

# LAGOS STATE GOVERNMENT

## Agricultural Sector Deal Book



2018





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# 1. Preface

*Lagos state is one of the most attractive destination for investment in Africa and the State Government is looking to partner with private sector investors to expand the delivery of services and hasten the pace of development across the state.*

*The State Ministry of Agriculture seeks to make Lagos State food secure and self sufficient in Agriculture.*



# Welcome to Lagos State



**Governor Akinwunmi Ambode**  
The Governor  
Lagos State  
Nigeria

It is with great pleasure that I welcome you to Lagos State – the centre of excellence in Nigeria, the hub of economic activities in West Africa and the fastest growing market in Africa. Lagos is regarded as an important financial nerve centre on the continent and one of the fastest growing cities globally. We are proud to host a vibrant population of over twenty million people with a GDP in excess of USD130bn.

My administration is committed to improving the quality of life that residents experience and is working towards deepening the enabling environment for businesses to thrive. Our aim is to make Lagos the most desirable destination for businesses seeking socio-economic impact and good financial returns. To this end, we have stream-lined regulation, simplified government processes and invested in improving our people and administrative institutions.

As we continue to play our part, we invite private sector participants and investors to join us to hasten the pace of development and improve standards across Lagos State. Opportunities exist across all sectors of our economy and our aim is to showcase such opportunities and provide a guide that simplifies the process of private sector investment in projects and/or partnership with the Lagos State Government, to deliver much needed growth and development.

We very much look forward to partnering with you and more importantly to fostering significant and sustainable socio-economic development in Lagos State.

***Itesiwaju ipinle Eko loje wa logun!***



# Our Agricultural Sector is open for business



**Mr. Suarau Isiaka  
Oluwatoyin**  
Honourable  
Commissioner for  
Agriculture and  
Cooperatives  
Lagos State Nigeria

The Lagos State Ministry of Agriculture and Cooperatives aims to make the state food secure and self-sufficient in agriculture.

Lagos State Government has taken several steps to develop programmes and projects to boost food production under its strategic food security plan. The state is determined to increase aggregate food supply by the year 2019 from less than 15% to 25% through various projects and programmes. Some of the projects and programs undertaken in this reform include: collaboration between Lagos and Kebbi states on rice production, the Agric Youth Empowerment Scheme (AGRIC-YES), infrastructure development at Songhai-Avia, Badagry, Coconut Development for tourism and poverty alleviation and Poultry Estate development at Ikorodu among others.

Lagos State has comparative ecological and socio-economic advantages and there are numerous opportunities in the 23 identified agricultural areas for which the state is open to public private partnerships and private sector investments.

It is therefore with high expectations that we present to you this investment brochure which outlines a few key project opportunities, provides an independent assessment of their viability, risk assessment, potential partnership structures and guidelines for investing.

## LIST OF ABBREVIATIONS

AfDB	African Development Bank Agricultural
ATA	Transformational Agenda Buy, Build &
BBO	Operate
BDO	Build, Develop & Operate
BOO	Build, Own & Operate
CBN	Central Bank of Nigeria
EIA FCT	Environmental Impact Assessment
FDI	Federal Capital Territory
GDP	Foreign Direct Investment
LAISA	Gross Domestic Product
MSMEs	Lagos State Agricultural Inputs Supply Authority
N	Micro, Small and Medium Enterprises
PEBEC	Naira
PPP	Presidential Enabling Business Environment Council
SPAAG	Public Private Partnerships
SPV	Strategic Plan for Accelerated Agricultural Growth
TSA	Special Purpose Vehicle
VAT	Treasury Single Account
	Value Added Tax

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## 2. Executive Summary

*The Lagos State Ministry of Agriculture has identified two potential investment areas where it seeks partnership and investment to develop further. These are:*

*A grain storage silo project.*

*A feed-mill production facility.*

*The State Government is creating the enabling environment for these investments to bud and has identified incentives which interested investors can benefit from.*



# Executive Summary



### 3. Enabling Environment

*Agriculture is one of the largest contributing sectors to Africa's GDP and is on the diversification agenda of the Federal Republic of Nigeria. The sector currently contributes 24.4% to the nation's GDP, however there is room for growth.*

*Several reforms and policies have been introduced by key institutions in the sector to boost Agriculture in Nigeria and particularly, in Lagos State.*



## Enabling Environment

Agriculture is the largest sector on the African continent and has significant potential for growth



### Agriculture in Africa

- Agriculture is Africa's largest economic sector representing 24% of the continent's GDP.
- Africa has 25% of all the arable land available on planet earth and this is key to the African agro-industry attaining its projected growth of 4% per annum.
- Agricultural production is highly concentrated in a few countries in Africa, one third of the agricultural outputs are produced in Egypt and Nigeria.
- Agricultural production is usually on a small scale, 85% of all the farm facilities operate on less than 2 hectares of land i.e. they are small-holder farmers.
- The agro sector is largely informal, 75% of all agro-related firms are micro or small enterprises, 20% are semi-industrial operations whilst the remaining 5% are of industrial scale.
- Crop production represents the main agricultural activity on the continent accounting for 55% of the total agricultural output, livestock and aquaculture contribute 30% and 15% respectively.
- The African Development Bank estimates that an additional \$50 billion is required across the different stages of the agricultural value chain to improve output and productivity across the continent.
- African countries such as Nigeria, Kenya, Rwanda, Tanzania etc. have designed and adopted agro-based policies that encourage increased investment and participation in the different stages of the agricultural value chain by private sector investors.

Source: FAO (2016); NEPAD: Agriculture in Africa (2016), AGP Research 2017



## Enabling Environment

The Nigerian government has identified agriculture as pertinent to the economic and industrial development of the country



### Agriculture in Nigeria

- Agriculture is Nigeria's largest sector accounting for 24.4% of GDP and 63% of employment as at 2016.
- The Nigerian agro-sector is highly concentrated with crop production accounting for 90% of all output and fishery, forestry and livestock account for the remaining 10%.
- The Nigerian government is focused on the agricultural sector as part of its revenue diversification agenda because of the large but underdeveloped agro-business potential in the country.
- In the past five years, agro-productivity has increased by 35% in the production of staple crops such as rice, cassava, tomato and wheat as a result of concerted efforts by the government to increase agro productivity and output through various agro-initiatives.
- The Nigerian government launched the Agricultural Promotion Policy in 2016 aimed at improving agricultural infrastructure, resolving food shortages, improving agricultural output and to generate an estimated \$21 trillion of foreign income for the government by 2030.
- One of the main tenets of the Agricultural Promotion Policy is the provision of agricultural infrastructure such as storage units, farm irrigation, agro distribution and processing facilities which the government wants to provide with the support of private sector partnership.
- The agricultural industry, particularly farmers, will benefit from increased productivity due to government and private sector collaboration in providing needed agro-infrastructure.

