



## **Nexus Between Agriculture and Capital Market: Talking Points**

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November 2019

**Overview**

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**Value in the Mire**

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**Three-pronged Approach**

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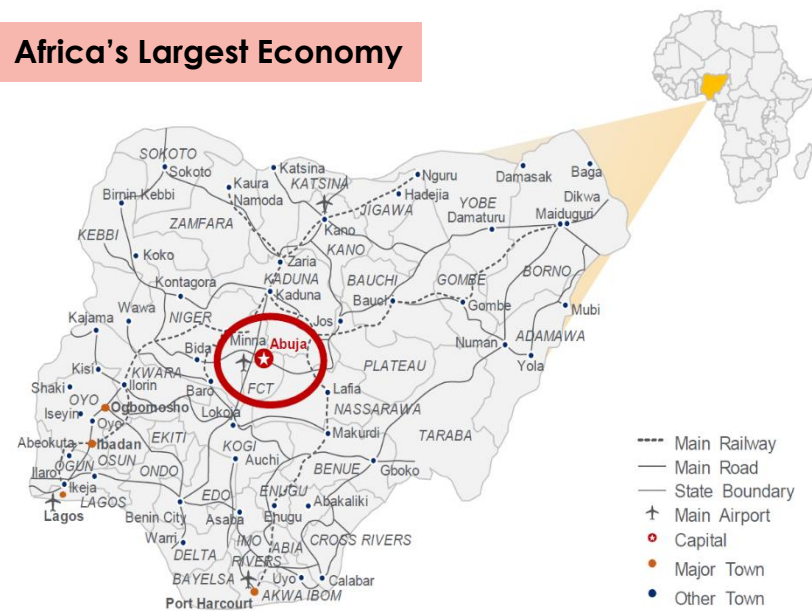
**Bridging the Gap**

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**Product Study: Food Security Fund**

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## Africa's Largest Economy



## Country Overview

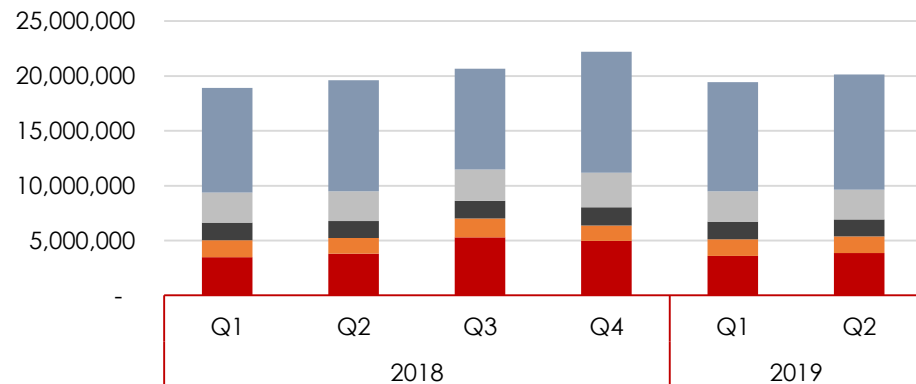
- With an estimated population of 200 million, GDP of US \$376.284bn, making it the largest economy in Africa.
- Nigeria's population of ~200mn inhabitants is the largest in Africa by a distance, with 78% of the population under 35 years and growing rapidly
- The country has significant natural resource wealth, ranking in the top 10 globally for proven reserves of arable land, oil and gas.
- However, since the 2000s, non-oil sectors have taken over as the key drivers of the economy, resulting in higher and less volatile growth
- Government revenue and foreign exchange earnings have remained strongly correlated with oil prices, leaving the country exposed to oil price induced shocks
- Aside from crude oil, the country's other main exports are cocoa and rubber
- The country is poised for superior economic growth:
  - Diversification of GDP towards sectors driven by the emerging middle class (e.g. telecoms, financial services, manufacturing)
  - Forecasted to attract an increasing amount of FDI given attractive macro indicators and supportive demographics
  - Further potential for growth improvement driven by ongoing reforms across various sectors (e.g. agriculture, energy, power, infrastructure)

