

AFRICA EN VOGUE

THE OPPORTUNITIES AND
CHALLENGES OF TEXTILE
& APPAREL SOURCING
MARKETS IN EAST AFRICA

Solidaridad
Berenschot





The focus on Textile & Apparel (T&A) sourcing markets has so far been on Asia. Yet, also African countries offer new opportunities. Solidaridad has investigated the East African sourcing market and shares its knowledge with interested parties. This brochure has been written especially for international brands with the interest to source from Africa on a sustainable basis.

AFRICA EN VOGUE

THE OPPORTUNITIES AND CHALLENGES OF TEXTILE & APPAREL SOURCING MARKETS IN EAST AFRICA



METHOD

This brochure is based on a research executed by Solidaridad with the support of management consultancy Berenschot and the University of Technology in Eindhoven. The research entailed an extensive analysis of the cotton, textile and apparel industry in Kenya, Tanzania and Ethiopia. As part of our study we conducted elaborated desk research and undertook several interviews in the sector with international brands and retailers. During country visits, the results have been validated by interviews with local suppliers, sector associations and government institutions. [Contact us](#) for a free copy of the full report or for more information. [info@solidaridad.nl]

WHY CONSIDER SOURCING FROM AFRICA?

For decades, China has been the export powerhouse of the global T&A sector. Other South-East Asian countries such as Bangladesh followed suit for less complex products. Yet, the following trends may make buyers consider even new sourcing countries:

- labour costs in China and other key sourcing markets have increased significantly;
- raw material process are volatile, so the importance of a sourcing country having direct access to its own raw materials supply of natural or man-made fibres grows;
- serious social and environmental issues across the textile and apparel supply chain call for responsible supply chain management from fibre to fashion.

This is where Africa comes into the picture as a possible new sourcing region with direct access to cotton, the opportunity to set-up vertically integrated supply chains, competitive labour costs, and attractive trade and investment arrangements. A couple of UK and German retailers as well as H&M are for example already sourcing from Ethiopia.

H&M in Ethiopia

H&M wanted to diversify its sourcing markets, and opted for sourcing in Ethiopia in addition to its predominantly Asian sourcing base. H&M started sourcing from Ethiopia in 2012 and buys clothing from a number of manufacturers. It aims to source one million garments a month. H&M looks not only for low production costs, also for capacity, quality, and meeting conduct rules. According to CEO Karl-Johan Persson sub-Saharan Africa has a great potential when it comes to production. The region is also interesting to the clothing giant in terms of sales, given the fact that H&M is opening its third store in South Africa.



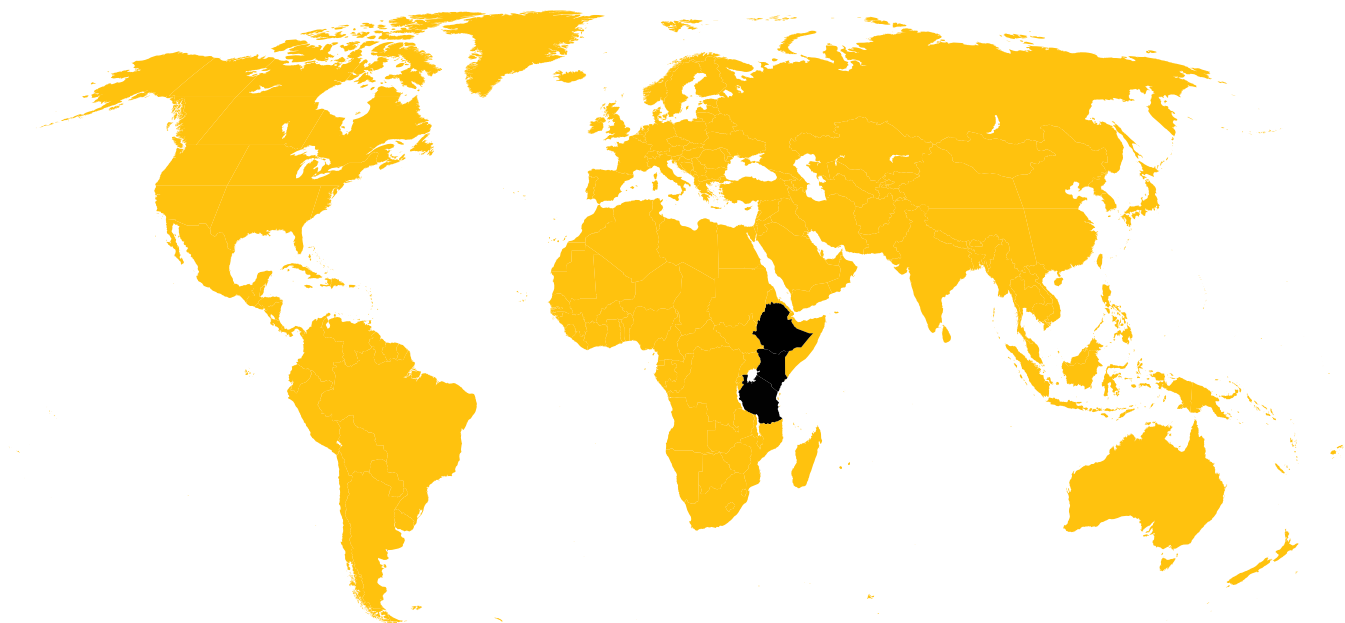
“I think that there is great potential in sub-Saharan Africa when it comes to production.”

