less developed countries to adjust domestic capacity to more advanced process and to diversify their economic activities.

Source: International Trade Center-Geneva-2001
Table 1

Trade in textiles	**Year**	**Amount US $**
	1998	159 Billions
	1998	151 Billions
Global trade in clothing's	1998	180 Billions
Global textile & apparel exports	2001	342 Billions
Exports from China	1998	30 Billions
US Imports of Clothing	1998	55.7 Billions
US imports of textiles & apparel	2002	72.2 Billions

Africa has an easy quota and duty-free access into the EU market through the every thing BUT Arms (EBA) initiative under the COUTONOU Agreement. Kenya including many of the signatories, with the exception of Mauritius has not utilized this facility to a large extent. However, Egypt and Zambia were ranked third and eight suppliers of yarn into the EU during 1999.As stipulated by the Agreement on Textile and Clothing (ATC), by 1st January 2005, the textile and garments will be fully integrated into WTO rule based system. The actual removal of the most important quota barriers will take place on 31-12-2004. Consequently, the most sensitive quota products such as T-shirts, men's shirts, blouses, jeans etc will only be integrated on the last day of the ATC. The future of the textile and garment industry in Kenya after 2005 WTO integration of the ATC appears risky. The significant role of China's trade in clothing with US is expected to have a bearing on the future of African trade. It is hoped that the preferential trade agreements accorded to developing countries including Kenya, amongst them AGOA, and COTONOU will mitigate and provide reasonable market access of garments and textiles to the US and EU respectively.

Emerging market opportunities represented by a rapidly growing domestic population, regional trading blocs (COMESA and EAC), the EU and US markets, and in general the global market present bright prospects for Kenyan textiles. However, Kenya may not be able to exploit the opportunities unless the industry is revived and nudged towards a sustainable growth path. Such revival is contingent upon an attractive operating environment while sustained good performance of the industry requires a development strategy to address such important questions as: what role can and should the public and private sectors play to initiate and sustain industry revival? Given the liberal environment and the global dynamics and governance of the cotton–textile chain, is it worthwhile for Kenya to focus on cotton production? Does the country have a unique competitive advantage in cotton production and if it does, is this advantage large enough to rely upon? Even if Kenya may not have a competitive advantage in cotton production, could support for cotton production be justified as a superior poverty-reduction strategy? Does Kenya have the resources (capital and skills) to compete in the provision of such intangible services as design, marketing, financial services, and chain governance that constitutes areas of growing economic rent in (commodity) value chains? There is a need to approach the cotton–textile chain from a regional perspective rather than country perspective. This approach has been discussed in detail elsewhere in this report.

The following sections present some proposals on elements of a development strategy for the industry and suggestions on how the operating environment could be improved to stimulate and sustain its recovery.

Should Kenya continue focusing on all the parts of the cotton–textile–apparel chain or

only on some of them? In spite of its devastated state, the government has correctly identified the cotton–textile industry as one of the sectors that can play a significant role in poverty alleviation (Republic of Kenya, 2000) because of the following factors:

- Potential to benefit many people: the government estimates that about one-quarter of the country's population can benefit from cotton production. The cotton sector has significant links with not only the textile processing and manufacturing industry but also with manufacturers of soap and detergents, animal feeds, chemicals and fats and oils.

- Suitability for marginal areas: Most parts of the Eastern, Coast, Nyanza and Rift Valley Provinces have limited alternative use for development and are habitat to most of the country's poorest people. The highest incidences of poverty are found in some cotton-growing areas. In 1997, for instance, Nyanza had the highest prevalence of overall poverty in the country followed by the Coast Province (Republic of Kenya, 2000).

- Huge potential to offer employment to women and youth: This potential can be attributed to the labor-intensiveness of the cotton–textile industry and its involvement with small-scale operators. In fact, promoting and encouraging of youth and women activities is one of the policy objectives being considered for the cotton industry (Republic of Kenya, 1999).

- The high potential of the sector to generate small scale and micro-enterprises (SMEs) activity in the Kenyan economy: The majority of the cotton farmers produce on small scale as are thousands of garment makers. In addition, cooperatives control significant shares of ginning and distribution (both of inputs and outputs). In the textile industry, SMEs are found mainly in the garments sector but they are also strongly represented in knitting. There is also a big potential for SMEs development in ginning, weaving and spinning (ADEC, 1998) if technologies appropriate for small-scale operations could be acquired and/or developed.

- The potential to promote regional dispersion of development and reduce rural-urban migration: Being the only viable economic activity in the marginal areas where poverty is most prevalent, the cotton industry is a prime vehicle for spatial distribution of development. SME activity, to which the industry is suited is, additionally, spread throughout the country and serves the dual role of creating off-farm activities and reducing rural-urban migration. As a matter of fact, reduction of rural-urban migration is currently being considered as an explicit policy objective for the cotton industry (Republic of Kenya, 1999).

From the above argument, the importance of cotton growing is evident despite the fact that the country lacks competitive advantage in cotton production. This is justifiable as a poverty-reduction strategy. If the country is to continue producing cotton, then ginning and textile manufacturing should also be promoted. With the US market opened up by AGOA, countries with efficient integrated fiber–yarn–fabric–garments industries will have a competitive advantage. Indeed, the existence of investments in these activities most of which cannot be converted into alternative enterprises, is also a compelling reason why cotton production should be enhanced. The development strategy for the country's cotton–textile industry should therefore focus on:

- Establishing an apex institution with representatives from the public and private sectors to coordinate the chain and provide continuous strategic oversight and guidance.

- Institution building in parts of the chain where it is lacking or is weak, particularly cotton farming and micro- and small-garment production. This will facilitate their representation in the apex institution.

- Intervening for cost reduction at various points in the chain, such as through research and development (R&D) to generate technologies. The country has potential to be competitive in most of the activities within the chain.

- Identifying unique or niche markets to focus on as a strategy.

- Building capacity and competence (accumulation of the requisite capital and skills) to compete in the provision of services like fashion design, marketing, financial services, and management, which constitute areas of growing economic rent in global value chains.

- Developing regional frameworks to facilitate sharing of expertise, information, and even infrastructure. Mauritius, for example, has tried to develop a regional hub of value-added services such as fashion design, marketing, technology, and training to draw on expertise and skill within the COMESA region.

- Developing technology appropriate for small-scale processing and switching focus towards cottage industries. The cotton–textile industry could be integrated into an ongoing UNIDO project focusing on the same issue and coordinated by the Ministry of Trade and Industry.

2.5 Value-chain analysis

Value-chain analysis (VCA) and the closely related concepts of global value chain and global commodity chain involves the analyses of all the activities that take place from the time a product is conceived to the time it reaches the final consumer. These activities include sourcing of raw materials processing, distribution, marketing, and these activities may be located in different countries or in different parts of the same country. At each stage of the value chain, analysis involves the following process (Johnson and Scholes, 1993).

- Identification of chain players or stakeholders, their functions, roles and relationships.
- Determination of chain governance or leadership to facilitate chain formation and strengthening.
- Identification of value activities in the chain, costs and added value are then assigned to each of the activities, highlighting that are the key determinants of the organization's competitive position for strengthening.

Actors in a given chain may face significant control from other actors and the actor(s) who control command the lion's share of the profits generated in the chain. Some garment producers in Kenya for example, may be in the global chain governed by overseas-based buyers who control the design, quality, quantity and price of the garments.

Value chain analysis is an analytical tool that can provide important insights into the policy challenges confronting both private and public actors (Kaplinsky, 2000). Specifically, it can:

- Help identify the factors that influence the competitiveness of a firm or economic sector both from within the firm or sector and from the inter-linked supplier, distribution and customer chain. Because of the integrated nature of the chain, the value or quality that customers attach to a piece of clothing for instance, is not determined by the activities of the garment producer alone but also by what happens upstream and downstream in the chain.

- Indicate the role that policy and state regulations have played in enhancing or curtailing competitiveness with a view to introducing reforms.

- Facilitate analysis of local and global dynamics of returns to different activities in the chain.

- Help identify the roles of different actors, such as the private and public sectors.

- Facilitate the study of determinants of inter and intra-country/regional trade of

cotton, seed cotton, lint and other cotton derivatives.

In this study, the value chain framework analysis of the Kenya cotton textile industry will confine itself but not be limited to the ginning, spinning, and weaving aspects of the chain.

2.5.1 The specific terms of reference for Regional Agriculture and Trade Expansion Support Programme (RATES)- Study

- Conduct a VCA starting with seed cotton and moving through all points of market transfer and value added including and not exclusive to producers, ginners, spinning industry and the garments industry, including by products such as seed, oil and cake and produce a VCA flow chart.

- List all "players" along the chain by name, location, type of entity, contact, and information. This will include all major producer organizations, cooperatives and key corporate (commercial) estates if any, all ginning companies, status of operations, that dormant, capacity, ownership structure, all textile and weaving companies and all garment companies.

- Identify and explain issues, problems and constraints at each transfer point in the chain, that is yields, prices, payment systems, transport, quality, frequency of transfers (point of sale), manufacturing limitations (low technology) etc.

- Identify volume flow between sectors and cover all local use (rural) and consumption of cotton and cotton by-products. Do farmers keep a portion of their cotton crops and if so for what purpose? Do ginners set aside a portion of seed and if so, for what purpose (replanting, oil crushing)? How much lint is produced and where is it marketed?

- Identify and explain the value change between transaction points adjusting for measurement differences (bales to kg) and conversions from one type to another type (see cotton to lint).

- Provide insight and personal perspective on the issues and problems, make recommendations on interventions at 'links' in the value-added chain that may assist the industry in general and the smallholder farmer in particular to improve on volume and/or value.

- Develop a five-year baseline data for volume and value ending with 2001–2002 season if possible. Data would include components of cotton along the chain including seed-cotton-production volumes, farm-gate prices, lint exports and local sales including sales values, local manufacturing volumes of yarn cloths

with value of exports and domestic sales, apparel, sales (not volume).

2.5.2 Assignment tasks and methodology

The study undertook was approached as follows:

- Research and identify material and documentation on the subject including use of Internet information.

- Interview leading officers and management in major government and private institutions to obtain current information on key issues affecting trade, and to develop viewpoint from institutions along the chain.

- Field visits to five producer organizations, five ginning companies, two textile mills and apparel companies to collect data, interview officers and develop a feel for the industry at various points of the chain.

2.5.3 Limitations of study

The survey covered only 5 out of 24 ginneries due to time constraints. However, there is need to visit all ginneries in the country to further verify their current utilization capacity and to carry out physical assessment.

The official data obtained from the Ministry of Agriculture, Central Bureau of Statistics and other government sources may not be up to date due to changing dynamics in the cotton-textile sector, which have not been captured, in their survey.

Due to time constraints, the consultant managed to visit one spinning company Alpha—Knit in Ruiru, Thika and one integrated textile mill – KICOMI in Kisumu. A visit to more spinners and textile mills would have been more representative of the supply chain. Future studies will be required to the spinning, weaving and textile mills aspects of the chain.

The analysis of pricing structures and value addition transactions, between the spinners, weaver and garment producers, was difficult to assess due to unwillingness of the spinners interviewed to divulge their conversion costs from lint to fabric. There is need to undertake a comprehensive study to fill this gap.

Consequently the study did not cover the oil seed millers, and fashion/industrial design. The information from these chains would no doubt enrich the study.

3.0 Supply and Demand Analysis-Structure of cost production in Kenya

3.1 Cotton textile value-chain channels

Figure 1 shows the six broad cotton–lint–textile–apparel channels through which cotton moves from the farmer to the final consumer, mainly seed cotton, ginning (lint), spinning (thread), weaving (yarn), textile manufacturing (fabric) and garment manufacturing, The chain has various players who control certain aspects of the chain and the overall performance of the chain is influenced by the conduct of these players. This particular study did not delve in details with oil seed producers and apparel and garment manufactures.

3.2 Cotton production

Cotton is largely grown on small land holdings averaging about 1 ha. The country is estimated to have 140,000 small-scale cotton farmers (Republic of Kenya, 2000) compared to over 200,000 in the mid-1980 when the industry was at its peak. The Cotton Board of Kenya estimates that the country could have 350,000 hectares suitable for rainfed cotton production and has the potential to produce about 260,000 bales of lint annually. The Board estimates that there is a potential 34,500 hectares of irrigated cotton that can produce 108,000 bales of lint annually. The Hola irrigation scheme was established in 1956, while Bura was established in 1981–82. By 1987–88 the government was operating Hola and Bura irrigation schemes which accounted for 39% of national lint production. The Hola scheme collapsed in 1991–92 when the Tana River changed its course. Cotton is also grown in Perkera (Baringo) and Mwea (Eastern) under irrigation. These irrigation schemes were managed by the National Irrigation Board, which was closed down after civil unrest by rice farmers in 1992.

3.2.1 Cotton growing regions in Kenya

Cotton is grown in the following areas under rainfall conditions or through irrigation systems:

- Western Kenya and Nyanza have potential to grow irrigated cotton. The area has annual rainfall of between 1000–1500 mm and the crop season lasts from March to October.

- The Eastern and Central region receives rainfall of between 600–1200 mm with the season running from August to October.

- The coastal region has annual rainfall of between 800–1200 mm, with the crop

season lasting from April to November.

The following are the cotton varieties and the ecological zones. *See table 2 and figure 2 respectively.*

Table 2 **: Cotton varieties and ecological zone in Kenya**

Variety	**Potential yield**	**Origin**	**Ginning Outturn (GOT)**	**Ecological Zones**
UKA 59/240	59/400 kg/h	Tanzania	42%	Mwea Tabere/Coast
BPA 75	450 kg/ha	Uganda	34%	Nyanza/ Eastern/Coast
IL62	350–500 kg/ha	Tanzania	35%	Busia/Hola
ACAL A3080	350–500 kg/ha	USA	34%	Busia/Hola/Taveta
KSA 81M	1750 kg/ha	Kibos (Kenya)	35%	Perkera Irrigation
HART 89M	1750 kg/ha	Kibos (Kenya)	40%	Kisumu/Nyanza

NB: The varieties available in the country (HART 89M and KSA 81M) have a higher yield potential (2500 kg/ha) than is being currently realized.

Source: National Research Centre for Fiber, Cotton Research Centre, KARI-Kibos, 2003.

Kenya's cotton-textile supply chain

Figure 1 shows the different areas where cotton is grown in Kenya

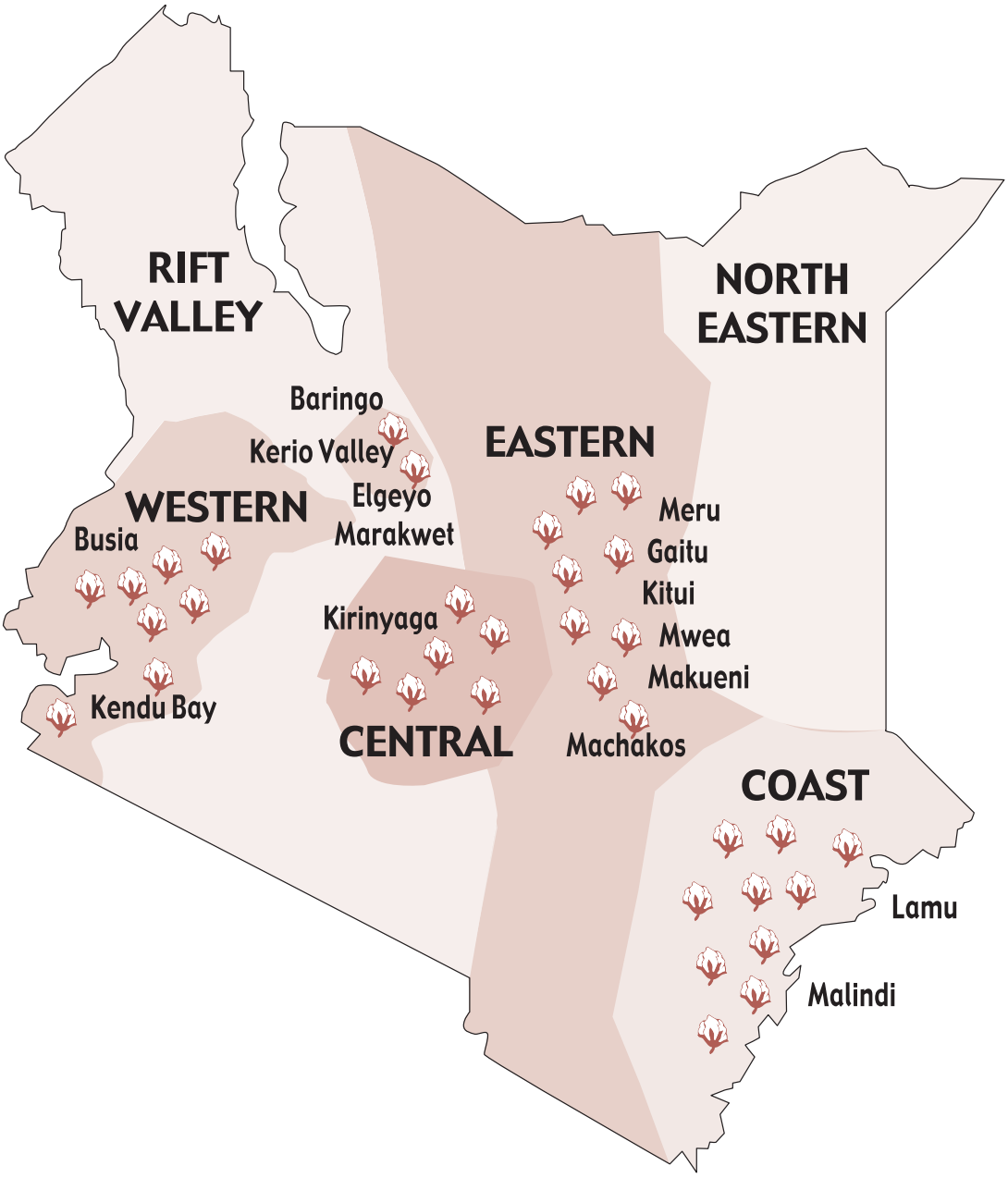


Figure 2: Cotton growing areas in Kenya

3.3 Cotton production statistics- Kenya 1963-1973

Cotton production in Kenya has not increased beyond the threshold of 35,000 bales per year as indicated in table 3 and 4. The average production has been about 25,000 bales a year. However, the potential to exceed this threshold exists and has not been effectively pursued due to various reasons indicated elsewhere in this report.

Table 3

Year	Hectares Produced	Bales Produced	Value KES	Tonnes of lint	Value seed Production (KES)
1963/64	47,272	17,342	12,957,680	6520	1,966,323.75
1964/65	66,249	22,870	14,940,800	8368	2,933,088.60
1965/66	71,776	23,430	17,373,180	8911	3,123,379.05
1966/67	71,024	23,015	17,264,880	9087	3,719,948.90
1967/68	70,748	20,072	15,758,100	7630	3,378,086.40
1968/69	64,942	23,029	18,351,220	8574	4,116,052.10
1969/70	59,730	27,752	22,270,700	10,228	4,649,837.10
1970/71	63,964	30,228	27,063,600	11,183	5,904,301.50
197/72	65,082	29,017	29,083,360	10,680	6,151,947.00
1972/73	70,000	30,209	31,025,720	10,763	7,077,255.05

Source: Report of Reorganization Committee of the Cotton Lint and Seed Marketing Board 13th June 1974. J.D. Kali – Chairman, Cotton Lint and Seed Marketing Board.

Cotton production-Kenya 1996–2002

Table 4

Year	Amount of cotton Produced tones	Amount of lint cotton consumed tones	%lint cotton	Amount of lint lint cotton exported	%lint export	Amount of lint cotton imported
1996/97	22, 883					
1997/98	23, 440					
1998/99	19, 000					
1999/2000	11, 000					
2000/01	17, 265	11, 000	64%	2, 000	12%	8, 000
2001/02	20, 000	11, 000	55%	2, 000	10%	7, 000
20002/03	25, 000	11, 975	48%	3, 266	13%	8, 709
TOTAL	**138, 588**	**33, 975**		**7, 266**		**23, 709**

Source: Ministry of Agriculture, Kenya 2003.

Table 5 shows potential for cotton production in Kenya.

