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

Source: Derived from FAO data.

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

Source: Derived from FAO data.
Africa: Nutrient Mining on Agricultural Lands

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

- Developing Markets
- Developed Markets
- Transitional Markets
- World

Africa: Nutrient Mining on Agricultural Lands

1995–97

- Sub-Saharan Africa
- Europe
- Africa
- Oceania
- South Africa
- Central America
- North Africa
- Latin America
- West Asia
- South America
- Eastern Europe
- South Asia
- World
- North America
- Western Europe
- Asia
- East Asia

2002–04

kg/ha

- no data
- no depletion
- <30
- 30 – 60
- >60

Water Bodies

www.ifdc.org
The Fertilizer Crisis

The Silent Tsunami

Fertilizer Prices
(FOB, bulk)
Monthly Averages
January 2000 - January 2009

1. Derived from Green Markets. 2. Derived from FOB Weekly.


FOB = free on board (average price, with buyer paying freight and insurance, to destination port).

DAP = diammonium phosphate. MOP = muriate of potash.

Graph by IFDC—An International Center for Soil Fertility and Agricultural Development
Factors Affecting Fertilizer Price

- Increase in Energy Prices
- Increase in Grain Prices
- Increase in Biofuel Production
- Psychological Factors/Panic in the Market
**Impact on Stakeholders**

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

**Rationale for Country Selection**

- West Africa: Ghana and Nigeria
- Regional Trade in COWAS Community
- Regional Trade in East African Community
- Regional Trade in MZM Triangle
- Malawi and Zambia
- Southern Africa
- Uganda and Tanzania
- East Africa
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

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Measures Needed to Confront the Challenge

• Short-term measures
• Medium-term measures
• Long-term measures
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*

*Shifting the Supply Curve to the Right.
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
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
THANK YOU VERY MUCH FOR YOUR ATTENTION