(Karl-Johan Persson, CEO of Hennes & Mauritz)



MARKET OUTLOOK EAST AFRICA

On the African continent, global buyers have shown most interest in East African countries, because of their stable political and business environment, duty free access to the European and American markets, and their experience in the T&A value chain.



Kenya has a strong apparel production industry thanks to the benefits provided through the AGOA trade scheme. It currently comprises of 170 garment manufacturers with a combined production capacity of 120 million square meters. Yet, the Kenyan cotton and textile value chain are disconnected from its apparel production, because of insufficient quality and quantity of locally produced cotton, yarn and fabrics. Most of the materials are imported from Asia. With 13.877 metric tons (MT) of seed cotton produced, Kenya's cotton production is relatively small. Cotton is mainly grown under rain fed conditions by an estimate of 35.000 farmers holding less than one hectare. Ten ginneries process the seed cotton, producing 21.450 bales of cotton lint per season. Kenya has a however great potential for cotton production expansion and provides one of Africa's most attractive business environments.

Tanzania is the third largest cotton producing country in Sub-Saharan Africa providing an abundant amount of cotton lint. With a production of 204.968 MT of seed cotton, Tanzania represents 8 percent of all cotton produced in Sub-Saharan Africa. The amount of cotton is grown by an estimate of 350.000 to 500.000 farmers holding plots of 2 to 5 hectare. Currently, 48 ginneries process the seed

cotton having a total installed capacity of 350.000 bales of cotton per season. The country has a stable political and economic environment. Yet, its cotton lint is not being processed locally with 80 percent being exported. Tanzania copes with a lack of developed textile and apparel industry with very few exporting textile and apparel mills.

Ethiopia is characterized by strong value addition along the entire cotton and textile value chain, with high local processing of cotton lint into textile and apparel products. With a representation of 70 percent, commercial farms grow most of the cotton in the country. This cotton is processed by 20 ginneries having a combined capacity of 331.129 bales of cotton lint. Integrated textile firms processing locally produced cotton in textile and apparel products mainly characterize the country's textile and apparel industry.

Ethiopia has demonstrated to attract large new buyers such as Hennes and Mauritz (H&M), Tesco, ASDA/George, Primark, Otto and Tchibo. Government incentives attracting foreign investments in the T&A sector, low labour costs, and a potential for controlling the supply chain from fibre to garment make it worthwhile to have a closer look at Ethiopia.



Ethiopia is the second most populous Sub Saharan African country with a population of more than 90 million, a stable political and economic environment and a GDP growth of 8,5% per year.

A CLOSER LOOK AT ETHIOPIA

GOVERNMENT INCENTIVES ATTRACT FOREIGN INVESTORS

Development of the textile and apparel industry is an important component of the Ethiopian government's economic development strategy, which is being proven by strong government supported investment incentives and financial assistance:

- a loan guarantee program
- relatively easy and affordable access to land
- tax holidays up to five years
- duty-free import of equipment and fabrics for export production
- an export credit program for exporters
- duty drawback provisions
- bonded warehouses
- partial financing of support by foreign technical consultants

These incentives have indeed attracted foreign investors to the sector, among others by foreign vertically integrated enterprises that appear to be outsourcing their labour-intensive operations to Ethiopia to remain internationally competitive.

