VALUE CHAIN AND MARKET TRANSPARENCY – PROMOTING EASTERN AND SOUTERN AFRICAN COTTON IN VIETNAM

VIETNAM 18–24 AUGUST 2011
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Report and Photos by: Cynthia Zijlstra-Adriano, ITC

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Cover photo: (Left) Mr. Nguyen Van Ha, Vice-General Director, VINH PHU Textile Joint-Stock Company (VIFUTEX) at a Buyer – Sellers’ Meeting in Hanoi. Marketing brochures on East and Southern African cotton were distributed.
ITC’s Cotton Development Initiative uses south-south cooperation to make Africa a stronger competitor in the international cotton trade. It has two major focus areas. We facilitate learning and collaboration with countries that have successfully built a cotton and T&C sector and build sustainable trade linkages (exports and imports).

- **FACILITATE LEARNING AND COLLABORATION**
  - *Learning from success.* Training programmes organized by ITC allow successful cotton producers in e.g. China, India and Turkey to share their knowledge with cotton professionals from Africa.
  - *Developing capacity to transform cotton.* Successful textile and clothing producers in Asia are relaying their experiences to African countries. Closer linkages with cotton consuming spinning mills will lead to closer partnerships between spinners, ginner and farmer groups. These partnerships in turn will lead to major improvements along the value chain, including on the quality of cotton, and ensuring long-term stable markets.
  - *Encouraging intra-African cooperation.* Extensive knowledge and know how is available in Africa but often neglected.

- **DEVELOPING SUSTAINABLE TRADE LINKAGES**
  - *Sourcing from other developing countries.* Finding new suppliers in the developing world promotes savings on items ranging from seeds and fertilizer to ginning and textile technology.
  - *Promoting African Cotton:* ITC assists African cotton companies, independentginners and producers to benefit from closer linkages with cotton-consuming countries in Asia not only to learn what their clients expect from them but also to promote their cotton.
  - *Reducing cotton contamination* in Africa remains an important issue even though in many cases the reputation of African cotton is “more contaminated” than the actual cotton itself. To overcome this we identify interested spinning mills willing to assist selected ginning factories to produce clean lint.

- **OTHER TECHNICAL ASSISTANCE UNDER ITC’S COTTON DEVELOPMENT INITIATIVE:**
  - *Sector strategy development*
  - *Capacity Building of Cotton-related Associations at National and Regional Level*
  - *Capacity Building in Cotton Trade and Marketing*
Introduction

Within the framework of the ITC cotton development initiative and under the sponsorship of the EU-funded All ACP Agricultural Commodities Programme, the International Trade Centre (ITC) conducted a six-day visit of East and Southern African cotton exporters and government representatives to Vietnam.

The event entitled Value Chain and Market Transparency – Promoting Eastern and Southern African Cotton in Vietnam was organized under the supervision of Mr. Matthias Knappe, ITC Programme Manager for Cotton, Textiles and Clothing, Sector Competitiveness Section, Division of Market Development.

Mr. Hoang Duc Nhuan, Representative from the Department of Africa, Western and Southern Asia Markets, Vietnam Ministry of Industry and Trade (MOIT), provided support in facilitating visa applications for the African Delegations.

Mr. Le Van Dao, ITC National Consultant, provided technical support and ensured high-level government and private sector representation and participation in Hanoi and Ho-Chi Minh City.

Ms. Cynthia Zijlstra-Adriano (ITC) coordinated the participation of African delegates in the event, managed seminar logistics and prepared this activities brochure.

Twenty-five high-level delegates from cotton and ginning companies as well as cotton institutes and regulatory bodies in Ethiopia, Kenya, Malawi, Mozambique, Tanzania, Uganda, Zambia and Zimbabwe actively took part in the training. Association representatives from the African Cotton Textile Industries Federation (ACTIF), the Cotton Market for Eastern and Southern Africa (COMESA) and (MoZaZiMa) also participated in the training.

The training event was organized by ITC in close cooperation with the Vietnam Textiles and Apparel Association (VITAS), the Vietnam Cotton and Spinning Association (VCOSA), and with the support of the Ministry of Industry and Trade (MOIT).

Conference seminars hosted in Hanoi and Ho Chi Minh City were aimed at promoting direct linkages between African cotton producers and ginner mills with Vietnam cotton consuming spinning mills, and providing up to date knowledge on cotton production in East and Southern African countries and market information on Vietnam. Buyer-seller meetings were organized at both venues to connect Vietnamese spinners and cotton importers with African exporters, examine cotton samples and discuss possible business transactions.

Factory visits to textile spinning mills, textile and garment factories and an agricultural machinery company were undertaken to observe spinning, weaving, dyeing and manufacturing operations, as well as to explore opportunities of importing agricultural machinery into Africa. Meetings and open discussions held with managing directors of spinning companies revolved around feedback on the companies' experiences of using African cotton, cotton quality and production, information on buyer requirements, delivery time and payment terms.
The ITC training programme in association with VITAS and VCOSA fulfilled the following objectives:

- Gain better understanding and knowledge of the Vietnam textile and clothing value chain
- Increase knowledge of the Vietnam cotton market and buyer requirements
- Develop sustainable feedback loops and market-base partnerships
- Initiate business contacts and develop linkages with the textile industry in Vietnam
- Explore possibilities of agricultural inputs from Vietnam to Africa

Overview

Vietnam imports 99% of cotton lint to feed its expanding spinning and textile industries. With annual import volumes amounting to 400,000 tons of cotton, Vietnam is ranked the sixth largest cotton importing country in the world. Currently, Vietnam imports cotton mainly from the United States and India. Africa only makes up 20% of its total imports. Vietnamese spinning companies assess African cotton as good quality, but the information gap on cotton from East and Southern Africa in particular, and Africa on the whole, poses a problem to the buyers.