PROVINCE	LOCATION	RAINFED (ha)	IRRIGATED (ha)
Coast	• Taita Taveta District, (Wundanyi	8,000	
1,500			
	Bura, Kasigau, Voi)		
	• Kilifi District, (Sabaki River, Malindi	25,000	
5,500			
	Mtwapa, Tezo, Roka, Gede)		
	• Hola/Lamu District	15,000	
45,000			
	Witu and Lake Kenyatta		
	• Kwale District (Shimba Hills)	5,000	
	• Lamu/Bura settlement scheme	12,000	
20,000			
		65,000	
72,000			
Western	• Busia Diatrict, Teso, Bunyala, Samia,	60,000	
15,000			
	Bukhayo District, Marachi)		
	• Bungoma District, (Kimilili, Malakisi)	45,000	––
	• Kakamega District, (Mumias, Lurambi)	20,000	––
		125,000	
15,000			
Eastern	• Embu District(Mbere)	8,000	––
	• Kitui District (Central, southern)	5,000	––
	• Machakos, District (Mboni,	7,000	––
	Mwala, Yatta)		
	• Meru District, (Gaitu, Mathugu)	20,000	––
		40,000	––
Central	• Murang'a District	20,000	––
	• Kirinyaga District	9,700	––
	• Kiambu District	300	––
		30,000	––
Rift Valley	• Baringo District	1,000	––
	• Narok (Loitokitok) District	200	2,000
	• West Pokot District	800	12,000
		2,000	14,000
Nyanza	• Kisumu District Winam	2,500	––

	Maseno	2,500	––
	Nyando	4,000	––
• Siaya District	Bondo	7,000	30,000
	Boro	3,000	––
	Yala	1,000	––
	Ukwala	2,500	––
• Karachuonyo		4,500	5,000
• Kanyada, N. Nyokal		5,500	––
• Rusinga/Lambwe		7,500	
• Karungu Bay/Muhuru Bay		4,500	––
		45,000	35,0000

1974 production (potential). Source: Adapted from ASMP II, 1996

3.4 Factors affecting production

Some of the constraining factors contributing to low yields are high costs of pesticides, fertilizers, poor seed quality, and lack of access to credit. Lack of certified seed in the country is a major problem since it impacts on the quality integrity and germination rate of the cotton. Mixing of seed from different ecological production areas is a major problem cited by farmers. Private buyers and ginners who criss-cross the country purchasing cotton aggravate this problem. Kenya has poor seed-distribution systems compared with other neighboring countries like Uganda, where the mandate for seed multiplication and distribution lies with the Cotton Development Organization (CDO). In Uganda farmers are provided with certified seed packed conveniently for an acre as credit, which is recovered through marketing. Weeding and thinning are also important determinants of cotton yield and quality. Timely harvesting is important for presentation of fiber quality as field weathering weakens and discolors the fiber. Cotton possesses its highest fiber quality and best potential for spinning when the balls are mature and freshly opened.

3.4.1 Structure of cost of cotton production in Kenya

Cost of producing cotton in Kenya has been analyzed in table 6. Pesticides and spraying equipment are the major cost drivers accounting for over 57% of the total cost of production.

Table 6 **Percentage analysis of cost of production**

Item	Total % Cost
Pesticides	29%
Spraying equipment	28% (over 5 years)
Harvesting	14%
Weeding	12%
Seed preparation	11%
Planting	5%
Seed Cotton	1%
Totals	**100%**

At 29% pesticides constitute the highest component of the cost of cotton production in the country. Most of the equipment used in cotton production is for spraying. Insecticides are an integral part of cotton production but the application will vary according to pest resistance. Due to the high costs of pesticide, most farmers cannot afford to spray their crop leading to significant losses. Farmers interviewed in Mpeketoni area of Lamu District in Coast Province complained of fake and ineffective pesticides in the market, which contributed to very high costs of

production. The Pesticide Management and Control Board under the Ministry of Agriculture is ill-equipped to assist these farmers with monitoring and advisory services related to efficacy of pest control management and the certification of pesticide product prior to marketing of these products to the farmers.

Farmers in Mpeketoni also complained that the ginner in Lamu sold them poor-quality seed with very low germination rate, they are forced to incur extra expense to buy more seeds to fill the gaps created by non germinating seeds.

The lack of pest control leads to relatively higher proportions of the lower grade II (BR) in total harvests, fetching lower prices on the market.

3.4.2 Cotton price

The world price of cotton between August 2000 and September 2001 was about US$ 1/kg of lint, equivalent to about KES 26/kg of seed cotton assuming ginning outturn ratio of about 33%. This price has since been on the decline, and has been declining in real terms since 1950. Between 1950 and 1988 for instance, the price of lint fell by 60% in real terms from US$ 1.60/lbs in 1950 to 0.65/lb in 1998.

Competition from chemical or man-made fibers is noted as the major challenge facing the world cotton industry (ICAC, 2001). In the last five decades, global consumption of these fibers has increased by 50% although they account for only 45% of total fiber use in apparel production, while cotton accounts for 53% (Coughlin et al, 2001).

Besides competition from man-made fibers, the major cause of decline in world cotton prices is the increase in international supply due subsidies maintained by the leading cotton producers mainly the USA, China and the EU.

The challenge facing many cotton producers in Kenya is how to retain competitiveness in the face of this long-term world price decline, through cost rationalization, higher production and yield enhancement strategies in the cotton sub-sectors and other stakeholders. The pricing structure at every stage of the supply chain should not penalize some parties at the expense of others. There must be transparency in the pricing structure especially spinning and weaving. Some of the spinning and weaving concerns interviewed were not comfortable divulging the price that they purchase lint from ginners and their conversion costs to fabric. This is an area that needs further follow up and studies to capture relevant details useful for pricing cotton and for developing the cotton–textile supply chain.

3.4.2 Relationship between farmers and industry stakeholders

Unlike other crops such as sugar, tea and coffee, cotton farmers lack an effective institutional structure to support the growers.

The recently formed Cotton Growers' Association lacks the necessary clout and infrastructure for effective grower representation in the cotton textile supply chain and is therefore the most disadvantaged and weakest link in the chain. Due to lack of effective negotiating power, growers have little choice but to accept prices and unfavorable terms from input suppliers and buyers of seed cotton. Consequently, they not only suffer high input prices and low producer prices, but also high prevalence of fake (or sub-standard) pesticides, unfavorable cotton-buying schedules and practices, and lack of credit. The growers interviewed in Mpeketoni, Lamu and Busia voiced similar complaints and frustrations.

There is need to develop trust between farmers and other stakeholders to restore confidence in cotton farming due to memories of past management and loss that growers incurred from cotton production. Under the Cotton Act Amendment Bill, which is in Parliament pending discussion, there is a proposal to form a cotton council, which will liaise with other growers' associations at the grassroots level to articulate issues and concerns of the cotton growers. Only then will this body be legally recognized.

3.4.3 Relationship between farmers and input suppliers

The cooperative societies were key players in the distribution, procurement and distribution of inputs including fertilizers, herbicides, and insecticides and spraying equipment to growers. There are on average between 70 to 86 cooperatives in the cotton producing areas. However, only a handful of these cooperatives practice sound management in their operations. Most of the cooperatives were mismanaged and therefore are unable to provide the effective services demanded by the growers.

Some ginneries supply cotton growers with cotton seed, pesticides, spraying services and credit facilities that are recovered from the growers' deliveries. Private agrochemical suppliers have filled the remaining gap. Most of the pesticides and other inputs are sold through private outlet suppliers; located in the local market center. One such supplier in Siaya District was observed to sell fertilizer at KES 1500 per bag (about US$ 20 using 2003 exchange rates) of CAN/DAP, compared to CIF landed price of approximately KES. 680 (US$ 9) ex-Mombasa. Fertilizers and all agricultural inputs are imported into Kenya free of duty and other taxes. This high cost of fertilizer is a function of high taxation by brokers and third parties not in the supply chain but who nevertheless are involved in supplying and distributing fertilizer. In neighboring Uganda, fertilizer costs KES 800 (US$ 10) at the farm gate.

Some of the cooperatives collapsed with farmers' money and shares and this bitter memory is an impediment in the revival of this sector. The government is seriously considering restructuring the cooperative sector through effective governance, management systems and structures. The feeling of some of the stakeholders was that independent growers' organizations should be formed to take over from cooperatives. This and other studies show that most farmers prefer selling their cotton directly to the ginneries as they felt middlemen were exploiting them.

The proposed cotton growers' association in conjunction with the Kenya Ginners' Association should negotiate every season to procure fertilizer, pesticides and other farm inputs on bulk basis cheaply and sell them directly to farmers thereby passing on the benefits to them in order to stimulate cotton production.

3.4.5. Agrochemical suppliers' view of cotton farming

Input suppliers cited lack of technical knowledge of pesticide use and lack of good husbandry practices as major constraint to the relationship between them and the farmers. Part of this problem arises from ignorance on chemical use by the farmers leading to complaints on the efficacy of the pesticides on crop management. The farmers and supplier interviewed acknowledged the existence of fake, expired or sub-standard pesticides in the market. The private sector can easily intervene to solve the problem.

Pesticides take up 29% of the total cost of producing cotton (table 6), making them a major cost driver in the production of cotton. Almost all pesticides used in the county are imported and the current Finance Bill exempts them from duty. The Pesticides Control Board under the Ministry of Agriculture is supposed to monitor and police the trade in chemicals for efficacy and advise the farmers accordingly. This department has been moribund and it lacks capacity to undertake national assignments in various sectors, including the cotton sub-sector.

Under the Cotton Amendment Act the functions of pesticides control and monitoring should come under the proposed Cotton Council and an effective monitoring and monitoring unit be formed to advise farmers accordingly.

It is proposed that for the cotton–textile supply chain to function effectively, incentives must be given at all levels of the chain starting from farming to ginning to spinning and apparel manufacturing. Such incentives will include tax rebates and rationalization of prices of pesticides, herbicides, and spraying equipment so that farmers can directly benefit through bulk purchasing.

3.4.6 Operating environment for cotton farmers

The structural adjustment programs introduced in the 1980s adversely affected the governance of most commodity chains in developing countries. The abolition of marketing boards forced producers to sell to private traders. This led to the erosion of producer strength and unity. The emergence of these private traders competing to maximize profits affected quality seriously through undifferentiated quality purchase and through collapsing systems through which buyers provided inputs to producers on credit. With liberalization, the institutions that had previously monitored quality and grading standards were dismantled (Larsen, 2001). The agricultural extension services were also removed from the bottom of the chain with disastrous impact on quality.

The Kenyan cotton sub sector has suffered from bottlenecks related to liberalization. General disorder and failure in monitoring, policy and marketing characterize the sub-sector's operating environment. Currently, there is a regulatory monitoring vacuum, which the private sector has been unable to fill through self-regulation. This has resulted in poor seed quality, seed mixing and contamination, inadequate control of lint quality, lack of uniform bulk weight standardization, and the lack of monitoring and control of pesticide management and application systems.

Policy failure is manifested by lack of extension and other support services for cotton farmers, the abrupt removal of producer-price support, and the lack of an institutional framework for coordinating the sub sector among others. It is also manifested in a poor macro-economic environment characterized by high cost of borrowing, high cost of power, and increasing insecurity such as banditry (It was observed that banditry incidents in Lamu District were sponsored by a local influential politician-cum-investor as a way of fending off competition).

Seed distribution is a major bottleneck to cotton farmers in the country. In most cases farmers have been sold seeds that are of poor quality and low germinating resulting in poor yields. Farmers interviewed in Lamu–Mpeketoni area complained of having to buy seed several times because what they had bought did not germinate in some places and they had to fill the gaps. They said that when they sold seed cotton, the ginner normally would take the grade 1 (BR-1) seed to the oil refinery to produce other products. The second grade quality (BR-2), which is normally poor, is what is sold back to the farmers at KES 10 for a 5-kg package.

The farmers also complained that sometimes seed is mixed from different ecological zones and given to them and this has affected yields. For example, when 'predatory' buyers buy seed from western Kenya when their ginneries are in Voi, on the other side of the country

.

These seed problems arise from lack of certification process, which is currently non-

existent in the cotton sub sector. We propose that under the proposed Cotton Amendment Act KEPHIS in collaboration with KARI, the Ministry of Agriculture, and other private investors should develop a seed production, multiplication, and distribution and certification system for the sub sector.

3.4.7 International dynamics

Governance of the global cotton commodity chain is also an important variable that local cotton producers find themselves in. The chain is driven by international trading agencies that oversee quality supply, timing, origins and volumes (Gibbon, 2001). A ginner interviewed in Eastern Province, who also owns a modern ginnery in the Shinyanga area of Tanzania, intimated to us that lint from his ultra-modern ginnery in Tanzania was being sold directly to international buyers in Switzerland and therefore could not supply the local market. The fact that there is an external market for locally produced lint has made the spinners to offer 'better' prices locally.

The power of international traders has been facilitated partly also by the low level of investment in the spinning industry. International traders have some links with cotton producers (ginners) and with ginning machinery manufacturers but not with spinners. There is currently a major gap in the spinning aspects of the supply chain.

The preceding discussion has shown that literally all the elements of the operating environment articulated in the section of the conceptual framework are inadequate in one way or another for Kenya's cotton farmers. Substantial effort is required from all stakeholders to intervene and improve the operating environment.

3.5 Ginning & Lint production in Kenya

Various studies have been commissioned to look into the ginning sector in Kenya. The studies have identified 24 ginneries located in various cotton-growing regions across the country. The following ginneries were visited for the purposes of the study.

- Mpeketoni ginnery, Lamu — Coast Province
- Kitui ginnery, Kitui Town — Eastern Province
- Kibos ginnery, Kibos — Nyanza Province
- Luanda ginnery, Busia — Western Province
- Nambale ginnery, Busia — Western Provine

These ginneries varied substantially in size, ginning capacity, capacity utilization and technology. Out of 24 ginneries, 1 is owned by the Cotton Board of Kenya, 6 by cooperatives, and 17 by private investors. Some of the cooperative-owned ginneries have been leased to private managers. There is, however, need to carry out further assessment of the current status due to fast-changing dynamics in the cotton sub

sector. Most of the ginneries that were not operational late 2002 are now operating on a limited scale at the time of our visit in February 2003.

Ginning separates seed cotton into lint and cottonseed. Ginneries are a focal point of the cotton industry and their location, efficiency and organization are critical for an effective supply chain. The ginner's objective is to produce lint of satisfactory quality and to gin the cotton with minimum reduction in fiber-spinning quality. The latter requires contact with lint buyers, textile mills, and spinners, for maximum synergy in the supply chain. Ginning is an important determinant of the spinning quality of the cotton fiber. The most important measure of that quality includes strength, long staple fiber, length uniformity, maturity, fineness, trash content, color, seed coat fragment and stickiness. These are qualitative parameters that affect pricing and grading of lint. Of the 24 ginneries two -Lamu and Voi ginneries- have been converted to oil production only.

The ginning stages that are particularly important and have implications on quality are regulation of fiber moisture and cleaning.

The minimum ginning technology consists of a dryer or moisture-regulating device and a feeder to feed seed cotton into the gin stand. Though most of the ginneries in Kenya meet the minimum requirements, some of them were in such dilapidated state and lacked drying and moisture-restoration devices consequently compromising on the quality and integrity of lint.

The ginneries in Kenya use the roller technology, which has been in use since 1935. Most ginneries were content with the technology since it did not compromise on the length of fiber and the market offers premium price for this long-staple fiber. An investor who had just commissioned a US$ 4.8 million ultra-modern ginning plant in Mwanza, Tanzania remarked that saw-ginning technology required a steady supply of seed cotton, preferably produced on commercial scale. Therefore such technology may be applicable where cotton is commercially produced using irrigation, such as in Mpeketoni Lamu, Hola, Bura, Perkerra, and Yalla locations in Kenya. Most of the private ginners in the country are members of the Kenya Ginning Association, a body that has been formed to address ginners' concerns in the country.

Unfortunately, the study did not cover all ginneries in the country. Suggestions are made for further studies to ascertain and assess the physical state and operating capacity of all the ginneries. Table 7 indicates the number of gins in Kenya at 343 with capacity of 132,375 tones. The current technology in use is roller ginning as indicated by table 8. Most of the ginneries are privately owned. Some are owned by cooperatives, while others are under a lease program to private individuals. See table 10. Exhaustive details and analysis about gin ownership, operating status amongst other things are indicated in table 9.

3.5.1 Ginning capacity in Kenya

Table7

Province	**Ginnery**	**Ownership**	**No. of Gins**	**Annual Ginning Capacity (bales @ approx. 185 bags)**	**Bales Ginned 1991/92**	**% Capacity Utilized 1991/92**
Coast	Lamu	Private	11	2,464	3,963	166
	Malindi	Private	37	10,414	1,921	18
	Hola	Private	20	8,505	1,608	19
	Voi Industries	Private	8	3,402	–	–
	Mpeketoni	Private	–	–	–	–
Eastern	Kitui	Private	16	6,804	4,341	64
	Makueni	Private	20	8,505	812	10
	Meru	Private	30	12,757	3,838	30
	Tharaka	Private	16	6,804	–	–
	Mwea	Private	20	8,505	3,260	38
Nyanza	Kibo Industries	Private	10	4,253	250	6
	Homa Bay	Private	12	5,103	2,205	43
	Kendu Bay	Private	12	5,103	1,725	33
	Kibos	Private	7	3,828	1,458	38
	Ndere	Co-op.(lease)	11	4,678	0	0
	Onoka	Private	1	425	0	0
Western	Luanda	Co-op.(lease)	20	8,505	821	10
	Nambale	Co-op.(lease)	12	5,103	460	9
	Malakisi	Co-op.(lease)	10	4,253	937	22
	Amukura	Private	20	8,505	2,662	31
	Kenya Cotton Ind.	Private	24	10,206	1,300	13
Rift Valey	Salawa (Kerio Valley)	Private	10	4,253	2,627	62
		TOTAL	**327**	**132,375**	**34,188**	**36**

Source: Cotton Board of Kenya, 1999

3.5.2 Technical analysis of Ginning in Kenya

Table 8

Ginnery	Technology	Ginning	Operational gins	Spoilt	Total gins	New expansions
Malakisi	Roller Ginning		12	4	16	2600 tones replaced edible oil, 1400 tones capacity – soap making plant , compressor – Moving cotton.
Nambale	Roller Ginning		15	5	20	Compressor for moving Cotton.
Luanda	Roller Ginning	–				
Amurai	Roller Ginning	–				
Amukura	Roller Ginning	–				
Homa bay	Roller Ginning	–				
Kendu bay	Roller Ginning	–				
Kendu bay	Roller Ginning	–				
Kibos	Roller Ginning	–	–	–	–	–
Nyanza	Roller Ginning	–	8	–	8	Additional expansion 8 Gins
Ndere	Roller Ginning	–	–	–	–	–
Onoka	Roller Ginning	–				
Salawa	Roller Ginning	Not available	5	5	10	–
Mwea	Roller Ginning	28 bales/ 8hr, shift	20	–	20	Run out of cotton for Ginning.
Makueni	Roller Ginning	24 bales/ 8hr, shift	16	–	16	
Meru (Gaitu)	Roller	50 bales/ 8hr				

Tharaka Gaitu	Ginning Roller Ginning Roller Ginning	shift				

Ginnery	Technology	Ginning	Operational gins	Spoilt	Total gins	New expansions
Kitui	Roller Ginning	25 bales, 8hr shift	16	––	16	Diesel driven rollers
Hola	Roller Ginning					
Malindi	Roller Ginning					
Lamu	Roller Ginning					Compressor shaft – used Moving cotton
Lamu (Island)	Oil Refinery					
Voi	Oil Refinery Limited ginning					

Source: Survey by RATES CONSULTANT, February 2003.

This information covers ginneries that were assembled by the consultant.

