

A GLOBAL VALUE CHAIN ANALYSIS OF COCOA AND GARMENT IN NIGERIA

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ABSTRACT

This study examines the global value chain analysis of cocoa and garment value chain in Nigeria in order to guide business practitioners and policy makers on how to improve the operations of their agribusiness supply chains if they are to compete on the global market place. Findings revealed that the governance relation in the cocoa value chain is predominantly characterized by directed network and that quality upgrading is the most important production capability acquired by farmers through exporting to cocoa buyer companies. In the case of garment, it was revealed that the extent of standardized and designer garments that producers/wholesalers sell to retailers/consumers is with a good collaboration on garment quality definition between the producers/wholesalers and the retailers/consumers. The policy lesson is the need for policy makers to reform the policy environment regarding cocoa and garment production to make the producers competitive in the international market and allow them captures the lucrative stages of the global value chain. This is necessary in the context of diversifying the economy from oil revenue to non-oil revenue in order to place the Nigerian economy on a sustainable development path.

Keywords: Cocoa, Garment, Value Chain, Exports, Nigeria

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INTRODUCTION

Global commodity markets have become increasingly complex because of concentration at all points in the value chain and the increasing scope and complexity of food standards, particularly those relating to food safety. In the period 1980/1981-2000/2001, there was a substantial shift away from traditional tropical products (coffee, cocoa, tea, sugar, spices and nuts) and towards non-traditional agricultural exports, particularly horticulture (fruit, vegetables and flowers). At the beginning of the period, traditional tropical products accounted for around 39 per cent of all food exports from developing countries. Twenty years later, this had fallen to around 19 per cent. Conversely, the share of horticultural products in developing countries' food exports rose from around 15 to 22 per cent. The consequences of this shift are also seen at the level of individual products (Weinberger and Lumpkin, 2005). Products that were expanding rapidly in world markets provided greater opportunities for increasing export volumes and stable prices. The rapid expansion of global demand for and trade in horticultural and seafood products created attractive export opportunities, while the relative decline of traditional tropical products, combined with the entry of new sources of supply for some products, most notably coffee, created problems (Humphrey and Memedovic, 2006).

For example, while business in several commodities (such as coffee and tea) has been booming in recent years in the markets of consuming developed countries, this is only reflected in higher prices for final (processed) products, not in the prices received by producers in developing countries. While African producers have incurred income losses, traders and firms in the higher steps of the value chain have been reaping significant benefits. According to the International Coffee Organization (ICO), for example, in the early 1990s, earnings by coffee-producing countries (exports f.o.b.) were some \$10–12 billion, while the value of retail sales was about \$30 billion. Today, the value of retail sales is \$70 billion, while producers receive only \$5.5 billion. World market prices for coffee have fallen from about 120 US cents/pound in the 1980s to around 55 US cents, reaching their lowest levels in real terms in 2002 (Osorio, 2002). With an estimated 125 million people in the developing world dependent on coffee production for their livelihoods, the impact of such a price decline has been devastating in terms of social dislocation, including social exclusion and poverty (UNCTAD, 2003).

In the traditional selling system, farmers produce commodities that are *pushed* into the marketplace. Farmers are generally isolated from a majority of end-consumer and have little control over input costs or process received for their goods. The primary exception is where local farmers sell produce in local markets and where there is a direct link from farmer to consumer. In most traditional selling systems farmers/producers tend to receive minimal profit. Any integration up or down the value chain can help. Now a few large exporters dominate the industry. They are linked in exclusive relationships to developed countries importers, and the import business is consolidating rapidly. Thus the emphasis has switched from finding new markets to improving the efficiency of imported materials.

Given these trends, it is not surprising that a lot of effort has been devoted to promoting the production and export of non-traditional agricultural products. Initiatives can be found in many countries around the world, targeting both fresh produce and production for processing. Many of these initiatives have also targeted small producers. It is

frequently argued that the full benefits in terms of poverty reduction of agricultural growth depend upon the growth of small and medium-sized farms. Therefore, realizing the potential benefits of agricultural export growth for poverty reduction requires careful analysis of trends in global markets and the policies that will unlock the potential for growth and poverty reduction which can therefore place the economy into a path of sustainable development. It has been widely suggested that the economic base of the country should be diversified from oil revenue to non-oil revenue to reduce the incidence of oil price shocks in the economy. Such a diversification is expected to place the economy on a path of sustainable development.

The implication of the above observations entails that Nigerian agribusiness entities have to develop a systematic way of dealing with the changes and impact associated with the new competitive regime in agribusiness initiatives. It is therefore important particularly in a developing economies such as Nigeria to evaluate the value chain in a traditional product (cocoa) and a non-traditional product (garment) based on sound empirical principles that will guide business practitioners and policy makers on how to improve the operations of their agribusiness supply chains if they are to compete on the global market place. In addition, this perspective analyses inter-firm linkages in global commodity business, placing commodity production and processing in Nigeria in the context of the dynamics of the broader global commodity business.

GLOBAL VALUE CHAIN ANALYSIS: THEORETICAL FRAMEWORK AND METHODOLOGY

The study also conducted global value chain analysis on two selected products, one traditional (cocoa beans) and the other non-traditional (garment) exports. The *global value chain (GVC)* describes the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use (Kaplinski and Morris, 2007). Value Chain analysis locates and assigns values to each stage of the chain. Thus, for the selected products, the study will follow the steps outlined in Kaplinski and Morris, (2007) to:

- Map the chain
- Analyse the chain niches
- Determine the chain governors
- Determine which factor is responsible for the nature and extent of the product supplier's integration into the global value chain
- Determine rules for participation in the chain
- Determine whether lead firms conduct supply chain programmes, their nature, sources of assistance, and outcome of the supply chain programmes.
- Assess comparative performance using benchmark data.

