



## F-AGC Agribusiness Solution Services: A Suite of Fee-Based Field Interventions from NIRSAL

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**22** SATS-C Policy to Usher in the Future of Commodity Transportation and Logistics in Nigeria





ISSUE 6 / Dec. 2021

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## From our Managing Director/ CEO

**Mr. Aliyu Abdulhameed**

Dear Reader,

It is always a pleasure to reach you with the NIRSAL Newsletter. This is an end-of-year issue, so it contains a thing or two about our estimation of how 2021 has gone, both within our business environment and without.

Commercial lending to agriculture, the primary index by which our work is judged, continues to rise. Our Credit Risk Guarantees (CRG) give comfort to lenders where needed, facilitating more lending to agriculture; otherwise, the task of boosting Nigeria's agro-economy is a shared one. But we are not sitting around waiting for clients to demand our CRG, we innovate to create demand. There are examples.

Agribusiness models are for us a way of birthing new ideas and methods in project design and execution. They promise structured stakeholder engagement, financial inclusion, economies of scale, secured offtake markets, sure returns, and more. On the flip side are financing frameworks, our business proposition to commercial lenders, with a promise of account domiciliation, funds visibility, competitive returns, and social impact. When actors in the agriculture sector are attracted to our models, and those in the finance sector to our frameworks, handshakes happen. Suffice to say, then, that NIRSAL is the converging point of the corporate aspirations of producers and financiers in this economy.

As of today, the above scenario is the case for the NIRSAL Controlled Environment Agriculture in Urban and Peri-Urban Settings (CEA-UPS) model. It is a special approach to the production of Fresh Fruits & Vegetables (FFVs) and Aquaculture, designed for urban locations and operated by the upwardly mobile segment of the population. Young subscribers numbering sixty are right now in the process of completing requirements for accessing a N120million fund provided by Mastercard Foundation through Sterling Bank Plc. For the young people, the structure and location of the project are the attraction. As for the financiers, a waiting market, funds visibility, plus NIRSAL's CRG, are enough incentives.

More and more, we are integrating the value addition side of things into our production models. For far too long, smallholder farmers have had value snatched from them due to socio-economic pressures. Needing to feed their households and finance other aspects of their lives, they sell their produce at farmgates and lose out on a share of the real value of commodities. This is after taking the greater risk and waiting patiently for the seasons as they come and go. We will continue to develop and propose models in logistics, storage, and modular processing sited within production hubs to financiers. That way, we would be helping to develop vibrant economic ecosystems that will do rural communities a world of good.



***More and more, we are integrating the value addition side of things to our production models. For far too long, smallholder farmers have had value snatched from them due to socio-economic pressures.***

At NIRSAL, selling our vision remains our biggest task. What happens when producers or financiers do not see things as we see them? At our strategy sessions, my team, bubbling with young people, put forward a plethora of ideas that they believe would impact our bottom line. They see the trend in food prices, imports, jobs, and propose solutions that are quite fantastic. But we are NIRSAL, a tool to address a specific issue in the economy, and nothing more. Working with young people can be as challenging as it is enriching. A substantial part of my job has been to harness and re-channel their burning passions towards the one thing we have been mandated to do: de-risk agriculture by sharing credit risks and offering incentives.

Proof-of-concept projects give us the opportunity to more than talk about the viability of our de-risked models. Our pilot projects have either helped us to go back to the drawing board, or sell viable models with greater confidence in the value they promise. The NIRSAL Integrated Commercial Livestock Project (ICLP) in Fufere, Adamawa State is one such. Around the main business of feed-finishing and selling bulls, there is an irrigation business providing water to feed growers at a fee. The growers supply the blend of feed the cattle need while buying up dung cleaned out from pens as organic manure. Fresh milk and yoghurt are by-products; they call for an efficient cold chain system that would serve faraway urban markets. The project is competing with livestock producers servicing six major consumer markets in Adamawa, offering higher quality beef than most, if not all.

We are also making efforts to develop smart irrigation solutions. Farmers can do without the burden of owning and maintaining pumping machines if all they need from it is water. Someone else can set up shop to sell him the water! The NIRSAL Climate-Smart Irrigation Program for

Optimized Smallholder Agricultural Production (NCIS) can support 3 production cycles annually for most commodities. While that model unfolds, we will continue to leverage the USSD-based NIRSAL Farmers Business School and our partnership with the Nigeria Meteorological Agency (NiMET) to guide farmers through planting, tending, and harvesting their crops. The reality of climate change keeps manifesting, and we see irregular, unpredictable rainfall and drought patterns. Without prompt, technologically backed advisory, our farmlands may produce nothing but tales of woe.

Climate change is a hot topic in the world today. In fact, the UN Climate Change Conference UK 2021 (COP26) ended recently, and we were there. Being a country with a large population, Nigeria's commitment to global climate mitigation efforts is important. President Muhammadu Buhari's administration is unequivocally committed. NIRSAL, then, anticipates the redemption of the pledge made by Africa's predecessors in industrialization to fund climate-sensitive development in the global south. If felling one more tree for agricultural production or burning fossil fuels to power our factories is inimical to global climate restoration efforts, it is only fair that those whose unperturbed charge towards full industrialization finance our search for healthier alternatives. Local commercial finance cannot do that.

In the meantime, the national exigencies of food security and job creation, are a matter for sustained commercial finance and NIRSAL continues to prime the agriculture sector to respond impressively to the operational tests of the finance sector.

**Compliments of the season and best wishes for the coming year!**



# F-AGC Agribusiness Solution Services: A Suite of Field Interventions from NIRSAL



Nigeria to support institutions in managing smallholder farmer-centric interventions or projects for primary production.

The product is designed around NIRSAL's ability to deploy Technology, Resources & Processes in carrying out Know-Your-Customer (KYC) and Know-Your-Farmland (KYF) data capturing exercises. It ensures that the right farmer gets the right input by monitoring the input distribution process. It also enables near-real-time monitoring of individual farm performance and produce aggregation. All performance indicators are available to clients via a user-friendly dashboard allowing them to take informed decisions on field events as they occur.

**A**s part of activities focused on de-risking agriculture and facilitating agribusiness, NIRSAL Plc designed and developed the Farm Agro Geo-Cooperative® (F-AGC) Agribusiness Solution Services, a fee-based Agribusiness project management service.

NIRSAL's mandate of de-risking agriculture and facilitating agribusiness emphasizes on the engagement and optimization of smallholder farmers' activities as they are the predominant productive force in Nigeria's agriculture sector. Managing such a huge base of clients scattered all over the country poses a major challenge for financiers, particularly in project monitoring and control.

The F-AGC Agribusiness Solution Services was designed to provide quality assurance and visibility in primary production projects, further de-risking the "black-hole" segment of the agricultural value chain and enabling NIRSAL to achieve its mandate of facilitating finance to millions of smallholder farmers.

Providers of development finance, commercial finance, national and sub-national governments, and all who enable the productive work of smallholder farmers will find great value in the suite of interventions contained in the F-AGC Agribusiness Solution Services.

In addition to elaborate technological solutions therein, the F-AGC Agribusiness Solution Services utilizes the full complement of NIRSAL's Project Monitoring, Reporting and Remediation Offices (PMROs) across 37 locations in

As a service-for-fee offering, the F-AGC Agribusiness Solution Services provides an independent review of project performance which has the benefit of not only improving financiers' confidence, but also improving access to finance for smallholder farmers – an important objective for NIRSAL.

Over the years, NIRSAL has acquired real-life field experiences and built robust technology capabilities across spatial (satellites), aerial (drones) and terrestrial (ground sensors) platforms. These technologies support NIRSAL's boots-on-the-ground personnel (PMRO Field Officers) who are highly trained and sufficiently tooled with vehicles, motorbikes, GPS devices and bio-rugged tablets.

Managing Director/CEO, Mr. Aliyu Abdulhameed, noted during a recent training session for PMRO Field officers on the technology and processes for this service, "Building on existing Technology, Resources (consisting of People & Tools) and Processes, we can confidently claim that we can deploy a robust project monitoring, reporting and remediation framework for anyone on a fee-for-service basis."

While NIRSAL intends to pilot the F-AGC Agribusiness Solution Services for the Central Bank of Nigeria with the Anchor Borrowers' Programme, it recognizes the need for the service by other financial institutions and will continue to position itself as a leader in agricultural risk management in Nigeria and beyond. 🐾









## NIRSAL Plc Secures Financing from Union Bank, Sterling Bank for Poultry Production, Cocoa Export in Cross River

**T**he Poultry and Cocoa Value Chains in Cross River State have received a much-needed boost that is expected to generate significant gains for the local and national economies.

This follows the issuance of a 50% Credit Risk Guarantee (CRG) and 20% Interest Drawback (IDB) by the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL Plc) on the respective loans of Gbagolo Integrated Farms Limited - a livestock producer and TOAJ Nigeria Limited - a cocoa dealer.

Leveraging on its CRG - an instrument that NIRSAL Plc utilizes to share agribusiness risks with financiers - NIRSAL Plc facilitated the approval and disbursement of N81.8 million and N150 million from Union Bank Plc and Sterling Bank Plc respectively.

