



**Mezuo Nwuneli**  
Managing Partner,  
Sahel Capital Agribusiness  
Managers Ltd.

Sahel Capital (Sahel) is a private investment firm focused on the food and agriculture sector in West Africa. Sahel’s team includes professionals with a unique blend of investing and agribusiness operating experience across Africa.

Sahel has a depth of experience across a broad range of crop and livestock value chains; integrated processing operations; branded packaged foods; and related services. Sahel is launching a successor fund, Sahel Capital Food and Agribusiness Fund II, at the end of 2021. The fund will be focused on selected West African countries with a targeted fund size of US\$100mn.

**AVCA speaks with Mezuo Nwuneli about emerging opportunities in the agriculture sector, how Sahel’s investments address the UN Sustainable Development Goals, and the firm’s exits and fundraising plans.**



**Q: Tell us about the history of Sahel Capital and how the firm has evolved over the years.**

Sahel Capital was established in 2010, initiated by a passion to unlock the potential of the food and agriculture landscape in West Africa and to create strong agricultural sector-led economic growth within the region. In 2010, we invested personal capital to set up AACE Foods, a seasonings and packaged food company. Temi Jebutu, the Managing Director, has done an incredible job in scaling AACE Foods over the past seven years. The company today has over 120 employees, has products in more than 180 retail supermarket outlets, provides seasoning ingredients to key FMCG companies, and exports to Europe and South Africa.

In 2011, we onboarded a small team to focus on specialised management and technical consulting services within the food and agricultural sector, capitalising on the experience of one of Sahel’s partners who had been active in the sector since 2008. Small initial consulting projects gradually grew to much larger strategic, policy, and implementation projects; and to clarify to clients the focus of the firm’s activities, this arm of the firm was rebranded Sahel Consulting in 2017. Sahel Consulting is led by Ndidi Nwuneli (Managing Partner), and Temi Adegoroye (Associate Partner) manages the Abuja office. Sahel Consulting currently has 65 team members and works across sub-Saharan Africa.

**NAME OF FIRM**

Sahel Capital

**FIRM TYPE**

General Partner

**PROFESSIONALS FOCUSED ON AFRICA**

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In 2013, the Nigerian government, through the Federal Ministry of Agriculture, the German government via KfW Development Bank, and the Nigeria Sovereign Investment Authority (NSIA), decided to anchor an agricultural focused private equity fund. Sahel Capital was selected to manage this fund. We had a first close in 2014 of US\$33 million with these sponsors, and then raised additional capital from investors, leading to a final close in 2017 of US\$66 million. We are thankful for the support of the African Development Bank (AfDB), CDC Group, and the Dutch Good Growth Fund during this entire process. Sahel will have nine companies within its portfolio when fully invested later this year. Sahel Capital is run by Olumide Lawson and me, alongside an incredible team of 10 investment professionals.

We are focused on the next phase of our journey, which will involve expansion of our investment activities into targeted countries in sub-Saharan Africa. Central to our ethos is our mission to:

**PROVIDE CAPITAL. LEVERAGE KNOWLEDGE. BUILD COMPANIES.  
GENERATE RETURNS. IMPACT LIVES.**

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**Q: What distinguishes Sahel Capital from other private equity firms in the industry?**

There are two key differentiating factors. The first is the significant breadth and depth of in-house food and agriculture experience within the team, which is unparalleled on the continent. We have individuals on our team who not only have substantive investment experience but have also worked in operational roles across a diverse range of agricultural value chains. The second is derived from the partnership we have with our associated companies, which provides significant market intelligence on sector trends and dynamics, especially in a region where there is limited data.

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**Q: How has Sahel Capital been able to support its portfolio companies throughout the COVID-19 pandemic?**

We were fortunate that our portfolio companies operate in an essential sector – food and agriculture – that was quite resilient during 2020. With that said, at the peak of the pandemic, Nigeria went into lockdown like many other countries, and we had to actively engage with the management teams of our companies to mitigate certain risks. Our close engagement with the leadership of Dayntee Farms, thinking through and executing on initiatives, highlights how we supported our companies during this period.

Dayntee Farms Limited is an integrated poultry farm with a breeder stock farm producing hatching eggs; a hatchery for production of day-old chicks (DOCs); automated pens for rearing of broiler birds; and a 1,000 bird/hour capacity broiler processing factory. At the onset of COVID-19 induced restrictions we had many concerns. Firstly, the shutdown of hotels, restaurants, and fast-food restaurants meant that a sizeable proportion of Dayntee’s sales distribution network was closed, and it was not clear how long this would persist. Secondly, the 245,000 birds on Dayntee’s farm had to be fed multiple times a day. Movement restrictions that impacted the company’s ability to feed the birds would wipe out the entire flock. And finally, there were real concerns for staff health and safety given a spike in COVID cases within the state, and concerns about the impact on poultry biosecurity at the farm.

