Ethiopian Cotton - Textile Value Chain Development 2011-2015

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Presented to

12th Meeting of the Southern and Eastern African Cotton Forum

17-18 June 2014

Maputo, Mozambique

Ethiopia

Introduction

Potential for Cotton Production

Growth and Transformation Plan 2010/11-2014/15

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Geography

Land area: 432,310 sq mi (1,119,683 sq km);

Total area: 435,186 sq mi (1,127,127 sq km)

Population (2013 est.): 91,013,491

Capital City: Addis Ababa

Monetary unit: Birr

Potential for Cotton Cultivation

Land : 3.0 million Ha Suitable for Cotton

Water Resources:

12 River Basins, 10 Lakes

Surface Water 123 billion m^3

Ground water over 90 billion m^3

Manual and Trained Manpower: Abundant

Finance : Limited Project Financing

Market : Sizable Internal market and Proximity to world Markets

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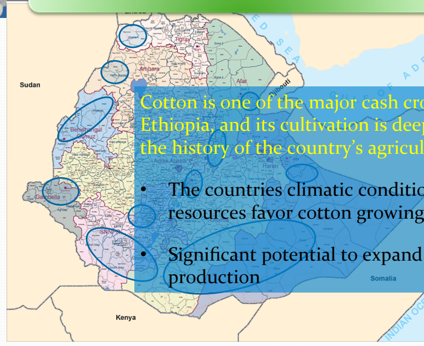
Potential and Current Cotton Production Areas



Cotton is one of the major cash crops in Ethiopia, and its cultivation is deep-rooted in the history of the country's agriculture

- The countries climatic conditions and land resources favor cotton growing.
- Significant potential to expand cotton production

Elevation: Dallol to Dashen

- Ethiopia enjoys an extremely varied climatic conditions (-200 to 4620 m.a.s.l).
- Cool Zone-Areas above 2,600 m (8,530 ft).
- (Temperate Zone)- Areas between
  - 1,500 m (4,920 ft) and 2,600 m (8,530ft)
- Hot Zone-Areas below 1,500 m (4,920 ft)

In Ethiopia, cotton is produced

- ✓ In large scale commercial farms at altitudes of 350 to 1200 meters
- ✓ In small scale farm holding in the mid altitude areas ranging from 1000 to 1800 meters.

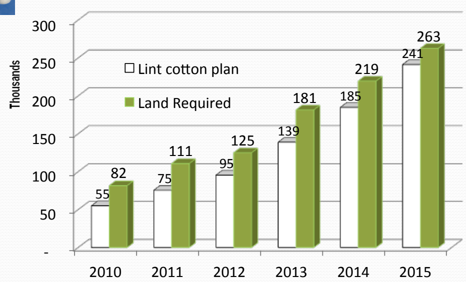
Growth and Transformation Plan 2010/11-2014/15

Raw cotton → Ginneries → Textile and garment Industries → Market

By the year 2014/15:

- **Scaling up of the production capacity by 90%**
- **Increase production from USD 470 million to USD 2.5 billion**
- **Increase export from 21.8 million USD to 1 billion USD**
- **New employment opportunity increase by 40,000**

Planned Lint Production and Area Coverage



Source: Ethiopian Cotton Production and Marketing Strategic plan 2010-2015

Annual Production Capacity

DESCRIPTION	ANNUAL PRODUCTION CAPACITY (as of 2013)
YARN	37 million kilograms
WOVEN FABRIC	88 million meters
KNITTED FABRIC	30 million kilograms
WOVEN GARMENT	18 million pieces
KNITTED GARMENT	62 million pieces

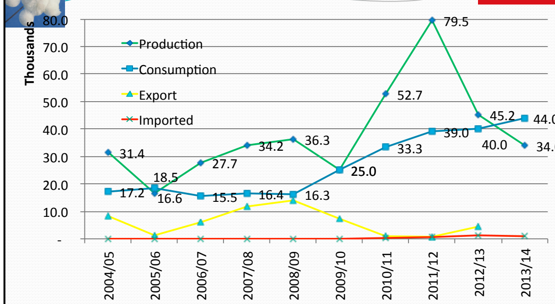
Source: Ethiopian Cotton Textile Industries Development Institute (ETIDI)

Textile and Apparel Export Trend

S.No	Product Types	Budget year (USD million)							
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
1	Yarn	-	-	-	3.7	8.5	9.1	8.9	23
2	Fabric	4.2	4.4	4.6	3.7	6.3	22.9	8.3	10
3	Apparel	6.9	8.0	9.7	6.6	6.7	26.7	63.1	61
4	Handloom products	0.1	0.2	0.4	0.4	1.7	3.4	4.4	5.0
	Total	11.1	12.6	14.6	14.4	23.2	62.2	84.6	99.0
Annual growth Rate (%)		64.3	13.7	15.8	(1.2)	60.8	168.1	36.0	17.0

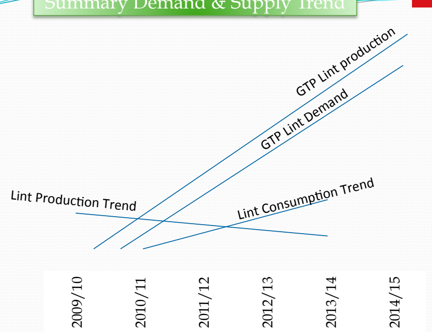
Source: Ethiopian Textile Industries Development Institute (ETIDI)

Demand and Supply of Lint Cotton



Source: Ministry of Agriculture (MoA) Mid term evaluation 2013

Summary Demand & Supply Trend



Conclusion and Recommendation

- Average performance of both value chain actors is less than 50%
  - ✓ Limited production and low lint consumption ,
- Very slow new land development,
- Shrinkage of cotton area coverage,
- Significant fluctuation and uncertainties of performances ,

Cont'd

- Reinforcing regulatory and organizational institutions, facilitating greater involvement of the private sector and producer organizations, increasing access to inputs and investment finance, improving productivity through research and training, supporting market and product development and promoting diversification and innovation into products.
- Increasing marketing efficiencies transport, aggregation, grouping marketing while at the same time maintaining quality and reducing contamination is also crucial to the efficiency and healthy growth of the sector.
- Mobilize all resources to organize research activities in to all aspects of cotton production, ginning, textile and garmenting to reach value chain actors, all cotton growing areas,
- Understand and improve the competitiveness and effective utilization of comparative advantages of the sector,
- Participate, learn and align the national strategy with appropriate regional & international trade programs and forums such as ACTIF, COMESA and ICAC.

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- Sustainable support of financing projects within the value chain
- Educate farmers on quality assurance and contamination issues
- Promote the development of out-growers schemes and contract farming
- Increase cotton trading and marketing capabilities
- Increase manufacturing processing efficiency
- Learn to integrate into global supply chains
- Ensure high fiber quality through the provision grading and HVI testing

Therefore, the concerted efforts of stakeholders and leading institutions is required to make the necessary analysis and prioritization of the challenges and opportunities, systematic approach immediate actions of corrections, amendments to considering cotton as a major strategic crop and balancing the desired support to efficiently utilize the time ahead and achieve the planned Goal.