While Gbagolo Integrated Farms Limited will use its N81.8 million Term Loan to finance the purchase of 25,000 Point of lay birds, 25,000 capacity battery cages and feeding compliments, TOAJ Nigeria Limited will channel its N150 million Export/Trade Finance facility towards the sourcing and purchase of cocoa for export.





The injection of these finances into the poultry and cocoa value chains in Cross River State will create a positive knock-on effect for players along each segment of both value chains and the agribusinesses' host communities at large.

Specifically, the purchase of 25,000 Point of Lay birds by Gbagolo Integrated Farms Limited will impact poultry feeds sellers & other inputs suppliers in the pre-upstream Value Chain segment; producers/sellers of Point of Lay birds in the upstream segment, and consumers of Eggs and Spent Layers in the downstream segment.

Meanwhile, TOAJ Nigeria Limited's facility will support the thousands of farmers who supply its inventory by providing them with a secure, sustainable, and guaranteed offtake market. Furthermore, the export of cocoa will increase Nigeria's stake in the global cocoa market and boost the country's foreign exchange earnings.

Speaking during the official launch of the Gbagolo Integrated Farms Limited and TOAJ Nigeria Limited projects in Akpabuyo Local Government Area of Cross River State, Aliyu Abdulhameed, NIRSAL Plc's Managing Director/CEO, enthused that both projects are testaments to the fact that

*L-R: Uchenna Agbowo, Business Executive, Commercial, South-East, Sterling Bank Plc; Mrs. Tosin Ariyo, Sterling Bank; Taiwo Sunday, Managing Director, TOAJ Nigeria Limited; Oden Obeten, Branch Manager, Main-Branch, Calabar, Union Bank; Dr. Aniefiok Akpan Umoren, South-East/South-South Coordinator, Development Finance, CBN; Aliyu Abdulhameed, Managing Director/CEO NIRSAL Plc; Barr. Eugene Okpara, Rep, Gbagolo Integrated Farms Limited; Peter Akpaudoh, Area Business Executive, Union Bank Plc; Vincent Egbona, Managing Director, Gbagolo Integrated Farms Limited; and Mr. Kennedy Nwaruh, Executive Director, Operations, NIRSAL Plc*



NIRSAL Plc in its bid to realize its vision of "transforming the economy, delivering inclusive growth and positively impacting the lives of Nigerians" supports all sizes of businesses, whether small, medium or large across the length and breadth of the country.

Abdulhameed added that, as a guarantor, NIRSAL Plc's intervention positively impacts both the lender and the borrower, as well as the overall economy, implying that the lender invests safely and earns competitive returns; the borrower's capacity utilization and productivity is increased, and the economy reaps the benefits of the backward integration occasioned by increased local production at the expense of importation of essential goods.

He concluded by urging all agricultural value chain stakeholders in the South-South region and the entire country to leverage NIRSAL's CRG as the collateral required for getting commercial bank financing for their agribusinesses, no matter their size or location.

Mr. Peter Akpaudoh, Union Bank Plc's Area Business Executive, who was also present at the launch event, stressed the value in the suite of NIRSAL's value offerings. Beyond the credit risk guarantee provided to Gbagolo Farms, NIRSAL PLC is also offering technical assistance and round-the-clock project monitoring, a package that really makes lending to agriculture and agribusiness easy, Mr. Akpaudoh acknowledged.

Indeed, NIRSAL's value offerings cut across value chains and value chain segments. While credit guarantees, technical assistance and project monitoring sweeten lending to businesses in the midstream segment of commodity value chains, the innovations and structuring introduced by NIRSAL in the upstream segment also impact the success of projects all through the value chain. Hence, for banks and other commercial lenders, the incentives are too good to resist.

Sterling Bank Plc, financiers of TOAJ Nigeria Limited, also had a representative at the launch event. Mr. Uchenna Agbowo, Business Executive, Commercial, South-East, said that, at 10%, Sterling Bank has the highest loan book for agriculture amongst commercial banks in Nigeria. He stated that the bank has been enjoying NIRSAL's support and will continue to count on NIRSAL for the safety of their agribusiness investments.

Speaking further, Mr. Agbowo affirmed that it is commendable that "NIRSAL has provided a suitable environment for



banks' investment to be safe and sustainable. TOAJ Nigeria Limited who is into Cocoa aggregation and trading is one of such success stories. Sterling has been at the driving seat of agribusinesses financing and will continue to partner with NIRSAL in providing access to finance for farmers to increase their output."

In his speech, the CEO of Gbagolo Integrated Farms Limited revealed that it would have been difficult to service the loan they received from Union Bank if not for NIRSAL's Interest Drawback (IDB) scheme. The company's poultry department, which received the credit support, has 60,000 birds and runs an on-farm feed mill with four tons capacity mixer per hour.

For TOAJ Nigeria Limited, the success stories are equally manifold. According to the Managing Director, Mr. Taiwo Sunday, NIRSAL's support has helped the company to acquire a 5,000 MT-capacity warehouse in Osogbo, the Osun State capital. Mr. Taiwo said that the company had been expanding its frontiers to the South-West for export and, with NIRSAL's support, it can now engage more farmers, procure more cocoa and employ more staff.

Meanwhile, NIRSAL's discretionary Interest Drawback (IDB) scheme is active on both facilities for the benefit of Gbagolo Integrated Farms Limited and TOAJ Nigeria Limited. The IDB is an interest rebate scheme offered to borrowers to reduce their cost of funds. It is offered in quarterly cycles to borrowers in good standing.

Gbagolo Integrated Farms Limited and TOAJ Nigeria Limited are among hundreds of agribusinesses that have been supported by NIRSAL Plc to boost their operations. Only weeks ago, NIRSAL Plc supported ADT Russet Ltd in Lagos with a 50% credit guarantee on a N1.15 billion facility to source and export cocoa beans.

With these projects, NIRSAL Plc has now facilitated over N128 billion for agriculture and agribusiness across the country since its inception. This translates to the creation of jobs, driving the growth of rural economies, and positively impacting Nigerian lives. 🐦



***The injection of these finances into the poultry and cocoa value chains in Cross River State will create a positive knock-on effect for players along each segment of the value chain...***

## SCENES FROM THE





# CRG PROJECTS LAUNCH IN CROSS RIVER STATE







## NIRSAL Plc Boosts Agribusinesses in Enugu, Ebonyi with Credit Risk Guarantee Facility, Interest Rebate Scheme

**M**onns Poultry Farms Nigeria Limited, a company producing poultry feed in Enugu State, is another company in Nigeria's poultry value chain enjoying the benefits of the Credit Risk Guarantee (CRG) facility of the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL Plc).

By guaranteeing 50% of the finance facility obtained from Stanbic IBTC Bank Limited, NIRSAL Plc has not only secured a substantial part of the bank's investment but is also set to ensure the success of the venture through efficient project monitoring and support. This is in addition to a conditional 20% Interest Drawback (IDB) scheme offered to the company, located in Enugu Central Local Government Area, to significantly reduce its cost of funds.

Elsewhere in the Coal City, Ifagco Global Limited, a palm kernel processing company located in Emene, Enugu East Local Government Area, is also enjoying the benefits of NIRSAL Plc's CRG on its credit line also accessed from Stanbic IBTC Bank Limited. Like Monns Poultry Farms, If-

agco is set to enjoy the interest rebate of 20% every quarter provided they uphold the terms of the loan contract.

Ifagco Global Limited's facility covers 80% of the cost of procuring palm kernel nuts for its new 30 metric ton-capacity processing plant. Its streams of income go beyond revenue from its major commodity, Crude Palm Kernel Oil, which it sells to vegetable oil processors. It also includes by-products such as Palm Kernel Cake and Palm Kernel Sludge.

Aside Monns and Ifagco, there is also Head and Tail Nigeria Limited, an agro dealer operating from Abakaliki, Ebonyi State. NIRSAL Plc provided 75% CRG on a facility granted it by Stanbic IBTC Bank to procure fertilizers for its 705 metric ton-capacity warehouse.

About the support granted the companies, Managing Director/CEO of NIRSAL Plc, Mr. Aliyu Abdulhameed, expressed fulfilment in how NIRSAL continues to support big and small agribusinesses to meet their growth projections. He also expressed his admiration for the three





South East-based companies for their vision and commitment, and the value they continue to contribute to the agriculture sector, the economy and society at large.

NIRSAL's methodical work in the pre-Upstream segment of the agricultural value chain, Abdulhameed says, ensures the availability of quality input materials and services for optimum production in the Upstream segment. With NIRSAL's support, Head and Tail Nigeria Limited invariably becomes a strong, reliable conduit for the flow of quality fertilizer to farmers within its catchment area. This is important because delays and shortages in crop enhancement or protection protocol have been known to jeopardize entire production projects.

Stanbic IBTC Bank Limited has remained a strong partner of NIRSAL Plc in jointly responding to the Federal Government's call for better technical structures and improved finance and investment flow to the Agriculture Sector. Both organizations continue to share successes and new milestones in agribusiness financing.

