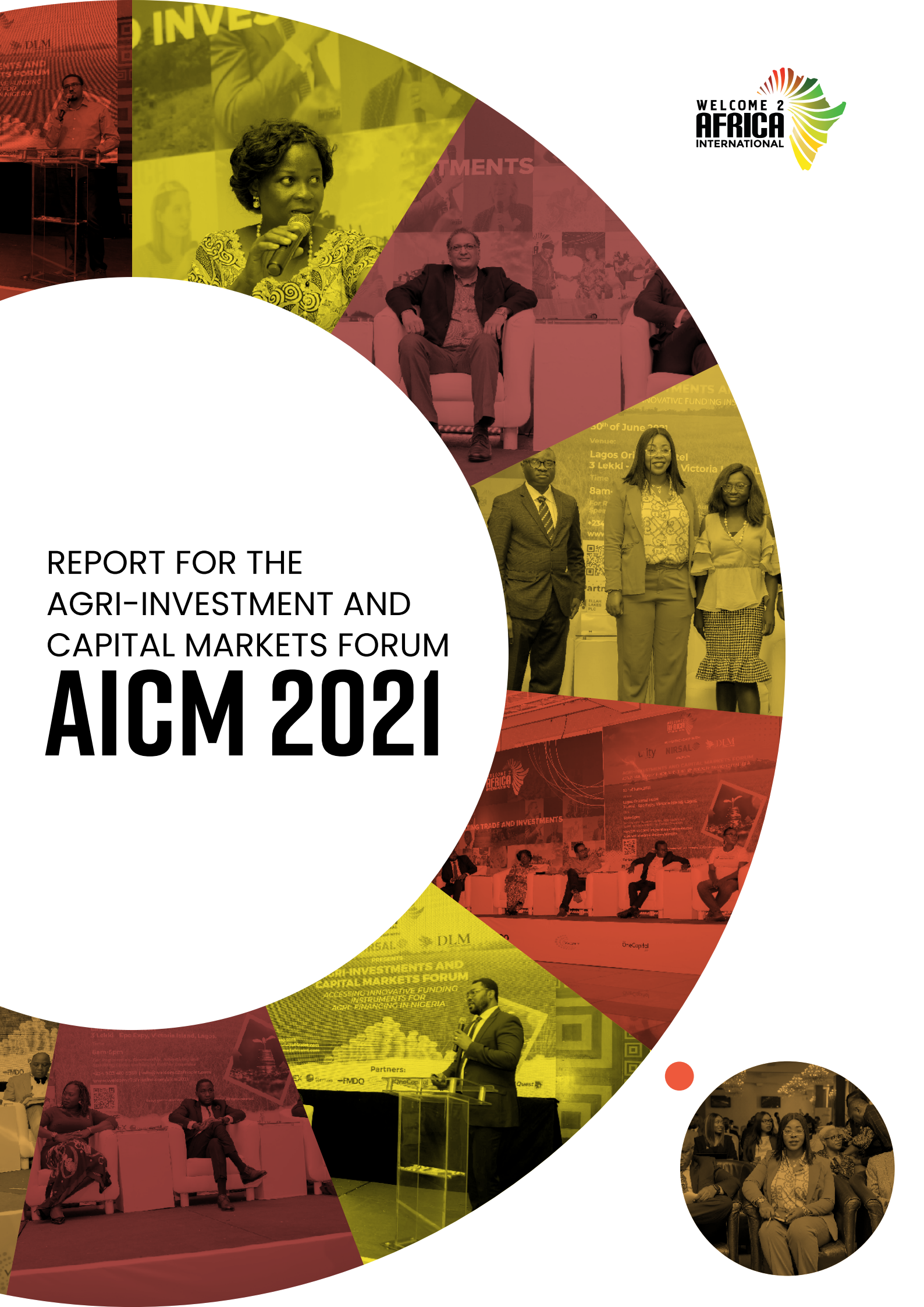




REPORT FOR THE AGRI-INVESTMENT AND CAPITAL MARKETS FORUM **AICM 2021**



INTRODUCTION

The Inaugural installment of the Agri Investment Capital Markets Forum was held at the Grand Ballroom of the Oriental Hotel on the 30th of June 2021 Victoria Island, Lagos.