Source: NBS (2016); USAID: Nigerian Agricultural Landscape (2016)



## Enabling Environment

The Lagos State Government has adopted several initiatives to increase agricultural productivity and food security in the state



### Agriculture in Lagos





- Lagos State has a landmass of 356,861 hectares of which 169,613 hectares are designated for agriculture and only 30% has been utilized.
- Lagos State has a population of 20 million people which is projected to reach 35 million by 2050 and the state government is desirous of expanding agricultural output and productivity in the state to ensure food security for its current and future residents.
- The Lagos State Government has introduced several initiatives to increase productivity and output in the state; these initiatives are anchored on building competence among farmers, improving agro-business climate and by direct intervention in agricultural activities.
- The State government in 2010 intervened directly in the agro sector by setting up the 34 hectare Ikorodu Fish Farm Estate with the capacity of producing and processing 10,000 tons per year, and has partnered with 400 farmers.
- In 2012 the State government unveiled the AGRIC –YES program to build competency among youths and encourage their participation in various activities within the emerging agricultural value chain in the state.
- The State government in 2014 established the Oke –Aro and Gberigbe Pig Farm Estates that currently partner with 1,200 farmers and have the capacity of housing and processing 88,000 mature pigs per annum.
- Lagos State government, in collaboration with private sector partners set up, Eko Farmers Market in 2014 (franchises across the state) to serve as a link between the agricultural producers and markets in order to ensure that farmers get fair value for their produce.
- Lagos State has a comparative advantage in agricultural production due to its large population, which can serve as a market for various agricultural goods.

Source: FAO (2016); NEPAD: Agriculture in Africa (2016) Lagos State: Eko Agro (Report 2016)



## Enabling Environment

The Lagos State Government has developed a clear policy framework to fully harness agricultural potentials in the state

Policy Thrust		Comments
AGRO POLICY		<ul style="list-style-type: none"> <li>The State government developed the Strategic Plan for Accelerated Agricultural Growth (SPAAG) as the main policy framework guiding agricultural activities in the state.</li> <li>The objectives of the SPAAG policies are to address knowledge gaps, encourage private sector participation and enhance the quality of agro-inputs.</li> </ul>
TAX ARRANGEMENTS		<ul style="list-style-type: none"> <li>The Federal and State governments have adopted favorable tax policies for companies investing in the Nigerian agricultural sector.</li> <li>These tax holidays are particularly focused on areas such as input production, agro mechanization, agro processing and animal feed production among others.</li> </ul>
AGRICULTURAL LAND POLICY		<ul style="list-style-type: none"> <li>The Lagos State government has currently earmarked an estimated 50,000 acres of land for agricultural activities across the state.</li> <li>This land will be allocated to farmers and private sector organizations willing to participate in the different stages of the agricultural value chain for selected crop production including: tomato, rice, fish etc.</li> </ul>
ENABLING BUSINESS ENVIRONMENT		<ul style="list-style-type: none"> <li>In solidarity to PEBEC's initiative to improve Nigeria's ranking in the ease of doing business, the Lagos State government has simplified the processes involved in registering a business name and obtaining a registration number to 1 day.</li> <li>It also established the Office of Overseas Affairs and Investment to promote and coordinate investments in Lagos State.</li> </ul>



## Enabling Environment

The government and its agencies have introduced several reforms that will promote growth in the agricultural sector



### Federal Republic of Nigeria

- The Federal Republic of Nigeria has introduced several reforms to transform the agricultural sector
- The Agricultural Transformational Agenda (ATA) introduced reforms in the input delivery also known as the Growth Enhancement Support (GES) Scheme, agricultural financing, value chain development including the Staple Crop Processing Zones, and farm mechanization.
- The recent reforms have yielded surplus harvest for the farmers and resulted in economic gains for the country.
- The Agriculture Promotion Policy was developed in 2016 and succeeded the ATA, with a focus on four core areas: food security, import substitution, job creation and economic diversification.



### Central Bank Of Nigeria

- The Central Bank of Nigeria in partnership with the Federal Government, established the Nigeria Incentive- Based Risk Sharing in Agricultural Lending (NIRSAL) which reformed the financing arrangements for agricultural inputs.
- This reform addressed the issue of integrating agricultural value chain with agricultural lending and de- risking the sector, thereby making the agricultural value chain and agricultural financing interdependent.



### Lagos State Government

- The State government is committed to making Lagos a producing state for agricultural produce not just a consuming state.
- The partnership between Lagos State and Kebbi State in rice production has been a welcomed development in improving the self-sufficiency and food security of the state.

Source: Federal Ministry of Agriculture 2017, Agricultural Research Council of Nigeria 2017, AGP Research 2017





## Enabling Environment

The Federal and State Governments have made effort to enhance access to credit for agriculture related projects (1/2)

### Central Bank of Nigeria (CBN)

- The Agricultural Credit Support Scheme (ACSS) is a CBN initiative with a prescribed fund of N50 billion to provide loans at single digit interest rates to those engaged in agriculture.
- Farmers and agro-allied entrepreneurs can access ACSS loans through respective state chapters of farmers associations and State Implementation Committees.
- Commercial Agriculture Credit Guarantee Scheme (CACGS) is also another single digit interest rate scheme under the CBN targeted to finance the agricultural value chain including but not limited to input supplies, cultivation and marketing.



### Nigeria Incentive Based Risk Sharing in Agricultural Lending (NIRSAL)

- NIRSAL is a flexible financing tool designed to enable the flow of affordable financing to players in the agricultural value chain.
- This CBN scheme has a N75 billion fund that is available to farmers in all 36 states and guarantees 75% loans provided by Deposit Money Banks.
- The institution also has a Technical Assistance Facility of \$60 million, which equips banks to lend sustainably to agricultural players, producers to borrow and use loans more effectively and increase output for better quality agricultural products.



### Bank of Agriculture (BOA)

- As the nation's foremost agricultural and rural development finance institution, BOA offers various types of credit schemes to players in the agricultural value chain.
- The four schemes under BOA's credit scheme are:- Micro Loans Scheme, SME/Agribusiness Loans Scheme, On-Lending Loans Scheme and Bank of Agriculture Rural Business Initiative (BOARBI).
- BOA's recent partnership with the Nigeria Postal Services (NIPOST) significantly boosts rural farmers' access to credit through NIPOST's 1000+ offices nationwide.