With NIRSAL's CRG facility, access to finance is made easier for agriculture value chain actors. Added to that is the interest rebate scheme that significantly reduces cost of funds for the obligors. For Mr. Njoku Chinedu, Mr. Ifeanyi Agbo and Mr. Opuh Odefa Samuel, CEOs of Monns Poultry Farms Nigeria Limited, Ifagco Glob-

al Limited, and Head and Tail Nigeria Limited, respectively, therein lie a large part of the value that NIRSAL brings. The other part is in round-the-clock project monitoring and support which NIRSAL provides as a crucial risk management measure.

The injection of finance into the operations of Monns Poultry Farms Ltd., Ifagco Global Ltd., and Head and Tail Nig. Ltd. will create positive knock-on effects for actors along various segments of poultry and crop value chains in the host communities and beyond.

As more collaborators from the finance and agriculture sectors join NIRSAL Plc in the pursuit of the Federal Government's vision of a diversified base for the Nigerian economy, the race to provide food security for the country is closer to being achieved. 📌



***By guaranteeing 50% of the finance facility obtained from Stanbic IBTC Bank Limited, NIRSAL Plc has not only secured a substantial part of the bank's investment but is also set to ensure the success of the venture through efficient project monitoring and support...***





# NIRSAL Plc Launches Interactive Business School for Farmers



*Mr Isaiah Bendi, Managing Director/CEO, FBIS Technologies, giving a demo of the Business School platform during the launch in Abuja*

In line with the Technical Assistance pillar of its mandate, the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL Plc) in collaboration with its partners Successory Nigeria Limited, and MTN Nigeria, launched the NIRSAL Farmers' Business School (NBFS) – a mobile learning platform that is based on Interactive Voice Response (IVR) technology.

NBFS will provide convenient, bespoke training on Good Agricultural Practices (GAP) to Nigeria's Smallholder Farmers (SHFs) who crave improved access to vital information which is critical to the success of primary production cycles.

Whereas rural farmers have limited or no access to vital information on best practices, finance availability, growth management and the needs of the market, NIRSAL Plc, under its Technical Assistance pillar, is poised to provide support mechanisms that plug information gaps, boost entrepreneurial capacities and improve access to commercial finance.

Therefore, with a deep understanding of both NIRSAL's objectives and the needs of particularly rural farmers, Successory Nigeria Limited led collaborators in the research and development of the framework of the NBFS, design of the infrastructure, creation of the system map



and process flow, and set up of the back-end infrastructure, the output of which has gone through testing and quality assurance.

During interactions at the launch of the NFBS, Mr. Aliyu Abdulhameed, Managing Director/CEO of NIRSAL Plc, allayed concerns that the platform may be too sophisticated and expensive for some rural farmers to use. He said that pre-design research and situational analyses

took such concerns into account, hence, the product is a multi-language, offline on-the-go platform that can be accessed via any mobile phone – smart or not.

In terms of cost, he said that at N100 per week, a subscriber could access all the courses and assessments due to them, and at their own pace. A N50 fee would apply for access to additional market opportunities, weather forecasts/updates, and special deals, while with N20 only, subscribers could procure step-by-step guidance on specific farm activities such as pest control and fertilizer application.

Abdulhameed emphasized the importance of the platform to NIRSAL Plc, its owners the CBN, the Federal Government, Banks, and other investors in agricultural primary production as it will promote the inclusion of farmers in the use of ICT and limit physical classroom engagements in line with the new normal.

He concluded by pointing out that the platform also holds great value for NIRSAL's officials in the field who have been wading through towns, villages and bushes to perform their training and capacity building assignments.

Present at the launch event, Mr. Adekunle Adebisi, Chief Sales Distribution Officer of MTN Nigeria, enthused that MTN is a natural collaborator in initiatives that meaningfully connect, inform and educate Nigerians. He said that MTN's peerless network connectivity in Nigeria will serve as the conduit for a seamless, continuous, and

cost-effective interaction between NIRSAL Plc and farmers, which will lead to improved productivity and earnings across board.

Adebisi declared MTN's resolution to further support the initiative with free SIM cards for farmers as a way of accelerating the take-off of the platform and the onboarding of millions of farmers.

Situated in all 36 states of the federation and the FCT, NIRSAL's Project Monitoring, Reporting and Remediation Offices (PMRO) were provided with the product shortcode in advance to ground truth and understand the approaches for onboarding users on new and existing MTN SIM cards.

A brief demo of the platform revealed its paced, multi-language interactivity, as well as ease of navigation. The demo was conducted by Mr. Isaiah Bendi, Managing Director/CEO of FBIS Technologies, who expressed gratitude for the opportunity to participate in a project with potentials for massive national impact.

The Acting Director of Corporate Communications of the CBN, Mr. Osita Nwanisobi, who was also present at the launch event applauded NIRSAL Plc and its partners for the initiative and urged the press to drive its uptake nationally for the good of all.

As the lead developer of the product, Successory's job is not done yet as it would oversee the onboarding process of subscribers and address whatever teething challenges that occur. Beyond that, the company is to ensure that the NIRSAL Farmers' Business School continues to give value to NIRSAL Plc and the farmers who use the platform to boost their capacities and productivity.

Incidentally, the launch of the NIRSAL Farmers' Business School (NFBS) follows the ongoing provision of Strategic Business Support Services (SBSS) by NIRSAL Plc nationwide. Challenged by a general apathy amongst smallholder farmers towards scholarly mentorship programs, and an insatiable appetite for government grants, the delivery of the SBSS will be enhanced by the ease and convenience offered by the NFBS. 🐾



***NBFS will provide convenient, bespoke training on Good Agricultural Practices (GAP) to Nigeria's Smallholder Farmers (SHFs) who crave improved access to vital information...***



AGC FORMATION: LAND VERIFICATION



OBOKUN LGA, OSUN STATE



AMAFOR IMERIEWE, NGOR OKPALA, IMO STATE



KANGERE, BAUCHI STATE



YOLA, ADAMAWA STATE



KAMBAZA, GWANDU LGA, KEBBI STATE



IFAKO - IJAYE LGA, LAGOS STATE



IROKO VILLAGE, IBADAN, OYO STATE



IKOT UKPONG, ETINAN LGA, AKWA IBOM STATE



## FIELD ACTIVITIES



IREPO LGA, OYO STATE



AHOADA EAST LGA, RIVERS STATE

### AGC FORMATION: FARMER VERIFICATION



NGELZARMA, FUNE LGA, YOBE STATE



ODE-OMU, AYEDAADE LGA, OSUN STATE



EWEKORO LGA, OGUN STATE



TALATA MAFARA, ZAMFARA STATE



UGHELLI SOUTH LGA, DELTA STATE



WASE LGA, PLATEAU STATE



AGC FORMATION: SENSITIZATION & TRAINING



ZARIA, KADUNA STATE



IKOT UKPONG, ETINAN LGA, AKWA IBOM STATE



ENUGU SOUTH LGA, ENUGU STATE



EWEKORO LGA, OGUN STATE



AHOADA, RIVERS STATE



BIRNIN KUDU LGA, JIGAWA STATE



DURUM, BAUCHI STATE



OSOGBO LGA, OSUN STATE



## FIELD ACTIVITIES



GORONYO LGA, SOKOTO STATE



BAKASSI LGA, CROSS RIVER STATE

## HARVEST MONITORING



AKURE, ONDO STATE



ANEGBETTE, ETSAKO LGA, EDO STATE



ORUK ANAM LGA, AKWA IBOM STATE



LOKOJA, KOGI STATE



BIASE LGA, CROSS RIVER STATE



OSOGBO, OSUN STATE





# Improving Agricultural Value Chain Productivity: A Strategy for Building the Resilience of Food Systems and Controlling Food Price Inflation

## Introduction

In 2021, global food prices recorded a year-on-year increase of 31.3%<sup>1</sup>, standing at the highest level since July 2011. According to the International Monetary Fund (IMF)<sup>2</sup>, increase in food prices threaten the food security of emerging markets such as Sub-Saharan Africa who are more vulnerable due to a high import dependence and inhabitants who constitute two-thirds of the global extreme poor population<sup>3</sup>.

As such, the identification of strategies to address factors driving food price inflation is imperative for sub-Saharan African countries like Nigeria to attain the Sustainable Development Goal to “End hunger, achieve food security, improve nutrition and promote sustainable agriculture” (SDG 2).

## Identifying Nigeria's Food Price Inflation Drivers

The Nigerian food market recorded the highest increase in food prices in the last decade, reaching a year-on-year peak of 22.95%<sup>4</sup> in March 2021. A review of top-5 food commodities (domestic and imports) used in the computation of Nigeria's food price inflation highlights sporadic differentials in price increases between 2019-2020 and 2020-2021 periods as shown in Table 1.