3.5.3 Status of ginning operations in Kenya (roller ginning technology)

Table 9

	Ginnery	Location	District	Ownership	Status	Condition of machines	Contact	Comments
1	Malakisi	Western Kenya	Bungoma	Co-operative/Private	Closed/Receivership	Poor	0337-20200	Integrated oil seed, soap.
2	Nambale	Western Kenya	Busia	Co-operative (on lease)	Operating	Poor	037-210338	Lease - Ramesh Patel
3	Luanda	Western Kenya	Busia	Co-operative (on lease)	Operating	Very good	14/59 Funyula	Lease - R.P. Shah/Mathias
4	Amurai	Western Kenya	Amagoro	Private	Operating	N/A		N/A
5	Amukura	Western Kenya	Busia	Private	Closed	N/A	0722-836448	N/A
6	Homa Bay	South Nyanza	Homa Bay	Co-operative/Lease	Operating	Fair	02-229815	Eng. Philip Okundi (MP)
7	Kendu Bay	South Nyanza	Homa Bay	Co-operative/Lease	Operating	Fair	02-724482	Eng. Philip Okundi (MP)

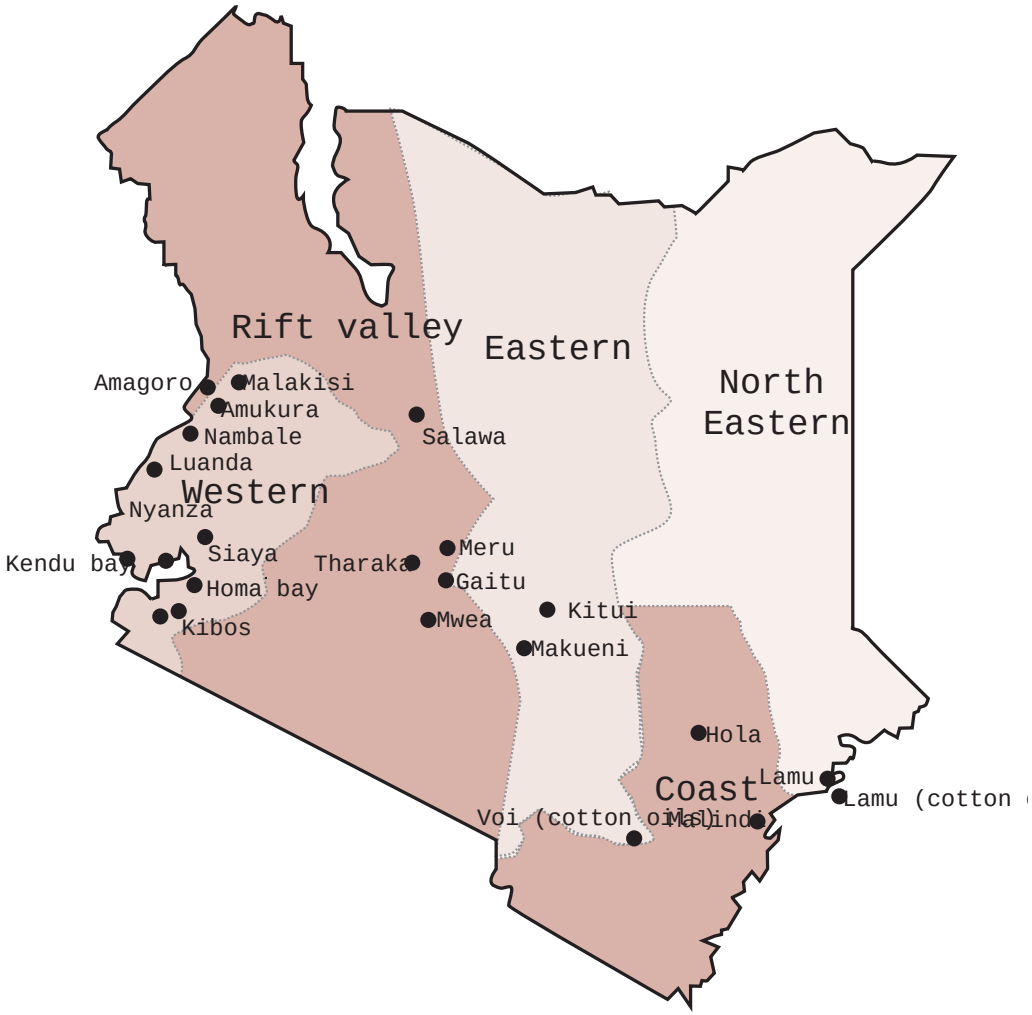
8	Kendu Bay	South Nyanza	Homa Bay	Private	Operating	Fair	0385-21069	Eng. Philip Okundi (MP)
9	Kibos	Kisumu	Kisumu	Private	Operating	Poor	035-21431	Mr. Mike Gudka (Court case)
10	Nyanza Ginnery	Kibos	Kisumu	Private	Operating	Good	035-3078	Mr. Shafiq Zavery

	Ginnery	Location	District	Ownership	Status	Condition of machines	Contact	Comments
11	Ndere	Siaya	Siaya	Co-operative	Operating	Fair	36 Siaya	Lease
12	Onoka	Nyanza	Nyanza South	Private	Closed	N/A		N/A
13	Salawa	Rift Valley	Baringo	Private	Operating	Poor	0328-22312	Mr. I. Kipyegon
14	Mwea	Eastern	Mwea	Private	Operating	Fair	39 Wanguru	Mr. James Mathenge
15	Makueni	Eastern	Makueni	Private	Operating	Good	0163-48039	Mr. David Masika
16	Meru(Gaitu)	Meru	Meru	Private	Operating	Fair	0144-33416	Jacob Mwirigi
17	Gaitu	Chuka	Meru	Private	Operating	Fair		David Mwingi
18	Mana	Tharaka	Meru	Private	Operating	Fair		N/A
19	Kitui	Kitui town	Kitui	Private	Operating	Fair	11 Kitui	Mr. Zeinuddin Zavery
20	Hola	Hola	Tana river	Cotton board	Closed	N/A	32 Hola	N/A
21	Malindi	Malindi	Malindi	Private	Operating	Good	25758 Malindi	Mr. Islam Ali
22	Lamu	Mpeketoni	Lamu	Private	Operating	Good	491720/49 1533	TSS Group/ Timothy Mwanisi
23	Voi	Voi	Taita Taveta	Private	Operating	Low capacity	02-210082	Production of Oil/Seed/ R. Thakka
24	Lamu	Island	Lamu	Private	Operating	Fair	49,170,49 0,418	Production of Oil/Seed

OWNERSHIP STRUCTURES OF GINNERIES		STATUS OF GINNERIES	
Cotton Board	1	No. of Operational Ginneries	18
Co-operative	6	No. of closed Ginneries	4
Private Ginneries	17	No. of Ginneries converted to Oil refineries	2
Leased Ginneries	3		

Source: Rates Consultants Survey Findings, February, 2003.

LOCATION OF GINNERIES IN KENYA



Eastern/Central		Western		Coast		Nyanza		Rift Valley	
Mwea	1	Malakisi	1	Hola	1	Homabay	1	Lake Baringo	
Makueni	1	Nambale	1	Malindi	2	Kendubay	2	Salawa	1
Meru(Gaitu)	1	Luanda	1	Lamu	2	Kibos	2		
Tharaka	1	Amagoro	1	Voi	1	Ndere (Siaya)	1		
Kitui	1	Amukura			1	Anoka	1		

Figure 3
Total number of ginneries: 24
Source: RATES Consultants findings

3.6 Relationship between farmers and ginneries

Interviews with ginneries revealed that over 70% of the seed cotton was sold directly to ginneries, with private traders (middlemen/brokers) selling the remaining 30%. This is supported by other studies done in the region (KIPPRA, 2002; Ikiara and

Ndirangu, 2002). Ginners control the farmer–ginner part of the chain and in many cases determine the prices paid to the farmer. The price paid by ginneries varied between KES 15–23/kg (US$ 0.30–0.40) of seed cotton depending on individual ginneries and buying zones. Most farmers interviewed are content with spot cash payment for their seed cotton. They are however unhappy with the prices.

Farmers are also unhappy with the buying schedules that are not strictly followed by the ginners. The ginners on the other hand are skeptical about fixed-buying schedules, which are exploited by brokers to the disadvantage of ginners. One ginner interviewed in Makueni (Eastern Province) told us of his experience with fixing buying schedules. He said how he had fixed a date to buy seed cotton. One day before his due date, a middleman went round the farms offering a higher price. The farmers sold their seed cotton even though they owed the ginner for credit advanced to them.

The relationship between farmers and ginneries is mainly of an informal nature. There are a few existing formal relationships that involve arrangement for supply of pesticides on credit, seed distribution and ploughing services to be recovered from their future deliveries. Kitui and Kibos ginneries are in the process of a formal contractual arrangement with individual growers for the supply of services to farmers. Such a relationship has failed to develop in Kenya because of widespread fear among ginneries of defaults on repayment due to middlemen and competitor ginneries buying from contracted farmers, thereby circumventing the recovery structure agreed upon. Another reason why positive relationships between farmers and ginneries in Kenya have failed to develop has to do with the manner in which farmers had contributed shares to purchase the ginneries (on a cooperative basis). Most farmers never recovered their investment and view the new private investors as part of their problems colluding with the government to swindle them of their investment. It is critical to address these strained relationships because of the negative impact it has on the efforts to revive the cotton sub-sector.

The Ginners' Association should develop a self-regulating code of conduct for the ginning sector, which inter alia, should create zones for the supply of seed cotton to each ginnery. In cases where one ginnery goes out of business or closes down, there should be in place a memorandum of understanding on how farmers will supply seed cotton to the other ginneries. In the event that farmers received credit from a fallen ginner, the MOU should state an arbitration process that should be followed.

To eliminate predatory practices, registered farmers' cooperatives, growers' associations and private buyers must adhere to an agreed code of conduct. Finally, there must be regular dialogue with the farmers to develop trust and positive working relationships.

Ginneries complained of low quantities of seed cotton, leading to very low capacity

utilization rates of about 24% on average. Lack of adequate supplies of seed cotton is a major disincentive in investing in ginning in this country. Some ginneries were also concerned about the low quality of seed cotton. However, some ginneries have been accused by growers of contributing to the problem of low-quality seeds through the practice of purchasing cotton from different ecological zones and mixing the seeds.

Of importance to ginneries is the ginning outturn (GOT), which are estimated at an average of 33% and are significantly lower than that achieved by new ginneries in Zimbabwe at 43%. The potential GOT for HART 89M and KAS 81M is about 40–42%. Increasing GOT by 7–10% for a ginnery that produces 1000 bales of lint would increase its lint output by 100 bales, at a price of KES 14,615 per bale (US$ 180). This works out to a revenue increase of more than KES 1.4 million (US$ 18,000) for the ginner and hopefully, an improvement in farmer prices. The importance of appropriate cotton variety and ginning practice to maximize GOT cannot be over-emphasized.

High cost and unreliability of electricity was cited as one of the major bottlenecks in ginning. Cost of heavy-duty diesel and power constitute close to 45% of total variable ginning costs. At the world market price of KES 79 per kg (US$ 1) of lint, ginneries have a positive margin of about KES 6.15 per kg (US$ 0.08) of lint.

3.7 Structure of ginning variable cost

Table 11

Variable cost of component VARIABLE COST	KES/month	% of total cost
Labor	925,017.50	27
Capital/credit	492,500.00	14
Diesel	460,009.00	13
Electricity	1,093,142.90	31
Bailing material	18,298.00	14
Repair and maintenance	500,000.00	14
Total operating costs	**3,488,967.40**	**100**
Cost of seed cotton (b)	61.80	
Price of lint	79.00	
Gross margin (c) – (a + b)	6.15	

Source: Kenya Institute of Public Policy Research and Analysis (2002).

The operating environment for ginning enterprises in the country is characterized by regulatory failure, lack of government support, inadequate supplies and low quality of seed cotton, high costs of electricity and heavy-duty diesel. Most ginneries currently cover long distances to purchase small quantities of seed cotton, in the process

interfering with outgrower schemes. Farmers in outgrower schemes have a relationship with ginners within their zones, and when such predatory buyers enter the market, they interfere with the recovery of credit advanced to these farmers.

The major challenge for the cotton–lint–textile–apparel industry is how to attract investment in lint production given the current operating environment. Farmers require incentives such as better producer prices to induce supply response. Ginners on the other hand are unable to offer such prices given that ginners operate in an environment characterized by low utilization capacity due to limited supply of seed cotton, high cost of production, and are affected by weak institutional support. The cotton–lint–textile–apparel chain is thus clogged at this stage: farmers are not responding to cotton farming because current prices offered are too low and ginners are unable to offer better prices because of the poor prices they get from the spinners for their lint. This is a result of two factors. The fist one is that some of the spinners have formed a cartel that offers low prices to ginners; and secondly some ginners also are spinners and equally dictate prices to other ginners. The chain is affected due to lack of transparency in the pricing structures and mechanisms including seed cotton conversion to lint and from lint to thread by the spinners. The various players in the cotton–lint–textile–apparel industry must work together to address constraints affecting the chain.

3.8 Yarn Production

Before the decline of the textile industry in the early 1990s, there were 52 textile mills producing fabric and yarn dispersed throughout the main urban centers—Athi River, Eldoret, Kibwezi, Kisumu, Mombasa, Nairobi, Nanyuki, Nakuru, Thika, Ruiru. However, currently only eight of these are operational integrated textile mills. Cotton spinners serve in the domestic market and one is located in the export processing zones (EPZ). The raw materials used by the textile industries are both natural and synthetic products. The natural raw materials are cotton and wool, and the synthetic products are nylon, polyester, terylene, acrylic and rayon.

The country has installed capacity of producing approximately 83 million sq meters of fabric and 30,000 tones of yarn. The local demand and supply is as shown under table 12 . The industry deficits are met by imports.

Yarn and fabric demand (values in million sq meters equivalent)

Table 12

Item	Installed production capacity (Million Sq. M equiv.)	Actual production capacity (Million Sq. M equiv.)	Total demand	Deficit

Fabric	115	83	180	97
Yarn	30	20	N/A	-

Production of cotton woven fabrics

Year

2000 –16.3 million m2

2001 – 15.5 million m2

Fabric consumption by EPZ firms (in m2equivalent) 2001	
100% cotton twill	13,144,277
Denim	9,057,969
Knitted fabric 100% cotton	2,550,000
Polyester	2,440,090
Polyester/cotton	1,143,826
Corduroy	259,620
Madras	213,408
Total (sq. meters equivalent)	**28,809,144**

Table 13

3.9 Ginning , Weaving, Spinning & Knitting Capacity Analysis

Kenya has a short fall in lint production of about 90.000 bales or 16,200 Mt. Most of the ginneries are operating at capacity of 30-40 %.

Table 14

Ginning	Bales	Metric tones
Local demand	120,000	22,200
Local production	30,000	6,000
Short supply	90,000	16,200 MT

Weaving capacity	Capacity utilization
Total installed fabric weaving	67%

Capacity = 115 m2 equivalent

Short supply (to be determined) most of the old textile composite mills need to refurbish their looms in order to increase the weaving capacity.

Spinning

Yarn installed production capacity	30,000 metric tones
Actual production	20,000 metric tones
Short supply	10,000 to be imported

Weaving/knitting	
Local production	15.5 m^2 equivalent
Local demand	29.0 m^2 equivalent
Short supply (imports)	14.5 m^2 equivalents

Kenya's Import Data of Woven Fabrics 2002

HSC #	Quantity Sq. m	Value Kshs.	Average price/ Sq m Kshs.
5209	979,510.24	123,928,766.4	126.50
5210	1,362,513.67	82,349,926.5	60.43
5211	102,691.41	35,585,052.4	346.00
5212	1,820,638.56	265,830,688.0	146.00
5203	344.63	425,347.95	1236.00
Total	**4,265,698.5**	**508,119,781.2**	**382.90**

Kenya's Exports Data of Woven Products- 2002

5210	826,785.3	33,456,227.3	40.4
5212	195,046.5	17,321,668.15	88.8
5203	19,822.8	1,024,393.50	51.7
Total	**1,041,654.6**	**51,802,288.96**	**60.3**

Table 15

Source: Kenya Revenue Authority, Customs & Excise Department

7 Year cotton production – COMESA

Table 16

Country	**Production**	**local consumption**	**lint cotton exported**	**lint imported**
Zimbabwe	804, 124	94, 302	250, 648	No imports
Tanzania	388, 748	67, 510	334, 274	No imports
Uganda	129, 037	12, 484	98, 284	
Sudan	536, 609	35, 798	184, 318	
Malawi	265, 110	5, 089	23, 960	
Zambia	208, 585	42, 152	55, 039	
Mozambique	181, 328	6, 177	59, 773	3, 089
Ethiopia	106, 687	53, 063	–	12, 355
Madagascar	91, 484	36, 886	2, 177	–
Kenya	138,588	33,975,	7, 266	23, 709

Source: Rates Agricultural Trade Expansion Support Program. Baseline Data on Cotton Production 1996º2002. Compiled by Jaunte Gathre–M & E specialist

3.10 TRANSACTIONAL PRICE ANALYSIS

Table 17 shows the seed cane prices offered by various ginneries, the average lint prices and indicates major buyers of lint in Kenya.

Table 17

Ginnery	Seed Cotton		Cotton Lint, the	Lint/spinner Seed/farmers	% Seed Retained	% Seed Oil Refiners	Cotton Seed Inventory	Buyer Lint
Luanda	Low 17–	High per kg	Free to farmers	Ksh. 67–70	10%	80%	60 tones 3/4 AR 1/4 BR	Rift Valley Textile
Nambale	15 – 20	20 per kg		Ksh. 65–70	25%	75%		Sun flag
Kitui	18–22 per kg	Ksh. 10 per kg	Ksh. 67–70	30%	70%			Afro Spin Ltd.
Lamu	18	per kg	Ksh. 3 per kg					Rift Valley
			50 kg – Ksh. 150	Ksh. 67–68	30%	70%		Textile
Makueni	17 – 22	per kg	Ksh. 12	Ksh. 67	30%	70%	10 tones AR	Thika Cloth Mills
Malindi	16 – 18	per kg		Ksh. 70–72	35%	65%		Mombasa Towel Mnfc.

Salawa	15 –	per kg	Ksh. 10 per 5 kg	Ksh. 65–70	20%	80%		Rift Valley products
Mwea	17 – 18	per kg		Ksh. 65–70	30%	70%		Rift Valley products

3.11 IMPORTS AND EXPORTS OF COTTON LINT, Oil seeds and fabric IN KENYA, (1993–2001)

Table 18

IMPORTS **1993-2001 (a) Value (Ksh '000)**									
	1993	1994	1995	1996	1997	1998	1999	2000	2001
Cotton yarn and thread (bleached)	2,480	20,900	30,540	10,240	20, 077	23, 320	569, 500	9, 318	27, 678
Yarn and thread of synthetic fibers	34,160	40,940	223,020	235,060	390,952	444, 560	569, 500	448, 813	600, 185
Grey (unbleached) cotton	10, 300	80, 240	77, 220	-	6, 180	134, 080	135, 700	2, 656	6, 461
Bleached cotton	832, 400	789, 480	586, 560	492, 240	418, 420	105, 880	452, 720	29, 271	41, 404

IMPORTS (Ksh '000)

Import from Comesa – 2001 (t)											
Commodity	Egypt	Ethiopia	Malawi	Mauritius	Sudan	Swaziland	Tanzania	Uganda	Zambia	Zimbabwe	Other	Total
Oil seeds	–	1, 706	–	–	–	–	3, 814	41, 295	–	–	–	46, 815
1993-2001 (b) Quantity (kg)												
Articles		1993	1994	1995	1996	1997	1998	1999	2000	2001		
Vegetable oils and fats		138,505	296,235	204,004	214,587	218,782	196,832	236,277	247, 732	392, 234		
Bleached cotton		861	15, 971	9, 813	5, 519	5, 616	4, 308	8, 327	5, 309	969		
DOMESTIC EXPORT PRICES, 1994-2001												
Item		Unity of Quantity	1996	1997	1998	1999	2000	2001				
Oil seeds**		Kg	31.8	33.7	24.98	41.27	32.2	29.76				
UNIT PRICES OF SELECTED IMPORTS C.1.F., 1996–2001												
Item		Unity of Quantity	1996	1997	1998	1999	2000	2001				
Insecticides		100 Kg	27,	44, 065.36	42, 397.59	34, 845.38	48, 494.52	48, 615.93				

758.00

SIZE DISTRIBUTION OF ESTABLISHMENTS								
Number* of Establishments by Industry and Employment Groups, 2001								
Activity		0	1–4	5–9	10–19	20–49	>50	TOTAL
Cotton ginneries		–	–	–	2	–	–	2
Spinning, weaving and finishing textiles	–	–	–	–	2	9	11	
Knitting mills		6	–	4	2	2	29	43
Manufacture of wearing apparel, except Footwear	129	245	69	52	84	58	637	
AGRICULTURE AND LIVESTOCK (Ksh '000)								
Gross Marketed Production at Consumed (1982) Prices, 1996-2001*								
Temporary Industrial Crops	1996	1997	1998	1999	2000	2001		
Cotton		1,680	1,760	1,900	2, 280	1, 788	1, 883	
PRICIPAL CROPS ('000 Metric Tons)								
Production for Sale, 1996-2001								
Item		1996	1997	1998	1999	2000	2001	
Seed cotton		0.5	0.5	0.5	0.2	0.5	0.5	

PRICIPAL CROPS (Ksh per 100 Kg)

Average Prices to Producers, 1996-2001

Item	1996	1997	1998	1999	2000	2001*
Seed cotton	2, 136.00	2, 000.00	2, 096.00	2, 100.00	1, 910.40	1, 800.00

MEMBERSIP OF CO-OPERATIVE SOCIETIES BY TYPE OF SOCIETY, 1996–2001 (Ksh '000)

