**OPPORTUNITIES FOR SOURCING & VALUE ADDITION IN AFRICA'S COTTON, TEXTILE AND APPAREL VALUE CHAIN**

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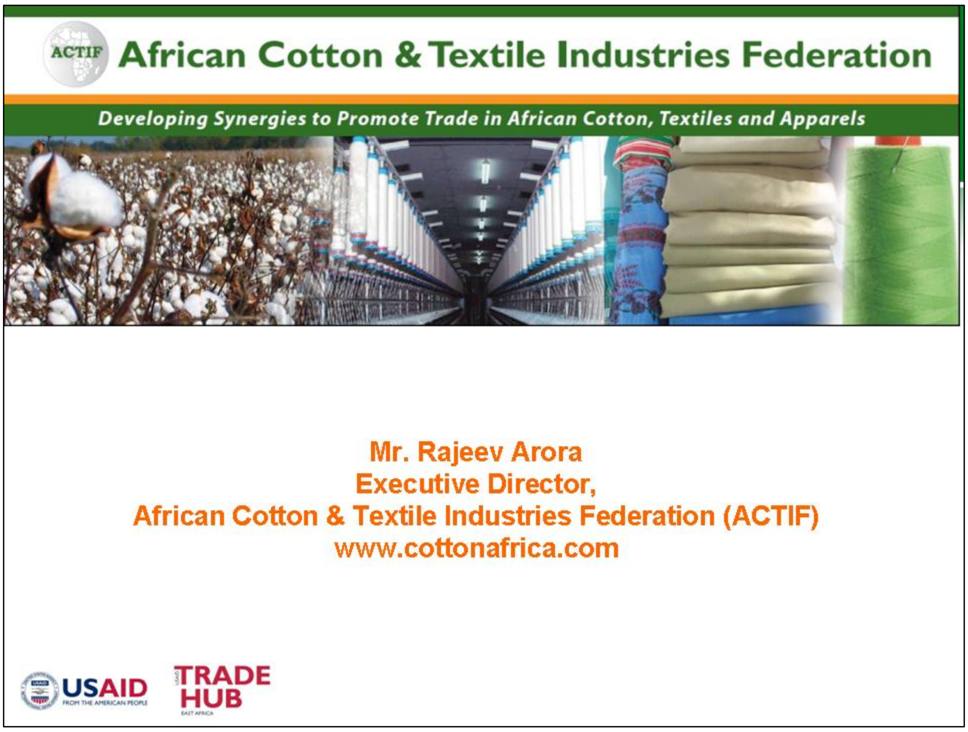



# African Cotton & Textile Industries Federation

*Developing Synergies to Promote Trade in African Cotton, Textiles and Apparels*


**Mr. Rajeev Arora**
**Executive Director,**
**African Cotton & Textile Industries Federation (ACTIF)**
**www.cottonafrica.com**


USAID FROM THE AMERICAN PEOPLE

TRADE HUB EAST AFRICA

# INTRODUCING ACTIF

**A regional trade body formed by the cotton, textile and apparel value chain stakeholders in Eastern and Southern Africa in June 2005**

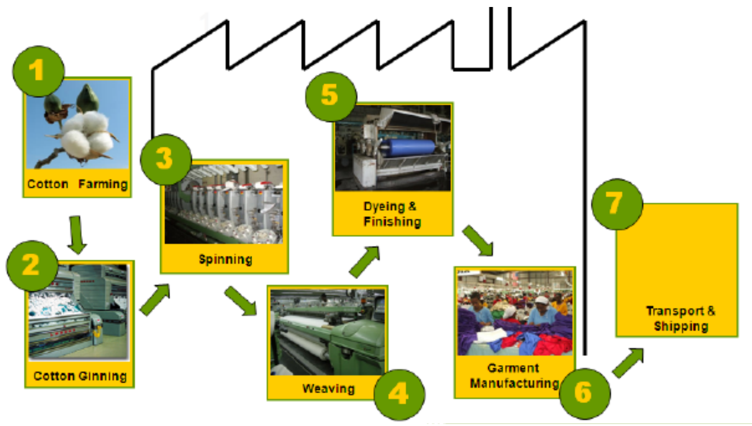
**The Vision:**

An integrated cotton, textile and apparel industry that effectively competes on the world market