It was a highly successful event as it was highly attended by some of the most notable stakeholders in the Agricultural and Capital Markets sectors. Some of these included:



Mr. Aliyu Abdulhameed, MD of the Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)



Mr. Dave Uduanu, The MD CEO of Sigma Pensions



Mr. Dominic Graham, The Chief of Party of Creating New Frontiers in Agriculture (CNFA) in Nigeria

The forum focused on critically ex-ricing the Nigerian capital market policies, challenges, and unlocking the enormous potentials and opportunities available in the multi-trillion-naira sector.

The primary aim of the AICM2021 was 'to facilitate the establishment of an agribusiness funding pipeline for the capital markets and other alternative financial markets'- with a focus on high-value commodities such as Cocoa, Cashew and Ginger, etc.



AIMS & OBJECTIVES OF THE AICM 2021 FORUM

We set the following aims and objectives for the forum.

- ★ Demonstrate and showcase how to structure investment products suited for Nigeria's Agribusiness Sector
- ★ Explore Structured Agri commodity trade finance in Nigeria
- ★ Discuss policy guidelines and regulations that can further promote sustainable and integrated Capital markets activities towards boosting investors' confidence in the Nigerian Agribusiness Sector.
- ★ Foster effective sharing and exchange of ideas, knowledge, best practices, and experiences
- ★ Identify other innovative funding pipelines and entry strategies for agribusinesses.



Showcase options that are available to investors on the Nigerian capital markets seeking to diversify their portfolios



Engage critical stakeholders and major actors to holistically ex-ray the Nigerian capital market, its policies, challenges, and opportunities

Indeed, the forum achieved these goals as the potentials and opportunities in the Nigerian capital markets were revealed for Agribusinesses and individuals alike.

We also had presenters from agribusinesses who were bent on taking advantage of the unlocked investment opportunities in the sector. They include the following:



Mrs. Patricia Ahunanya, Head of Agric department, Unity Bank



Mrs. Elizabeth Olanrewaju Nwankwo, MD/ CEO, Oklan Best Ventures



Mr. Samil Asha, Managing Director/CEO, ScAgric Limited



Ms. Temitope Olatimehin, CEO Chodchod Management Service Limited.



Dr Chidi Ulelu, Group CEO Erste Graceland Limited

The session was well attended by over 200 guests and their prior online registration made the coordination of guests swift and easy at the event.



AGRICULTURAL INVESTMENTS AND THE OPPORTUNITIES FOR THE CAPITAL MARKET



The speaker lineup on this panel includes.



Mr. Aliyu Abbati Abdulhameed,
MD/CEO NIRSAL



Dr. Farouk Aminu,
Commissioner Administration
at National Pension
Commission



Mr. Akinyinka Akintunde,
Chief Operating Officer
AFEX



Mr. Dave Uduanu,
Managing Director/CEO,
Sigma Pensions Limited



Mr. Sonnie Ayere,
Group Chief Executive Officer,
DLM Capital Group



MODERATOR
Olayemi Anyanechi,
Founder and Managing
Partner of Sefton Fross

This session was led by the MD/CEO of NIRSAL - Mr. Aliyu Abdulhameed
His presentation was subdivided into 3 sections:

- Investment Potentials and Challenges of Nigeria's Agricultural Sector
- NIRSAL's De-Risked Agricultural Value Chain Investment Opportunities
- Financing Agricultural Value Chain Investment Opportunities

In the first segment, the MD/CEO of NIRSAL called our attention to some of the investment opportunities in the Agricultural sector. He accentuated the fact that Agriculture remains a large non-oil export earner for the economy. He cited the rising population as an opportunity but also an issue of national security if not well handled, given the gaps and challenges in harnessing the potentials of agriculture in securing the food security of the country.

For the appropriate inflow of investments into the sector, he cited that the need for assurances of returns must be visible for investments stakeholders. This is an issue that most agricultural stakeholders have failed to show, and this has stifled investment inflows.



Mr. Abdulhameed also insisted on the need for disaggregating opportunities in the Agricultural sector to ensure a well-driven and profitable value chain. An outstanding opportunity he spoke about was in the irrigations sector. The need for farmers to have access to modular irrigation equipment will reduce their reliance on rain-fed agriculture and irrigation from large government dams. As a gas-rich nation, he stated that our gas resources can be utilised to ensure the effective delivery of water via modular irrigation agriculture.