<sup>1</sup> Food and Agriculture Organisation (FAO) – Food Price Index - [www.fao.org/worldfoodsituation/foodpricesindex](http://www.fao.org/worldfoodsituation/foodpricesindex)

<sup>2</sup> International Monetary Fund (IMF) Blog - <https://blogs.imf.org/2021/06/24/four-facts-about-soaring-consumer-food-prices/>

<sup>3</sup> World Bank Blogs - <https://blogs.worldbank.org/opendata/number-poor-people-continues-rise-sub-saharan-africa-despite-slow-decline-poverty-rate>

“

***The aggregation of value chain players into groups/clusters can serve as a base strategy for Nigeria to improve the viability of smallholder agricultural operations***

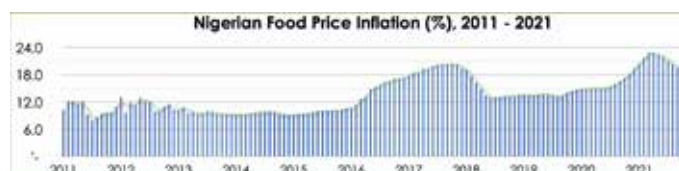




**Table 1: Food Price Changes for Select Commodities (2019 - 2021).<sup>4</sup>**

SN	Commodity	Commodity Prices (N)			Oct 19 – Oct 20 Price Change	Oct 20 – Oct 21 Price Change
		October 2019	October 2020	October 2021		
1	Beans – White Black Eye (per Kg)	292.00	300.37	464.74	3%	55%
2	Beans – Brown (per Kg)	308.93	326.88	478.76	6%	46%
3	Palm Oil (per litre)	464.70	515.26	727.21	11%	41%
4	Vegetable Oil (per litre)	502.34	602.04	825.46	20%	37%
5	Titus – Frozen (per Kg)	956.75	1051.36	1424.58	10%	35%

This scenario highlights a combination of imported and domestic food price inflation, justifying the longstanding rhetoric of the inability of Nigeria's agricultural value chains to fulfil domestic demand. Though it is agreed that the causes of price level changes observed in the real economy are often much more complex to isolate, the low productivity and non-resilience of Nigeria's agricultural value chains to shocks remain constant underlying factors with very high pass-through rates of negative effects usually evidenced in inflationary trends. The same pattern reoccurred with the onset of the COVID-19 pandemic, as well as other macroeconomic, market and social events<sup>5</sup> before and after, as shown in Figure 1.

**Figure 1: Food Price Inflation (%), Nigeria (2011 - 2021)<sup>6</sup>**

In support of the assertion that Nigeria's agricultural value chains suffer from low productivity, a comparative analysis with other African countries shows milder year-on-year post-pandemic food price inflations with Benin, Ghana, Kenya, and South Africa recording 8%<sup>7</sup>, 10.3%<sup>8</sup>, 10.6%<sup>9</sup> and 6.1%<sup>10</sup> respectively in October 2021 against Nigeria's 18.34%<sup>11</sup>. Whilst the pandemic caused a symmetrical shock

across countries, the inflationary effects differ, arguably on the basis of differences in productivity rates and levels of resilience of agricultural value chains in line with the latest available data<sup>12</sup>, showing that recorded yields in Nigeria still lag behind continental and global averages.

With the current rise in global food prices forecast<sup>13</sup> to be sustained in 2022, the underlying productivity challenges within Nigeria's agricultural value chains must be addressed to forestall further shocks. So, the question then is, how can Nigeria improve the productivity of its agricultural value chains to reduce the impact of external and domestic inflationary pressures?

### Strategies for Improved Agricultural Value Chain Productivity

Based on an analysis of available data<sup>14</sup>, low productivity in Nigeria is attributable to scale and financing constraints faced by the prevalent small-scale producers and Small and Medium Agribusiness Enterprises (SMAEs), hindering the adoption of more productive technologies and integration across the value chain. Thus, the key to improved productivity across Nigeria's agricultural value chains lies in the more efficient use of land, labour, and other inputs through technological advancement such as improved seeds, storage and logistics infrastructure etc.

The need for the introduction of productivity-enhancing technologies is not unknown to value chain stakeholders, especially with the establishment of various Government and private-sector interventions for this purpose. These interventions are yet to achieve intended impacts due to poor adoption and scale-related challenges with the prevalence of fragmented landholdings and processing activities. Considering the smallholding nature of value chain actors, it is critical to uncover and develop social innovations and/or agribusiness models that can be employed to increase adoption and address scale-related issues.

According to the Food and Agriculture Organisation (FAO)<sup>15</sup>, promoting the active participation of small-scale producers and SMAEs in producer associations, cooperatives, consortia and agro-industrial clusters can strengthen their capacity and scale to adopt strategies that improve value chain productivity, efficiency, and resilience. Either through co-location or working arrangements, production and/or processing groups can aid members to increase yield by increasing access to improved technologies as seen in the case<sup>16</sup> of the Farm Machinery Cooperative of Benin, which aggregated over 150 agricultural production and processing cooperatives to access mechanisation tools.

<sup>4</sup> National Bureau of Statistics – Selected Food Price Watch October 2021

<sup>5</sup> Key macroeconomic and market events within the period include - FOREX restriction policies, fuel and transportation cost increases, currency devaluation, and rising insecurity

<sup>6</sup> National Bureau of Statistics – Consumer Price Index Report October 2021

<sup>7</sup> International Monetary Fund (IMF) - <https://www.imf.org/en/News/Articles/2021/11/25/pr21345-benin-imf-staff-concludes-visit-to-benin>

<sup>8</sup> Statistical Service Ghana – CPI Newsletter October 2021

<sup>9</sup> Kenya National Bureau of Statistics – CPI Statistical Releases October 2021

<sup>10</sup> Department of Statistics South Africa - <http://www.statssa.gov.za/?p=14905>

<sup>11</sup> National Bureau of Statistics – Consumer Price Index Report October 2021

<sup>12</sup> NIRSAL Analysis of Data from FAOSTAT

<sup>13</sup> International Monetary Fund (IMF) Blog - <https://blogs.imf.org/2021/06/24/four-facts-about-soaring-consumer-food-prices/>

<sup>14</sup> NIRSAL Analysis of Data from FAOSTAT

<sup>15</sup> Food and Agriculture Organisation (FAO) – The State of Food and Agriculture 2021

<sup>16</sup> Food and Agriculture Organisation (FAO) – Agri-Hire in Sub-Saharan Africa: Business Models for Investing in Sustainable Mechanization



In addition to improving the viability of the deployment of mechanisation tools, cooperatives can improve market linkages and access to credit due to the institution of governance structures suited to the KYC requirements of financial institutions and as a derivative of the achievement of scale. This was exemplified in the case<sup>17</sup> of producer cooperatives in the Republic of Benin who accessed loans from FECECAM<sup>18</sup> to source inputs from FOJEDEA<sup>19</sup> and SONAPRA<sup>20</sup>.

Based on the foregoing, the aggregation of value chain players into groups/clusters can serve as a base strategy for Nigeria to improve the viability of smallholder agricultural operations and ease credit constraints for the adoption and implementation of productivity-enhancing technologies.

In cognisance of the full scope of existing value chain challenges<sup>21</sup> in Nigeria, this strategy must be layered with the defragmentation of land holdings to ensure the commercial deployment of improved technologies and the resuscitation and upgrade of Extension services for adequate farm advisory. In addition, an inward-focused approach, which increases availability of locally produced Improved Seeds and Crop Protection Products (CPPs), improves ac-

cess to locally-manufactured mechanisation tools, promotes value-added processing and transformation of outputs to products for domestic and export markets, and promotes research for innovation, is required to protect the value chain from the effect of cost-push inflationary pressures from the international market.

## Conclusion

Increasingly, agricultural value chains are being significantly disrupted by shocks resulting in food price inflation. With Nigeria's population estimated to exceed 400 million by 2050<sup>22</sup>, the ability to ease inflationary pressures on its citizens is dependent on the productivity, efficiency, and resilience of its agricultural value chains. The adoption of technologies at scale for improved productivity remains a key strategy for achieving long-term increases in agricultural production that can deliver increased efficiency of input use and an agriculture sector that is more resilient to extreme and unpredictable inflation-inducing events.

Considering the prevalence of fragmented smallholder value chain actors, aggregation through land-based (geo) cooperatives provides an avenue to address financial and scale-related constraints in adopting improved technologies. The drive for the formation of geo cooperatives can be upscaled nationwide by stakeholders in support of mechanisation and value chain development initiatives of Government, such as the Green Imperative and Special Agro-Industrial Processing Zones (SAPZ). ➤

<sup>17</sup> 2SCALE Consortium – Access to Finance for Inclusive Agri-Business Development

<sup>18</sup> Faltière des Caisses d'Épargne et de Crédit Agricole et Mutuel)

<sup>19</sup> Institut de Formation de Jeunes et de Développement de la Dynamique des Engrais dans l'Agriculture

<sup>20</sup> Société Nationale pour la Promotion Agricole

<sup>21</sup> PwC – Unlocking the Productivity and Investment Opportunities Across Nigeria's Agribusiness Value Chains

<sup>22</sup> UN World Population Prospects 2017 (Revised)



# SATS-C Policy to Usher in the Future of Commodity Transportation and Logistics in Nigeria



*Participants in a brainstorming session during the SATS-C Retreat held in Abuja*

Desiring the establishment of designated routes for the unfettered movement of agricultural produce around the country, NIRSAL Plc continues to provide logistical and technical support to the Federal Ministry of Industry, Trade and Investment (FMITI) and other stakeholders with a role to play in the formulation of a policy on a Secured Agricultural Commodity Transport and Storage Corridor (SATS-C).

