



Burning Economic Issues



- Brent down 10% since Friday – \$52.66pb
- Telco subscribers up 6.9% to 185mn in 2019 – teledensity up to 96%
- Garri price flat at one-year high of N8,900
- Sugar price up 9.6% to N14,800 per 50kg bag in February
- External Reserves slip further to \$36.43bn
- Diesel price is now N210/litre



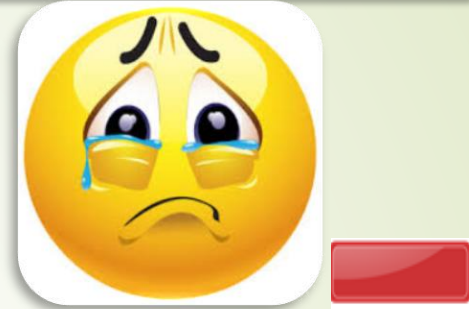
The Goodies



- Food prices relatively flat
- Corona virus deaths fall in China

Impact

The Downers



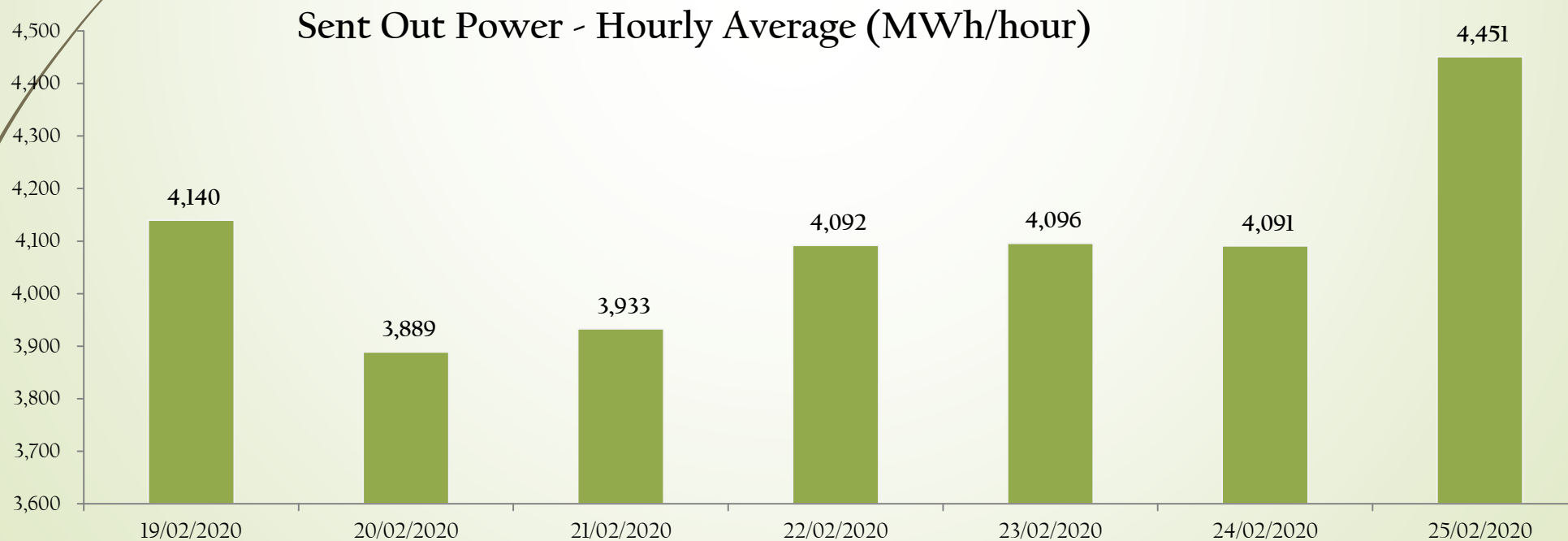
- Brent below \$57
- Russia reluctant to cut production
- Naira weakens at IEFX window to all-time low of N365/\$ at IEFX
- Diesel price likely to increase due to high temperatures

Power Sector

February 25nd









State	Temperature(noon-time)
Abuja	37°C
Kano	31°C
Lagos	33°C

- Average power output: 4,451MWH/hr (up 359.48MWH/hr)
- Gas constraints stood at 2,967.5MWh/hr, Grid constraint was 587.5MWh/hr and there was no water constraint
- Naira equivalent of power loss: N1.706billion (annualized at N622.69billion)



Domestic Commodities Price Movement








Relatively Elastic Products

Commodities		Current Prices	Previous Month Prices	Directional Change	1-Year Low	1-Year High
Palm Oil (25l)		N9,000	N10,000		N9,000	N10,000
Semovita (10kg)		N2850	N3000		N2,800	N3,000
New Yam (medium size)		N800	N700		N400	N1,900
Sugar (50kg)		N14,800	N13,500		N13,000	N15,000