Source: CBN 2017, NIRSAL 2017, BOA 2017, AGP Research 2017



## Enabling Environment

The Federal and State Governments have made effort to enhance access to credit for agriculture related projects (2/2)

### Federal Ministry of Agriculture and Rural Development (FMARD)

- A partnership between FMARD and Sovereign Wealth Fund, KFW, the German development bank led to the creation of a Fund in Agricultural Financing in Nigeria (FAFIN).
- The fund which was initially capitalized with \$33 million was scaled up to \$100 million by private sector investments.
- This fund is targeted at Small and Medium sized Enterprises (SME) and is managed under Sahel Capital.



### Lagos State Government

- The Lagos State government established the Lagos State Employment Trust Fund in 2016 to allow agribusiness owners and farmers access soft loans at 3% interest rate per annum.
- The Fund has a capital of ₦25 billion, which is to be directly invested in Micro Small and Medium Enterprises (MSMEs) in Lagos State, to grow and scale up their business activities and help them acquire new skills.



Source: FMARD 2017, AGP Research 2017

## 4. Grain Storage Project Opportunity

*The present administration of Lagos State has placed emphasis on food security in order to make Lagos State self sufficient. In this regard, it has developed some projects and programs and one of such projects is the plan to build a 3,000 metric-ton grain storage silo, for improved crop storage and year round crop availability.*

*This section outlines the opportunity in terms of the project description, high-level feasibility assessment, an environmental assessment of the project as well as the acceptable project structure for investors interested in a public-private-partnership arrangement.*



## Grain Storage Project

Lagos has a comparative advantage as one of the largest producers of poultry meat and eggs in the country



Source: Lagos State Ministry of Agriculture 2017, AGP Research 2017

### Overview

- Grain consumption in Lagos state remains at an all time high, with a population of over 20 million people and 40 million birds.
- Maize grains constitute roughly 65% of the poultry ration and accounts for 80% of operating costs in poultry farming.
- The provision of a grain storage facility would ensure the availability of this commodity all year round at more stable prices.
- As such, the state recently announced its **plans to build a 3,000 metric tons grain storage silo in Imota Lagos State.**
- The project involves storage of grains such as maize, rice, wheat and sorghum as well as legumes such as cowpea, soya bean, beniseed and sesame seeds in silos over time.
- The aim is to use the Silo Pro Grain Systems to achieve the Food Security thrust of the State Government.
- The pilot phase will be a storage facility in Imota, location of the new Mile 12 Market with the intention of scaling up and expanding to other locations within the State in the near future.
- Mile 12 Market is a depot for grains, tubers, fruits and vegetable coming into Lagos and is reputed for all-year availability of various kinds of fresh fruits and vegetables.
- This grain storage project creates an opportunity for investment by private sector in collaboration with the State government.
- A public-private-partnership (PPP) will improve operational efficiency through competitive design, adoption of modern day technology and better maintenance of equipment etc.



## Grain Storage Project

The grain storage silo is a project which if successfully executed would make Lagos food secure and lead to self-sufficiency

### Project Sponsors



- The Lagos State Ministry of Agriculture is the main sponsor of the grain silo project as the implementing actor for projects under its strategic food security plan.
- A parastatal of the ministry, Lagos State Agriculture Inputs Supply Authority (LAISA) will be the body responsible for the implementation of the project.
- Private sector collaboration is welcome to build more silos and raise the competitiveness of grains in the country.

### Proposed Project Action Plan



- This project is to be piloted in Imota, near the proposed location of the new Mile 12 market within Lagos State given the close proximity to this vibrant all-year market.
- However, the State government is desirous of replicating the model in various areas of the state.

### Key Success Factors



- The silos should be routinely maintained to avoid pests; as such adequate pest control measures should be adopted as necessary.
- Proper herbicides should be used on grains to ensure they are disease-free before storage.
- To ensure adequate silo maintenance, skilled personnel will be required for proper handling and storage of grains to avoid damage and potential losses.

### Socio-economic Impact



- This project will significantly reduce the loss and wastage of food produce in Lagos, which is as high as 40% due to poor storage facilities.
- It will result in high economic efficiency for farmers who will be able to preserve grains for longer periods.
- Furthermore, this project would mitigate the risk of food insecurity in the state.

Source: Lagos State Ministry of Agriculture 2017, Nigerian Governor's Forum 2016, AGP Research 2017



## Grain Storage Project

The success of the proposed project is dependent on the availability of necessary resources and infrastructure

### Resource Requirement

To effectively establish a grain storage silo, the following are minimum requirements:

- Adequate **land area** for silos to be sited on.
- **Skilled personnel** who are familiar with the technical workings and management of silos.
- **Metal sheet silos** for up to 3,000 metric tons of grains.
- **Operation equipment** such as vehicles, chain conveyors, etc.

### Proposed Location

- The proposed site for the grain storage silo, Imota is in the Mile 12 market and is a 30 acre piece of land – adequate space.
- The location in Imota will also house a rice processing factory at the Ikorodu division, which would achieve a 10,000 metric tons per hour production.

### Existing Infrastructure

- The Lagos State Government's Ministry of Physical Planning & Urban Development is currently working to put in place the required infrastructure and facilities for a smooth transition to the new Mile 12 Market.
- Some of the work includes the expansion of the Ikorodu-Itoikin road, construction of access roads from Imota township to the market, shops and stalls for traders, toilets, security posts among others.