Type of Society	1996	1997	1998	1999	2000	2001*
Cotton	30	28	28	29	29	30

NUMBER OF SOCIETIES AND UNIONS BY TYPE, 1996–2001

type of Society	1996	1997	1998	1999	2000	2001*
Cotton	79	78	78	86	86	71

TOTAL TURNOVER (INCOME) OF SOCIETIES AND UNIONS

Type of Society	1996	1997	1998	1999	2000	2001*
Cotton	46	46	46	46	43	38

LARGE SCALE FIRMS AND ESTABLISHMENTS

Manufacturing Sector* 1997-2001

Industry	1997+	1998+	1999+	2000+	2001+
Textiles	41	44	44	44	38
Clothing	52	53	53	53	55

PRODUCTION OF CERTAIN INDUSTRIAL COMMODITIES, 1995–2001

Commodity	Unit	1995	1996	1997	1998	1999	2000	2001
Cotton woven fabrics	'000 sq meter	23, 374, 000	28,103,365	28, 524, 574	22, 134, 400	20, 084, 342	16, 251, 571	15, 483, 084
Bed sheets	'000 sq meter	1, 608, 389	712, 434	1, 263, 800	1, 548, 490	1, 897, 263	2, 671, 611	3, 436, 260
Shirts	Dozens '000	154, 181	120, 839	131, 987	116, 123	114, 216	122, 168	117, 501
Blankets	Units '000	1, 960, 000	2, 333, 240	2, 266, 999	2, 324, 000	2, 198, 000	1, 927, 362	1, 931, 154
Gunny Bags	Units	1, 596, 812	2, 923, 356	2, 192, 517	3, 124, 000	2, 933, 356	2, 924, 000	2, 642, 000

WAGE EMPLOYMENT BY INDUSTRY, 1997-2001

Item	1997	1998	1999	2000	2001
Cotton ginneries	724	754	733	703	662

Spinning, weaving and finishing textiles			12, 430	13, 116	13, 359	13, 356	13, 285	
Manufacturing of made up textile goods except Wearing apparel	2, 640	2, 646	2, 600	2, 628	2, 606			
Knitting mills				7, 925	7, 942	7, 877	7, 671	7, 497
Cordage, rope and twine industries			2, 291	2, 244	2, 230	2, 176	2, 131	
Manufacture of textiles n.e.c.			396	378	384	382	7, 194	
Manufacturer of wearing apparel, except footwear		7, 304	7, 403	7, 402	7, 284	7, 194		
COTTON PRODUCTOPN FIGURES BETWEEN								
1997–2001 (Metric Tones)								
Item		1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03
Cotton		22, 883	23, 440	19, 000	11, 000	17, 265	20, 000	25, 000

Source: Ministry of Agriculture–Kenya

3.12 Spinning, weaving and integrated textile milling

Spinning involves processing of lint into thread. This thread is then taken to the weaving stage to produce fabric. Most of the spinners also operate weaving stations. Some also operate integrated textile milling plants, which involves weaving, dyeing, stitching and apparel manufacturing. The study had difficulty getting the exact number of spinners and weavers operating in the country. It was therefore difficult to come up with the exact number of spinners, weavers and integrated mills. However, a survey commissioned to establish the number of hand weavers in the country came up with a figure of 41,372 weaving enterprises using low-level technology (National MSE Baseline Survey, 1999).

Some of the largest integrated textile mills in the country are currently shut down or are under receivership—KICOMI, RIVATEX, Mountex, Raymond's and Heritage Millers. These mills were established by the government in the 1980s and have obsolete technology. Most went out of business with the importation of used clothing that was not subjected to taxes affecting their ability to compete fairly. Some of these mills are considering opening up but require total modernization and refurbishment and heavy investment, which should be facilitated urgently by the government and private investors. These mills have potential and capacity to supply the region with the necessary fabric with their existing infrastructure, which is still intact, and are based in major strategic towns and will require little time to turn them around. One of the millers visited (KICOMI) said they were looking for joint venture partners to come in and assist to revive the mill. A study should be carried out to find the exact status of all the mills.

The main problem facing this part of the chain is lack of investment, infrastructure obstacles like the high cost of electricity, expensive capital, and inappropriate government regulations. The sub sector is moreover constrained by the use of old and inefficient technology and low capacity utilization (due to lack of lint) and lack of markets (due to unfair competition from imports).

The spinners lack an organization of their own to represent their interests. Currently, the Textile Manufacturers Association under the Kenya Association of Manufacturers represents spinners and weavers, the umbrella body of all manufacturers. This representation structure made it impossible to obtain information on how they operate. As indicated before, some spinners are also weavers or textile manufacturers or all the above. In the process they operate in a cartel-like manner with regard to pricing, information dissemination and negotiations.

The only other association at the manufacturing level is the Kenya Apparel Manufacturers Exporters Association (KAMEA). This association with a membership

of 37 companies deals with exports of garments and apparel to the US market.

Some of the measures recently announced (Budget Speech of June 2002) that may help solve some of these problems include:

- zero rating of imports of all raw materials not produced locally and all capital equipment
- removal of VAT on textile manufacturing machinery
- progressive increase in tariff rates on second-hand items
- establishment of a Counterfeit Control Secretariat
- establishment of an anti-dumping committee with private sector representation
- planned tabling of an investment code in parliament
- Maintenance of expenditure allocation levels for security despite reduced budgetary resources.

3.13 Textile and Apparel Manufacturers

Kenya's textile and clothing sectors comprise a wide variety of firms in terms of size and age, technology; products export performance and export markets they are involved in. The textile industry in Kenya can be broken down into yarn spinning, fabric manufacturing and garment manufacturing. Spinning and weaving firms in the country are all large scale and locally owned. There is inadequate investment in these textile mills. A major challenge is how to attract new investments in spinning, weaving and other fabric-finishing operations such as dyeing, printing and pressing. Technology is also a problem; the government needs to find a way of availing technology to the industry at reasonable prices.

Market liberalization in the early 1990's is blamed for the decline of textile and apparel industries (McCormick et al, 2001). The consequence was an enormous increase in imports of textile products and garments pushing local producers out of business. Other factors that exacerbated the problem include failure of the country's cotton sub sector, increased use of synthetic fibers, and a worsening operating environment in terms of high costs of production and poor infrastructure.

Textile and apparel firms in the country produce a large variety of products. Spinning firms produce yarn, industrial tan and sewing thread while integrated mills products include yarn, fabrics (knitted and woven), canvas, blankets, sweaters, shawls, uniforms, towels, baby nappies and knitted garments. Garment manufacturers on the other hand produce various types of garments, 46% of them produce men's wear, while others produce woven chemise and robes, pants, 'Kuna suits', school and traveling bags, knitted and ready-made garments. In general textile and apparel manufacturing firms in the country do not sub-contract any of their activities, because

they cannot guarantee on quality assurance and consistency of their products to their clients.

3.13.1 Operating environment for medium and large textile and apparel firms: summary

As the preceding discussion has shown the textile and apparel sub-sector in the country operate in an environment characterized by competition from uncontrolled imports of second-hand clothes, counterfeit textile products, and from imports that evade duty and are therefore unfairly competitive. What is more disturbing is that there is widespread belief in the industry that the government abets, or even facilitates, such unfair competition against mainstream legal business. Other elements of the operating environment include:

(I) Poor infrastructure networks and high cost of electricity in particular,
(ii) An adverse macroeconomic environment in which the cost of capital and fiscal policies make businesses internationally noncompetitive,
(iii) Lack of government support or preferential treatment of some operators (particularly those in Epps),
(iv) Lack of adequate labor flexibility especially for firms outside the Epps,
(v) Inadequate supply of skilled labor (including qualified managers and design experts) and rigid and corrupt immigration procedures that raise the cost of hiring foreign expertise, and
(vi) Regional trading blocs that hinder rather than facilitate trade. Examples of unfavorable trade policies include the import inspection (IDF) fees charged on Kenyan businesses when competitors in other countries pay no such fees and taxation of second hand items on weight bases rather than value. The latter leads to unfair competition from new or high-quality second-hand clothes often disguised as cheap second-hand imports. The operating environment is also characterized by low demand in the domestic market due to low purchasing power and the influx of textile imports.

The sub sector is, additionally, characterized by poor technology, lack of appropriate technologies for small-scale processing and inadequate investment especially at the spinning and weaving parts of the chain, and low quality and high cost of locally produced fabric. Thus, garment-makers import the bulk of their fabric needs to mitigate this existing gap.

Another element of the operating environment is the nature of governance of the cotton–textile–apparel chain. Spinners and weavers operate a cartel-like structure that dictates the prices, quality and delivery times. Some ginners confided that they are forced to market their lint to external markets to circumvent these cartels. This action

by ginners has made some of the spinners to offer better prices to the ginners for their lint. Some ginners confided that they make their profits from cotton seed and not so much from the ginning, and some were even prepared to provide the ginning facilities to the farmers for a fee rather than seeking markets for the lint.

Largely because of this cartel-like activity, firms are getting very low prices for their produce. The prices are often below production cost and the firms are forced to seek survival strategies.

3.14 Garment Manufacturing

Garment manufacturing comes after the weaving, dyeing and printing processes to produce the fabric. Garment manufacturing includes designing, cutting, stitching, pressing, quality control, packaging, and logistics and marketing. There are about 170 large-scale garment manufacturers, 37 of these export to the US duty free and quota free under the AGOA initiative. Of the 37 exporters, 25 are housed in the EPZs, 7 manufactures under bond (MUB) for the US market, and 5 operate outside both the EPZ and MUB. These firms more than doubled their exports between 1999 (KES 1.9 billion) and 2001 (KES 4.3 billion). By the year 2002 Kenya had exported garments and apparel worth KES 7 billion to the US market (Ministry of Trade and Industry, 2002). This is the biggest growth area in the whole cotton–textile supply chain.

Although many textile firms in the country are fragile and new to exporting regional markets like COMESA and EAC, these regions are important outlets for Kenya's textile and apparel production. In particular countries such as Uganda, Tanzania, Zimbabwe and Sudan are important export destinations. About 20% of the country's formal textile firms were exporting their products regionally. Studies conducted in the mid-1990s (as quoted by Ikiara and Ndirangu, 2002) found that Kenya could be competitive (relative to producers in countries like Zimbabwe, Senegal and India) and as competitive as producers in Bangladesh, Sri-Lanka and Mauritius in the production of such standard garments as men's casual, long sleeved shirts and Afro-centric garments (kitenge, kikoi, khanga). Local manufacturers supply only 45% of the local demand while imported new and used clothing accounts for about 37% of the market. The demand for textile products in the country is estimated to be growing at 3.5% annually.

Garment producers face similar problems to spinning and apparel firms although lack of skilled labor was also a major obstacle for them. Recommendations made with respect to spinning and fabric manufacturing is also applicable to garment producers. While the 25 manufacturers in the EPZs enjoy government support, the rest of the manufacturers have to contend with the difficult operating environment that the rest of the Kenyan manufacturers go through. However, there are some problems in

common. Lately the textile industry, especially in the EPZs, has seen a series of industrial unrest that has resulted in some firms closing operations and considering relocation to other destinations. At the time of writing this report two of the firms had closed down and US$ 14 million worth of orders cancelled.

3.15 Micro and Small-Garment Producers

Nairobi was estimated to have 6,323 micro and small-garment producers and retailers in 2000 compared to 2,421 in 1989, but most of this increase occurred in distribution (retailing) rather than in production (McCormick et al., 2002). This growth is also partly attributable to retrenchments in the formal sector, and the collapse of many medium- and large-textile firms, which released workers and created a niche for the smaller enterprises. It is easy to enter this sector, as the capital required is little and training services are widely available (in schools, local polytechnics, dressmaking schools, and on-the-job training). It is also characterized by relatively low operational costs, as the customers often supply the raw material. The total number of small-garment producers in the country is estimated at 135,562 employing about 230,956 workers. The details are illustrated in table 19.

Activity	Total worker fabrics	No of enterprises
Cotton ginneries	298	24
Spinning, weaving and finished textiles	1423	860
Knitting and crocheting	9,776	5191
Weaving apparel	54,256	41,372
Textile, soft finishing clothing	53,329	22,916
Ready-made garments	7,913	5,097
Second-hand garments	103,961	60,102
Totals	**230,956**	**135,562**

Table 19

Micro enterprise supply chain of cotton–textile industry

Source: National MSE Baseline Survey 1999 (CBS-K-Rep and ICEG).

3.15.1 Micro- and small-garment producers outside Nairobi

A survey conducted of 16 micro- and small-garment producers outside Nairobi (in eight districts). The firms were mainly producing suits and other men's, ladies, and children wear. Other products included embroidery sets and uniforms. On average, each of these enterprises had eight sewing machines although the number ranged from 0 to 35 machines. At full capacity, the enterprises were able to produce 47.6 garments per week, on average, although this ranged from 3 to 300. The average firm had annual turnover of KES 1.7 million although this varied substantially from KES 0.046 million to 8 million in $. The proportion of output from cotton fabric averaged 38%.

The average enterprise had 5 skilled and 1 unskilled workers but ranged from 0 to 30 for skilled workers and 0 to 5 for unskilled ones (Ikiara 2002)

Ikiara's study (2002) further shows most of the micro- and small-garment producers face problems with respect to input supply, the most important of which are inadequate supply and high cost of capital, inadequate and unreliable supply of labor, inadequate supply of electricity, and poor quality of raw materials. Only about 46% of the enterprises get credit, in the form of normal loans, hire purchase, and trade credit from commercial banks, suppliers (including African Retail Traders (ART), and organizations like the Kenya Women Finance Trust).

Six of the firms reported that they subcontracted to other tailors such tasks as fixing buttonholes, stitching, ironing, design, binding, embroidery and even garment making when orders are large. Three enterprises reported that they are subcontracted at times.

Only 45.5% of the enterprises had machinery installed in the 1990s although it was new in most cases. Moreover, only 27.3% of the enterprises had ever changed the technology since the machinery had been installed, largely because of lack of funds and business decline. More than half of the enterprises are aware that better machinery and technology are available in the market but these factors have prevented them from acquiring them.

None of the enterprises interviewed sells in the export markets. Customers are mainly local people, schools, local authorities, and firms. Sixty per cent of the enterprises are able to sell all their output mainly because garments are made on demand. Those that are not able to sell all output complain of low demand due to low purchasing power and competition from second-hand clothes. The enterprises rarely have relationships with their customers and when such relationships exist, they are usually informal. Advertising and displays, sales agents, personal contacts, and informal contacts are the main modes by which the enterprises establish contacts with customers. All the firms reported that they face marketing problems, the most important of which are (in declining importance) low demand, competition from imports and unreliability of the market, lack of market information, low prices, and control by buyers (Ikiara and Ndirangu, 2002)

None of the enterprises interviewed export to the US through AGOA largely because they are ignorant of the AGOA opportunities or because they lack capital required to produce quality products for the export market.

Most of the enterprises interviewed belonged to associations, mostly to self-help groups. The negotiation and lobbying capability of micro and small garment producers is thus seriously affected by this lack of strong stakeholder organizations.

Micro- and small-garment producers recommend that the cotton–textile industry be strengthened through several measures:

- reduction of prices of local fabric
- control of cotton-based product imports
- educating Kenyans to appreciate local products
- economic improvement to raise purchasing power
- improvement of quality of raw material
- provision of market information (and other information) especially with respect to AGOA
- training
- provision of affordable credit
- provision of incentives to cotton farmers through improvement of seed cotton prices and reduction of taxes on cotton materials and sewing machines (Ikiara and Ndirangu, 2002).

3.15.2 Operating environment for micro- and small-garment producers: summary

In Africa small businesses suffer lack of government support, policy deficiencies, and lack of effective representation, weak negotiating power, and inability to influence such key market institutions as the financial system, labor market, and property markets (Pedersen and McCormick, 1999; McCormick et al., 2002). In Kenya, the enterprises have not only suffered from these but other problems as well. The most important of the latter has been unfair competition from new and second-hand imports that evade taxes, and from rejected export consignments that find their way back into the Kenyan textile market. Other obstacles facing micro- and small-garment firms in Nairobi include electricity cost and shortages (especially for enterprises using powered sewing or knitting machines), poor and cramped workspaces, and declining demand. Their export performance is adversely affected by the poor quality of their products, high cost of power, high transport costs, lack of clear advantage in labor cost, lack of export insurance and/or letters of credit, and competition from higher-quality and cheaper garments from the Far East (McCormick et al., 2002).

McCormick et al. (2002) attribute the constraints affecting Nairobi's micro- and small-garment enterprises largely to the failure of the state as an institution. Furthermore, weak enforcement of tariff regulations and anti-dumping rules, poor surveillance of transit trade, poor policy, and failure to provide or oversee high-quality and adequate education and training services are a cause of the constraint. Market failure, too, has contributed. Thus, the property market has failed to produce appropriate workspaces for the small enterprises, and the sole power distribution

company has led to highly uncompetitive electricity tariffs. In addition, the country's financial market has failed to provide affordable working capital and export financing and insurance. Internal inefficiencies in the enterprises have also contributed to the constraints facing the micro- and small-garment enterprises. These causes of failure apply in the case of micro- and small-garment producers located outside Nairobi, too.

3.16 Major constraints in the supply chain

A major weakness of Kenya's cotton–lint–textile–apparel chain is that the operating chain is very weak. Following liberalization, a general institutional failure set in. Different actors in the industry operate independently of each other without coordination and consultation, yet these are key ingredients to good performance in terms of quality and distribution of profits. Such a vacuum exposes the industry to total external control. Thus, only two years before it becomes mandatory for garment makers exporting into the US market to source fabric locally or from other AGOA-accredited countries, nothing much has been done to streamline the lower parts of the chain (farming, ginning, spinning, weaving, and fabric finishing).

Besides lack of chain coordination, institutional failure is also manifested by the lack of strong producer associations, weak or ineffective mechanisms for overseeing critical issues such as quality seed production and distribution, provision of inputs to producers on credit, questionable quality of such important inputs as pesticides, and the virtual collapse of extension services.

Not all parts of the chain lack strong producer associations, though. Textile and garment manufactures, in particular, have very influential associations, including the Kenya Association of Manufacturers (KAM), the Federation of Kenya Employers (FKE), and the Kenya Apparel Manufacturers Exporters Association (KAMEA). Ginners have the Kenya Cotton Ginners' Association (KCGA), which is also increasingly active in the industry. Cotton farmers and micro- and small-garment producers are the weakest in terms of institutions for lobbying. They lack broad representation and aggressive associations, besides, there is little evidence to show that the existing associations work together to coordinate the cotton–textile apparel chain.

Policy failure also characterizes the cotton–textile industry. Key among policy failures is the way liberalization was carried out. The sector was opened up completely and suddenly, without offering players some time for adjustment. The Cotton Board of Kenya was left without any role in the industry and yet no alternative institution was set up to carry out crucial regulatory and coordination tasks. Besides this failure, the industry lacks a manpower development policy, a dynamic technology development policy, a regulatory and legal framework consistent with the current

liberal environment, a comprehensive policy framework covering all links and aspects of the cotton–textile value chain, and comprehensive institutional strategy policy. There is also a glaring absence of strategic positioning policy. Thus, even as global dynamics of the cotton–textile chain governance change, there is no strategic response in the country, with the result that the country's producers continue suffering worsening terms of trade while other countries are subsidizing their farmers. Strategic policy ought to be dealing with the issues of whether the country should continue encouraging activities in all parts of the chain or whether the country is better off specializing (and establishing market niches) in a few of them. There is urgent need to establish a cotton council driven by industry stakeholders.

Another important chain-wide issue is lack of competitiveness in all parts of the chain. This is largely attributed to such macro-economic variables as poor and costly infrastructure, high interest rates, corruption, unfavorable fiscal policies, and an inappropriate trade policy that permitted uncontrolled liberalization without providing time for adjustment. There is need to harmonize the tariffs on cotton trade, across the region.

3.16.1 Cotton production

Having shown that cotton production is justifiable as a poverty-reduction strategy, the challenge is how to ensure that as many farmers as possible are engaged in it and that they maximize their productivity. For farmers to do so, reduction in cost of production and certainty about the market and prices at reasonable levels are a prerequisite. In addition, it is necessary to ensure availability of high-quality certified seed at the required time, affordability and efficacy of pesticides, and access to capital among other factors in the short and long term.