He condemned the practise of fragmentation by smallholder farmers, stating that it impeded accessing various perks in processing, mechanisation, economies of scale and structured financing. He encouraged the aggregation of farmers for access to these perks.



Some other opportunities he highlighted were:



Harvesting services



Drying services



Modular Cleaning services

The affinity for tech-driven solutions amongst youths will increase the affinity and involvement of youths in the agricultural sector.

The panel made some key comments as including the following listed below:

- Attractive returns come from businesses that can scale quickly. Agribusinesses that demonstrate the ability to scale receive funding from the capital markets repeatedly.
- For investments in agribusinesses to occur, transparency, and corporate governance must be focused on as they are key indices highly sought after and monitored by investment stakeholders.
- Aggregation and disaggregation, where it matters create an avenue for financiers to provide financing at their risk appetite.
- The MD/CEO, NIRSA also spoke about the need for huge capital inflows in agriculture. He made it known that a single value chain could single-headedly consume billions of dollars in investments and still need more funds to attain its potentials.
- Securitising the Agricultural sector is a prerequisite to onboarding capital markets stakeholders and getting them comfortable in investing in the agricultural sector.

DLM Group is working on magnifying the investment opportunities in



AGRIBUSINESS AND CAPITAL MARKETS PRESENTATIONS DEVELOPING AND STRUCTURING COMMERCIAL PAPERS (CPs) TO FINANCE AGRIBUSINESS IN NIGERIA



The speaker lineup on this panel includes.



Mr. Abayomi Bolade,
Head diversified industries, FBN Quest Merchant Bank



Mrs. Funto Olasemo,
Vice President Financial Markets, AFEX



Mr. Sunil Dhanuka,
Executive Director and Country Head, Valency Agro Nigeria Limited



Mr. Chuka Mordi,
MD, Ellah Lakes PLC



Mrs. Rita Uzo-Unegbu
HR Manager at RenMoney MFB LTD



MODERATOR
Mrs. Abiola Ojo Osagie,
Managing Director at AfricInvest Capital Partners Nigeria LTD.

While Mr. Abayomi Bolade, Head of diversified industries at FBN Quest Merchant Bank gave insights on the protocols and procedures necessary for developing and structuring Commercial Papers (CPs) to finance agribusiness activities in Nigeria, a few points stood out.

They include.

- CPs are essentially unsecured short-term instruments that are used to fund working capital. It has a tenure of a maximum of 270 working days.
- Agribusinesses need to be rated and possess a very strong rating to get the required funds requested.
- CP are benchmarked against Govt treasury bills,
- Cost of finance, which is an issue with traditional banking has led to the utilisation of alternative instruments including the utilisation of CPs.
- Cps are becoming increasingly popular with over NGN5.1 billion already raised by businesses in 2021 alone (as of June 2021)

He ended by encouraging agribusinesses who can access CPs to register a program when best rates are seen, even when the next deal date and details are unknown.



Chuka Mordi - How to get listed on the stock exchange.

Ellah lakes were listed on the NSE in 1980.

The 4 Pillars for Value Creation and Capture utilised by Ellah Lakes are listed below.

- Competitive Market Positioning
- Diverse, Entrepreneurial Leadership & Technical Partnerships
- Integrated Production and Processing Strategy
- Robust ESG & CSR Systems hinged on UN SDGs

He went on to list two critical points for financier attractiveness. They are as follows.

- Corporate governance must be top-notch.
- A well-diversified and Highly Experienced Board of Directors must be on the team.

To enhance the trust of financiers in your business, he stated that agribusinesses need to do the following.

- Utilise Corporate Social Responsibility.
- Structure
- Capacity
- Adding Value.

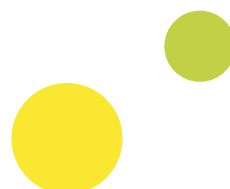
The kind of business you are trying to build must be clearly projected to aid the understanding of the prospective investors.

Mr. Sunil Dhanuka - Overcoming the bottlenecks and hurdles around fundraising in Nigeria

Contrary to reports of CP taking 4-6 weeks as reported by Mr. Abayomi Bolade it took us about 3-4 months to get the document. This can probably be attributed to the delays caused by the COVID pandemic.