VALUE CHAIN ANALYSIS: COCOA AND GARMENTS

The Cocoa Value Chain in Nigeria

The supply chain of cocoa in Nigeria can be traced from farmers to Licensed Buying Agents (LBAs, later, also Cooperatives) to exporters to foreign buyers who are mainly British. The processing of cocoa production began in the 1960s and 1970s with the setting up of 3 factories in the western part. Most subsequent factories are situated across the Western states. Public sector control was essentially a supervisory and revenue generation phenomenon before the setting up of the commodity boards. The Nigeria Cocoa Board was an omnibus establishment which acted as sole exporter working with LBAs and COOPs, quality officers, extension service officials, among others. The Nigeria Commodity Board was scrapped in the late 1980s. The scrapping of the NCB created various exporters, many of who had little experience with cocoa quality production (Iyama, 2007).

Mapping of Nigeria's Cocoa Global Value Chain (GVC)

The mapping of Nigeria's cocoa global value chain (GVC) is presented in Figure 1. The global value chain starts with the market, that is, the buyer, and proceeds through exporters, and producers of cocoa. The detailed steps are explained below as follows:

From Seedling to Tree

Cocoa trees are grown on small farms in hot, rainy environments, mostly in areas near the equator. It is a delicate and sensitive crop, and farmers must look after the trees, making sure the trees are protecting from the wind and sun. Such care is particularly important for younger trees, up to four years old. The seedlings are often sheltered by other trees, like banana, plantain, coconuts or hardwood trees and usually take a few months to grow before they are ready to be transplanted. Once the trees are established, the farmers must fertilize the soil and watch the trees closely for signs of distress. In most cases, most cocoa trees begin to bear fruit in the fifth year, although some cocoa trees can yield pods in the third and fourth years. A cocoa tree reaches peak production in approximately 10 years and will continue producing pods at a high level for an additional 12-13 years. Cocoa trees can yield pods for an upward of 30-40 years.

Bearing Fruit

Cocoa farms are awash in colour. Young cocoa leaves are large, red, and glossy, but darken to green when mature. Moss and colourful lichens often cling to the bark of cocoa trees, and in some areas beautiful orchids grow on the branches. Thousands of tiny, waxy pink or white five-petaled blossoms cluster together on the trunk and older branches. But only three to 10 percent of these blossoms will mature into full fruit. The fruit grows as green or

maroon pods on the trunk and main branches. Shaped like an elongated melon tapered at both ends, these pods ripen to a golden or sometimes scarlet hue with multi-coloured flecks.

Harvesting the Cocoa

In order to harvest cocoa beans, the ripe pods must be removed from the trees. The trees are fragile and farmers cannot climb the trees to reach the fruit without snapping branches or uprooting entire trees. Instead, cocoa farmers and family members reach the cocoa pods with long handled, mitten-shaped steel tools. These tools reach the highest pods and snip them without wounding the soft bark of the tree. They can also use machetes to remove pods growing closer to the ground. The growing season in the tropics is continuous, due to rainfall that is evenly distributed through the year. As a result, ripe pods may be found on cocoa trees at any time. It takes a lot of experience to recognize which fruit is ready to be cut. In most cocoa areas, the main harvest lasts several months. Another harvest – the mid-crop - lasts for several additional months. Changes in weather can dramatically affect harvest times, causing fluctuations from year to year, even on the same farm.

Gathering and Breaking the pods

Once ripe, the pods are removed from the trees and fall to the ground. Gathering the harvest pods can be a family affair. The farmer, family members and neighbouring farmers collect the pods in baskets and transport them to the edge of a field where the pod-breaking operation begins. An experienced pod breaker takes one or two blows to split the shells with a hammer or other, similar instrument. A good breaker can open 500 pods an hour. The husk and inner membrane of the pod is discarded, and a farmer can expect 20 to 50 cream-colored beans from a typical pod. Dried beans from an average pod weigh less than two ounces, and approximately 400 beans are required to make one pound of chocolate.

Processing the pods

Once the beans have been removed from the pods, the farmer packs the beans into boxes or heaps them into piles and covers them with mats. A layer of pulp that naturally surrounds the beans heats up and ferments the beans themselves. Fermentation is an important step, lasting three to nine days, that removes the raw, bitter taste of cocoa. The sugars contained in the beans are converted to acid, primarily lactic and acetic, during fermentation. The process generates temperatures as high as 125 degrees Fahrenheit (52 degrees Celsius), activating existing enzymes in the beans to form compounds that produce the chocolate flavour when the beans are roasted. The result is a fully developed bean with a rich brown colour, a sign that the cocoa is now ready for drying.

