



NIRSAL'S INITIATIVES IN SUPPORT OF THE GROWTH AND DEVELOPMENT OF THE AGRICULTURAL/AGRIBUSINESS VALUE CHAIN

NIGERIAN EXPORT-IMPORT BANK (NEXIM)

***“MAXIMIZING EXPORT POTENTIALS IN THE SOUTH-SOUTH
REGION FOR ECONOMIC GROWTH”***

JANUARY 2020

Presentation by
MR. ALIYU A.
ABDULHAMEED
MD/CEO
NIRSAL

NIRSAL 

THE NIGERIA INCENTIVE-BASED
RISK SHARING SYSTEM FOR AGRICULTURAL LENDING

De-Risking Agriculture • Facilitating Agribusiness

CONTENT



**Export Trade
Overview**

1

**Growing Nigeria's
Non-Oil Exports
through Agriculture**

2

**NIRSAL's Role in
Facilitating
Agricultural Exports
in Nigeria**

3

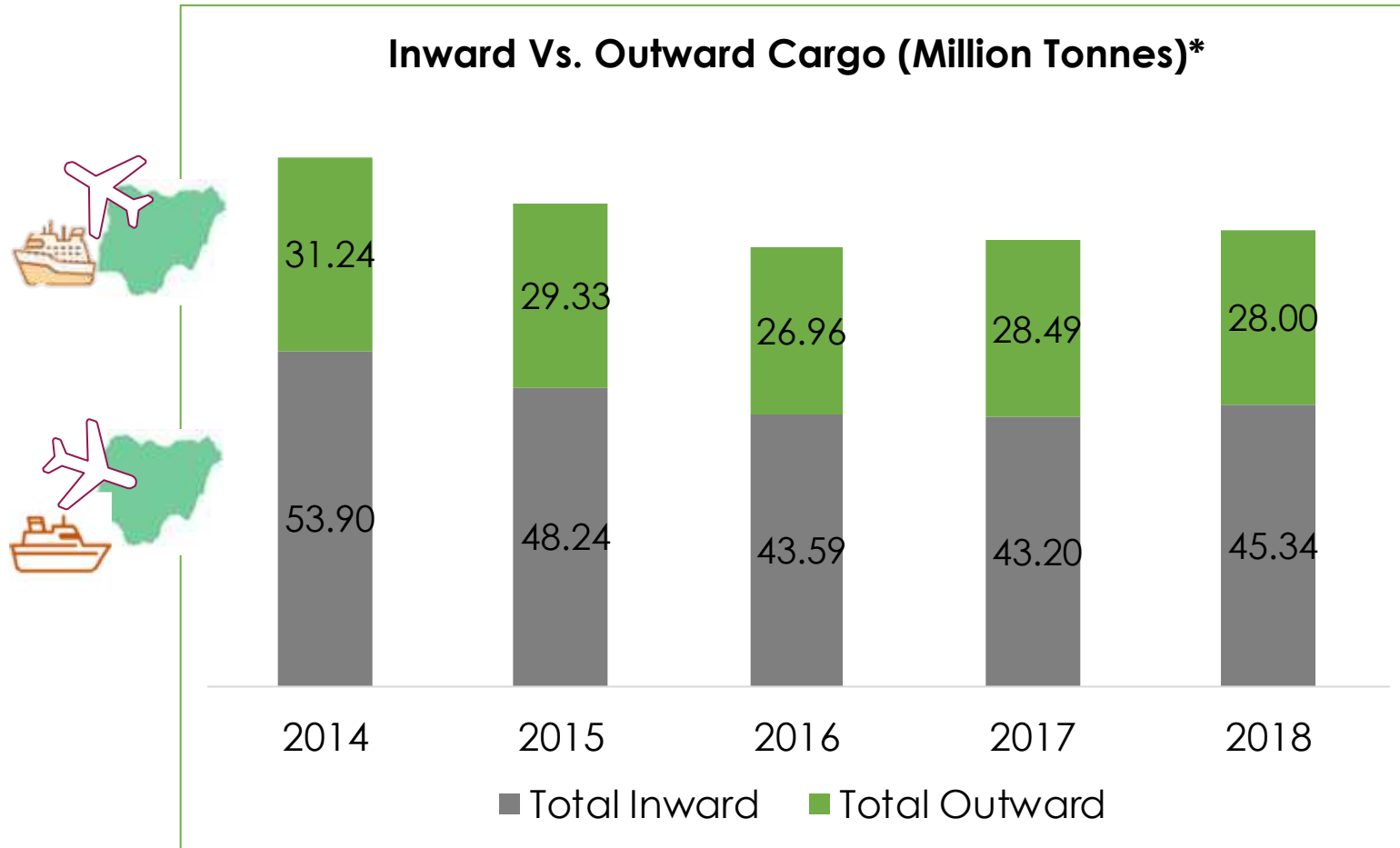
Conclusion

4

Section 1

Export Trade Overview in Nigeria

In terms of Volumes (metric tonnes), Outward cargo (air and sea) accounted for only 38% of total cargo movements in Nigeria in 2018



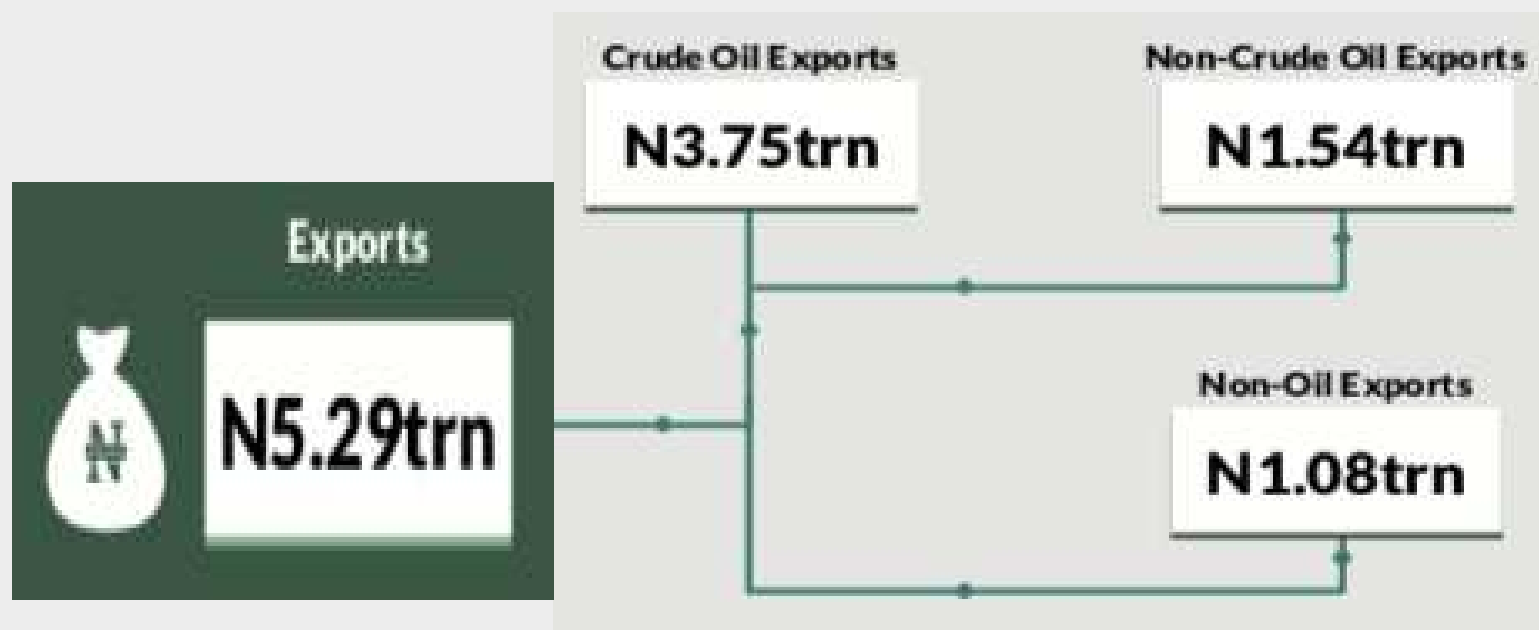
- 378 million metric tonnes of goods passed through Nigeria's air and sea ports from 2014-2018 as reported by the NPA.
- 62% of total cargo movements were inbound.
- An undetermined volume of goods came in by the land borders.

