

**PRESENTATION OF
UNION BANK OF NIGERIA PLC
AT THE SECOND RICE SUMMIT UNDER NEPAD**

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UNION BANK

DEVELOPMENTS ON RICE SUB SECTOR OF THE AGRICULTURAL INDUSTRY



▪ WHAT IS NOT GOOD NEWS?

- Our national is endowed to grow rice and export but sadly, near 100% importation daily spending of N2billion per day on rice importation, creating employment in exporting countries and sadly importation of rice already stored in silos for 10-15 years (minimum).

▪ WHAT IS GOOD NEWS?

- Nigeria has woken up from slumber and pragmatic actions have commenced to alter, most positively, our past ugly experiences on rice.
- Major catalyst in Nigeria is the Agricultural Transformation Agenda (ATA) and supportive financing schemes being introduced by the Central Bank of Nigeria (CBN).
- This summit is a strategy to achieve objectives of Agricultural Transformation Agenda (ATA).

IMPERATIVE OF STRATEGIC BUSINESS ANALYSIS (SBA) BEFORE FINANCING DECISIONS



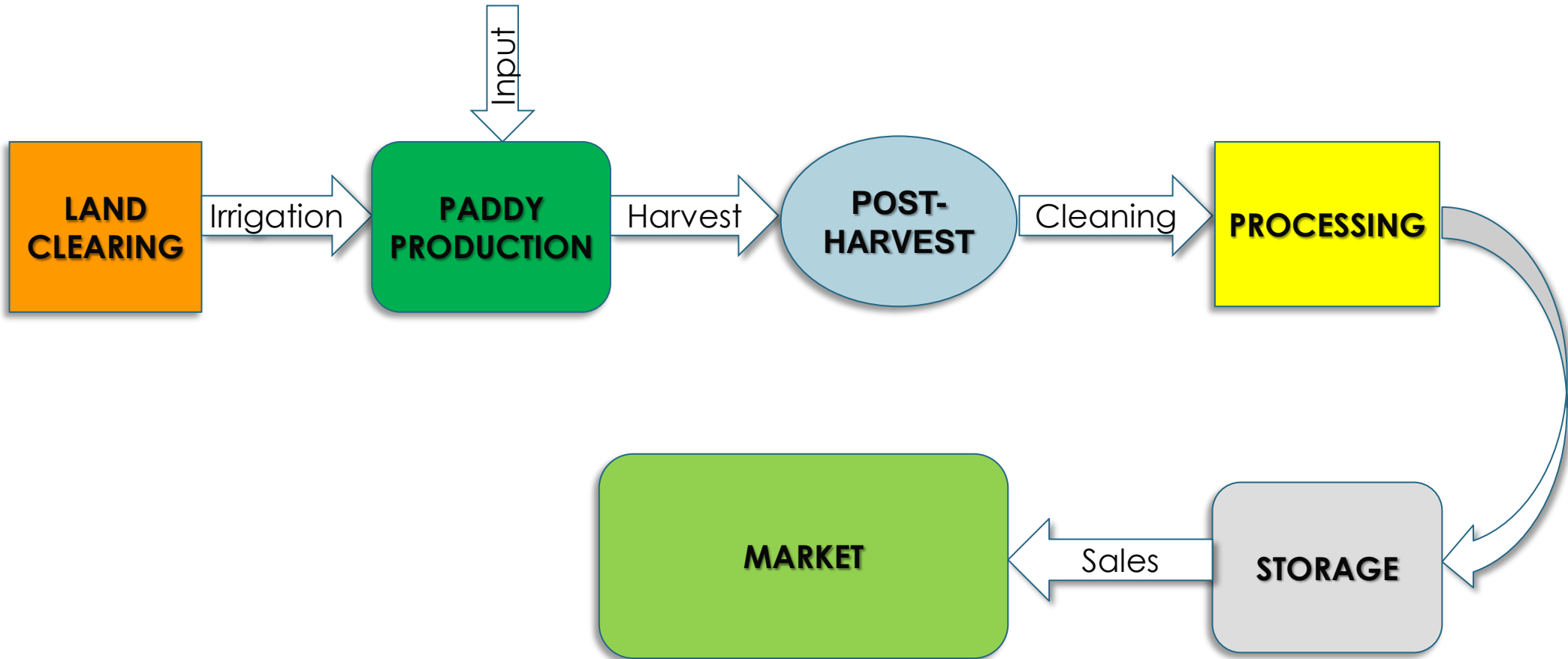
- Strategic business analysis is often overlooked. This had generate negative fortunes e.g. bad debts , loss of assets in the recovery process.
- Strategic planning as a mental process generates benefits – experience, skills and insights coverage to envision the future.
- Changes in markets, consumer behaviour, completion climatic changes, environment , culture and in the general economy (local and international) into the business model.
- In SBA, there is compelling need to understand and incorporate Market, Competition and Company (MCC).
- New entrants into the rice business are hereby sensitized on the need for rigorous analysis and take proactive and well informed reviews to avoid the SMOKE SIGNALS.