T&A MANUFACTURING BASE

The country counts 51 standalone-garment manufacturers involved in CMT activities. Most of these use imported fabrics. Ethiopia counts 21 integrated textile firms of which a handful of firms are able to produce garment pieces that meet international standards (i.e. t-shirts and trousers). The amount of vertically integrated textile firms however is expected to increase in near future with significant investments currently made. The integrated textile firms mainly consume locally produced cotton. The table on p. 8 gives some more specifics of 15 integrated firms. Supporting the expansion of locally produced quality yarn and fabrics is of great significance in order to establish Ethiopian based supply chains.

POTENTIAL FOR INCREASING LOCAL COTTON PRODUCTION

Ethiopia has excellent cotton growing conditions and a significant amount of land suitable for cotton production. With 3 million hectares suitable for cotton production and only 7 percent currently cultivated, there is a great potential to expand. During field research farmers have expressed a great interest in growing cotton once the market for cotton improves. Expanding the local production of cotton in near future is of great importance in order to supply the expected growing demand from local textile and apparel mills.

SOCIAL AND ENVIRONMENTAL CONDITIONS

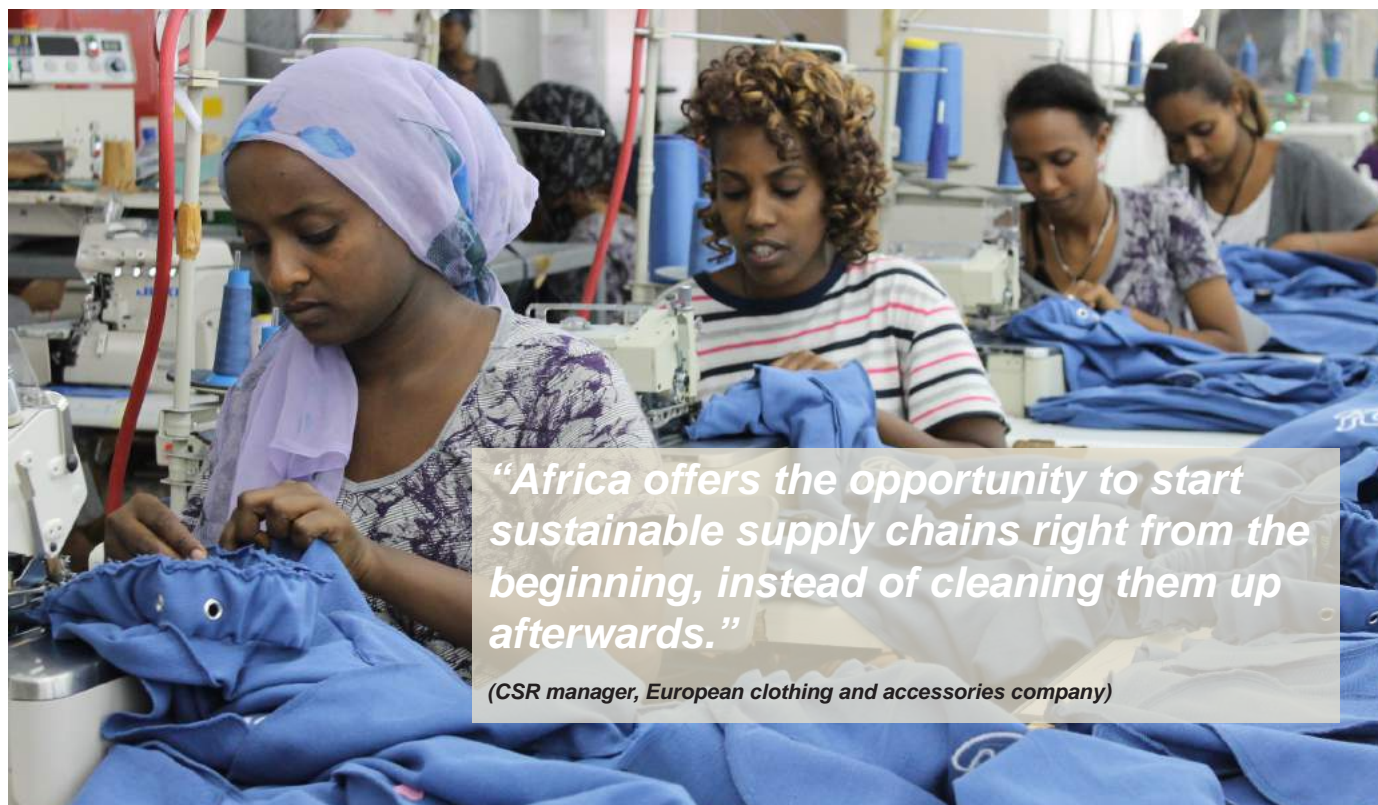
Due to the limited use of pesticides and chemical fertilizers in small-scale cotton farming the country offers significant opportunities for sustainable cotton production. The supply of sustainable cotton can be up-scaled by the inclusion of commercial farms, yet this requires additional attention on social and environmental issues (i.e. water consumption, pest management and labor conditions).