## Grain Storage Project

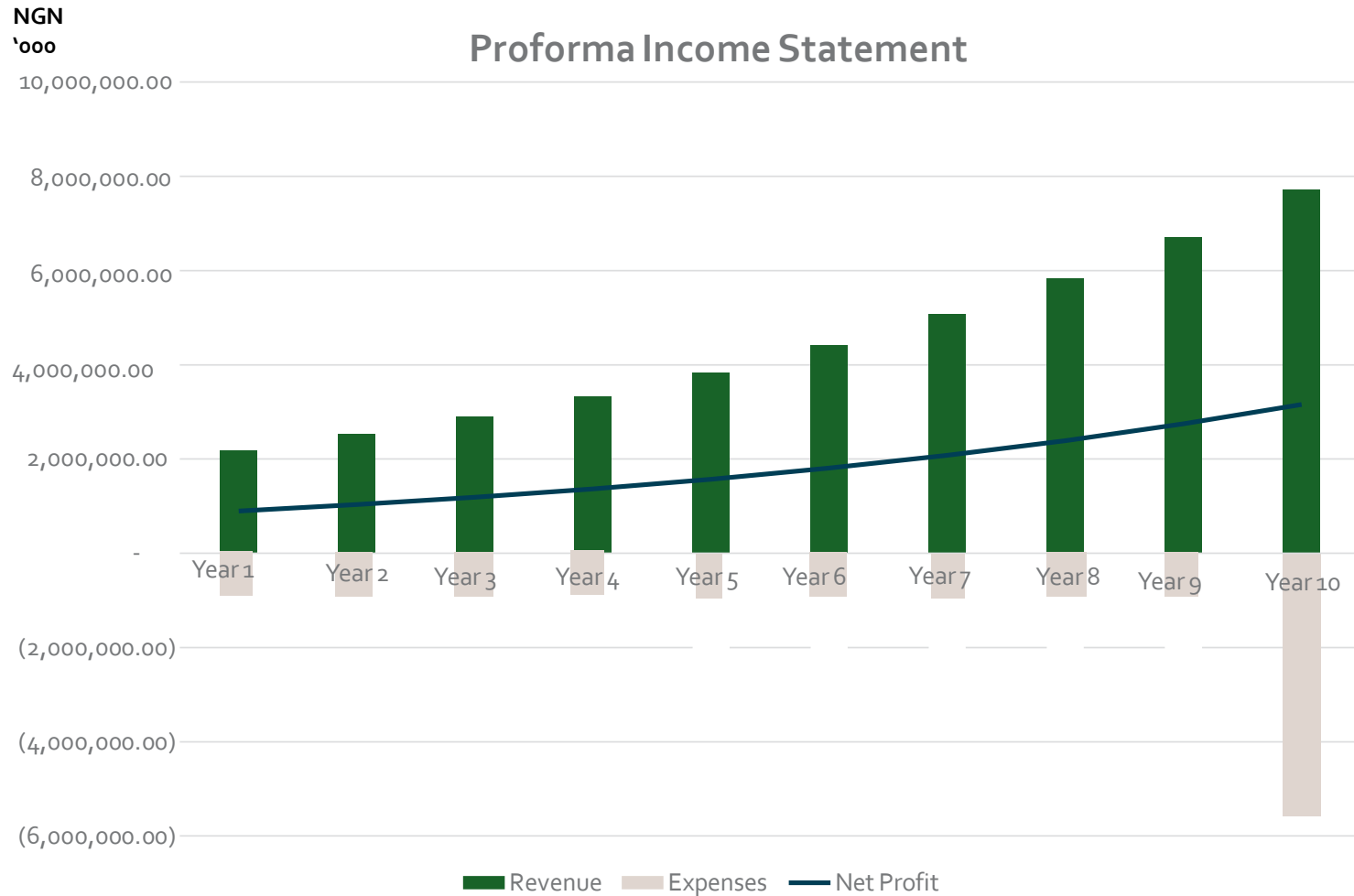
There are at least six critical demand drivers for the development of this grain storage silo

- 1 Food Security**  
Considering that Lagos State has been prone to food crisis in the past, a grain storage facility will ensure adequate storage and preservation of basic food items to meet the growing population. Food security is also one of the present administration's driving reforms in the agricultural sector of the state.
- 2 Population Growth**  
Lagos has a population of over 20 million people and over 40 million birds and as the fastest growing city in the world, it has a high demand for grains and proper storage to meet food supply. Growth in population leads to an increase in demand for grain storage solutions to ensure food security.
- 3 Reduction in Post Harvest Losses**  
An estimated 40% of foods that enter Lagos are lost due to poor storage practices. The provision of a storage facility will reduce these losses while improving farmers' productivity. In cases of seasonal grains, a silo storage facility will maintain a strategic grain reserve to safeguard the poultry industry from imminent grain supply shortages.
- 4 Competitive prices**  
The seasonality of grains such as maize lead to a fluctuation in the price of commodity, such that there is a significant hike when it is out of season. A grain storage silo that guarantees availability all year round will lead to more stable food prices in the state and provide revenue opportunities to the investor in this venture.
- 5 Increase in Safe Storage**  
Food production increases with population growth to meet demand and also increases the importance and awareness of food safety and storage through best practice solutions. Silos play a vital role in grain storage and in reducing losses and this grain storage project will promote food safety and storage in Lagos State.
- 6 Grain Processing**  
A grain storage facility in Lagos state will ensure the availability of raw materials for grain processing, furthermore, this will stimulate growth and contribute to the development of the industry.



## Grain Storage Project

The financial assessment depicts positive and attractive terms



### Comments

- The financial analysis shows expected revenue for the first year at N2,196,000,000.
- Gross profit for the first year is N897,700,000.
- Revenues and gross profits increase at a linear pace annually thereafter.
- The financial assessment depicts positive investment ratios.





## Grain Storage Project

The economic feasibility depicts positive investment ratios

Indicators	
Equity Investment	NGN 634,993,720.00
Return on Investment	69%
Net Present Value (NPV)	NGN 3,107,434,080.00
Internal Rate of Return	28%
Net Profit Margin Range	27 % to 28%
Cost to Income Ratio (CIR)	59%
<div> <div> <b>Key Assumptions</b> <ul style="list-style-type: none"> <li>A 3,000 tons capacity silo costs N525,019,920.</li> <li>The facility is assumed to handle 4 cycles of maize grain storage per year at 3,000 MT per cycle i.e. a total of 12,000 MT stored grains in a year.</li> <li>1 MT of maize would be sold at N 183,000 in the off peak seasons, while 1 MT of Maize is assumed to be purchased at N100,000 in the peak season.</li> <li>For the financial analysis, the price of maize used is N145,000.</li> </ul> </div> <div> <b>Socio-Economic Benefits of the Project</b> <ul style="list-style-type: none"> <li>Reduction in the loss of food produce as a result of poor storage facilities.</li> <li>Job creation in the agribusiness value chain.</li> <li>Mitigation of food insecurity in Lagos.</li> </ul> </div> </div>	



## Grain Storage Project

The proposed grain storage project depicts minimal environmental impacts

Elements	Environmental Effects	Mitigation
Air Quality	Air quality could be affected by the rate and emission of carbon dioxide in the environment.	The air around the silo should be tested regularly for combustible and toxic gasses and vented properly.
Residential Proximity	Residential buildings would not be destroyed or relocated for the development of the silo project but aesthetics may change.	Incorporate measures to minimise the visual impact into the project design where practical.
Noise	The development of the silo and daily operations may result in noise pollution, which could disrupt the day-to-day lives of residents in surrounding areas.	Ensure that aeration units, generators and other sources of noise are positioned away from community homes.
Heat	The possibility of an explosion occurring in the case of overheating and/or grain dust contact with oxygen.	Competent and skilled staff should be hired to regularly check and maintain machinery.
Land Use	The project would require the availability of a vast piece of land for plant site and production activities, which may have implications of land use and its physical characteristics.	Construction planning process should take into consideration a secure drainage system, storage and containment measures for hazardous chemicals etc.



