

# Financing smallholder aquaculture in Nigeria



**idh**  
transforming markets





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# About IDH

# Who We Are

- Foundation with mandate for inclusive development through market transformation.
- IDH puts people, planet and progress at the heart of trade by leveraging the power of markets to create better jobs, better income, better environment, and gender equity for all.
- We work with people within corporations, the global financial sector, and governments on inclusive and sustainable solutions to transform value chains.

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Funded by Dutch, Swiss, Danish and Norwegian governments



# What We Do

- Impartial convening that creates an open, solution-oriented environment.
- Co-financing and co-creation of roadmaps that can help organizations at any point in their sustainability journey
- Learning and Insights

Over 1,000 private and public sector partners, over 30 NGOs



• Better Income



12 Sector Programs



• Better Jobs



20 Landscapes



• Better Environment



40 Countries





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# State of Aqua in Nigeria

# The Context

- Based on FAO 2022 report and per capita consumption of 9.12kg, demand for fish in Nigeria is estimated at **1.88 million metric tonnes** while total fish production is about **1million MT** with aquaculture accounting for about **32.3%** of this.
- As population increases to 262 million in 2030, the country need **3.8million MT** at the current per capita consumption and **5.3million MT of** fish and seafood supply to reach 20.3 kg current global kg/person/per year, by 2030.
- The market situation provides significant new opportunities for aquaculture growth, creating opportunities for small-scale aqua farmers currently accounting for **70%** of Aqua production, jobs creation along the value chain, women empowerment, and nutritional improvement.
- Catfish accounts for 95% of total aquaculture production





# ...Key Issues for Smallholder Aquaculture Farmers



High cost of feed and skilled labour



Unorganized market with smallholder farmers depending on middlemen to access markets



Poor linkage between smallholder farmers and premium market.



Low technical knowledge on modern agricultural technology



A lack of conducive and consistent national policies



Poor infrastructure



Lack of improved seed



Lack of access to finance by smallholder farmers



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# Agric Financing in Nigeria

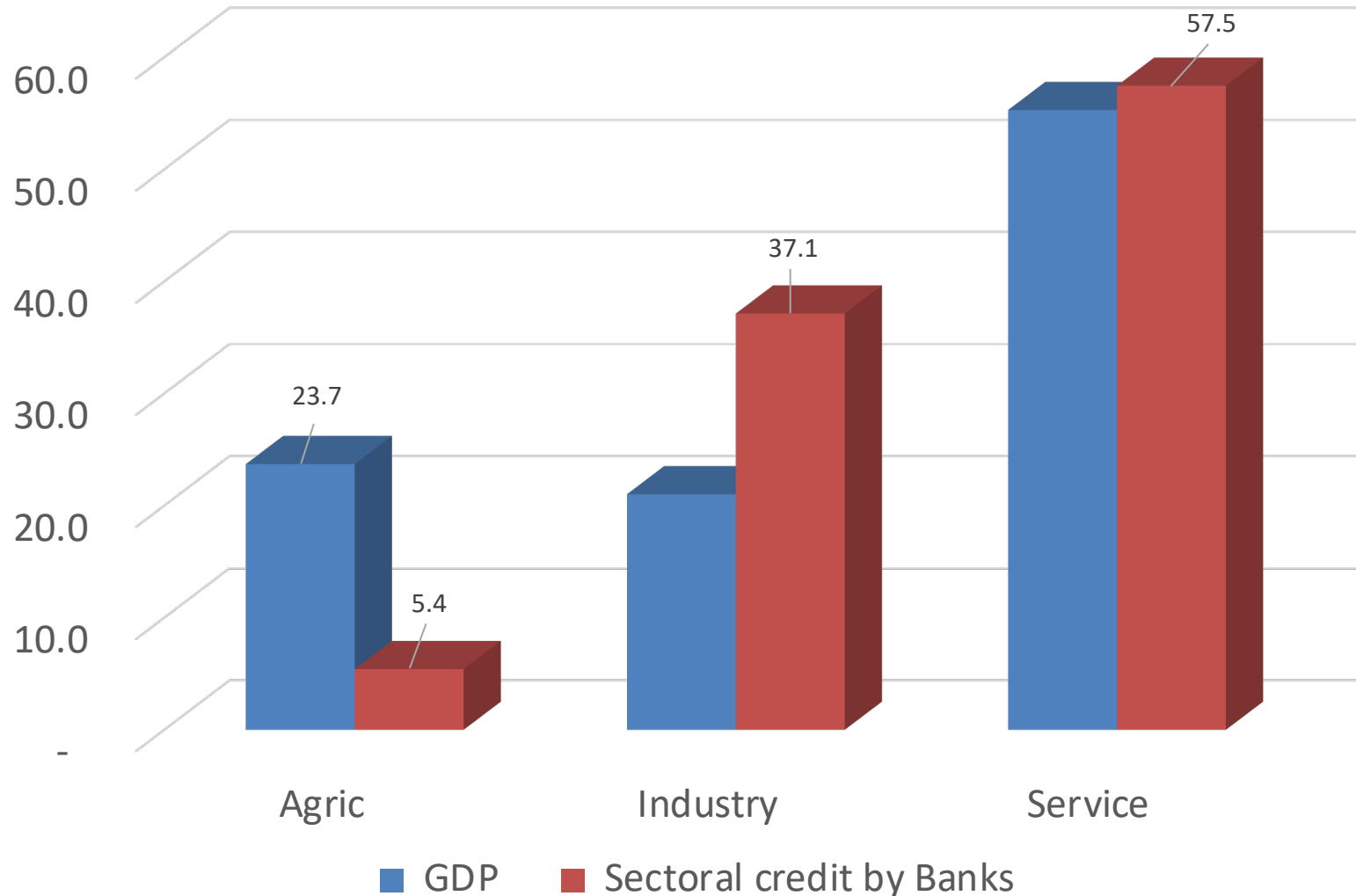
# Agricultural Finance in Nigeria is perceived to be difficult, high risk, rigid and insufficient