High-level endeavour in pursuit of a SATS-C policy has been on for some time, beginning with a breakfast meeting organised at the behest of FMITI in December 2020. The technical committee charged with developing the policy received valuable inputs from critical stakeholders including the Nigerian Customs Service (NCS), the Nigerian Security and Civil Defence Corps (NSCDC), the Ministry of Budget and National Planning, the Ministry of Works, the Federal Road Safety Corps (FRSC) amongst others.

An October 2021 Retreat has now come and gone for the policy drafting committee members, who again received assurance of NIRSAL Plc's full commitment to the cause. The assurance was conveyed by the Managing Director/CEO, Mr. Aliyu Abdulhameed, still citing the enormous post-harvest losses afflicting Nigeria that an operational SATS-C policy could reduce by half. With such a reduction, the contribution of Agriculture to Nigeria's GDP could rise by 5% he said.

For Mr. Audu, Director Trade, FMITI, value addition to agricultural produce is the catch. He drew from the breakfast meeting held 10 months ago, and the many interactions with NIRSAL's representatives, to refresh the minds of the gathering on the task at hand and the progress so far. The

gathering, made up of representatives from the Federal Ministries of Information, Justice, Finance and Agriculture among others then dissolved into break-out sessions to give adequate attention to the components of the SATS-C policy document.

Five break-out groups focused on the roles of security and regulatory agencies, the matter of taxes and levies, commodity supply, and technology. Their resolutions would feed the policy drafting process, as care is taken to incorporate all existing frameworks that are directly or remotely relevant to agricultural produce transportation, storage and logistics without usurping or ignoring any corporate entity's statutory functions.

Some existing capacities policies and structures that are complementary to the operational framework of a SATS-C policy have been identified to include the One-Stop-Shop (OSS) Policy, the Road Crime Control System (RCCS) operated by the Federal Ministry of Transport, and the Agro Ranger Operations under the Nigerian Security and Civil Defence Corps (NSCDC). The technical team has also taken initiatives on board to sue for executive/legislative empowerment of MDAs to expand their mandates as may be required.

As a key player in the Federal Government's macroeconomic plans, FMITI's SATS-C policy proposition will bring a coherent, harmonized tax scheme to bear on Nigeria's agricultural logistics sub-sector which is currently leaking revenue through multiple taxation, extortion and post-harvest losses. Efficient commodity transport and storage will also undoubtedly lead to a lowering in food prices, creation of jobs, and the attainment of standards demanded by consumer, industrial and export markets.

With a mandate to de-risk agriculture and facilitate agribusiness in Nigeria, NIRSAL Plc believes that a SATS-C policy holds the key to a heightened, sustainable interest in the agriculture sector for investors and financiers. A comprehensive capture and transmission of value from the farm is the foundation of a good investment outing in agriculture, and SATS-C is crucial to that. Following that, come economies of scale in commodity pricing, full industrial capacity utilization, import substitution, and job creation.

The Honourable Minister of Industry, Trade and Investment, Otunba Adeniyi Adebayo, who chaired the 2020 Breakfast Meeting awaits the final output of the technical committee's painstaking work. Their efforts continue to be enriched by his involvement through his Advisers. A final policy document would be his to present for consideration by the Federal Executive Council. 📌

# Climate Change, NIRSAL and COP26

As world leaders continue to negotiate for a better, healthier climate through the Conferences of the Parties (COPs) – 26 of which have now come and gone, the network of stakeholders who would actualize the UNFCCC's (United Nations Framework Convention on Climate Change) vision is getting broader. A catalyst for agriculture financing and innovation in the world's most populous black nation, NIRSAL Plc has found its place in that burgeoning network.

To give some perspective, the measures taken by any given set of 200 million people anywhere in the world to source their food could dent global efforts geared towards healing the climate. Nigeria's population is large enough to matter in the global scheme of things, making her systems of food production an important consideration for climate change advocates. NIRSAL responds with Climate-smart Agriculture – proactive systems that are sensitive to climate change and supportive of restoration efforts.

NIRSAL attended the twenty-sixth session of the Conference of Parties (COP26) in Glasgow, United Kingdom in November 2021 as part of the Federal Government's delegation. Since signing and ratifying the Paris Agreement in 2016 and 2017, respectively, Nigeria has been committed to the goal of limiting global warming to well below 2°C, along with 195 other signatories. Agriculture factors prominently in that commitment, creating room for NIRSAL to originate and propose initiatives consistent with the twin objectives of driving up economic prosperity and driving down environmental degradation.

Fittingly, discussions in Glasgow revolved around Climate Finance – the pool of funds being made available by industrialized nations to finance climate-sensitive development around the world, especially in emerging economies. Parties noted with concern that the current provision of climate finance for adaptation remains insufficient to respond to worsening climate change impacts in developing countries. The developed country Parties were urged to scale up their provision of climate finance urgently and significantly.

To access climate finance, countries are required to develop National Adaptation Plans (NAP) which would articulate their medium and long-term response to climate change and weave it into national decision-making. The absence of NAPs, or their incoherence, was identified as a major stumbling block in accessing climate finance. To bridge this gap, help is available through the Readiness and Preparatory Support Programme which supports country-driven initiatives by developing countries to strengthen their institutional capacities, governance mechanisms, and planning

and programming frameworks towards a transformational long-term climate action agenda.

Of particular interest to NIRSAL was the agreement reached by governments to continue working on Agriculture under the UNFCCC process to adopt a decision at COP 27 in 2022. They recognized that the Koronivia Joint Work on Agriculture (a landmark decision that recognizes the unique potential of agriculture in tackling climate change) has an impact on financing entities and can help to better align international organizations and processes in their work on agriculture and climate change.

NIRSAL, meanwhile, continues to work with stakeholders to leverage local and international funding sources to help agricultural resource users adapt to the impacts of climate change and improve their productivity. The chal-



lenges posed by climate change call for smarter and not necessarily more resource use. Irrigation, timely access to information and advisory, cultivating commodities in their natural ecologies, are some measures that can immediately help smallholder farmers adapt to climate change. Harnessing these interventions for scalar impact can trigger climate finance.

The Glasgow Climate Pact is the main political outcome of COP26. It requests governments to ramp up their carbon-cutting commitments, phase out some fossil fuels and increase aid to poor countries on the front lines of climate change. Institutions like NIRSAL would do well to firm up the strategies within their spheres of influence, so that international political rhetoric can come alive in the daily lives and work of communities most vulnerable to the devastating impacts of a changing climate. 📌





# Accessing Capital for Alternative Career Development

The 17th All Nigeria Editors' Conference (ANEC) 2021 held in Abuja recently was an opportunity for Mr. Aliyu Abdulhameed, Managing Director/CEO of NIRSAL Plc, to present a paper on Accessing Capital for Alternative Career Development for Editors. However, the relevance of his presentation goes beyond the members of the Nigerian Guild of Editors (NGE), to every organized private or public sector group.

While extant laws, enforced by the Code of Conduct Bureau (CCB), prohibit public officers from engaging in private businesses, they make an exception for agriculture. NIRSAL, therefore, with a mandate to de-risk agriculture and facilitate agribusiness in Nigeria, has designed models that hold rewarding career alternatives for public and private sector personnel, or that give them viable business prospects for when they retire from service.

In presenting optimised agribusiness investment opportunities to the editors, Mr. Abdulhameed gave an in-

depth exposé on NIRSAL's Inclusive Integrated Private Agriculture/Agribusiness Investment Development (iP-AID) model. It is a spectrum of interconnected businesses from the pre-upstream to the downstream segment of the agricultural commodity value chains. Investment opportunities are grouped into baseline, midline and topline categories.

Agro Geo-Cooperatives® (AGC), Captive Off-Grid Energy Services (COES), NIRSAL Climate-Smart Irrigation Program for Optimized Smallholder Agricultural Production (NCIS), Land Preparation and Seed Processing Services (LPSP), and Primary Production, Harvesting, Primary Processing, Primary Transportation and Primary Storage (PHP3), amongst others, make up the investment opportunities in the baseline. With AGCs formed and ready to produce all year round, editors need not be farmers to invest in the irrigation system, energy or logistics services that earn their relevance from primary production activities.

Value-added processing occupies the midline, while the development of structured markets is in the topline. There are structures for playing in this field: Input Geo-Cooperatives, as created by NIRSAL, is all about the identification and structuring of input producers and vendors and enabling them with structured finance to sufficiently serve the next segment of the value chain – the upstream segment – where primary production happens. Then Trading Geo-Cooperatives are formed and equipped to take value from producers and transmit it to Marketing Geo-Cooperatives in the downstream.

Mr. Abdulhameed's presentation also elaborated NIRSAL's Controlled Environment Agriculture for Youth in Urban and Peri-Urban Settings (CEA-UPS) model. Given that NIRSAL provides its agribusiness credit interventions in line with regional and state comparative advantages with reference to ecology, CEA-UPS enables agripreneurs to create an environment suitable for the production of Fresh Fruits & Vegetables and fish. This sophisticated industry, then, is easier to set up in urban areas where its market also exists.