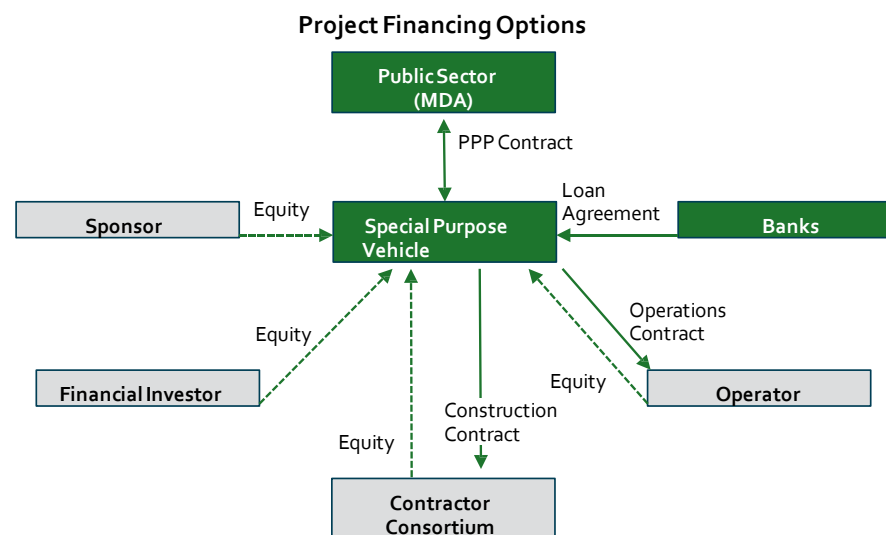
## Grain Storage Project

Out of the four PPP models, the preferred option for the grain storage project is a Concession contract

PPP Options	Characteristics			
	Asset Ownership	Operations & Management	Capital Investment	Commercial Risk
Service 1 – 3 years	Public	Both	Public	Public
Management 3 – 8 years	Public	Private	Public	Public
Lease 5 – 10 years	Public	Private	Public	Private
Concession (BBO, BDO, BOO) 10 – 30 years	Both	Private	Private	Private

### Description

- **Service** - The government pays a technical service fee to the private sector partner.
- **Management** - Private sector partner manages the operations of a government service and is remunerated for the services.
- **Lease** - Private sector partner manages, operates, and maintains a public service to stipulated standards. Consumers are charged for the service and the private sector partner pays the government for the use of the service.
- **Concession** - Private sector partner manages, operates, maintains and invests in infrastructure to provide services to specified standards. Consumers are charged for the service and the private sector partner may be required to pay a concession fee to the government.



- A common approach to financing PPP projects is to structure them as a **Special Purpose Vehicle**. This way projects are safeguarded against complex and ever-changing risks.
- SPVs receive **seed money financed with debt and/or equity**, which can be recovered as development costs from the first drawdown of the loan.
- The PPP company can then approach the market for additional financing. Investors are asked to only consider the bankability for which the PPP company was created.
- Term of investment is limited as PPP company may be dissolved once the project is completed and the concession reaches maturity.



## Grain Storage Project

The Lagos State Government provides investors with favourable conditions to support private sector participation

### Guarantees

- The Lagos State Ministry of Agriculture is committed to providing the appropriate land in a suitable location for the siting of the grain storage silos – to provide adequate guarantee of land.
- It is also committed to leading community relations to ensure that the host community accepts the project and where necessary, support its success.
- The Lagos State Ministry of Agriculture will facilitate introduction to the various stakeholders to ensure that the silo is fully utilized all-year at agreeable terms.

### Legal Framework

- Private sector participation in public sector procurement is governed by:
  - ✓ The Lagos State PPP Law 2011.
  - ✓ The Lagos State Public Procurement Act 2011; and
  - ✓ Regulations issued by the State Executive Council (EXCO) governing the PPP process.
- These laws and regulations assures investors that all contracts will be completed in compliance with the PPP contract terms.
- The Contract Management Team should provide guidance on the following relevant dispute relation issues:
  - Preferred resolution approach.
  - Project continuity during dispute resolution.
  - Dispute costs allocation.



## Grain Storage Project

The risk assessment of the project shows that there are minimal risks and these can be mitigated through proper planning

	Areas	Key Risk	Impact	Likelihood	Mitigation
1	<b>Government Policy</b>	Change in government regulation or policy that impacts on the investment by private sector.	Financial	Medium	Agreements should be executed that protect investors rights and offer compensation where change in policy is unavoidable.
2	<b>Consumer Trends</b>	Change in demand for grains may affect the need for an emergency reserve.	Financial	Low	Partnership with agro-processing off takers should be established for demand insurance.
3	<b>Commodity Pricing</b>	Low pricing for commodity may lead to losses for PPP while high pricing may lead to product unpopularity in the market.	Financial/ Reputational	Low	Ensure that cost reduction strategies, procurement contracts and other risk management tools are adopted.
4	<b>Supply</b>	Over estimation of supply quantity from farmers.	Financial	Medium	An in depth knowledge of partnered farmers' supply trend should be developed to avoid supply gaps.
5	<b>Safety</b>	Storage structures have significant hazards such as explosion from overheating or fermented grains dust contact with oxygen, emission of poisonous gas etc.	Infrastructural	Medium	Ensure all staff are familiar with health, safety and environment procedures and regularly trained and retrained on these areas.
6	<b>Operational</b>	Improper use of silo equipment could lead to damage or death.	Infrastructural	Medium	Employ competent and skilled staff. Regular trainings by experts in the field should be conducted.



