



## Agriculture

**Comment on recent news** – this page

Today's headlines – page two

**Recommendations and valuations** – page three

### FG approves five-year tax break for Agric investors

Based on a Punch news report, the Minister of Agriculture and Rural Development, Mohammad Abubakar, stated on Thursday that the Federal Government has approved new incentives for investors in the agricultural sector to improve private sector participation in the nation's food production and processing industry. These incentives include tax and duty-free holidays for a period of five years for agricultural production and processing in Nigeria; tax-free agricultural loans with a moratorium period of over 18 months and repayment period of not more than seven years; and zero-tariff rates on the importation of agro chemicals.

There have been concerted efforts by the Federal Government to boost agricultural output, and there have been several schemes created to achieve this aim. In November 2015, the CBN, in partnership with the Presidency, launched the Anchors Borrowers Programme (ABP) to create a linkage between anchor companies that specializes in processing agricultural commodities and smallholder farmers in the country. This led to the disbursement of loans for farm inputs to many smallholder farmers through financial institutions within the country (DMBs, DFIs & MFBs). While financial institutions got loans from the CBN at 2.0%, farmers got the loans at an interest rate of 9.0%.

Prior to the launch of the ABP, the CBN in collaboration with the Federal Ministry of Agriculture and Water Resources (FMA&WR) in 2009, established the Commercial Agriculture Credit Scheme (CACS) to provide finance for the country's agricultural value chain namely production, processing, storage, and marketing. Under the CACS, loans are provided to commercial farmers at a maximum interest of 9%. The scheme also allows for a moratorium in the loan repayment schedule, taking into consideration the gestation period of the enterprise.

Despite these initiatives and many others by the CBN, the agriculture sector appears to have seen no real significant growth. Since the inception of the ABP in 2015, the agriculture sector has grown by an average of 2.9% between 2015 and 2021 which is lower compared to the prior 5 years (2010 -2014) and 10 years (2005 - 2014), when the sector grew by an average of 4.5% and 5.7% respectively. In our view, apart from some gaps in the administration and disbursement of funds under these schemes, the insecurity in the food producing regions amidst several structural problems affecting the sector continue to limit growth.

### MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	41,961.14	42,716.44	44,625.18
Naira / US\$	415.07	435.00	444.50
Brent, US\$/bbl	84.32	77.78	95.04
MPR %	11.50	11.50	15.50

Source: Nigerian Stock Exchange, Central Bank of Nigeria, Bloomberg. \*Nigerian Stock Exchange All-Share Index.

### CONTACT INFORMATION

**Head of Research:** Gloria Fadipe

+234 (0)1 448 5436 ext.4516

[gloria.fadipe@fcbm.com](mailto:gloria.fadipe@fcbm.com)

**Banks:** Gloria Fadipe

+234 (0)1 448 5436 ext.4516

[gloria.fadipe@fcbm.com](mailto:gloria.fadipe@fcbm.com)

**Industrials:** Oluwasesan Adeyeye

+234 (0)1 448 5436 ext.4512

[oluwasesan.adeyeye@fcbm.com](mailto:oluwasesan.adeyeye@fcbm.com)

**FMCGs & Brewers:** Edgar Ebinum

+234 (0)1 448 5436 ext.4457

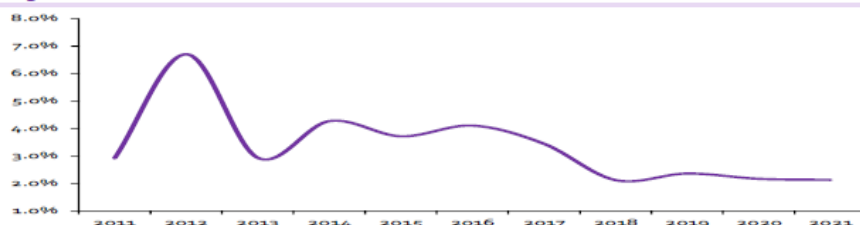
[edgar.ebinum@fcbm.com](mailto:edgar.ebinum@fcbm.com)