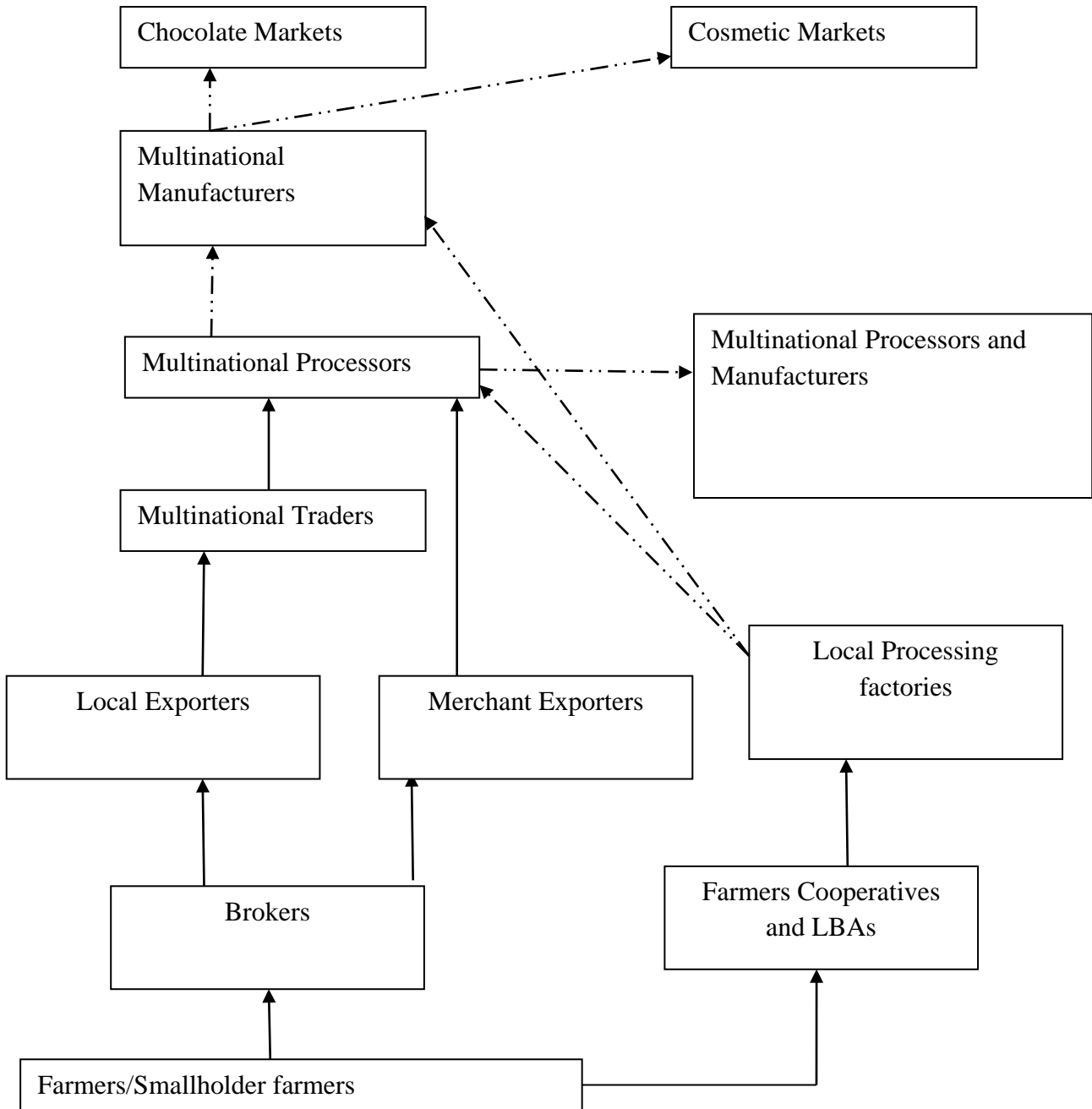
Drying

1. Like any moist fruit, the cocoa beans must be dried if they are to keep from spoiling. In some months, the cocoa farmer can dry his beans simply by laying them on trays or matting and leaving them to bask in the sun. With favourable weather, the drying process usually takes several days. The cocoa farmer turns the beans

frequently and checks for foreign matter and flat, broken or germinated beans. During drying, beans lose nearly all their moisture and more than half their weight. Finally, when beans are dried, they are packed in 130 to 200 pound sacks for shipping.

2. Brokers buy well-prepared and dried cocoa beans from Farmers at the Farm gate and sell to LBAs
3. Farmers also sometimes bring their cocoa together when they belong to cooperatives- COOPs (No poor quality falling below the international standards should be found at this point)
4. Cooperatives/Licensed Buying Agents grade beans and sell to Exporters
5. Merchants/Exporters sell to Processing factories
6. Exporters/Processors sell premium quality beans and products to overseas buyers and manufacturers
7. Retailers/Processors are the last recipients in the chain

Figure 1: Cocoa Bean Global Value Chain Map in Nigeria



Source: Authors' Expression

In essence, the cocoa global value chain is analysed commencing with the foreign final consumer market for chocolates and cosmetics. The chocolate and cosmetic markets obtain these final products from multinational manufacturers which procure processed cocoa in the form of cocoa cake, cocoa powder and cocoa butter from both local (Nigerian) processing factories and multinational processors. There are also multinational processors and manufacturers which buy processed cocoa from only multinational processors who receive their cocoa beans from multinational traders and Nigerian merchant exporters and some processed cocoa from local processors most of whose supply of cocoa bean emanate from cocoa farmers cooperatives and LBAs. Local exporters of cocoa beans and merchant exporters collect cocoa from brokers who work directly with smallholder farmers that have to choose between selling to the brokers or the farmers' cooperatives. The cocoa farmers are regarded as being at the weak link of the value chain process in Nigeria. This is however attributed to the inadequate remuneration for their labour in the production of the cocoa beans.

The features and benefits of the Value Chain in Nigeria are stated as follows:

- No farmer is permitted to sell beans below the required international acceptable quality levels
- Grading must be done at the Licensed Buying Agents registered stores/warehouses
- No exporter is expected to break seal and sun-dry or mix beans in his warehouse or at the point of exit
- Categories 1-5 in the value chain analysis are *Reserved Exclusively* for indigenous Nigerian individuals or companies, i.e. from the farmer to exporter
- Defaulters face various penalties ranging from warning to paying various sums of money or even outright ban

The extent of standardized cocoa that farmers sell to wholesalers can be regarded as very much with a good collaboration on cocoa quality and standards between the farmers and the buyers. The link between the firms and the cocoa buyer in the trading network is however guided by information flow between the two parties. An examination of the governance structure in the cocoa sector shows that the governance relation is predominantly characterized by directed network (controlled by a lead or major company) which can be regarded as a leader-follower relationship.

In most of the cases, the buyers usually specify the type and quality of cocoa that the farmer is to produce. However, cocoa buyers do not specify the type of cocoa seedlings to use and the method of planting, weeding and application of pesticides and harvesting. The cocoa buyers in the value chain also do not produce cocoa in their own factories and the cocoa farms are not subsidiaries of the company which buys their cocoa. The cocoa farmers however do not sell directly to the lead/dominant buyer firm. Selling is done through cooperatives/Licensed buying agents (LBAS). Nevertheless, the cocoa buyer monitors the farmers' performances in terms of types and quality of cocoa that the farmers' produce. Firms gain access to the cocoa trading network through registration as an exporter with the Nigerian Export Promotion Council (NEPC) and the National Maritime Authority (NMA) in order to be able to load cocoa products into vessels.