In terms of its textile and apparel industry, cheap labour and low electricity costs give the country a competitive position. Yet attention has to be paid to improving labour conditions. On the environmental side, Ethiopia has an underdeveloped waste-handling infrastructure and lacks awareness of the environmental impact the improper disposal of waste.

NAME	PRODUCTION CAPACITY (DAY)	PRODUCTS
1. Almeda Textile PLC	5.000 meter woven/knitted fabric 6.000 meter of fabric finishing	Woven: shirts, trousers, work wear, bed sheets Knitted: polo, t-shirt, under wear, singlet
2. Arbaminch Textiles S.C.	43.253 meters of fabric	Yarn and gray fabric
3. Awassa Textile S.C.	6 ton yarn 3.000 kg knitted fabric 1.300 meters woven fabric	Ring yarn, woven and knitted fabric
4. Ayka Addis Textile	46.200 pieces of garment /day	Yarn, knitted fabric, ladies, men, kids and sports fashion
5. Bahir Dar Textile S.C.	17 ton yarn 5.000 meter woven fabric	Yarn, woven fabric, bed sheets and covers
6. Else Addis Industrial Development PLC	20 ton yarn 12.000 kg of fabric	Yarn, gray woven/knitted fabric, bed sheets and covers
7. ETUR Textile PLC	20 ton yarn 60 tons fabric	Yarn and fabric
8. Kombolcha Textile S.C.	16 ton yarn 66.000 meter woven fabric	Yarn, woven fabric, bed sheets and covers
9. MAA Garment and Textile Factory	10 ton yarn 6 ton fabric 8 ton finished fabric	Yarn, knitted fabric, dyed fabric T-shirt, polo, trousers, shorts, underwear, blouses, jackets sports wear, kids wear, home textiles, work garments
10. NAS Foods Dire Dawa Textile	7 ton yarn 2.000 meter fabric	Yarn, woven fabric
11. Saygin Dima Textile PLC	15 ton yarn 15.000 meter woven fabric 4.0000 meter fabric	Cotton and synthetic yarn and fabric
12. Selendawa Textile S.C.	50 ton yarn 4.5 ton knitted fabric 12.000 meter woven fabric	Yarn and fabric
13. Tehut Knitting and Garment PLC	1.200 kg woven fabric 2.700 pieces of garment	T-shirts, children and infants cloth, bed sheets, nags, uniforms
14. Yirgalem Addis Textile Factory	4.500 pieces of garment	-

Examples of Ethiopian manufacturers

OUR VIEW ON BUILDING A SUSTAINABLE T&A SOURCING BASE IN ETHIOPIA



We actively follow the developments in the T&A sector. In Africa, Solidaridad has been active in the cotton sector for many years. The steady rise of industries, such as T&A, enables African countries to add value to their natural resources and to build their economies. It is part of our mission to facilitate the development of sustainable global production chains. In Ethiopia we do so by combining our knowledge of sustainable cotton production and our experience in promoting cleaner T&A production processes gathered mostly in Asia. The involvement of global brands in Ethiopia is still relatively limited. However, the potential to build

integrated sustainable supply chains in the country, in addition to the need of brands to diversify their sourcing base and to lower sustainability risks, will motivate more brands moving to this region. We assist interested businesses in exploring the sourcing opportunities in Africa and to build sustainable supply chains. A market such as Ethiopia faces social and environmental challenges. It took us a long way to make textile production in Asia more sustainable and we are not there yet. We want to share these insights and use the knowledge we have for the benefit of the African cotton & textile sector and to the interest of farmers and workers.



