

Opportunities in Nigerian Textile Industry

THE DEVELOPMENT OF THE NIGERIAN TEXTILE INDUSTRY

Textile industry is regarded as one of the key sectors in any economy as it plays a significant role in human sustenance, socio-cultural and economic development of a nation. Apart from food and shelter, textile (clothing) has been identified as the most important in the hierarchy of man's need. The first modern textile mill in Nigeria, Kaduna Textile Limited, came on board in 1956 in Kaduna, northern Nigeria. The primary reason for setting up the mill was to process the cotton that was being produced in the northern part of the country. By the 1970s and the 1980s, the Nigerian textile industry had grown to become the third largest in Africa.

In 1987, there were 37 textile firms in the country operating 716,000 spindles and 17,541 looms. This was the golden period of Nigeria's textile industry. Between 1985 and 1991, textile industry recorded an annual growth of 67%, and as at 1991, it employed about 25% of workers in the manufacturing sector. The success in the industry could be partly attributed to the banning of importation of fabrics and yarn in 1978 and 1984 respectively. Surprisingly, by 1996, about 50 companies have closed shop, over 60,000 workers lost their jobs and about 300 million linear metres were lost in production. By 1997, the government lifted the ban on importation of textiles and this compounded the problem in the industry. Although the ban was placed back in January 2004, most Nigerian textile factories had already shut down (between 1997 and 2003, 74 textile factories shut down) and the remaining ones could not compete favourably due to the smuggling of the textile products. In November 2010, the ban was lifted again with only few textile factories left. Ever since then, the textile industry has been struggling to become relevant in the economy. The recently released Q2'18 GDP report shows that Textile, Apparel and Footwear contributed 2.05% to real GDP.

Table 1: Textile, Apparel and Footwear – quarterly real GDP growth rates

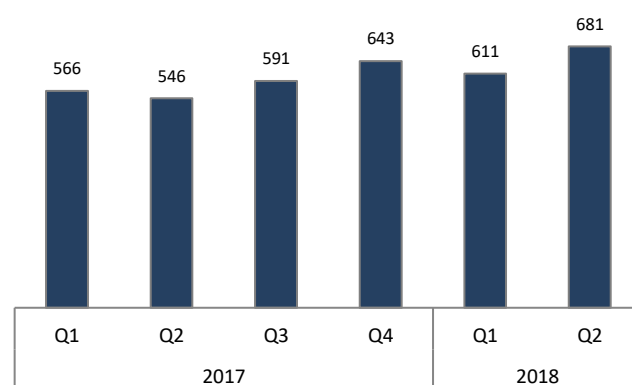
1Q'17	2Q'17	3Q'17	4Q'17	1Q'18	2Q'18
+1.17%	+0.20%	+0.19%	+1.65%	+1.85%	+2.73%

Source: NBS, PAC Research

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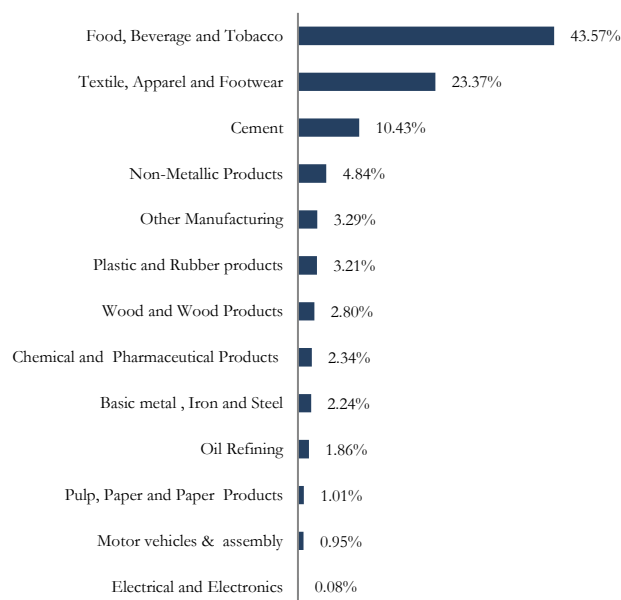
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Fig. 1: Nominal GDP: Textile, Apparel and Footwear