According to the Ministry of Industry and Trade, trade relations between Vietnam and East and Southern Africa have developed over the years, but the potential for increased trade cooperation between the two countries has not been fully exploited. With limited mutual knowledge of enterprises, a lack of understanding of the market and payment systems, business practices, demand and supply - direct sales of cotton between Vietnam and African countries have not materialized, as cotton lint is sold to the market through international merchants resulting in higher transaction costs for Vietnamese importers.

Moreover, owing to the financial crisis, many Vietnamese spinning companies are experiencing heavy losses in exports of yarn due to expensive production inputs coupled with rising labour costs and higher transaction costs. With a view to creating a win-win situation, many companies are now willing to buy cotton directly from Africa. This is turn will increase producer revenues. As a first step to bridging direct trade, it was agreed initially that small amounts of cotton will be sold in order to build confidence and trust between buyer and seller.

Business prospects and trade opportunities between Africa and Vietnam

The Ministry of Industry and Trade is committed to promoting cooperation among the Vietnamese and East and Southern African business communities as well as improving relationships between Vietnam and East and Southern Africa in the following ways:

Supply and Demand: East and Southern African countries have huge potential for cotton production and Vietnam has great demand for cotton for its spinning and textile industries. Vietnam may consider investing in spinning in Africa in exchange for cotton. Some spinning factories have proposed to provide agricultural inputs such as fertilizers, pesticides and herbicides in return.

Partnership for investment opportunities: Through the Ministry of Industry and Trade, Vietnamese spinning companies will be encouraged to invest in East and Southern Africa and assist cotton farmers in producing high quality cotton for Vietnam spinners.

Enhancement of business relations: Setting up of African representative offices in Hanoi and Ho Chi Minh City to establish regular communications and maintain business contacts will be considered.
Participants

Group photo with East and Southern African participants, representatives from the Vietnam Ministry of Industry and Trade and ITC staff

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<tr>
<th>ETHIOPIA</th>
<th>KENYA</th>
<th>MALAWI</th>
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<tbody>
<tr>
<td>Mr. Feleke Nigatu SHIFERAW</td>
<td>Mr. Micah POWON</td>
<td>Mr. Patrick KHEMBO</td>
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<tr>
<td>Commercial &amp; Planning Manager, Amibara Agricultural Development PLC</td>
<td>Chief Executive Officer, Cotton Development Authority</td>
<td>Chairman, Cotton Development Trust</td>
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<tr>
<td>Mr. Abraham Teferi TADESSE</td>
<td>Mr. Gideon MAKANGA</td>
<td>Mr. Abdul ABDULLAH</td>
</tr>
<tr>
<td>Deputy Chairman, Ethiopian Cotton Producers &amp; Ginners Association</td>
<td>Director, MWEA Cotton Ginnery Ltd.</td>
<td>Manager, Cotton Ginneries Africa Ltd.</td>
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<td>Mr. David MASIKA, Director, MAKUENI Ginneries Ltd.</td>
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<td>Mr. Alex MUNGAI</td>
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<td></td>
<td>Value addition officer, Cotton Development Authority</td>
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<th>MOZAMBIQUE</th>
<th>TANZANIA</th>
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<tr>
<td>Ms. Zulfate WALIA</td>
<td>Mr. Jones BWAHAMA</td>
<td>Mr. Adam BWAMBALE</td>
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<tr>
<td>Cotton Trade Analyst, Cotton Institute of Mozambique (IAM)</td>
<td>Zonal Director, Tanzania Cotton Board</td>
<td>Secretary Manager, Nyakatonzi Cooperative Union Ltd.</td>
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<tr>
<td>Ms. Ancha de Raisse ISMAEL AINADINE</td>
<td>Ms. Agatha SANGA</td>
<td>Mr. Johnson OKECH</td>
</tr>
<tr>
<td>Cotton Institute of Mozambique (IAM)</td>
<td>Cotton Classer, Tanzania Cotton Board</td>
<td>Cooperatives Officer, West Acholi Cooperative Union</td>
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<td></td>
<td>Mr. Kisinza SHINJI</td>
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<tr>
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<td>Ginning Inspector, Tanzania Cotton Board</td>
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<td>Mr. Fahad NAHDI</td>
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<td>Manager, S.M. Holdings Ltd. Ginning Company</td>
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### Participants

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<tr>
<th>ZAMBIA</th>
<th>ZIMBABWE</th>
<th>ASSOCIATIONS</th>
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</table>
| Mr. Thomas MANKWENDE  
Field Facilitator,  
MUMBWA Cotton Farmers District                                          | Mr. Godfrey BUKA  
Director General,  
Cotton Ginners Association                                                  | Mr. Joseph NYAGARI  
Trade Policy and ICT Manager  
African Cotton Textiles Industries Federation (ACTIF)                         |
| Mr. Austin SHINACHIZE  
Ginnery Manager,  
MUMBWA Cotton Farmers District                                            | Mr. Kennedy ZVHWATI  
Marketing Executive,  
The Cotton Company of Zimbabwe                                                | Mr. Frederick KONG‘ONG’O  
Senior Coordinator,  
EU-All Agricultural Commodities Programme,  
COMESA Secretariat                                                           |
| Mr. Sylvester NKOLOLA  
District Representative,  
Cotton Association of Zambia                                               |                                                                          | Mr. Joseph NKOLE  
National Coordinator,  MoZaZiMa  
(Regional cooperation to increase value addition in the cotton sectors of Mozambique, Zambia, Zimbabwe and Malawi) |
| Mr. Lenard SICHIKOLO  
Ginnery Manager,  
MACOGA Cotton Farmers Ginnery                                              |                                                                          |                                                                              |

