

# World Trade Organisation Cotton Days

**Challenges and opportunities for African cotton  
in the world market : The private sector perspective**

Ryota KARUBE, President  
**TOYOSHIMA U.S.A. Inc.**

*WTO OMC - Geneva, November 2018*

# TOYOSHIMA

## About us

- Founded in 1841
- Family owned
- Expert in textile industry
- Headquartered in Tokyo and Nagoya
- Employing 550 employees in the world

Turnover 1,700 M of US \$  
Ordinary income 55 M of US \$

Trading over 300,000 mtons of cotton fiber every year

### Membership



# TOYOSHIMA

## Our global network



# TOYOSHIMA

## Brand business



The first and the pioneer jeans brand in Japan



Relaxing casual wear inspired by Swedish style



A comfortable loungewear brand



Casual surf brand from Malibu, LA

## **A/ Trading cotton today**

- Basics
- Role of merchants
- Recent trends

## **B/ African cotton**

- Francophone Africa : Keys of success
- Challenging export markets
- Various initiatives

*Sources : ICAC, Cotton Outlook, BCI, CmiA, ITC, Private sources*

# Basics

- 
- A large, semi-transparent blue globe showing the continents of North and South America, positioned on the left side of the slide.
- Cotton is traded in US dollars
  - The main market place is the Intercontinental Exchange (ICE)
    - ✓ located in New York and designed for US cotton
  - High price volatility on the international market
  - **Basis trading**

# Role of merchants

- Customers are spread geographically in more than 70 countries, largest international merchants have offices or agents in all the major importing countries
  - Exporter suppliers seldom want to sell at the same time as the merchant's spinner customers want to buy
  - **Performance guarantee and risk management are probably the most important of all the merchant's roles**
- 
- Recent history shows us that not all businesses are reliable, honest, and financially sound
    - ✓ **more than 650 companies are on the default list of the International Cotton Association (ICA)**
  - Merchants can provide financial and logistics services (transportation, consignments, quality control...)
  - Merchants are a bridge between different culture / language

# Recent trends

- 
- A large, semi-transparent globe showing the Americas, serving as a background for the slide.
- Risk management skills a must
  - Increasing demand for ON CALL contracts
  - Active participation of investment funds
  - Broad access to the market information and efficiency in communication
  - Increasing development of regional trade
  - E-commerce in cotton and electronic data
  - Internet auctions



## **A/ Trading cotton today**

- Basics
- Role of merchants
- Recent trends

## **B/ African cotton**

- Francophone Africa : Keys of success
- Challenging export markets
- Various initiatives

*Sources : ICAC, Cotton Outlook, BCI, CmiA, ITC, Private sources*

# Francophone Africa

## Keys of success

- Francophone Africa has **a natural advantage to grow cotton**
  - Cotton sector based on **partnership**
    - ✓ between farmers, cotton companies and private sector
  - Seed cotton price and inputs package known by the farmers before sowing season
  - **Crop purchase is guaranteed**
  - Zoning plan at the National level to avoid overcapacity and competition between cotton companies
- 
- Continuous financial support from the banks and governments

# A cautious marketing

- Cotton sold in EURO at origin
  - Open tender / restricted tender / OTC transactions
  - Traditional partners approved by the banks
  - Cotton is sold mainly at **a fix price**
- 
- Payment terms :
    - ✓ Letter of credit
    - ✓ CAD through the bank
    - ✓ Prepayments
  - Delivery terms :
    - ✓ FOB West African ports
  - Net certified shipping weight at the Port of loading

# A quality approach

- National Types are well known by the buyers
  - Technical specifications are very good
  - Homogeneous classing at the National level
  - Relatively slow ginning and cleaning
- 
- African hand picked cotton is traded at a discount price in most countries except Bangladesh
  - **Contamination issues should be addressed at all stage of the cotton production**
  - Conditions of the bales could be improved

# Logistics : some issues

- Landlocked countries
- Poor infrastructure
- Limited storage capacity
- Ports of loading are extremely congested
- Relatively long transit time to the Far East

**Developments and investment projects are needed**

# Key markets for African cotton

Sales destinations	%
Bangladesh	30 - 40%
Vietnam	20 - 30%
China	10 - 15%
India	5 - 10%
Thailand	5 - 10%