## Summary of Key Macroeconomic Indices

	2016	2017	2018	2019Q2
Real GDP growth (%)	-1.58	0.82	1.93	1.94
Private consumption (NGN'trillion)	81.5	79.9	60.1	
Monetary policy rate (%; year-end)	14	14	14	13.5
Exports of goods & serv (NGN'trillion)	8.84	13.99	19.28	9.13
Imports of goods & serv (NGN'trillion)	9.48	10.80	13.44	7.71
Agriculture (%)	26.00	26.18	26.15	22.82
Industry (%)	20.00	20.38	20.24	23.21
Services(%)	54.00	53.45	53.62	53.96

## Real GDP (N' billion)

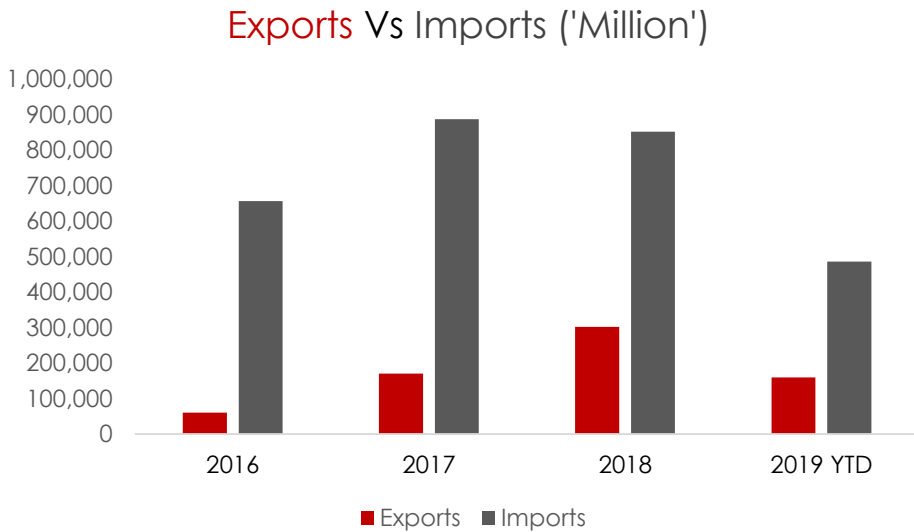
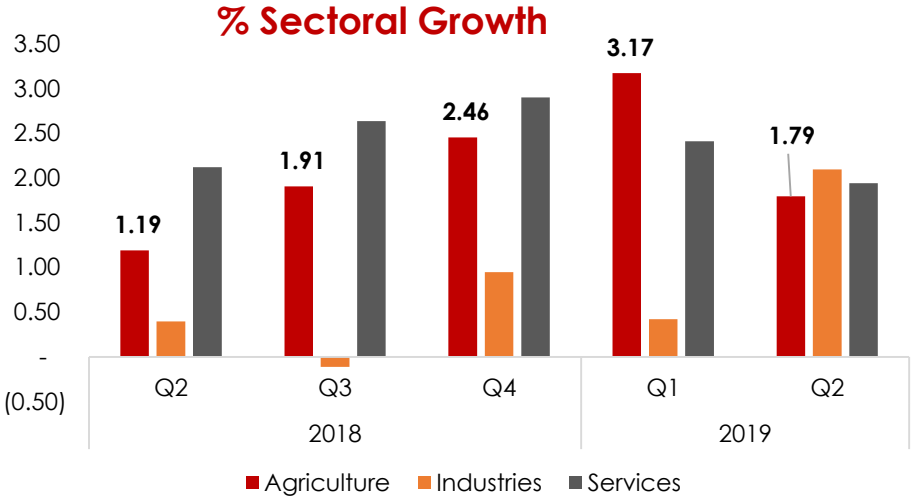
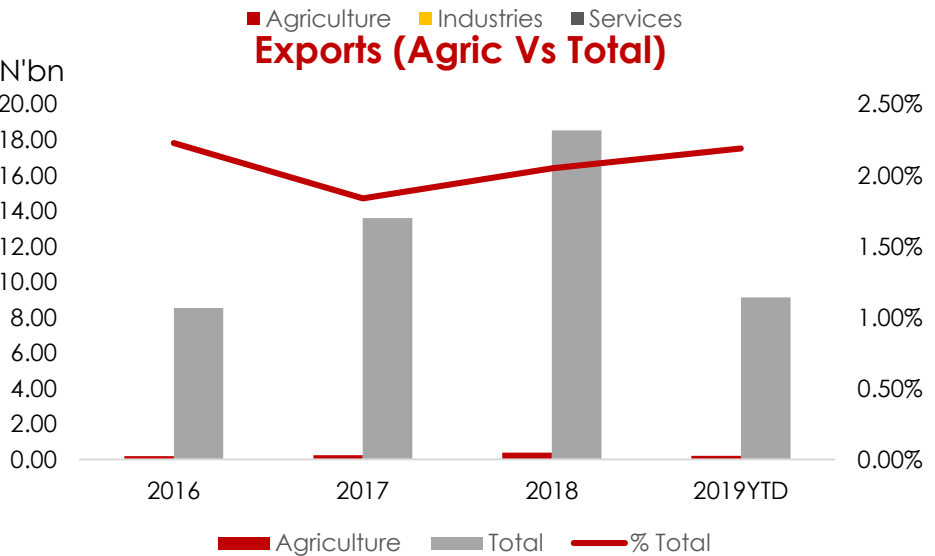
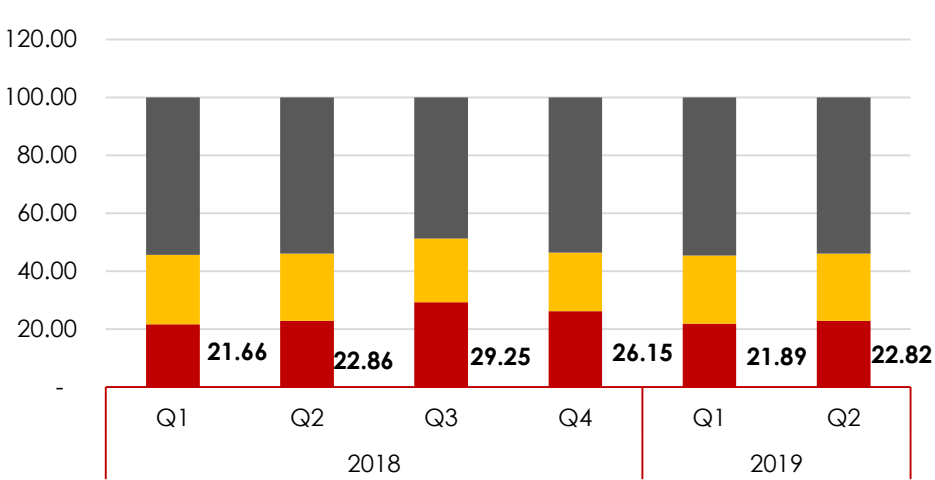
### Contribution to GDP ('million)



Source: CBN Statistical Bulletin, NBS, Economic Intelligence Unit (EIU)