### Contributing Associations and Companies

- Vietnam Textiles and Apparel Association (VITAS)
- Vietnam Cotton and Spinning Association (VCOSA)
- Vietnam Ministry of Industry and Trade (MOIT)
- BITEX NAM LONG Joint Stock Company
- DAM SAN Yarntex Joint Stock Company
- TRA LY Spinning Joint Stock Company
- VIET THAI Garment Company
- AGTEX 28 Corporation
- VIET THANG Corporation
- THIEN NAM Development and Investment Joint Stock Company
- DUY LINH Yarntex Joint Stock Company
- DONG TIEN Joint Stock Company
- VIKYNO Southern Agricultural Machinery Company
Inaugural Session – Hanoi Programme: 19 – 21 August 2011

Opening Ceremony and Introduction to the Programme

- Her Excellency Mrs. Ho Thi Kim Thoa, Vice-Minister, Ministry of Industry and Trade (Hanoi) extended a warm welcome to the participants and thanked the International Trade Centre for organizing the event with the aim to bring up to date cotton production and market information of East and Southern African countries and for African cotton stakeholders to network with Vietnamese cotton importers and spinning companies.

- Mr. Vu Duc Giang, Chairman, Vietnam Textiles and Apparel Association (VITAS), gave an overview of the development of Vietnamese garments and textile sectors and the country’s plans to import larger volumes of cotton. Main importers of cotton to Vietnam are the US, India and Africa. He mentioned that among these exporters, African cotton has good quality and suitable prices and will remain the popular choice for many Vietnamese businesses in the future.

- Mr. Matthias Knappe, Programme Manager, Cotton, Textiles and Clothing, International Trade Centre (ITC) outlined the importance of understanding the market and client needs in order for exporters to be more competitive. He summarized the programme activities and key objectives of the event relevant to reinforcing mutual understanding of the respective business environments, fostering closer relationships between Vietnam cotton importers and African cotton producers, and developing partnerships.

- Mr. Jones Bwhahama, Zonal Director, Tanzania Cotton Board, gave a comprehensive presentation on the efforts undertaken by East and Southern African (ESA) countries in successfully reducing cotton contamination and progress in pest management strategies. He invited the Chairman of VITAS to partner with ESA countries in fighting cotton contamination.

- Mr. Joseph Nkole, National Coordinator for MoZaZIMa, thanked the Vietnam Ministry of Industry and Trade and members of VITAS and VCOSA for hosting the event. He introduced the delegations from East and Southern Africa representing the agricultural and ginning sectors as well as government and regional institutions. He was hopeful that the meeting event would create a win-win situation benefitting all players.
HANOI - Conference Lectures and Presentations – 19 August 2011

The conference held at the InterContinental West Lake was a full-day event attended by over 80 participants including representatives from textile and spinning companies as well as agricultural input providers, followed by a Buyer-Seller’s meeting. The conference presentations provided information on:

- **Overview - The Cotton Situation in East and Southern Africa**: Delegates from East and Southern Africa (ESA)
  - The latest harvest and varieties available
  - Reducing contamination: Initiatives to ensure low contamination - an overview on ESA's approach in reducing contamination with focus on the successful experience in Tanzania
- **Vietnam’s Trade Policy and Support towards Africa**, Deputy Director, Market Policy for Africa, West and South Asia, Vietnam Ministry of Industry and Trade (MOIT)
- **The Vietnam Textile Industry and Cotton Consumption**: Vice-Chairman, Vietnam Cotton and Spinning Association (VCOSA)
- **African Cotton for Vietnamese Spinners** – A spinner’s perspective on African cotton and other cottons used in Vietnam: Chief Executive Officer, DAM SAN Yarntex Joint Stock Co.
- **How to export cotton to Vietnam?**
  - Logistics & Transportation: Deputy Director-General, Sea & Air Freight International (SAFI)
  - Banking Arrangements: Deputy Director, Financial Institute of VIETINBANK

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<tr>
<th>ITC Programme Manager highlights the importance of understanding the market and the client and the need for clear feedback from consumers of African cotton</th>
<th>Comesa delegate shares key information with spinning companies on cotton production, fibre quality characteristics, harvesting periods, ginning methods used, transportation and contract terms of East &amp; Southern African cotton producing countries</th>
<th>Delegate from the Cotton Board presents the successful results achieved in cotton contamination reduction and progress in pest management strategies conducted in East and Southern African countries</th>
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<td>Chairman and Director General, Bitex Nam Long Joint Stock Company shows huge interest in buying directly from African cotton suppliers</td>
<td>Representative from a Vietnamese spinning company highly appreciates African cotton and asks how contamination is controlled</td>
<td>Representative from a cotton company in Zimbabwe list measures taken to combat contamination, such as no PP materials used, 100% manual classification, bale numbers are requested so that producers can correct flaws. Invites Vietnamese spinners to come to Africa and see prevention measures in place</td>
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Delegate from Ethiopia inquires about payment challenges, agricultural input products from Vietnam and business interest to open companies in Ethiopia

Delegate from Kenya stressed the importance of building a direct relationship between African exporters and Vietnamese importers

Representative from VCOSA asks questions on productivity per hectare and cotton produced from irrigation schemes

- The interactive question and answer session with conference presenters, participants and managing directors of spinning companies clarified issues on production capacities, irrigation schemes, transportation and shipping costs, payment schemes, investment opportunities, credit systems, trust and relationships with banks, arbitration and disputes, contracts, etc.