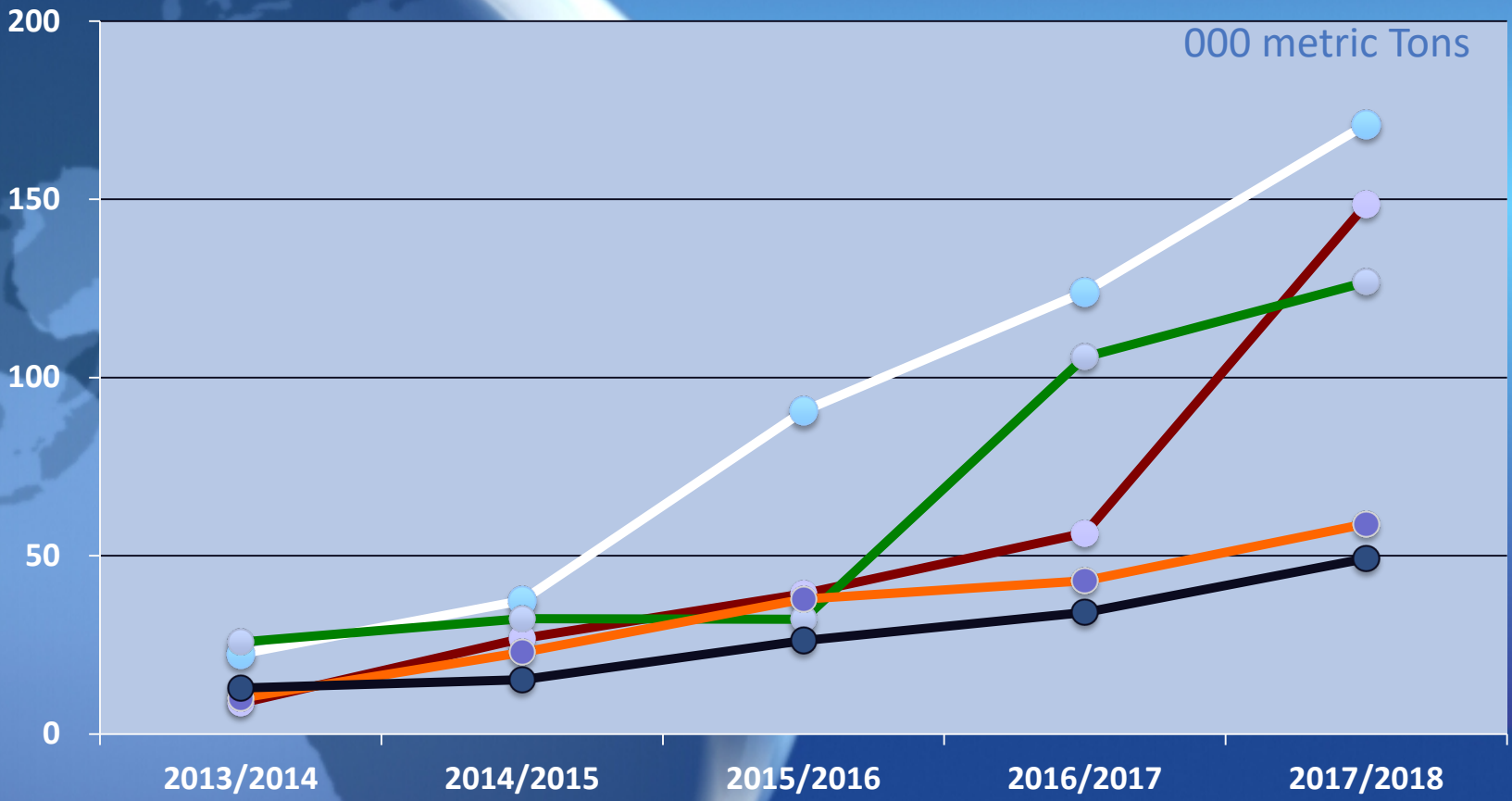
# Bangladesh

## A challenging market for Africa

- Net cotton importer
  - **Export oriented for textile and garments**
    - ✓ 60% with European buyers
    - ✓ about 40% with American buyers
  - **Quality oriented**, specialized in high quality knit-garments (high grade cotton)
  - L/C issued by local banks are extremely difficult to manage
  - Ports of destination very congested with limited capacity of storage
  - New investments of the spinning industry are in the denim sector (open-end)
- 
- Favorites buying list :
    - ✓ Indian – African – CIS
    - ✓ US – Brazil - Australian

