

INVESTMENT READINESS IN WEST AFRICAN AGRIBUSINESS

The Institutional Guide to De-Risking Biological Assets, Structuring Bankable Corporate Models, and Navigating Due Diligence across Nigeria and the ECOWAS Sub-Region



EXECUTIVE SUMMARY & STRATEGIC MANDATE

Closing the \$4.5 Billion Institutional Capital Deficit in Nigeria and West Africa

- **Macro Structural Disconnect:** Over \$4.5 billion in sovereign, DFI, and private equity capital earmarked for West African food security remains undeployed annually due to a lack of bankable enterprise structures.
- **The Attrition Funnel:** In Nigeria and ECOWAS corridors, less than 9% of agribusiness sponsors navigate institutional diligence due to commingled finances, unperfected customary land claims, and informal off-take agreements.
- **The Currency & Cost-of-Capital Squeeze:** With Nigerian commercial prime lending rates exceeding 30–34%, matching biological gestation cycles with short-term commercial bank credit guarantees operational distress.
- **The Strategic Mandate:** Agribusiness sponsors must transition from opportunistic trading to rigorous corporate housekeeping—anchored by 3-year IFRS audited financials, defensible statutory titles, and index-linked off-take covenants.

Key Institutional Takeaway: *Capital does not avoid West African agriculture because of biological risk; it avoids unstructured enterprise risk. Investment readiness is the structured bridge that converts regional agro-industrial opportunities into institutional-grade assets.*

SECTION 1 | THE WEST AFRICAN CAPITAL PARADOX: DE-RISKING THE PIPELINE

Across Sub-Saharan Africa—and within Nigeria and the wider ECOWAS trade corridor in particular—agriculture accounts for more than 23% of regional GDP and employs over 55% of the active labor force. Yet, commercial agriculture captures less than 5% of formal bank lending and institutional private equity flows. This dynamic is not caused by an absence of capital, but by an acute deficit of investment-ready enterprises capable of satisfying institutional risk hurdles.

Development finance institutions (such as the African Development Bank, Bank of Industry, and IFC), pan-African agrifood funds (including Sahel Capital and AFIG Funds), and impact debt vehicles actively seek to deploy capital into value chains including grains, livestock fattening, oil palm, cassava industrial derivatives, and cold chain infrastructure. However, investment committees routinely discard more than 90% of submitted investment teasers during preliminary screening.

EXHIBIT 1: THE DILIGENCE ATTRITION FUNNEL IN WEST AFRICAN AGRIBUSINESS
Why 91% of Capital Seekers Fail Institutional Screening in Nigeria & ECOWAS

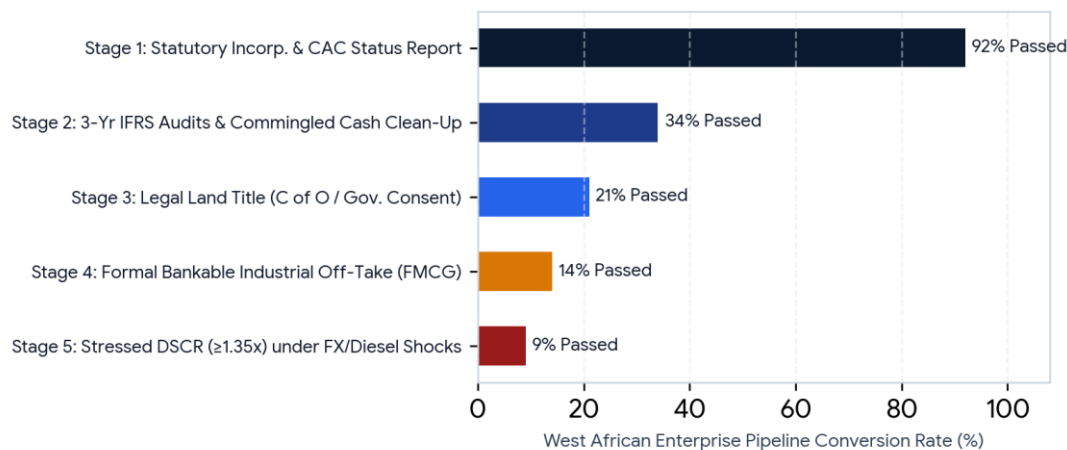


EXHIBIT 1: Diligence Attrition Funnel Across 150+ West African Agribusiness Screenings | Source: Light Agribusiness Strategic Advisory Field Data (Nigeria & ECOWAS Deal Audits).