## Grain Storage Project

In conclusion,

Investment Requirement	<ul style="list-style-type: none"><li>▪ A 3,000 tons capacity silo which costs N525 million and various other machineries amounting to approximately N110 million are required, bringing the required investment amount to N 635 million.</li><li>▪ Kindly note that the State Government will contribute the Land and create the enabling environment for the success of this project.</li></ul>
Investment Purpose	<ul style="list-style-type: none"><li>▪ The investment is required to improve grain storage practices within the state and to enable food security all-year-round as well as maintain price stability on agricultural commodities.</li><li>▪ Grain storage project will effectively contribute to Lagos state's objective of achieving food security and making the state self sufficient in Agriculture.</li></ul>
Opportunity Assessment	<ul style="list-style-type: none"><li>▪ This project provides a lucrative investment opportunity in the agribusiness value chain for best practice storage solutions that minimize post-harvest losses and contributes to food security.</li><li>▪ The financial assessment depicts positive investment ratios including high returns on investment, high net present value and a positive internal rate of return on the investment.</li></ul>
Management Structure	<p>The preferred PPP model for this project is a Concession Contract, in which the structure is as follows:</p> <ul style="list-style-type: none"><li>▪ Government- responsible for ensuring that the Concessionaire meets performance standards.</li><li>▪ Concessionaire/ Shareholders- the private sector operator is responsible for the full delivery of services in a specified area.</li><li>▪ Consumers- pays for the services rendered by the concessionaire.</li></ul>

## 5. Feedmill Production Project Opportunity

*The present administration aims to improve food production in the state to 25% by the year 2020. Through careful research and consideration, the Lagos State Government has designed various projects and programmes to achieve food security in the state.*

*One of these projects is the development of a fish feed production plant. A partnership between the state government and renowned Danish fish feed manufacturer, Aller Aqua Company will enable the successful development of the project and significantly reduce the cost of fish production in the state.*



## Feedmill Production Project

The feed mill production project involves the production of animal feeds of high quality for fishery and livestock farming

### Overview



- Lagos State produces approximately 30,450 tons of fish annually, which translates to a feed utilization of two million bags of feed valued at over N17.2 billion annually.
- **There is presently no local production of micro-diets i.e. 0.1mm to 1.5mm in the country**, placing a supply gap which needs to be met for sustainable hatchery operations.
- At present, local production of feeds account for only 25% of demand in aquaculture leaving a gap of 75%, which is imported.
- Lagos State also boasts of over 40 million birds, making it one of the major producers of poultry in the country.
- The main ingredient in feed production is maize, which is not always readily available.
- However, the establishment of the 3 tons grain silo in Imota will contribute to solving the issue of scarcity and make the commodity readily available for feed mill production.
- The Lagos State Agricultural Inputs Supply Authority (LAISA), which is a parastatal of the state's ministry of Agriculture, was established to support farmers by providing farming inputs such as fertilizers, fish feed, agrochemicals etc. at subsidized rates.
- LAISA has distributed over 4,000 fish feeds, 1,500 bags of fertilizers among others to farmers.
- Lagos State Ministry of Agriculture has partnered with a renowned Danish Fish Feed manufacturer, Aller Aqua Company to establish a fish feed plant in the state. Aller Aqua Ltd has currently trained over 1,000 farmers on proper feed management.





## Feedmill Production Project

The development of a fish feed plant will provide various opportunities for both farmers and residents across the state

### Project Sponsors



- The Lagos State Ministry of Agriculture and Cooperatives is the main sponsor of the feed mill project.
- The project is however open to a potential sponsor or investor for the successful development and management of the project.

### Proposed Project Action Plan



- The Project is to piloted in Ketu Ereyun Fish Farm Estate in the Ikosi Ejirin Local Council Development Area.
- The Ministry of Agriculture seeks interested investors to kick-start project development.

### Key Success Factors



- Availability of locally sourced ingredients play a crucial role in the success of a feed mill project. As a main ingredient, the availability or lack of maize must be factored into the project.
- High demand for micro-diets ranging from 0.1mm to 1.5mm, which is currently unmet in the market.
- High quality feeds of high market value.

### Socio-economic Impact



- Feed production can provide employment for up to 2,500 youths in the state across the aquaculture and poultry value chain from machine operators to nutritionists, packaging personnel, marketers etc.
- It would also result in high economic efficiency for farmers who will be able to preserve grains for a longer period.



## Feedmill Production Project

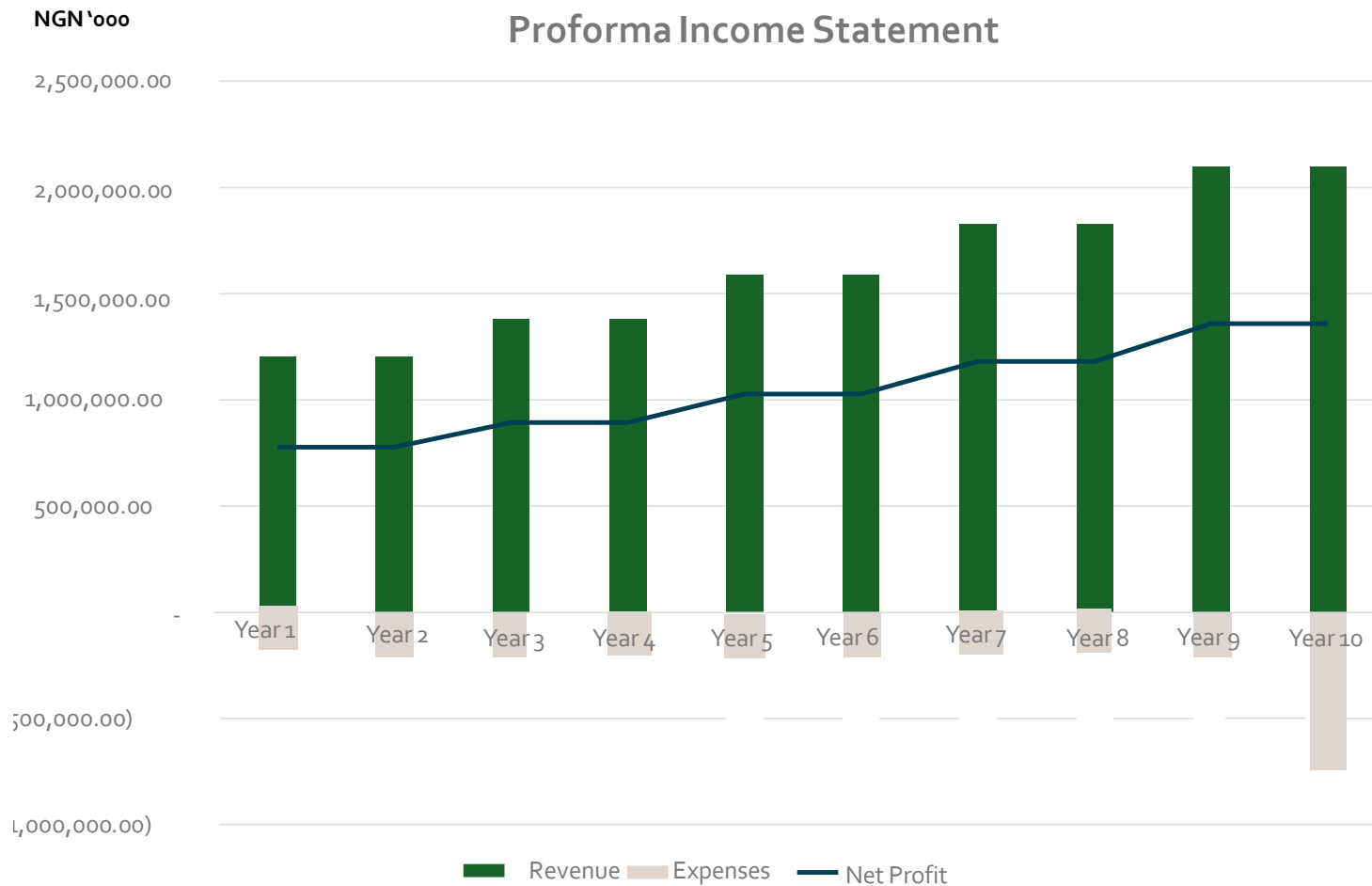
Four factors examined show that this proposed feed mill plant is feasible