Some tips to look out for are as follows.

- Fill up the gaps in statutory and regulatory compliance. Any gaps in compliance will delay the issuance process.
- The fees are not negotiable. This needs to be addressed
- Solid cash flow is one of the requirements.
- The interest rate needs to be addressed as we were informed of a 4% rate and ended up getting 8% eventually.
- A CP can be obtained within 6-8 weeks depending on how prepared you are with your checklist





Mrs. Rita Uzo-Unegbu - Generating Profitable returns from the Agricultural Sector for the Capital Markets

OneCapital highlighted some of the investment opportunities being offered to individuals and corporations in agribusinesses they support:

- o OneCapital is involved in investing in Agribusinesses focused on adding value to agricultural commodities.
- o They receive funding from Private Equity as well.
- o Processing of Agricultural products at the spot of production has helped them to increase their profits and facilitate their sourcing process as well.

The investment opportunities in the companies they support were listed and materials were distributed at their exhibition booths.

Mrs. Funto Olasemo - Understanding and Utilising the Innovation behind Warehouse Backed Commercial Papers

One of the most notable statements made by the speaker is **"...If you can securitise it, you can finance it."**

The speaker stated that commodities are assets that have economic value, and hence can be traded and value-added.

She however listed some of the risks involved in commodity trading including:

- o Liquidity risk
- o Credit risk
- o Price risk

In comparison to commercial papers, she stated that the Asset-Backed Commercial Papers (ABCPs) are much more securitised. She also stated that there's a need to lobby to ensure the passing of the regulation to ensure that ABCPs are recognised as a reliable financing instruments.



The closing remarks were given by the MD/CEO of Sigma Pensions who stated that billions of dollars can be raised through the capital market, even in a day if we go through the laid down processes



Cross-section of the Panellist and Moderator



ANALYSING THE CURRENT STATE OF AGRIBUSINESS PARTICIPATION AND PROMOTING AGRIBUSINESS INCLUSION IN THE NIGERIAN CAPITAL MARKETS



The panel discussion was carried out by the following speakers:



Mr. Emeka Ngene,
Head, DLM Advisory Partners



Mr. Kayode Omosebi,
Director, Seeder &
Ash Capital.



Mr. Sahil Gupta,
General Manager,
Olam International



MODERATOR
Mr. Boason Omofaye,
CEO & Executive Editor,
Frontier Africa Reports

Mr. Sahil commenced the conversation as led by the moderator alluding to the fact that Olam, a multinational agribusiness that commenced its operations in Nigeria and now in over 60 countries worldwide, is very active in the capital markets but find it very difficult to raise funds from the Nigerian Capital markets due to the numerous hurdles and challenges associated with gaining entry into it. Given their global reach, they have opted to raise money from more competitive and relatively easier markets to raise money from.



Mr. Emeka Ngene of DLM responded by reiterating that the Nigerian capital market is the most sophisticated one in Africa and that the Nigerian capital market is indeed like other capital markets in the world. He also stated that the bulk of our funding comes from pension funds which are highly regulated, as opposed to other climes where numerous products are available to ease the funding of agribusinesses.



Mr. Kayode Omosibi of Seeder and Ash Capital opined that irrespective of the attractiveness of the agricultural sector, the associated risks are enormous. Some of these risks include:

- Supply chain risks
- Transportation risks
- Storage risks

The ability to scale and mitigate risks are some of the major factors investors track before investing as they are very risk-averse. He also stated that Investors go to where optimal returns are at increased risk. Scalability needs cost-effective ended finance deal manner of revenue generation. This requires a high level of value chain integration.

On the occasion where value chain integration isn't possible, he suggested that agribusinesses go for:

- Joint ventures and Consortiums to scale should be considered to access funding and increase scalability. This level of integration will increase funding to the agricultural sector from the numerous buckets of investments from the capital markets.

We stand the chance of losing our competitive advantages as a country if we do not take these issues seriously.