As Exhibit 1 demonstrates, the sharpest attrition points occur at Stage 2 (Audited Financial Records & Separation of Entity Cash) and Stage 3 (Land Title Perfection). Agribusinesses in Nigeria frequently generate robust cash turnover during harvest cycles, but because revenue is commingled in founder personal accounts, underwriters cannot confirm verified operational margins. An enterprise cannot be valued, collateralized, or financed without formal financial documentation.

SECTION 2 | THE WEST AFRICAN CAPITAL CONTINUUM: ALIGNING FINANCE TO BIOLOGY

A fundamental cause of corporate insolvency in West African farming is capital mismatching. Commercial deposit money banks (DMBs) in Nigeria operate under tight monetary policy, with baseline Monetary Policy Rates (MPR) driving commercial lending rates to 30–35% with tenors rarely exceeding 180 to 365 days. Deploying 30% debt to clear virgin land or develop ruminant breeding herds creates mathematical insolvency before the biological asset achieves maturity.

EXHIBIT 2: WEST AFRICAN AGRIBUSINESS CAPITAL CONTINUUM
Mismatching Short-Term Commercial Debt with Long Biological Cycles Leads to Involuntary Default

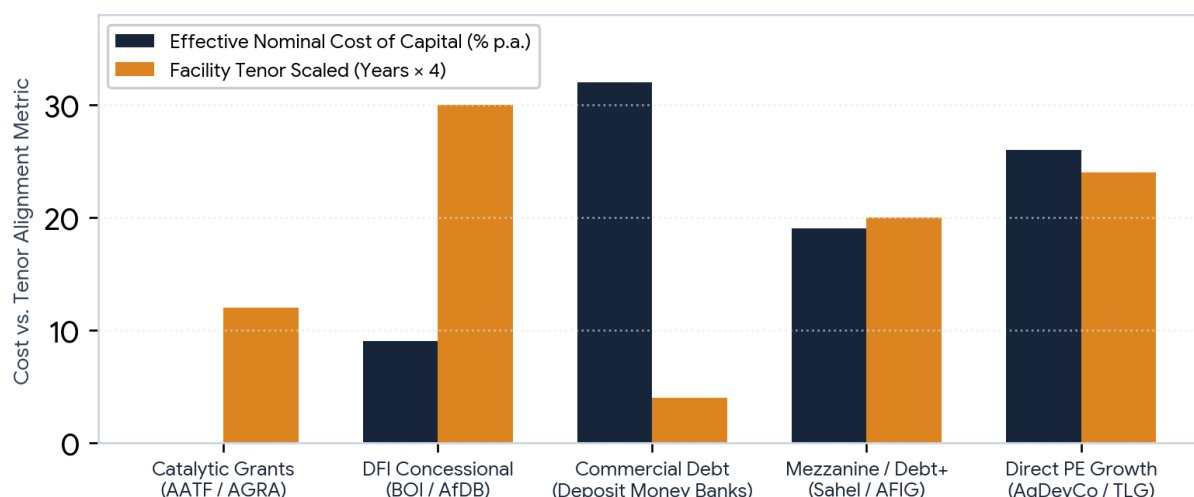


EXHIBIT 2: Capital Continuum & Cost-Tenor Matrix for West African Agribusiness | Source: Central Bank of Nigeria (CBN) Lending Statistical Bulletin & DFI Deployment Benchmarks.

