

Cotton Made in Africa and Competitive African Cotton Initiative 2015 Stakeholder Conference held in Addis Ababa, Ethiopia from October 19-20, 2015



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Cotton Made in Africa and Competitive African Cotton Initiative 2015 Stakeholder Conference in Addis Ababa/Ethiopia

This report documents the latest Cotton Made in Africa (CmiA) and Competitive African Cotton

Initiative (COMPACI) stakeholder conference held in Addis Ababa, October 19–20, 2015, where 116 delegates from 21 countries representing the private, public and not-for-profit sectors across the cotton and textile value chain gathered to discuss the current state and potential future for sustainable cotton production in sub-Saharan Africa. CmiA and COMPACI representatives presented their progress towards enabling the production and uptake of sustainable cotton from the continent. The benefits associated with adding value to cotton by setting up a sustainable African textiles industry was also discussed. Established by the Aid for Trade Foundation (AbTF), CmiA has, over 10 years, expanded its operations to 10 countries where, according to the current forecast, almost 700,000 smallholder farmers producing 345,000 metric tonnes of ginned cotton met the CmiA standard in 2015. By focusing on smallholder African farmers cultivating ecologically and socially sustainable non-genetically modified organism (GMO)¹ cotton, CmiA is working towards lifting one of the world's poorest segments of our global population out of poverty.

Opening Speeches

The event opened by rousing presentations on establishing a vertically integrated textiles sector in Africa based on CmiA cotton. The continent currently produces 5 per cent of the world's cotton and exports 70 per cent without any value addition.² Jaswinder Bedi, Chairman of the African Cotton and Textile Industry Federation (ACTIF), stated that adding value to cotton produced in Africa has the potential for creating 9 million jobs and 13 billion in revenues. If Uganda converted its raw cotton exports valued at \$200 million

per year, it would generate \$3 billion in revenues or 12 per cent of its GDP. Value addition is crucial for Africa to address unfair trade and create jobs to stave off migration and terrorism.³

By enabling the production of sustainable cotton, CmiA has established a foundation for developing a sustainable textiles sector in Africa, providing global markets and textile companies with a unique value proposition. With 700,000 farmers and 19 qualifying companies, CmiA can further enable intra-Africa trade⁴ and become a preferred global brand. The potential for Africa to industrialize via the cotton textile sector is an important opportunity that CmiA is helping to realize.

Stakeholder Workshop

The stakeholder workshop was opened by the Ethiopian Cotton Producers, Ginners and Exporters Association (ECPGEA) and the Bill and Melinda Gates Foundation (BMGF), who provided important perspectives on the potential for industrialization to address poverty in Africa. Progress updates from CmiA and COMPACI were supported by practitioners working on women's empowerment in West and East Africa. Presentations on the African textile sector potential was examined via a McKinsey & Company report entitled *East Africa: The Next Hub for Apparel Sourcing?* and a presentation on its opportunities and challenges. The stakeholder workshop ended with an insightful panel discussion on African cotton supply chains with representatives from across the textile value chain—from H&M to Ayka⁵.

Stakeholder Consultations and Certification Body Summit

The ECPGEA and the BMGF presented on the tremendous potential that cotton holds for development in Ethiopia and sub-Saharan Africa. The ECPGEA affirmed that there has been a revolution in Ethiopia, with smallholders gaining more confidence by shifting from sesame to cotton production because they see its potential as a cash crop improving their own living conditions, thanks in large part to CmiA, COMPACI and the BMGF. Richard Rogers, Senior Program Officer at BMGF, stated that agricultural development is fundamental to addressing poverty since the majority of Africa's poor are smallholder

¹ GMOs are organisms whose genetic makeup has been altered via genetic engineering.

² The International Trade Forum Magazine reported in 2010 that 83 per cent of the cotton produced in sub-Saharan Africa is exported to Asia as cotton lint.

³ African cotton is bought in retail, sold in wholesale and transportation is charged both ways (Jaswinder Bedi, Chairman of the African Cotton and Textile Industry Federation).

⁴ The United Nations Economic Commission for Africa reports that the amount of bilateral trade between African countries versus their GDP was 4.31 per cent in 2006.