- Other concerns expressed by spinners and conference presenters were the lack of market information on East and Southern African Cotton.

- In order to bridge the information gap, presentation content on the cotton sectors of East and Southern African countries and results in cotton contamination reduction were provided to the Vietnam Ministry of Industry and Trade (MOIT) for circulation to spinning associations and textile institutions. Furthermore, East and Southern African brochures will be translated into Vietnamese and posted on the website by MOIT.
At the Buyer-Seller’s meeting, Vietnamese spinners and cotton traders met with African cotton producers to examine samples and discuss possible business transactions. During the networking event marketing brochures on East and Southern African cotton were distributed to spinners, textile and garment representatives as well as input providers.

Representative from a spinning company reads a marketing brochure on African cotton

Vietnamese spinners were impressed by the quality of Kenyan cotton

Delegate shows HVI test results of Kenyan cotton fibre

Discussions on possible deal with spinner. Cotton samples were given for testing

Spinners from VIFUTEX show interest in buying Ugandan cotton

Ginner learns that spinners from DAMSAN have been using Ugandan cotton and are satisfied with its characteristics and quality

Kenyan Delegate exchanges contact information with Deputy Director General, Market Policy for Africa (MOIT)

Delegates from COMESA and ACTIF provide list of members of their associations to Vice-Chairman (VCOSA)

Spinning company representatives interview Zimbabwean delegates from the ginners’ association and cotton company

A spinner examines the quality of Zimbabwean cotton

Representatives from the Thai Binh Thang Long Textile Company Ltd. were impressed with the quality of Zambian Cotton
Vietnamese spinning companies - Bitex Nam Long and Eva Import-Export Trading Joint Stock Co. have demonstrated their interest in Mozambican cotton. Discussed export procedures, contractual terms and base price.

Vietnam is not familiar with Malawi cotton. Samples, company brochures and exporter’s profile were presented to Vice-Chairman (VCOSA).

ACTIF representative presents brochures on the association to a member of VITAS

Vietnamese spinners are willing to pay a premium for quality lint. During the networking session, spinners gave feedback on their experiences in using African cotton. The networking event provided an opportunity to establish good business relationships with them.

Outcomes of the Buyer – Seller’s Meeting

- **Zimbabwe**: VINH PHU Textile Joint-Stock Company (VIFUTEX) has placed an order to buy 100 MT of Grade A cotton from a ginner in Zimbabwe. Shipment: October 2011. The price of high grade cotton will fetch approximately **USD 260,000** (Cotlook Index).

- **Tanzania**: A ginning company made a first trial order to Vietnam of 120 MT of cotton amounting to approximately **USD 290,000**

- **Zambia**: THAI BINH THANG LONG Textile Company Ltd. is interested in purchasing the type and quality of cotton from Zambia produced from the MUMBWA Ginnery. The Mumbwa Cotton Ginnery would - as of next year - be selling cotton to this company.

- **Zambia**: MUMBWA Cotton Farmers Ginnery and MAGOYE Cotton Growers Association would be making joint orders from DAMSAN Yarntex JSC for chemicals through the Cotton Association of Zambia during 2011/2012 season.

- **Uganda**: Vietnamese spinners have shown interest in buying Ugandan cotton. Next crop will be available in January 2012. Contact with spinners and serious discussions will take place at the end of December 2011.

- **Mozambique**: BITEX NAM LONG Spinning Co and EVA Import-Export Trading Joint Stock Co. have shown interest in Mozambican cotton and will be contacting Mozambican cotton companies to discuss quantities and negotiate prices.
Hanoi - Factory Visits: 20 – 21 August 2011

BITEX NAM LONG Spinning, Weaving and Dyeing Factory

BITEX NAM LONG was established in 1990. The company has 1,500 staff members and its main business lines are spinning, weaving and dyeing. Other businesses include: Towel production for the Japanese market accounting for 80% of exports and the remaining 20% for the domestic market; Fabric production for uniform garment making; Water bottling; Seafood processing for export; Wooden furniture for production and export; Real estate investment.

BITEX NAM LONG
Address: Lot A2, Nguyen Duc Canh Industrial Zone, Thai Binh Province
Tel: (84 36)3847848
Fax: (84 36)3847849
Website: http://www.bitexconamlong.com.vn
E-mail: bitexconamlong@vnn.vn
Contact person: Mr. Le Minh Hieu, Chairman and Director General
Mobile phone: (84)913291068

The Director General extends a warm welcome to the African Delegation and thanks them for their visit.

The company consumes between 5,000 MT and 6,000 MT of cotton per annum for both production and trading business and mainly imports from the United States. The company buys East African cotton through international merchants: Cargill, LGW Ltd. and has experience with using cotton from Tanzania, which supplied 15% of its total demand through OLAM. The company also uses cotton from Ghana, Mozambique and South Africa.

BITEX is very interested to buy cotton directly from African suppliers. It cited the advantages of African cotton as having a higher percentage of long fibres that are smoother and more resistant compared to cotton from other sources. The company also raised concerns of contamination, contract and payment terms, arbitration, defaults on delivery, shipping arrangements and preferred to get familiar with buying and selling processes before entering into direct transactions.