*Excludes Cargo through Land Borders

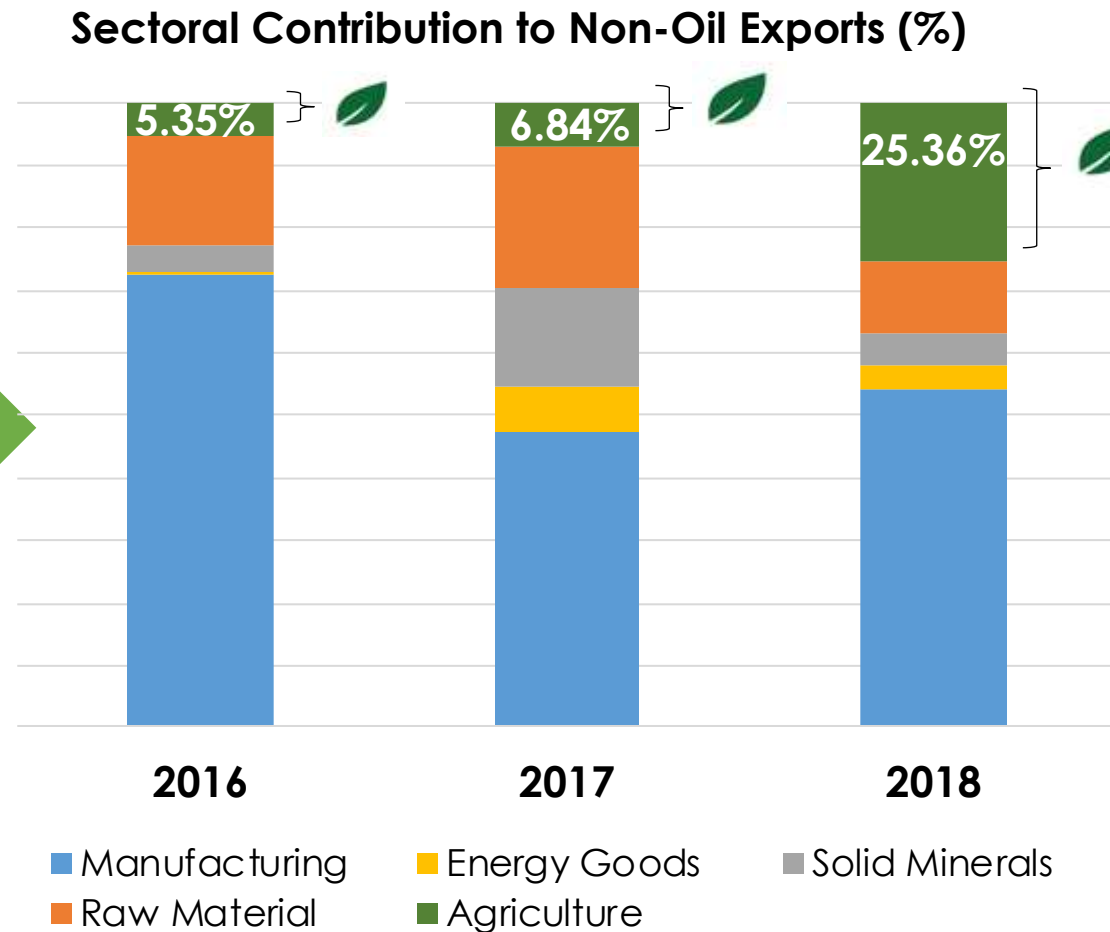
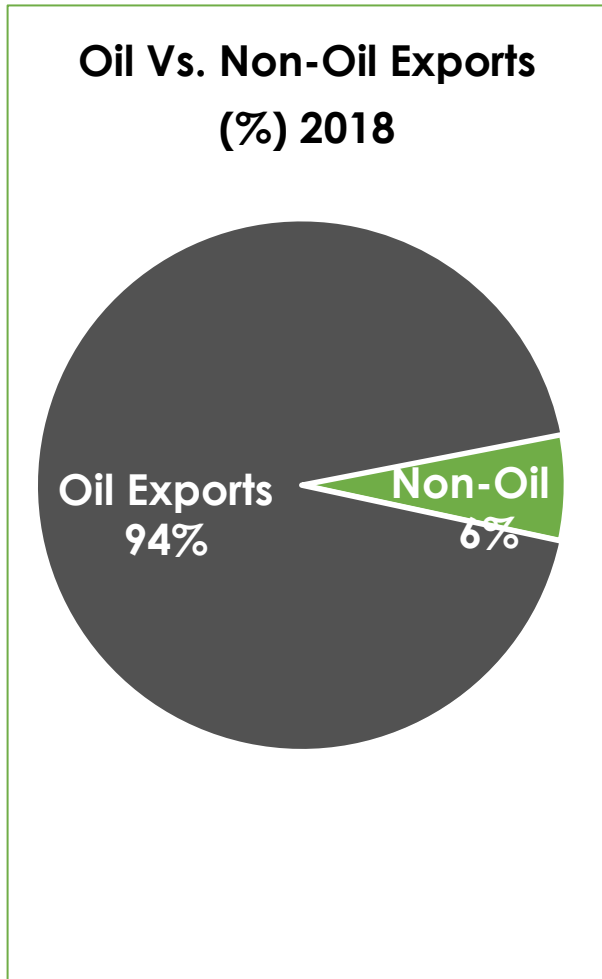
Source(s): National Bureau of Statistics (NBS), Nigerian Ports Authority (NPA)

Despite ongoing efforts at diversification, Oil Export is still responsible for Nigeria's positive Trade Balance

Q3 2019 FIGURES



Agricultural exports, though the only non-oil class growing consistently since 2016, contributed 25% to non-oil exports and only 1.63% to total exports in 2018



- Only Agricultural Non-Oil Exports grew consistently between 2016 – 2018, at a CAGR of 37.6% .
- The sector accounted for 25% of total non-oil exports in 2018 and 19% from Jan-Jun 2019.
- However, in spite of growth potentials, Agricultural Exports accounted only for 1.63% of total exports in 2018.

Section 2

Growing Nigeria's Non-Oil Exports through Agriculture

Nigeria is blessed with four (4) major Agricultural Opportunities...



LAND

84 million hectares of arable land with less than 50% in use



WATER

Predictable rainfall pattern; Billions cu. m of surface and underground water



LABOUR

Huge supply of labour – over 90 million population aged 15-65 years



MARKET

Huge consumer, industrial and export markets with unsatisfied demand

The Agricultural sector remains one of Nigeria's greatest hopes for economic growth and development



The Agriculture sector:

In 2018 full year

The Agriculture sector grew @ a rate of **2.12%** in real terms


NGN17.5 Trillion
(Real/ Constant Prices)



By 2020

The Agriculture sector has the potential to grow to a rate of **8.37%** in real terms

NGN21 Trillion
(Real/ Constant Prices)



Several other factors are in favour of Nigeria's Agriculture



Local



Government/ Policy
Focus on Agriculture



Rapid population
growth



Rapid urbanization



Rising middle
income



\$22billion imports
substitution

Global



\$110billion imports into
Africa by 2025



AfCTA
signature



Rapid population
growth – regional, global



\$5trillion global
food industry



Foreign trade policies
e.g. US-China Trade Wars

...but four major capitals are required to maximize the sector's potentials



To maximize the Agriculture sector's potential, the challenges facing the EXPORT SUB-SECTOR must be addressed



High rate of Rejects

Poor compliance with grades and standards

Complex commodity aggregation and supply systems

Low Export value due to inadequate value addition

Commodity price volatility

Poor logistics (transportation and storage) systems

Complex and unfavourable export procedures and business environment

Financing constraints for exporters

Political and Diplomatic issues

Inadequate technology, equipment, intellectual and finance capitals for primary production

Low yields and high production and postharvest losses

Insufficient supply of export-grade commodities

Section 3

NIRSAL's Role in facilitating Agricultural Exports in Nigeria

About NIRSAL PLC



NIRSAL's Mandate

Several issues account for the low level of finance and investment deployed to Agriculture and Agribusiness in Nigeria:

- Broken Agricultural Value Chains
- Poor understanding of the Agriculture Sector
- Perceived high risks
- Complex credit assessment processes/ procedures
- High transaction costs
- Inadequate Funding

NIRSAL was therefore created with the mandate to:



Redefine, Measure,
Price and Share
agribusiness related
credit risk



Fix broken
agricultural value
chains (AVC)