3.16.2 Pricing of seed cotton and farm inputs

The key issue is how to make price determination more transparent and less uncertain for farmers. Farmers are exposed to a range of prices being offered by the competing ginneries. For instance, during the 2000–01 seasons, the price varied between KES 18 and 26 per kg in one of the provinces, during 2001–02 season prices fluctuated between 18 and 22 per kg. This variation in price has made farmers suspicious of ginners and middlemen, and they felt that they were being exploited. Farmers and ginners interviewed were of the view that the government should mediate for a minimum floor price (indicative price) and the farmers can then negotiate a higher price with the ginners depending on the prevailing circumstances. Farmers need to work with ginners and other industry stakeholders to develop trust and a transparent approach to pricing which should distribute the risk of price fluctuations among the market participants. Farmers may need to be informed of prevailing and expected

world prices in advance of the planting season so that they make informed decisions. Ways of utilizing resources provided by the Common Fund for Commodities for developing cotton price risk management instruments for producers in eastern and southern Africa needs to be explored. Currently this model is being introduced on a pilot basis in Tanzania and Uganda.

Given the symbiotic relationship between ginners and the farmers, the former can lead such campaigns with the assistance of public extension agents. Moreover, given the positive nature of such an information service (for indicative prices), it is an area where the government and/or donor community can assist. There are NGOs who are ready to assist in such a venture. Government role in such an arrangement would be to assist in mobilizing cotton farmers to form producer associations and to create an enabling environment for the private ginnery owners. In addition, the government needs to consider supporting farmers, even if only for a while, as a 'shock therapy'. Ginners cannot cut their cost without an expansion in capacity utilization. But farmers are not responding to the low producer prices and, therefore, cannot supply the large quantities of seed cotton required to raise capacity utilization in ginneries. This is a vicious cycle that must be broken. The most critical support should be in credit, extension service, mobilization, and information supply.

3.16.3 Revival of collapsed irrigation schemes

At the peak of their production in the mid-1980s, multi-billion Bura and Hola irrigation schemes accounted for 39% of national cotton production. Revival of these schemes would serve to raise utilized capacity for ginning which may then trigger investments at this level. The irrigation facilities are still intact. What is needed is appropriate technology that can facilitate the smooth flow of irrigation water. The Office of the Vice President, which is charged with the mandate of reviving stalled government projects, could assist. There is need to physically assess the condition of the ginnery at Hola and the investment required rehabilitating it.

3.16.4 Provision of services to farmers

The challenge for the industry is how to provide inputs, including credit and extension support, to farmers and how to make investments in agricultural research and extension needed to achieve long-term productivity growth in an environment where the public sector is unlikely to provide the investments. This calls for a system of contract farming to begin with. Such a contractual arrangement would enable farmers to deal effectively with the production technology and marketing problems confronting them. But for such a system to work effectively there is need to promote the formation of industry associations to enforce contracts and agreements. In particular, local farmer organizations should be encouraged and facilitated and their

technical organizational and commercial capacities strengthened. The industry could, moreover, prepare a code of conduct for cotton buyers (or an effective contract enforcement system) and impose costs on illegal buyers. The government can play the important role of facilitating the enforcement of such codes through an arbitration process. In addition, the institutional framework that is proposed in this paper for coordinating the whole industry could organize service provision.

3.16.5 Provision of good quality seed

Farmers need good quality, certified seed on time. At the moment, there is a serious problem of getting clean (uncontaminated) seed for planting. The farmers complained that seed supply was likely to be late just as in the previous season, yet delayed planting seriously reduces yield. Even if clean seed material is not available, the Ministry of Agriculture should provide seed that should be planted while the process of securing clean seed is being streamlined. An organized system for certified seed production and distribution is critical. According to the director of KARl in charge of cotton research, the institute is collaborating with the Cotton Board of Kenya and KEPHIS to establish such a system. Further collaboration should be explored with regional organizations such as the Association for Strengthening Agricultural Research in East and Central Africa (ASARECA) based in Uganda that already has such a protocol. What the country should be aiming at is a well functioning and cost effective, private-sector based seed multiplication, certification and distribution system.

A long-term solution for productivity improvement and competitiveness is for the various players in the industry to venture into research on biotechnology and organic cotton to enhance cotton yield, fiber quality and pest resistance. KARI has already applied for authority to introduce transgenic cotton into the country. Moreover, KARI needs to develop varieties that can withstand prolonged dry weather, which seem to be more frequent now than in earlier years. There is need to link research to the primary users in the industry who are the major consumers and investors. This could mean bringing together national and regional research institutions (such as ASARECA, COMESA, SADCC, EAC, IGAD) with the consumers

3.16.6 Reduction of pesticide prices

The findings of this study show that pesticides and spraying equipment is the leading cost driver in cotton production accounting for about 29% of the total cost. Even though the long-term solution lies in biotechnology to produce pest-resistant varieties, it is imperative that in the short-term, further investigation be done to understand why the prices of pesticides are so high compared to prices in neighboring countries like

Uganda. While a liter of pesticide in Kenya goes for about KES 1500, the same goes for between KES 700 and 1000 in Tanzania and Uganda yet the latter is landlocked and depends on the Kenyan port for its imports. If the centralized input distribution system in Uganda makes the difference, what options are there for Kenya? The Ministry of Agriculture and the proposed cotton bodies need to rationalize the costs of pesticides and spraying equipment, and monitor the trade in pesticide products for cotton farming to be viable. The key ingredient of such a system is transparent competitive bidding and shortening of the distribution chain. Another key ingredient is to effectively link this system to the contract farming system proposed earlier to facilitate recovery of input credit.

3.16.7 Infrastructure and cotton-selling logistics

Access roads are critical to the revival of cotton growing. Without access roads and cotton selling centers, interaction between cotton farmers and buyers is likely to be unsuccessful. The government and/or donor support can facilitate provision of the infrastructure services. Development of convenient and reliable buying schedules and weighing practices are also important. This can be done through a collaborative effort of farmers associations, Kenya Cotton Ginners Association, and government extension services.

3.16.8 Strengthening producers' organizations

This could be done at the national and international level. At the national level, there is need for institutional building such as strengthening cooperatives, farmer groups, or farmer associations to enable them engage jointly in value-adding activities such as processing, rationalizing supplies and building relationships with buyers. A Cotton Parliamentary Group (CPG), similar to those for coffee, tea, and sugar, is in the process of being formed whose mandate will be to articulate issues relating to the cotton and textile industry. This parliamentary committee will liaise with a similar group at EAC.

At the international level Kenya could join hands with other regional cotton producers to consider the possibility of establishing strong producer associations to coordinate supply and lobby for policies at the WTO that are friendly to producer countries. The support of influential international NGOs and other anti-globalization movement agents could be sought.

3.16.9 Ginning

The main problem for ginners is lack of adequate supplies of seed cotton leading to under-utilization of capacity and high unit cost of ginning. Ginners often travel long distances in search of seed cotton. Transport costs constituted about 10% of the farm

gate price. Unhealthy competition and predatory practices were also observed among ginners in some parts of the country, forcing them at times to promise farmers high prices they seldom honor. The excessive competition also prevents development of input credit systems due to the heightened risk of predatory purchase practices from competitors. In other parts of the country (notably western Kenya), however, there is hardly any competition, as most of the few ginneries operating are owned by the same investors.

Another major challenge for ginneries is how to upgrade their technology. The June 2002 Budget Speech introduced measures that are likely to assist ginneries with this problem and stimulate new investments. Not only were imports of capital equipments zero rated, but also VAT on ginning machinery and tax on all taxable goods and services supplied to ginneries were removed. These special tax considerations must be extended to the farmer in order to stimulate cotton growing. The Cotton Parliamentary Group could lobby on behalf of the farmers.

4.0 Trade policy regulations, customs and standards & new markets arising from reduction of Textile Quota and GSP under WTO, GATT agreements on Textile

For about 40 years, the international trade in textiles and clothing has been covered by several special arrangements, namely the Short Term arrangement regarding international trade in cotton textiles (STA) in 1961 and the Long Term Arrangement (LTA) 1963-1973 followed by the Multifibre Arrangement (MFA). The MFA was extended five times and eventually came to end in 1994, when the Agreement on Textiles and Clothing (ATC) was introduced. These agreements were restricting the volume of trade. They were not in conformity with the existing GATT rules. Therefore, this sector has not been subjected to WTO rules.

Table 24

Trade in textiles	**Year**	**Amount US $**
	1997	159 Billions
	1998	151 Billions
Global trade in clothing's	1998	180 Billions
Exports from China	1998	30 Billions
US Imports of Clothing	1998	55.7 Billions

Source: International Trade Center-Geneva-2001

Africa has an easy quota and duty-free access into the EU market through the Every thing BUT Arms (EBA) initiative under the COUTONOU Agreement. Kenya including many of the signatories, with the exception of Mauritius has not utilized this facility to a large extent. However, Egypt and Zambia were ranked third and eight suppliers of yarn into the EU during 1999.As stipulated by the Agreement on Textile and Clothing (ATC), by 1st January 2005, the textile and garments will be fully

integrated into WTO rule based system. The actual removal of the most important quota barriers will take place on 31-12-2004. Consequently, the most sensitive quota products such as T-shirts, men's shirts, blouses, jeans etc will only be integrated on the last day of the ATC. The future of the textile and garment industry in Kenya after 2005 WTO integration of the ATC appears risky. The significant role of China's trade in clothing with US is expected to have a bearing on the future of African trade. It is hoped that the preferential trade agreements accorded to developing countries including Kenya, amongst them AGOA, and COTONOU will mitigate and provide reasonable market access of garments and textiles to the US and EU respectively.

4.1 Existing Initiatives in Development of Cotton and Textile Sectors

The members of parliament from the cotton growing area have formed a Cotton Parliamentary Group (CPG) to address concerns affecting the cotton farmers. This group is still in its nascent stage and it is not clear whether its mandate includes the textile and apparel aspects of the chain. The Cotton Act is due for amendment soon in the Parliament; to align the Act with the current realities in the country the Ministry of Agriculture may consolidate all natural fibers, including sisal and cotton into the Cotton Act.

4.2 Cotton Stakeholders Consultative forum

The first consultative meeting was held in Nairobi, on July 12, 2002. Christian Agricultural and related Professionals Association (CARPA) organized the meeting. This forum brings together government officials, cotton farmers, ginners, textile manufactures, research institutions and other professionals. Action Aid Kenya funds this forum. It is anticipated that once the cotton apex body is constituted, the forum will act as a watchdog for the industry.

4.3 Regional Textile Training Initiative

During the 2nd AGOA forum held in Mauritius in July 15, 2003, Kenya successfully bid for the hosting of a regional facility for textile and apparel training after providing a superior proposal that was backed by tax and duty incentives. The Government of Kenya has set aside 25 acres of land to house this facility. The US government pledged to invest US $ 45 million in this project. COMESA has taken the lead together with United States- Africa Trade and link Corporation (UATALCO) that has already signed a memorandum of understanding with COMESA. It hopes to formalize the modalities for financing and implementing the project on behalf of COMESA member states with the aim of developing stronger and integrated light industries in the Sub-Saharan Africa. This initiative will add value to other regional initiatives in the cotton-textile-apparel supply chain in the region and lead to the development of a

more competitive region and trading block. This initiative is designed to showcase best practices for efficient textile and apparel manufacturing operations and provide expertise in industrial engineering, plant management, product development, quality assurance and merchandizing. This initiative is ongoing.

Kenya's trade policy has been liberalized apart from a small list of import licensing controls based on health, environmental and security concerns. However, imports are still subject to some approvals. All imports with f.o.b value of more than US$ 5,000 are subject to pre-shipment inspection (PSI) for quality, quantity and price, and require a Clean Report of Findings by a government-appointed inspection agency (either Cotecna Inspections, Inc. or Intertek Testing Services). The Import declaration fee, which includes a PSI fee, is 2.75% of the export (f.o.b) value. As from June 1998, importers who fail to obtain inspection in advance pay a penalty of 15% (25% for motor vehicles) for local inspection.
High import duties and Value Added Tax (VAT) are used as trade barriers for certain products. However, in the last two years the government has lowered the import duty for inputs and raw materials used in the manufacturing sector from 2.5% to zero. Also, a number of raw materials and capital goods hitherto taxed at 5% had tax reduced to 0% in the 2002/03 budget. Import duty for fabrics is set between 25-35% while duties on basic raw material and fiber is zero. Kenya's import regulations on agricultural products change constantly depending on politics, domestic supply and demand. Currently, the import duty on foodstuffs competing with Kenyan products is 35%. These foodstuffs include meat and meat products, dairy products, poultry and poultry products. Import duty on imported timber and ***cottonseeds*** was waived to discourage massive logging and revive cotton growing, respectively. To encourage local production of cheaper animal feeds, the value-added tax was reduced from 18% to zero on imports for the manufacture of feeds.

The standard VAT was increased to 18% in June 2000. Discriminatory application of these taxes has in the past distorted trading in some commodities especially sugar and maize. Procurement decisions can be dictated by donor-tied aid, or influenced by corruption. Customs rules are detailed and rigidly implemented, often leading to delays in clearance of both imports and exports.

Kenyan business has, for a long time, been overregulated. Donor-initiated economic reforms, however, have dramatically reduced government's interference with trade. Price decontrol, removal of foreign exchange and import controls, as well as the deregulation of the grain sector, have become the hallmark of GOK's trade liberalization initiative. This liberalization initiative has strongly enhanced the Kenyan business environment. To enhance the initiative, the Government of Kenya has embarked on import duty rationalization, lowering tariffs, and reducing licensing requirements. Although customs rules are still detailed and rigidly implemented,

affecting smooth operations of such practices as manufacturing under bond (MUB), the GOK's gradual rationalization of import duties do make domestic businesses more competitive. The GOK has also embarked on a program of streamlining Customs operations, with the intent of making it user-friendlier and more consistent with a liberalized economy while maximizing revenue collection. Likewise, the GOK has sought to reorganize and strengthen the Kenya Ports Authority, a GOK parastatal tasked with supervision of Kenyan ports operations, and the Kenya Revenue Authority to maximize revenue. These developments are quite a divergent approach from the previous practices, which led to serious delays in clearing both the import of inputs, and the export of finished goods and encouraged illegal payments at the customs offices.

All commodities imported into Kenya must undergo reshipment inspection, including price comparison, by Government of Kenya-appointed inspection firms.

5.0 TRADE BARRIERS/TARIFFS AND IMPORT TAXES

Kenya applies tariffs based on the international harmonized system (HS) of product classification. In GOK's recently unveiled budget for FY '03, import duties on primary raw materials not produced locally and all capital equipment was reduced to zero from 3% or 5%. Duty payable on imported complete knockdown kits (CKDs) for assembly of local motor vehicles was reduced from 3% to zero. Duties were likewise reduced on fertilizers, chemicals and other inputs to benefit the agricultural sector. The Minister of Finance also zero-rated imported wood and semi-finished wood products.

The dumping of goods by one country into another is condemned if it causes material loss or injury to an established industry. Since dumping is not illegal, receiving country may levy an anti-dumping duty on such goods. The WTO allows a country to impose countervailing duty equivalent to the amount of subsidy (That distorts competition) granted by another country. Safeguard measures are applied if a product is being imported in increased quantities and as a result it causes or threatens to cause injury to the industry in the importing country. Article 61 of COMESA and Article 88 of EAC treaties may be invoked to take care of deserving cases.

To protect local production, Kenya's government maintained a maximum import duty of 35% on all manufactured steel products while simultaneously reducing to zero the duty on all imports used in the sub-sector. A 100% duty on the import of sugar in excess of 200,000 metric tons has alarmed local manufacturers of beverages, pharmaceutical and confectioneries. Wheat flour imports are also subject to 60% duty until December 2003. Other budget proposals include a development levy of 20% on raw hides, skins and scrap metal to discourage export of raw materials***. Duties on imported second hand clothes were raised from 15 Kenya shillings/kilogram to 25 Kenya shillings/kilogram.***

It is important to note that those industries that have been negatively impacted by the proposed tax changes are aggressively lobbying the Ministry of Finance to reconsideration its positions. As a result of these lobbying efforts, a number of the budget proposals that will negatively affect industry might be modified to ensure that industry—the engine of any potential growth in Kenya--is not worse off than the status quo ante.

The government maintains lower duties and value-added tax for selected items in certain priority sectors. Those items include: palm oil and tallow, bicycles, steel

billets, wire rods, graphite lead, windmills, power transformers, cables, and active ingredients used for preparation of human and veterinary pharmaceuticals, fungicides and pesticides.

Non tariff barriers include the requirement to use a GOK appointed inspection firm for imports. Some U.S. firms may find packaging and labeling requirements difficult to meet. The lack of certain intellectual property rights (IPR) protection on videos, music, computer software, for example, makes U.S. firms reluctant to export their goods and services to Kenya.

Kenya's eight tax treaties normally follow the Organization for Economic Cooperation and Development model for the prevention of double taxation of income. At the moment there is no tax treaty between Kenya and the United States.

5.1 Customs and Non-Tariff Barriers

Kenya is a founder member of East African community whose vision is to create wealth in the region. The EAC development strategy 2001-2005 is a systematic way of charting out a course of action towards achieving the goals of regional integration in the EAC.

All Kenya agricultural produce are bound through WTO tariff structures, although the rates differ by products. Kenya bound all agricultural products at a ceiling rate of 100%. Tariffs are the main trade policy instruments used by the Kenya government based on the harmonized system (HS) nomenclature. An import license fee of 2.75% and VAT of 16 % is collected on all imported goods with the exception of agricultural inputs including fertilizer, farm machinery equipment, textile milling plants, ginning equipment which is exempt from duties and taxes

5.2 Customs valuation

All imports with F.O.B. value of more than $5,000 must undergo a pre-shipment inspection for quality, quantity, and price. They must be issued with a Clean Report of Findings by one of the two Government of Kenya appointed inspection agencies: Cotecna Inspections, Inc. or Intertek Testing Services, depending upon the zones from where the goods emanate. Random inspections of shipments will also be undertaken even for shipments with an F.O.B. value below $5,000, i.e. pharmaceuticals, used clothing, etc…. Customs valuation is based upon the price determined by the government appointed inspection firm. U.S. firms should ensure that the lowest possible price evaluation is used for customs valuation purposes by the pre-shipment inspection firm.

5.3 Import licenses

Import licensing controls were dismantled in 1993. However, for a small number of imports involving health, environment and security concerns, import licenses are required. Imports are, nevertheless, still subject to some paperwork and approvals. Imports of machinery and equipment classified as equity capital or loan purchases must receive prior exchange approval; banks are not to issue shipping guarantees for clearance of imports in the absence of the approval. All imports procured by Kenyan based importers must be insured with companies licensed to conduct business in Kenya. Importation of animals, plants, and seeds are subject to quarantine regulations. Certain pets require an import license. Cats and dogs are issued with an import license only after a veterinary surgeon has certified the animal to have been vaccinated against rabies and have no symptoms of any contagious disease. Kenya has set forth procedures for importing any form of plant materials such as seed, fresh fruits, flowers, plantlets, under the Plant Protection Act. (CAP 324) All intending importers are required to obtain a plant import permit (PIP). A copy of a permit issued by KEPHIS and an additional health certificate (Phytosanitary certificate or its international equivalent) must accompany any plant consignment to Kenya.

Kenya, Uganda and Tanzania are working through the Agriculture and food security sub-committee to harmonies the sanitary and phytosanitary requirements so that the three countries will use one certificate. The three East African countries through the biosafety regulation committee are working on a regional biosafety protocol.

The Kenyan Embassy in Washington, DC[1] and other Kenyan embassies may issue the import license. Importation is allowed only at designated entry points.

5.4 Export controls

Kenyan export regulations are generally liberal and contain few export restrictions. The country allows export of all items except for the following which are considered either of aesthetic value to the country or have national security importance: military equipment and munitions; antiques and works of art; bullion and coins; archives; live animals other than livestock and pets; wood charcoal and lumber; ivory, rhino horn and other products related to endangered species; human bones; and specially built transport equipment and automotive vehicles (e.g. armored cars and tanks). Export of these items must receive prior authorization by the relevant Kenyan Government ministry before an export license is issued.

[1] address: 2249 R Street, N.W. Washington, DC 20008; Tel: 202-387-6101

5.5 Import/export documentation

All Kenyan imports are required to have the following documents: import declaration forms (IDF) and a clean report of findings from the pre-shipment inspection firm, and valid pro forma invoices from the exporting firm. Firms exporting from Kenya need to obtain Form C 29 from Customs Department; and the following documents, which serve as certificates of origin, from Kenya's Ministry of Commerce and Industry: G.S.P. Form A for U.S. destined goods, EURO 1 for exports to the European Union, PTA Certificate of Origin for exports to the PTA (COMESA) area, and Ordinary Certificate of Origin for exports to all other parts of the world.

The movement of seed cotton across the borders is not subjected to rigorous inspection as trade in cottonseed is. Tables 22 & 23 further elaborate the process.