NIRSAL's Integrated Commercial Livestock Project (ICLP) is another model discussed with the editors. Investors may finance the building of an entire cattle-carrying facility, or own animals within the facility for commercial beef or milk. Allied services, too, are enticing money spinners: forage production, water sale from climate-smart irrigation systems, veterinary services, butchery, as well as power generation and supply.

Driven by a mandate that has sustainability at its core, NIRSAL's models are designed to unlock commercial finance. Hence, the models are kitted with hybrid round-the-clock monitoring systems, insurance and, whenever banks are considering secure lending to investors, Credit Risk Guarantee (CRG).

After his presentation, Abdulhameed proposed a technical interface between NIRSAL and the NGE, one that would originate a pathway for benefiting from the initiatives presented. Any such pathway would then be optimized by NIRSAL to ensure maximum returns for investors and financiers.

The agriculture sector is subject to science and modelling. So when we optimise your project with you, we then optimise financial solutions. Then we approach the bank." My call of action to the guild is, how can we work with you to create a technical pilot model to benefit the guild," Abdulhameed said. He urged members of the guild to understand that agriculture was a business venture, adding that the sector contributed to about 24 per cent of Nigeria's Gross Domestic Products. He stressed that in Brazil and Egypt, especially in the Nile Valley, agriculture had been passed from generation to generation, saying it had the potential of enhancing the livelihood of the citizens. According to him, it is regrettable that a lot of farmers think agriculture only begins and ends with production. He acknowledged that even though production is the most important aspect of agriculture, there is a need for other aspects like storage, transportation, and packaging to enhance value. ➡



Special Guests Mr. Aliyu Abdulhameed, Managing Director/CEO, NIRSAL Plc and Mr Isaac Okoroafor, former Director, Corporate Communications, CBN (Both Middle), flanked by members of the Guild of Editors during the 17th All Nigeria Editors' Conference (ANEC) 2021



# NIRSAL Plc Mainstreams Youths into Urban Agriculture in Partnership with MasterCard Foundation, Sterling Bank



**N**IRSAL Plc's unique mandate has necessarily made it an innovative institution. Otherwise, if it merely proposed agriculture as usual, how would it garner renewed interest from financiers? An output of the risk management company's tireless innovation is the Controlled Environment Agriculture in Urban and Peri-Urban Settings (CEA-UPS) model. It is a special approach to the production of Fresh Fruits & Vegetables (FFVs) and Aquaculture designed for urban areas and operated by the upwardly mobile segment of the population.

Mastercard Foundation is leveraging the CEA-UPS model to impact Nigerian youth and the agriculture value chain in the Federal Capital Territory (FCT) with a N120million fund. Sterling Bank would be providing a structured conduit for the funds to the participants in the project. NIRSAL is in the fine details.

Primarily, NIRSAL's objective is to facilitate an increase in commercial lending to agriculture by intervening in the loan approval process. Given agriculture's perceived notoriety for causing bad loans, banks require more safeguards when lending. NIRSAL provides that in the form of Credit Risk Guarantees (CRG), effectively sharing the credit risks with the banks. But it doesn't end there, a suite of project monitoring protocol is deployed to keep projects from failing, preserving the investments of all stakeholders, and rebuilding the confidence of lenders to agriculture.

Within that suite of project monitoring protocol lie NIRSAL's Agricultural Commodity Ecological Area (ACEA) mappings, a baseline advisory tool for successful agribusiness investing. Different commodities have unique climates where they thrive best; per NIRSAL's ACEA maps,

primary production projects must align with the ecology to be considered for credit support. A few other dynamics matter, like nearness to market and source of labour. These take pre-eminence where FFVs and aquaculture are concerned, hence, the CEA-UPS model.

Fruits and vegetables are highly perishable; if climates like the Mambila stretch were their exclusive production hubs, costs would only mount for consumers elsewhere. The CEA-UPS model brings the production hubs as close to the markets as possible while mimicking the natural ecology that supports their cultivation – greenhouses, hydroponics and aquaponics. As for labour? The young, fast-learning and upwardly mobile! Greenhouses are a new paradigm in agriculture, especially in Sub-Saharan Africa where the technology has not caught on with much of the farming population. It is only logical to mainstream the young into it if it is to go with Africa into the future. With this, Mastercard Foundation agrees.

Some young men and women, selected from a pool of enthusiasts, are in the process of becoming agribusiness entrepreneurs through the CEA-UPS model. Mastercard is providing the funds through Sterling Bank; and NIRSAL is involved to share credit risk and monitor the project. NIRSAL is also the anchor of the critical partnerships that will make the project successful and sustainable. Plethora Farms is a partner, experienced in greenhouse building

and management. They would also offtake, having built longstanding supply lines for premium pepper, tomato and cucumber.

All the participants have already formed an Agro Geo-Co-operative® and elected their leaders – President, Vice President and Director of Finance. They have undergone proper orientation and training, have executed account opening documents, and contributed 5% equity pursuant to the N2million disbursement due each. As of today, the construction of the greenhouses is underway. Each person would be 160msq, able to produce much more than N2million in total value annually. For pepper and tomatoes, two production cycles are possible in a year: for cucumbers, as much as five.

Picture a Nigerian youth, otherwise drawn to the downstream segment of the economic value chain, squatting by a young plant, trowel in a muddied hand, producing value. That would be an image of the future of Nigerian agriculture. CEA-UPS is off the shelf; a typical NIRSAL business proposition. It is viable. So are many other models churned out by NIRSAL over the years. What the market needs, schemes that make banks comfortable to lend, structured projects that give optimum value to agripreneurs, programmes that create jobs at national and sub-national levels, all considered, NIRSAL's models should not be sitting too long on the shelf. 📌



Participants in the on-going NIRSAL CEA-UPS project





## Credit Risk Guarantee - The Thrust of NIRSAL's Dynamic Intervention in Facilitating Finance for Agriculture

Agriculture continues to be a fundamental instrument for sustainable development and poverty reduction, (World Bank, 2008); yet financial constraints within the agriculture sector remain pervasive, costly, and inequitably distributed, severely limiting smallholder farmers' abilities to produce and compete.

The Central Bank of Nigeria and other institutions working in the Nigerian agricultural sector identified six critical challenges for agriculture in the country, namely a) broken agricultural value chains, b) a lack of understanding of agriculture by the financial sector, c) perceived high risks, d) an absence of collateral (at least in terms of conventional collateral), e) complex loan assessment processes, and f) high transaction costs for both the lender and borrower.

NIRSAL Plc is a product of new strategic thinking regarding agricultural development in Nigeria. Its intervention is meant to provide an inclusive approach to increased lending by reducing credit risk through guarantee support, reducing agricultural risk through insurance, improving capacity through technical assistance and reducing market risk through value chain development and market access. To this end, NIRSAL's Credit Risk Guarantee (CRG) facility is value chain enabled. The Agricultural value chain (AVC) finance offers opportunities of cost reduction and risk sharing for both the financiers (Counterparties) and farmers (Obligors).

In addition to sharing credit risk with and offering technical assistance to commercial banks, NIRSAL also rates the effectiveness and social impact of agricultural lending. This

also relies on the favourable fiscal and regulatory climate created by the government for banks and agricultural value chain actors to thrive. For subscribers to NIRSAL's CRG, a subsidized guarantee fee of only 1 percent flat per annum on outstanding protected principal and interest applies. Furthermore, as a repayment incentive, up to 40 percent of interest cost is rebated provided the loan remains in good standing (no partial or full default).

All crops, livestock and related supportive economic activities across the agricultural value chain are supported by NIRSAL's CRG facility. Smallholder farmers, a dominant force on Nigeria's agricultural landscape, as well as other value chain actors are also supported through the Technical Assistance pillar of NIRSAL. With it, borrowers are better able to meet loan obligations while also growing their agribusiness operations. Risk is not only shared through the guarantee mechanism but also through a focus on risk management, including loan appraisal improvements, technological support with a suite of field ICT capabilities and the promotion of value chain linkages and produce offtake arrangements. Over the years, this financing approach has witnessed little or no guarantee delinquency.

Since its inception in 2013, NIRSAL Plc has facilitated CRG backed facilities of N145billion to various actors in the agricultural value chain for mechanization activities, input distribution, primary production, processing, and marketing of agricultural commodities. Speaking to this figure, more interventions are ongoing in the Midstream segment of the agricultural value chain where the injection of finance into

processing facilities derives from the activities of the pre-Upstream segment. Inputs and other services are consolidated from the pre-Upstream for eventual production at the Upstream segment. The Downstream segment becomes the consolidating linkage markets.

With over 748 current and past beneficiaries of the NIRSAL Credit Risk Guarantee (CRG) facility, NIRSAL has innovated many Proof-of-concept projects which demonstrate and domesticate new agribusiness ideas. These innovations will on-board more smallholder farmers and provide them with affordable financing under portfolio commitments made by various banks on the back of the CRG facility.