Build long term
capacity



Institutionalize
incentives for
agricultural lending



Stimulate the flow of
finance and investment
into the agricultural
value chains

NIRSAL: An Institutionalized RSF



About NIRSAL



Incorporated
2013



Designed to Re-Define,
Measure, Re-Price, Share
Agricultural based risks



\$500million Non-Bank
Financial Institution

Public Private Partnership



CBN



Federal Ministry of
Agriculture & Rural
Development



Nigerian Bankers
Committee

NIRSAL Objectives



Raise commercial bank
agric. lending portfolio
from the current figure to
7% by 2026;

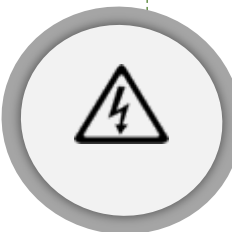


Expand Insurance
Coverage from 0.5 to 3.8
million small-scale farmers
across various agric. value
chains



Expand commercial
lending to 3.8 million small-
scale farmers by 2026 using
value-chains

NIRSAL's five (5) strategic pillars provide the basis for its risk management operations and interventions in the agriculture sector



Share credit risks with providers of Finance and Investments (up to 75% loss incurred)

Develop innovative Insurance products to beneficiaries

Build capacity of financial institutions and agricultural value chain players; Fixing the broken AVC

Rate lenders and Value Chain actors according to their effectiveness

Reward value added performance by AVC actors and lenders

Risk Sharing
\$300million

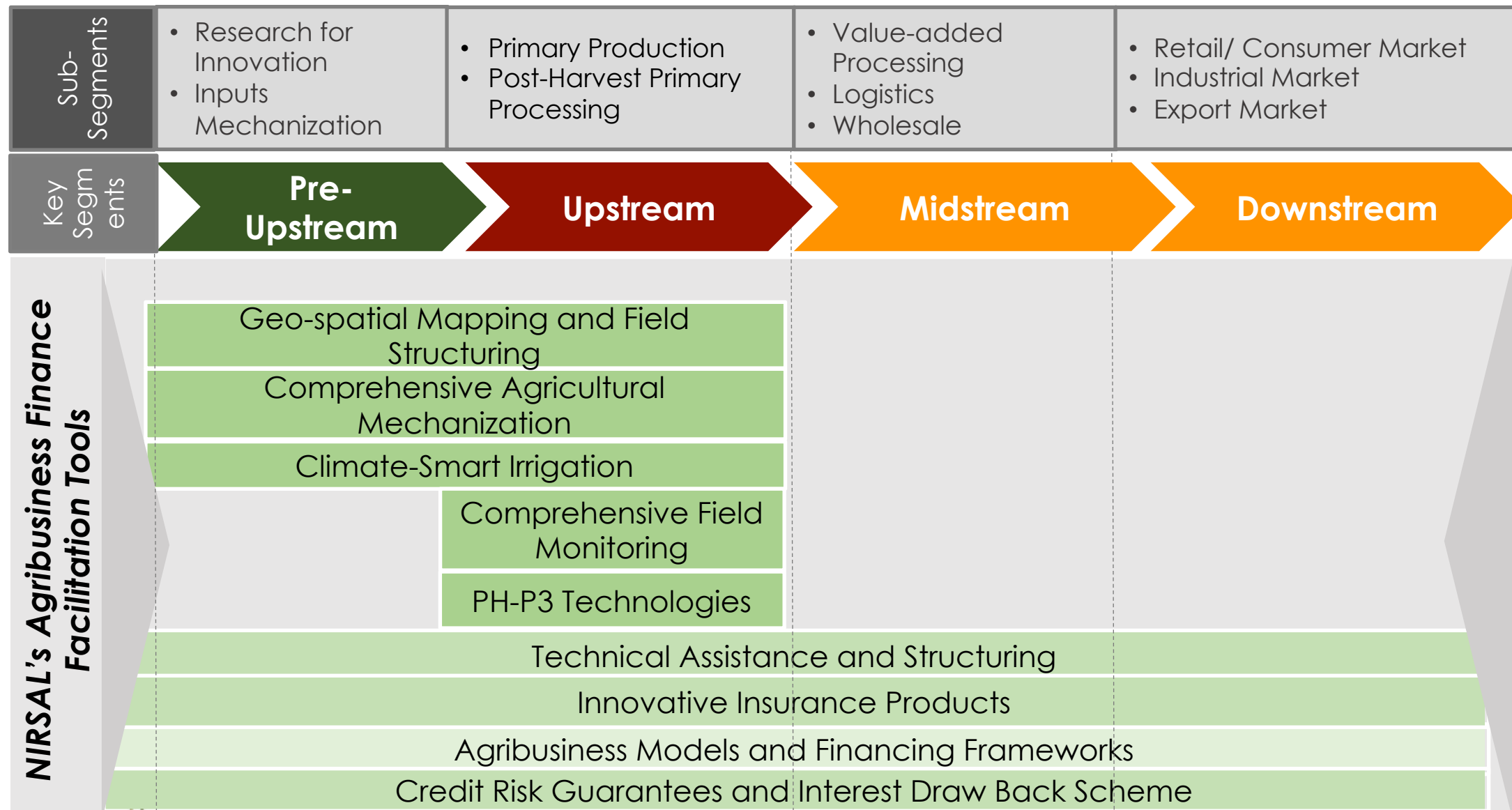
Insurance
\$30million

Technical Assistance
\$60million

Rating
\$10million

Incentive Mechanism
\$100million

NIRSAL's De-risking and Finance Facilitation Tools

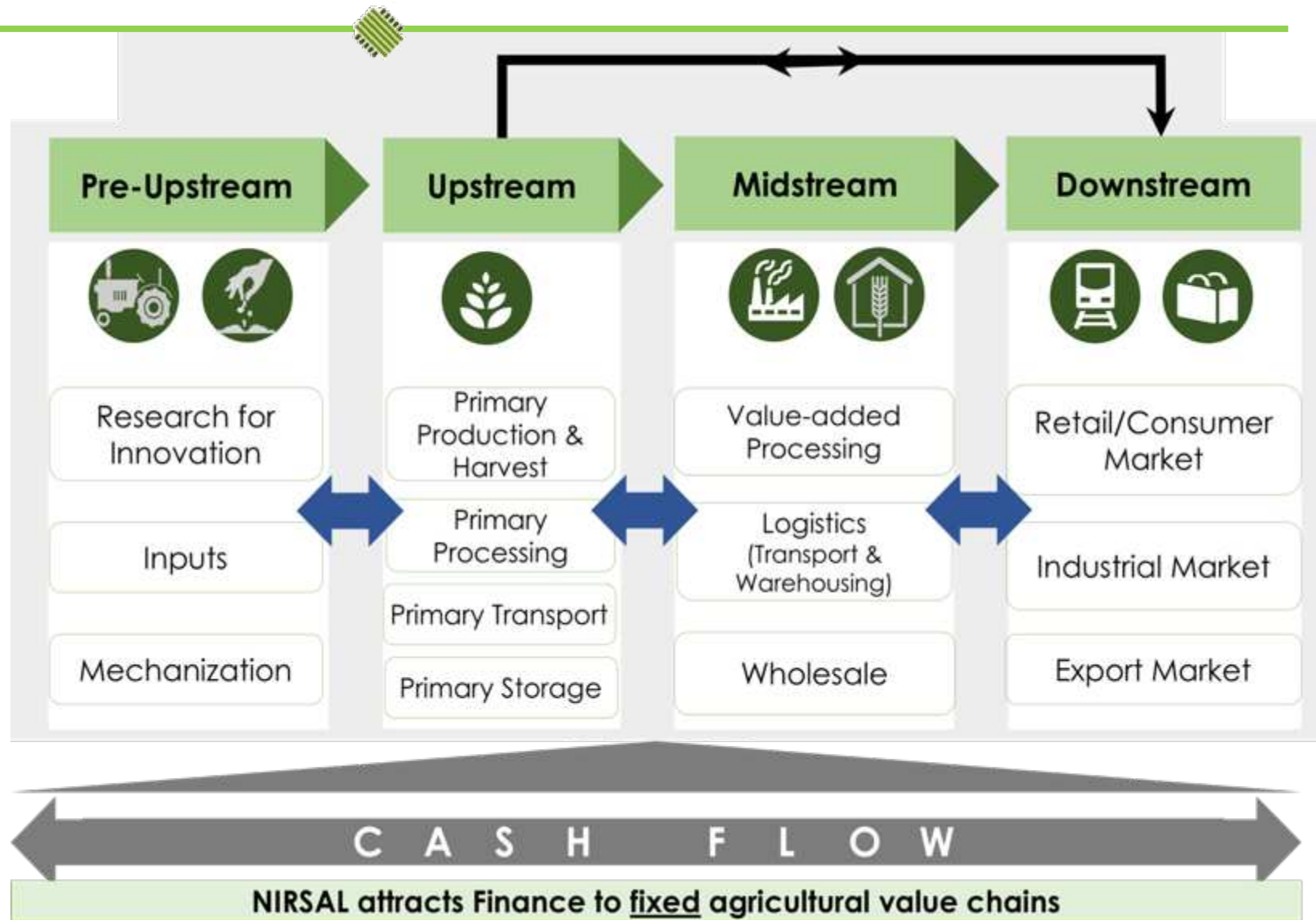


NIRSAL...Increasing the availability of agricultural commodities for Export



NIRSAL focuses on the upgrade, development and integration of end-to-end agricultural value chains through its **MAPPING TO MARKET STRATEGY**

NIRSAL has developed the **Mapping to Markets (M2M)** concept, an innovative approach focused on transforming the Upstream segment, referred to as the 'black hole' in the value chain into the gold mine that drives the development of all the other segments.



