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Nigeria

Cotton and Products

Annual

2007

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Report Highlights:
In June 2006, the GON inaugurated the Cotton Development Committee and established a 70 billion Naira ($530 million) fund to be disbursed as soft loans to textile manufacturers in order to revive Nigeria's ailing textile industry. To date, no manufacturer has accessed the fund as disbursement modalities are still being worked out. Nigeria's cotton production is steadily increasing due largely to increased export demand, which is spurred by favorable international prices and the reinstatement of the GON's 20 percent Export Expansion Grant.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Lagos [NI1]
[NI]

Executive Summary

In June 2006, former President Olusegun Obasanjo launched the National Cotton Rebirth Program to encourage increased cotton production in Nigeria. The Government of Nigeria (GON) and the 25 cotton-producing states in the country inaugurated a Cotton Development Committee (CDC) and established a 70 billion Naira ($550 million) textile/cotton development fund to support and revamp the cotton, textile, garment and ginning industries. The crux of this program is to provide credit to cotton farmers, textile manufacturers and ginners at an 8 percent interest rate, which is well below the prevailing commercial bank rates. The immediate aim of this project is to double cotton production in the near term. In addition to boosting quantity, the project also aims to ensure that Nigeria produces high-quality cotton lint and other textile products.

The CDC is to, among other things:

- Support cotton research to produce new high-yielding varieties with a minimum of 40 percent ginning outturn.
- Support cotton farmers to improve yield and earnings
- Promote premium quality cotton by reintroducing cotton grading and lint quality control and assurance measures

The GON continues to implement import bans on several textile products introduced since January 2004. Despite this measure, Nigeria's textile industry is struggling to cope with imports of 'illegal' Asian products and reduced consumer demand. Textiles products often enter Nigeria in an undocumented fashion and are sold to consumers at prices which reflect the avoidance of import duty payment. Industry sources report that, in the face of these cheap imports, several textile companies have closed operations, with the number declining from a peak of 175 in the mid-1990s to only about 35 currently and employment in the sector down from 137,000 to just 25,000.

Exchange Rate: $1 = 126.5 Naira

PSD Table: Cotton

Nigeria Cotton Hectares, 480 lb. bales, KG/HA	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		08/2005	08/2005		08/2006	08/2006		08/2007	08/2007
Area Planted	0	378	380	0	0	380	0	0	395
Area Harvested	380	378	380	380	0	380	380	0	395
Beginning Stocks	144	144	144	129	127	129	119	127	119
Production	400	423	400	400	0	400	400	0	450
Imports	70	71	70	75	0	75	75	0	70
MY Imports from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	614	638	614	604	127	604	594	127	639
Exports	125	114	125	125	0	125	125	0	150
Use	360	397	360	360	0	360	350	0	370
Loss	0	0	0	0	0	0	0	0	0
Total Dom. Cons.	360	397	360	360	0	360	350	0	370
Ending Stocks	129	127	129	119	127	119	119	0	119
Total Distribution	614	638	614	604	127	604	594	127	639
Stock to Use %	26.59794	24.85323	26.59794	24.53608	0	24.53608	25.05263	0	22.88462
Yield	229	244	229	229	0	229	229	0	248

Production

Nigeria's lint production in 2007/08 is forecast at 450,000 bales, up from 400,000 bales in 2006/07. Acreage has reportedly increased from 380,000 in 2006 to 395,000 hectares this year due to better cotton prices relative to competing crops, such as corn and sorghum. Food grain farmers are frustrated by high inventory and poor prices, and have shifted to cotton. A field visit to Nigeria's cotton belt revealed that planting commenced in late May/early June and harvesting is expected to commence in October. A dry spell was reported in the zone in the early stages of the cropping season but was short-lived. Rainfall has reestablished and the distribution has been favorable for a good crop. The northern cotton zone (Kaduna, Katsina, Bauchi, and Sokoto States) typically accounts for 80 percent of cotton production and the eastern zone (Kano, Borno, Plateau, and Niger) accounts for approximately 15 percent of production. Cotton farming in Nigeria is a smallholder crop and farming systems are mostly rain-fed with mixed cropping. The average cotton farm size is no more than 2 hectares. A major threat to Nigeria's lint production is the lack of good quality planting seeds and yield is low because farmers routinely rely on mixed seeds from the gins in carrying out their planting programs. Seeds from the gin go directly for planting without any germination test or certification for quality.

Extra long staple (ELS) and transgenic cotton varieties are not grown in Nigeria. Sources at the Institute For Agricultural Research in Zaria (which has the government mandate for varietals' research) indicated that although research on transgenic cotton is yet to commence, plans are on to conduct field trials of clones developed elsewhere. The institute is promoting the cultivation of long staple cotton, especially in the middle belt and south of the country which has a longer rainy season.