Janet Mensink,
International
Programme
Coordinator
Cotton & Textile,
Solidaridad



Karuga Macharia,
Director East and
Central Africa



WHAT SOLIDARIDAD OFFERS

INDEPENDENT MARKET AND SECTOR INFORMATION

Our ongoing sustainability programmes in cotton and textile provide us with latest market insights. We share this information on an independent basis. Insights are gathered directly from the field and represent the perspectives of different stakeholders in the supply chain.

A DIVERSE NETWORK

Solidaridad is an international network organization with nine Regional Expertise Centres (RECs) worldwide. Partners in North and South have an equal say in policy development. In this way, Solidaridad makes optimal use of the knowledge and experience of local partners. The highest level of development cooperation Solidaridad works throughout the value chain, driving both supply of and demand for more sustainable goods. Our cotton related programmes, including farm support projects, are focused on Latin America, Africa, India and China. Our regional office in East Africa is located in Kenya. From there we collaborate with cotton sector associations and farmer cooperatives. We make the right linkages between international and local players within our network. We are involved in cotton programmes in nine countries in Africa. The supply chain projects under the textile programme are mainly aimed at India, Bangladesh and China. Our market development activities mainly target European stakeholders,

while exploring opportunities to promote sustainable practices in emerging markets like India and China. Solidaridad is a driving force behind the following initiatives: Fair Trade, Kuyichi, MADE-BY, the Better Cotton Initiative (BCI) and the Sustainable Apparel Coalition.

MANAGING SUSTAINABLE CHANGE IN THE T&A SECTOR

Solidaridad is a transition manager, focusing on producer support, a sustainable supply chain and market development. From cotton to finished garment, the textile supply chain is characterised by various social and environmental challenges. By training workers and helping factories implement structural improvements, Solidaridad and its partners work to improve labour conditions, reduce pollution and improve efficiency. Examples of projects are the Partnership for Cleaner Textiles (PaCT) programme that delivers cleaner production in 200 textile factories in Bangladesh; the development of training films on worker rights in India; and programmes to support farmers in adopting more sustainable agricultural practices and providing them access to an organised market.

A RANGE OF SERVICES TO START OR IMPROVE SOURCING FROM EAST AFRICA

Depending upon the stage of your sourcing activities in Africa, we can offer suitable services. Below an overview with example services:

STAGE OF SOURCING BUSINESS	OUR SERVICES
Exploring new markets	Independent market research Sector updates Conferences and seminars
Market entry	Frameworks for screening suppliers Action plans factory/mill
Matching supply and demand	Facilitation of trade missions in collaboration with partner organisations Market information and supplier directory (in development)
Sustainability sector programmes	Facilitation of trade missions in collaboration with partner organisations Market information and supplier directory (in development)
Brand partnership	Facilitate in supply chain connections with sustainability profile Joint development of sustainability programs in the supply chain Joint communication on sustainability programs Strategic exchange on sustainability policy

Photography : Ariane Biemond, Claudia Schlangen
Graphic Design: Harrie Wilkens, Berenschot, The Netherlands

Solidaridad

CHANGE THAT MATTERS

Solidaridad

't Goylaan 15, 3525 AA Utrecht
The Netherlands

phone: + 31(0)30 272 03 13

fax: + 31 (0)30 272 01 94

e-mail: info@solidaridad.nl

www.solidaridad.nl

Solidaridad Eastern & Central Africa Expertise

Kilimani Business Centre, Kirichwa Road,
off Argwings Kodhek Road, Nairobi, Kenya

phone: + 254 (0)716 666 862

fax: + 254 (0)722 723 916

e-mail: info.secaec@solidaridadnetwork.org

www.solidaridadnetwork.org

