

Challenges in Developing Agricultural Input Markets in Africa

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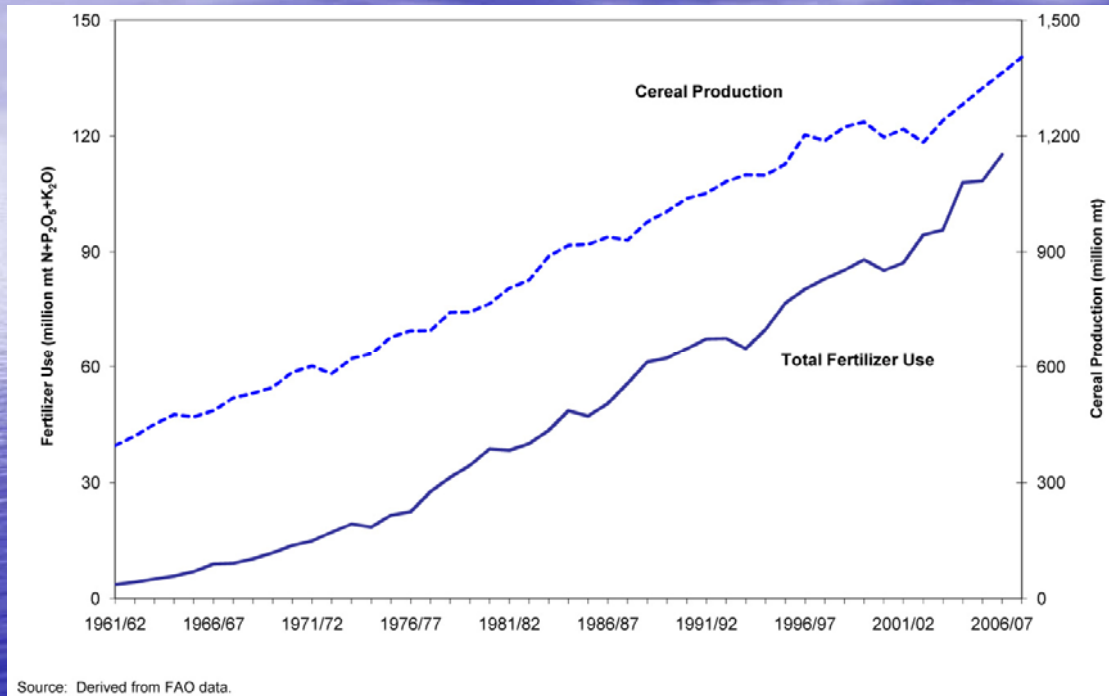
Two Types of Challenges

- Short Term- Global Fertilizer Crisis
- Long-Term- Market Development Issues
- In confronting the short-term challenges, we should not compromise the long-term developments

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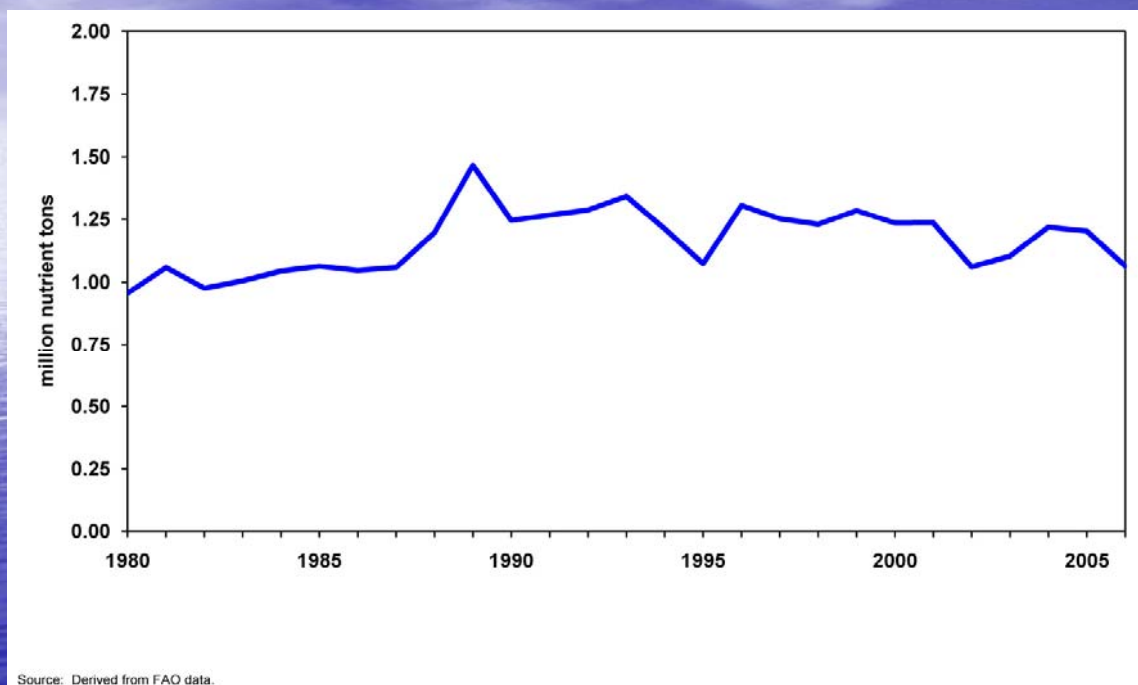
Developing Countries: Total Cereal Production and Total Fertilizer Use, 1961/62 – 2007/08



