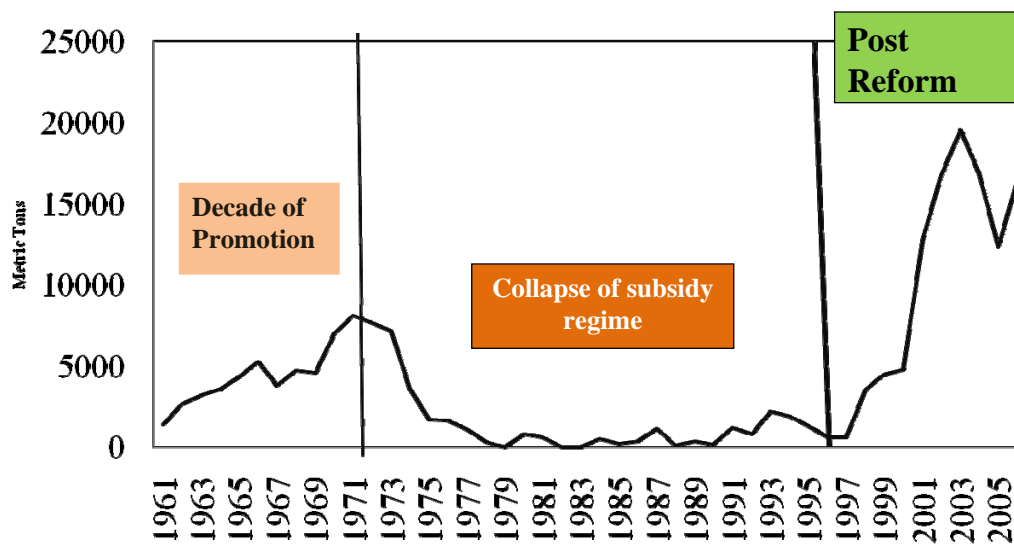


The Fertilizer Market in Uganda: Policies and Challenges

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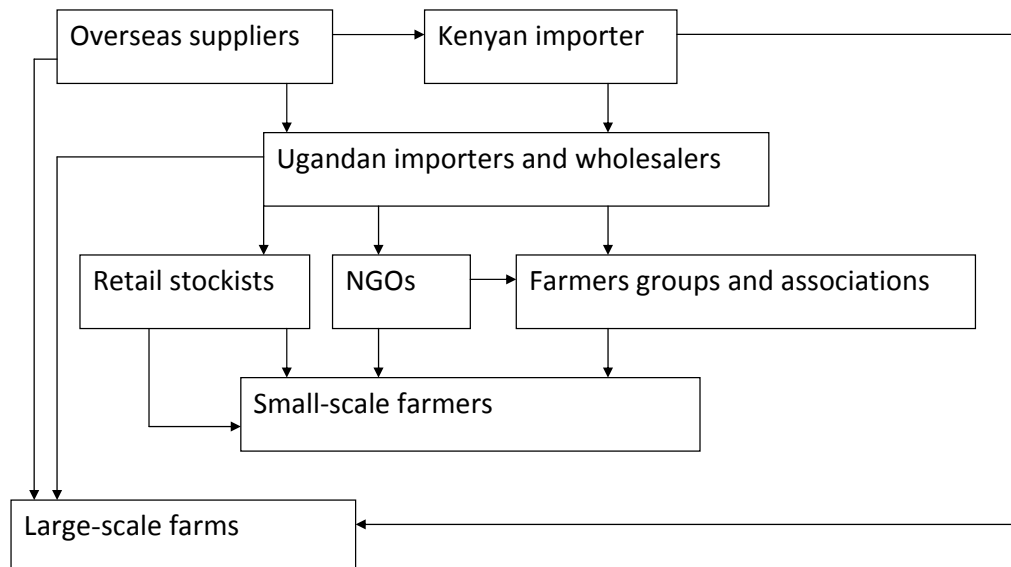
Policy Evolution



Fertilizer use (types)

Years	DAP		NPK		Urea		Others		Total
	Qty (MT)	Share (%)	Qty (MT)	Share (%)	Qty (MT)	Share (%)	Qty (MT)	Share (%)	Qty (MT)
2002	89	1	10,767	67	3,998	25	1,312	8	16,166
2003	1,11	6	13,277	68	4,337	22	842	4	19,564
2004	1,13	7	9,907	59	4,361	26	1,479	9	16,880
2005	431	3	7,600	62	2,089	17	2,233	18	12,353
2006	1,76	11	6,836	42	5,533	34	2,227	14	16,358
Average	905	5.4	9677	59	4064	25	1619	11	16,264