Crop Quality

Nigerian cotton is similar to American upland variety and the intrinsic quality is generally good. The staple length ranges from 1 1/32" to 1 1/8", the micronaire ranges from 3.6 to 4.4 and the tenacity measured on 1/8 stelometer range from 19 to 22 gms/tex. Nigeria's cotton is hand-picked and clean when picked, but some traders deliberately adulterate to gain price advantage. Also, the use of polypropylene bags by farmers often results in Nigerian lint being contaminated with bag fiber, which creates problems for textile spinning and dyeing. Local textile manufacturers now classify lint either as polypropylene-free or polypropylene-contaminated. The poly free lint attracts 10 naira per kilogram price premium over the poly contaminated lint.

Consumption

Slack demand for lint by the local textile manufacturers continues unabated as a result of the serial collapse of the textile industry. Industry sources indicate that direct employment in the sector has sharply declined from 137,000 in 1996 to about 25,000 presently, while capacity utilization is estimated at only 30 percent. At a recent public forum, operators expressed dismay, that one year after the establishment of the 70 billion Naira Textile Revival fund by the GON, no textile company has thus far been able to access the fund.

Following are the major constraints to growth in Nigeria's textile manufacturing sector:

- Stiff competition from undocumented Asian textile imports. The GON's import ban on textile products to support local manufacturers has not helped as cheaper products from Asia continue to flood the market through Nigeria' porous borders
- A large and growing import volume of used textile products despite an import ban on such imports.
- High production costs and a non-supportive operating environment for the general business community.
- Poor state of infrastructure in Nigeria, which often requires mills to provide their own electricity, water, feeder roads, and telecommunication facilities. This renders Nigerian textile products uncompetitive.
- A depressed domestic demand due to weak consumer purchasing power.

Industry sources indicate that unless these constraints are adequately addressed more mills will collapse and the recent GON revival initiatives will not achieve the desired objectives.

Despite the depressed state of the Nigerian textile industry, the price of local lint increased from an average of 119,000 naira ($930) per ton in 2005/06 to 140,000 naira ($1095) per ton in 2006/07. The increase in price is attributed to significantly higher international lint prices and the reinstatement of the GON's 20 percent Export Expansion Grant (subsidy) in 2006.

Price Table: Cotton Lint

Prices Table

Country	Nigeria			
Commodity	Cotton			
Prices in	Naira	per uom	Ton	
Year	2005	2006	% Change	
Jan	118,000	121,000	3%	
Feb	118,000	124,500	6%	
Mar	118,000	127,000	8%	
Apr	118,000	129,000	9%	
May	118,000	129,000	9%	
Jun	118,000	130,000	10%	
Jul	118,000	130,000	10%	
Aug	118,000	131,000	11%	
Sep	119,000	131,000	10%	
Oct	119,000	133,000	12%	
Nov	120,000	135,000	13%	
Dec	120,500	145,000	20%	
Exchange Rate	126.5/1	Local Currency/US $		
Date of Quote	9/24/2007	MM/DD/YYYY		

Trade

Despite its low quality (high trash content and polypropylene bag contamination), Nigeria's lint exports are forecast at 150,000 bales, up from 125,000 bales in 2005/06. The increase in exports is driven by the sustained increase in international prices and the GON's export subsidy program (EEG). The subsidy more than compensates for the discount pricing of Nigerian cotton in terminal markets. There are no official figures for lint exports and estimates used in this report are obtained from the local trade. Major export destinations for Nigeria's lint are China, Bangladesh, Indonesia, Pakistan, India, Taiwan and Italy. A breakdown of lint exports by destination is not available for a trade matrix.

Typically, Nigeria imports about 75,000 bales of lint largely through undocumented cross-border trade. Although most textile mills in Nigeria use the locally produced lint with satisfaction, some of the modern mills require the longer staple lint, which is available from the neighboring Chad and Niger Republics to blend with the medium staple cotton available locally for finer prints.

Policy

Since 2004, the GON has maintained an import ban on several textile products to support local manufacturers. However, large-scale cross-border smuggling of the products continues despite recent efforts at stricter enforcement. The GON's 20 percent export subsidy program, the EEG was reinstated in 2005 and the subsidy is applicable to both lint and fabric exports.

Marketing

U.S. lint exports to Nigeria disappeared more than two decades ago, largely because U.S. supplies could not compete with the cotton lint available from the neighboring Benin, Chad and Cameroon Republics. Lint from these countries are either imported duty free or smuggled into Nigeria, while U.S. imports attract a 50 percent duty.