Financing Vehicle	Key Institutions	Regional	Typical (Nigeria/ECOWAS)	Terms	Strategic & Operational Fit
Catalytic Grants & Technical Assistance	AGRA, AATF, USAID-Feed the Future, GIZ, AECF		0% cost; non-dilutive; milestone & ESG audit contingent.		Feasibility studies, smallholder outgrower digitization, ESG baselines, GAP farmer training academies.
Concessional Ag-Debt & Intervention Funds	Bank of Industry (BOI), AfDB, DBN, Proparco		7–12% fixed p.a.; 5–10 yr tenor with 2–3 yr moratorium.		Pivots, cold storage infrastructure, automated feed mills, land clearing, core industrial processing machinery.
Working Capital Lines (Commercial Banks)	First Bank, Zenith, Access, Ecobank, Stanbic IBTC		28–34% local currency; 180–360 days; physical collateral (150%).		Short-term seasonal input procurement (fertilizer, seeds), grain harvest aggregation during 'ember month' windows.
Mezzanine & Quasi-Equity Capital	Sahel Capital (FAFIN), Norfund, Cordros Agtech		14–18% blended; subordinated debt + revenue participation.		Mid-stage brownfield expansion, outgrower aggregation logistics hubs, regional brand scale-up.
Private Equity Growth Capital	AgDevCo, TLG Capital, Vantage Capital, Zebu Investment		22–26% target gross USD/local IRR; 5–7 yr equity holding.		Full vertical integration, interstate export terminals, commercial processing plants, M&A acquisitions.

SECTION 3 | THE 4-PILLAR INSTITUTIONAL DILIGENCE ARCHITECTURE

Institutional investors apply a disciplined underwriting lens across four interconnected dimensions. A failure in any single pillar triggers an immediate veto at the preliminary Investment Committee (IC) review.

EXHIBIT 3: THE 4-PILLAR DUE DILIGENCE BLUEPRINT FOR WEST AFRICAN AGRIBUSINESS



EXHIBIT 3: The 4-Pillar Due Diligence Framework for Institutional Underwriting | Source: Light Agribusiness Advisory Standard Diligence Taxonomy.

Pillar 1: Statutory Governance & Corporate Housekeeping

In Nigeria and West Africa, corporate opacity is the fastest route to deal termination. Institutional capital requires:

- Corporate Regularization: Flawless status with the Corporate Affairs Commission (CAC) under CAMA 2020. Annual returns must be fully filed, accompanied by the newly required Persons with Significant Control (PSC)

disclosures.

- Clean Capital Table: Elimination of unwritten equity promises or informal family holdings. Clear share registers, board resolutions approving fundraising, and zero undisclosed shareholder pledge agreements.
- Independent Board Oversight: Institutional investors refuse to finance autocratic founder-only boards. The board must include at least one credible non-executive director with proven financial, legal, or agronomic stature to enforce fiscal governance.

Pillar 2: Financial Engineering, IFRS & Unit Economics

Underwriters evaluate verifiable profitability, not optimistic bank statements:

- Three-Year IFRS Audits: Financial statements prepared by an accredited audit firm adhering strictly to International Financial Reporting Standards, notably IAS 41 (Biological Assets), which requires accurate fair-value marking of standing crops and livestock less estimated point-of-sale costs.
- Granular Unit Contribution Margins: Clear segregation between gross margin and operating overheads. The business must accurately calculate unit metrics—e.g., net revenue per hectare of yellow maize, cost per kilogram of liveweight bull gain in feedlots, or processing extraction margins per ton of crude palm oil.
- Commingling Remediation: Complete ring-fencing of enterprise cash flows. Founder personal spending, family expenses, and non-operational capital withdrawals must be completely removed from enterprise ledgers.