Onsite coaching and training

Participants examine lint quality from an open bale
Manager explains pre-cleaning operations
Participants observe the drawing process at the spinning mill

The company uses ring spinning technology. Manager shows the quality of spun yarn for cotton towels
Cone-winding machines equipped with cleaners are used by the factory
100% cotton yarns ready for weaving
BITEX NAM LONG Spinning, Weaving and Dyeing Factory

Specialized technician demonstrates towelling weaving techniques using the jacquard loom technology

Participants observe the intricate patterns obtained from jacquard weaving. The company produces terry cloth cotton towels which are very absorbent

Group photo with the Director General of Bitex Nam Long, African Delegates, MOIT representatives and ITC staff

DAM SAN Yarntex Joint Stock Company

Dam San Yarntex was established in 2006. It is specialized in manufacturing Open-End yarn, carded yarn and high quality towels. The company employs 650 workers and is equipped with Rieter spinning machines, complete blow room, high production cards, draw frames and weaving looms. Dam San has an annual production capacity of 12,000 tons of yarn and 5,000 tons of towels. Its products are exported to Korea, China and Europe.

DAM SAN needs to import 15,000 MT to 20,000 MT of cotton annually for production at two of its factories and for trading business. Currently, Dam San imports from the United States: 40%, India: 30%, and Africa: 30% through an international agent (Olam). It has good experience with using African cotton varieties such as Mambo-S, Mali-July, July-S, Noga, and Mocam for its less damaged fibers, and higher percentage of long staple fiber.

The company expressed concerns about contamination. However it is highly interested in setting up a representative office in an African country to buy cotton and sell rice, garments and agricultural inputs.

DAM SAN Yarntex JSC
Address: Lot A4, Bui Vien Street, Nguyen Duc Canh Industrial Zone, Thai Binh province
Tel. (84 36)3643826
Fax. (84 36)3642312
Website: http://www.damsanjsc.com.vn
E-mail: damsankd@gmail.com
Contact person: Mr. Vu Huy Dong, Director General
Mobile phone: (84)987696688
During a tour of the spinning factory at Dam San, participants observe opening and cleaning operations in the blow room.

Mr. Vu Huy Dong (right) explains that the company has strict requirements for high quality cotton.

Dam San company representative shows texture of carded fibre ready for spinning.

Representatives from a cotton cooperative in Uganda discuss with manager possible cotton sales when new crop is harvested.

Group photo with Mr Vu Huy Dong, Director General of Dam San, participants, MOIT representatives and ITC.
TRA LY Spinning Joint Stock Company

TRA LY was established in 1980 as a state owned company, involved in the production of jute fibres and jute bags for packaging. The Company was gradually privatized during the period 2004-2008 to become a joint stock company with 100 private shareholders. It shifted to production of cotton yarn and polyester yarn, using 30,000 spindles for cotton yarn production and 20,000 spindles for polyester yarn. It exports yarn to Turkey, Sri Lanka, the United States, Egypt, and Thailand.

TRA LY Spinning JSC
Address: 128, Le Quy Don Street, Tien Phong Ward, Thai Binh City, Thai Binh Province, Vietnam
Tel: (84 36)3831 580
Fax: (84 36)3834 830
Email: tralyco@vnn.vn
Website: NA
Contact person: Mr. Tran Van Dinh, Head of Import and Export Unit
Mobile phone: (84) 936040919

The Chief Executive Officer of TRA LY expresses her delight to meet with the African Delegation and looks forward to cooperating directly with cotton producers. The company is very keen on establishing direct links with specific cotton suppliers from African countries to be able to reduce input cost as the company is selling yarn at a loss. For example, TRA LY bought Ugandan cotton lint through Olam at US$ 4.8 per kg, CIF Hai Phong Port, but it can only sell its product (yarn) at US$ 2.8 per kg (CIF price) on average.

The company consumes 5,000 MT of cotton annually. In 2011, it imported 2,500 MT from Tanzania, Mozambique, Burkina Faso, Mali, and Uganda through an international agent (Olam).

CEO leads the factory tour of spinning operations
At the warehouse, participants discover West African cotton bales from Burkina Faso and Mali. A participant tests the fibre quality of Malian cotton from CMDT “Compagnie Malienne de Développement de Textile”

A Ugandan cotton producer is astonished to find cotton bales from his company at the warehouse, which were sold via international agents. African cotton exporters are not informed which companies buy their cotton, and as such do not benefit from feedback regarding quality

Participants learn that in Vietnam, there is a market for low-grade cotton, which is used to manufacture sanitary items

A representative from a ginnery in Kenya exchanges contact details with the TRA LY company
VIET THAI Garment Company

VIET THAI Garment Company was established in 1996 as a state-owned company. In 2005, following privatization, it became a joint stock company with 46% of shares owned by the government and 54% by private shareholders. The company has 1,050 workers working in three garment workshops and produces sportswear, shirts, trousers, jackets, and children clothes for both domestic and export markets.

In 2010, VIET THAI exported US$ 6.2 million worth of garments to the US market (56%), European Union market (17%) and Canada (22%). The remaining 5% was sold to the domestic market.

VIET THAI Garment Company

Address: 1 Trung Trac, Le Hong Phong Ward, Thai Binh City, Thai Binh Province, Vietnam
Tel: (84 36) 3831686
Fax: (84 36) 3731 312
Email: NA
Website: NA
Contact person: Mr. Pham Van Ca, Director General

VIET THAI is a garment manufacturing company and is not directly involved in cotton consumption. The company presentation provided the participants with general information about the company, performance indicators, equipment and challenges faced in 2011.

Participants observe the factory’s use of modern new generation sewing machines for their sewing lines

A specialized worker operates a hydraulic button pressing machine for textiles

Participants observe production of garments

The company produces sportswear clothing among their many products. Finished ski jackets ready for export
AGTEX 28 Company

AGTEX 28 was established in 1975. The company was a takeover from the former “Saigon government” after the liberation of the South of Vietnam. It was equitized in 2009 to become a joint stock company with 51% of shares owned by the Ministry of Defense and 49% by private shareholders.