**Mission:**

To develop and successfully deliver services that enhance our membership's competitiveness in the world market

## COTTON TEXTILE & APPAREL VALUE CHAIN

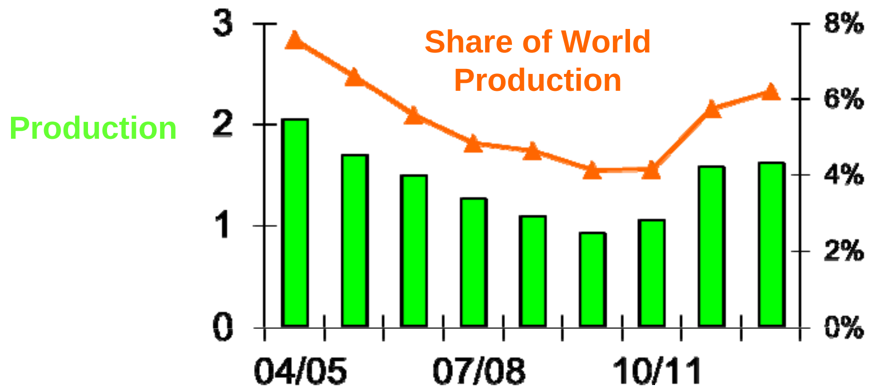



## COTTON TRADE WORLD VS AFRICA

| | 2010/11 Million tons | 2011/12 Million tons (projected) | 2012/13 Million tons (projected) |
|---|---|---|---|
| World Production | 25.10 | 27.08 | 24.74 |
| Africa's Share | 1.03 | 1.47 | 1.38 |
| World Consumption | 24.51 | 22.72 | 23.17 |
| Africa's Share | 0.34 | 0.32 | 0.33 |
| World Imports | 7.72 | 9.33 | 7.50 |
| Africa's Share | 0.20 | 0.13 | 0.21 |
| World Exports | 7.62 | 9.34 | 7.50 |
| Africa's Share | 0.89 | 1.01 | 1.30 |

Source ICAC 2012

# AFRICAN COTTON PRODUCTION




Source: ICAC

# SUPPLY & USE OF COTTON STATUS IN AFRICA

| Region | 2012/13 | | | |
|---|---|---|---|---|
| | Prod | Imports | Cons | Exports |
| North Africa | 155 | 139 | 170 | 119 |
| Francophone Africa | 770 | n/a | 17 | 669 |
| Southern Africa | 455 | 66 | 143 | 437 |
| World | 26,079 | 7,751 | 23,498 | 7,751 |

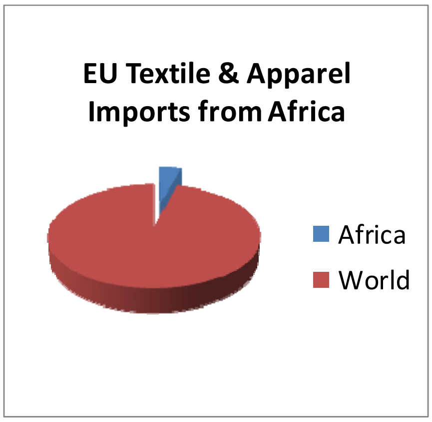
Value in 000 Metric Tons

Source: ICAC Report 2012

## AGOA OPPORTUNITY


- Total imports of textile & apparel products by USA stood at US$ 101Bn *(Source: OTEXA, 2012)*
- SSA enjoys Duty free Quota free access into US for Garment exports under AGOA
- Total U.S. Apparel imports from Africa under AGOA US$ 864 Million (0.8%) *(Source: ACT, 2012)*

## EPA OPPORTUNITY




- Africa enjoys duty free Quota free access into EU for Textile products through the Economic Partnership Agreement (EPA)
- Total imports of textile & apparel products by EU stood at US$ 234Bn. (2012)
- Total EU textile and apparel imports from Africa stood at US$ 9.3 Bn (4%)