TYPE OF DOCUMENT	SOURCE	STATUS
Export/Import permit	Ministry of Trade	optional
COMESA certificate	Ministry of Trade	optional
Fumigation certificate	KEPHIS	mandatory
Phystosanitary certificate	KEPHIS	Not-mandatory
Quality certificate	KEBS	optional
Commercial Invoice	Exporter	mandatory

Table 22

Documents required for trade in cottonseed

TYPE OF DOCUMENTS	SOURCE	STATUS
Export/import permit	KEPHIS	Mandatory
EAC & COMESA certificate of origin	Ministry of Trade	Mandatory
Phytosanitary certificate	KEPHIS & AGRIC.	Mandatory
Pest Risk Analysis	KEPHIS	Optional
GMO/Biosafety	KEPHIS/KARI	Mandatory

Table 23

5.6 Temporary entry

Kenya allows duty-free entry into the country of goods destined for neighboring countries or for transshipment; however, bonds must be executed. Such goods must be held in bonded warehouses designated by Kenyan Customs Department. Release of the bonded goods into the Kenyan market is prohibited, unless statutory customs payments are made. Samples and exhibits/displays for trade fairs may be imported into the country duty free. It is a Customs Department requirement, however, that the items are re-exported or are certified destroyed by a customs certification officer after use. An importing firm that fails to meet these requirements will be surcharged import duty and value added tax on the presumed value of the items.

5.7 Labelling/marketing requirements

Special labeling is required for condensed milk, paints, varnishes, vegetables, and butter. In addition, metric weight or metric fluid measure must sell imports of pre-packaged paints and allied products. Weights and measure indicators must be in metric form or both metric and imperial forms. Some U.S. firms may have to adjust to these metric requirements. Manufacturers are required to indicate on the labels of all consumables both the date of manufacture and expiry. Labeling for pharmaceutical products should include: therapeutically active substances, inactive ingredients, name and percentage of any bactericidal or bacteriostatic agent, expiry date, batch number, any warnings or precautions, name and business address of manufacturer, and registration number of the product.

5.8 Prohibited imports

It is illegal to import the following items unless exemption has been granted by the relevant Kenyan Ministry: plants, soil, endangered species, arms and munitions, and non-pharmaceutical drugs. As the list of prohibited imports is continuously changing, importing firms should always check with the Kenyan Customs Department, Ministry of Finance[2].

5.9 Standards

The Kenya Bureau of Standards (KBS) is a government regulatory body under Kenya's Ministry of Trade, which is mandated to ensure conformance to International Standards Organization (ISO) product standards. KBS conducts product testing for individual product category and undertakes certification. To indicate conformance with mandatory product requirements, a KBS mark is placed on the certified product.

[2] P.O. Box 30007, Nairobi, 00100 Kenya, Fax: 254-2-718-417, Tel: 254-2-715-540.

It is a legal requirement that all locally manufactured consumer products bear the KBS mark before they are presented for sale. Kenya Bureau of Standards has legal authority to stop sale of uncertified products, and to prosecute the offending parties. KBS conducts random checks on imported products to ensure they conform to ISO standards; those products that do not meet the standards are withdrawn from the market and the importer is prosecuted. To obtain the KBS standards, U.S. exporters should contact Managing Director, Kenya Bureau of Standards, P.O. Box 54974, Nairobi 00200, Kenya, Tel: 254-2-502-211, Fax: 254-2-503-293. Website: www.kebs.org

The Kenya Bureau of Standards is currently in the process of reviewing all standards; great emphasis is on those that are ten or more years old. A large number of the standards have been reviewed and harmonized within the East Africa region. The Kenya Bureau of standards in conjunction with the technical committee on blankets, non-woven, threads and fibers under the direction of the textile industry standards committee and the national standards council have developed standards and specifications for the industry. Yarn quality affects not only the efficiency of fabric production but also the fabric quality. Yarn quality specification will therefore be of utmost importance and interest to the spinner, weaver, knitter, and yarn merchant. Yarns are produced in awide range of counts (linear densities) or varying fiber blend composition and proportions for various end users. This Kenya standard takes into consideration all these variations and specifies only the minimum requirements and essential quality characteristics of yarns. This Kenya standard is in five parts, namely: cotton yarns, wool yarns, polyester/cellulose blended yarns, polyester/wool blended yarns and polyamide/wool blended yarns

Importation of any form of plant material (seeds, cuttings, budwood plantlets, fresh fruit, flowers and timber) into Kenya is subject to strict specified conditions as outlined in the import permit issued by the Kenya Plant Health Inspectorate Service (KEPHIS). Seed certification is mandatory before it can be sold locally. The process can take up to three years. Kenya has been a member of UPOV since 1999. Kenya Plant Health Inspectorate Service contacts are Managing Director, Kenya Plant Health Inspectorate Service, P.O. Box 49592, Nairobi 00100, Kenya; Tel: 254-2-440-087; Fax: 254-2-448-940. Website: www.kephis.org

The Pest Control Products Board (PCPB) registers all agricultural chemicals imported or distributed in Kenya following local testing by an appointed research agency. It also inspects and licenses all premises involved in the production, distribution, and sale of the chemicals. The board has the right to test chemicals sold locally to assure their compliance with originally certified specifications. No agricultural chemicals can be imported into Kenya without prior PCPB authorization and chemicals can only be sold for the specific use permitted by the board. Unfortunately violations do occur,

endangering the environment. For the most part, however, major horticulture producers and exporters apply strict European Union and U.S. standards in the application and use of agricultural chemicals.

All organizations involved in the manufacture, distribution, and sale of agricultural chemicals in Kenya are members of the Pesticide Chemical Association of Kenya (PCAK). Members have to sign a "Code of Conduct" based on the U.N.'s Food and Agriculture Organization Code. This document requires rigid controls in manufacture, packaging, labeling, and distribution. It also mandates an ethics code. For specific requirements, both PCAK and PCBP can be contacted at Pest Control Products Board, P.O. Box 14733, Nairobi 00800, Kenya, Tel: 254-2-444-029; Fax: 254-2-446-115.

5.10 Free trade zones/warehouse

As of November 2001, Kenya has 23 export processing zones. Of the 23 zones, only two were developed and are managed by the public sector. The other 21 are privately owned and managed by licensed EPZ developers/operators. Of the 23 zones, 15 are currently operational. Another has recently been completed and is seeking tenants, two are under construction and five sites are available for development.

Sameer Industrial Park is Kenya's largest privately owned space-leasing export processing zone. Located in Nairobi's industrial area, it has been operational since 1990. The Government of Kenya has developed a 230-acre zone out of 721 acres allocated for export processing at Athi River, a Nairobi suburb; GOK is also developing another large export processing zone in Mombasa, Kenya's main seaport. The export processing zones are available to both developers (i.e. those intending to put up structures for lease) and operators.

Incentives provided to manufacturers in the Export Processing Zones include: a ten-year corporate tax holiday and 25 percent tax rate thereafter; a ten year withholding tax holiday on dividend remittance; duty and VAT exemption on all inputs except motor vehicles; 100% investment deduction on capital expenditures within 20 years; stamp duty exemption on legal instruments; exemption from Industrial Registration act, Factories Act, Statistics Act, and Trade Licensing Act; exemption from pre-shipment inspection; on site customs inspection; and work permits for senior expatriate staff.

Export Processing Zone Authority (EPZA) is a GOK parastatal tasked to facilitate participation in manufacturing in the EPZ. Details on joining the EPZ can be obtained from Chief Executive, Export Processing Zone Authority, British-American Center, P.O. Box 50563, Nairobi 00200, Kenya, Tel: 254-2-712-800; Fax: 254-2-713-704. Website: www.epzakenya.com.

The Manufacturing under Bond (MUB) scheme has been operational in Kenya since 1986. The MUB scheme is accorded most of the incentives of EPZ's without the requirement of location at predetermined sites. The only requirement for the manufacturer is to reimburse GOK all costs of the customs officer and guards at site. Enterprises operating under this program are offered the following incentives: Exemption from duty and VAT on imported plant, machinery, equipment, raw materials and other imported inputs; 100% investment allowance on plant, machinery, equipment and buildings. The Investment Promotion Center (IPC), another GOK parastatal tasked to encourage and promote investment in Kenya, processes all applications for MUB. IPC contacts are Executive Chairman, Investment Promotion Center, National Bank Building - 8th Floor, P.O. Box 55704, Nairobi 00200, Kenya; Tel: 254-2-221-401; Fax: 254-2-336-663. Website: www.ipckenya.org.

Nairobi and Mombasa, Kenya's main trading cities, have sufficiently large warehousing facilities. Most of the warehouses are for private warehousing; however, some specialized ones provide bonded warehousing services. Dutiable goods entering Kenya may be stored in the bonded warehouses without payment of duty and value added tax; but duty and tax become due and payable when the goods are released from the bonded warehouse for local commercial use. Prevailing tariff rates then apply.

5.11 Special import provisions

Kenyan customs regulations have no special provisions for importation of goods. All goods must be duty rated; however, Kenyan customs legislation allows the Minister of Finance to waive part or all rated duty. Legislation disallows waivers on commercial imports. In practice, waivers are sometimes granted to politically connected individuals.

5.12 Membership in free trade arrangements

Kenya is a member of the 21-country Common Market for Eastern and Southern Africa (COMESA). COMESA is a developing free trade area in which, eventually, all internal tariffs and trade barriers will be removed and a common external tariff will be introduced.

In November 1999, the leaders of Kenya, Uganda, and Tanzania strengthened the three-year-old East African Cooperation (EAC) when it signed the EAC treaty. The treaty provides for the formation of an economic community and removal of trade barriers by November 2003. While discussions between the three member countries have been on going, the inability of the governments to agree on suitable tariff rates has hampered the progression towards the reduction of internal tariffs. The EAC

intends to enhance and promote economic, trade, and development programs within the East African region through integration of infrastructure; harmonization of inter-territorial trade and tariffs; and in the long-term, currency alignment.
Kenya is also a signatory to major international trade agreements such as the United Nations Conference on Trade and Development, World Trade Organization, and the Lome Convention.

5.13 Gender mainstreaming in the Cotton-textile apparel sector

In the past decade, there has been a growing acceptance of gender-focused approach to development. This approach recognizes that gender is an organic principle of society that affects women and men in all activities and relationships. It emphasizes equal access to resources, rights and responsibilities for both men and women. Both the EAC and COMESA treaties recognize the role of women as a vital link in agriculture, industry and trade. In cotton –textile- apparel chain, women play a key role in cotton production and even greater role in the weaving of traditional hand made and folklore products in Kenya. Eighty percent of hand-made weaving is attributed to women through small self-help groups. One particular leading company in the apparel sector that has invested in ultra-modern facility, including day care services for working mothers is Alltex ltd. Based at the EPZ in Athi-river Nairobi.

6.0 Recommendations for Spinning, Weaving and Textile Manufacturers- Towards Enhanced Regional Trade

6.1 Specific interventions: some proposals

To revive the cotton–textile industry and propel it into a sustainable growth path, various interventions are required to improve its operating environment. We propose some of these in these sub-sections.

6.2 Coordination of the industry and chain-wide issues

The cotton–textile industry requires the following interventions:

a) There is a need to form a cotton development council (CDC) along the lines of a similar one in Uganda to manage the sub sector. This body should be the apex body in the industry and should be stakeholder driven. This body will be responsible for coordination and policy development, including streamlining the seed multiplication and distribution system, procurement and distribution of pesticides through transparent competitive tendering, and an input credit or contract-farming system. Such a body is urgently required to spearhead the revival of the industry, and probably propose the most beneficial way to use the expected STABEX funds. Coordination of the industry is critical until such a time that fair competition in all sectors of the cotton–textile chain prevails.

b) There should be sound public–private partnerships to facilitate technology research and development. In the US, R&D for the purpose of developing new technologies is funded by private–public partnerships incorporating fiber producers, labor unions, apparel manufacturers, and the government.

c) The sector should engage in upgrading activities in order to move from undifferentiated 'commodities' to differentiated, specific products such as specialty garments and other specialized products using transgenic and organic cotton varieties. This should be complemented with marketing by government and industry to promote the conscious consumption of these differentiated products. With growth in incomes, demand for differentiated and higher quality products is also expected to grow. Upgrading requires investment in product innovation and segmentation, branding, development of tight but transparent systems of quality and brand certification, and cultivation of markets (including major investment in advertising) for differentiated products.

d) Development and licensing of niche products such as unique African (or better still Kenyan) designs and clothes, and wildlife sportswear. Niche products need to be developed in sub sectors with the highest returns. For instance, cotton knitwear/hosiery sub sector has the highest return per kilogram of cotton used (about $ 13/kg), less investment and working capital requirements, and faces less competition from the fashion sub sector. Niche products also involve growing of transgenic, organic and quality cottons that fetch premium prices. The German Technical Assistance had a programme of promoting organic cotton in Lamu District in 2002. The programme has experienced resistance due to lack of grower sensitization on the requirements of the market. As recommended above, there is need for industry intervention in publicizing the potential of such products.

e) Improving access to information and marketing skills coupled with cultivation of long-term relations with customers. Making producer organizations more effective and providing other local actors with access to e-commerce and futures markets could facilitate producer–consumer communication and provide them with risk management tools. These services could be best provided through intermediary organizations such as cooperatives, grower organizations and NGOs. Besides access to information and marketing skills, industry players could also be assisted to learn how to penetrate the global supply chain through direct marketing. This could be done by placing priority on apparel sub sectors with commodity chains driven by merchandisers and retailers in the North. This interaction will generate a learning curve for local producers, as happened with newly industrialized country producers. This learning could be facilitated by appropriate policies, for example, those that facilitate joint ventures.

f) Human capital development is mandatory. Lack of qualified managers and design experts in Kenya was found to limit exploitation of the US market potential. There is need to develop an explicit human resource development plan for the industry to develop the high skills required by the industry, as well as formation of association of fashion designs. The fashion-design part of the supply chain needs to be developed adequately in order to resonate with the dynamics in the US markets and AGOA.

g) Campaigns to instill national pride and patriotism with respect to Kenyan products. Incentives to garment makers to buy local fabric could improve quality of the fabric through feedback mechanisms.

To promote investment in the spinning, weaving and textile sector, we recommend the following:

(a) There is need to collect, collate and analyze information on the state of technology of the mills, the installed capacity, supporting infrastructure, sourcing of raw material, financial status, and other encumbrances of the mills for decision-making purposes by investors. As mentioned before it was very difficult to get information from the weavers, spinners and integrated millers on their operations, and they constantly referred us to the Kenya Association Manufacturers (KAM).

(b) The different sectors of the chain (spinners, weavers, and integrated millers) should have their own associations for purposes of transparency of operations and effective collaboration with other industry players. This will also provide for a transparent pricing mechanism and value addition across the chain. The study did not establish the value additions at the different levels of the chain due to the difficulties alluded to above.

(c) Improve confidence in the sector. Investment demands a predictable business environment. The textile firms are uncertain of what may come of their investment on expiry of the AGOA market preferential treatment. This has been one of the reasons why major investors have shied away from this sector. The recent extension by the US government to have AGOA benefits extend to 2015 has boosted the investor's confidence and should translate to new investment in this part of the chain. One such investor, the Aga Khan Group, is considering putting up an ultra-modern integrated textile mill in either Kenya or Uganda.

(d) There should be greater effort towards reducing or eradicating corruption; improved macroeconomic management to reduce the cost of borrowing, raise purchasing power in the economy and attract investment; improved infrastructure—telecommunications, power, water provision; and improved security in the country (as mentioned earlier, there is worsening insecurity in Lamu, Hola and Bura areas).

(e) The government should apply for a safety net under WTO like Egypt has done. Such a safety net would allow the country to reintroduce some protection for a short period to enable the industry get organized and enhance its competitiveness. To do this, the country only needs to demonstrate injury from excessive textile and clothing imports. To preempt complacency on the part of the protected firms, they need to be convinced that such protection would last for only the specified duration.

6.3 Considerations for reviving the ginning sector

a) Support to improve the ginnery infrastructure: The government, together with donors, could assist in constructing cotton-buying centers and improving access roads, which would reduce transportation cost and ensure proper storage conditions for seed cotton. The possibility of using the expected Stabex funds for this purpose should be considered.

b) Improve ginning coordination: The Kenya Cotton Ginners Association needs to coordinate the activities of the members so that they strengthen the sector rather than weaken it through predatory practices. Ginners must develop a self-regulating code of conduct to guide their operations and discourage rogue ginners. Where the ginneries are few, the government may facilitate revival of the collapsed ones to increase competition and create incentives for producers. Given that currently there is under-utilization of existing capacity for ginning in some parts of the country, new investments in ginning should be directed to these areas through an incentive system. Investments in the areas with excessive capacity can be discouraged through the same system. The designs of such an incentive system constitute some of the tasks of the apex institution proposed elsewhere in this report. The same institution in conjunction with the ginners association could also assess the sectors' technology needs is the technology in use the most appropriate? Is there potential for development of small-scale ginning? Is there adequate technical capacity in various types of ginning? The issue of ginning is very important. Effort needs to be directed to the acquisition and use of technology suitable for small-scale ginning.

6.4 Recommendations for garment manufacturers

The following recommendations are suggested for medium and large-scale garment producers: A matrix of recommendations and solutions has been provided in table 20.

a) Human capital development. Lack of qualified managers and design experts in Kenya was found to limit exploitation of the US market potential. Most critics of the AGOA initiative claim that most skilled labor is imported and that Kenya produces only the lower-paid cadre of manpower. There should be an explicit human resource development plan to develop the high skills required by the industry. Otherwise Kenya will only benefit from low skill, lowly paid employment generated by the textile firms. The industry, in collaboration with the government, could also assist by creating an effective training institution (like some institutions such as banks have done) to upgrade the skills in the apparel sector and transfer these skills to the main economy. The world-class

skills that will be acquired from working in the EPZ environment will be passed on into the main economy thus adding value to the local garment and artisan producers. Currently, there is an influx of locally made high-quality products from the EPZ. Kenya was the first country in sub-Sahara Africa to qualify into the textile protocol under the AGOA initiative and is leading in exports to the US in the region, and is third in sub-Sahara Africa after Madagascar and Lesotho.

b) Kenyan firms need to be more aggressive in exporting such by participating in direct marketing of their products, as this could create learning curve for them on how to penetrate the global supply chain. Garment producers in Asia learned this way. This could also be done by placing priority on apparel sub-sectors with commodity chains driven by Northern merchandisers and retailers, as this may generate learning curve for local producers, as happened with newly industrialized country (NIC) producers. This learning could be facilitated by appropriate policies, for example, those that facilitate joint ventures.

Important markets within COMESA for Kenya's textiles and garments

COMESA Country	Textile yarn	Fabric woven	Made up garments
	%	%	%
Uganda	49.3	21.3	38.6
Tanzania	29.8	35.2	13.5
Zimbabwe	5.3	22	0.9
DR. Congo	6.5	0	5
Sudan	0.5	7.3	27.3
Malawi	5.8	0	3.9
Other	2.8	14.2	10.8
Total	**100**	**100**	**100**

Table 20

Source: Calculated from Central Bureau of Statistics Data – Statistical Abstract, 2002

Besides recommendations made above for medium and large garment producers, small-scale producers also require:

- Provision of appropriate workspaces for example, through appropriate incentives for their creation;

- Appropriate designs and incentives for increased investment in modern technology;

- Incentives to stimulate development of financial (and export financing and insurance) mechanisms to enable small garment producers to export;

- Assistance (by the government and NGOs) to improve quality through, for example, improved training facilities and services and training in managing cooperatives;

- There should be an association for small scale garment producers' to assist them in lobbying for credit and to look for markets for their products;

- Small scale garment producers should be encouraged to seek contract manufacturing to fill gaps in the apparel manufacturing schedules. This is an easy way of fulfilling export orders without necessarily investing in a whole textile production line. However, this means that small-scale garments manufacturers will need to have prior training in financial management, design, quality control and assurance in packaging, logistics and marketing. NGOs already assisting in the market like UNIDO, the Ministry of Trade and Industry, the Ministry of Labor could collaborate in this initiative.