BENEFITS OF STRATEGIC BUSINESS ANALYSIS (SBA)

- Principal objective of enterprise – maximization of shareholders/stakeholders wealth will be achieved.
- Projects will be continually x-rayed to ensure it has positive net present value that will generate returns above cost of fund.

RICE VALUE CHAIN



FINANCING STRATEGIES/OPTIONS FOR THE COMPONENTS OF VALUE CHAIN



S/N	COMPONENT OF VALUE CHAIN	FINANCING NEEDS	ISSUES	SUGGESTED FINANCING OPTION/VEHICLE
1.	LAND/WATER RESOURCES	<ul style="list-style-type: none"> Land acquisition D3/D4 caterpillars for land clearing Irrigation/civil construction 	<ul style="list-style-type: none"> Investment impact is long term. Cost recovery is long term. Matching financing must be long term 	<ul style="list-style-type: none"> Term Loans Debenture Supplier Credit for Machineries Leasing Hiring (JIT)
2.	INPUT <ul style="list-style-type: none"> Fertilizer High Quality Seedlings Agrochemicals 	Purchase/supply of these input at the commencement of the planting season	<ul style="list-style-type: none"> These are annual period requirements. Being short needs, they are to be financed with short term loans. 	<ul style="list-style-type: none"> Loan Finance
3.	PLANTING/ CULTIVATION <ul style="list-style-type: none"> Ploughing Tilling Harvest 	Acquisition of Farm Machinery – tractors, harvesters etc Labour services	<u>Farm Machinery</u> <ul style="list-style-type: none"> Investment impact is long term. Cost recovery is long term Matching finance must be long term <u>Labour</u> <ul style="list-style-type: none"> Short term 	<ul style="list-style-type: none"> Term Loans Debenture Supplier Credit for Machineries Leasing Hiring (JIT) Loan



FINANCING STRATEGIES/OPTIONS FOR THE COMPONENTS OF VALUE CHAIN 2

S/N	COMPONENT OF VALUE CHAIN	FINANCING NEEDS	ISSUES	SUGGESTED FINANCING OPTION/VEHICLE
4.	PROCESSING	<ul style="list-style-type: none"> Acquisition of processing/milling line with capacity for destoning, milling, parboiling, bagging etc Labour services 	<ul style="list-style-type: none"> Investment impact is long term. Cost recovery is long term. Matching financing must be long term 	<ul style="list-style-type: none"> Term Loans Debenture Supplier Credit for Machineries Leasing Hiring (JIT)
5.	STORAGE/ WAREHOUSING	Acquisition of silos and other storage facilities	<ul style="list-style-type: none"> Investment impact is long term. Cost recovery is long term. Matching financing must be long term 	
6.	MARKETING/ DISTRIBUTION/ SALES <ul style="list-style-type: none"> Transportation & Logistics Wholesale Retail Food Markets 	<ul style="list-style-type: none"> Merchandizing Purchase of trucks Financial credit sales 	<p><u>Trucks & Logistics</u></p> <ul style="list-style-type: none"> Long term <p><u>Merchandizing credit sales</u></p> <ul style="list-style-type: none"> Short term 	<p><u>Trucks & Logistics</u></p> <ul style="list-style-type: none"> Leasing Hiring (JIT) Purchase <p><u>Merchandizing credit sales</u></p> <ul style="list-style-type: none"> Working Capital Receivable financing

CONCLUSION



- Every commercial enterprise is vulnerable to decline and a very significant high percentage do fall. Inappropriate SBA and financing decisions could generate a fall.
- Optimal financing choices and viability are important to sustain current level of equity capital flow into the rice value chain and generate continuing supply of credit from the Banking sector.
- A reversal could lead to negative growth.
- The investment in this summit would have yielded fruits if there are no reverse expenses back to high level importation.

CAUSES OF PROJECT FAILURES



The best way to appreciate the concerns of lenders/banking institutions is for participants/new investors at this summit to consider some of the common causes of project failures.

- Delays in project completion – with consequential negative impact on projected interest expenses and contemplated revenue flow.
- Capital cost overrun
- Technical obsolescence/failure or local non adaptability of plant, machineries, mills.
- Financial failure of contractors/equipment suppliers
- Government interference
- Uninsured casualty losses
- Increase in prices or shortages of major input/raw material
- Loss of competitive position in the market place.
- Poor management of project
- Overoptimistic estimation of market opportunities



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