AGTEX 28 has various businesses, which include yarns, uniforms for the Vietnamese army and police, garments, drinking water bottling, trading activities of petroleum products, and investment in real estate. It has 3,600 staff members with an annual export turnover of US$ 40 million to 50 million.

The Managing Director of AGTEX, Mr. Nguyen Van Hung welcomed the African Delegates.

The company has a production capacity to manufacture 3 million men/ladies suits, 15 million meters of fabrics and 2,300 MT of yarns per annum. They supply to Hugo Boss, Nike and Snicker (Work-wear Group).

Its spinning factory is equipped with 14,000 spindles. In 2011, the Company produced 2,000 MT of yarn including 1,500 MT of cotton yarn and 500 MT of polyester yarn for export.

The company has concerns about African cotton, notably: high level of foreign matter, high nep and uneven color within a lot. In addition, it cited that high sugar content and the risk of default on delivery in the event it would buy directly from African suppliers.

During the period 1998-2007, AGTEX imported 1,000 MT of cotton per annum from Cameroon, Ivory Coast, Mali, and Burkina Faso through international agents. But since 2007, the Company stopped buying African cotton. It is now buying cotton mainly from the US (60%) and from India (40%).

Onsite coaching and training

During a quick tour of the company facility, the Managing Director showed participants spinning, weaving and dyeing operations.
VIET THANG Corporation

VIET THANG was established in 1960. It is involved in the whole value chain from spinning, weaving, dyeing, to garment production. The Company is equipped with 60,000 spindles and has a capacity to produce 9,000 MT of yarn and 60 million meters of fabrics per annum. Its yarn fabrics include 100% cotton, 100% spun polyester, T/C and CVC. In the dyeing and printing sectors, it has a capacity for 20 million meters of fabrics per annum. In garment making, it produces 5 million units of shirts, trousers, and jackets. It employs 4,000 workers with annual sales of VND 1,200 billion (equivalent to US$ 60 million).

VIET THANG Corporation
Address: 127 Le Van Chi Street, Linh Trung Ward, Thu Duc District, HCM City
Tel. (84 8)38969337
Fax. (84 8)38969319
Website: http://www.vietthang.com.vn
Email: vietthang@vietthang.com.vn
Contact person: Mr. Bui Dung, Manager of Technical and Purchasing Unit.
Mobile phone: (84)903991107

Mr. Vu Ngoc Binh, Vice-Director General of VIET THANG gave welcome remarks to the participants. The company has an import demand of 3,000 MT to 4,000 MT of cotton per annum. Imports from Mali, Burkina Faso, and the Ivory Coast - through an international agent (Olam) - accounted for 80% of imports and the remaining 20% was supplied by the United States. The Company started to import cotton from Africa through intermediaries, since 1993. It cited the advantages of African cotton as having a higher percentage of long fibres that are smoother and more resistant compared to cotton from other sources. The Company has concerns with contamination and delivery, notably higher percentage of foreign matter and long delivery of 2 to 2.5 months, while delivery from the US only takes about 20 days. In addition, it cited the issue of yellow colour in African cotton. However, the Company showed a huge interest in establishing links with reliable African suppliers to be able to do direct transactions.

Onsite coaching and training

Cotton producers ask more details on the types of contaminants found
Participants test and compare cotton lint from Mali (CMDT)
The company expresses interest in linking up with African suppliers

At the blow room, participants observe machines mixing different varieties of cotton to get a proper blend in order to produce a uniform quality of yarn
THIEN NAM was established in 1990. The company’s main business was trading of raw material and chemicals for textile and garment production. Since 1996, the Company started to manufacture yarns. Between 1996 and 2011, the company built five factories. These five factories are equipped with over 167,000 spindles and have a total production capacity of 27,600 MT of yarn per annum, of which 80% are for exports. The company exports yarns to Korea, Malaysia, Indonesia, Taiwan, Philippines, China, Hong Kong, Singapore, Thailand, Bangladesh, Sri Lanka, India, Brazil, Columbia, Ecuador, Central America, America, Spain, Turkey, and several countries in the Middle East.

The participants are welcomed by Mr. Tran Le Ha, Vice Director General of THIEN NAM. The company consumes 20,000 MT of cotton per year. It imports mainly from the US and the Commonwealth of Independent States (CIS), but it has also imported cotton from other African countries. It appreciated cotton from Cote d’Ivoire, Burkina Faso and Zambia.

The company raised concerns about African cotton, particularly: high level of foreign matter, dead fibres and unstable quality. In addition, it raised concerns about transportation arrangements if the company would enter into direct transactions with African ginners. However, the company is interested in buying cotton from Senegal, Tanzania, Zimbabwe, and Uganda and is willing to pay a premium of 2 cents to 3 cents/kg to ginners to have quality cotton.
DUY LINH Yarntex Joint Stock Company

DUY LINH Yarntex JSC is specialized in manufacturing and trading cotton yarn and cotton towels. It is equipped with 2,200 spindles with a total production capacity of 6,000 MT of yarn per year. The Company’s production facility includes - Blow Room – Card – Draw Frame by Truetschler (Germany) model 2008; Spinning machines by Oerlikon Saurer model 2008; Dust Collection and Air Control System by Hong Yan (Taiwan) model 2008.

The Company has an expansion plan to add 1,600 spindles in 2011. Its products are exported to the US market, European market, Korea and Taiwan.

Participants arrive at DUY LINH Yarntex Joint Stock Company and meet with the Production Manager. Currently the company consumes 500 MT of cotton per month. Its main import markets of cotton are Argentina, the United States and India. In 2008, it placed a trial order for 200 MT of cotton from Kenya through an international agent and had a bad experience about the quality. Since then, the company stopped buying cotton from African countries.

