

SUMMARY OF THE STERLING AGRIC WEBINAR

The webinar tagged '**Funding Tomorrow's Agriculture Today**' organized by Sterling Bank was held on Wednesday June 3rd, 2020. The session had in attendance notable value chain players in the Agricultural sector who gave different insights into the potentials of the sector and how it could be rightly funded to meet the growing demand in the economy.

The session was moderated by Mr. Ayodeji Balogun, Country Manager/CEO AFEX Nigeria. Panelists at the event included Yemi Odubiyi- ED, Sterling Bank, Dr. Adebisi Araba, MD, AGRF, Stanley Munyai - CEO, Musoni, Bukola Awosanya – GH, Agric finance and Solid Minerals, Sterling Bank, Mezuo Nwuneli, Managing Partner, Sahel Capital Agribusiness Managers, and Caleb Usoh- Country Manager, OCP(Nigeria).

Below are the highlights from the discussions held during the session.

Overview of the Agricultural sector

- The Agriculture sector is not just critical to food security but also necessary for national security serving as a source of foreign exchange revenue, and provision of job employment.
- There is a global \$2.5 trillion debt gap needed in funding the agricultural sector out of which the fund gap in Africa's agricultural sector accounts for about \$1.3 trillion.
- As at 2019, only 4% of total funds in the commercial banks was allocated to the agricultural sector in Nigeria
- Globally, over \$140 Billion has gone to blended finance, out of which 14% of the funds have been into agriculture. Africa accounts for \$2billion of the fund, and Nigeria accounts for only \$630 million of the blended fund.
- Access to finance is a single factor that has seen to improve production in Kenya.
- Agriculture in Nigeria would grow if it is Public sector enabled and private sector innovated.

Funding is a big solution in enhancing the agriculture. However, it is not the only solution. Alternative solutions could be developing other necessary value-added services.

General Outlook

- Agriculture in the future must be market driven. It will be difficult to attract the right funding without a well-structured market based approach.
- The expediency of having an interconnected market in Africa; where the producers, suppliers, buyers, and interconnected globally have few gaps in the market and hopefully less dependent on imports.
- The demand for agricultural products and value-added products will continue to grow while leveraging technology to deliver products and services.
- Brick and mortar might not be the best way to serve smallholder farmers, however it might be necessary to go digital.
- The number of smallholder farmers shall increase with a proportionate increase in the business case for the agric. space primarily among smallholder farmers.
- It is predicted that by 2023, Nigeria shall be self-sufficient in phosphate production.

Sectorial Growth

- There is a need for financial institutions to understand the dynamics that operate in the sector and be able to not only lend more to the sector but also at a lower interest rate.
- Prioritizing digital tools and platforms to upscale sustainably in the agricultural sector.
- Banks need to have a different approach on how to leverage financing in the sector.
- There is a need to improve and grow the bottom of the pyramid; smallholder farmers in the agricultural space as they account for over 70% of the food produced comes from this sector.

An advocacy group that provides financing to the bottom of the pyramid would be required.

- There is a need for early-stage funding for agriculture, especially for innovative companies.

- Critical is setting the macro-economic variable on track to attract adequate capital funding to the sector.
- There is a big role that input plays in building the sector across the value chain as it defines productivity and output.
- It's pertinent to improve the value proposition to the sector projecting the scenario not just as agriculture but as an agribusiness.

Agro-Digital Revolution

- Digital inclusion across the agricultural sector should be accelerated. Financial inclusion solutions designed to meet the peculiarities of each individual is needed. Also, it is important to get financiers to deploy digital solutions along the value chain.
- Industrialization will help strengthen commercialization. Key determining players in the sector need to be bold to drive innovation and industrialization in the sector.
- The need for data needs to be prioritized. Stakeholders need to specialize in their various areas of interest and dig deep into understanding the market, consumer preferences and needs.

Private sector- Public sector drive

- Incremental growth will occur when sufficient working capital coupled with extension workers are in place.
- The private sector needs to form a coalition to initiate the implementation of the right policies and drive active government participation.
- The role of government is critical. The Government need to create an enabling environment and provide strategies for financing to enhance and attract the private sector in closing the funding gap in the sector.

Expanding investment in added value services and externalities around the activities and investment in the sector e.g infrastructures such as good road network, irrigation, storage, power amongst others.

- The need to provide the right agricultural practices and partnerships.
Government needs to invest immensely in the sector.

Lending funnels

- Funding Products and transaction mechanisms need to be structured in such a way that will appeal to traditional investors.
- To drive sustainable funding, concessional capital needs to be provided and applied to early-stage investment.
- Building a Financial institution led coalition that will drive the right conversation among institutions on the funding mechanism for the agricultural sector. Leveraging on a shared network to build transparency and active participation in private sectors in the sector.
- A venture capitalist will perform a major role in driving adequate funding in the agricultural sector.
- There is a need to move beyond the structured finance to blended financing product that meets the target value chain in the agricultural sector.

De-risking the sector

- The risk level in agriculture decreases as we move through various phases.
- It is pertinent that those who are best suited to absorb certain risks in the sector should align and focus on such sectorial phases risk.
- Banks find it difficult to lend at a single-digit rate considering the inflation and volatility in the market and agricultural stakeholders to subscribe to loans at double-digit thus is the need for blended finance to help mitigate the risk incurred by financial institutions and easy access to credit by farmers.
- There is a need to understand what risks exists and how to mitigate them. This creates a balance to enhance the attraction of blended finance to financiers.
- Credit enhancement such as guarantee, insurance, concessional capital, concessional debt, a technical assistant could help mitigate the risks.
Public and private donor capital can be used to mitigate risks or manage to bring a risk-adjusted return in line with donor requirements.

Sterling Bank

- Sterling bank is fast becoming a specialist institution in the agricultural sector. The 5 critical sectors of interests are Health, Education, Agriculture, Renewable Energy, and Transportation.
- Sterling bank is the go-to bank in Agriculture. In almost a decade, Sterling has built expertise in several agricultural value chains and have championed many initiatives and products. To enjoy these benefits, there is a need to begin a relationship with Sterling bank.
- Given the emerging opportunities and demand in the sector, the bank has also evolved with innovative digital solutions targeted at solving critical problems in the sector such as market linkage, logistics, and loan access. The use of technology will help to drive productivity, food security, and national security.

The Agriculture webinar

- The webinar is proposed to be held on a quarterly basis, with adequate notice provided subsequently on future dates.