# Bangladesh

a surge in African cotton imports



- Mali
- Benin
- Burkina Faso
- Cameroon
- Ivory Coast



# Vietnam

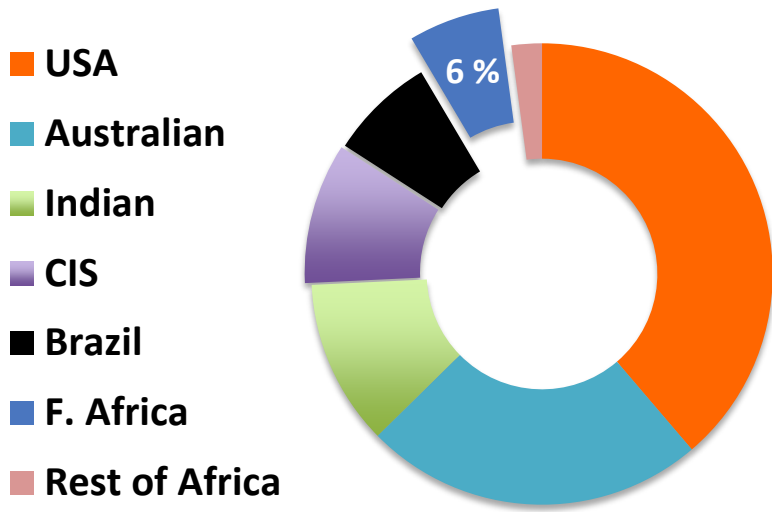
- Net cotton importer
  - **Yarn manufacturers & suppliers mainly for the Chinese market**
  - **High rate (more than 50% ) of foreign investments**
    - ✓ China, Chinese Taipei, Korea
  - Medium and coarsed count quality (carded yarn 20 / 30 count)
  - Price sensitive market
  - Increasing demand for free contamination cotton
- 
- Favorites buying list :
    - ✓ US - Brazil - Australian
    - ✓ Indian – African

# China

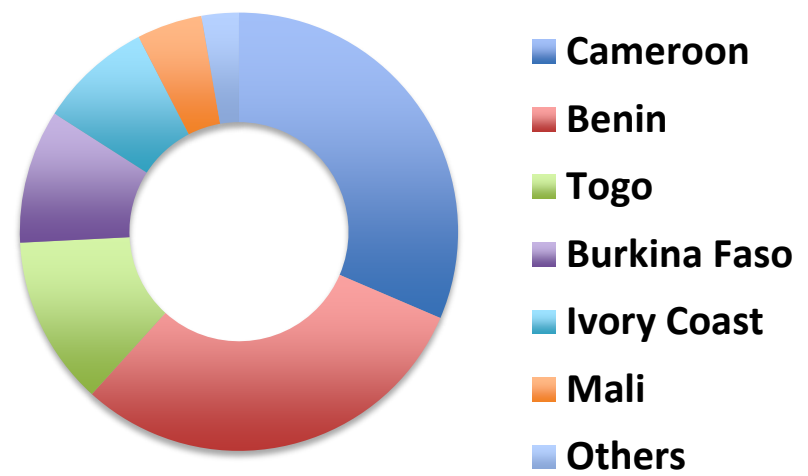
- The leading cotton importer in the world with more than 2 M mtons
  - But with a negative average growth rate over the last 10 years ( ↘ 13%)
  - **Imports are a variable for adjustment**
- 
- Favorites buying list :
    - ✓ US – Australian - Brazil
    - ✓ Indian - African – CIS – All other origin

# The Chinese cotton imports

Chinese imports (2Y average – 2016 & 2017)



F. African share of chinese imports



# CmiA

- Cotton made in Africa (CmiA) is an initiative of the Aid by Trade Foundation (AbTF)
  - ✓ founded in 2005 by Dr. Michael Otto, Chairman of Otto Group a worldwide operating retailer.
- In partnership with brands and designers CmiA try to build **a specific demand for the African cotton**
  - ✓ GMO free
  - ✓ a moderate use of pesticides and fertilizers.
- **The price for CmiA cotton is set by the global market**
- **About 500.000 mtons of CmiA certified cotton** and around 90 million CmiA labelled textiles
- Active countries :
  - ✓ Burkina Faso – Ivory Coast – Cameroon
  - ✓ Ethiopia – Ghana – Mozambique - Tanzania – Uganda - Zambia

# CmiA

## A matter of European concerns ?

Février 2010, **celio\*** lance une ligne de tee-shirts responsables pour l'Afrique.

*LE COURRIER DE LA MODE*

In 2013, the **TOM TAILOR GROUP** comparable number of products manufactured using CmiAcertified cotton.

