Mozambique is located on the southeast coast of Africa and has a land area of approximately 308,000 sq. miles (almost twice the size of California). Mozambique has good climate conditions for growing cotton, especially in the northern and central regions where it can be grown with few production inputs. Its capital, Maputo, is served by air, rail and road links to all of South Africa’s major urban centers and ports. Maputo is located 360 miles from South Africa’s busiest harbor of Durban and 340 miles from Johannesburg, the commercial heart of South Africa. The country’s official language is Portuguese, but English is widely spoken in the major cities. The literacy rate, defined as anyone over the age of 15 who can read and write, is 50 percent as of 2009. Mozambique has enjoyed a stable social and political environment since 1999, five years after the country’s first democratic election.

The textile industry in Mozambique originated in the production of natural fibers including cotton and sisal mainly for exports. Its first textile mill, Text Africa, was established in the late 1940s, and a modest cotton-based textile and clothing industry developed steadily until 1974. In that year, the country experienced a mass exodus of Portuguese residents who had held nearly all managerial and technical positions. Coupled with the effects of socialist policies and the long-lasting civil war in Mozambique, this exodus precipitated the demise of the industry. Cotton lint production plummeted from 50,000 MT in 1973 to 2,000 MT in 1985 as many factories closed down or were reduced to operating at very low utilization rates.

In the early 1990s the industry began experiencing some cut, make and trim (CMT) growth, but at very low utilization rates. Today the domestic market is flooded with second-hand clothing and Capulana (wraparound fabrics of African prints similar to the East Africa Kanga and Chitengi), which together comprise 80 percent of the domestic garment market in Mozambique. Furthermore, the country is overwhelmed with the under-declaration of textile and garment imports from China.

In 2006, Mohammed Enterprises Tanzania Limited (METL), a company that owns and operates several vertical textile mills in Tanzania, acquired the rights of Texmoque and renamed the company Nova Texmoque. After three years of heavy capital investment in new equipment, METL began producing dyed and printed fabrics, employing 135 people. However, the production volumes lag capacity by a considerable margin. Today the other textile mills in Mozambique include polypropylene (PP) extrusion, weaving and bag-making companies, as well as a sisal cord plant.

The textiles and apparel industry maintains highly competitive wage rates and an adequately skilled labor supply. The labor force can be characterized as large, easily trainable, productive and, until recently, inexpensive. A 25 percent minimum wage increase in 2010 took wages to $100-110 a month depending on the skills and length of service, and the terms and conditions of employment in Mozambique prohibit child labor. Employers are obligated to pay a social security tax of 7 percent, of which 3 percent is deductible from the employee’s wages. In order for apparel production to take hold in the country, a significant amount of skills transfer, engagement of expatriate staff mainly from Taiwan and China, and readily available work and residency permits are needed.
COTTON GROWING: In the 2010-11 cotton production season, Mozambique produced more than 70,000 tons of seed cotton on 128,000 hectares, resulting in a yield of 550 kilograms of cotton per hectare: the highest yield over the past five years. The 2010-11 cotton production was harvested by 170,000 farmers with an average farm size of 0.75 hectares, demonstrating that cotton production in Mozambique is dominated by smallholder farmers. Commercial-scale cotton farming contributes less than 3 percent or 1,900 tons of cotton per year. Mozambican cotton is widely exported to Portugal, Germany, France, Brazil, China, Indonesia, India, Taiwan, and Singapore as well as nearby African nations including South Africa, Mauritius and Kenya.

The Mozambique Institute for Cotton (IAM) convenes stakeholder meetings prior to planting and harvest to establish minimum cotton prices based on quality. This protects the interests of the smallholder and subsistence producers, which deliver 97 percent of cotton production.

The cotton industry is driven by investments in ginning factories, storage facilities, transportation equipment and agricultural production. Each ginning company represents an investment of US$5 million. There are 15 ginning factories, but only 10 are operational and are well below installed capacity. Furthermore, widespread dirty cotton and inconsistent fiber quality results from poor picking techniques, use of mixed seed varieties, and cotton mixing when bulking.

Seed cotton prices follow global lint price trends, and the minimum prices set by IAM were stable between M5.30 and M6 per kg in 2006-2009. In 2010 the price increased to M8.10 per kg and M15.00 per kg in 2011. A company called Movitex is being set up to process seed to enable Mozambique by 2004 to produce half of the 4,800 tons of seeds that it currently imports per year. However, a single company will not have the capacity to meet market demand, and other producers will need to be involved in the production of quality seed.

While wage rates are competitive, the cost for electricity, water and transport are high compared to neighboring states. Water in Maputo for industrial users ranges $21-$42 for a minimum of up to 50 cubic meters per month and $16-$21 for a minimum up to 25 cubic meters per month. The tariff for industrial consumption of electricity is $0.16 per kWh and $2.94. The minimum time from order to delivery in the US would be 15 weeks, which is 3-5 weeks behind Asian competitors in delivery time.

A more immediate threat to the industry than high utility rates is the lack of available empty buildings and factory shells suitable for manufacture. The industrial park of Beluluane near Maputo is 700 ha with most of the builds occupied by warehousing operations or other industries.

Today, the Mozambique apparel industry consists of four companies: Moztex, an Aga Khan Foundation initiative established in 2010 to produce woven school shirts and children’s knits, which expanded to trousers and shorts in 2012; Maputo Clothing/TMCC, established in 1992 and producing woven men’s shirts, trousers and uniforms; Ninita, which produces woven menswear and womenswear; and Faumil, which produces woven trousers, shirts, and jackets (primarily military uniforms). Maputo Clothing, Faumil and Ninita produce only woven garments, while Moztex manufactures both knit and woven garments. These companies together employ 1,000 of the 1,500 workers in the country’s textiles and apparel industry. Although the opportunities presented by AGOA extend until 2015, the South African market beckons. These manufacturers also produce 175,000 units per month, of which 85 percent is destined for South Africa.

The regulatory environment is bureaucratic with many of the socialist policies still in place. Land belongs to the state and may not be sold, mortgaged, pledged or otherwise made the subject of a commercial transaction. The maximum length of a concession is 50 years, renewable for a further 50 years at the request of the concession holder. The minimum value for a foreign direct investment is US$90,000.