Factors	Comments
→ Market Demand	<ul style="list-style-type: none"><li>• There is a supply gap of locally produced micro-diets between 0.1mm to 1.5mm in the country, as it is usually imported.</li><li>• Fish feeds account for 70% of total recurrent costs in aquaculture with a total demand value of over N17.25 billion of which only 25% is met locally.</li></ul>
→ Resource Requirement	<p>To effectively establish a 2 ton feed mill production plant, the following are required:</p> <ul style="list-style-type: none"><li>• Adequate <b>land area</b> for feed mill plant to be sited on.</li><li>• <b>Skilled personnel</b> who are familiar with the technical know-how and management of silos.</li><li>• <b>Equipment</b> including but not limited to milling machine, pellet drying machine, extruder machine, wet mixer etc.</li></ul>
→ Competition	<ul style="list-style-type: none"><li>• Lagos state is currently not saturated with fish feed mill producers, therefore, opportunities exist for new investors and players.</li><li>• The unique selling proposition (production feeds between 0.1m to 1.5mm) of the proposed project limits its competitors in the area of micro-diets feed production.</li></ul>
→ Resources	<ul style="list-style-type: none"><li>• The state's proximity to the Atlantic Ocean will ensure the availability of required species of fish in coastal waters for feed production.</li><li>• Other required resources for the production of the feed mill are also readily available such as grains, food waste, etc.</li></ul>



## Feedmill Production Project

The financial assessment depicts positive and attractive returns



### Comments

- The financial analysis show expected revenue for the first year of N1,200,000,000.
- Gross profit for the first year is projected to be N776,448,000.
- The projections recognize bi-annual price increases of 15% impacting on both revenues and costs.
- The financial assessment depicts positive investment ratios.



## Feedmill Production Project

### The economic feasibility

Equity Investment	NGN 70,500,000.00
Return on Investment	183%
Net Present Value (NPV)	NGN 2,201,669,982.00
Internal Rate of Return	41.57%
Net Profit Margin Range	43% to 45%
Cost to Income Ratio (CIR)	35%

#### Key Assumptions

- The plant is assumed to work for 240 days per annum.
- Equipment required for this project including a 2 ton milling machine, pellet drying machine etc. would cost N70,500,000.
- The plant would be a 25 ton per hour operation resulting in 200 bags of feeds daily.
- The selling price for each 20Kg bag of feeds is assumed at N25,000.

#### Socio-Economic Benefits of the Project

- Job creation in the state across the agribusiness value chain.
- The availability of locally produced fish feed will reduce the cost of production and price of commodity in the market.
- The constant availability of locally produced feeds will ensure some supply security.
- Secure route to market for farmers' products/harvest.



## Feedmill Production Project

The impact assessment for the feed-mill plant show that the project does not pose a major threat to the environment

Elements	Environmental Effects	Mitigation
Air Quality	A feed-mill production plant may potentially release a variety of substances to the air that may be harmful and of a foul odour.	Ensure proper storage and disposal of materials to reduce the release of harmful gases into the atmosphere.
Land Use	The project would require the availability of a vast piece of land for plant site and production activities which may have implications of land use and physical.	Construction planning process should take into consideration a secure drainage system, storage and containment measures for hazardous chemicals etc.
Noise	The development of the feed-mill production plant and daily operations may result in noise pollution which could disrupt the day-to-day living of residents.	Ensure that aeration units, generators and other sources of noise are positioned away from community homes.
Ecology	The potential for damage to ecological communities from disposing of contaminated soil may result in permanent damages to habitats.	Developers should endeavour to put measures in place to reduce or avoid adverse impacts on the ecology.
Health & Safety	Risk of injury on plant site or exposure to diseases to local population and site workers.	Ensure that staff are properly trained in health, safety and environmental policies.

0- No Impact   1- Minor Impact   2- Moderate Impact   3- Major Impact



## Feedmill Production Project

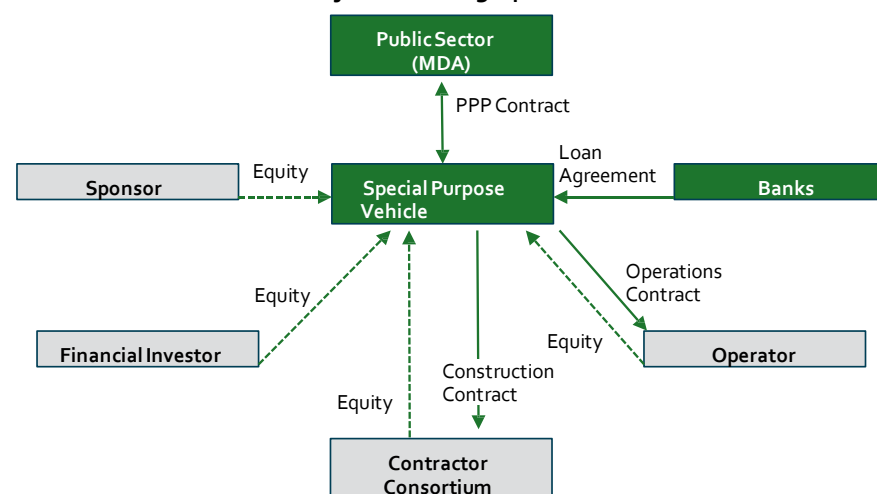
Out of the four PPP models, the preferred option for the feed mill production project is a Concession contract