- Perception of risks in lending
- High costs of service delivery as major barriers to extending finance to smallholders and agribusiness SMEs.
- Strict collateral requirements
- Lack of knowledge (on the part of the banks) on lending to SMEs in agriculture and farmers
- Foreign exchange and price volatility since hedging mechanisms are not commonly available.





# Agricultural lending by Banks in Nigeria is low when compared with its contribution to the nation's GDP



- Lending to agriculture is 5.4% of banks' lending portfolio as at Q4 2022 while contribution to GDP was 20.3
- Industry (including oil and gas) has 37.1% of banks' lending portfolio compared to 21% GDP contribution
- Service has the highest with 57.5% lending portfolio of banks.

# Demand for agricultural finance in Nigeria



- The total demand for agricultural finance is estimated at ₦83 trillion (\$200 billion)

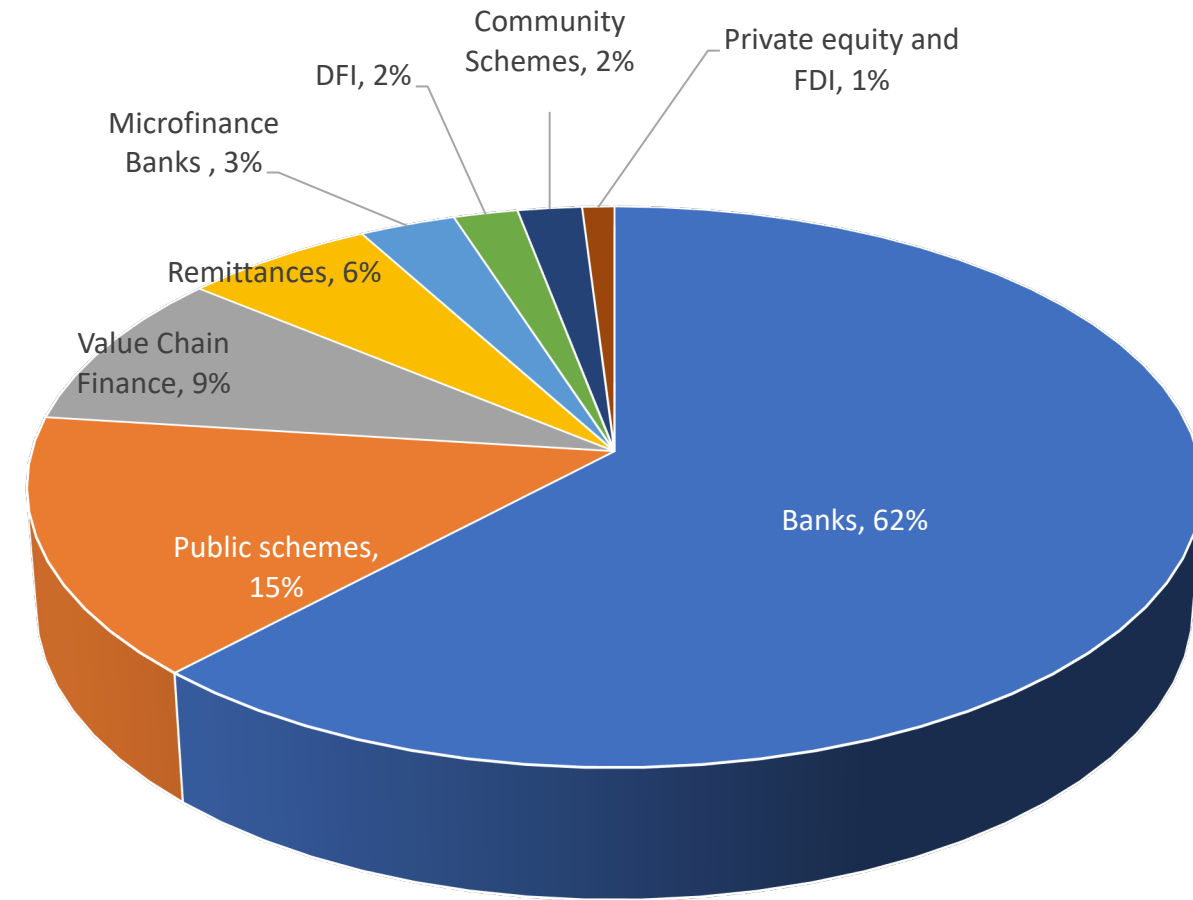
Sources of demand	Credit Requirement	Debt Tenure
Farmers input credit	6 trillion	Less than 12 months
MSME Working Capital	2 trillion	Less than 12 months
SME Working Capital	30 trillion	Less than 12 months
Large companies working capital	15 trillion	Less than 12 months
SME investment in asset	30 trillion	More than 36months
Large companies' investment in asset	0.25 trillion	More than 36months





# Supply of Agric Finance in Nigeria

- Agricultural finance supply is about ₦7trillion in Nigeria leaving a gap of about 91%
- Meanwhile, the ₦7trillion finance injected produces about 200 million metric tonnes of produce with a total value of ₦32 trillion (\$83 billion).
- Livestock and aquaculture represent 2% of production volume and 11% of value.



Agricultural Supply Finance in Nigeria  
Source: AgriLogic, 2022

# Access to Finance

Lack of access to Finance is a major hinderance to growth experienced in the aquaculture sector in Nigeria

- The major challenge to financing the smallholder aquaculture in Nigeria is the lack of viable and organized end-buyer market/off-takers who can serve as guarantee and or anchor for smallholders
- Also, because of lack of premium market, profitability is low,

Financing smallholder farmers in aquaculture in Nigeria will require a blended approach and a locked value chain financing system with the aim of providing affordable credit to farmers and other agribusiness SMEs





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# IDH Model

# Aquaculture: IDH Approach



## Market

Strengthen distribution and retail (e.g with commercial producers)

## Partnership

Support commercial producers develop outgrowers (SDM)  
Establish aquascapes national platforms

## Innovation

Health management  
Better seeds  
Better feed technology

## Investment

Attract investors  
Frameworks for investment  
De-risking facility (Farmfit Fund)