- Palm oil prices down to 1-year low of N9,000, on the back of increased domestic output after border-closure
- Sugar prices up on border closure and increased demand, Yam prices up on seasonality
- Price of Cooking gas down from N300/kg to N280/kg

Domestic Commodities Price Movement

Relatively Inelastic Products

Commodities		Current Prices	Previous Month Prices	Directional Change	1-Year Low	1-Year High
Garri (50kg) Yellow		N8,900	N8,900	↔	N6,150	N8,900
Rice (50kg)		N27,500	N27,500	↔	N14,000	N27,500
Flour (50kg)		N11,000	N10,900	↑	N10,000	N11,500
Beans (Oloyin)(50kg)		N14,000	N14,000	↔	N14,000	N25,500
Cement (50kg)		N2,600	N2,600	↔	N1,600	N2,700
Tomatoes (50kg)		N7,000	N7,000	↔	N6,000	N20,000
Pepper (bag)		N8,000	N8,000	↔	N5,000	N15,000















- Flour prices marginally up on increased demand

Consumer Goods – Current price

Goods	Street price	Supermarket price	% difference
Pepsi (50cl)	N100	N100	0%
Heineken beer (60cl)	N300	N330	-10.00%
Bread Loaf	N350	N400	-12.5%
Indomie (1 carton)	N2,000	N2,300	-15.0%
Gala (big size)	N100	N100	0%

Stock Market

- NSE ASI  0.22% to 26,974.38pts on February 26th
- Consumer goods sub index:  0.01% at 471.11pts

	Share Prices (₦)	Daily % Change (February 25 st – 26 th)	YTD (% Change)
Nestle	1,130	 -	 23.12
Honeywell	1.05	 0.09	 6.06
Flour Mills	23.00	 -	 16.75
Cadbury	9.00	 -	 14.69
Dangote Sugar	12.10	 -	 11.03
Unilever	15.00	 -	 31.82
Ikeja Hotels	1.21	 -	 8.04



4 Years
45 Warehouses
13 States



100,000 Farmers
40,000 Youth & Women



100,000 MT
Grains & Seeds



\$30M Traded
\$5M Input Loans

...building an alternative asset class.



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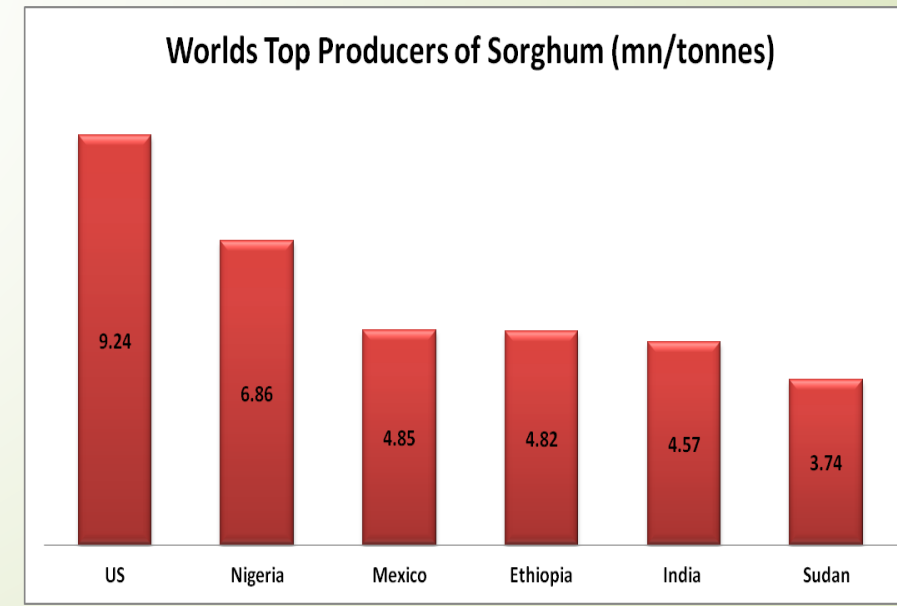
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Commodity in Focus - Sorghum