Quality upgrading is the most important production capability that has been acquired by farmers through exporting to cocoa buyer companies. Cocoa farmers however do not compete among each other to supply cocoa to the same buyer and they are all aware of the lead/dominant company in the industry. The general belief among farmers is that donor agencies can help them operate in the more profitable position in the value chain through the provision of good hybrid of cocoa as well as informative manuals that will guide their farm practices while government can assist with the provision of low interest loan or grants in cash and kind (inputs such as insecticides, fertilizer and pesticides).

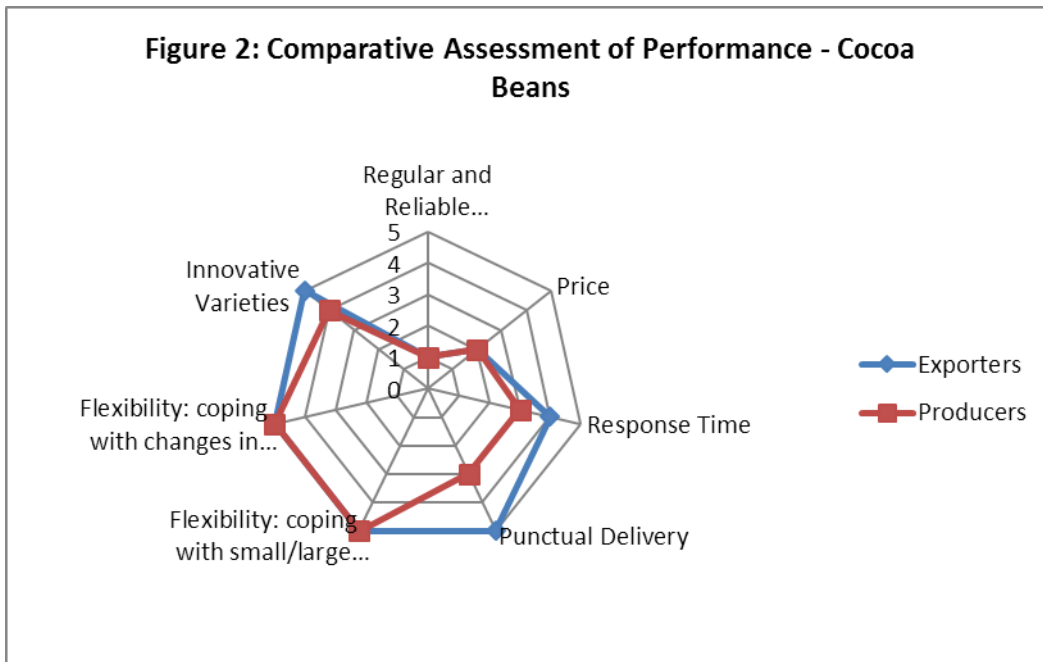
Cocoa Value Chain Governance and Performance

The country to which exporters mostly direct cocoa exports to is Great Britain. This is followed by France, Uruguay, Germany and Holland. The cocoa farmers and the exporters are aware that their cocoa beans are used for making cocoa cake, cocoa butter and chocolates. They are also well aware that the International Cocoa Organizations (ICCO) is the company that gives specifications of the cocoa that is exported in the value chain. The cocoa value chain process is engaged in a triangle production for export in Nigeria. This is usually through a designated store jointly agreed upon by the buyer and the seller (exporter) using an FOB arrangement. Cocoa is also made for customers/buyers within the immediate vicinity of the value chain process. The cocoa output that is produced must however be well dried, well fermented, weevils free and mould free before it can be regarded as a good quality cocoa. The most important companies that buy cocoa in the Nigerian cocoa value chain are of the following order:

- Armajaro Tradings, U.K.
- Indcresa, Barcelona.
- Golden Monkey, China.
- All Trade Negocee, Uruguay, Montevideo.

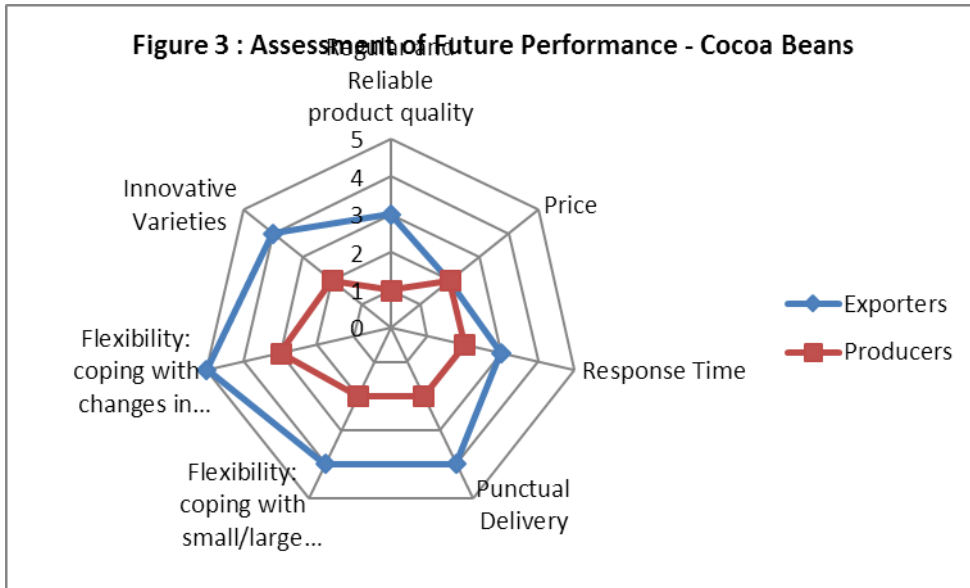
The quality requirements of these firms are very important in the export of Nigerian cocoa beans. Regular and reliable product quality is the most important factor with respect to cocoa buyers from Britain. This factor is also important in the cases of cocoa buyers in Germany, France, Uruguay, and China. In addition, price and response time (from order to delivery) are very important variables for cocoa buyers in all the countries that are major buyers of Nigerian cocoa. The perception of Nigerian cocoa exporters of cocoa producers and that of the latter is presented in Figure 2 while the perception of both regarding future performance in the next five years is contained in Figure 3. The two agents' perception is dissimilar with respect to regular and reliable product quality, price, response time (from order to delivery), punctual delivery, flexibility of coping with small or large orders, flexibility of coping with changes in large orders as well as innovative varieties. From the perspective of the exporters (proxy for buyers), regular and reliable product quality is the most important export success factor, followed by price and response time. Nigeria cocoa producers score low points with regards to innovative varieties, flexibility in coping with changes in the volume of orders, and punctual delivery, whereas cocoa producers rank themselves better in these factors.