**Research Team:** [cslresearch@fcbm.com](mailto:cslresearch@fcbm.com)

**Retail Team:** [cslcsu@fcbm.com](mailto:cslcsu@fcbm.com)

**Sales Team:** [cslrmt@fcbm.com](mailto:cslrmt@fcbm.com)

### Agriculture Real Growth Rate (%)



Source: NBS, CSL Research



## Today's news headlines:

**Flight to dollar risk heightens as Nigeria seeks to rebrand Naira notes:** Nigeria's move to replace high-value currency notes from December may exacerbate dollar demand in the country, which rations foreign-exchange, and put further pressure on the naira, according to an economic adviser to President Muhammadu Buhari. Africa's most-populous nation plans to issue redesigned 200-, 500- and 1,000-naira notes and asked residents to change the bills by Jan. 31, when they will cease to be legal tender, Governor Godwin Emefiele said at a briefing in Abuja on Wednesday. That will give citizens of the West African country, where cash dominates transactions, six weeks to exchange their notes.....Source: [businessday.ng](https://businessday.ng/business-economy/article/flight-to-dollar-risk-heightens-as-nigeria-seeks-to-rebrand-naira-notes/)

<https://businessday.ng/business-economy/article/flight-to-dollar-risk-heightens-as-nigeria-seeks-to-rebrand-naira-notes/>

**Flood threatens N1.9tn CBN agric schemes, losses mount:** The devastation caused by floods on hundreds of thousands of hectares of farmlands across the country currently poses a threat to the various agricultural schemes of the Central Bank of Nigeria worth over N1.874tn. Farmers have also expressed fears regarding the repayment of about N1.4tn loans obtained from CBN under the schemes being implemented by the bank. The widespread floods ravaged and destroyed multi-billion dollar farmlands covering a space of about 569,251 hectares of land, as crop cultivation has been put on hold on many of the affected farms. The Minister of Humanitarian Affairs, Disaster Management and Social Development, Sadiya Farouq, had revealed on Tuesday that over 569,000 hectares of farmlands had been destroyed by floods..... Source: [punchng.com](https://punchng.com/flood-threatens-n1-9tn-cbn-agric-schemes-losses-mount/)

<https://punchng.com/flood-threatens-n1-9tn-cbn-agric-schemes-losses-mount/>

**Trapped funds: CBN to release another \$150m to airlines:** The Central Bank of Nigeria (CBN) has concluded plans to release \$120 million by October 31, to international airlines whose stuck funds are yet to be cleared. This is just as the CBN says it is unacceptable for foreign airlines to resort to 'blackmail' against the country especially as they fly as much as 21 frequencies into the country without reciprocity from Nigeria thereby disregarding the Bilateral Aviation Services Agreement (BASA). The Apex Bank had released \$265million of funds belonging to foreign airlines which got trapped in Nigeria due to the forex crisis the country is currently facing. Godwin Emefiele, CBN Governor had on Monday said that the bank will release another \$120 million of trapped funds owed to international airlines operating in the country.... Source: [Thisdaylive.com](https://businessday.ng/aviation/article/trapped-funds-cbn-to-release-another-150m-to-airlines/)

<https://businessday.ng/aviation/article/trapped-funds-cbn-to-release-another-150m-to-airlines/>

**Emefiele Urges Financial Institutions to Take Proactive Steps against Rise in Cybercrime:** The Governor of the Central Bank of Nigeria (CBN), Mr. Godwin Emefiele has advised banks and other Financial Institutions (OFIs) to prepare against the rising threats of cybercrime in the financial system. Emefiele said this yesterday at the second National Risk Management Conference where stakeholders gathered to discuss, "Risk Management in the Promotion of Financial System Development for Economic Growth." This was just as the Registrar of the National Collateral Registry (NCR) Mr. Bulus Musa yesterday revealed that over N16.6 trillion in credit has been collateralised on the registry's portal since its inception. Emefiele who was represented by Director, Financial Markets Department, Source: [Thisdaylive.com](https://www.thisdaylive.com/index.php/2022/10/28/emefiele-urges-financial-institutions-to-take-proactive-steps-against-rise-in-cybercrime/)

<https://www.thisdaylive.com/index.php/2022/10/28/emefiele-urges-financial-institutions-to-take-proactive-steps-against-rise-in-cybercrime/>

## Analyst Certification

Each research analyst(s) principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all of the views expressed in this research report. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.

## Important disclosures

Analysts' compensation is based upon activities and services intended to benefit the investor clients of CSL Stockbrokers Limited, Lagos and the affiliates of FCMB Group, Lagos, Nigeria ("the Group"). Analysts receive compensation that is impacted by overall profitability of the Group, which includes revenues from, among other business units, Institutional Sales and Trading and Capital Markets/Investment Banking.