➔ Principal Trade Relationship

↔ Strategic Trade Relationship

NIRSAL's AGRICULTURE FINANCE AND INVESTMENT FACILITATION is built upon four main principles



1

Market-driven approach

The logic behind NIRSA's interventions is hinged on the pull from **Markets**

What do Downstream Markets need?

Which local Agro Geo-Cooperatives can meet these needs?

What type of Inputs are required from the Pre-Upstream to be able produce to specifications?

What Midstream Services are required to get the produce to Markets under the right conditions

NIRSA's Mapping to Market Strategy



Export Market

Downstream Markets

Provide Quantity and Quality Specifications / LC backed contracts



Mechanization, Inputs, Research for Innovation
Pre-Upstream Markets

Mapped to Upstream Markets under structured Supply agreements



Primary Production Primary Processing Primary Transport Primary Storage
Upstream
(Agro Geo-Cooperatives)

mapped to Downstream markets under Supply Agreements



V.A Processing, Logistics, Warehousing, Wholesale
Midstream

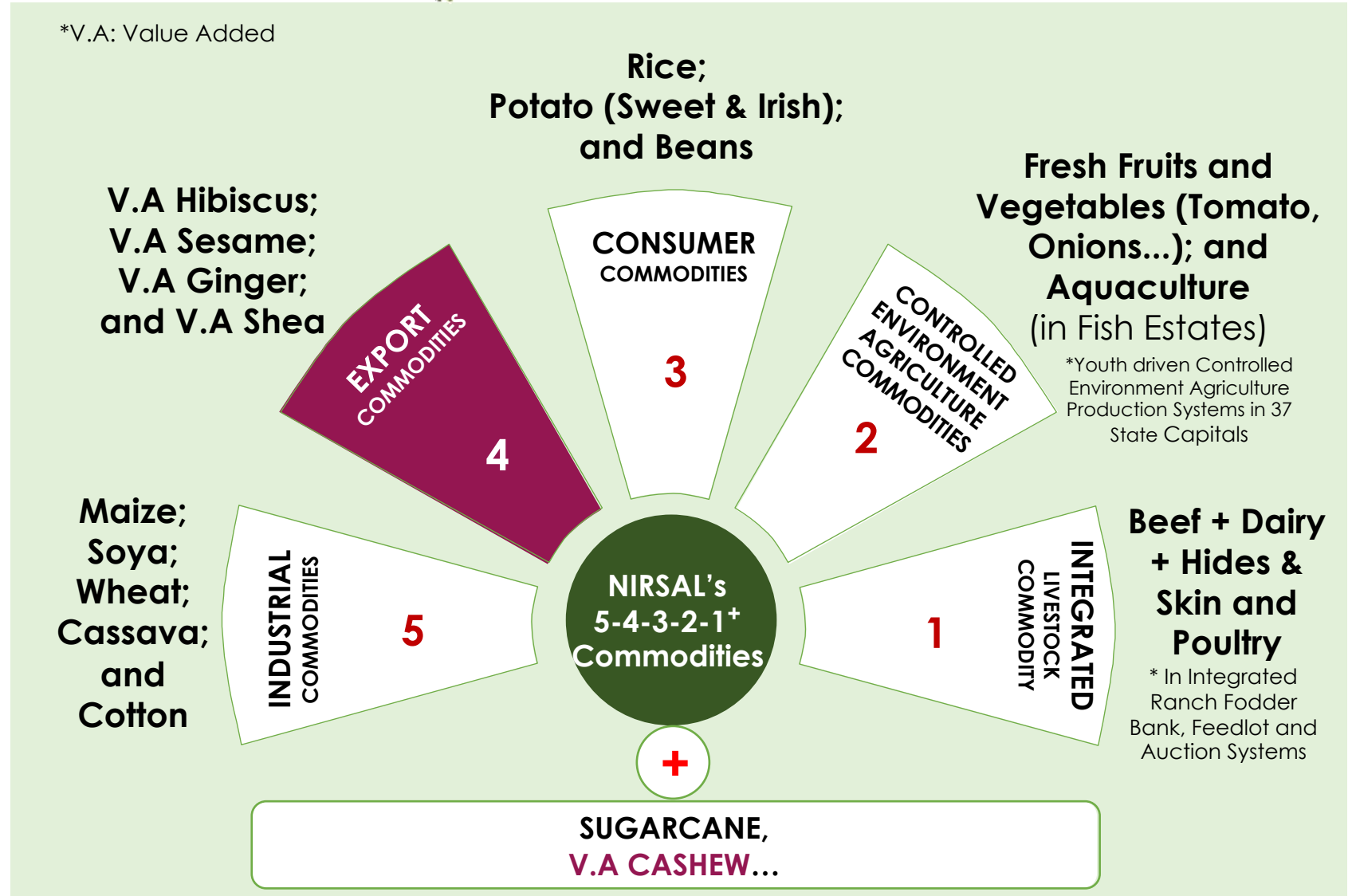
Mapped to Upstream Markets under service level agreements as applicable under terms of Supply

2

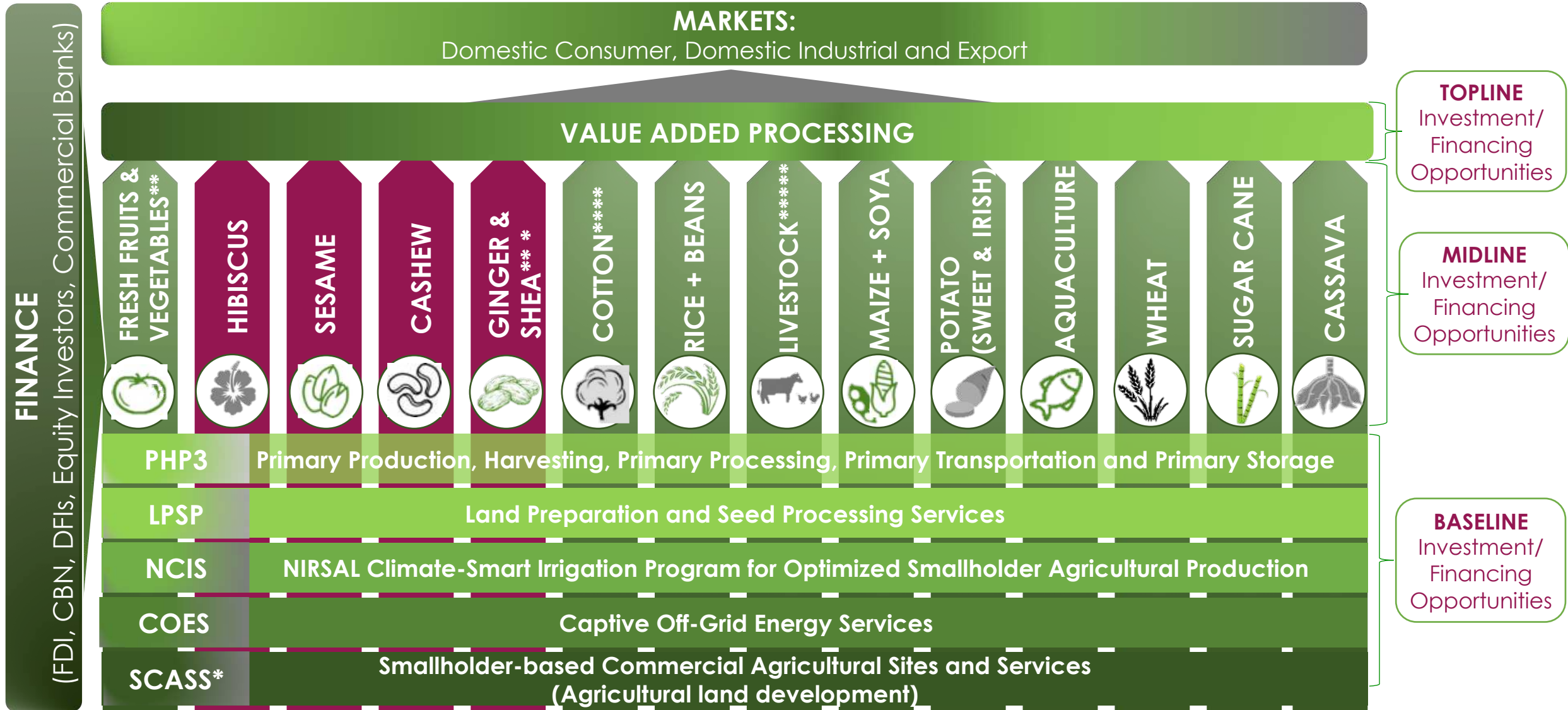
Commodity Focus by 'Ecological Advantage'