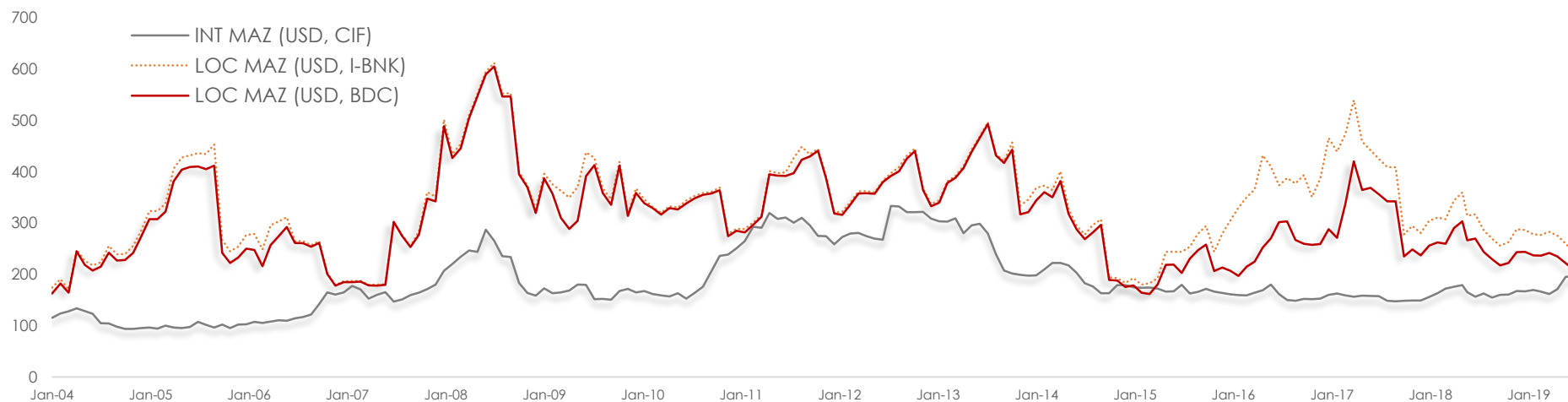
## Economy Overview

# Despite a growing agricultural sector and increasing value of agricultural exports, contribution to foreign exchange earnings remain extremely small

