



Input Financing Program

AFEX

INTRODUCTION

Nigeria's GDP and Agriculture Performance

Agriculture remains pivotal to the development of the Nigerian economy, contributing an average of 24.52% to the GDP over the last decade (NBS, 2021). The agricultural sector in the fourth quarter of 2021 grew by 3.58% (year-on-year) in real terms, an increase of 0.16% points from the corresponding period of 2020, and an increase of 2.36% points from the preceding quarter which recorded a growth rate of 1.22%. It grew on a quarter-on-quarter basis at -1.69%. Nonetheless, an annual growth of 2.13% was recorded in 2021.

Domestic Fertilizer Statistics

According to the World Bank, Nigeria's fertilizer consumption in kilograms per hectare of arable land stood at 19.7kg in 2018, below Ghana's 29.4kg/ hectare of arable land and the average consumption rate in sub-Saharan Africa of about 33kg/ hectare of arable land. The nutrient-deficient nature of Nigerian land, especially in the Northern states where most agricultural activities occur continues to open opportunities for growth in the industry. Private sector participation has increased in the last decade, while the government continues to drive fertilizer consumption through its Presidential Fertilizer Initiative (PFI), with the ultimate aim of achieving food self-sufficiency of the economy in the near term.

The Fertiliser Debacle

Prices of urea, a key N fertilizer, have risen by two and a half times over the past 12 months placing additional upward pressure on fertilizer prices stemmed from supply disruptions and high transportation costs following the imposition of export restrictions and due to sharp increases in bulk and container freight rates caused by the COVID-19 pandemic. With gas prices remaining at levels around four times their long-term average, N-fertilizer is likely to remain expensive.

As at the end of 2021, Russian ranked as the top exporter of nitrogen (N) fertilizers, the second leading supplier of potassium (K) fertilizers and the third for phosphorous (P) fertilizers. Given this position, the trade sanctions imposed on Russia and the overall war has triggered significant scarcity of fertilizers and hence, resulting to a sustained increase in the price of fertilizer.

A prolonged disruption to the global supply of nitrogen and potash nutrients could cut into crop production in many parts of the world, for both the 2021/22 marketing year as well as 2022/23, at a time when food prices are already at record highs. In addition, damage to infrastructure and the difficulty of farming during an armed conflict has impaired Ukraine's ability to produce and export important agricultural commodities, especially wheat, sunflower, and corn.

AFEX Input Finance Note

The input note aims to facilitate the provision of access to financing for smallholder farmers to obtain quality inputs while at the same time providing an avenue for investors; retail and institutional, to diversify their investment portfolio. The Note provides a competitive yield over a nine-month investment horizon when compared to other assets classes.

The product issuance has increased exponentially since its launch in 2019. A consistent rise in the issuance size has also been followed by an increase in the number of subscribers. In 2020, the fixed income instrument financed over 13,000 farmers in Kaduna, Benue, Kano, and other parts of the country.

The fund raised grew by 500%, with the product being fully subscribed at ₦6bn (Six Billion Naira) in 2021. This issuance financed 57,000 farmers during the wet season cultivation and the production of 142,000MT of commodities, with grains and oilseed being the most cultivated commodities by

the farmers profiled. Drawing lessons from the previous iterations of the fixed income instrument, AFIL plans to finance 200,000 farmers for the 2022 wet season cultivation. The fundraised will be utilized to cultivate 500,000MT of grains, oilseeds, and export commodities.

APPLICABLE PRICING SUPPLEMENT

TERMS	DESCRIPTION
ISSUER	AFEX Investment Limited
ISSUANCE DESCRIPTION	AFEX Input Finance Note
TOTAL ISSUANCE SIZE (₦)	Twenty Billion Naira (₦20,000,000,000)
NOMINAL PRICE (₦) PRICE PER UNIT	***Five Million Naira per unit (₦5mn per unit)
TENOR	270 days
SPECIFIED CURRENCY	Nigerian Naira (₦, NGN)
COMMENCEMENT DATE	Date of fund received from subscriber/noteholder.
MATURITY DATE	270 days from the commencement date
ISSUE OPEN DATE	06-Jun-2022
ISSUE CLOSE DATE	Two Weeks from Issue Open Date
DISCOUNT	13.50%
YIELD	15.00%
FINAL REDEMPTION AMOUNT	Redemption at principal plus interest at maturity
Any other Formula or basis For Determining Amount (s) Payable	$V = FV * (1 - (DR * t / \text{actual number of days in year}))$
FORM OF NOTES	Uncertificated/Dematerialized
LISTING	The notes will be issued on AFEX Commodities Exchange
TAXATION	In line with the applicable laws of the Federal Republic of Nigeria
METHOD OF OFFER	The Notes will be offered and sold by way of a fixed price offer for a subscription
DAY COUNT FRACTION	Actual/Actual (actual number of days in a month and actual number of days in a year)
BUSINESS DAY CONVENTION	Any day except Saturdays, Sundays, and public holidays declared by the Federal Government of Nigeria
REDEMPTION/PAYMENT BASIS	Redemption at par
NOTIFICATION OF ALLOTMENT	All applicants will be notified via email notification
STATUS OF NOTES	Each Note constitutes a direct, unconditional, unsubordinated, and unsecured obligation of the Issuer and the Notes rank pari passu among themselves and, save for certain debt obligations mandatorily preferred by law, pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer outstanding from time to time.
SETTLEMENT PROCEDURES	Purchases will be settled via direct debit, electronic funds transfers, NIBSS Instant Payment (NIP), NIBSS Electronic Funds Transfer ("NEFT") or Real Time Gross Settlement ("RTGS").
Allotment Date	Settlement Date
Notification of Allotment	All applicants will be notified through an email of their allotment
Settlement Procedures and Settlement Instructions	Purchases will be settled via direct debit, electronic funds transfer (NIBBS, NEFT, RTGS, etc.)