Mr. Boasen Omofaye informed the House of China's poaching of farmers from Ghana to establish their cocoa industry to supply Europe, which is Africa's largest market. He opined that China and other similar players are keen on destroying our vulnerable agricultural systems. He also listed other examples of instances where this occurs including the cassava value chain. China currently uses it to produce Garri for Nigerians. He stated that the need for increased support, especially financially is needed much more than ever for the sustenance of agriculture and its contribution to livelihoods in Nigeria.



According to **Mrs. Semani of Growvest**, the documentation required from aquaculture farmers in Nigeria is not representative of their practices, as they often do not operate with such documents, thus their inability to provide them.

Other notable points raised by the panelists on the panel include the following.

- The flow of information to the market will go a long way in helping agriculture access more funding instruments.
- Intervention funds and capital markets can come together to create a bl that will be more profitable for farmers.
- Infusing technology into agricultural production and value addition will also make access to funds easier.
- Collaboration will help you access funds faster.



STRUCTURING AND ACCESSING FUNDING FOR AGRIBUSINESS VIA THE CAPITAL MARKETS



The panel discussion was carried out by the following speakers:



Mr. Oluseun Olatidoye,
Head, Capital Markets,
FBNQuest Merchant Bank



Mr. Eze Nwakanma,
Head, Agric Value
Chain Finance, and
Investment Services, NIRSAL



**Mr. Humphrey
Oriakhi,**
MD/CEO PAC Capital



Mr. Lanre Odufawa,
Team Lead,
Primary Markets,
Listings Business Division
Nigerian Exchange Group



MODERATOR
Mrs. Florence Bola-Balogun,
Senior Associate, AELEX

Some of the notable points from the session are highlighted below:

- NIRSAL has improved lending to agribusiness from 1.5 % to 4%. Their target is to increase it to 7% by 2025. NIRSAL is committed to making Agri-financing as attractive as oil and gas financing.
- The fate of the Nigerian economy is tied to the capital market
- The size of agribusiness is about 250bn Naira which is low
- The effect of the lack of a corporate structure in most Agribusinesses limits its access to finance.
- Besides the structure, the high risk associated with agriculture plays a significant role in reducing its access to funds.
- Impact funding can also be accessed when the laid down investment criteria are met by agribusinesses.
- There's a need to structure agriculture in a way such that we can produce more than once in a year.
- We need to integrate based on our comparative advantages per location. This will ensure smallholder agribusinesses access economies of scale, credit facilities, processing, and more organized markets.

The panel also went on to speak about blended financing, how it works and how it can be utilised in the agricultural sector.

- Blended financing such as those derived from mixing capital markets with money markets resources to form best suited financial products for agribusinesses can go a long way in increasing farmers' access to funding.
- BOI and CBN have low-cost funds that can be used by companies. These funds can be blended with capital market funding to get blended finance.

POLICY GUIDELINES FOR AGRIBUSINESS FINANCE THROUGH THE CAPITAL MARKET

There was a breakout session due to the technical difficulties in connecting with Mr. Agama Emomotimi. He currently serves as the Head/ Registration Exchanges, Market Infrastructure.

Mr. Teslim Shitta- Bey, the Chief Economist/Managing Editor Proshare Nigeria Ltd went ahead to fill in the gap by taking questions from attendees. With the aid of Stakeholders from AFEX. He addressed issues surrounding the volatility of agricultural pricing, investment management and the losses accrued by many newbies in the sector, agri-financing through traditional means, commodity trading via the AFEX Commapp, etc.



AGRIBUSINESS PRESENTATIONS

The agribusiness presentation was moderated by a representative of Mrs. Patricia Ahunanya, who is the Head of Agric department, Unity Bank. She led the presentations by introducing the various agricultural products the bank has. This includes the Agri Input suppliers' facility, the mechanisation services support facility, the poultry, fisheries and beef production facilities and the logistics, warehousing, and processing facilities.

This presentation was followed by the sessions listed below.



Mrs. Elizabeth Olanrewaju Nwankwo,
MD/ CEO, Oklan
Best Ventures



Mr. Samil Asha,
Managing Director/CEO,
ScAgric Limited



Ms. Temitope Olatimehin,
CEO,
Chodchod Management
Service Limited.



Dr Chidi Ulelu,
Group CEO
Erste Graceland Limited



Mr. Charles Oje,
Co-founder Farmforte Nigeria

The agribusinesses were involved in commodity trading, farming, processing, and exports. The commodities traded by the agribusinesses include Ginger, Cocoa, Cashew, Soybean Sesame, etc. One of the organisations that stood out was SC Agro with an Agricultural Community Development Programme with a land bank of 100,000 hectares of land.