*Source: ITC* calculations based on ***UN Comtrade***

## CURRENT SCENARIO

1) Huge gap in the intermediate sectors of the cotton value chain
2) High operating costs due to obsolete technology & equipment among others
3) High competition from dumping pricing from Asia
4) Political insecurity and instability
5) Poor infrastructure and poor connectivity
6) Reliance on expatriate workforce for technical support
7) High costs of doing business

## CURRENT SCENARIO CONTINUED..

- Lack of a harmonized regional strategy for CTA value chain development
- Lack of political commitment for sustainable policies
- Porous borders leading to dumping and smuggling
- Second hand clothing
- Cheap imports with no anti dumping policies

# ROLE OF ACTIF

- **Foreign Direct Investments(FDI):** ACTIF explores investment in the cotton textile & apparel value chain in Africa, including developing due diligence and match making for JV's
- **B2B Linkages**: ACTIF facilitates Business to Business linkages with member countries
- **Access to Information:** ACTIF provides information access including reports and special studies for national policies and strategies
- **Market access:** ACTIF actively develops linkages with member countries and regional economic communities (RECs) like EAC, COMESA, SADC

# ROLE OF ACTIF

- **Policy & Advocacy:** ACTIF is very active in advocacy activities in partnership with its members and partners to improve the policy environment across the region
- **COMESA CtC Strategy:** ACTIF has been recognized as the private sector representative for the implementation of the COMESA Cotton to Clothing strategy. With support of our funding partners, ACTIF has developed an priority implementation plan from the strategy and is currently monitoring the implementation activities;

# HIGHLIGHTS OF KEY ACHIEVEMENTS

- **Extension of AGOA's third country fabric provision to 2015**

  In 2011 & 2012, ACTIF was instrumental in engaging with key stakeholders including in US trade representatives, Members of US congress and Senate, Diplomatic corps and civil society. ACTIF Chairman was also invited to speak at a congressional hearing on AGOA. The end result was extension of AGOA's third country fabric provision to 2015, saving over 300,000 jobs that were at stake!


# HIGHLIGHTS OF KEY ACHIEVEMENTS

- **Favorable Rules of Origin for the CTA sector adopted under EAC-COMESA-SADC tripartite**

ACTIF has been actively involved in representing the private sector views in the EAC-COMESA-SADC tripartite discussions. This has led to favorable provisions for the Cotton, textile and apparel sector being adopted into the final draft of the tripartite document. The document is currently going through the political process before the FTA can be launched.

## HIGHLIGHTS OF KEY ACHIEVEMENTS

- **Investment Development – Ethiopia example**

  During Origin Africa 2012 ACTIF, in partnership with USAID COMPETE, was able to lure some key investors from Asia into Ethiopia to participate in the investment forum. Following the interactions an investment commitment worth over USD30 million dollars was made to establish a denim plant in Ethiopia by an Indian Investor. This will be a big boost to supply the much needed fabric to the region.

## HIGHLIGHTS OF KEY ACHIEVEMENTS

- **Proposed Regional Center of Excellence for East Africa**

ACTIF has taken a lead to mobilize key stakeholders / partners locally, regionally and internationally towards the establishment of a regional center of Excellence in Kenya for the Textile and Apparel sectors.

Key achievements recorded so far include:

- The Government of Kenya has committed to host this regional center of excellence at the Export Processing Zones Authority (EPZA) where it already hosts a number of garment factories.
- A working committee has already been established to spear head the development of the project with representatives from public and private sector including local universities.

# WHY AFRICA?

## CHANGING PARADIGM OF AFRICA

1) Africa today promises the highest return on investment and its GDP is predicted to double in the next 10 years.
2) SSA has great market access opportunities for both regional and international markets:
   I. Duty free access to the regional markets is mainly available through the three regional economic trading blocs: COMESA, EAC & SADC;
   II. Duty free access to the U.S. market is mainly available through AGOA
   III. Duty free access to the EU market is mainly available through the interim (EU-EPA) & Others including GSP;

## CHANGING PARADIGM OF AFRICA

3) SSA is cost competitive and also has natural strategic advantages for proximity to key markets to increase speed to market;
4) There are investment opportunities in each niche of the cotton growing, textile production and apparel manufacturing sectors;
5) Most governments in SSA are eager for foreign direct investment, particularly in the textile and garment sector to boost employment.
6) Investment friendly policies, regulations and incentives have been established across the region including the set up of special economic zones to take care of the investors needs.