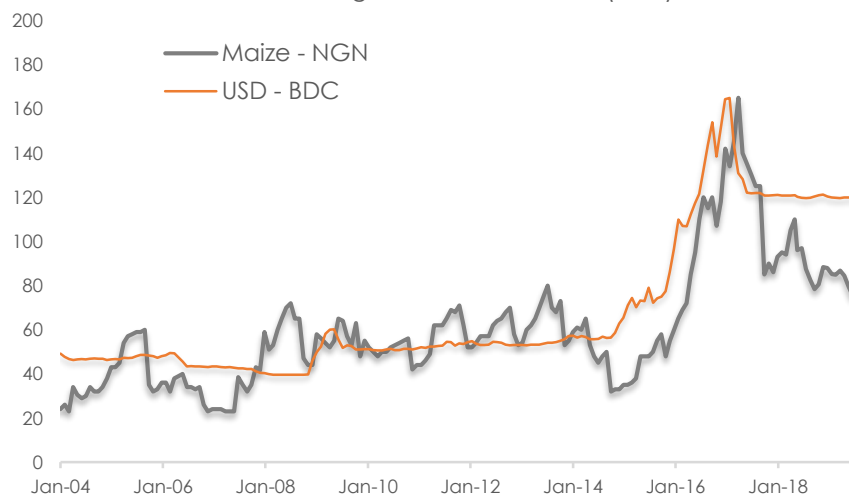


Source: CBN Statistical Bulletin, FAOSTAT, NBS

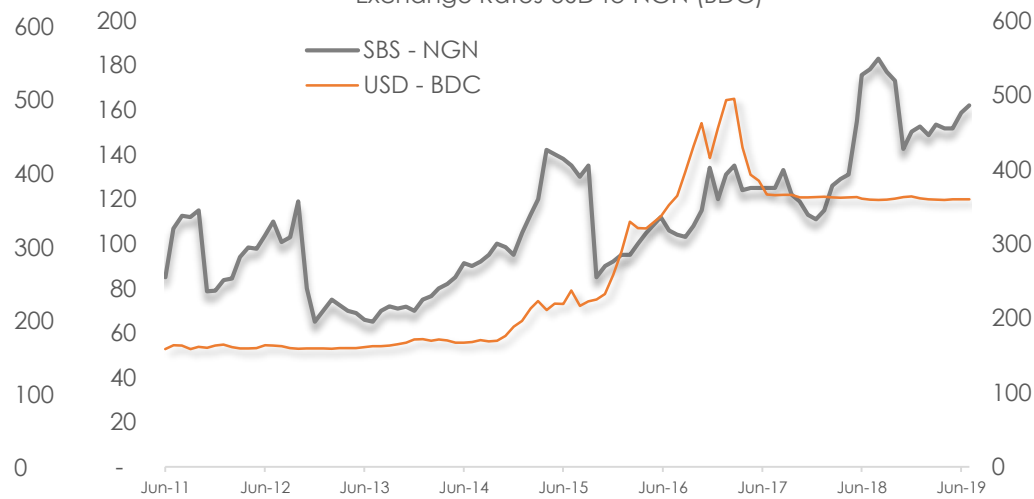
# Maize prices adjusted for exchange rate differentials correlate with international prices. Strong correlation between local commodity prices (NGN/MT) and USD (BDC)



Maize prices (NGN/MT) and Exchange Rates USD to NGN (BDC)



Soybeans prices (NGN/MT) and Exchange Rates USD to NGN (BDC)



The agriculture sector is rife with opportunities untapped and the African food market poised to reach \$1 trillion in 2030.



Cocoa export market as at 2018 was worth N115bn and is the 3<sup>rd</sup> largest in the world.

**\$317 mn**



The Chicken industry is estimated to be N142 billion with annual growth of 10% since 2013

**N142 bn**

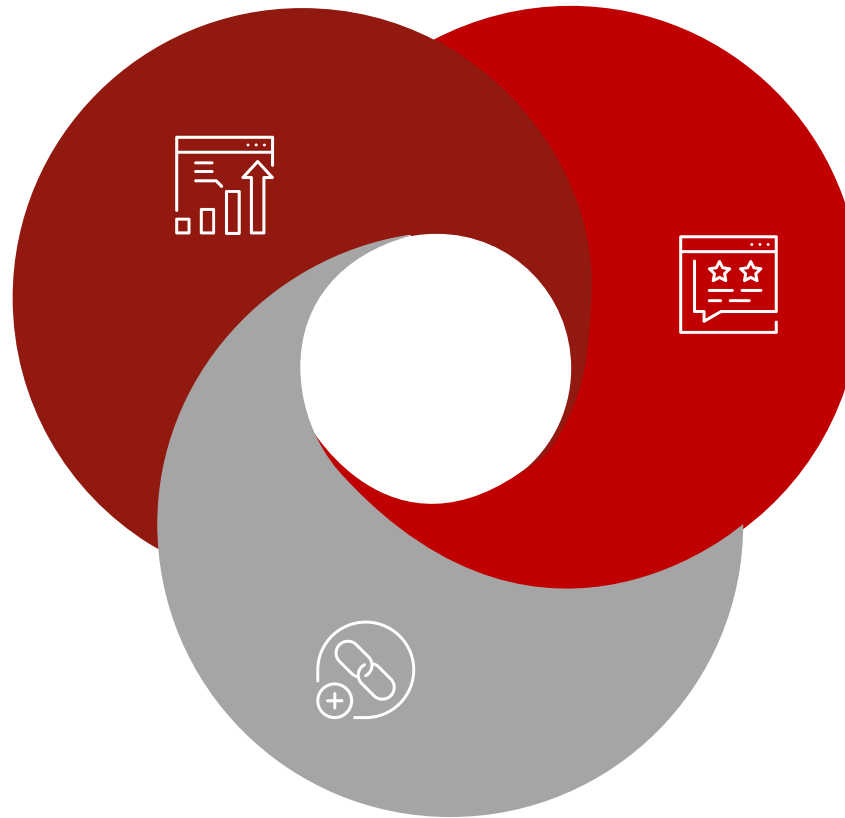
**\$246 mn**



Nigeria Is the Second largest Sesame export market in the world

### **Collateralization:**

Efficient conversion of physical assets into acceptable financial instruments via warehouse receipt systems



**Securitization:** Due to the obscurity surrounding agricultural assets, aggregating them into tradable instruments via warehouse receipts has proven to be a viable means of expanding capital market participation in agriculture

**Exchange Trades:** The exchange system will provide an efficient avenue transparent pricing mechanism, trading and transfer of ownership of various agricultural assets.