INSTITUTIONAL

UNDERWRITING

BENCHMARK:

STRESSED

DSCR

IN

WEST

AFRICA

Institutional lenders underwrite loans against severe macroeconomic down-cycles. In Nigeria, the model must maintain a minimum Stressed Debt Service Coverage Ratio (DSCR) of $\geq 1.35x$ under combined simulated shocks:

Stressed DSCR = [Operating Cash Flow $\times$ (1 - 0.20 Yield Deficit)] $\div$ [Annual Debt Service $\times$ (1 + 0.15 FX/Inflation Spike)

]

$\geq$

1.35x

If an agribusiness cannot service principal and interest under simultaneous harvest losses and fuel cost spikes, it fails credit committee clearance.

Pillar 3: Commercial Engine & Bankable Off-Take Mechanisms

Open-market commodity speculation in local grain markets (e.g., Dawanau in Kano or Mile 12 in Lagos) does not qualify as bankable commercial strategy due to price volatility during harvest gluts. Investment-ready enterprises secure structured monetization:

- Executed FMCG Forward Deeds: Formal, binding off-take agreements with industrial off-takers (e.g., Nestlé, Guinness, Flour Mills of Nigeria, FrieslandCampina, Olam) specifying guaranteed monthly volume quotas, moisture thresholds ($\leq 12\%$), and aflatoxin limits (< 10 ppb).
- Index-Linked & Cost-Plus Pricing Formulas: In volatile currency environments, fixed-price contracts risk severe producer loss. Bankable contracts utilize dynamic index-linked pricing tied to published regional spot indices less logistics rebates, or input-cost-plus floor mechanisms.
- Harvest Timing & Ember-Month Arbitrage: Commercial strategies that optimize marketing windows, utilizing on-farm hermetic storage (PICS bags or grain silos) to avoid panic-selling during peak harvest troughs.

Pillar 4: Land Tenure Perfection, Operational SOPs & ESG Compliance

The physical asset base must be protected against legal challenge and community conflict:

- Statutory Land Title Perfection: Customary deeds or local chieftain receipts are deemed legally speculative. Enterprises must possess a verifiable Certificate of Occupancy (C of O), Governor's Consent, or registered

community deed of lease (>25 years) with official perimeter coordinates gazetted at the state Ministry of Lands.

- Federal Ministry of Environment (FMEnv) Clearance: Certified Environmental and Social Impact Assessment (ESIA), factory effluent discharge permits, and biosecurity disposal protocols for animal waste and processing effluent.
- Digital Farm Operating Systems & Attendant SOPs: Transitioning farm management from ad-hoc supervision to digitized cloud platforms (e.g., LightAgriOS). Standard Operating Procedure (SOP) checklists must govern daily crop attendant routines, fertilizer micro-dosing, tractor fuel rationing, and biosecurity sanitation.

SECTION 4 | THE INSTITUTIONAL DATA ROOM (VDR): TAXONOMY & ARCHITECTURE

The hallmark of an investment-ready enterprise is the speed and transparency with which it manages institutional due diligence. When an NDA is executed, the company must grant instant access to a pre-populated, 7-folder Virtual Data Room.

Folder Index	Core Taxonomy Domain	Mandatory Institutional Documents (Nigeria & ECOWAS)
Folder 01	Corporate & Statutory	Certificate of Incorporation, MEMART, CAC Status Report (PSC register), Board Minutes authorizing round, Tax Clearance Certificates (TCC 3-yrs), Form CAC 1.1.
Folder 02	Financial Records & Models	3-yr Audited Statements (IFRS), 24-month bank statements, dynamic 5-yr financial model (Excel format, unprotected), Cap Table (fully diluted), unit economics breakdown.
Folder 03	Land, Property & Assets	Certificate of Occupancy (C of O), Governor's Consent, Registered Survey Plan, Fixed Asset Register with serial numbers/chassis, Soil fertility test lab certificates.
Folder 04	Commercial & Off-Take Deeds	Executed FMCG off-taker supply contracts, input procurement agreements (seed/fertilizer), anchor outgrower MOUs, logistics freight SLAs, export permits.
Folder 05	Operations & Field SOPs	Crop attendant daily morning/evening checklists, livestock feeding formulation sheets, spray logs, organogram, LightAgriOS digital telemetry exports.
Folder 06	ESG, Permits & Social License	FMEnv Environmental Impact Assessment (EIA) approval, Community Development Agreement (CDA), NAFDAC/SON registration certificates, worker health & safety manual.
Folder 07	Investment Pitch Collateral	Confidential Information Memorandum (CIM, 25–35 pages), Executive Pitch Deck (15 slides), Executive Teaser (2 pages), Detailed CapEx deployment schedule.