During discussions on possible direct transactions with African suppliers, the company raised concerns about quality conformance issues.

The participants visit the company facilities and observe different qualities of cotton lint for the manufacture of different products.

A participant shows interest in a cotton quality label.

Participants discover that there is a market for low-grade cotton in Vietnam, which is used to manufacture sanitary products.

(Right) Spokesman for the African Delegation addresses thanks to the Manager and reiterates efforts by African cotton suppliers to produce high quality cotton.
DONG TIEN Joint Stock Company

DONG TIEN JSC was established in 1990. It has 3,000 employees and is involved in manufacturing and trade of garments; trade of machinery, equipment and apparel accessories; trade of agriculture products, plastics, processed foods, transportation and office equipment; investment in real estate and infrastructures for the industrial parks and residential areas.

In the garment sector, the company produces: Jackets - 960,000pcs/year; Shirts, blouses and ladies’ wear - 780,000pcs/year; Trousers and casual pants - 2,280,000pcs/year; Underwear for ladies and men - 1,200,000pcs/year.

DONG TIEN JSC exports to the US market (30%), European market (46%), Japan (20%), and to other markets (4%). Its annual export turnover is US$ 40 million. It imports 80% to 90% of its demand of fabrics from China, Japan, Taiwan, and Hong Kong. Only 10% was supplied to the domestic market.

DONG TIEN JSC
Address: Phan Trung Street, Tan Tien ward, Bien Hoa city, Dong Nai province, Viet Nam.
Tel: (84 61) 3822248
Fax: (84 61) 3823441.
Email: dovitec@hcm.vnn.vn
Website: www.dovitec.com.vn
Contact person: Mr. Vu Ngoc Thuan
Managing Director
Mobile phone: (84) 913850952

The Managing Director of DONG TIEN JSC, Mr. Vu Ngoc Thuan welcomes the participants. The garment manufacturing company is not directly involved in cotton consumption.

Factory visit

Participants observe sewing operations of the clothing factory
The company manufactures 960,000 pieces of jackets a year
Sewing line of the garment factory
VIKYNOSouthern Agricultural Machinery Company

VIKYNO has a Japanese license and is involved in the manufacturing of:

- Diesel engines and generator from 5 to 30 horse power (HP)
- Water pumps
- Rice milling machines
- Insecticide sprayers
- Two-wheel tractors

The company also manufactures custom-made equipment and exports its products to 30 countries worldwide including some African countries such as Madagascar, Nigeria, Benin, Egypt, and Syria.

NIKYNOSouthern Agricultural Machinery Company

Address: Bien Hoa Industrial Zone 1, Dong Nai Province
Phone: (84 61) 3837138
Fax: (84 61) 3837224
E-Mail: vikyno@hcm.vnn.vn
Website: www.vikyno.com
Contact person: Mr. Hoang Thanh Long, Head of Import-Export
Mobile phone: (84) 913916484

Mr. Hoang Thanh Long, Head of Imports and Exports at VIKYNO welcomes the participants to the show-room for agricultural machinery. The visit to company aims at exploring the possibility of exporting agricultural equipment to African countries.

Show Room

Participants try out two-wheel tractors and other light-weight farming machines

Participants observe agriculture water pump machinery and generators and inquire about performance, fuel consumption and spare parts

Diesel engines generators on display
The conference event and buyer-seller’s meeting held at the Windsor Plaza Hotel in Ho Chi Minh City were attended by over 50 participants including representatives from textile and spinning companies.

Opening remarks at the inaugural session of the conference event were made by:
- Representative, Vietnam Ministry of Industry and Trade (HCMC)
- Mr. Nguyen Hong Giang, General Secretary, Vietnam Cotton and Spinning Association (VCOSA)
- Mr. Matthias Knappe, Programme Manager, Cotton, Textiles and Clothing, International Trade Centre (ITC)
- Mr. Joseph Nkole, East and Southern African Representative

The conference presentations provided information on:

- **Cotton growing in Vietnam – Opportunities for Cooperation with Africa**, Executive Director, Vietnam Cotton Company (VCC)
- **Overview on Production Capacity of the Vietnam Spinning Industry**, General Secretary, Vietnam Cotton and Spinning Association (VCOSA)
- **Overview - The Cotton Situation in East and Southern Africa**: Delegates from East and Southern Africa
  - The latest harvest and varieties available
  - Reducing contamination: Initiatives to ensure low contamination - an overview on ESA’s approach in reducing contamination with focus on the successful experience in Tanzania
- **Feedback on African Cotton Quality in Vietnam**: A survey of 21 spinning companies in Vietnam in 2010, Ms. Vu Kim Yen, ITC consultant

Mr Nguyen Hong Giang, General Secretary of the Vietnam Cotton and Spinning Association (VCOSA) described the importance of the textile industry for the Vietnamese economy. With a steadily increasing textile production of $13 billion USD and annual cotton imports of 400,000 tons, Vietnam is the 6th largest cotton-importing country in the world. With little home-grown cotton, Vietnam depends on imports for 99% of its needs. Imports of African cotton are a promising source of good quality cotton fibres, if levels of contamination can be reduced.
An overview presentation showing efforts undertaken to reduce contamination in ESA countries, with focus on the successful experience in Tanzania.

A presentation on the survey on African cotton use in Vietnam provided detailed feedback and recommendations for improvement.

MOIT Representative (Market Policy for Africa) adds that contamination must be supported by individual governments and countries need cotton standards. Also commented that he will send advice to promote reliable African cotton companies in Vietnam.

Participant from Zambia discusses quality incentives and suggests that bonuses given to farmers should be tied to the quality of the crop.