⁵ Ayka is a vertically integrated textile company based in Addis Ababa



Participants attending the opening speeches of the conference

Box 1: Sustainable Development through Value Addition

Adding value to raw materials represents an important sustainable development opportunity for Africa, which has, for the most part, yet to be realized. According to Conall O’Caoimh, Director of **Proudly Made in Africa**, products are not sustainable if the start of the chain is doing poorly. He further points out that the biggest obstacles to value addition in Africa are a lack of foreign market understanding, leadership and overcoming African product prejudices. As a driver for sustainable development, value addition can often result in employment and wealth creation as well as material and energy waste reductions. Enabling value addition via industrialization is imperative as a sustainable development strategy for Africa.

CmiA and COMPACI are contributing towards addressing value addition challenges to cotton in Africa by establishing a foundation upon which a sustainable African textiles sector can be established. According to Christian Barthel, Director Supply Chain Management at AbTF, “CmiA’s role in value addition in Africa is important, as it provides the textile value chain a raw material grown in Africa, thereby laying the foundation for a locally built-up and nationally as well as internationally orientated supply chain.” In addition to enabling the production of sustainable cotton in Africa, CmiA is also working on connecting the dots to enable value addition. Tina Stridde, AbTF Managing Director, stated that CmiA is advancing value addition with partners like **ACTIF** and **Scan-Thor**. “Enabling the production of a completely segregated product from field to fashion made in Africa could become a reality in the near future.” Christian Barthel further states that there is great potential for Ethiopia, Kenya and Uganda to establish a viable, sustainable textiles sector with the right networks and access to locally grown cotton.⁷ “At the moment, there are big investments but the small entrepreneurs need to pick up since everything is needed for textile production.”

By focussing strictly on African smallholder farmers that cultivate sustainable cotton, CmiA has defined itself as a brand that aims to lift the world’s poorest out of poverty. Although initially perceived as limiting CmiA’s growth potential, its focus on Africa is now viewed as one of its defining characteristics and strengths. Although linked to minimizing supply risks and profitability, addressing poverty and enabling sustainable development are emerging as important competitive advantages for voluntary sustainability standards to capitalize on.

The **State of Sustainability Initiatives Review 2014** remarks that international Voluntary Sustainability Standards operating across 10 commodities have, for the most part, expanded within the more developed regions of the world,⁸ arguably neglecting the regions that need sustainable production and access to markets the most. The CmiA standard contradicts this observation by positioning itself as a catalyst that could enable African cotton-producing countries to reduce poverty and achieve their **Sustainable Development Goals**.

farmers. He also emphasized the important role that businesses can play in enabling development and value chains to emerge since they provide important expertise. He applauded the COMPACI and CmiA farmer business schools,⁶ which are essential for farmers to successfully run their businesses. An ecosystem of entities will be needed to shift the cotton sector towards sustainability and grow the pie for everyone, including smallholder farmers.

COMPACI and CmiA Progress Updates

CmiA and COMPACI representatives provided progress updates on their activities enabling sustainable cotton production in sub-Saharan Africa. Roger Peltzer, COMPACI Managing Director DEG, provided the status of and reflections on the COMPACI II program currently operating in 12 African countries, while Christoph Kaut, Managing Director, AbTF, and Tina Stride, Managing Director, AbTF, both discussed the work that CmiA has been undertaking in partnership with COMPACI.

The COMPACI program experienced a small reduction in its farmer base. All partners are verified under CmiA, with the exceptions of Benin for political reasons and Burkina Faso for using genetically modified seeds. With one year left, COMPACI II has over-performed in a number of objectives such as training/sensitization regarding the elimination of child labour and women empowerment; however, the program is behind in providing farmer business training. The challenges for the remaining year include advancing farmer business training, testing and enabling the uptake of bio-intensive integrated plant and pest management methods (such as molasses traps and plant-based pesticides) and enabling paperless tracking of CmiA key performance indicators to measure and report on the impacts of the standard. COMPACI is also experimenting with an input pre-financing model for cotton on maize. COMPACI could follow up with a project to maintain the ongoing cotton work or move into food crops, leveraging lessons learned in cotton. Regardless, the significant expertise generated by COMPACI in sustainable cotton production should be maintained.

⁶ Farmer business schools provide farmers with business training so they can better manage their agricultural production efforts as well as private households.

⁷ According to Christian Barthel, Ethiopia employs a local workforce, which offers job opportunities for the own population and is more sustainable than Mauritius and Lesotho, who mainly use Chinese Labour.