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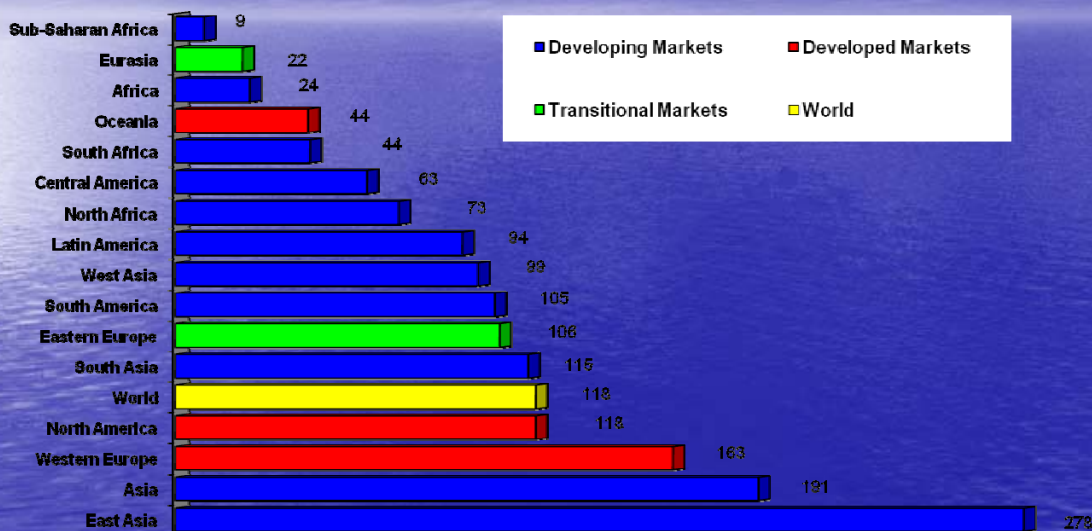
Sub-Saharan Africa: Total NPK Consumption, 1980–2006



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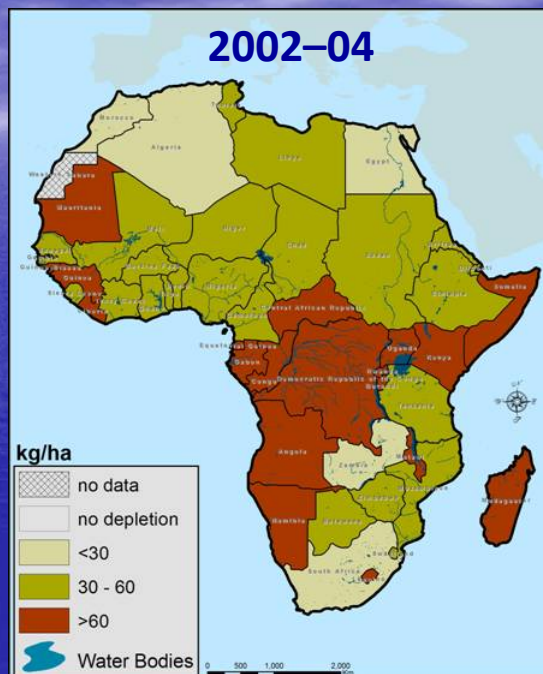
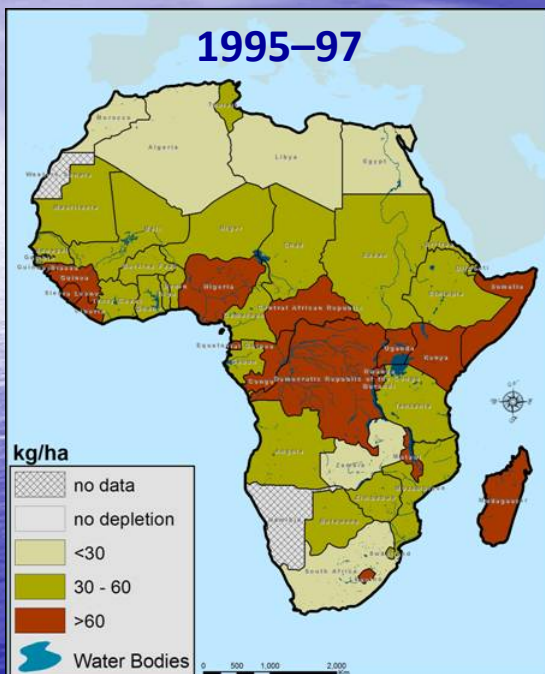
Per Hectare Fertilizer Use by Markets, 2006/07
(kg/ha)