Source: NBS, PAC Research

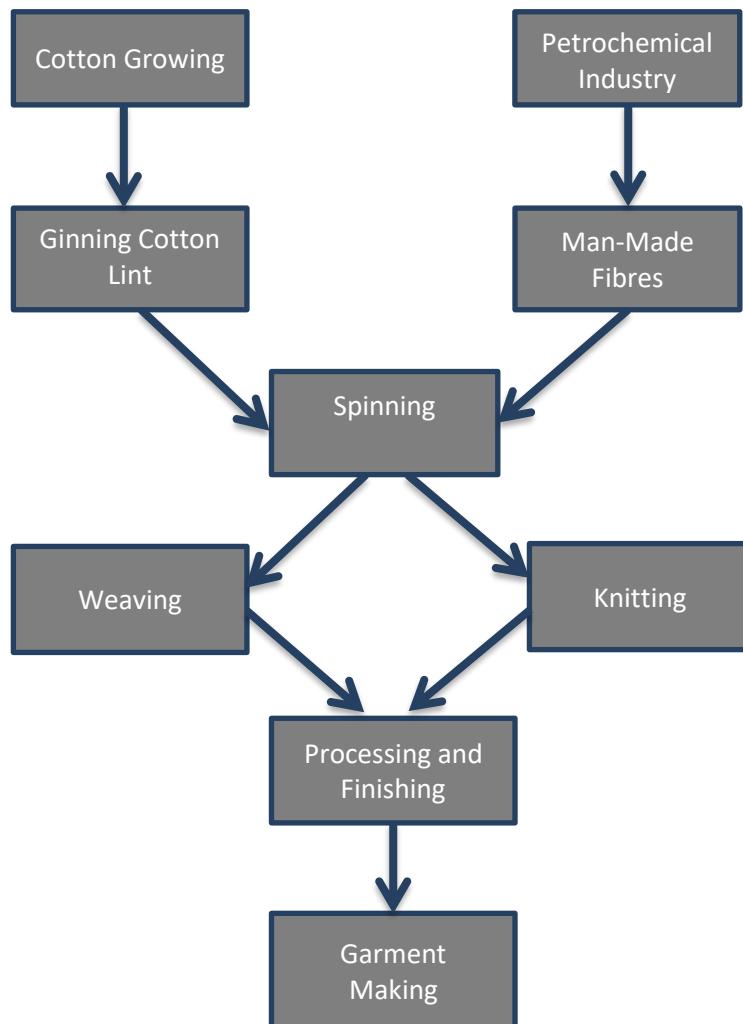
Fig. 2: Nominal Contribution to Manufacturing Sector in 2Q'18



Source: NBS, PAC Research

INVESTMENT OPPORTUNITIES IN TEXTILE VALUE CHAIN

Textile production process starts from the cotton farm or the petrochemical industry where fibres used in producing the fabric originate and ends at garment makers' shop/factory where the fabrics are made into dresses or other for household piece goods.



1. Cotton Farming and Petrochemical Industry:

Cotton Farming: Cotton is one of the highly demanded natural materials due to its use in the production of fibres materials and other textile materials. As long as people continue to wear clothes, there would always a demand for cotton. In addition to the cotton's usage in fibre materials, oil can be extracted from cotton seed. This cotton seed oil is a source of vitamin E which is an important antioxidant. Cotton used to be one of the major products of export in Nigeria as it is responsible for 25% of country's GDP until crude oil was discovered. Cotton can be grown in 24 states across the nation but only 18 states produce cotton currently. The cotton plant is an annual plant and it requires hot climate to grow effectively.

Investment in cotton requires the following steps:

- a. Acquiring the land
- b. Planting
- c. Harvesting
- d. Selling of cotton

Petrochemical Industry: Many items are derived from crude petroleum, which provide raw materials for many industries; these are collectively known as petrochemical industries. This group of industries is divided into four sub-groups: (i) polymers, (ii) synthetic fibres, (iii) elastomers, and (iv) surfactant intermediate.

Synthetic industry target textile industry as synthetic fibres can be used to make garments.

2. Cotton Ginning and Man-Made Fibres:

Cotton Ginning: This is the process of separating the cotton fibres from the cotton seeds. Perfect ginning operation would be performed if the separation of fibres from seed was effected without the slightest injury to either seeds or to the fibre. A cotton gin is a machine that quickly and easily separates the cotton fibres from the seeds, a job previously done by hand. These seeds are either used again to grow more cotton or, if badly damaged, are disposed of. It uses a combination of a wire screen and small wire hooks to pull the cotton through the screen, while brushes continuously remove the loose cotton lint to prevent jams.

Man-Made Fibres: Man-made fibres are made from synthetic product of petrochemical industry and are used in garment industry.