Chain	Problem/issue	Proposed Intervention	Proposed Implementing Partner
SEED COTTON PRODUCTION	• Poor extension services • Fake pesticide/herbicides • Expensive pesticides • High taxation on pesticides • Poor quality of cotton seed • Lack of effective growers', for lobbying and negotiating structure • Lack of access to credit • Lack of quality assurance/control • Poor yields • Unexploited irrigation potential for cotton production • Lack of collaboration R and D in cotton textile chain	• Rehabilitate stalled irrigation projects • Rationalize costs of inputs. • Provide of extension services • Monitor pesticide control Management • Certify cotton seed • Provide support to growers' Association • Restructure cooperative Societies • Provide access to reasonable credit and microfinance institutions • Quality of handling seeds • Creation of Cotton	• Office of the vice-president /National Irrigation Boards (NIB), Government of Kenya, Kenya Ginning Association • Poison and Pesticide Control Board • Agro Chemical Suppliers • Pesticide/chemical companies • Proposed Cotton Development Council of Kenya • KEPHIS • K-REP – Agricultural Finance/ Cooperative bank Corporation/ STABEX funds • USAID support • NGO's – Oxfam, Action Aid, CGD • KEPHIS – fiber testing laboratories

		Research National Foundation	• Nation Cotton Fiber Research Universities, Proposed cotton Development Council
GINNING	• Lack of standards – baling Cotton • Low supply of seed cotton • High cost of power and heavy duty diesel • Predatory seed cotton buying practices by some ginners • Mixing of cotton seed • Lack of certified quality cotton Seeds • Loan/credit recoveries from cotton growers • Low price of lint from spinners (cartels) • Lint and yarn importation	• Create national & regional Standards • Cultivate trust and working Relationship – growers • Stakeholder driven cotton Council • Rationalize cost of power and heavy duty diesel • Establish association of spinners and weavers • Marketing of lint • Ginners and spinners code of conduct, transparent with regard to pricing, zoning • Invest in seed multiplication,	• Kenya Bureau of Standards • Proposed Cotton Development Council • Kenya Association of Manufacturers • Cotton Parliamentary Group (CPG) • Registration of ginners by KEPHIS – monitor specialty of seed – distributed to farmers • Industry stake holders- – co-operatives, grower associations • Kenya • KEPHIS/ Ministry of Agriculture – Kari - Private sector • GOK/KAM/CDC, KCGA

		Certification and distribution • High tax on imported yarn-fabric	
SPINNING /WEAVERS	• Poor relationships with Ginners • Cartel like operations • Lack of structured Organization • Low investment in spinning • High cost of electricity • Need for transparent operations • Unfair competition from untaxed fabrics • Expensive dye stuff chemicals, furnace oil	• Develop formal working Relationships • Develop code of conduct and Transparent pricing structures • Share relevant industry Information • Rationalize cost of energy • Enforcement of duty and Tax rebate system • Proposed Cotton Development Council	• Establish Spinners Association • Establish Weavers Association • Kenya Association of Manufacturers / Association of Spinners • GOK • Kenya Revenue Authority • Kenya Bureau of Standards
CATEGORY 4 AND 9 WEAVERS	• Market intelligence • Lack of capital	• Develop a lobby organization • Access credit micro	• Category (9) Weavers Association • K-REP, Co-op Bank – Donor

		finance	
ASSOCIATION	• High interest rate	• Relationship of interest rates	• RATES (Chemonics)
(Hand loomed and folklore)	• Lack of capacity to undertake large orders	• Capacity building programs, handicraft/textile	• Logistic management partners • Trade initiative (Chemonics)
		• Consolidation of dealers orders	
	• Poor technology	• Appropriate technology	• Collaborate with appropriate technology providers
		• Export development programs	
TEXTILE MILLS	• Poor outdated technology	• Require investment in new	• Private financers/investors
	• Receivership/closures	Technology	• Government support, GOK?
		• Urgent financial	
	• Low supply of lint	restructuring	Ministry of Trade
	• Poor quality of fabric	intervention	• Technology suppliers –strategic relations
GARMENT/APPAREL	• Lack of qualified labor	• Organize garment manufactures in the region	• RATES/COMESA/EAC
MANUFACTURERS (AGOA)	• Lack of market	database/directory	• RATES/Cotton textile stakeholders in the region
	• Intelligence		
	• Labor unrest		
	• Regional fabric by September, 2004		

RESEARCH IN COTTON	• Development of transgenic Cotton • Lack of regional collaborators	• Harmonize Bio-safety protocol • Harmonize cotton seed Certification protocol research	• EAC / KEPHIS / KARI • ASARECA //KARI/Universities/ KEPHIS, conduct regional form to address biotechnology
REGIONAL MARKETS /TRADE IN COTTON /LINT/YARN/FIBRE	• Information regional trade • Poor collaboration of the Sub-sector • Problem sourcing regional fiber – September, 2004 • Differential tariff structures on cotton-textile trade in the Region • Country regional standardization of bales • Harmonies standards of baling cotton national / regional	• Develop regional forum for cotton-textile stakeholders • Community secretariat and COMESA Formation of Cotton Parliamentary Group (CPG) • Harmonize regional tariff Structures • Pursue and support regional procurement of seed cotton lint, yarn, fabrics • Harmonize standards of seed cotton, lint, yarn, fabrics	• KEBS – Universities • Harmonize standards of bailing seed cotton region • EAC, COMESA, SADC and IGAD • Ginners Association • Spinners Association • Weavers Association • Textile Mills Association • Garment/Apparel (CPG) – Manufacturers Association • Designers Association • Import Suppliers • Research Institutions • Logistics Management Association

			• RATES/Trade initiatives • Pursue regional biosafety protocol with (EAC) COMESA on development of transgenic cotton
OIL SEED MILLERS	• Low supply of cotton seed • More studies and survey required to assess the problems of this chain	• Gaps to be filled by the study	• Gaps to be filled by the study
AGRO CHEMICAL SUPPLIERS AND PESTICIDE SUPPLIERS	• Fake pesticides • Major cost drive • Expensive pesticides • Technical education on pesticide application • Expensive fertilizer and other Inputs • Efficacy of pesticides	• Enforce the law on traders who sell expired products • Rationalize costs of pesticide to growers • Improve on sourcing of Pesticides • Educate farmers input usage of pesticides and chemicals • Government, intervention and control	• GOK/ Ministry of Agriculture, Poison and Pest Control Board, Cotton Development Council, should Collaborate • Remove tax on pesticides to reduce cost • Ministry of Finance • Monitor efficacy and advice farmers accordingly
DESIGNERS	• Designers lack	• Formation of	• Through EAC

formal organization body to co-ordinate their activities • Capacity constraint problem • Research and development • Training • Industrial designers	Association of fashion design on country and regional basis • Training/ Exchange Programs for fashion Designers • Industrial Designers Association • Develop regional fashion shows	• COMESA/SADC form regional association • Workshops, seminars, private-sectors and designers

Table 21

6.5 Regional demand for cotton lint yarn, fabric and apparel

Regional trade

1.	**Kenya's cotton imports from COMESA (2001)**
	US$
Uganda	3, 280, 036
Sudan	87, 019
Zaire	2, 108.7
Total	**3, 369, 163.7**

2.	**Kenya's cotton imports from non-COMESA countries (2000)**
	US$
Columbia	55
Tanzania	1, 511, 001
United Arab Emirates	82
Total	**1, 511, 128**

3.	**Kenya's cotton imports from non-COMESA countries (2001)**
	US$
India	11
Tanzania	130, 883
United Arab Emirates	54
Total	**130,948**

4.	**Kenya's cotton imports from COMESA (2000)**
	US$
Sudan	100, 730
Uganda	169, 714
DRC	54
Total	**270, 498**

EXPORTS/IMPORTS OF TEXTILE YARN BETWEEN 1996–2000 (Thousands of meters equivalent)						
Item		1996	1997	1998	1999	2000
Cotton (Export)		66	367	123	84	566
Cotton (Import)		3, 715	1, 862	1, 640	712	1, 599
Textile Yarn (Export)		7, 072	8, 433	5, 073	4, 286	6, 407
Textile Yarn (Import)		4, 621	7, 343	9, 406	9, 407	10, 156
Cotton Fabrics Woven (Export)	8, 432	5, 352	20, 887	2, 049	4, 016	
Cotton Fabrics Woven (Import)	6, 739	1, 4552	9, 352	8, 823	5, 546	
Woven Textile Fabrics (Export)	63	81	79	47	47	
Woven Textile Fabrics (Import)	563	952	457	204	364	
Special Yarn Fabrics (Export)	2, 738	3, 078	3, 193	3, 509	4, 175	
Special Yarn Fabrics (Import)		13, 194	9, 224	11, 241	9, 025	8, 364
Made up Textile Articles (Export)	9, 420	11, 260	8, 479	16, 150	9, 677	
Made up Textile Articles (Import)	6, 119	7, 069	9, 923	7, 928	6, 830	

Source: ITC UNCTAD/WTO

ANNEXURE: 1
LIST OF TEXTILE MILLS IN KENYA

Company Name	**Contact Person Title**	**Products/Activities**	**Remarks**
Afro Spin Ltd. PO Box 3341, Nakuru Tel: 037-851313 Fax: 037-212082	Managing Director Email: afrospin@iconnect.co.ke	Cotton/synthetic fibers spinning and weaving	Spinning/ weaving
Alpha Knits Ltd. PO Box 47018, Nairobi Tel: 02-520819, 520402,740361 Fax: 02-520477	Hiran G. Bid, Director Email: alphaknit@form-net.com	Knitted and woven fabrics: integrated mill producing-knitwear, socks, stockings, yarns, Caps and Promotion materials.	Integrated mill
Bedi Investments Ltd. PO Box 230, Nakuru, Kenya Tel: 037-212320/1/2 Fax: 037-44776	Mr. Jaswinder Bedi, Director Email: info@bedi.com, jas@bedi.com	Yarns, fabrics (cotton/synthetic) and ready made garments	Garment

Company Name	Contact Person Title	Products/Activities	Remarks
Bhupco Textile Mills Ltd. PO Box 30569, Nairobi Tel: 02-229761, 330025 Fax: 02-212297	J.M. Shah, Manager Email: bhupco@iconnect.co.ke	Knitted and woven fabrics: 100% Cotton, polyester/cotton. Polyester/viscose, polyester	Garment
Fine spinners Ltd. PO Box 78114, Nairobi Tel: 02-556245, 556144, 545439, 556706 Fax: 02-545446	Mr. Jawinder Bedi, Director Email: finespin@iconnect.co.ke or jas@bedi.com	Sewing thread, cotton yarn, polyester yarn, blended yarn, embroidery thread, etc.	Spinning
Hercules Mills Ltd. PO Box 58827 Tel: 543898/9 Fax: 541989	Managing Director, Managing Director	Knitted fabrics	Garment
Jaydees Knitting Factory Ltd. PO Box 22276, Nairobi Tel: 02-352087, 554055, 553566 Fax: 02-559471	Dhiru Shah, Managing Director Email: jaydees@nbi.ispkenya.com	Knitted and woven fabrics/ garments	Garment
Ken-knit(Kenya) Ltd. PO Box 142, Eldoret, Kenya Tel: 0321-32644/5 Fax: 0321-32985	Mr. B. Z. Shah, Director Email: factory@kenknit.com	Knitted and woven fabrics: integrated mill producing final products-knitwear, yarns, blankets And furnishings fabrics	Integrated mill
Mega Spin Ltd. PO Box 3204, Nakuru Tel: 037-213602, 40449 Fax: 037-213601, 45938	Managing Director Email: ndege@net2000ke.com	Acrylic hand knit yarn and blankets.	Spinning
Midco Textiles Ltd.	A.P. Shah, Director	Textile mill	Textile mill

Tel: 02-556222, 556443, 556235 Fax: 02-544827			

Company Name	Contact Person Title	Products/Activities	Remarks
Mount Kenya Textiles Ltd. PO Box 115, Nanyuki, Kenya Tel: 0176-22003, 22008 Fax: 0176-32412	Managing Director	Woven fabrics-cotton/synthetics	Textile mill
Nakuru Fibres Ltd. PO Box 3341, Nakuru Tel: 037-212080/1/2 Fax: 037-40791/45207	Managing Director Email: shatinf@iconnect.co.ke	Polyester yarn	Spinning
Nakuru Industries Ltd. PO Box 22, Nakuru Tel: 037-41845, 212245/46 Fax: 037-211241, 45777	Managing Director Email: nblanket@net2000ke.com	Textile mill	Textile mill
Rupa Cotton Mills EPZ Ltd. PO Box 5050, Eldoret Tel: 0150-22799, 0321-32644 Fax: 0150-22799, 0321-62916	Amu Shah, Managing Director	Manufacture of cotton yarn	Spinning

Annexure: 2

List of Spinning Companies

Company Name	Contact Person	Products/Activities	Remarks
Spin Knit Ltd. PO Box 1478, Nakuru, Kenya Tel: 037-211517, 210316 Fax: 037-44095, 44695	Sashi Shah, Director Email: spinknit@net2000ke.com	Knitted fabrics/ textile products: acrylic hand knitting yarn, acrylic machine knitting yarn, blankets, baby shawls, kikois, Masai bedcovers, bed	Spinning

		covers, fancy knitwear, school knitwear, Cotton bath towels, baby Nappies, suiting.	

Company Name	Contact Person Title	Products/Activities	Remarks
Spinners & Spinners Ltd. PO Box 46206, Nairobi Tel: 02-226178, 227283 Fax: 02-218154, 0151-54511	Managing Director, Managing Director	Knitting fabrics, knitting yarn, curtain And upholstery material.	Spinning
Summit Fibers Ltd. PO Box 99559, Mombasa Tel: 011-491804, 491642 Fax: 011-493412	K.R. Shah, Director Email: sfi@africaonline.co.ke	Polyester yarn, knitted fabric and Mosquito nets.	
Sun flag Textile & Knitwear PO Box 41627, Nairobi Tel: 559711 Fax: 559015	Managing Director	Knitted and woven fabrics: fully integrated textile mill	Integrated mill
The Blankets Industries Ltd. PO Box 82331, Mombasa, Kenya Tel: 011-491853, 491848 Fax: 011-494920	Gulad, Gudka, Director	Blankets and baby shawls	Textile mill
Thika Cloth Mills Ltd. PO Box 41896, Nairobi Tel: 74515, 743436, 744935 Fax: 744988	Mahendra Khimasia, Managing Director	Woven fabrics up to finished products – integrated textile mill	Integrated Textile mill
United Textile Industries Ltd. PO Box 394, Thika or PO Box 30338, Nairobi. Tel: 0151-21641, 22385, 02-520394/225450/211849 Fax: 0151-22351	Managing Director Email: uni@iconnect.co.ke	Knitted and woven fabrics; cotton/synthetic	Textile mill

Annexure :3

List of Apparel Manufacturers

	Company	Address	Phone/Fax/Email	Contact Person	Status	Location (Zone)
1	Birch Investments EPZ Ltd.	PO Box 81579, Mombasa	Tel: +254-011-432626/609 Fax: +254-001-434147/222289(434438) Email: syson@birchkenya.com	Mr. Dhiru Shah	Operational	Birch. Mombasa
2	Indigo Garments EPZ Ltd.	PO Box 64969, Nairobi	Tel: +254-2-862142-3/861915/861796/ 802179-80 Fax: +254-2-862140/861915 Email: indigo@indigokenya.com	Mr. Vijay Kumar	Operational	Indigo, Ruaraka, Nairobi
3	JAR Kenya EPZ Ltd.	PO Box 78788-00507, Nairobi	Tel: +254-2-532040/50, 532090, 540058, 828000-3 Fax: +254-2-540057	Sam Meeks	Operational	Sameer, Nairobi
4	Kenap EPZ Ltd.	PO Box 288, Athi River	Tel: +254-0150 22805/6/7, 22460 Fax: +245-0150 22802/22251 Email: info@kenap,co,ke	Mr. Ulhat Kamat Mr. S. Radhakrishnan	Operational	Athi River
5	Tristar EPZ Ltd.	PO Box 374, Athi River	Tel: +254-0150 22803/5 Fax: +254-0150 22802 Email: infor@kenap.co.ke	Mr. Ulhat Kamat/ Mr. S. Radhakrishnan	Operational	Athi River
6	Kentex Apparels EPZ Ltd.	PO Box 64020, Nairobi	Tel: +254-2-802961/862747/48 Fax: +254-2-861791 Email: kentex@swiftkenya.com	Mr.C. Tank	Operational	Rafiki, Nairobi

	Company	Address	Phone/Fax/Email	Contact Person	Status	Location (Zone)
7	Upan Wasana EPZ Ltd.	PO Box 16730-00600, Nairobi	Tel: +254-02-802216/861318/802073/ 860963 Fax: +245-02-862749 Email: info@upanwasana.com	Mr. Bandu Udalagama	Operational	Upan Wasana, Ruaraka Nairobi
8	Kapric Apparels EPZ Ltd.	PO Box 81579, Mombasa	Tel: +254-011-432609/432626 Fax: +254-011-434438 Email: sysop@kapric.com	Mr. Nariman Patel	Operational	Kapric, Mombasa
9	Ashton Apparels EPZ Ltd.	PO Box 43371, Mombasa	Tel: +254-011-433480/ 0733-634400 Email: ashton@africaonline.co.ke	Mr. Ashutosh	Operational	Coast Industrial Park, Mombasa
10	California Link EPZ Ltd.	PO Box 86198, Mombasa	Tel: +254-011-435086/7 Fax: +254-011-433342	Mr. Ravi	Operatinal	King'orani, Mombasa
11	Union Apparels EPZ Ltd.	PO Box 358, Athi River	Tel: +254-0150-22067	Mr. Suranjan/Vasatas	Operational	Athi River
12	M.R.C. Nairobi EPZ Ltd.	PO Box 513, Athi River	Tel: +254-0150-22780, 0733-812845/ 637100	Mr. C. Kulasinghe	Operational	Athi River
13	Simo Link EPZ Ltd.	PO Box 83218, Mombasa	Tel: +254-011-434231 Fax: +254-011-434238/79/31	Mr. William Lui	Operational	King'orani, Mombasa
14	Protex EPZ Ltd.	PO Box 504, Athi River	Tel: +254-0150-223445 Fax: +254-0150-22344 Email: protex@skyweb.c	Mr. Ashoka Bandara	Operational	Athi River

			o.ke			

	Company	Address	Phone/Fax/Email	Contact Person	Status	Location (Zone)
15	Sahara Stitch EPZ Ltd.	PO Box 43832, Nairobi	Tel: +254-2-860843/894/970 Fax: +254-2-861377 Email: saharastich@vaiani.com	Mr. Arafat Vayani	Operational	Rafiki, Nairobi
16	Sinlane EPZ Ltd.	PO Box 87337 Mombasa	Tel: +254-011-433840 Fax: +254-011-433833	Chen Mellan	Operational	Emirates, Changamwe,
17	Asia Resources EPZ Ltd.	C/O PO Box 43832, Nairobi	Tel/Fax: +254-2-862078/802216 Email: asiaresources@wananchi.com	Rajiv de Silva	Re locating from Mombasa	Rafiki, Nairobi
18	Mirage Fashion Wear EPZ Ltd.	PO Box 538 Athi River	Tel: +254-0150-22080/3 Fax: +254-0150-22081 Email: mirage-kenya@wananchi, com	T.S. Sundareswaran	Operational	Athi River
19	Kenya Knit Garments EPZ Ltd.	PO Box 87789, Mombasa	Te: +254-011-221230/223008/222849 Fax: +245-011-221188 Email: Kenya@honjen.com	David Lin	Operational	Mezeras, Mombasa
	Company	Address	Phone/Fax/Email	Contact Person	Status	Location (Zone)
20	Baraka Apparels EPZ Ltd.	PO Box 9959-00100, Nairobi	Tel: +254-2-652076-89 Fax: +254-2-652077	Muhummad Daduk	Operational	Unique Sun Apparels, Nairobi
21	Global Apparels	PO Box 322, Athi	Tel: +254-0150-	Narian	Operatio	Athi River

	Kenya EPZ Ltd.	River	22575 Fax: +254-0150-22452		nal	
22	Rolex EPZ Ltd.	PO Box 10 Athi River	Tel: +254-0150-22031/22039 Fax: +254-0150-22139 Email: rolex@clubinternetk.com	Moti C. Karnani/Jack Theuri	Operational	Athi River
23	Mega Garments Industries (K) EPZ Ltd.	PO Box 41673, Mombasa	Tel: + 254-011-432979 Fax: +254-011-432980 Email: Email: mega@africaonline.co.ke	Ashok B. Atwani	Operational	Mombasa
24	Alltex EPZ Ltd.	PO Box 30500, Nairobi	Tel: +254-0150-22658, +254-2-228026/7/8, 226074/5 Fax: +254-2-214563 Email: Ipskoffice@form-net.com		Operational	Athi River
25	Rising Sun (K) EPZ Ltd.	PO Box 428, Athi River	Tel: +254-0150-20047/49, 22642, +254-2- 2725381 Fax: +254-0150-2010, +254-2-2725381 Email: dir-risingsun@mitsuminet.com	F. Marekia Idress/Mahesh Jayasighe	Operational	Athi River
26	Wild Life Works Ltd.	PO Box 310, Voi	Tel: +254-0147-30062/2530 Fax: +254-0147-30062 Email: wildlife@africaonline.co.ke	Alice Ndiga	Setting up	Voi