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Africa: Nutrient Mining on Agricultural Lands



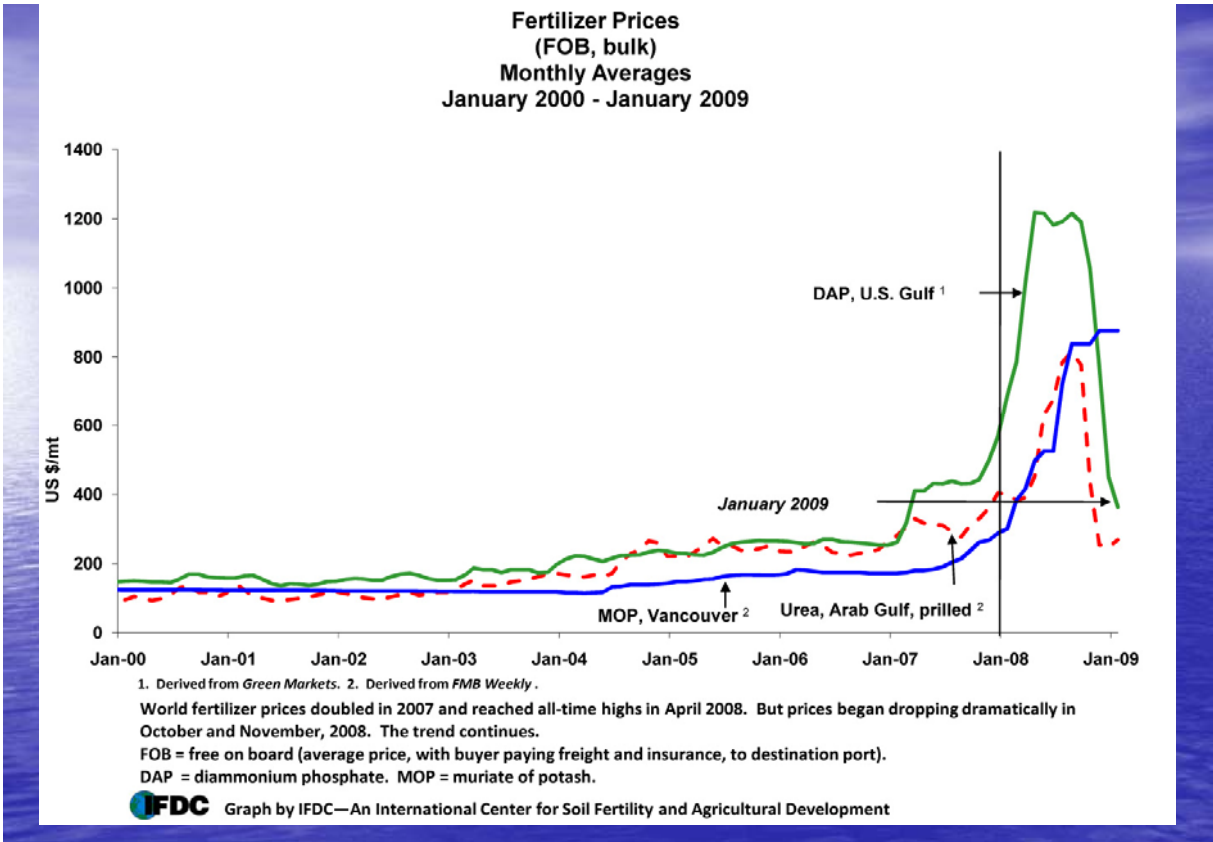
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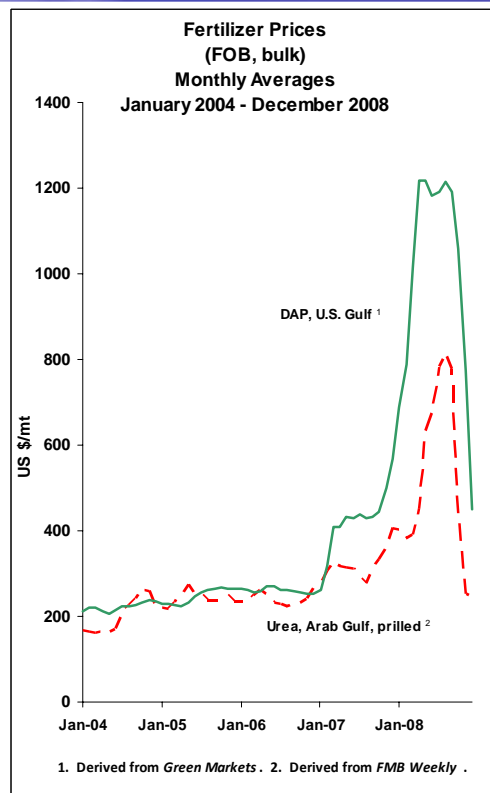
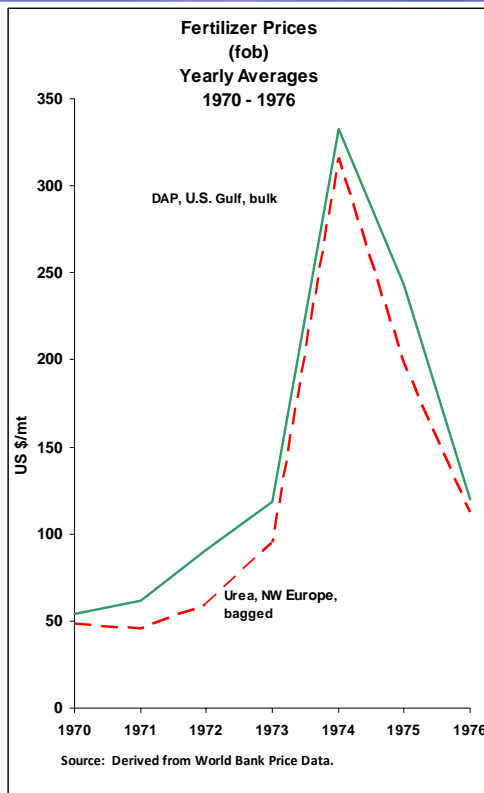