PPP Options	Characteristics			
	Asset Ownership	Operations & Management	Capital Investment	Commercial Risk
Service 1 – 3 years	Public	Both	Public	Public
Management 3 – 8 years	Public	Private	Public	Public
Lease 5 – 10 years	Public	Private	Public	Private
Concession (BBO, BDO, BOO) 10 – 30 years	Both	Private	Private	Private

### Description

- **Service** - The government pays a technical service fee to the private sector partner.
- **Management** - Private sector partner manages the operations of a government service and is remunerated for the services.
- **Lease** - Private sector partner manages, operates, and maintains a public service to stipulated standards. Consumers are charged for the service and the private sector partner pays the government for the use of the service.
- **Concession** - Private sector partner manages, operates, maintains and invests in infrastructure to provide services to specified standards. Consumers are charged for the service and the private sector partner may be required to pay a concession fee to the government.

### Project Financing Options



- A common approach to financing PPP projects is to structure them as a **Special Purpose Vehicle**. This way projects are safeguarded against complex and ever-changing risks.
- SPVs receive **seed money financed with debt and/or equity**, which can be recovered as development costs from the first drawdown of the loan.
- The PPP company can then approach the market for additional financing. Investors are asked to only consider the bankability for which the PPP company was created.
- Term of investment is limited as PPP company may be dissolved once the project is completed and the concession reaches maturity.



## Feedmill Production Project

The Lagos State Government provides investors with favourable conditions to support private sector participation

### Guarantees

- The Lagos State Ministry of Agriculture is committed to providing the appropriate land in a suitable location for the siting of the feed-mill – to provide adequate guarantee of land.
- It is also committed to leading community relations to ensure that the host community accepts the project and where necessary, support its success.
- The Lagos State Ministry of Agriculture will facilitate introductions to the various stakeholders to ensure that the feed-mill is fully utilized all-year at agreeable terms.
- The Lagos State Ministry of Agriculture provide an enabling environment for potential investors.

### Legal Framework

- Private sector participation in public sector procurement is governed by:
  - ✓ The Lagos State PPP Law 2011.
  - ✓ The Lagos State Public Procurement Act 2011; and
  - ✓ Regulations issued by the State Executive Council (EXCO) governing the PPP process.
- These laws and regulations assures investors that all contracts will be completed in compliance with the PPP contract terms.
- The Contract Management Team should provide guidance on the following relevant dispute relation issues:
  - Preferred resolution approach.
  - Project continuity during dispute resolution.
  - Dispute costs allocation.



## Feedmill Production Project

In conclusion,

Investment Requirement	<ul style="list-style-type: none"><li>▪ The feed-mill plant requires a number of machineries such as a 2-ton milling machine, a pellet dry machine, extruder, wet mixer, packaging machine etc.</li><li>▪ The total cost of the machineries required is N70,500,000.00 and this amount serves as the set up cost for the proposed project.</li></ul>
Investment Purpose	<ul style="list-style-type: none"><li>▪ Investing in the feed-mill project will substantially reduce the cost of fish farming/production within Lagos state and create job opportunities across the fish production value chain.</li><li>▪ The feed-mill production project is in line with Lagos state's objective of increasing food production by 25% by 2020, achieving food security and making the state self sufficient in Agriculture.</li></ul>
Opportunity Assessment	<ul style="list-style-type: none"><li>▪ This project provides a profitable investment opportunity in the agribusiness value chain for locally produced micro-diets fish feed.</li><li>▪ The financial assessment depicts positive investment ratios including high returns on investment, high net present value and a positive internal rate of return on the investment.</li></ul>
Management Structure	<p>The identified PPP model for this project is a Concession Contract, in which the structure is as follows:</p> <ul style="list-style-type: none"><li>▪ Government- responsible for ensuring that the Concessionaire meets performance standards.</li><li>▪ Concessionaire/ Shareholders- the private sector operator is responsible for the full delivery of services in a specified area</li><li>▪ Consumers- pays for the services rendered by the concessionaire.</li></ul>



## 6. Investment Process

*The investment process for any of the Lagos state's agricultural projects includes five stages:*

- 1. Expression of Interest.*
- 2. Response from Lagos State Ministry of Agriculture.*
- 3. Due Diligence.*
- 4. Submission of a Binding Offer.*
- 5. Decision by Lagos State.*



## Investment Process

Investing in any of the two agriculture projects will involve a simple process with five stages

### Investment Process

#### 1 Expression of Interest

Interested investors should submit an Expression of Interest (EOI) via letter delivered by courier or email to the contact persons. EOIs should include (i) Areas of potential interest (ii) Profile of the interested party (iii) Non-binding offer on the transaction.

#### 2 Response from Lagos State

Once received and reviewed, the investor will be contacted within one month to communicate the decision to or not to engage further and to arrange due next steps.

#### 3 Due Diligence

The investor will be given an agreed period and access to conduct due diligence on the project and its sponsors.

#### 4 Submission of Binding Offer

The investor will be required to submit a binding offer which should include (i) Pricing (ii) Preferred transaction structure (iii) Evidence of financial capacity (iv) Evidence of technical capacity (v) Proposed timing.

#### 5 Decision by Lagos State Government

Project sponsors will review the investor's bid for the project and revert with a decision on engagement and collaboration.



## Investment Process

*The bidder expressly acknowledges and agrees that the information in this investment brochure has been provided by the promoter to allow the bidder to conduct its own enquiries in order to independently assess a potential investment in Lagos State and does not constitute a warranty in relation to any binding transaction document or contract.*

*Cited performance may not be indicative of future results. Therefore an investor should not assume that the actual performance of any specific investment will be equal to corresponding cited performance. Each investment decision should be made with respect to specific information obtained for such investment and independently analysed by the potential investor.*

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## 7. Contact Details

*We very much look forward to hearing from you.*

*For further information or to express interest, kindly contact the:*

*Office of Overseas Affairs & Investment (Lagos Global) or  
Lagos State Ministry of Agriculture*



## Contact Details



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**LAGOS STATE GOVERNMENT**  
Agricultural Sector Project Investment Brochure