3. Spinning: The process of making yarns from the textile fibre is called spinning. Spinning is the twisting together of drawn out strands of fibres to form yarn, though it is colloquially used to describe the process of drawing out, inserting the twist, and winding onto bobbins. There are different types of spinning and the most common forms of spinning are: Ring, Rotor spinning, Air Jet, Friction, etc.
4. Weaving: This is a method of textile production in which two distinct sets of yarns or threads are interlaced at right angles to form a fabric or cloth. Other methods are knitting, crocheting, felting, and braiding or plaiting.
5. Processing and Finishing: This refers to process which applies on textile materials before bleaching or after colouration to increase the different properties of textile materials. But those processes apply on textile materials before cutting and sewing the materials to making garments, household and other products. The aim of textiles finishing is to render textile goods fit for their purpose or end-use.
6. Garment Making: This means sewing, cutting, making, processing, repairing, finishing, assembling, or otherwise preparing any garment or any article of wearing apparel or accessories designed or intended to be worn by any individual, including, but not limited to, clothing, hats, gloves, handbags, hosiery, ties, scarfs, and belts

CHALLENGES AND CONSTRAINTS OF TEXTILE AND GARMENT MANUFACTURING

Epileptic and Irregular Power Supply

One of the important constraints of the textile and garment manufacturing has been that of the dearth of infrastructure, especially energy. The electricity supply has been epileptic and irregular hence manufacturers would have to break even or lose with diesel and black oil to run their machines. As a result, it is difficult for the local players to compete with international partners who have uninterrupted power supply from the national grid.

Smuggling and Counterfeiting

With the problem identified above, the cost of production remains high and this is transferred to the consumers. As a result, consumers and distributors look elsewhere for cheaper textile materials. Hence, smuggling and counterfeiting thrives because they are able to produce at cheaper cost since the consumers are just after cheaper clothing. This has affected the Nigerian textile industry as the manufacturers find it difficult to compete with the international community

Unfavourable Foreign Exchange Rate

The industry faces a serious problem in its cost of production due to high cost of imported raw materials. Cost of importation of raw materials went up due to constant depreciation of Naira against Dollar. This has led to the inadequate supply of chemicals, dyestuff, machine spare parts etc.

High Taste for Foreign Products

Most Nigerians have high taste for imported goods, thereby neglecting 'Made in Nigeria' products. Therefore, local textile manufacturers find it difficult to make a substantial impact on their own local market as they are dominated by the foreign players. Although the government has restricted the importation of 41 items to promote local products, the restriction on importation has affected the supply of urea (which is needed in wet processing). It is important to note that the restriction on 41 items did not solve the problem in textile industry due to smuggling of textile materials.

Inconsistent Government Policy

A lot of government policies were detrimental to textile and garment manufacturers e.g. the Economic Expansion Grant scheme (EEG). Economic Expansion Grant Scheme was set up in 1999 to expand the volume and value of exports, diversify export products and improve global competitiveness of exporters. However, this programme did not see the light of the day as it was abrogated by the government in 2013, claiming over invoicing and sharp practices. In our opinion, the government should have monitored the process and punished the culprits rather than a wholesome ban, thereby depriving genuine exporters from enjoying the incentive.

Above all, the government has not created any synergy within which to patronize “Made in Nigeria Goods”. The textile industry could produce the needed military and para military uniforms as well as school uniforms. This will encourage textile manufacturing industry to grow and add significant quota to Gross Domestic Product (GDP) of Nigeria.

SOLUTIONS TO NIGERIAN TEXTILE INDUSTRY

For the textile industry to survive, the following have to be put in place:

1. National Cotton, Textile and Garment (CTG) fund should be maintained with a reduced interest and moratorium of 5 years needs to be given. Repayment period (tenure) should be between 15 to 20 years.
2. For those who do not borrowed from BOI, the SME intervention fund could be made available to them.
3. Tax holiday needs to be granted to both old and new textile and garment manufacturing company.
4. Machine and machine spare parts to attract 0% duty rate.
5. Major imported raw materials including dye stuff and chemicals to attract 0% duty.
6. Official of Standards Organisation Of Nigeria (SON) should be empowered by an Act to enforce standards of imported fabrics and detect fake and counterfeit fabrics.
7. Customs service should be empowered and given free hand to curb smuggling to the barest minimum. Anti-smuggling Task Force comprising of the Armed Forces, NTMA, MAN, SON and EFCC representative could be put in place.
8. Quality of cotton produced in the country should be improved upon and local factories needs should be met before exportation is allowed.
9. All government agencies should source their fabrics need locally.
10. Registration of all Textile importers should be done by SON and Customs to be able to monitor the quality and channels of communication.

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