The Fertilizer Crisis

The Silent Tsunami





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Factors Affecting Fertilizer Price

- Increase in Energy Prices
- Increase in Grain Prices
- Increase in Biofuel Production
- Psychological Factors/Panic in the Market

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Impact on Stakeholders

- Fertilizer Importers
- Input Suppliers
- Smallholders Farmers
 - Producing Traded Commodities
 - Producing Non-Traded Commodities

Rationale for Country Selection

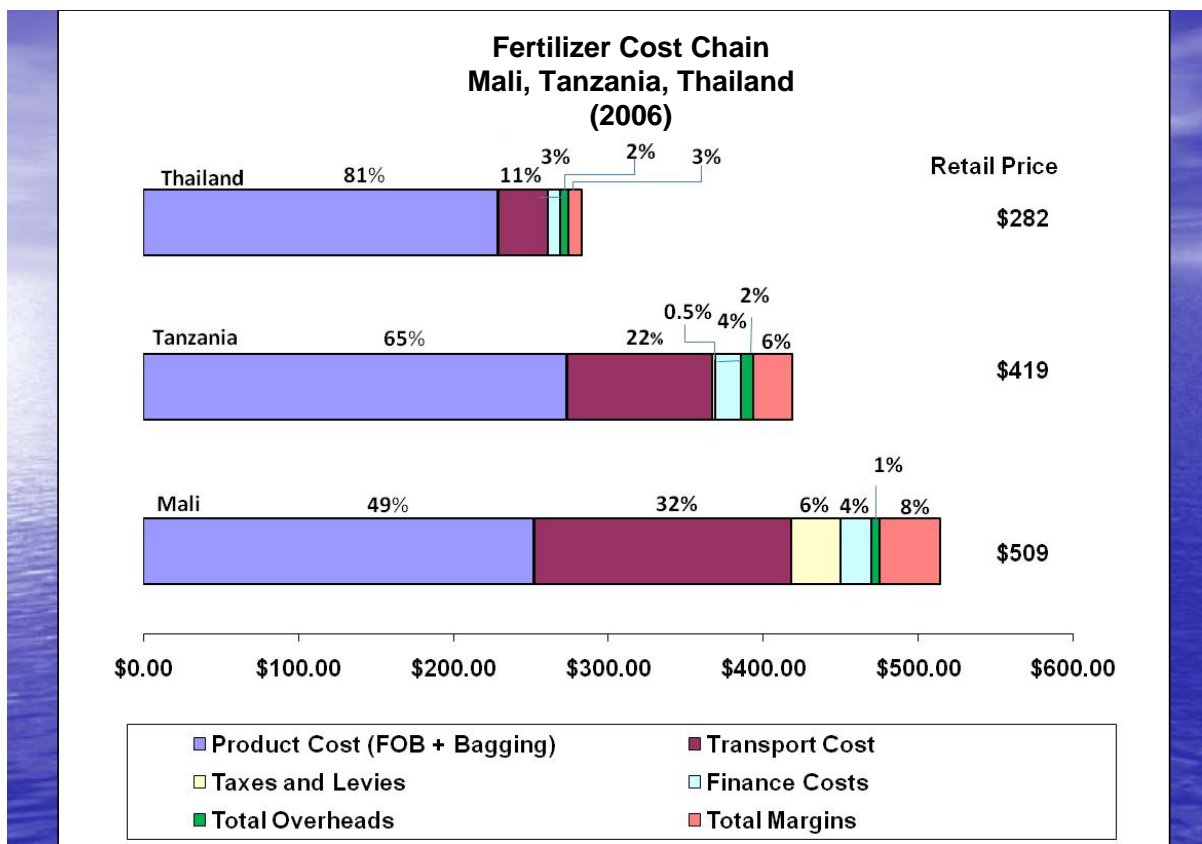


Agricultural Input Markets

- Input supply systems are underdeveloped and fragmented
 - High input prices- transaction cost
 - Limited access to products in the rural areas
 - Poor quality of products

Constraints Affecting AIMs in Africa, 2000-2007

Country	Constraints Related to				
	Policy	Human Capital	Finance	MIS	RF
Malawi	Severe	Severe	Severe	Mild	Severe