27	Orange Styles EPZ	PO Box 87459, Mombasa	Tel: +254-011-315428 Email: export@orangestyles.com	Senak Jain	Operational	Mombasa

28	Blue Bird Garments EPZ	PO Box 81034, Mombasa		Burhan Kapadia	Operatin al	King'orani, Mombasa
29	Senior Best Garments (K) EPZ, Ltd.	PO Box 82126, Mombasa	Tel: 254-011-433889 Fax: +254-011-433883	Irene Lin	Operatio nal	Zois, Mombasa
30	Ancheneyar EPZ, Ltd.	PO Box 34644, Nairobi	Tel: +254-2-861962 Fax: +254-2-802216 Email: ancheneyar@wananchi.com	S. Balachandra n/ Veeraragaya m	Operatio nal	Rafiki, Nairobi
31	United Aryan EPZ Ltd.	PO Box 126 Village Market	Tel: + 254-2-862142/3 Fax: +254-2-861915	Paankaj Bedi/ Mr. Odaa	Setting up	Indigo, Ruaraka Nairobi
32	Sin Ace Garments (K) EPZ Ltd.	C/O PO Box 82126, Mombasa	Tel: +254-011-433833 Fax: +254-011-433840	Irene Lin	Setting up	Kwa Jomvu,
33	Apex Apparels EPZ Ltd. Nairobi	PO Box 199 Village Market, Nairobi	Tel: +254-2-862142/3 Fax: +254-2-861915	D.V. Bhojwani	Setting up	Indigo, Ruaraka
34	ABC Clothing Factory	PO Box 42185, Nairobi	Tel: +254-2-553678			Nairobi
35	African Garments &	PO Box 82531, Mombasa	Tel: +254-011-223301			Mombasa, Textile Co. Ltd
36	African Inspirations	PO Box 82531, Nairobi	Tel: + 254-2-4446675			Nairobi
37	African Wear	PO Box 88679, Mombasa	Tel: +254-011-316729			Mombasa
38	Ajay Garments	PO Box 10131, Nairobi	Tel: +254-011-742980			Nairobi
39	Arques Africa	PO Box 41967	Tel: +254-2-4441288			

40	Arte Contract	PO Box 12228, Nairobi	Tel: +254-2-749412/749462 Fax: +254-2-749412			
41	Aura Garments Manufacturing Co Ltd.	PO Box 18151, Nairobi	Tel: +254-2-556523 Fax: +254-2-533401			Nairobi
42	Bedi Investments Ltd.	PO Box 230, Nakuru	Tel: +254-037-212320/1/2 Fax: +254-037-44776 Email: info@bedi.com Website: www.bedi.comBeno			Nakuru
43	Beraja Garment Ltd.	PO Box 210 Meru	Tel: +254-0164-20562			Meru
44	Bima Manufacturers Ltd.	PO Box 48527, Nairobi	TeL: +254-2-530430/1 Fax: +254-2-554841			Nairobi
45	Birch Investments Ltd.	PO Box 81579, Mombasa	Tel: +254-011-432674/432739/434146 Fax: +254-011-434147/224170 Email: birch@form-net.com			Mombasa
46	Bloomingdale Ltd.	PO Box 41403, Nairobi	Tel: +254-2-220699/224388			Nairobi
47	Braidwood Garments Mfg.	PO Box 42811, Nairobi	Tel: +254-2-225306			Nairobi
48	Brixton Outfitters	PO Box 32334, Nairobi	Tel: +254-2-333929			Nairobi

49	Brook Gardens Mtls.	PO Box 43428, Nairobi	Tel: +254-2-542161 Fax: +254-2-542162			Nairobi
50	Brothers Knitwear Factory	PO Box 49186, Nairobi	Tel: +254-2-742367/748761 Fax: +254-2-542553			Nairobi
51	Brothers Shirts Factory Ltd.	PO Box 44061, Nairobi	Tel: +254-2559799/559748/557709 Fax: +254-2-544624/545416			Nairobi
52	C & C Apparels Nairobi EPZ Ltd.	PO Box 30429, Nairobi	Tel: +254-2544175/553120			Nairobi
53	Capital Knitwear Mill Ltd.	PO Box 42769, Nairobi	Tel: +254-2-558902			Nairobi
54	Capricom Outfitters	PO Box 22515, Nairobi	Tel: +254-2-334306			Nairobi
55	Central Garments Mfg.	PO Box 18163, Nairobi	Tel: +254-2-334460			Nairobi
	Company	Address	Phone/Fax/Email	Contact Person	Status	Location (Zone)
56	Chalange Industries Ltd.	PO Box 47127, Nairobi	Tel: +254-2-554893/556634 Fax: +254-2-544049			Nairobi
57	Chic Fashions Ltd.	PO Box 32899, Nairobi	Tel: +254-2-532470/532469/532456			Nairobi
58	Chui Manufacturing Ltd.	PO Box 78322, Nairobi	Tel: +254-2-540589/552898 Fax: +254-2-540589			Nairobi
59	Clear Insurance Agency Ltd.	PO Box 6521, Nairobi	Tel: +254-2-230714/213510			Nairobi

			Fax: +254-2-213510			
60	Colte Clothing Factory	PO Box 99557, Mombasa	Tel: +254-011-316463/224964/223958			Mombasa
61	Cosmos Garments Mfg.	PO Box 40391, Nairobi	Tel: +254-2-227147			Nairobi
62	Cottex Manufacturers Ltd.	PO Box 17601, Nairobi	Tel: +254-2-554080/554090 Fax: +254-2-25277			Nairobi
63	Oshwal Clothing Ltd.	PO Box 30292, Nairobi	Tel: +254-2-554565/556638			Nairobi
64	P.A.B. Fashions	PO Box 40296, Nairobi	Tel: +254-2-245609			Nairobi
65	Panty Hose Manufacturers Ltd.	PO Box 85048, Mombasa	Tel: +254-011-314805/223663			Mombasa
66	Pick Air Tour & Travel	PO Box 49758, Nairobi	Tel: +254-2-216207/216429			Nairobi
67	Pleated Industries (K) Ltd.	PO Box 43472, Nairobi	Tel: +254-2-541000/552765			Nairobi
68	Premier Knitwear Ltd.	PO Box 22460, Nairobi	Tel: +254-2-803860			Nairobi
69	Ricci Nairobi Ltd.	PO Box 53844, Nairobi	Tel: +254-2-227020/22462			Nairobi
70	Safaritex Ltd.	PO Box 407, Mombasa	Tel: +254-011-473415 Fax: +254-011-473415			Nairobi
71	Sandip Garments	PO Box 46946, Nairobi	Tel: +254-2-722698			Nairobi
72	Sanjhira Enterprises	PO Box 18577, Nairobi	Tel: +254-2-540744/49			Nairobi

	Company	Address	Phone/Fax/Email	Contact Person	Status	Location (Zone)
73	Sattex Garments	PO Box 10944, Nairobi	Tel: +254-2-226672			Nairobi
74	Scorpio Fashions Ltd.	PO Box 540, Githunguri	Tel: Gatamaiyu42			Githunguri
75	Shanoy Garment Manufacturing Ltd.	PO Box 870, Mombasa	Tel: +254-011-495791/1			Mombasa
76	Shanti Garments Manufacturers	PO Box 82255, Mombasa	Tel: +254-011-313132			Mombasa
76	Sirbrook (K) Ltd.	PO Box 2557, Nakuru	Tel: +254-037-212265			Nakuru
77	Sixo Garments Manufacturers	PO Box 83712, Mombasa	Tel: +254-011-224964			Mombasa
78	Star Manufacturers Ltd.	PO Box 11666, Nairobi	Tel: +254-2-337408			Nairobi
79	Stitches Ltd.	PO Box 43504, Nairobi	Tel: +254-2-556348/51/53/54/70			Nairobi
80	Stretch Ltd.	PO Box 44704, Nairobi	Tel: +254-2-544302			Nairobi
81	Sunlight Manufacturers	PO Box 46647, Nairobi	Tel: +254-2-543367 Fax: +254-2-543528			Nairobi
82	Sunrise Textiles & Knitwear Mills	PO Box 47923, Nairobi	Tel: +254-2-555131			Nairobi
83	Sunshine Fashions Ltd.	PO Box 11309, Nairobi	Tel: +254-2-747677,748236			Nairobi
84	Teen Garments Factory	PO Box 10999, Nairobi	Tel: +254-2-220344			Nairobi

85	Texprint Ltd.	PO Box 98100, Mombasa	Tel: +254-011-494410/5905 Fax: +254-011-491404 Email: texprint@form-net.com			Mombasa
86	Theta Group Ltd.	PO Box 40006, Nairobi	Tel: +254-2-555718			Nairobi
87	Tito Ltd.	PO Box 43913, Nairobi	Tel: +254-2-531645			Nairobi
88	Trolex Garment Factory Ltd.	PO Box 10669, Nairobi	Tel: +254-2-226260/333219			Nairobi
	Company	Address	Phone/Fax/Email	Contact Person	Status	Location (Zone)
89	Trutex Ties Ltd.	PO Box 49516, Nairobi	Tel: +254-2-221072/225569			Nairobi
90	Tuflex Mills	PO Box 40636, Nairobi	Tel: +254-0151-22221			Thika
91	Vajas Manufacturers	PO Box 46716, Nairobi	Tel: +254-2-222775			Nairobi
92	Wananchi Clothing Factory (K) Ltd.	PO Box 48809, Nairobi	Tel: +254-2-542551			Nairobi
93	Yasulwe Garments Factory	PO Box 968, Eldoret	Tel: +254-0321-2497			Eldoret
94	Alpha Knits Ltd.	PO Box 47018, Ruiru	Tel: +254-54722/7 Fax: +254-54071 Email: alphaknits@form-net.com			Ruiru
95	Arts Contracts Ltd.	PO Box 12228, Nairobi	Tel: +254-2-541923			Nairobi
96	Abbey Investments Ltd.	PO Box 62022, Nairobi	Tel: +254-2-568792/5			Nairobi

			Fax: +254-2-569009			
97	Acme Textiles Ltd.	PO Box 86928, Mombasa	Tel: +254-011-433627			Mombasa
98	B.M. Gulamhusein & Sons	PO Box 60, Malindi	Tel: + 254-0123-20208			Malindi
99	Bids Fabknits Ltd.	PO Box 47018, Nairobi	Tel: +254-2-554173			Nairobi
100	Bunny Industries (K) Ltd	PO Box 18121, Nairobi	Tel: +254-2-559862			Nairobi
101	101Dayrite Mills Co. Ltd.	PO Box 51476, Nairobi	Tel: +254-2-552251			Nairobi
102	Dharamshi & Co. Ltd.	PO Box 41522, Nairobi	Tel: +254-2-335240 Fax: +254-2-223541			Nairobi
103	Fabrics & Supplies	PO Box 39081, Nairobi	Tel: +254-2-223804/334882 Fax: +254-2-336349			Nairobi
104	Fashion Knitwear (K) Ltd.	PO Box 21584, Nairobi	Tel: +254-2-332067			Nairobi
	Fine Knit (K) Ltd.	PO Box 42190, Nairobi	Tel: +254-2-558535			Nairobi
	Company	Address	Phone/Fax/Email	Contact Person	Status	Location (Zone)
106	H.R. Relief Ltd.	PO Box 672, Malindi				Malindi
107	Haraka Hosiery	PO Box 49309, Nairobi	Tel: +254-2-555293			Malindii
		Manufacturers				
108	Hemkai	PO Box 98331, Nairobi	Tel: +254-2-223824			Nairobi

109	Home Furnishings	PO Box 54760, Nairobi	Tel: +254-2-224062			Nairobi
110	Honeypals Ltd.	PO Box 61646, Nairobi	Tel: +254-2-229796			Nairobi
111	Imathiu Wholesalers	PO Box 227, Meru	Tel: +254-0164-20851			Meru
112	Indchem(K) Ltd.	PO Box 28288, Nairobi	Tel: +254-2-724327/214131			Nairobi
113	J.N. Garments & Fashions	PO Box 4105, Kisumu	Tel: +254-035-43848			Kisumu
114	Jaydees Knitting Factory Ltd.	PO Box 22276, Nairobi	Tel: +254-2-554549			Nairobi
115	Jin’s Shop	PO Box 132, Malindi	Tel: +254-0123-20964			Nairobi
116	K’Karembu General Merchant	PO Box 176, Ruiru	Tel: +254-0151-21591			Ruiru
117	Kasuku Garments Ltd.	PO Box 1837, Kisumu	Tel: +254-035-43782/41500			Kisumu
118	Kenuta Ltd.	PO Box 46296, Nairobi	Tel: +254-2-33692			Nairobi
119	Kenwos	PO Box 49882, Nairobi	Tel: +254-2-228278			Nairobi
120	Kenya Drapers Ltd.	PO Box 43129, Nairobi	Tel: +254-2-222216			Nairobi
121	Kenya Rayon Mills Ltd.	PO Box 90474, Mombsa	Tel: +254-011-433411			Nairobi
122	Kenya Taitex Mills Ltd.	PO Box 44534, Nairobi	Tel: +254-2-222180/222025			Nairobi
123	Kenya Textiles Company Ltd.	PO Box 90644, Nairobi	Tel: +254-2-224679			Nairobi
124	Kenya Textile Mills Ltd.	PO Box 581, Thika	Tel: +254-0151-558420			Thika

125	Kifaru Textile Mills Ltd.	PO Box 581, Thika	Tel: +254-0151-21671/21672			Thika
	Company	Address	Phone/Fax/Email	Contact Person	Status	Location (Zone)
126	Kim Fit Products	PO Box 1469, Thika	Tel: +254-0151-22564			Thika
127	Kira General Store Ltd.	PO Box 11084, Nairobi	Tel: +254-2-220714/339746			Nairobi
128	Kisumu Cotton Mills (1983) Ltd.	PO Box 47, Kisumu	Tel: +254-035-4200 Fax: +254-035-42958			Kisumu
129	Kurua Tene Ltd.	PO Box 40508, Nairobi	Tel: +254-2-220466/217046 Fax: + 254-2-336088			Nairobi
130	Le Fabrique	PO Box 32060, Nairobi	Tel: +254-2-569923			Nairobi
131	Lightways Lightex Ltd.	PO Box 81860, Mombasa	Tel: +254-011-223519/224086/315214 Fax: +254-011-494094			Nairobi
132	Linear Posho Mill	PO Box 72472, Nairobi Fabricators & Services	Tel: +253-2-782864			Nairobi
133	Londra Ltd.	PO Box 1278, Nakuru	Tel: +254-037-42115/6			Nakuru
134	Lotus Industries	PO Box 41233, Nairobi	Tel: +254-2-223629			Nairobi
135	Marete Wholesalers	PO Box 705, Meru	Tel: +254-0164-20679			Meru
136	Maridadi Fabrics	PO Box 16254, Nairobi	Tel: +254-16254, Nairobi			Nairobi
137	Market Fancy Emporium Ltd.	PO Box 30773, Nairobi	Tel: +254-2-220311			Nairobi

138	Mary's School of Dressmaking	PO Box 33279, Nairobi	Tel: +254-2-228977			Nairobi
139	Meera Textiles Ltd.	PO Box31550, Nairobi	Tel: +254-2-742047			Nairobi
140	Meghji Premchand (K) Ltd.	PO Box 40818, Nairobi	Tel: +254-2-223019			Nairobi
141	Meru Textiles	PO Box 2040, Nairobi	Tel: +254-2-20984			Nairobi
142	Midco Textiles (EA) Ltd.	PO Box 18160, Nairobi	Tel: + 254-2-556222/556443 Fax: +254-2-544827			Nairobi
	Company	Address	Phone/Fax/Email	Contact Person	Status	Location (Zone)
143	Miraa's	PO Box 1058, Nairobi	Tel: +254-2-741940			Nairobi
144	Modern Knitting Mills Ltd.	PO Box 45969, Nairobi	Tel: + 254-2-552774			Nairobi
145	Mombasa Textile Mills Ltd.	PO Box 81783, Mombasa	Tel: +254-011-433480			Mombasa
146	Motex Knitware Mills Ltd.	PO Box 42593, Nairobi	Tel: +254-2-554939			Nairobi
147	Nagaria Holding (K) Ltd.	PO Box 42557, Nairobi	Tel: +254-2-225719/332490/230066			Nairobi
148	Nairobi Soft Furnishings	PO Box 11563, Nairobi	Tel: +254-2-337541			Nairobi
149	Nam Young Industries Ltd.	PO Box 80306, Mombasa	Tel: +254-011-220297			Mombasa
150	Nkubu Boma Store	PO Box 93, Meru	Tel: +254-0164-20425			Meru
15	Playmate	PO Box 41443,	Tel: +254-2-			Nairobi

1	Industries Ltd.	Nairobi	530379			
152	Pooja Textiles Ltd.	PO Box 10906, Nairobi	Tel: +254-2-220505			Nairobi
153	Prabhat Furnishings	PO Box 10821, Nairobi	Tel: +254-2-221067			Nairobi
154	Prime Merchandise	PO Box 48005, Nairobi	Tel: +254-2-224926/223629			Nairobi
155	Puton Enterprises	PO Box 77224, Nairobi	Tel: +254-2-798266			Nairobi
156	Rafiki Fancy Wear	PO Box 47923, Nairobi	Tel: +254-2-223012			Nairobi
157	Rainbow Fabrics Ltd.	PO Box 33238, Nairobi	Tel: +254-2-740573/749115 Fax: +254-2-742271			Nairobi
158	Rivatex Retail Shop	PO Box 41619, Nairobi	Tel: +254-2-228299 Fax: + 244-2-335727			Nairobi
159	Saam (K) Ltd.	PO Box 40508 Nairobi	Tel: +254-2-336808			Nairobi
160	Sankin Ltd.	PO Box 48924, Nairobi	Tel: +254-2-448044			Nairobi
161	Simonize Textile Stores	PO Box 48247, Nairobi	Tel: +254-2-214216/224739			Nairobi
162	Sonata Emporium	PO Box 99919, Mombasa	Tel: +254-011-490644			Nairobi
161	Spinners & Spinners Ltd.	PO Box 46206, Nairobi	Tel: +254-2-2209638/226176/227283	Fax: +254-2-218154		Nairobi
162	Sportswear (K) Ltd.	PO Box 46206, Nairobi	Tel: +254-2-559349			Nairobi
163	Summit Fibres	PO Box 99559, Nairobi	Tel: +254-2-491804/491642/4			Nairobi

			90466	Fax: +254-2-493412		
164	Sunflag Textile & Knitwear Mills Ltd.	PO Box 41627, Nairobi	Tel: +254-2-559721/559983/559711	Fax: +254-2-559015		Nairobi
165	Taja Fabrics and Designers	PO Box 1313, Nairobi	Tel: +254-2-30103			Nairobi
166	Tesfa Sweater Factory Ltd.	PO Box 60145, Nairobi	Tel: +254-2-223399			Nairobi
167	Tex Palace Ltd.	PO Box 75609, Nairobi	Tel: +254-2-225290			Nairobi
168	Tribs Tech Services	PO Box 3100, Nakuru	Tel: +254-037-556042			Nakuru
169	Tries Benson Mugo & Co.	PO Box 30 Muranga	Tel; +254-0156-22845			Muranga
170	United Textile Industries (K) Ltd.	PO Box 30338, Nairobi	Tel: +254-2-221897/225450	Fax: +254-2-212351		Nairobi
171	Woven Fabric Labels (EA) Ltd.	PO Box 28737, Nairobi	Tel: +254-2-556539			

Annexure: 4
List of Lint & fabric Importers and Exporters under
HSC 5210,5209,5211,5212, & 5203

1. Suntan Ltd
2. Tile & carpet center Ltd.
3. Jay Agencies
4. Premier Knitwear
5. Nandal & Co. Ltd
6. Victoria Furniture Ltd
7. Kerbrook Garment Manufacturers
8. Ritz Enterprises Ltd
9. Bharmal Jivraj & Bros Ltd.
10. Ndani interior Ltd.
11. Image Apparels Ltd.
12. Jesons (the Mans Shop)
13. Pins & Needles
14. Sunflag Textiles
15. Silmak Agencies
16. Spartan Trading Company
17. Spin Knit Ltd.
18. Super Foam Ltd.
19. Emke Garments Kenya
20. Apparel Africa Ltd.
21. Leena Apparel

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