SECTION 5 | FINANCIAL MODEL ANATOMY: UNDERWRITING SENSITIVITY IN WEST AFRICA

Institutional underwriters scrutinize financial models for operational realism rather than theoretical growth curves. A financial model that projects unbroken 30% year-on-year revenue growth without factoring in diesel inflation, local port congestion, or seasonal rainfall anomalies will be dismissed.

A bankable West African agricultural financial model must feature three distinct core dynamic layers:

1. Operational Biological Drivers: Explicit linkage between physical metrics (seed germination rates, stocking densities, mortality %, feed conversion ratio [FCR], average daily gain [ADG], and extraction yields per ton) and cost of goods sold (COGS).
2. Working Capital Stress Engine: Granular modeling of Cash Conversion Cycles (CCC). In West Africa, input suppliers often demand upfront cash, while corporate FMCG off-takers operate on 60–90 day payment cycles. The model must forecast the working capital financing gap during planting and harvest peaks.
3. Macroeconomic Stress Switches: Interactive toggles simulating a 25% naira currency depreciation, a 30% spike in local diesel pump prices, and a 20% climate-induced yield shortfall. Enterprises that maintain solvency under combined stress tests pass credit committees.

SECTION 6 | THE 6-MONTH INVESTMENT READINESS EXECUTION SPRINT

Transforming an operating agribusiness into an institutional-grade investment asset requires a disciplined 24-week execution roadmap. Management must address legal, financial, and operational vulnerabilities before initiating institutional outreach.

Timeline	Operational Focus Area				Tangible Institutional Milestone / Deliverable
Month 1	Diagnostic Housekeeping	Audit	&	Corporate	Comprehensive legal and governance audit; filing of missing CAC annual returns; clean regularized share register; formal adoption of Board Charter.
Month 2	Accounting Transition	Regularization	&	IFRS	Appointment of accredited external audit firm; reconstruction of general ledger; implementation of IAS 41 biological asset accounting; commingled funds eliminated.
Month 3	Operational Codification & Digital OS				Drafting and adoption of farm attendant daily SOP checklists; deployment of digital telemetry (LightAgriOS); asset register tagged with GPS coordinates.
Month 4	Commercial Execution	De-Risking	&	Off-Take	Formal negotiation of forward supply contracts with industrial FMCG off-takers; execution of input procurement bulk discount agreements.
Month 5	Financial Model & Pitch Collateral				Finalization of dynamic 5-year financial model with macro stress toggles; drafting of 30-page Confidential Information Memorandum (CIM) and Executive Pitch Deck.
Month 6	VDR Syndication	Population	&	Targeted Capital	Deployment of 7-folder secure Virtual Data Room; generation of investor long-list (DFIs, impact debt, ag-PE); launch of bilateral investor roadshow.

The journey to investment readiness is not an administrative burden designed to satisfy the checklists of international financiers. Rather, it represents the foundational operational discipline required to build an enduring, profitable agribusiness capable of surviving macroeconomic shocks in emerging markets.

By formalizing corporate governance, codifying field standard operating procedures, implementing IFRS financial reporting, and securing structured market off-take, agribusiness leaders de-risk their operations from the inside out. In doing so, they position their enterprises to capture long-term catalytic capital and lead the vital transformation of West Africa's agricultural landscape.



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