Nigeria	Severe	Severe	Severe	Mild	Severe
Ghana	Mild	Severe	Severe	Mild	Severe
Uganda	Mild	Severe	Severe	Mild	Severe
Zambia	Severe	Severe	Severe	Mild	Severe
Tanzania	Mild	Severe	Severe	Mild	Severe



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Measures Needed to Confront the Challenge

- Short-term measures
- Medium-term measures
- Long-term measures

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Short-term Measures Needed to Confront the Challenge

- Remove all taxes and tariffs on fertilizer
- Improve availability of foreign exchange for importers
- Improve availability of finance for input dealers

Measures Needed to Confront the Challenge (contd.)

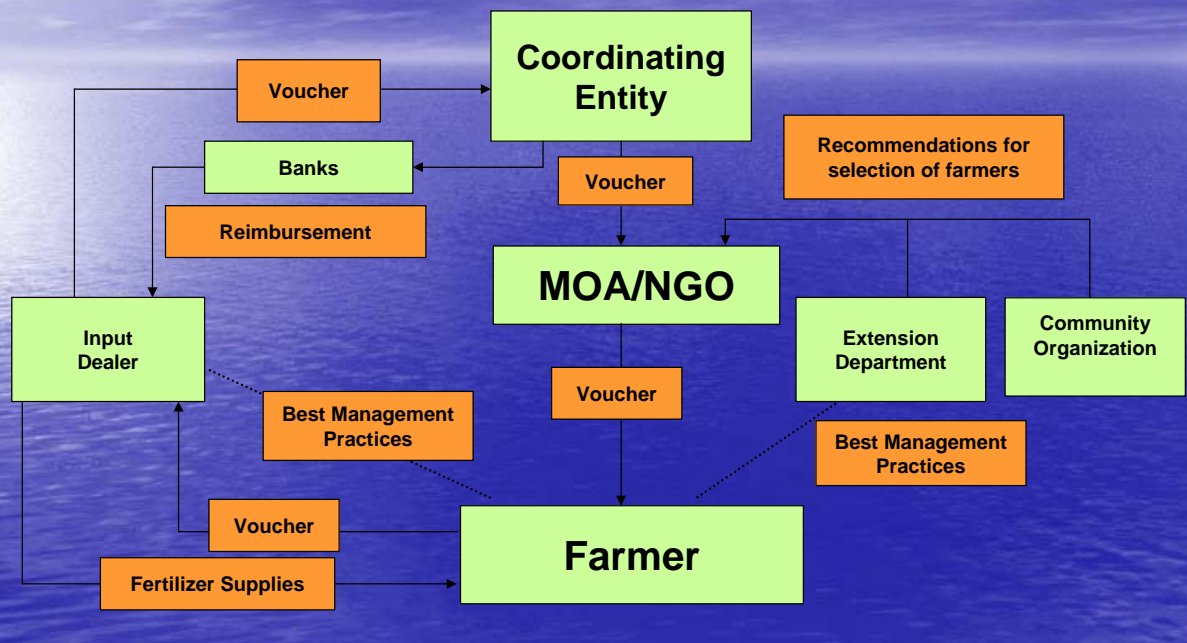
- Provide purchasing power support (PPS) for inputs to smallholder farmers (vouchers)
- Promote the adoption of new technologies—UDP and better fertilizer recommendations and products