Under the Optimized NIRSAL Operating System, 5-4-3-2-1+ Commodity Value Chains are being supported in areas of ecological advantage

Based on extensive research and analysis, NIRSAL has identified **5-4-3-2-1+ commodities** with high market demand, that will be supported (in the medium term) under NIRSAL's value chain integration approach.



NIRSAL's Inclusive Integrated Private Agriculture/Agribusiness Investment Development (iPAID) Model



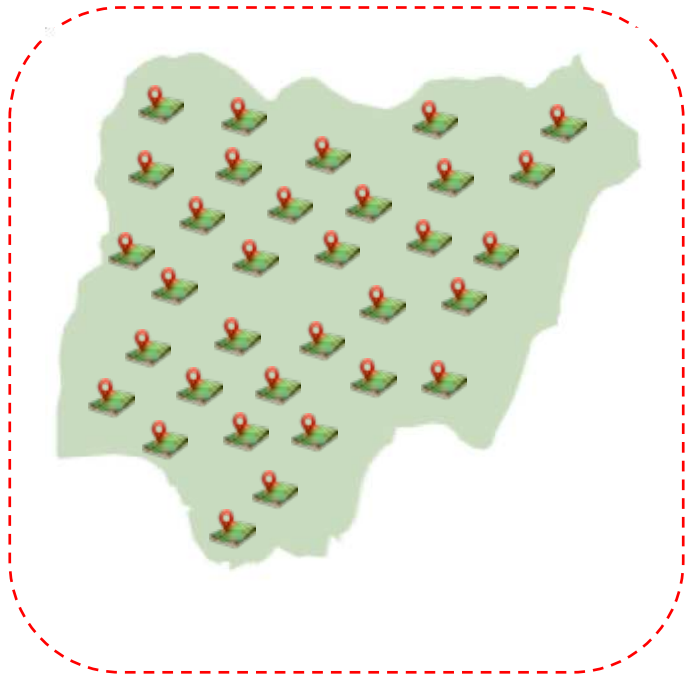
*Land is organized in iPAID Land Banks and in GeoCoops @0.5ha per smallholder farmer (SHF) (targeting 16,000 Geo-Coops and 8 million SHFs))

FFV (TOMATO, ONIONS,...) *SHEA (COLLECTION + PROCESSING)****COTTON TO THREAD (CTT) *****LIVESTOCK (POULTRY, BEEF, DAIRY)

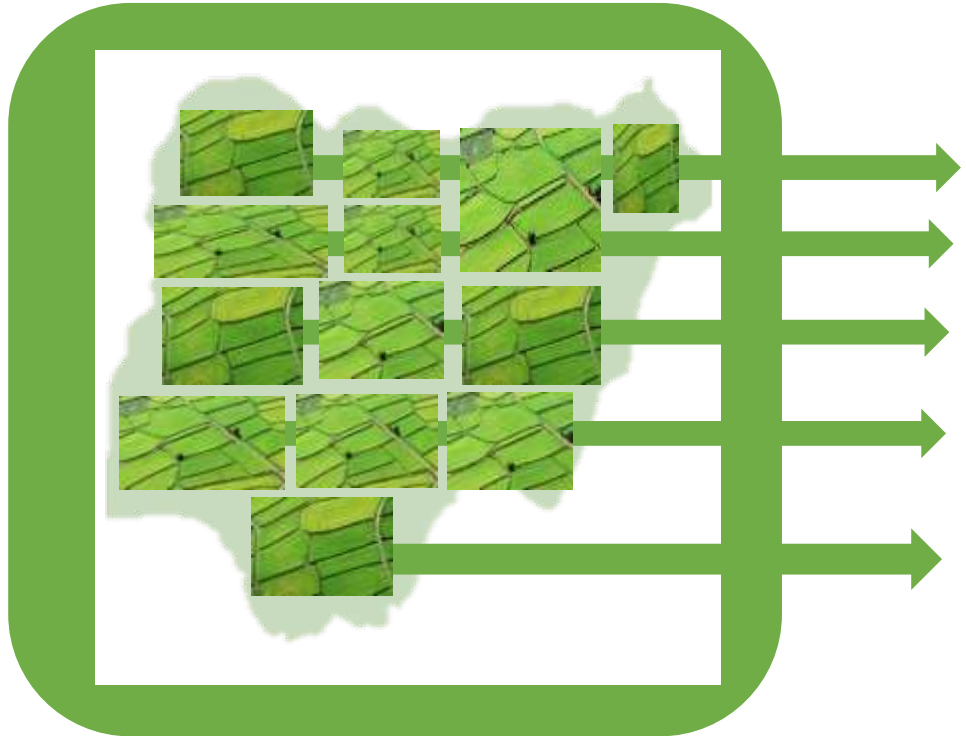
NIRSAL's Geo-Cooperative Formation Initiative will provide the much-needed stability in SUPPLY OF EXPORT COMMODITIES

NIRSAL is currently structuring 4million hectares of land into 16,000 Geo-Coops covering 8 MILLION SMALLHOLDER FARMERS for the production of the chosen commodities across the different Agro-ecological zones in Nigeria.

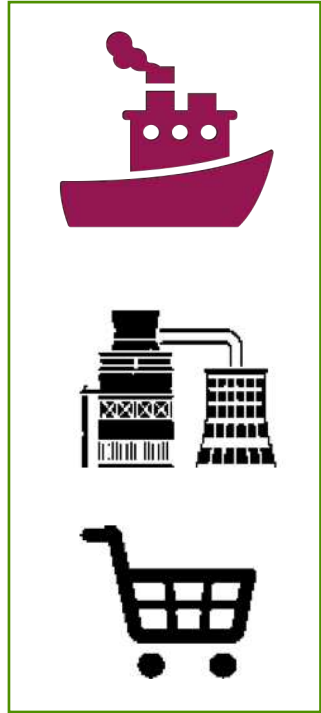
Increase in supply of commodities for export



Disaggregated Farming (Business as Usual)