**bon prix** En 2017, nous avons déjà utilisé du coton issu de la culture durable pour plus de 40 millions de textiles (env. 70% de notre gamme en coton).

*D'ici 2020, nous voulons utiliser 100% de coton issu de la culture durable.*

In Frankfurt, **Laura Chaplin** unveils her first exclusive bed linen set to the public.

**Dibella**  
longlife textiles

**En 2018, les Galeries Lafayette lancent Go for Good, un mouvement global pour une mode plus responsable.**

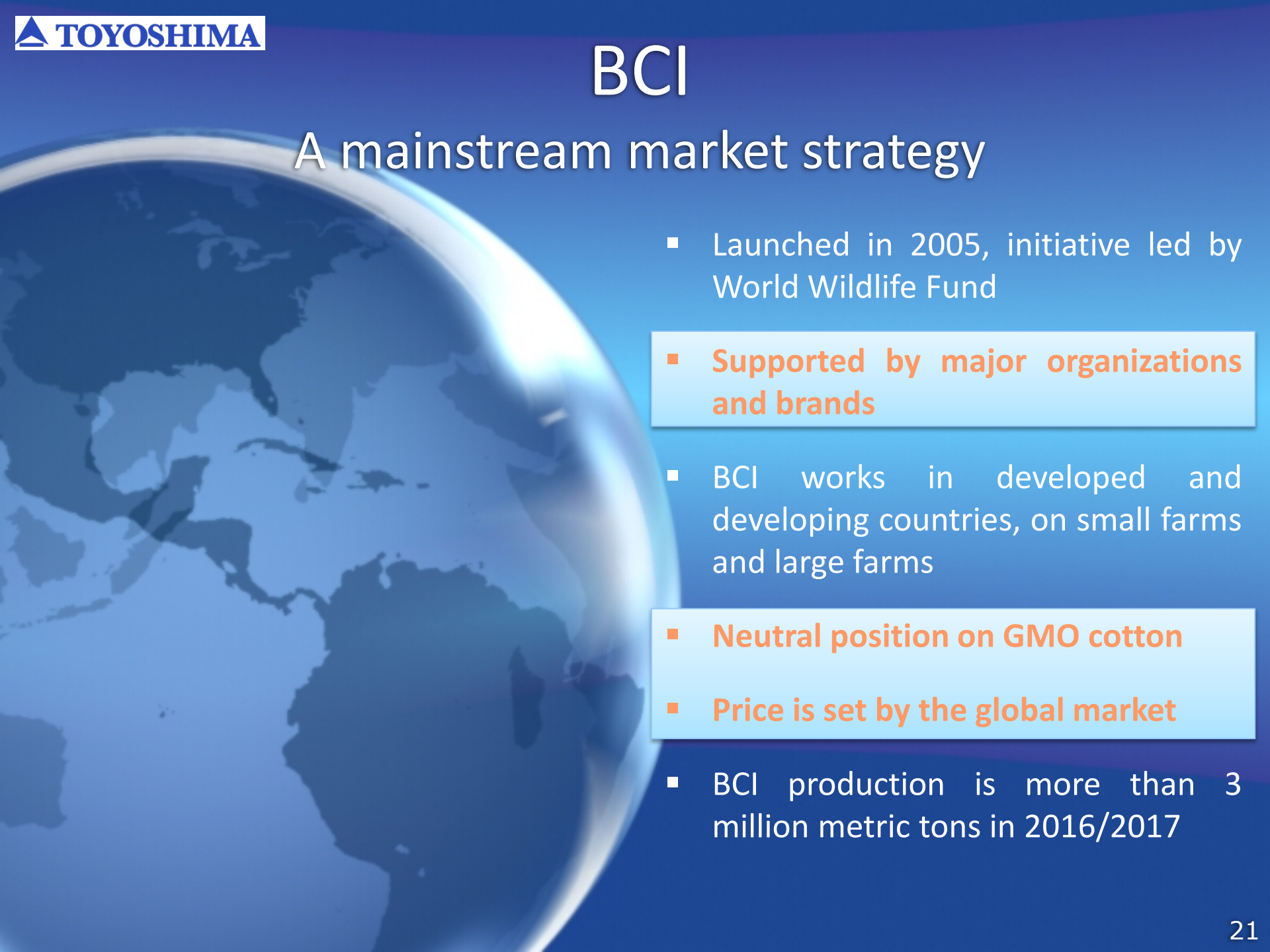


**GO FOR GOOD**  
POUR UNE MODE PLUS RESPONSABLE



# BCI

## A mainstream market strategy

- 
- A large, semi-transparent globe is positioned on the left side of the slide, showing the continents of North and South America. The globe is rendered in shades of blue and white, with a bright light source from the top right creating a glow and shadow effect.
- Launched in 2005, initiative led by World Wildlife Fund
  - **Supported by major organizations and brands**
  - BCI works in developed and developing countries, on small farms and large farms
  - **Neutral position on GMO cotton**
  - **Price is set by the global market**
  - BCI production is more than 3 million metric tons in 2016/2017