Subsidy vs. Safety Nets

- Subsidy is for a product
- PPS (for inputs) is for the people
- "Support the people, not the product"
- Empowering people to participate in the marketplace through input vouchers will kill two birds with one stone—alleviate hunger and poverty and develop markets

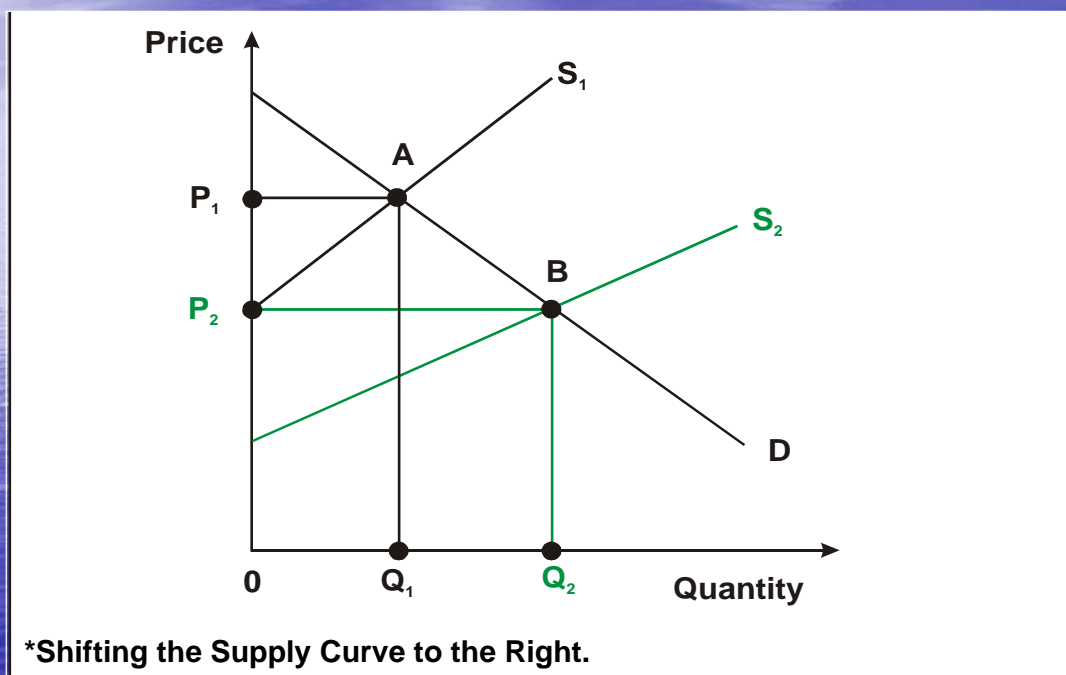
Schematic Diagram of the Targeted Voucher System