To address these risks, Dayntee first split its staff into two teams working on alternate weeks at the farm. During their weekly shifts, the entire staff also slept at the farm to create a safety ‘bubble’ and reduce the risk of COVID infections. This format, however, also reduced the staff strength available to manage the poultry farm during each shift – impacting the volume of birds that could be reared. Dayntee then rapidly and significantly expanded its poultry farmer out-grower network by a factor of 3x. Dayntee provided DOCs, feed, and veterinary support to its out-growers, who then reared birds on Dayntee’s behalf. This approach created a win-win for both Dayntee and its out-growers.

Dayntee was able to spread its broiler sourcing across multiple farm locations, reducing the risk that a

single health event would shut the entire company down; and at the same time Dayntee provided much needed income to small poultry farmers who were hit economically during this period. The company also started online sales of its frozen chicken within six weeks of lockdown, creating market pull which was then fulfilled by its distributors in selected states across Nigeria. This was material support to its distributors to ensure they were able to turnover their inventory. Not only did these initiatives preserve sales during lockdown, but they also provided a structure that allowed the company to hit record sales every month thereafter when movement restrictions ended three months later.

Over the next 10 years, we intend to increase our footprint in sub-Saharan Africa, providing a range of capital solutions and technical support to agribusiness entrepreneurs to enable them scale.

**Q: What are some of the opportunities you are seeing in the agriculture sector, and why do you think it is an attractive sector for private investment?**

There are three different investment areas we find exciting and where we are focusing our attention. The first is logistics and distribution – from plain logistics to last-mile distribution and cold-chain. There are many bottlenecks in getting food products to end markets, and capital investments in this sector can help increase the efficiency of moving goods around. Addressing and allocating capital to this sector is top of our agenda for the next couple of years.

The next area of particular interest to us is import substitution – investing in sectors with significant import activity, even though the items can be produced competitively domestically. One example of this is our investment in Coscharis Farms, a large-scale integrated rice company with 2,500 hectares of commercial rice farmland and a 36,000 MTPA rice mill. Coscharis also sources rice from farmers throughout the community. Nigeria currently consumes 7 million tonnes annually of

which one third of the volume is imported, and there is significant potential to ensure self-sufficiency.

The third investment area we are focused on is packaged foods and snacks for many of the same demographic reasons. Around half of Africa's population is already urban and with one of the highest projected urbanisation rates in the world, consumption patterns are rapidly changing. People now look for more convenience and seek out packaged foods, which is different from what they would eat in rural areas. There is a huge opportunity to invest in companies able to produce a packaged food product at the right price point, which is key because many consumers in the region are price sensitive. We invested in Polyfilm Packaging in 2019, which produces the packaging material that wraps food and consumer products, to capture value from the growth of companies within this sector. The company has exceeded its business plan in the two years since we invested.

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**Q: What are some of the unique climate challenges affecting agricultural production, and how does Sahel Capital manage those risks? What role can Agritech play in mitigating climate risks?**

Climate change, including changing rainfall patterns and flooding, is a concern for many engaged in agricultural production. Using our integrated rice farm investment as an example, the climate related risk topmost on our mind is flooding, given the location of the farm, and the resultant impact on paddy supply for our rice mill.

To mitigate this risk, Coscharis Farms has done a few things. First, the team tracks daily rainfall data, and over the years has adjusted its cropping cycle such that most of its crop is harvested prior to mid-September and the subsequent four weeks of highest flood risk. An investment in 8.7km of irrigation infrastructure has been invaluable in allowing us to farm throughout the year, regardless of rainfall patterns. Secondly, we have an extensive system of flood prevention dikes, 37km of drainage canals, and two large capacity flood drain pumps to help manage water on the farmland. And finally, we also have yield-based crop insurance in place as an additional last measure mitigant – should there be an actual flood event on a portion of our farmland.

There are several firms using technology in innovative ways, combining satellite mapping of farmland with crop data for example, to monitor crop performance, or utilisation of technological tools for testing and tracking soil health. Crop seeds are also important technology, and additional R&D is required to further develop appropriate seeds that are drought resistant or can deliver yields in soils with higher salinity; and of course, it is important for African farmers to have access to these seeds.

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**Q: 'Zero Hunger' is one of the 17 UN Sustainable Development Goals (SDGs). How does Sahel Capital support portfolio companies to address food insecurity challenges?**

Food security is one of our core investment focus areas. We actively identify companies who through their operations are seeking to increase both volume and efficiency of food production across agricultural value chains and targeted at domestic market consumption. In 2020, our portfolio companies grew, sourced, or processed over 327,000 litres of milk; 12,460 MT of cassava; 16,775 MT of rice paddy; and 2.5 million poultry birds. This was accomplished through a combination of large-scale commercial farming, and intricate work to build out smallholder farmer networks.

Our portfolio companies also touch on additional SDGs:

- **SDG 1 (No Poverty):** Sahel portfolio companies sourced crop from over 14,200 smallholder farmers and engaged indirectly with over 102,000 beneficiaries, providing much needed income to rural communities.
- **SDG 5 (Gender Equality):** Women accounted for half of the smallholder farmers our portfolio companies sourced from.
- **SDG 8 (Decent Work and Economic Growth):** Nigeria's unemployment rate hit 33% in Q4 2020, with rural unemployment rates significantly higher. Many of Sahel's portfolio companies are the economic anchors of the communities in which they operate, addressing real socioeconomic concerns.
- **SDG 9 (Industry, Innovation, Infrastructure):** Leveraging Sahel Capital's investment, our portfolio companies have (1) built new modern factories, (2) developed significant rural infrastructure (*irrigation canals, water management infrastructure, farmland roads*), and (3) significantly expanded their commercial farming operations.