Figure 2: Comparative Assessment of Performance - Cocoa Beans



Source: Source: Field Survey

In the next five years, exporters believe that cocoa producers will only marginally perform better than their current scores due to several bottlenecks in the Nigerian business environment. However, cocoa producers believe otherwise as they are certain that they will significantly improve on many of the factors in about five years, given the ongoing presidential initiatives on cocoa which has increased coca production and bean quality improvement which reduced mould levels down to less than 5 percent in some areas in the southwest region from about 30 percent.



Source: Source: Field Survey

Nigeria remains the most important suppliers of cocoa for cocoa buyers in Nigeria. Past attempts were made to source cocoa from Togo, Ivory Coast and Ghana. However, the complex procedure of clearing imported goods at the Nigerian border has been a bottleneck in importing cocoa from other countries. Cocoa buyers in Britain, Germany and France place a lot of emphasis on regular and reliable product quality, price, and response time (from order to delivery). Going by the current trend in the supply of cocoa, cocoa processing firms will continue to source part of what they need from Nigeria in the next five years.

In terms of rent appropriation, the last four stages have the highest remuneration compared to farmers and exporters, given \$1 dollar of a chocolate bar (Table 1).

Table 1: Rent Appropriation in the Cocoa Global Value Chain

Actors	Appropriation (%)
Farmer	8.0
Cocoa buyers	7.0
Importer	14.0
Chocolate company	28.0
Shops	28.0
Government	15.0

Source: Source: Field Survey.

In view of this general picture of the cocoa value chain in Nigeria, this part of the analysis is concluded by pointing out the weaknesses, strength, threats and opportunities of the cocoa sector. The strength of the sector relates to the exporting firms good reputation is supplying regular and reliable product quality in a sustainable manner as they have access to best available

resource such as labour and good climate that produce high quality cocoa. They do have also certification (and the private sector operators, their own firm) which make them a reliable partner to their buyers.

However, the following challenges in the cocoa value chain could be identified in the studies:

- **Governance:** The major challenge is that there are several value chains leading to different final consumer markets. These chains are dominated by some large lead firms.
- **Price:** The lower end of the value chain depends largely on the price for raw material that is not negotiable because it is preset by the futures exchange in London. Most of the value is added on other levels of the chain and outside of the national cocoa sector. A large percentage of the cocoa beans are exported out of the country. Presently, only one firm in Nigeria (MULTI TREX NIG LTD) is involved in the processing the cocoa beans and exporting it as cocoa butter (destined for chocolate) and cocoa powder (used in the confectionery industry).
- **Technology:** Production methods at different levels of the value chain differ: while the upper end is dominated by capital-intensive mass-production and sophisticated services the lower end of the chain is determined by labour-intensive production methods.

Nevertheless, finding solution for the cocoa sector in Nigeria is to create more value to the cocoa value chain in the country itself instead of exporting a large chunk of cocoa beans to manufacturers abroad. Also there is a need to create linkages between local producers and agricultural research institutions in Europe or North America. Furthermore, there will still be a need for:

- Improved planting materials for farmers
- Drying methods that will help overcome weather handicaps
- Support to enable farmers produce better cocoa
- Industry interventions to strengthen FOs and COOPs through structured capacity building projects channelled through CANSAN
- Discriminatory prices for premium quality (as paid in some countries) would encourage quality standardization and strict compliance to the value chain

