



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 5/12/2004

GAIN Report Number: NI4009

Nigeria

Cotton and Products

Annual

2004

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Report Highlights:

Nigeria's lint exports over the last two years have increased in response to the GON's Export Expansion Grant introduced in 2001. However, domestic lint output has not kept pace with growth in demand by the local textile industry and export market. Textile manufacturers are currently grappling with scarcity and record high lint prices. The modest recovery recorded by the textile sector in recent years is now threatened as some manufacturers have had to suspend operations. In January 2004, the GON banned all textile imports to protect local producers and reduced its Export Expansion Grant on lint from 40 percent to five percent to boost domestic availability. Lint imports are limited by its relatively high landed cost.

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

Executive Summary

Nigeria's down stream textile manufacturing sector is hit once again by crises caused by acute scarcity of lint. The introduction of GON's Export Expansion Grant since 2001 has increased Nigeria's lint exports and reduced cotton available for local textile production. Production has not kept pace with exports and local demand, therefore, lint prices are up significantly from 90,000 Naira per ton in 2003 to 208,000 Naira in May 2004. Consequently, several textile manufacturers have suspended operations. Industry sources indicate that the scarcity of lint has dampened the pace of recovery in the sector following recent efforts by the GON to curtail large-scale undocumented Asian textile imports. In January 2004, the GON implemented a complete ban on all textile products, ostensibly to protect the local textile industry. The Nigerian Customs Service impounded a cargo plane bringing into the country banned textile products. Smuggled textile products often enter through Nigeria's porous borders and are sold to consumers at prices, which reflect the avoidance of import duty payment.

Nigeria's lint production in 2004/05 is forecast at 100,000 MT, up from 90,000 MT in 2003/04. The increase in crop size is largely based on a projected seven percent increase in cotton area. The prevailing record high seed cotton prices, scarcity and high cost of fertilizer and poor grower prices for competing crops are encouraging farmers to switch to cotton in the upcoming 2004/05 season. Planting activities will commence in early June but already planting seeds sales are showing a significant increase over this time a year ago.

In MY2003, Nigeria imported 15,000 MT and exported 26,127 MT of lint.

Exchange Rate: \$1 = 133 Naira

PSD Table: Cotton

PSD Table							
Country	Nigeria						
Commodity	Cotton						
	2002	Revised	2003	Estimate	(HECTARES)(MT)		
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	UOM
Market Year Begin		08/2002		08/2003		08/2004	MM/YYYY
Area Planted	340000	340000	375000	375000	0	400000	(HECTARES)
Area Harvested	340000	340000	375000	375000	0	400000	(HECTARES)
Beginning Stocks	37884	30000	31353	23555	29175	18428	(MT)
Production	84913	85000	97977	90000	0	100,000	(MT)
Imports	15241	15241	15241	15000	0	15000	(MT)
TOTAL SUPPLY	138038	130241	144571	128555	29175	133428	(MT)
Exports	21773	21773	26127	26127	0	20000	(MT)
USE Dom. Consumption	84913	84913	89268	84000	0	95000	(MT)
Loss Dom. Consumption	0	0	1	0	0	0	(MT)
TOTAL Dom. Consumption	84913	84913	89269	84000	0	95000	(MT)
Ending Stocks	31353	23555	29175	18428	0	18428	(MT)
TOTAL DISTRIBUTION	138039	130241	144571	128555	0	133428	(MT)

Production

Post forecasts Nigeria's lint output in 2004/05 at 100,000 MT, up from the revised 90,000 MT in 2003/04. The anticipated increase is based on an increase in land area devoted to the crop in response to very attractive market price for lint this season. Additionally, high cost of agro chemicals especially fertilizer products is encouraging farmers to shift from fertilizer-dependent crops such as maize to cotton. Post's recent visit to the northern cotton growing zones revealed that many growers have elected to increase cotton area for the upcoming 2003/04 season.

Cotton farming is a smallholder crop with an estimated 70 percent planted mixed with millet, sorghum, cowpea and sweet potatoes. A major threat to the Nigeria's lint production is the lack of good quality planting seeds. The demand for cottonseed by the oil crushers is growing and has a direct effect on seed availability for planting purposes.

Consumption

The GON has renewed its commitment to revitalize what is now considered the 'strategic' textile industry. The industry is still the largest employer of labor after the public sector. The demand for lint by the textile industry is steadily increasing reflecting the modest revitalization of the sector in recent years. At present, the industry is faced with scarcity and

high cost of lint resulting from the lagged effect of increased exports of lint in 2003. AgOffice field visits revealed that several textile manufacturers have suspended production.

Prices Table

Country Nigeria

Commodity Cotton

Prices in per uom

Year	2002	2003	% Change
Jan	108,000	130,000	20%
Feb	106,000	132,000	25%
Mar	106,000	140,000	32%
Apr	102,000	140,000	37%
May	100,000	150,000	50%
Jun	90,000	160,000	78%
Jul	88,000	165,000	88%
Aug	86,000	170,000	98%
Sep	95,000	170,000	79%
Oct	115,000	165,000	43%
Nov	125,000	180,000	44%
Dec	125,000	185,000	48%

Exchange Rate Local Currency/US \$

Date of Quote MM/DD/YYYY

NOTE: As at May 2004, the price of lint had increased to 208,000 naira per MT

Trade

Internationally, Nigeria's cotton lint is rated as poor quality and it attracts a 20 percent price discount largely because of its high trash content and polypropylene bag contamination. However, Nigeria's lint exports in 2003/04 increased to about 26,127 MT, up from 21,773 MT a year ago, thanks to the GON's export subsidy program (EEG). The subsidy more than compensated for the discount pricing of Nigerian cotton in terminal markets. Nigeria's lint exports in 2004/05 are forecast to decline to 20,000 MT following the GON's decision to reduce the EEG. There are no official figures for lint exports. Estimates used in this report are obtained from the local trade. Major export destinations for Nigeria's lint are 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 15,000 MT of cotton 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.

The volume of exports of finished and semi finished textile products from Nigeria is expected to increase in response to the GON's upward revision of its Export Expansion Grant in January 2004. Industry sources indicate that if the new policies are faithfully implemented,

the local textile industry will significantly increase capacity utilization, which is currently estimated at a mere 28 percent. The Nigerian textile industry primarily produces African prints and is characterized by little product differentiation. Nigeria accounts for more than 70 percent of fabric production in all of West Africa.

Policy

In January 2004, the GON implemented a ban on all textile imports to support local manufacturers. However, cross-border smuggling of the products is expected to continue despite recent efforts to enforce stricter control. Additionally, the GON's Export Expansion Grant (EEG) on lint was reduced from 40 to 5 percent, while the EEG on finished textile products was increased from 20 percent to 40 percent in January 2004.

Marketing

U.S. lint exports to Nigeria were discontinued more than two decades ago, largely because it 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. AgOffice is providing training in the US to a cotton merchant/ginner under our Cochran Fellowship Program primarily to re-open contacts between the Nigerian textile industry and U.S. lint exporters.