# Organic cotton

## A niche market ?

- Started in the early 90's
- **GMO free / no use of chemicals**
- **Premium price** (20-30% above the conventional price) with a minimum price in the Franc zone
- **The Francophone Africa organic production represents less than 5,000 metric tons of cotton fiber per year**
- Retailer shops are usually very specialized and have a strong commitment strategy
- Global Organic Textile Standard certified (GOTS) is becoming a must

# Need for clarification



The image displays a collection of logos for various textile certifications and standards, arranged on a white background. The logos include:

- EU Ecolabel**: A green leaf logo with a Euro symbol.
- SOIL ASSOCIATION ORGANIC**: A circular logo with a globe and the text "SOIL ASSOCIATION ORGANIC".
- fair for life**: An orange square logo with the text "fair for life".
- FAIRTRADE MAX HAVELAAR**: A black and blue logo with a stylized figure and the text "FAIRTRADE MAX HAVELAAR".
- GLOBAL ORGANIC TEXTILE STANDARD - GOTS**: A central green circular logo with a white shirt icon and the text "GLOBAL ORGANIC TEXTILE STANDARD - GOTS".
- ICEA**: A circular logo with the text "ICEA".
- ECO-CERT**: A red circular logo with the text "ECO-CERT".
- eiko**: A blue logo with the text "eiko".
- JOCA**: A circular logo with the text "JOCA".
- ECO**: A green logo with the text "ECO".
- BIO EQUITABLE ORGANIC FAIR TRADE**: A purple circular logo with the text "BIO EQUITABLE ORGANIC FAIR TRADE".
- ORGANIC EXCHANGE**: A blue circular logo with a globe and the text "ORGANIC EXCHANGE".
- COTTON MADE IN AFRICA**: A red rectangular logo with a white heart shape containing a map of Africa and the text "COTTON MADE IN AFRICA".
- Approved by ECOCERT TEXTILE**: A pink oval logo with the text "Approved by ECOCERT TEXTILE".
- bioRe**: A red logo with a white stylized figure and the text "bioRe".
- BCI Better Cotton Initiative**: A green logo with the text "BCI Better Cotton Initiative".
- FAIR WEAR FOUNDATION**: A red logo with a white question mark and the text "FAIR WEAR FOUNDATION".
- NATURTEXTIL**: A blue circular logo with the text "NATURTEXTIL".
- demeter**: An orange and green logo with the text "demeter".
- OEKO-TEX® CONFIDENCE IN TEXTILES STANDARD 100**: A yellow and black logo with the text "OEKO-TEX® CONFIDENCE IN TEXTILES STANDARD 100".
- OEKO-TEX® CONFIDENCE IN TEXTILES MADE IN GREEN**: A green logo with the text "OEKO-TEX® CONFIDENCE IN TEXTILES MADE IN GREEN".





# Conclusion

# Future prospects

## Cotton industry

- Continuing concentration in the cotton industry ?
- Continuing efforts from merchants to establish direct relationship ?
- Cotton could try to recover lost market share ?
- Improving yields through technology a new path ?
- What would be the impact of climate change on cotton production ?
- Implementation of block chain in the cotton industry ?
- Development of South / South partnership ?

# Future prospects

## Consumer expectations



**Social responsibility**

**Traceability**

**Eco-friendly**

**Buy local**

**Fair price**

**Story telling**

**Intelligent clothes**

# Disclaimer

**This presentation has been prepared and sent/made to you in the strictest of confidence. No part of the presentation may be disclosed, distributed or reproduced to any third party, without the express written consent of TOYOSHIMA U.S.A. Inc.. The copyright in this presentation resides and shall remain with TOYOSHIMA U.S.A. Inc., and all such rights are reserved.**

**TOYOSHIMA U.S.A. Inc. doest not warrant the accuracy, adequacy or completeness of the information and material contained herein; and expressly disclaims liability for any loss or damage which may be suffered by any person or entity, as a consequence of any information in this presentation or any error or omission therein.**



 **TOYOSHIMA**

**THANK YOU**