⁸ The IISD’s State of Sustainability Initiatives Review 2014 reports that the global production of coffee, bananas and forestry products is fairly evenly geographically distributed, but the Voluntary Sustainability Standard compliant or sustainable production is focussed in South America for coffee and bananas and Europe and North America for forestry products.



Panelists discuss women empowerment in the cotton sector

CmiA sales have gone up due to its reliable standard; its traceability down to the cotton bale, providing communication and marketing opportunities on product origin; and its mass-market approach that enables many participating retailers to fulfil their sustainable sourcing commitments. Future sale activities will focus on North America, several European countries and selected African retailers. CmiA is primarily promoted by its partners in various ways (i.e., blogs, social media, videos storefront windows, etc.). Strategic marketing is being devised to promote CmiA as a good-quality brand with passion as opposed to a charitable organization.

CmiA is collaborating with 19 companies and almost 700,000 smallholder farmers representing 30 per cent of the smallholder farmer cotton lint production in Africa. Twenty-five audits were conducted in 2014 to evaluate field and ginning operations. CmiA and its partners are working on a continuous improvement plan and training scheme to enable farmers and cotton companies to increasingly improve its compliance with CmiA's social and environmental criteria. A life-cycle and environmental footprint analysis determined that CmiA cotton emits up to 40 per cent less greenhouse gasses in comparison to conventional cotton and requires 2,000 litres less water per kilogram of cotton lint in comparison to global cotton production. CmiA's verification criteria are currently being overhauled with feedback from stakeholders.⁹ AbTF and its partners are examining options for setting up support services post-COMPACI. To address shortfalls in expertise provided by COMPACI, AbTF is considering either taking on all functions, partnering with relevant entities or outsourcing. To further support its sustainability and development cooperation approach, CmiA will continue undertaking verification activities, compiling training materials on CmiA compliant practices, establishing an information exchange platform and developing private sector funding models. The CmiA community cooperation program builds on community projects, which invested EUR2.5 million in educational, health and sanitation infrastructure, and aims to improve support for cotton-producing communities in the areas of education, health, gender and environment, with EUR1 million already invested in the program by Dr. Michael Otto.

Participant questions were fielded on GMO cotton, foreign exchange and business-to-business marketing. GMO cotton introduced in Burkina Faso has yet to deliver on its promises. Although CmiA excludes GMO cotton within its standard, the AbTF has developed a standard that accommodates GMO cotton for smallholders in Burkina Faso, which is solely being consumed by the Better Cotton Initiative supply chain. COMPACI and CmiA will not get involved in dealing with foreign exchange issues, which are best dealt with at the national level based on their dynamics and driven by cotton boards and/or ginners associations. The new CmiA marketing strategy will include business-to-business marketing but will continue to include business-to-consumer marketing, building on its traceability system, quality and stakeholder stories.

⁹ CmiA's verification framework rests on the four pillars: people, profit, planet and management (capacities).

Women Empowerment

A panel discussion on COMPACI and CmiA's efforts to enable women's empowerment and equitable participation in cotton cultivation was led by Carole Romero, AbTF; Patricia Likongwe, Great Lakes Cotton Company Malawi and Project Manager for COMPACI; Fernand Sanou, Sodecoton Cameroon and Chef de Division Professionnalisation des producteurs; Younoussa Imorou Ali, ProAgri Benin and Conseiller Technique chargé de la coordination de COMPACI/CmiA; and Daniela Bröker, COMPACI Zambia and advisor for gender and farmer business schools. Equitable access to land, inputs and training were discussed as objectives that COMPACI and CmiA want to achieve through creation of women's clubs.

Organizing women producers in groups gives them access to the support and resources they need to be effective. For example, Zambian cotton companies partnering with COMPACI and CmiA established female cotton clubs comprised of 12,000 women, which led to improved access to inputs. The number of women participating in cotton production in Malawi increased from 19 to 35 per cent by creating 91 women's clubs and giving them access to inputs, demonstration plots and training. Women's groups in Benin transform agricultural goods (i.e., production of soya into milk, cheese and biscuits) and enable access to credit.