In taking its concepts to scale, NIRSAL has continued to use market-driven approaches, adopting integrated value chain-based models, and layering robust de-risking mechanisms to enrich the contents of its CRGs, thereby boosting the confidence of financial institutions in lending to agriculture stakeholders. This has led to the creation of at least 360,000 direct jobs with impact on about 1.8 million lives. Projects so far supported are in primary production, processing, logistics and input supply, with smallholder farmers the majority of beneficiaries. The impact has enhanced their incomes and improved their standards of living.

Confirming the thrust of NIRSAL's dynamic intervention in the facilitation of finance across the agricultural value chain, Managing Director/CEO, Aliyu Abdulhameed, speaking at the Premium Times National Symposium on Agriculture themed "Fixing the Agriculture Value Chain", noted that de-risking Nigerian agriculture through innovative financing has accelerated the growth of the sector

over the past five years. This has enabled the facilitation of USD66.3 million in financial flows to agriculture from local commercial banks, international finance institutions and development partners because of NIRSAL's effective and transparent deployment of its USD300 million Risk Sharing facility.

Looking into the future with optimism, and assured of NIRSAL's solutions, commercial banks have pledged a combined USD500 million to fund agriculture and agribusiness in the short to medium term. The multiplier effect of this will no doubt resonate in greater financial inclusion for smallholder farmers, SMEs and other players across the agricultural value chain. It will also increase NIRSAL's collaborations that will lead to the replication of tested and scalable models to increase agricultural productivity, create employment opportunities and wealth for farmers and other value chain actors.

Beyond issuing carefully packaged credit guarantees for agricultural projects, NIRSAL has indirectly inspired a greater flow of finance and investment into the agriculture sector. Many, without necessarily seeking the NIRSAL CRG, have gained fresh impetus to expand their agribusiness operations based on the renewed attention the sector is getting. This has assisted the deliberate shift in the rate of bank lending to agriculture, from 1.4% at NIRSAL's inception to 4.8% as of Q3, 2020.

NIRSAL has pledged to continue its engagements with the Executives of Deposit Money Banks (DMBs) and other financial Institutions to create more awareness of its activities and the Credit Risk Guarantee facility. 📌





## PRE-CRG ISSUANCE



ALBARKA LGA, SOKOTO STATE



BISICHI, BARKI LADI, PLATEAU STATE



HADEJIA, JIGAWA STATE



GBOKO LGA, BENUE STATE



SURU-ALABA, LAGOS STATE



YENAGOA, BAYELSA STATE



AJINGI LGA, KANO STATE



EMENE, ENUGU STATE



## VISITS ACROSS STATES



NGWO LGA, ENUGU STATE



NSUK LAFIA LGA, NASARAWA STATE



ODOGBOLU, OGUN STATE



OGU-BOLO LGA, RIVERS STATE



OSOGBO, OSUN STATE



OWERRI, IMO STATE



BATAGARAWA LGA, KATSINA STATE

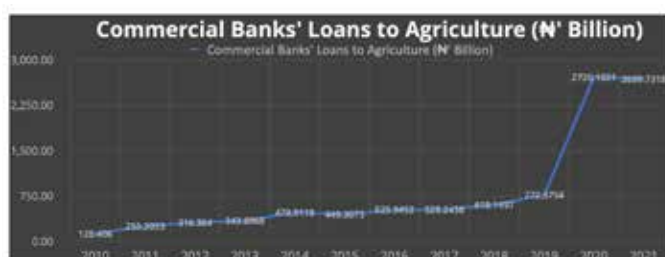


UMUABULE, ETCHE LGA, RIVERS STATE



# Assessing Agric Financing in Nigeria in the Last Three Years

The year 2019 was a pivotal year for agriculture financing in Nigeria. According to statistics from the Central Bank of Nigeria (CBN), bank lending to agriculture more than doubled from the previous year, and stayed rising to the dawn of 2020. NIRSAL Plc set up by the CBN to facilitate the flow of affordable finance and investment into agriculture, de-risk the sector and bring about an increase in commercial banks' lending to the sec-



Source: CBN Statistical Bulletin 2021  
Data for 2021 is as at Q3 ending.

tor, can take some credit for that. Due to its dogged pursuit of sustainable risk management and project delivery solutions, there has been no dip in agricultural financing trends during these pandemic years.

Along with other telltale signs of a growing acceptance of modern agribusiness amongst Nigerians, the statistics validate the Buhari administration's efforts towards diversifying the economy and making agriculture a mainstay of same to the relief of the volatile Oil and Gas sector. These efforts, after all, birthed NIRSAL; and, the Anchor Borrowers' Programme (ABP), the Presidential Fertilizer Initiative (PFI), the Presidential Economic Diversification Initiative (PEDI), etc. These programs were also introduced to boost private sector participation in Agriculture, increase local production of goods and services, encourage export, and improve food sufficiency.

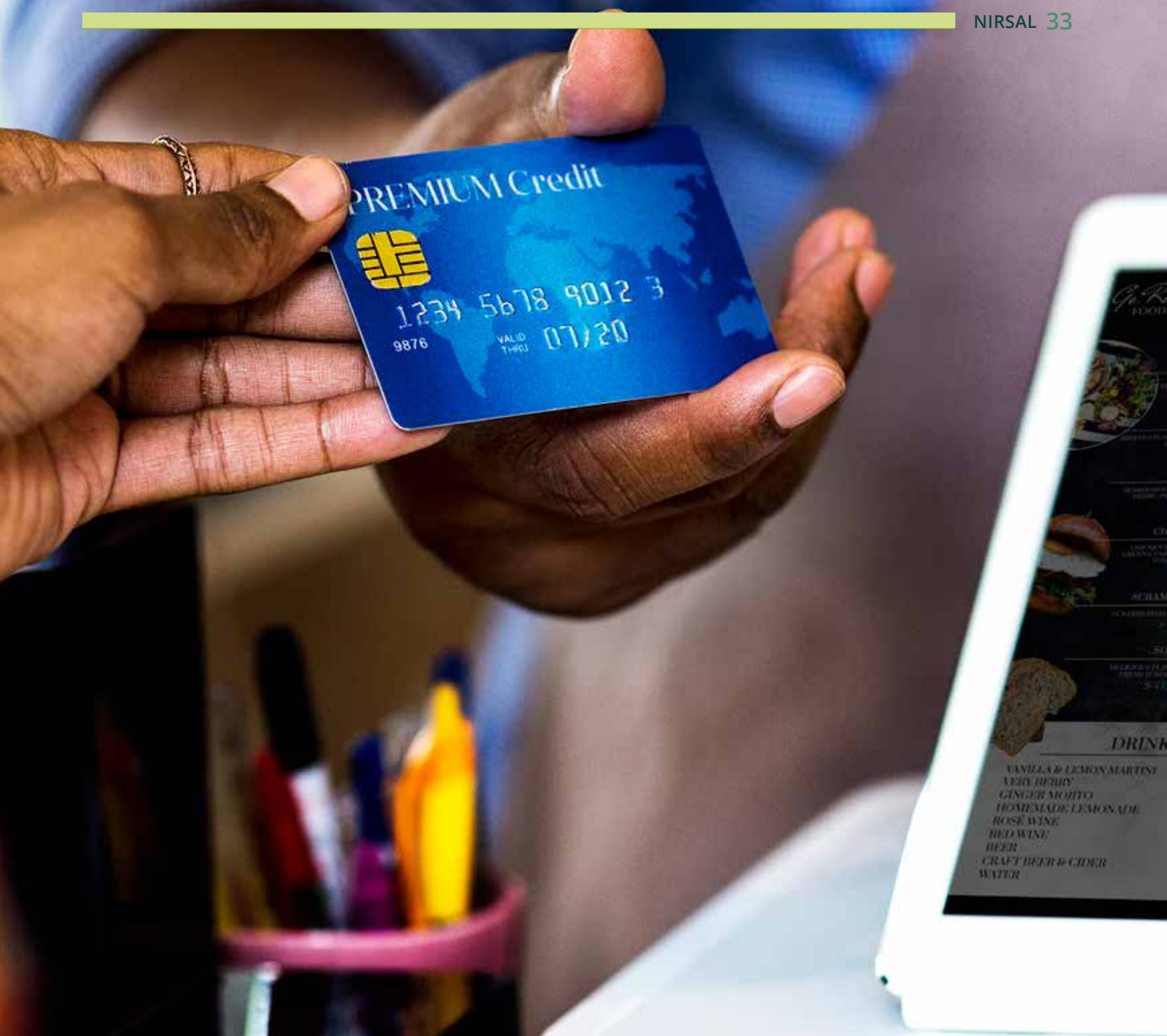
Thanks to available data, these efforts are yielding results, even though challenges remain. Nigerians can rest assured of a favourable policy space for agribusiness in the years ahead, and why not? The agriculture sector remains one of the most important sectors in the Nigerian economy. It accounts for more than 36% of the entire labour force<sup>1</sup> and is also the biggest contributor to the country's

<sup>1</sup> Current State of Nigeria Agriculture and Agribusiness Sector; pwc 2020.

Gross Domestic Product (GDP). According to data from the Nigeria Bureau of Statistics (NBS), Agriculture contributes 29.94% to Nigeria's GDP<sup>2</sup>. Years of neglect of the sector are now over, as Nigeria continues the arduous journey of clawing her way back regional and global prominence in food and raw material production.