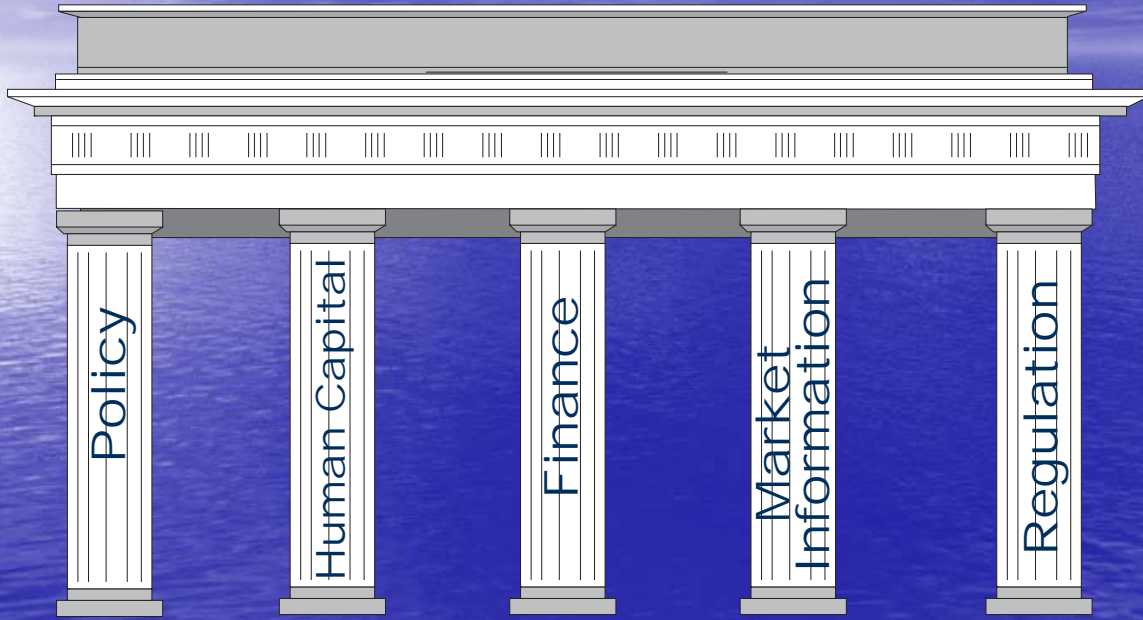
Concurrent Medium-Term Measures

- Market Development
 - Reduce the supply price by shifting the supply curve to the right
 - Strengthen the functioning of AIMs by focusing on the Five Pillars of Market Development in a holistic manner
 - Create multi-country markets to realize economies of scale

Rationale for the Action Plan: The SSCR Approach*



The Five Pillars of Market Development

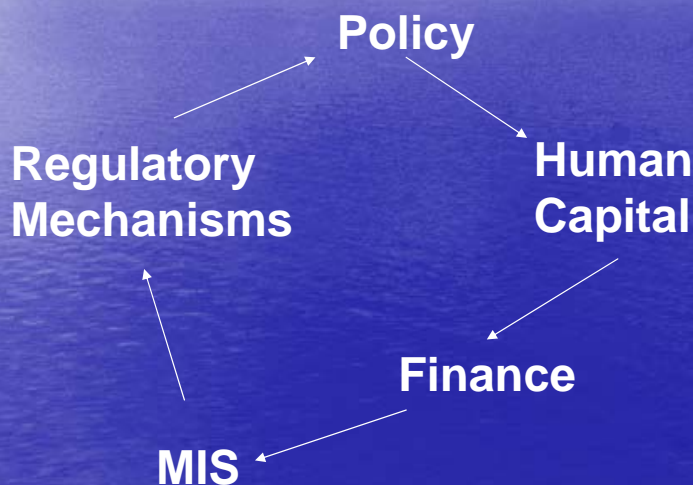


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Market Development Process

Holistic Approach



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Social Responsibility

“Business leaders have a duty to serve society as well as their shareholders.....

A company can drive for profits and at the same time meet social responsibilities.....

There is no contradiction between a soft heart and a hard head.”

-- Robert S. McNamara

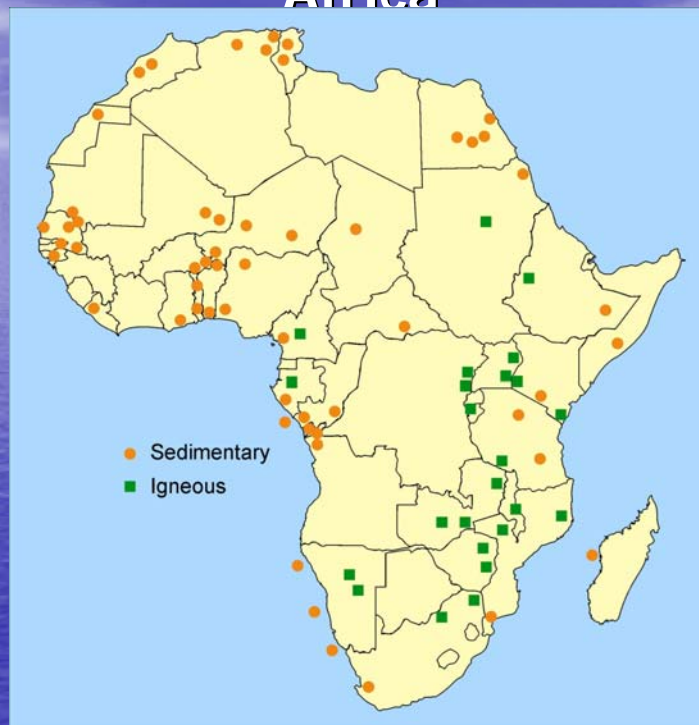
Concurrent Medium-Term Measures (contd)