### CSL Research Ratings Distribution

	Buy	Hold	Sell	Not Rated	Total
Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

### Explanation of CSL Research's equity research rating system

<b>Buy:</b>	The analyst expects the stock to outperform the Benchmark over the next 12 months or the stated investment horizon.
<b>Hold:</b>	The analyst expects the stock to perform in line with the Benchmark over the next 12 months or the stated investment horizon.
<b>Sell:</b>	The analyst expects the stock to underperform the Benchmark over the next 12 months or the stated investment horizon.
<b>Not Rated:</b>	The rating and price target have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when CSL Capital UK or the Group is acting in an advisory capacity in a merger or strategic transaction involving the company or due to factors which limits the analysts ability to provide forecasts for the company in question.
<b>Benchmark:</b>	The benchmark is the trailing three year average yield of the 12 month T-Bill plus one standard deviation rounded to the nearest percent.
<b>Price targets:</b>	Price targets, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings fall short of estimates.
<b>Asset allocation:</b>	Asset allocation is the responsibility of the strategy team. The recommended weight (Buy, Hold and Sell) for equities, cash and fixed income instruments is based on a number of metrics and does not relate to a particular size change in one variable.

## Important Risk Warnings and Disclaimers

CSL STOCKBROKERS LIMITED ("CSLS") is regulated by the Securities and Exchange Commission, Nigeria. CSLS is a member of the Nigerian Stock Exchange. CSL Capital (UK) Ltd (Firm Reference Number: 913994, Registered Number: 11818051), trading in the name of 'CSL Stockbrokers' for its activities, is authorised by the Financial Conduct Authority (FCA).

Both CSLS and CSL Capital (UK) Ltd are members of the FCMB Group ("the Group") of Nigeria, a group of companies which also includes First City Monument Bank Ltd.

RELIANCE ON THIS PUBLICATION FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE YOU TO A SIGNIFICANT RISK OF LOSS. By receiving this document, you will not be deemed a client or provided with the protections afforded to clients of CSLS and CSL Capital (UK) Ltd. When distributing this document, CSLS, or any member of the Group is not acting for any recipient of this document and will not be responsible for providing advice to any recipient in relation to this document. Accordingly, CSLS or any member of the Group will not be responsible to any recipient for providing the protections afforded to its clients.

If you are in the UK, you are a person to whom either Articles 19 or 49 of the Financial Services and Markets 2000 (Financial Promotion) Order 2005 apply or a person to whom this communication may otherwise be lawfully made.

In the United Kingdom, this document is available only to such persons described above and persons of any other description should not rely on this document. Transmission of this document to any other person in the United Kingdom is unauthorized and may contravene the Financial Services and Markets Act 2000 (FSMA). If you are not such a person or if the distribution of this document is otherwise unlawful where you are, you are required to return the document immediately to CSLS. This document is not intended for Retail Clients in the UK.

This document is not an offer to buy or sell or to solicit an offer to buy or sell any securities. This document does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The appropriateness of a particular investment will depend on an investor's individual circumstances and objectives. The investments and shares referred to in this document may not be suitable for all investors.

CSLS or any other member of the Group may effect transactions in shares mentioned herein and may take proprietary trading positions in those shares, and may receive remuneration for the publication of its research and for other services. Accordingly, this document may not be considered as objective or impartial. Additionally, information may be available to CSLS, or the Group, which is not reflected in this material. Further information on CSLS' policy regarding potential conflicts of interest in the context of investment research and CSLS' policy on disclosure and conflicts in general are available on request.

This document is based on publicly available information obtained from sources which CSLS believes are reliable, but which it has not independently verified. Neither CSLS, or their advisors, directors or employees make any guarantee, representation or warranty as to the accuracy, reasonableness or completeness of this information and neither CSLS or their advisors, directors or employees accepts any responsibility or liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. The opinions contained in this document are subject to change without notice and are not to be relied upon and should not be used in substitution for the exercise of independent judgment.

Past performance is not a guarantee of future performance. Investments may go down in value as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of an investment for which there is no recognised market it may be difficult for investors to sell their investment or to obtain reliable information about their value or the extent of the risk to which they are exposed.



The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person or published, in whole or in part, for any purpose.

@Copyright CSL STOCKBROKERS LIMITED, 2022. All rights reserved.

CSL STOCKBROKERS LIMITED	CSL Stockbrokers
Member of the Nigerian Stock Exchange	A trading name of CSL Capital (UK) Ltd
PO Box 9117	43-44 New Bond Street
Lagos State, NIGERIA	London
	W1s 2SA
	United Kingdom