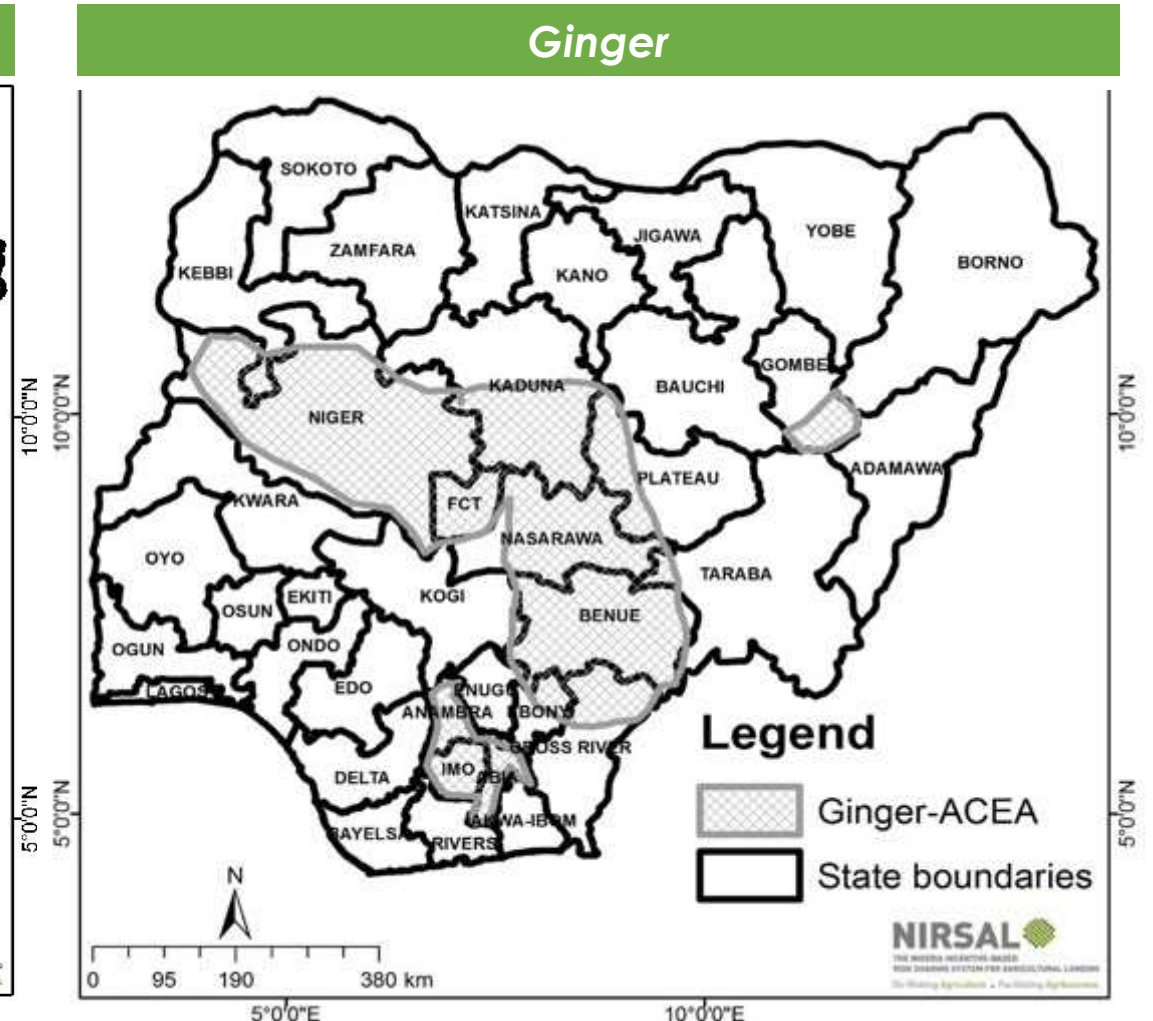
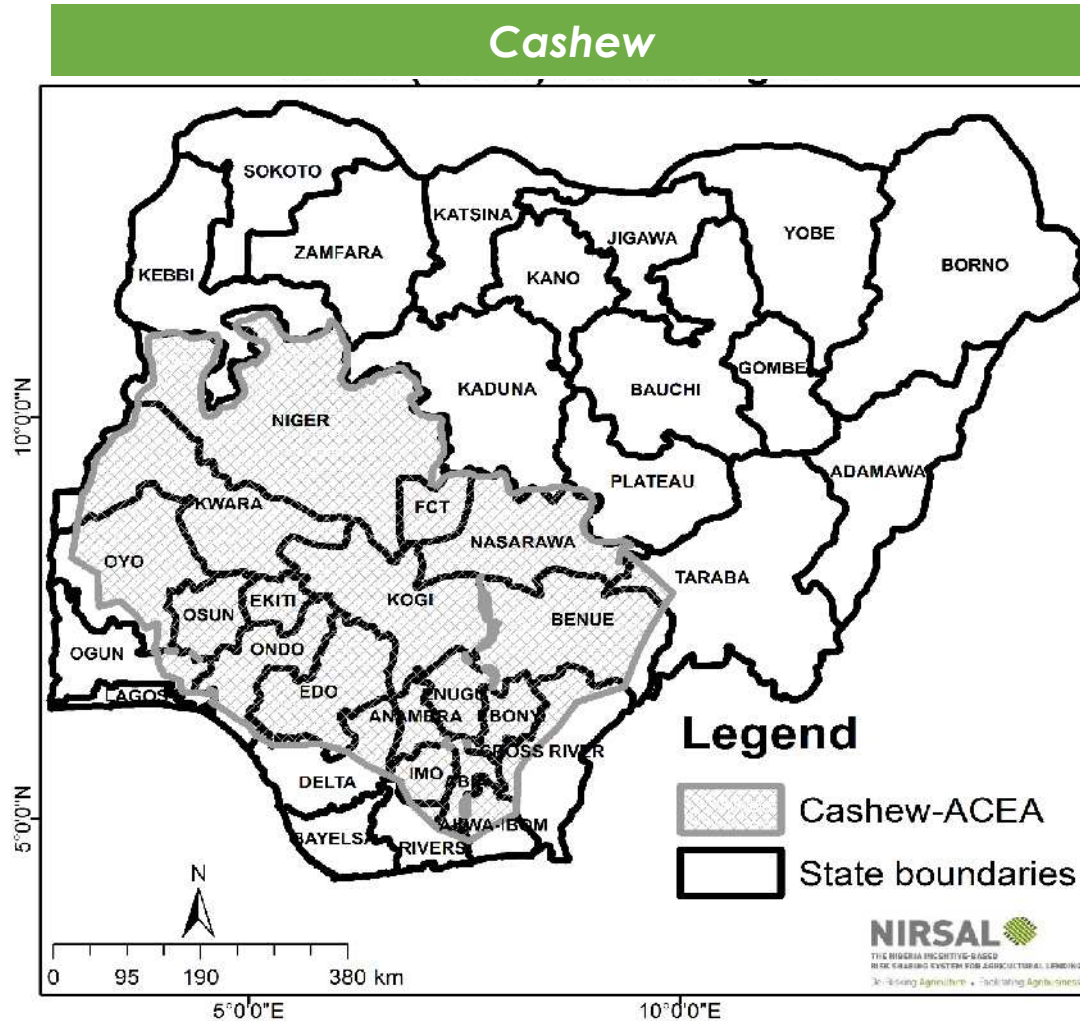


Optimized Primary Production facilitated by NIRSAL



Structured Markets

NIRSAL's Geospatial Mapping: Agricultural Commodity Ecological Area for the cultivation of select Export Commodities **CASHEW and GINGER**