## CHANGING PARADIGM OF AFRICA

7) An increasing number of factories maintain strong social and environmental compliance and are already accessing both US & EU markets;
8) Raw material availability, with Africa accounting for 5% of the worlds cotton production, and huge investment being undertaken to produce high quality fabric;
9) Competitive production & transit times available to meet the needs for fast fashion;

# COMPARISON MATRIX

| | Ghana | Ethiopia | Kenya | Madagascar | Lesotho | Mauritius | Swaziland |
|---|---|---|---|---|---|---|---|
| **Cotton production (in mn.kg)** | | | | | | | |
| 2012 | 7 | 21 | 7 | 7.2 | 0 | 0 | Na |
| 2011 | 7 | 21 | 7 | Na | 0 | 0 | Na |
| 2010 | 2 | 19 | 11 | Na | 0 | 0 | 4 |
| | | | | | | | |
| Cost (US cents/kwh) | 13 to 15 | 3.5 to 5 | 18 to 20 | 9.7 | 8 | 10 | 8 |
| Installed capacity (mn KW) | 1.8 | 2.2 | 1.7 | 0.35 | | | |
| Availability | Consistent | Consistent | Not Consistent | Consistent (Antananarivo) | Consistent | Consistent | Consistent |
| | | | | | | | |
| Avg. labour wages (US$/ month)<br>*Including all types of statutory dues* | 75 to 90 | 40 to 50 | 120 to 150 | 45 to 90 | 150 | 400 | 80 |
| Manpower availability | • Good availability of unskilled and skilled labour<br>• Upto supervisory level- Local manpower<br>• Middle/Top level- Mostly expatriates | • Availability of trainable labour & rapidly increasing skilled labour<br>• Upto supervisory level- Local manpower<br>• Middle/Top level- Mostly expatriates | • Availability of large pool of skilled and unskilled labour<br>• Upto supervisory level- Local manpower<br>• Middle/Top level- Mostly expatriates | • Availability of large pool of skilled and unskilled labour<br>• Up to middle level- Local manpower<br>• Top level- Mostly expatriates | • Shortfall<br>• Up to supervisory level<br>• Middle/Top level- Mostly expatriates | • Shortfall<br>• Up to Senior management | • Ample<br>• Up to supervisory level<br>• Middle/Top level- Mostly expatriates |
| | | | | | | | |
| Seaport | Takoradi & Tema | Landlocked country- uses port of Djibouti | Mombasa | *Tamatave(Toamasina)* | *Durban* | *Port Louis* | Landlocked country- Uses *Durban* |
| Freight Cost in US$ to EU (40 feet) | 2242 | 2720 | 2862 | 4437 | 2453 | 4375 | 2453 |
| Transit Time to EU (days) | 26 | 21 | 25 | 47 | 37 | 41 | 37 |
| Freight Cost in US$ to US (40 feet) | 4680 | 6491 | 7633 | 8747 | 7393 | 8575 | 7393 |

# COMPARATIVE PRODUCTION COSTS & PRODUCTIVITY PER LINE AFRICA VS ASIA

ACTIF

| SNO | Description | UNIT | China | Bangladesh | Vietnam | Cambodia | India | Kenya | Ethiopia | Swaziland | Lesotho | Madagascar | Mauritius |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cost Of Making per DZ | | | | | | | | | | | | |
| 1 | T-Shirt/dz | US$ | 6 | 4 | 4 | 4 | 6 | 6 | 4 | 4 | 4 | 4 | 5 |
| | Productivity per line of 12 machines | Pcs | 1500 | 1400 | 1200 | 1200 | 1500 | 1100 | 600 | 800 | 1200 | 1200 | 1400 |
| 2 | Polo Shirt/dz | US$ | 12 | 10 | 10 | 8 | 12 | 12 | 8 | 8 | 10 | 8 | 11 |
| | Productivity per line of 18 machines | Pcs | 800 | 650-700 | 600 | 600 | 800 | 600 | 350-400 | 450-500 | 600 | 600 | 800 |
| 3 | 5 pocket per dozen | US$ | 18 | 15 | 15 | 12 | 18-20 | 18 | 12 | 15 | 18 | 15 | 18 |
| | Productivity per line of 42 machines | Pcs | 1500 | 1400 | 1200 | 1200 | 1400 | 1400 | 750-800 | 1200 | 1200 | 1400 | 1400 |
| 4 | Basic 1 pocket Mens Shirt/Blouse | US$ | 15 | 12 | 12 | 10 | 18 | 16-18 | 14 | 14 | 15 | 12 | 11 |
| | Productivity per line of 38 machines | Pcs | 1200 | 1000 | 850-900 | 850-900 | 1000 | 850-900 | 500 | 650-700 | 850-900 | 850-900 | 1000 |