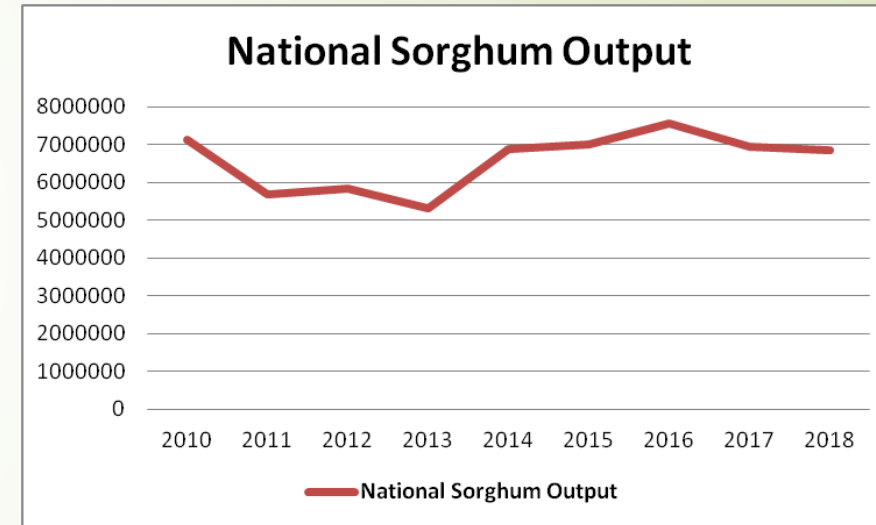
- Planting/harvesting lag: Approx. 3 months
- Total global production (2018): 61.53mn tonnes (\$9.39bn)
- Price of Sorghum is estimated at \$918.2/tonne
- World's top producers: USA, Nigeria, Mexico
- World's top consumers: Mexico, China, Japan
- Uses: Breakfast cereals, ethanol, barley substitute, livestock

feed



Sorghum Production in Nigeria

- Total output (2018): Estimated at 7mn tonnes (\$1.12bn), 11.15% of global production
- Potential production: approximately 12mn tonnes (\$1.95bn)
- Rank in production: Global- 2nd, SSA- 1st
- Sorghum is currently trading at N150,000/tonne (\$416)
 - Up 25% from 2019
- Relative price advantage a boon to exporters
- Major producing areas: Northern Nigeria
- Listed users: Nigerian Breweries, Guinness, Flour Mills, Livestock Feeds



Source: FAOSTAT, FDC Think Tank

Financial Performance of Users



- Revenue (H1'19, Jul-Dec): N68.33bn
- Up 0.78%
- PAT: N1.31bn, ↓ 49%
- Share Price: N25.20 – 52 week change: – (60.87)%
- Dividend Yield: 6.03%
- Free cash flow: N10.44bn



- Revenue (FY'19): N323bn
- Down 0.4% y/y
- PAT: N16.1bn, ↓ 17.2%
- Share Price: N46.00 – 52 week change: – (42.86)%
- Dividend Yield: 4.32%
- Free cash flow: – (N9.12mn)

Financial Performance of Users



- Revenue (FY'19): N9.94bn
- Up 26.9%
- PAT: N34.7bn,  105%
- Share Price: N0.63 – 52 week change: **-(0.0)%**
- Dividend Yield: 15.87%
- Free cash flow: (N223.31bn)

Oil Markets Today

COMMODITY	DAILY CHANGE February 26 th – 27 th	YTD	CURRENT PRICE
BRENT	↓ 1.44%	↓ 19.05%	\$52.66pb
WTI	↓ 1.56%	↓ 20.19%	\$47.97pb
NATURAL GAS	↓ 1.62%	↓ 15.53%	\$1.82MMBtu

Oil Prices

- Brent down by 1.44% to \$52.66pb
- Supply concerns:
 - US crude inventories expected to rise to 2 million-barrels from 1.3 million-barrels last week
 - Persistent drop in production from Libya, following blockage of oil fields and ports
 - More sanctions anticipated on Venezuela's oil sector from US
- Demand concerns:
 - Growing fears of Coronavirus spreading beyond China
 - Global demand to decline to lowest numbers according to IEA
 - Slow decision making process by OPEC+



Risks of Brent at \$52pb and below

- Govt revenue to drop to below \$9bn
- Govt to increase borrowing to plug wider fiscal deficit – currently in the process of borrowing \$3.3bn
- Currency weakness – naira to depreciate below N370/\$ at IEFX window
- External reserves to deplete further to \$33bn
- M2 will rise by over 7.5%, leading to spike in inflation to 15%
- Interest rates – MPC likely to raise MPR to 15%

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Agricultural Commodities

Wheat



- Wheat prices lost 0.65% at \$533.5/bushel
- Buoyed by the wide spread of COVID-19 beyond China hampering demand

Corn



- Corn prices short by 0.20% to \$375.75/bushel
- Due to fears of the Coronavirus constricting global demand

Cocoa



- Cocoa prices gained 0.18% to \$2,806/mt
- Driven by shortage in supply

Sugar



- Sugar prices up by 0.07% to \$14.74/pound
- As output numbers dip following weather constraints in South Africa and US

OUTLOOK – Oil Prices



- Brent likely to trade around \$51-\$54pb in the coming days
- As fears around the Coronavirus limit increase in prices in the near future
- Also, reinforced by an unlikely output cut from OPEC+ as Russia still remains reluctant

OUTLOOK – Agricultural Prices

GRAINS • Persistent fall in prices as global demand slows

SOFTS

• **Sugar**

- Supply constraints to keep prices up in the near term

Cocoa

- Dearth in supply to boost price gains