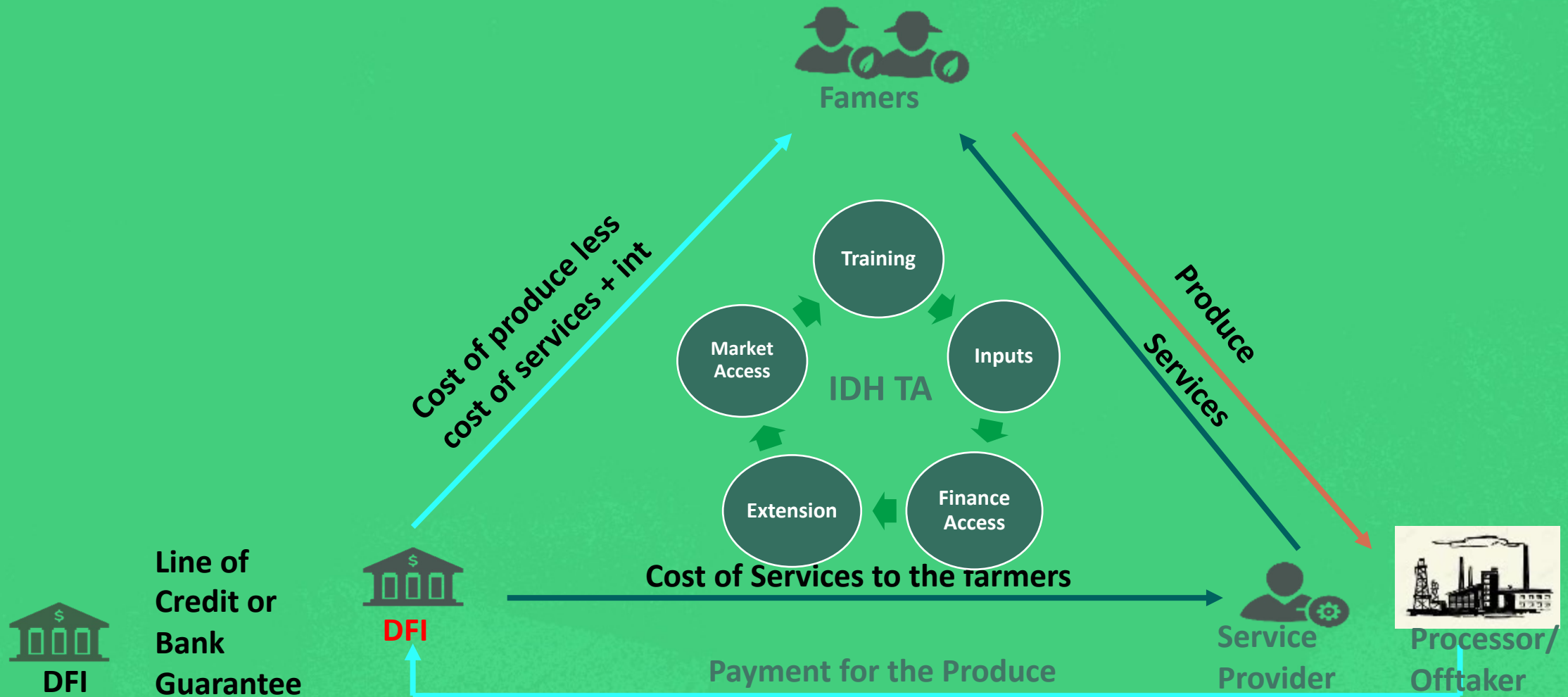


**Food, profits, jobs & GDP**  
**Good for the planet**

Our goal is to maximize the financial, social and environmental benefits of seafood production for people and the planet

# Financing smallholder farmers

Input financing for smallholder farmers must be supported with a proven service delivery model





# Facilitating Access to Finance for aquaculture in Nigeria

- **Proven service delivery model to provide a range of supports and services**
- **Blended finance – Technical Assistance, Derisking, Equity, Debt, Impact investment, insurance, interest drawback**
- **Contractual agreements to bind & reinforce all elements of the value chain and reducing risk**
- **Viable and organized end-buyers for guaranteed market.**
- **Financing through the strongest actor on the value chain**
- **Knowledge, data availability and intelligence (learnings and insights) are vital**



# Impacts

- Enhances competitiveness with imported fishes
- Improves financial inclusion in the agricultural sector
- Boosts sustainable production
- Enhance farmers income and improvement of livelihoods
- Creates opportunities for innovative financing solutions
- Gender (women and youth) inclusivity

# Contact

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Ministry of Foreign Affairs



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