Prior to the creation of NIRSAL, only a few Banks and financial institutions lent to agriculture due to the prevalent perception that the sector is highly risky. However, the creation of NIRSAL has changed things; banks and other financial institutions are now more willing than ever before to lend to businesses in the agriculture sector. In fact, statistics show that bank lending to agriculture has risen consistently since 2015, attributable to the de-risk-

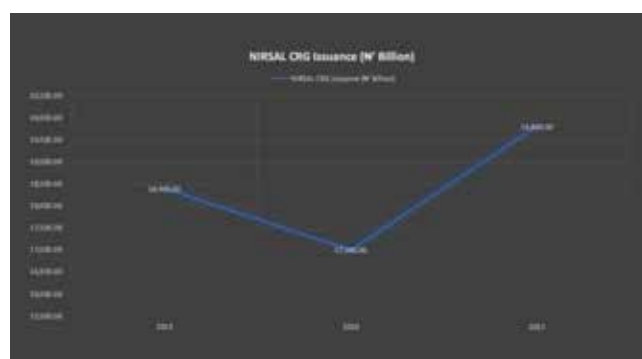
<sup>2</sup> This is as of Q3 2021 according to data from the Nigeria Bureau of Statistics



ing and facilitating role of NIRSAL in the sector. Since its inception, NIRSAL has guaranteed over 770 agribusiness projects amounting to N140billion through its Credit Risk Guarantee instrument.

While a specialized unit within NIRSAL is tasked with analyzing, recommending and supervising these projects, another is responsible for attracting portfolio commitments from lenders. Since inception, the latter has attracted the sum of N175.5billion as portfolio commitments from Deposit Money Banks (DMBs), N4billion from Non-conventional DMBs, and N50billion as agribusiness-bound investments from Non-Bank Financial institutions. The team is also currently pursuing the consummation of pipeline deals worth N56billion which are awaiting financing with DMBs as of October 2021. These commitments flow from signed agreements with counterparties, and a thorough understanding of NIRSAL's de-risking and finance facilitation paradigms.

In the last three years alone, NIRSAL has facilitated a total of N55.2billion into the agriculture sector using its CRG facility. The sum covers 34 projects in 2019, 33 in 2020, and 42 as of November 2021. Lending per year stands at N18.4billion in 2019, N17billion in Covid-19-ravaged 2020, and N19.8billion as of November 2021. 📈





# A Third Year Since COVID-19: NIRSAL Braces for 2022



A recent Management Retreat at NIRSAL Plc provided an avenue for an assessment of the company's corporate performance and the fine-tuning of plans for the future. Mandated to sustainably usher more commercial finance into the agriculture sector through blended finance, the risk management company with a penchant for innovation finds itself with a limited influence on the overall performance of the sector. Insecurity and the Coronavirus pandemic notwithstanding, Nigeria's food production systems could fare better, especially in terms of capacity, yield, logistics and, invariably, market prices.

For a second consecutive year, the retreat occurred against the backdrop of a global economy reeling from the devastating effects of the Coronavirus pandemic.

Whereas a year ago the belief was that the worst was close to being over, the assortment of variants we have seen since then gives cause for conservative optimism. World leaders are fumbling over travel restriction decisions, and in a holiday season when many have already called the bluff of public health experts. Even though the pandemic has claimed millions of lives and laid economies waste, in many quarters dread for it has ebbed. If that is a dangerous trend, we are still to fully find out.

As those in NIRSAL rallied to shape 2022 in advance, top on the agenda was how to grow the company's influence across Nigeria's agricultural landscape. With COVID-19 and other developmental challenges flooring public and private efforts at ramping up food production, partici-

pants at the retreat mulled over inherent opportunities for NIRSAL. Far from merely prospecting for subscribers to its Credit Risk Guarantees, the think tank busied itself with fashioning out approaches to upping monitoring and control capabilities in a bid to solidify the company's niche position as a general agribusiness solutions provider. Fruits of that engagement are already being implemented by Executive Management.

NIRSAL understands that money merely thrown at farmers solves nothing. It is not for nothing that commercial lenders shy away from financing primary production. Development finance, with all its patience and good intentions, is also having a rough ride in the field. There are just too many unknowns to contend with! By introducing the Agro Geo-Cooperative® (AGC) initiative, NIRSAL took a swipe at the problem. Around AGC as hardware, it has now built an ecosystem that would help investors fare better dealing with especially smallholder farmers. The Farm Agro Geo-Cooperative Agribusiness Solution Services (F-AGC) is a fee-for-service offering comprising NIRSAL's de-risking tools, techniques and methodologies and would be deployed via its Project Monitoring, Reporting and Remediation Offices (PMROs) across the country.

A proposition to ramp up modelling and proof-of-concept projects is also in consonance with NIRSAL's corporate direction at the moment. Coming from the North-East, written requests to use the NIRSAL Integrated Commercial Livestock Project (ICLP) as a resource centre abound. While it was set up to compete in the cattle and dairy markets in Adamawa State, it is also positively influencing the sector by serving as a reference point for livestock production across the North-East. The ICLP can be a massive socio-economic tool for sub-national governments and they are poking at the idea with keen interest. NIRSAL has also developed a smaller version – the ICLP Lite – which individual investors can build and operate.

A few years ago, NIRSAL commenced work on the development of Climate Risk Profiles (CRP) for an initial 6 of 15 agricultural commodities. As the facilitator, it convened a diversity of stakeholders, including the Ministries of Agriculture and Environment, and the Kenya-based International Centre for Tropical Agriculture (CIAT). The quest to document the researched climatic backdrop against which agricultural investments are to be made going forward began with the mapping of the entire country into Agricultural Commodity Ecological Areas (ACEAs). The logic is simple, agricultural credit risk management must begin with aligning one's sails with nature. If one must proceed against nature, they must irrigate, plant improved seed varieties, utilize advanced crop protection protocol, and so on. The CRP assignment for the 6 commodities has now been completed; the expected benefits are manifold.

The NIRSAL Farmers Business School (NFBS) is, at last, a platform to reach farmers with refined and timely data. NIRSAL's partnership with the Agricultural Research Council of Nigeria (ARC�) and its 17 member institutes, as well as with the Nigerian Meteorological Agency (NiMET) amongst others, have often produced outputs that require onward transmission to farmers and extension workers. Riding on the network of telecommunication giants, MTN, NFBS has elicited widespread excitement among its target audience as they reach out with pleasant and constructive reviews. The CRPs, weather information, research findings, all these would find consistent means of breakdown and transmission to the farmers in the field.

For all the efforts being made to increase food production in Nigeria, the spate of post-harvest losses remains an albatross on the nation's neck. As much as 50% of what is produced is lost; N3.5trillion per annum according to Nairametrics. Perhaps the upstream segment (primary production) of the agricultural value chain is not really the fabled 'black hole' for investors if half of what has already been produced vanishes somewhere between the farm and the dinner table. NIRSAL believes that dedicated routes for the movement of agricultural produce can reduce this menace, hence, its policy advocacy for the establishment of a Secured Agricultural Commodity Transport and Storage Corridor (SATS-C).

In all the aforementioned, the fundamentals of NIRSAL's mandate are visible: risk sharing, focus on primary production and smallholder farmers, financial inclusion and support for rural economies. The company's personnel, tools, techniques and methodologies are geared towards achieving these objectives. There are some who question the practicality of NIRSAL's technological solutions, arguing that technologies and innovations cannot succeed in the turf of unschooled rural dwellers. If that is true, then it calls for even more technology and innovation. Subjecting Nigeria's food production systems to modern techniques that guarantee scale is inescapable if we are to feed our teeming population and have peace.

Asked if he harbours any fears for the coming year, especially with the resurgence of COVID-19, Mr. Osagie Ikehua, NIRSAL's Head of Strategy, said, "Not fears, but we must set our sails proactively, reading the signs of the times and adapting. We thought we had seen the back of COVID but it has refused to go away. NIRSAL was barely 4 years old when the global economy was interrupted. "Post-COVID" became a part of humanity's lexicon. But this is not post-COVID; we are still in it. Those waiting for a complete return to normalcy may want to consider adapting. In any case, Nigeria has a strong spine; we have survived many difficult times and we will survive this yet again. We will beat COVID". 🐾



## PICTURES FROM THE MANAGEMENT RETREAT



# AGRIBUSINESS FINANCE MARKETS

NIRSAL exists to create a handshake between the Agricultural Value Chain and the Financial Sector in order to boost productivity, food security and the profitability of agribusiness in Nigeria.

At the heart of our strategy is the Credit Risk Guarantee (CRG) which enhances the flow of finance and investment into fixed Agricultural Value Chains by serving as a buffer that encourages investors to fund verified bankable projects.

Working with financial institutions, farmer groups, mechanization service providers, logistics providers and other actors in the Value Chain, NIRSAL is changing Nigeria's agricultural landscape and delivering food security, financial inclusion, wealth creation and economic growth.



# NIRSAL



**THE NIGERIA INCENTIVE-BASED  
RISK SHARING SYSTEM FOR AGRICULTURAL LENDING**

De-Risking **Agriculture** ■ Facilitating **Agribusiness**



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