Fertilizer marketing chain



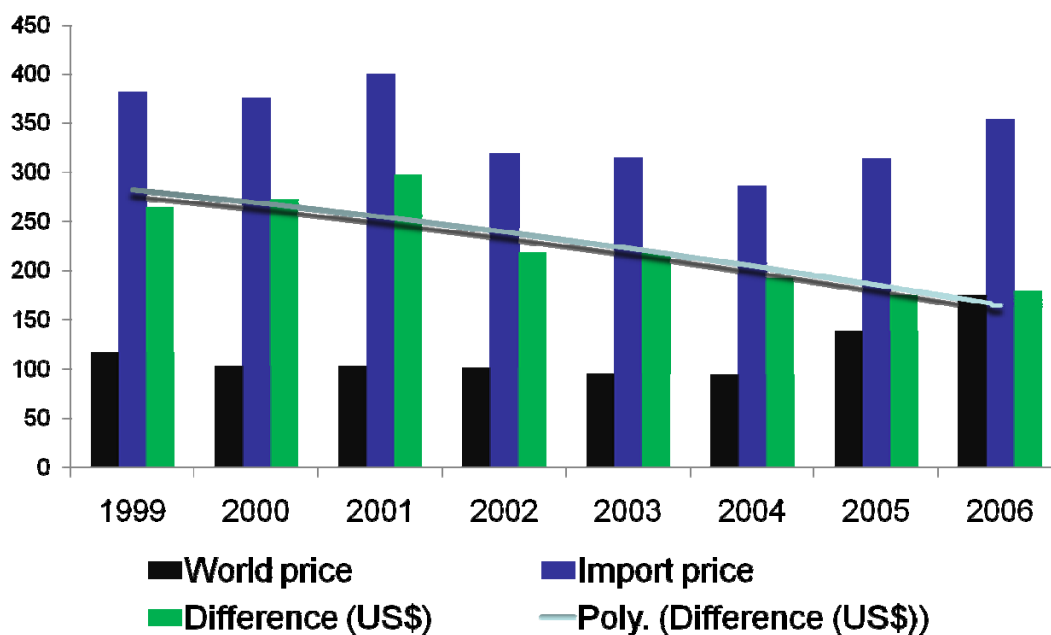
Fertilizer use (crops)

Use / Crop types	Percentage Shares
I. Shares of non-cereal crops	
Tea	30
Sugar	25
Tobacco	20
Coffee	2
<i>Total non-cereal</i>	<i>77</i>
I. Shares of non-cereal crops	
Maize	12
Rice	3
<i>Total cereals</i>	<i>15</i>
I. Other	8

Fertilizer use (regions)

Region/Inputs	Improved Seeds	Manure	Fertilizer
Central	5.5	8.7	1.3
Eastern	12	4.1	1.1
Northern	7.6	0.5	0.7
Western	2.2	9.6	0.6
National	6.3	6.8	1.0

Fertilizer pricing (costs)



Fertilizer cost build ups

Cost items	Cost in Ush/mt (in 000)	Cumulative costs Ush/MT	Cost (USD/M T)	Cumulative costs (USD/MT)
A. Cost Build Ups from Nairobi to Kampala				
Purchase cost	1727.7	1727.7	780	780
Road Transport	155.05	1882.75	70	850
Clearing charges	7	1889.75	3.16	853.16
Unloading & offloading	2	1891.75	0.90	854.06
Storage	62	1953.75	27.99	882.05
License	0.4	1954.15	0.18	882.23
Nairobi price + total costs incurred	1954.15		882.23	
Actual selling Price	2060		930.02	
Importer's net margin	105.85		47.79	
% mark-up of traders	5.14		5.14	

Fertilizer cost build ups

Cost items	Cost in Ush/mt (in 000)	Cumulative costs Ush/MT	Cost (USD/MT)	Cumulative costs (USD/MT)
A. Cost build up from Nairobi to Mbale				
Purchase cost	1727.7	1727.7	780	780
Road Transport	128.47	1856.17	58	838
Clearing charges	7	1863.17	3.160	841.160
Unloading & offloading	2	1865.17	0.903	842.063
Storage	62	1927.17	27.991	870.054
License	0.4	1927.57	0.181	870.235
Nairobi price + total costs incurred	1927.57		870.23476	3
Actual selling Price	2010		907.45	
Importer's net margin	82.43		37.21	
%mark-up of trader	4.1		4.1	

Fertilizer profitability

.....Use of inorganic fertilizer appears not to be profitable where it is being used. Households using fertilizer realize an average value of production of Ush 814,000/acre and apply fertilizer at an average cost of Ush 43,457/acre. With an estimated elasticity of production response to fertilizer of 0.027, a one percent increase in mean fertilizer use, worth Ush 434/acre, would increase the predicted value of production by only Ush 326/acre (Ush 814,000 x 0.01 x 0.040), which translates to a marginal value/cost ratio (VCR) of fertilizer use of only 0.75 (326/434).

Fertilizer profitability

Crop	Yield (Kg/ha) on farmers' fields*	Research station yields (mt/ha)	Percentage Yield Gap
Maize	551	5,000-8,000	807.4-1,352
Beans	358	2,000-4,000	458.7-1017
Groundnuts	636	2,700-3,500	7324.5-450
Bananas	1,872	4,500	140.4
Coffee	369	3,500	848.5

Policy measures

Components	Y1	Y2	Y3	Y4	Y5	Total	
Component 1. Formulate clear policies and strategies for inputs supply and use		225	227	229	232	234	1,147
Component 2. Investment environment for the input supply improved		50	51	51	52	52	255
Component 3. Regulatory framework for input business strengthened		30	30	31	31	31	153
Component 4. Institutions involved in input supply built and strengthened.		220	222	224	227	229	1,122
Component 5. Awareness among farmers on the value of adopting high quality inputs raised		110	111	112	113	114	561
Component 6. Strengthen NAGRIC to develop and promote improved stocking materials		12,000	12,120	12,241	12,364	12,487	61,212
Component 7. Improve adoption of improved pasture management practices		1,500	1,515	1,530	1,545	1,561	7,652

Policy challenges

- Reducing transaction costs
 - Bags to Bulking
 - What if Uganda and Kenya ???
- Financial policies
 - Credit constraints
 - LC requirements