Addressing land rights is proving to be particularly difficult, since it requires the participation of both men and women and attention to both land quantity and quality. Educating village leadership, integrating women in leadership roles, enabling conditions for women to buy and sell products in their names and developing effective gender equity training materials were other important efforts discussed. One participant highlighted the importance of driving locally appropriate strategies by advocating for regional women empowerment workshops.

African Textiles Challenges and Opportunities

Ben Aschenak, Senior Advisor at McKinsey&Company in Addis Ababa, presented on the opportunity that East Africa—and especially Ethiopia, as one of the up-coming textile markets within the region—has to expand its textiles. Export demands from the region are likely to increase as the cotton market remains volatile, purchasing agents aim to diversify their supplies, China focuses on meeting domestic demands and favourable trade agreements remain in place with the United States and Europe. Ethiopia, Kenya and Uganda are poised to expand their textile production and become a manufacturing hub by taking advantage of regional access to raw cotton. Challenges that need to be overcome include improving transportation infrastructure, access to skilled labour, electricity reliability and government approval processes. There are clear indications that Ethiopia is on the right track since garment demands are currently outstripping production and important investments are being made for the sector to flourish.



Group photo of the CmiA and COMPACI stakeholder conference participants.

Belinda Edmonds, Executive Director of ACTIF, presented on opportunities for the textile sector to expand in Africa. She emphasized the favourable trade agreements that are in place for the textiles sector with the United States (AGOA), Europe (EPA) and the SADC. To expand the few countries (Mauritius, Lesotho and Kenya) that are capitalizing on these agreements, she emphasized the need for countries to partner and take advantage of their regional textile manufacturing strengths. Nevertheless, regional integration is hampered by transportation infrastructure and logistics as well as shortages of skilled labour. Sustainable production will become the norm and it represents an important opportunity for the African textiles sector. Entire apparel value chains will need to be sustainable. Even though the industry is commodity based and low margins are being realized at every step of the value chain, it will become the cost of doing business. Improving yields by 5-10 per cent by using modern and improved cultivation methods is important for the profitability of the value chain.

African Cotton Supply Chains

A panel discussion on sourcing and producing cotton-based textiles in Africa was moderated by Christian Barthel, Director of Supply Chain Management at AbTF, between Thor Larsson, founder of ScanThor; Asoka Ranjith, CSR-Manager with Ayka; Jaswinder Bedi, Executive Director of Fine Spinners; Ashish Agarwal, CEO with Kanoria; and Pascal Brun, Head of Global Material with H&M. H&M is sourcing African cotton; Africa is a logical choice to diversify from Asia since it provides access to sustainable cotton and a young population capable of garment production that is good for the industry. More generally, the participants felt that farmers growing CmiA cotton can benefit from input cost reductions and potentially increase their yields. There are very few places in the world where there is potential to establish a textiles sector within cotton-producing regions, such as there is in various parts of Africa.

ACTIF and CmiA can play an important role in connecting the dots all along the textiles and garment supply chain. Africa needs to cooperate to compete. The components for garment manufacturing such as buttons, zippers, labels, etc. are currently missing, and entrepreneurs are needed to fill this gap. Labour costs are very competitive in comparison to other Asian textile markets because of the lack of skilled workers in textile production. By building up the African textile value chain and employing African workers within the textile industry, many Africans would have the chance to gain access to new job opportunities and training on the job, both of which are highly needed for the growing, mostly unemployed African youth.


In the last 2 years, large corporations have opened offices in Africa, showing a real commitment to producing and sourcing in the continent. It will be important to get it right from the beginning to avoid what happened in Rana Plaza in Bangladesh. More stringent standards need to be adopted to ensure that international markets remain committed to sourcing from Africa. For instance, Kanoria opened a zero-pollution textiles manufacturing plant and is training local labour to build capacity; Ayka already uses CmiA cotton for the products they market worldwide and invest in training and awareness-raising of labour rights among their employees.

With its colonial past, Africa has market access to Europe, but the continent needs to capture more market share. Bangladesh textile exports currently outstrip those from the African continent by 20 to 30 times. Nevertheless, by 2033 products are likely to be coming in and out of Africa duty free, since most African countries already have very simple tariff structures. With this in mind Africa may be poised to become an important global textiles production hub with access to a sustainable cotton supply base made in Africa.

Author: Vivek Voora **Photo credits:** Cotton Made in Africa and Vivek Voora

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