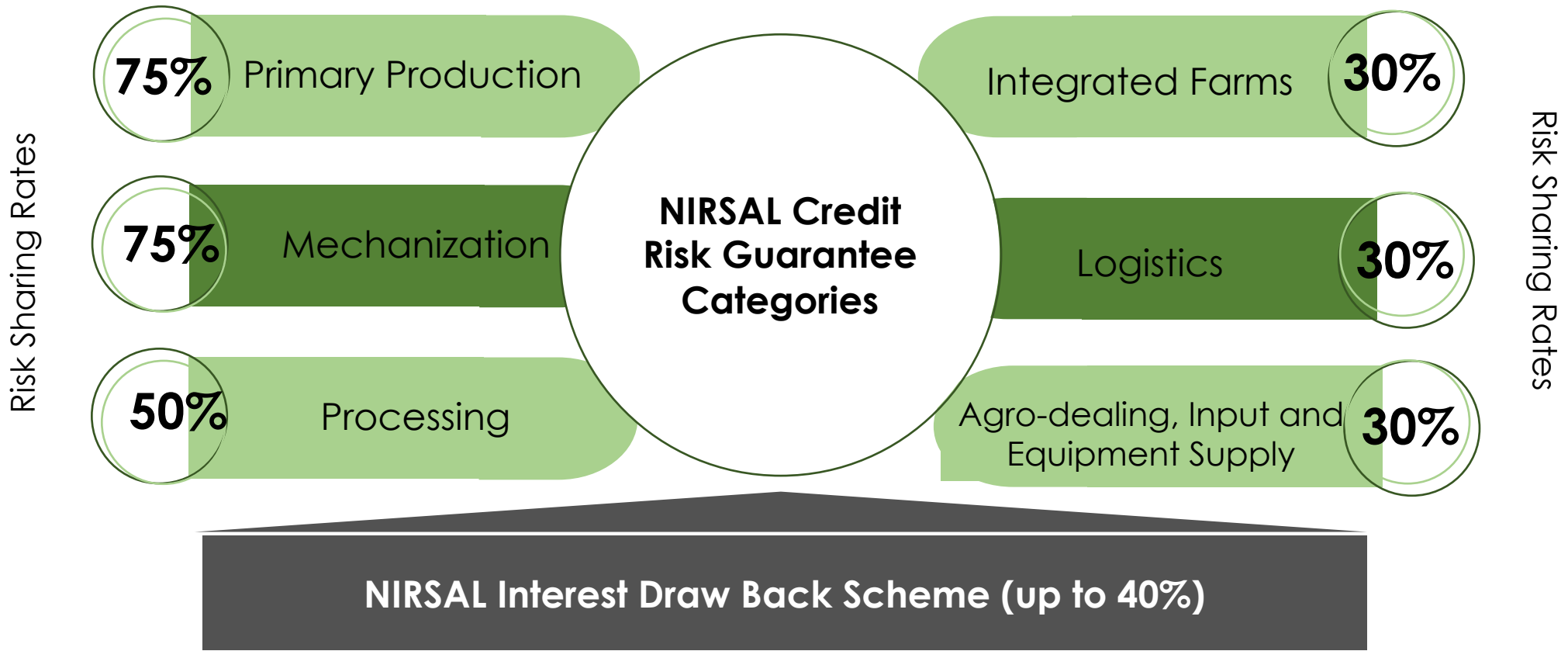


NIRSAL...Facilitating Finance and Investments for Agricultural Exports

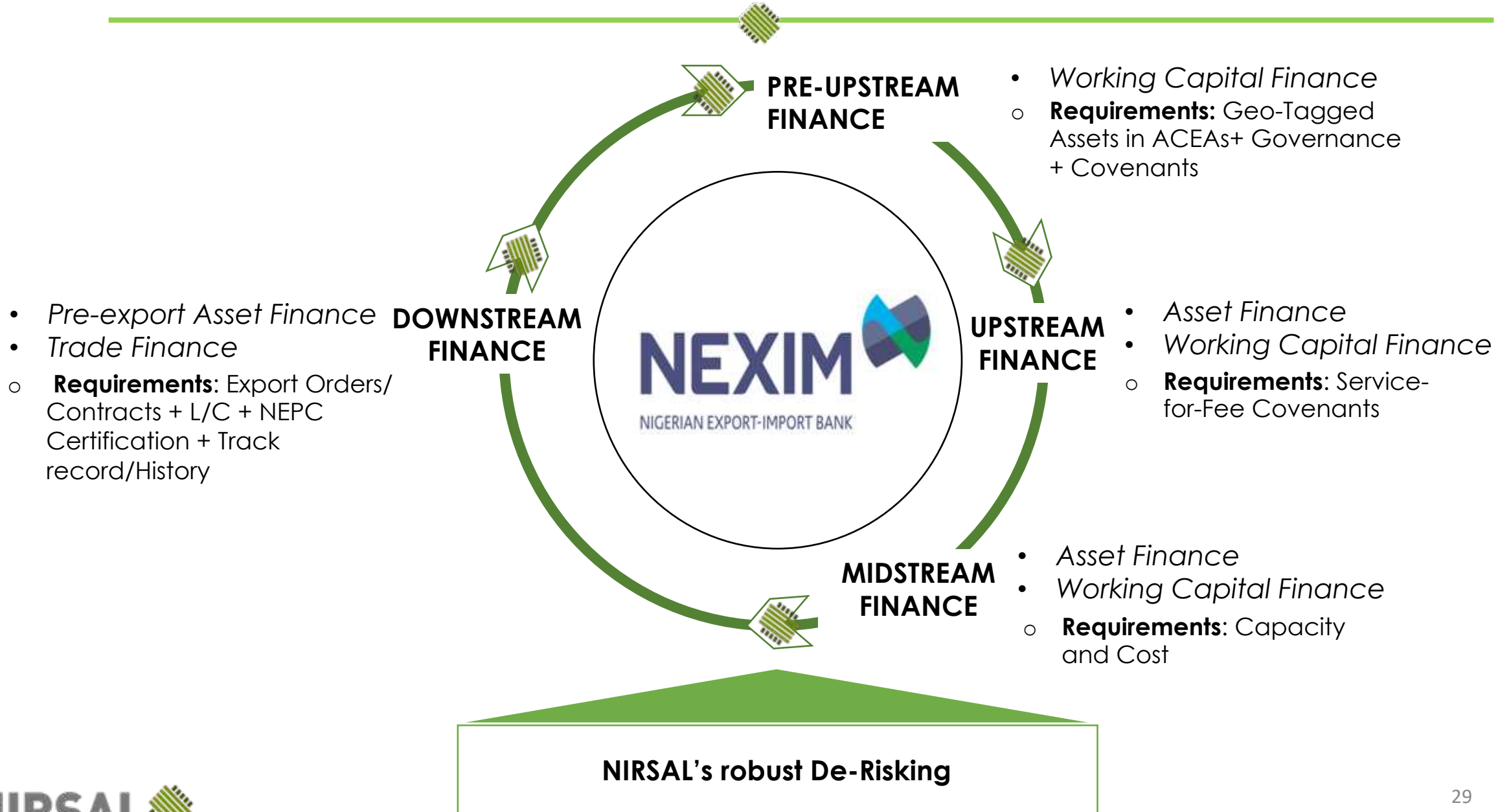


NIRSAL's Credit Risk Guarantee (CRG) and Interest Draw Back (IDB) Products

NIRSAL CRG and discretionary IDB are applicable to all commodities



NIRSAL facilitates the flow of finance and investments across the Export Ecosystem



Some of NIRSAL's Results



Investment attracted/
Loans guaranteed
NGN102billion



Direct Employment
Created: Over
400,000

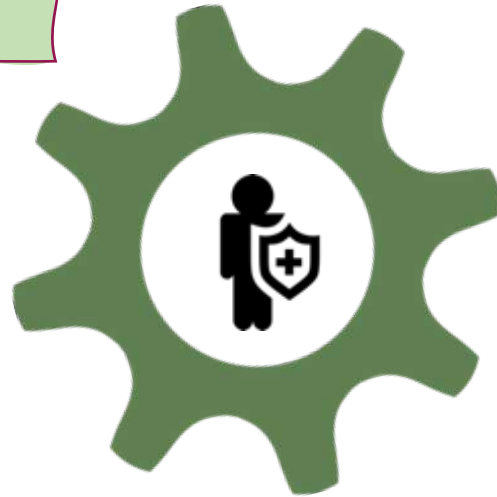


Lives Impacted:
Over
2 million



Risk Sharing Fund

- NGN102.7billion Loans Guaranteed
- 697 Projects Guaranteed
- NGN1.27billion Interest Draw Back paid to 271 Obligors
- NGN4.6billion Claims paid to date of which NGN4.089b has been recovered



Insurance

Developed and launched the Area Yield Index Insurance product and protected up to N6.5billion revenues of over 37,399 farmers, with over N121million paid out as compensation.



Technical Assistance

- Developed Curriculum and Trained 1,312 Middle Management and Agric. Desk Officers of commercial banks.
- Provided GAP training to 700,000 farmers and 74 Extension Workers



Rest of Africa Engagement

Guidance on the establishment of Risk Sharing Facility (RSF) models for African Countries under the aegis of the African Development Bank (AfDB). Recently concluded the set up of MIFA in Togo.

Section 4

Conclusion

Systematic collaborations between the agricultural and agriculture finance value chains are required for the realization of the agricultural export fortunes of Nigeria



The optimization of Agricultural Value Chains (AVCs),...

...**and** the development and implementation of bespoke agriculture financing solutions by Financiers...

...**within** the Framework of NIRSAL's de-risking tools and approaches...