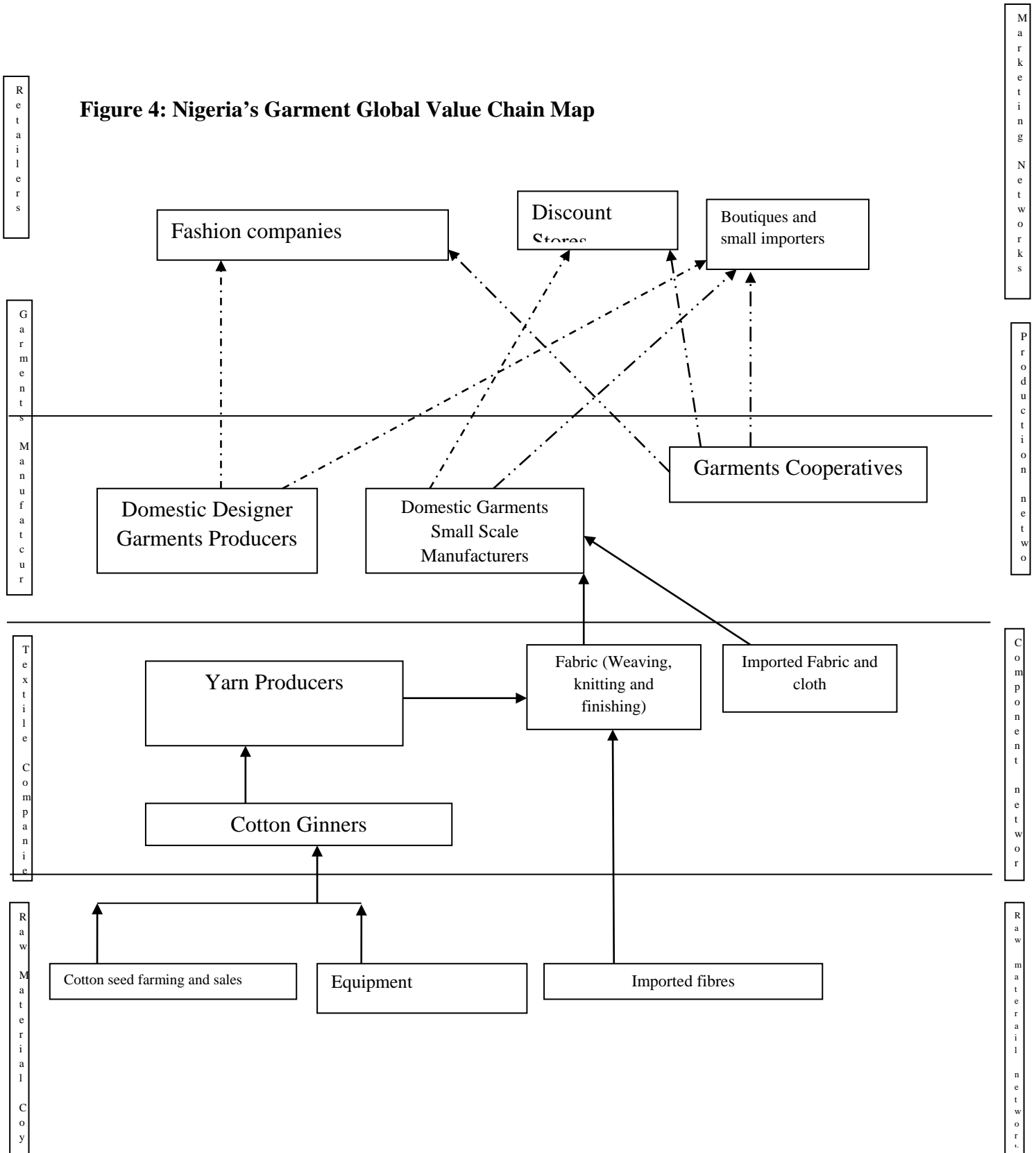
It is also widely believed in the Nigerian case that remunerative prices will improve farmers' income and their overall well-being, eliminate most forms of trade malpractice and improve quality.

Garment Value Chain in Nigeria

Prior to the mid-1980s, Nigeria had a robust and integrated cotton- textiles industry. The industry during this time was primarily focused on the domestic market and West African market. The subsector had about 124 textile firms in full operation largely meeting the clothing demand of Nigeria's ever increasing population and even the demand from outside the country, with little or no competition from other West Africa producers, such as Ghana, Benin Republic, Senegal and Gambia. As at the mid-1980s, the industry generated massive direct and indirect employment opportunities to Nigerians and created corollary support to hundreds of thousands of Nigerians who traded in products from the industry. However, from the mid-1980s, the industry experienced a pronounced contraction, as imported textiles, mainly second hand, began to dominate the domestic market and domestic textile manufacturing firms began to collapse. The dismal performance is attributable to multi-dimensional challenges, which have to do with power crisis, incessant labour unrest, non-availability of cheap loans and working capital, obsolete equipment, inadequacy of skilled human resources, unbridled importation of textile materials and lack of textile industrial policy. Today, the country has less than 20 textile companies in full time operation - meeting less than 10 per cent of the country's textile requirements.

The value chain in Nigeria textile industry links cotton farmers, gin operators, textile producers, and garment manufacturers. Like many other industries throughout Sub-Saharan Africa, the cotton-to-garment value chain in Nigeria is also not self-sufficient. Several dependencies on goods sourced outside of Nigeria exist, such as agrochemicals, chemicals for the dyeing process, and spare parts for machine maintenance. The global value chain begins with the buyers, the garment manufacturers, the textile producers, the ginners, and cotton farmers. The detailed activities of these operators are illustrated in the mapping of the garment value chain for Nigeria in Figure 4.

Figure 4: Nigeria's Garment Global Value Chain Map



Source: Authors' Expression

All the stages of the garment value chain are considered important as no company is regarded as being at the weak link of the garment industry value chain in Nigeria. The extent of standardized and designer garments that producers/wholesalers sell to retailers/consumers can be regarded as very much with a good collaboration on garment quality definition between the producers/wholesalers and the retailers/consumers as a result of designer nature of their Nigerian garments. The link between the firms and the garment buyers in the trading network is however guided by information flow and repeated trade transactions between the two parties.