A common issue raised by the Agripreneur was constrained access to funding and meeting the required regulatory compliances.

It was indeed obvious that W2A could create value for the agribusinesses by facilitating trade and investments in the businesses.

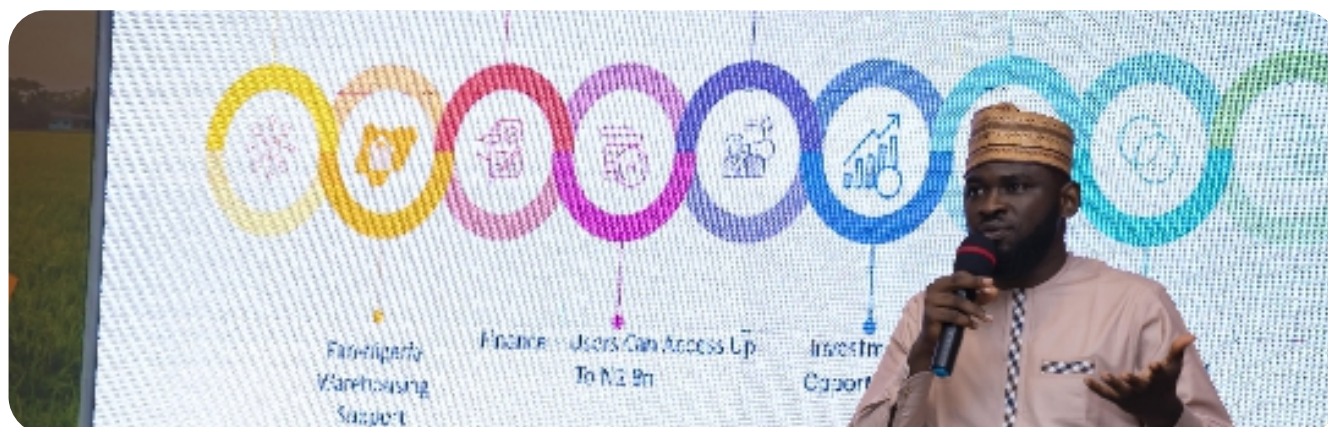


ACCESSING FUNDING AND INTERNATIONAL MARKETS VIA SABEX

SABEX is a digital tool built upon the blockchain platform by Sterling Bank. It poses numerous benefits of which its credit facilities and international markets are the most useful and sought after by agribusinesses.

A representative of Mrs. Awosanya Bukola via the aid of a PowerPoint presentation walked the audience through the selling points of the app and how it can be used to unlock their export and financing potentials. He also provided more information on the credit facilities provided on the platform, how to differentiate the various qualities of agricultural produce, insights on the investment criteria and other services provided on the platform.

This presentation was the last one for the day and it came in very handy for agribusinesses who are unable to access capital market instruments but those of the commercial banks.



CONCLUSION

The AICM2021 was a huge success and W2A did a good job in putting this together. As we have decided to make it an annual event, we need to continuously closely monitor the associated sectors and follow-up relevant stakeholders to produce even more relevant content and much more seasoned speakers in subsequent events. Some of the key takeaways include:

The pension funds are ready to invest in Agriculture and require seeing well-established investment vehicles to facilitate this

- Agribusinesses need to be rated and possess a very strong rating to get the required funds requested.
- CP are benchmarked against Govt treasury bills,
- Cost of finance, which is an issue with traditional banking has led to the utilisation of alternative instruments including the utilisation of CPs.
- CPs are becoming increasingly popular with over NGN5.1 billion already raised by businesses in 2021 alone (as of June 2021)
- "...If you can securitise it, you can finance it."
- Asset-Backed Commercial Papers (ABCPs) are much more securitised. - there's a need to lobby to ensure the passing of the regulation to ensure that ABCPs are recognised as a reliable financing instrument.
- There's a need to structure agriculture in a way such that we can produce more than once in a year.
- We need to integrate based on our comparative advantages per location. This will ensure smallholder agribusinesses access economies of scale, credit facilities, processing, and more organized markets.



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