- Fertilizer Production
 - Improve capacity utilization of existing fertilizer plants
 - Explore viable opportunities for establishing new production facilities, including blending
- Public Private Partnership
 - Promote public private partnership to enhance the efficiency and effectiveness of the market

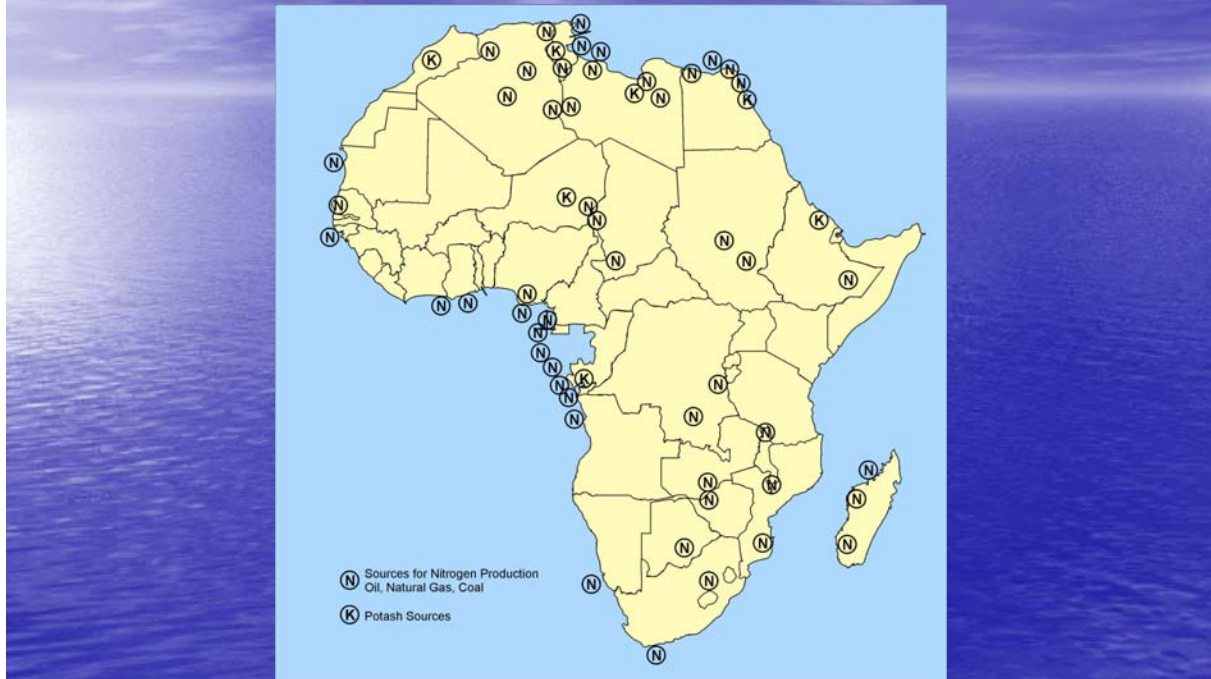
Long-Term Measures

- Improve infrastructure- ports, railway, and rural roads, to connect farmers to the market
- Invest in new fertilizer production facilities, if viable
- Develop a sustainable program for targeting resource-poor farmers through vouchers
- Conduct research to improve nutrient management efficiency
- Make social investment in acidic soils

Significant Phosphate Deposits of Africa



Significant Potential Nitrogen and Potash Resources of Africa



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Lessons from the Silent Tsunami

- Do not panic
- Do not destroy or distort the market
- Support the people, not the product
- Improve access to finance
- Make markets work better and monitor the market
- Introduce better nutrient management technologies
- Develop indigenous resources for fertilizer production and use

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**THANK YOU VERY MUCH
FOR YOUR ATTENTION**

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