Garment Value Chain Governance and Performance

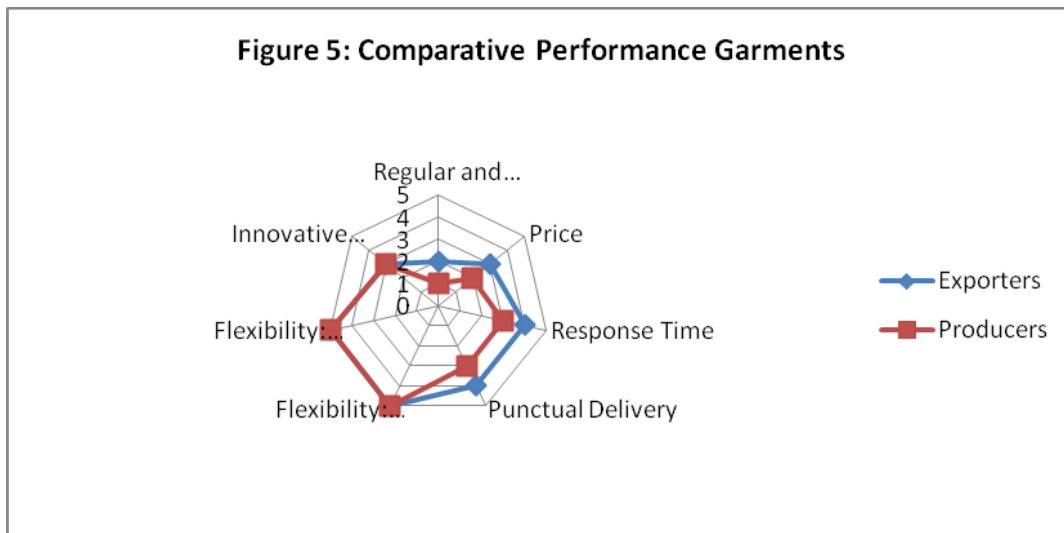
An examination of the governance structure in the garment sector shows that the governance relation is predominantly characterized by a directed network (i.e. controlled by a lead or major company that is not directly known to Nigerian garments producers). In most of the cases, the buyers usually specify the type and quality of garment that the producer/wholesaler is to produce/sell. In addition, garment buyers usually specify the type of fabrics to use and the styles and colours to produce. As a result garment buyers monitor the performance of garment producers in terms of types and quality of garments that they produce. The garment buyers in the value chain do not produce garment in their own factories and the garment firms are not subsidiaries of the company which buys their garment. The garment firms however do not sell directly to the lead/dominant buyer firm or through its agent in the garment industry. The garments are usually sold to all categories of retailers/buyers. Some selling is done through cooperatives.

Firms gain access to the garment trading network through registration as an exporter with the Nigerian Export Promotion Council (NEPC) and in a few cases through heritage (inheriting the family business). In the case of the NEPC, another dimension is through the Africa Growth and Opportunity Act (AGOA) unit which is charged with garment export development but which it is doing unsuccessfully due to operational problems. Quality upgrading is the most important production capability that has been acquired by garment producers through exporting to garment buyer companies. Garment producers compete among each other to supply garment to the same buyers but are not aware of the lead/dominant company in the industry. The largest part of the garments produced is usually taken to United Kingdom and other parts of Europe.

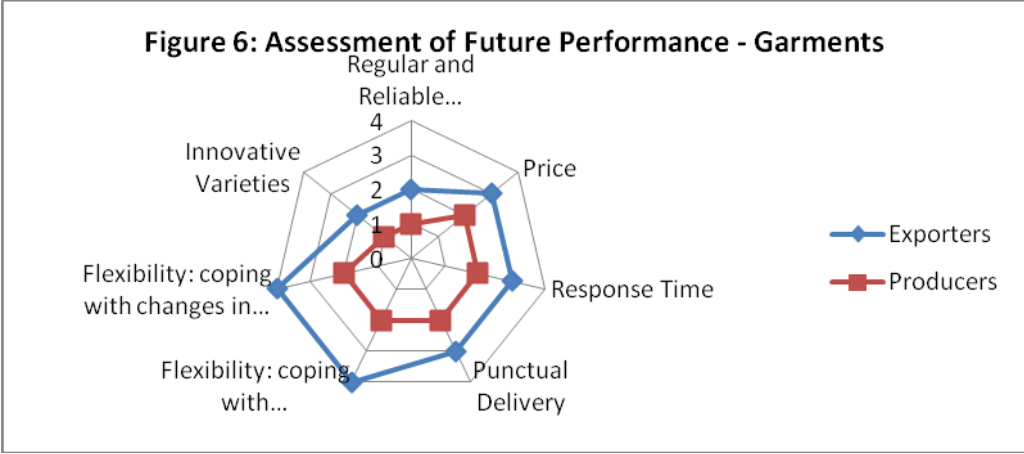
The garment producers/wholesalers and the exporters are aware that their garment are used for marriage, burial, chieftaincy, birthday, housewarming and burial ceremonies among others, particularly by Nigerians in the diaspora. There is no evidence of triangular production for export. Garment is also made for customers/buyers within the immediate vicinity of the value chain process. The type of quality garments that is produced are usually good-quality, medium priced as well as low-priced garments. Discount stores and boutiques and other small importers represent the major buyers of Nigerian garments overseas. Some of the stores include Alexia Parmigiani, Anouska Hempel, Ben Sherman, Brennan and Burch, Cassandra Postema, Primark, Kaufhalle, Kmart, Christian Dior, Coterie, Creations, Emporio Armani, and Garment Plus. However, there are a small proportion of garments that are sold to users directly by small scale *portfolio* exporters.

The quality requirements of buying firms are very important in the export of Nigerian garments. The perception of Nigerian garment exporting firms (a proxy for foreign buyers' perception) and garment manufacturers is presented in Figures 6 and 7. As expected, the two agents' perception reflects different view of the manufacturers' performance. Regular and reliable product quality is the most important factor with respect to garment buyers particularly from United Kingdom which is the main buyer of garments from Nigeria. In addition, price and response time (from order to delivery) and punctual delivery are also very important variables. Nigerian garment manufacturers do not have high scores in relation to such factors as flexibility in coping with small and large orders and coping with changes in large orders. In each case, the manufacturers have a better perception of their performance by one performance point higher than those of the exporters (buyers). However, both agents' stakeholders agree to the low performance in the areas of flexibility of coping with small or large orders and flexibility of coping with changes in large orders as well as innovative designs.

In addition, exporters also believe that garments producers will only marginally perform better than their current scores, as in the case of cocoa, but due mainly to the death of the Nigerian textile industry and high tariffs and sometimes outright import prohibition of textile materials as well as the inclement Nigerian business environment. However, garment producers believe that with the advent of the common external tariffs which should lower tariffs on textile imports, they will significantly improve on many of the scores in the next five years.