## LONG TERM FUNDAMENTALS – OPPORTUNITY FOR AFRICA

Increasing capita fiber consumption in emerging economies

| Year | World | West Europe | Turkey | North America | China | India |
|---|---|---|---|---|---|---|
| **2007** | 11.7 | 23.7 | 18.0 | 37.8 | 16.0 | 4.6 |
| **2009** | 11.0 | 21.9 | 14.6 | 30.2 | 17.2 | 4.8 |
| **2011** | 12.2 | 23.6 | 16.6 | 34.5 | 19.9 | 5.1 |
| **2013** | 13.0 | 24.0 | 16.9 | 36.2 | 21.1 | 5.5 |

Other reports show even higher trends for India

Source: PCI-Fibres, The Fiber Year, ITMF

Asia is destined to put more focus on its domestic market in the coming years. Africa is therefore set to establish itself as the next sourcing destination

## SOURCE AFRICA - 2014


Where?
Cape Town, South Africa

When?
6th – 8th May 2014

More information will soon be available on:
www.sourceafrica.co.za

ACTIF

ORIGIN AFRICA 2014
Celebrating the spirit, style & innovation of modern Africa

## AFRICA's PREMIER TEXTILE TRADE FAIR

fiber ● fabric ● clothing ● fashion ● accessories ● home textile ● home décor ● machinery

**10th - 13th NOVEMBER 2014**
**Nairobi, Kenya**

- Trade Expo
- Seminars & B2B Programs
- Origin Africa Designer Showcase

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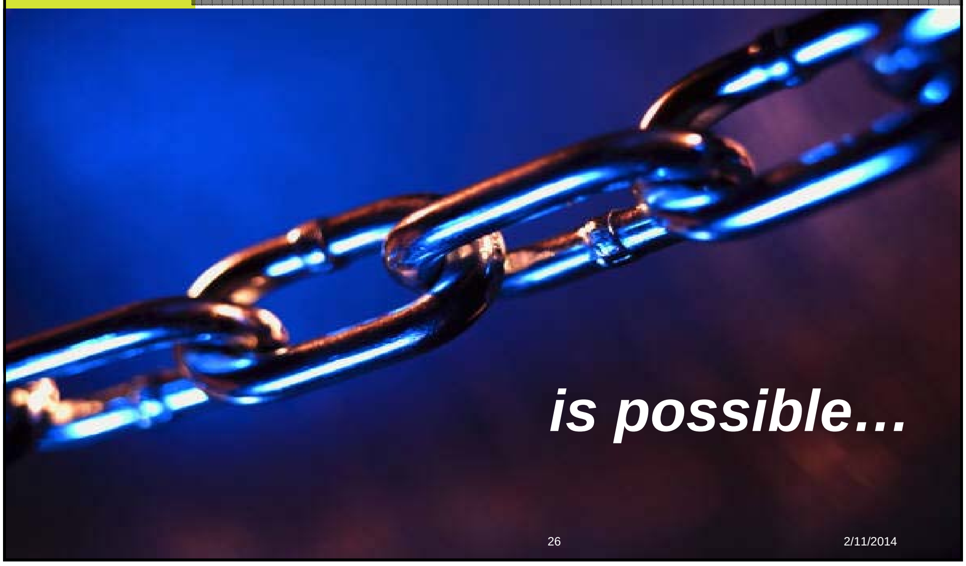
# Connecting Africa's Value Chain



THANK YOU...