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**Q: What is your outlook for the agriculture industry and what are your plans for Sahel Capital over the next 10 years?**

The value of the global food industry is estimated to be US\$8 trillion. In 2016, over US\$420 billion of capital was invested in the food and agricultural sector worldwide, of which only approximately US\$23 billion was invested in Africa. This worldwide capital was invested in everything from real asset farmland in the U.S., to large scale beef and dairy production in Australia and New Zealand, to innovative agrotechnology in Europe and cropping of maize in Brazil.

Worldwide food demand is expected to increase by 15% over the next nine years driven by global population growth, with half of that population growth coming from Africa.

Although new investment in technology, big data, and biochemistry will definitely drive incremental farming efficiencies in developed markets, increased food demand will also need to be met by yield improvements in developing economies, and in particular in India, China, and the countries in Africa. Food consumption is increasingly becoming localised, with consumers choosing healthier and fresher foods, with a premium placed on traceability. COVID-19 induced concerns about food supply chain disruptions will likely accelerate this trend as policymakers in Africa (and around the world) rethink food security.

This anticipated food demand is expected to be further driven by three key demographic trends. First, Africa's population is projected to grow from 1.2 billion in 2019 (17% of world total) to 2.5 billion in 2050 (26% of world total) driving food requirements. Second, East and West Africa have some of the fastest urbanising rates in the world – higher than or at par with many countries in Asia – and urbanisation is changing food consumption habits. And finally, more than 50% of the continent's population is less than 20 years old, and these young urbanising aspirational consumers are demanding innovative, convenient food at the right price point.

Over the next 10 years, Sahel Capital intends to increase its footprint in sub-Saharan Africa, providing a range of capital solutions and technical support to agribusiness entrepreneurs focused on enabling them to scale. We will also serve as catalysts for the sector, attracting more like-minded companies and partners to enter the sector and collaborate to transform the ecosystem.

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**Q: Is Sahel preparing for exits this year, and do you have any plans to raise another fund?**

We are in the middle of an exit from our very first investment – L&Z Integrated Farms – a yoghurt producing integrated dairy company in Kano State in northern Nigeria. We invested in 2015 and although it was one of our smallest investments, it is also one of our most exciting and rewarding. We have a 25% stake in this family-owned business and have helped build its dairy business over the past six years. Revenues have grown 3.7x in Naira (1.7x in USD), and EBITDA has grown 3.4x in Naira (1.6x in USD) since we invested.

We strongly believe that in addition to our planned Sahel Capital Food and Agribusiness Fund II (SCFAF II), which we plan to kick off fundraising for later in 2021, there is also an opportunity for an earlier stage agricultural social enterprise debt fund.

SCFAF II will be the successor to our current fund, and will invest in selected countries across West Africa providing equity and quasi-equity capital to agribusiness

SMEs. Our planned social enterprise debt fund which will be managed by a distinct Sahel Capital team, will be focused on capital preservation, and is intended to also act as a feeder pipeline for SCFAF II.

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**Q: Tell us more about the Sahel Scholars' Conference, and what to expect from the programme in July.**

The Sahel Scholars Conference is a component of the Sahel Scholars Programme, one of Sahel's corporate shared values initiatives. It was launched jointly in 2017 by Sahel Consulting and Sahel Capital to empower outstanding Nigerian students through conferences, internship, mentorship, and scholarships. Since the maiden edition in 2017, the conference has been held every year and has reached over 3,000 students in eight universities across Nigeria. Academic scholarships have also been provided to 8 agricultural science students since inception. The first virtual conference was held in 2020 and enabled Sahel to reach students across Africa – we had participation from students from 30 universities across the continent. In 2020, we also hosted a separate Sahel Educators Conference to engage with university academics on how to create closer engagement between the private sector and universities.

The overriding objective of the Sahel Scholars' Conference is to position the food and agriculture sector to university undergraduates as the sector of choice for career development by showcasing exciting trends and opportunities. This year's conference, themed "Shaping the Future of Food in Africa: The role of the African Youth," will feature speakers who are trailblazers in the food and agriculture sector from Ghana, Egypt, Kenya, Nigeria, and Zambia. We expect to have a pan-African student audience from over 25 African universities and youth organisations.

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**Q: How has AVCA been of value to Sahel Capital?**

I had attended AVCA conferences for many years prior to Sahel Capital becoming a member of AVCA in 2015. AVCA is not only a community for like-minded investors interested in transforming business on the continent, but also a forum where stakeholders have worked together to build industry talent and enable private investment across Africa. Sahel Capital has benefitted from engagement with this network of knowledgeable professionals, and the industry research produced by AVCA's committed team.

**CONTACT AVCA**

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