### Capital Market

- Spot Contracts
- Input notes
- ABCP

### Platform

- ComX
- Edex



### Platform

- Work Bench

### Farmers

- Input financing
- Storage
- eWR

ABCP: Asset Backed Commercial Paper  
VBA: Village buyer aggregation model  
WRS: Warehouse receipt system

# ComX

Nigeria's preeminent commodities  
Exchange platform



Price discovery



Transparency



Liquidity

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INTRODUCING



## Bridging the Gap

# AFEX

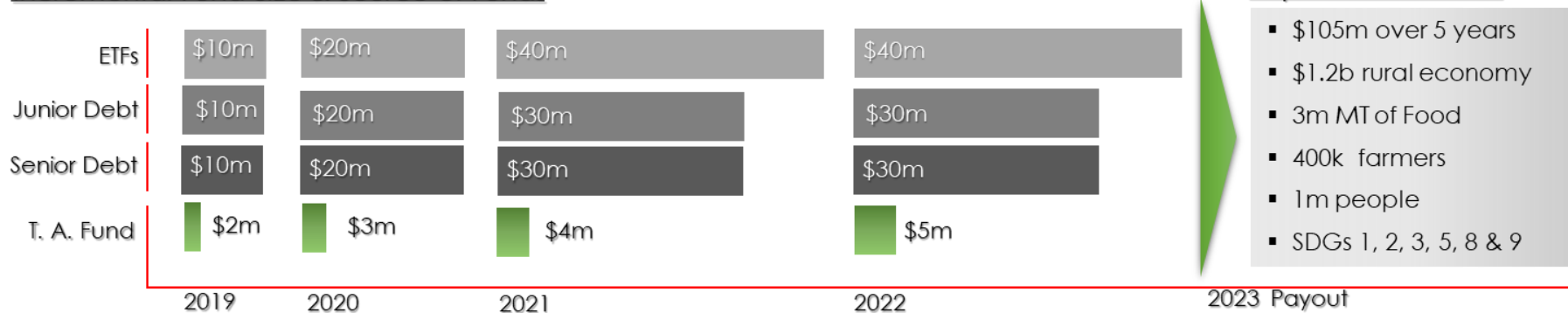
AFEX COMMODITIES EXCHANGE LIMITED



## Fund Structure – Source of Funds\*

<b>Exchange Traded Funds (ETFs)</b> Retail Investors	Retail Investors looking for an instrument for diversification, with yields above (risk adjusted) government issued debt notes, and care about food security and poverty eradication	~20% Annual, Renewable	US\$ 40 Million
<b>Junior Debt</b> Impact Investors & Donors	Investors focused on deploying capital to business models that provide solution to Africa's development challenges –SDGs 1,2,3,5,8 &9	7.5% + 5% 2/3 Years	US\$ 30 Million
<b>Senior Debt</b> Institutional Investors	Investors looking for an instrument yielding above (risk adjusted) Government issued debt notes, but also care about developmental impact of their investments	15% 2/3 Years	US\$ 30 Million
<b>Technical Assistance (T.A.) Fund</b> Donors & Foundations	Donors, Foundations and Family offices focused on market based interventions addressing food security and economic development –SDGs 1,2,3,5,8 &9	5 Years	US\$ 5 Million