Participant from the ginning sector in Kenya adds that cotton has other uses – not only textiles. He highlighted value addition of low-grade cotton for the production of sanitary towels and joint ventures between Kenya and Vietnam to develop this promising market.

Buyer - Seller’s Meeting in HCMC

Ethiopian Delegates display their lint samples and company profile brochures.

Vietnamese spinners are willing to discuss prices of Zambian cotton lint depending on volumes.

The Vietnam Cotton Company examines cotton samples from Tanzania.

(Left) Commission Agent from De Saga S.A. shows interest in doing business with Malawi. The agency has requested a HVI Test Report.

Malawian Delegate shows marketing brochures and company profiles of ginners to interested spinners.

Executive Director, Vietnam Cotton Company (VCC) discusses possible sales with Ugandan ginners.
# Lessons learned and follow-up activities

<table>
<thead>
<tr>
<th>LESSONS LEARNED</th>
<th>FOLLOW UP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COTTON QUALITY AND PRODUCTION</strong></td>
<td><strong>ACTION</strong></td>
</tr>
<tr>
<td>• Cotton contamination is considered a problem that limits the import of African cotton into Vietnam</td>
<td>• Introduce appropriate non-contaminant packaging materials and improve post-harvest operations to minimize contamination</td>
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<td></td>
<td>• Educate workers and provide incentives to cotton growers and harvesters to improve quality</td>
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<td></td>
<td>• Share best practices among African cotton growing countries</td>
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<td></td>
<td>• Develop a market for lower quality cotton, e.g. personal hygiene products</td>
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<td></td>
<td>• Create a system for sharing cotton user’s feedback so that the feedback from cotton users can be obtained periodically and made available to African cotton ginners and exporters. In this perspective, VITAS has proposed to sign an MOU between ACTIF and VITAS to concretise the tasks and function</td>
</tr>
<tr>
<td></td>
<td>• Set up a Quality Alliance/ Regional Testing Centre to ensure a good image of African cotton in export markets</td>
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<td></td>
<td>• Standardize the African bale coding system to ensure tracking of cotton exporters, ginners and growers whenever and wherever problems arise</td>
</tr>
<tr>
<td><strong>COTTON TRADE</strong></td>
<td><strong>ACTION</strong></td>
</tr>
<tr>
<td>• Vietnam is a potential market for African cotton</td>
<td>• Promote cotton producing and ginning companies and their products to Vietnam’s market</td>
</tr>
<tr>
<td>• International agents such as Olam, Plexus, Geocotton, Cargil, and Devcot, still play key roles in exporting cotton from Africa to Vietnam. There is not yet any direct transaction of cotton between Vietnam and African countries</td>
<td>• Coordinate among all players in the whole value chain to work together on minimizing the unnecessary costs and better control the quality of cotton for the benefits of all concerned parties</td>
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<td>• Improve payment and export conditions to increase trust in direct sales, avoiding intermediaries</td>
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<td></td>
<td>• Consider having sales representatives in Vietnam or the Far East who work on commission basis</td>
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<td></td>
<td>• Create direct contacts/links with African ginners/exporters to be able to:</td>
</tr>
<tr>
<td></td>
<td>(i) Arrange with international traders to reduce the costs of transactions</td>
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<tr>
<td></td>
<td>(ii) Find ways to import directly from African suppliers in the future</td>
</tr>
<tr>
<td>• Direct sales of African cotton to Vietnam can be beneficial for both parties</td>
<td>• Reduce delivery time</td>
</tr>
<tr>
<td>• Many Vietnamese spinning companies are suffering losses as their raw cotton and labour costs cannot be offset by the export price of yarn due to the international financial crisis</td>
<td></td>
</tr>
</tbody>
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## Lessons learned and follow-up activities

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<tr>
<td>• Create an African cotton ginner and exporter website with information on available crops, grades with reference to equivalent international standards, available quantities for export, packaging materials and producers/exporters contacts (address, telephone, fax, email, contact person), etc</td>
<td>• Create a Model Contract of Sale of Cotton in English and French for African countries to use</td>
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<tr>
<td>• Encourage and assist trial orders to learn experiences and start to build up the trust</td>
<td></td>
</tr>
<tr>
<td><strong>TEXTILE INVESTMENT AND TRADE</strong></td>
<td><strong>ACTION</strong></td>
</tr>
<tr>
<td>• Value addition is possible by converting cotton into yarn and garments</td>
<td>• Invest in African yarn and garment factories.</td>
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<tr>
<td>• Technology transfer from Vietnam to Africa.</td>
<td>• Organise periodical and exchanged promotion/selling missions between Vietnam and African countries</td>
</tr>
<tr>
<td><strong>SOUTH-SOUTH TRADE BETWEEN AFRICA AND VIETNAM</strong></td>
<td><strong>ACTION</strong></td>
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<tr>
<td>• Cotton trade from Africa to Vietnam can be accompanied by input trade from Vietnam to Africa</td>
<td>• Improve business contacts and exchange information between Africa and Vietnam</td>
</tr>
<tr>
<td>• Place joint orders for Vietnamese inputs to reduce price</td>
<td>• Create strategic alliances between African ginners and Vietnamese spinners</td>
</tr>
<tr>
<td>• Establish Vietnamese trade offices in Africa</td>
<td>• In anticipation of this issue, the programme included meetings with and visits to agricultural equipment and agricultural materials manufacturers to explore the possibilities of exporting these items from Vietnam to Africa in order to contribute to promoting a two-way trade</td>
</tr>
<tr>
<td>• The long delivery time for imports from African countries in comparison with other countries remains an issue, as the direct transportation routes have not yet been established due to the low volume of trade between Vietnam and Africa.</td>
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