Source: Field Survey



Source: Field Survey

The strength of the garment sector relates to the exporting firms good reputation is supplying regular and reliable product quality in a sustainable manner as they have access to best available resource such as labour and good climate that produce high quality garment. However, the general perception of the industry relates to the low quality of garments being produced in Nigeria in relation to the garments from other developed countries such as the United Kingdom and the United States. Thus, finding a creative solution to increase activities in the sector by taking the AGOA initiative more seriously and streamlining trade policy to reduce import duties and other charges on textiles will help create more value and ensure good quality of garments produced for export in Nigeria.

In terms of the global value chain for cocoa and garment, the policy lesson is the need for policy makers to reform the policy environment regarding cocoa and garment production to allow producers capture the lucrative stages of the global value chain. In the case of exports leading to substantial reduction of poverty and inequality on a consistent basis, government needs to place emphasis on the deliberate development of agro processing industries to enhance export, export diversification, create more export-oriented sectors and employment and hence reduce poverty and inequality.

Prior to the mid-1980s, Nigeria had a robust and integrated cotton- textiles industry with about 124 textile firms in full operation largely meeting the clothing demand of Nigeria's population with little or no competition from Ghana, Benin Republic, Senegal and Gambia. From the mid-1980s, the industry experienced a pronounced contraction, as imported textiles and apparel, mainly second hand, began to dominate the domestic market and domestic textile manufacturing firms began to collapse. This was exacerbated by multi-dimensional challenges, ranging from power crisis, incessant labour unrest, non-availability of cheap loans and working capital, obsolete equipment, inadequacy of skilled human resources, unbridled importation of textile materials and lack of textile industrial policy. Today, the country has less than 20 textile companies in full time operation - meeting less than 10 per cent of the country's textile and clothing requirements.

The GVC mapping of the Nigeria's garment industry links domestic and foreign supermarkets, garment manufacturers, textile producers, domestic textile importers, gin operators, and cotton farmers. Hence, the global value chain begins with the buyers in form of foreign fashion companies, discount stores, and boutiques and small importers, which procure garments from domestic designer garments producers, domestic garments small scale manufacturers, and garments cooperatives which in turn obtain inputs from fabric (Weaving, knitting and finishing) manufacturers and from imported fabric and cloth merchants. The textile firms obtain imported fibres from importers and yarn from local producers who deal with local cotton ginners that collect their supplies from numerous cotton seed farmers. Discount stores and boutiques and other small importers represent the major buyers of Nigerian garments overseas. Some of the stores include Alexia Parmigiani, Anouska Hempel, Ben Sherman, Brennan and Burch, Cassandra Postema, Primark, Kaufhalle, Kmart, Christian Dior, Coterie, Creations, Emporio Armani, and Garment Plus. However, there are a small proportion of garments that are sold to users directly by small scale 'portfolio' exporters.

The extent of standardized and designer garments that producers/wholesalers sell to retailers/consumers is with a good collaboration on garment quality definition between the producers/wholesalers and the retailers/consumers. This is as a result of designer nature of Nigerian garments. The link between the firms and the garment buyers in the trading network is however guided by information flow and repeated trade transactions between the two parties. The governance structure is such that a lead or major company that is not directly known to Nigerian garments producers control the chain. Also, buyers usually specify the type and quality of garment that the producer/wholesaler is to produce/sell, through specification of the type of fabrics to use and the styles and colours to produce. The garments are usually sold to all categories of retailers/buyers. Some selling is done through cooperatives.

As expected, garments producers' and exporters' (proxy for buyers) perception reflects different view of garments manufacturers' performance. Regular and reliable product quality is the most important factor with respect to garment buyers particularly from United Kingdom which is the main buyer of garments from Nigeria. In addition, price and response time (from order to delivery) and punctual delivery are also very important variables. Nigerian garment manufacturers do not have high scores in relation to such factors as flexibility in coping with small and large orders and coping with changes in large orders. In each case, the manufacturers have a better perception of their performance by one performance point higher than those of the exporters (buyers). However, both stakeholders agree to the low performance in the areas of flexibility of coping with small or large orders and flexibility of coping with changes in large orders as well as innovative designs.

In addition, exporters also believe that garments producers will only marginally perform better than their current scores, as in the case of cocoa, but due mainly to the death of the Nigerian textile industry and high tariffs and sometimes outright import prohibition of textile materials as well as the inclement Nigerian business environment. However, garment producers believe that with the advent of the common external tariffs which should lower tariffs on textile imports, they will significantly improve on many of the scores in the next five years.

CONCLUDING SUMMARY

This study examines the global value chain analysis of cocoa and garment value chain in Nigeria in order to guide business practitioners and policy makers on how to improve the operations of their agribusiness supply chains if they are to compete on the global market place. In addition, it analyses inter-firm linkages in global commodity business, placing commodity production and processing in Nigeria in the context of the dynamics of the broader global commodity business. Findings revealed that the governance relation in the cocoa value chain is predominantly characterized by directed network (controlled by a lead or major company) and that quality upgrading is the most important production capability acquired by farmers through exporting to cocoa buyer companies. In the case of garment, it was revealed that the extent of standardized and designer garments that producers/wholesalers sell to retailers/consumers is with a good collaboration on garment quality definition between the producers/wholesalers and the retailers/consumers. Also, buyers usually specify the type and quality of garment that the producer/wholesaler is to produce/sell, through specification of the type of fabrics to use and the styles and colours to produce. The garments are usually sold to all categories of retailers/buyers.

The policy lesson is the need for policy makers to reform the policy environment regarding cocoa and garment production to allow producers capture the lucrative stages of the global value chain. In the case of exports leading to substantial reduction of poverty and inequality on a consistent basis, government needs to place emphasis on the deliberate development of agro processing industries to enhance export, export diversification, create more export-oriented sectors and employment and hence reduce poverty and inequality. This has implications for the sustainable development of the Nigeria since there is a clamour for the economy to diversify from oil revenue to non-oil revenue. The diversification of the economy will not only insulate the country from external shocks such as oil price shocks but also place the economy on a sustainable development path.

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