### Incremental Fund Size & Source of Funds

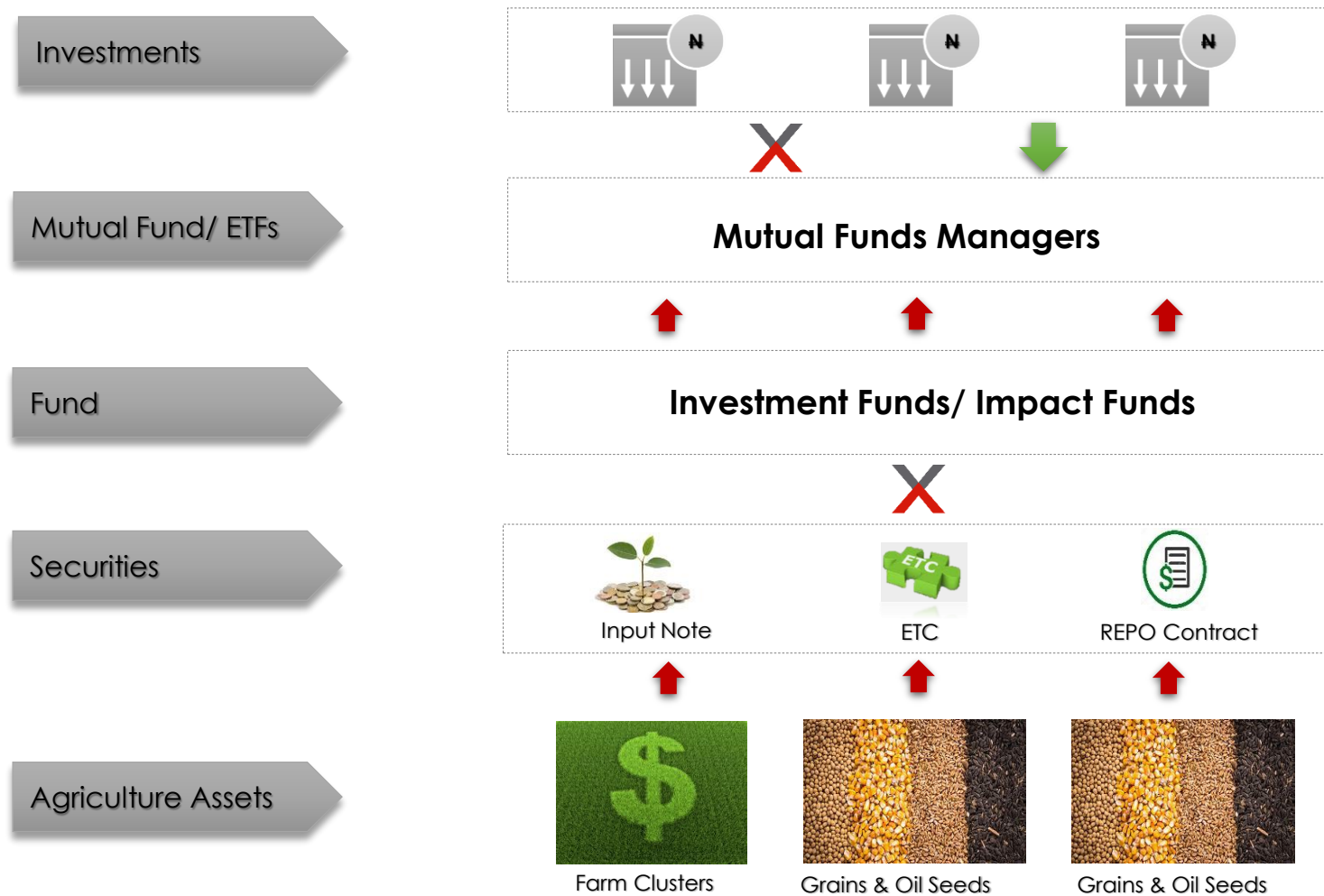


### Impact Assessment

- \$105m over 5 years
- \$1.2b rural economy
- 3m MT of Food
- 400k farmers
- 1m people
- SDGs 1, 2, 3, 5, 8 & 9

\*for illustrative purposes only, actual structure may vary

The timelines have been developed to capture the peculiarities of the agricultural system prevalent in Nigeria and also ensure adequate returns for the funds



\*for illustrative purposes only, actual structure may vary

**Thank You**