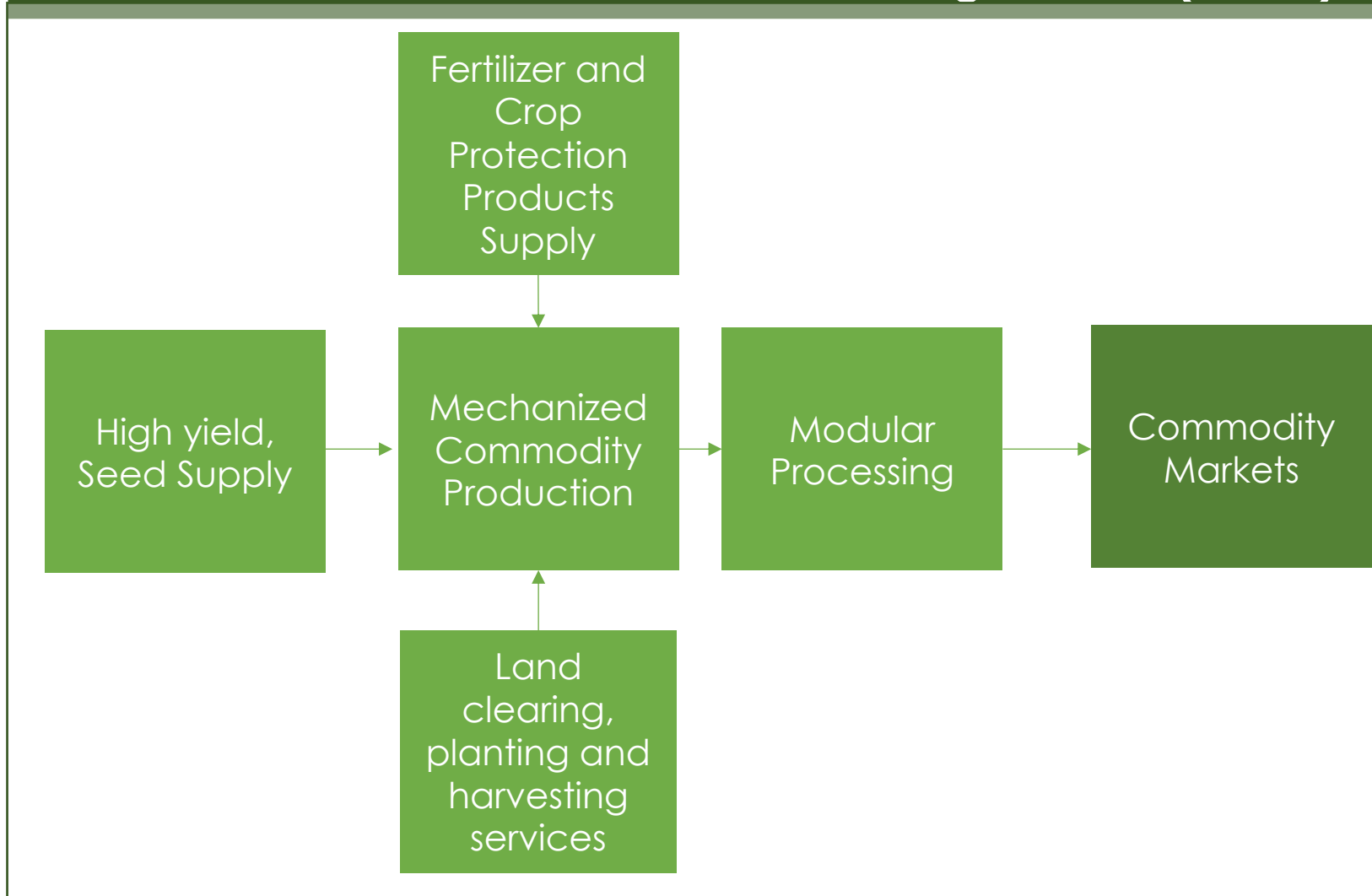
...**guarantee** maximum Returns on Investment for both AVC actors and Financiers

Exporters, Financiers and Investors should take advantage of the inherent opportunities and NIRSAL's agriculture/agribusiness de-risking value offerings.

NIRSAL is committed to providing technical assistance in ensuring the optimized production of export commodities in all South-South States



The NIRSAL Embedded Modular Processing Clusters (EMPC)



Potential Financing

\$1 billion
AFRIEXIM
financing
available for
SMEs in value
addition
processing

In realizing the export potentials of the South South, value chain actors have critical roles to play in mobilizing required resources



Land

State Governments to provide contiguous land for optimised primary production, utilising NIRSAL Geo-Coop model **as implemented in Edo State.**



Labour

SMEDAN to assist NIRSAL to build the capacity of SMEs in improving the productivity of value chain activities.



Capital

NEXIM Bank, AFRIEXIM, BoA and Bol to collaborate in providing required capital in financing agricultural value chain activities backed by NIRSAL CRG.

Call to Action



Exporters

Take advantage of NEXIM's willingness and NIRSAL's CRG, IDB, Geo-Cooperative formation, Insurance and other products for expanded export operations.



NEXIM/ Financiers

Increase financing to agricultural exports leveraging NIRSAL's risk management tools



Other Agricultural Value Chain Actors

Take advantage of available finance, ready export market and NIRSAL's CRG, IDB, Geo-Cooperative formation, Insurance and other products for expanded value chain operations and to effectively service agricultural export operations.



NIRSAL



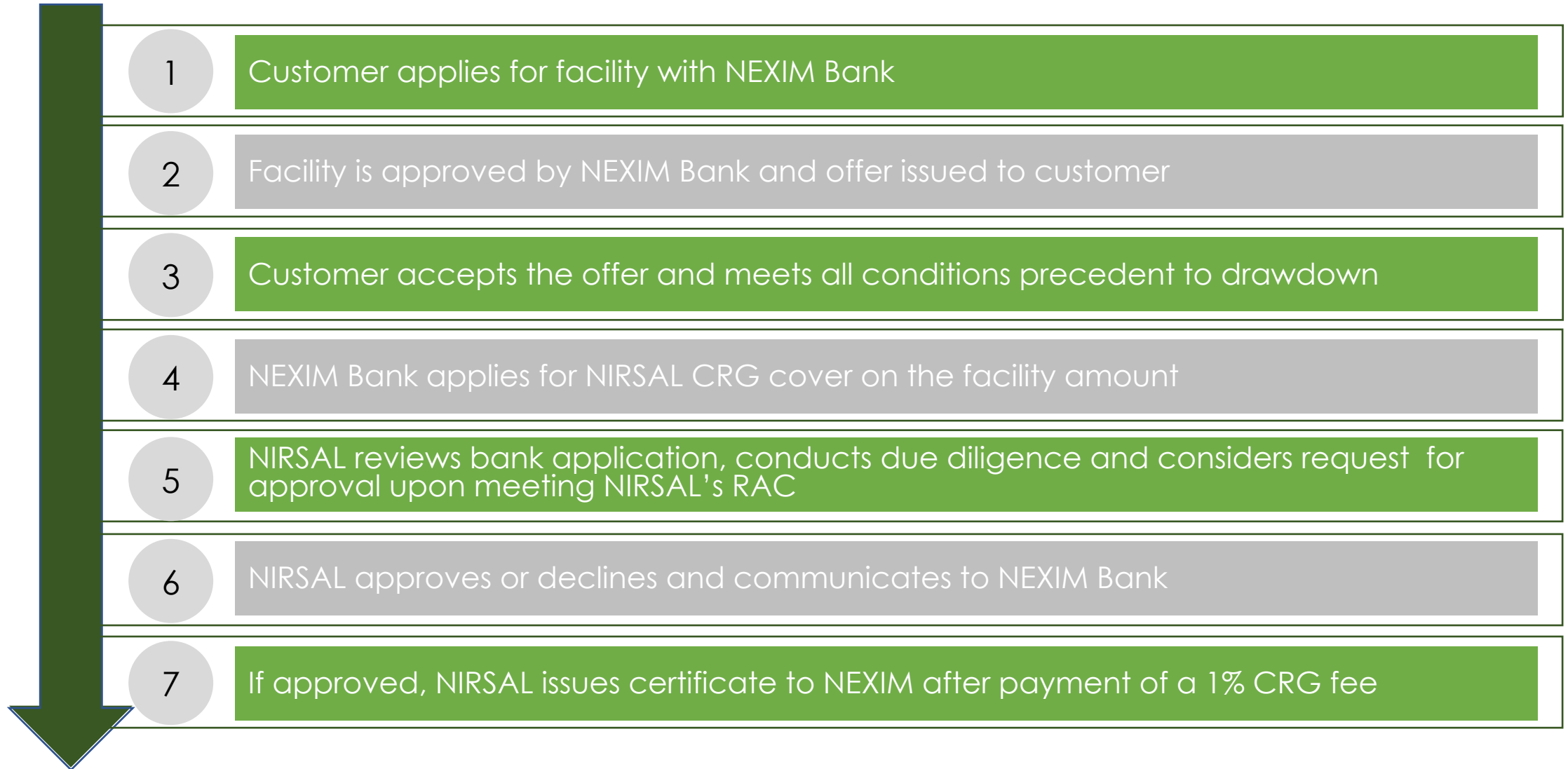
De-risking agriculture
and facilitating
agribusinesses

Relevant Government Agencies

Create an enabling environment for agricultural export and agriculture export finance – streamlined and optimized export processes, favourable policy, quality standards, certifications, favourable bilateral relations, etc.



Transaction Dynamics Between NEXIM Bank and NIRSAL



Thank you



Plot 1581 Tigris Crescent, Maitama District, Abuja 900221, FCT, Nigeria



www.nirsal.com



info@nirsal.com



[nirsalconnect](#)

NIRSAL

