PROPOSED REFORMS OF THE FERTILISER SUPPORT PROGRAMME

Presented by
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Protea Lodge, 14-15 August 2009

Presentation will Provide

• An Introduction
• Situation Analysis of FSP Past and Current Performance (Programme Concerns)
• Purpose & objectives of the Study Tour
• Key features of Regional Agricultural Inputs subsidy programmes.
• Proposed reforms to Zambia’s FSP
• Proposed Action Plan
Introduction

• A representative team was put in place to review and recommend proposals to reform the Zambian Fertilizer Support Programme

• The team was drawn from Government, Farming Sector, Private Sector and Non Governmental Organisations

Situation Analysis

• The FSP programme was designed to improve:
  – Household and national food security and incomes (production and productivity, ie yields)
  – Access to agricultural inputs by smallholder farm households
  – Build the capacity of the private sector in input marketing (Importers and Agro-dealers)
  – help cushion smallholder farmers from adverse effects of unfavorable weather conditions
Situation Analysis continued

• FSP has been in operation for seven years since 2002/2003 agricultural season

• To date, FSP has distributed:
  – a total of 422,000mt of fertilizers,
  – valued at ZMK1,362.1 billion,
  – to cover about 1,505,00 hectares.

PERFORMANCE OF FSP - 2002-2007

<table>
<thead>
<tr>
<th>Season</th>
<th>Budgeted (ZMK billion)</th>
<th>Fertilizer Amount (MT)</th>
<th>Number of Farmers</th>
<th>Expected Production in (MT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002/03</td>
<td>100</td>
<td>48000</td>
<td>120,000</td>
<td>360,000</td>
</tr>
<tr>
<td>2003/04</td>
<td>114.5</td>
<td>60,000</td>
<td>150,000</td>
<td>450,000</td>
</tr>
<tr>
<td>2004/05</td>
<td>112.6</td>
<td>50,000</td>
<td>125,000</td>
<td>375,000</td>
</tr>
<tr>
<td>2005/06</td>
<td>140.0</td>
<td>50,000</td>
<td>125,000</td>
<td>375,000</td>
</tr>
<tr>
<td>2006/07</td>
<td>252.0</td>
<td>84,000</td>
<td>210,000</td>
<td>630,000</td>
</tr>
<tr>
<td>2007/08</td>
<td>150.0</td>
<td>50,000</td>
<td>125,000</td>
<td>375,000</td>
</tr>
<tr>
<td>2008/09</td>
<td>492.0</td>
<td>80,000</td>
<td>200,000</td>
<td>600,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,361.1</td>
<td>422,000</td>
<td>1,505,000</td>
<td>3,135,000</td>
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</tbody>
</table>
Maize Production Trends 1995 -2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Area Cultivated (hectares)</th>
<th>Maize Production (Mt)</th>
<th>Average Yields (Mt)</th>
<th>% Yield Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>520,165</td>
<td>737,835</td>
<td>1.40</td>
<td>N/A</td>
</tr>
<tr>
<td>1996</td>
<td>675,565</td>
<td>1,409,485</td>
<td>2.10</td>
<td>50</td>
</tr>
<tr>
<td>1997</td>
<td>649,039</td>
<td>960,188</td>
<td>1.50</td>
<td>-29</td>
</tr>
<tr>
<td>1998</td>
<td>510,376</td>
<td>638,134</td>
<td>1.30</td>
<td>-13</td>
</tr>
<tr>
<td>1999</td>
<td>597,494</td>
<td>822,057</td>
<td>1.40</td>
<td>8</td>
</tr>
<tr>
<td>2000</td>
<td>605,648</td>
<td>850,466</td>
<td>1.40</td>
<td>-</td>
</tr>
<tr>
<td>2001</td>
<td>583,850</td>
<td>801,889</td>
<td>1.40</td>
<td>-</td>
</tr>
<tr>
<td>2002</td>
<td>575,685</td>
<td>601,606</td>
<td>1.10</td>
<td>-21</td>
</tr>
<tr>
<td>2003</td>
<td>631,080</td>
<td>1,157,860</td>
<td>1.80</td>
<td>63</td>
</tr>
<tr>
<td>2004</td>
<td>699,276</td>
<td>1,213,601</td>
<td>1.70</td>
<td>-6</td>
</tr>
<tr>
<td>2005</td>
<td>834,981</td>
<td>866,187</td>
<td>1.04</td>
<td>-39</td>
</tr>
<tr>
<td>2006</td>
<td>784,525</td>
<td>1,424,439</td>
<td>1.82</td>
<td>75</td>
</tr>
<tr>
<td>2007</td>
<td>827,812</td>
<td>1,366,158</td>
<td>1.57</td>
<td>-14</td>
</tr>
<tr>
<td>2008</td>
<td>928,224</td>
<td>1,211,566</td>
<td>1.31</td>
<td>-17</td>
</tr>
</tbody>
</table>

Comparison of Small & Medium Farm

Source of Acquisition of Fertilizer - Mostly for Maize

<table>
<thead>
<tr>
<th>Year</th>
<th>Crop Forecast Survey/SS — Main Source of Fertilizer Identified as FSP</th>
<th>FSP Data on Program Accomplishments</th>
<th>CFS/SS Main Source — of Fertilizer Identified as Private/Commercial Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># Small-holders Metric Tons Fertilizer</td>
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<td># Small-holders Metric Tons Fertilizer</td>
</tr>
<tr>
<td>02/03 SS</td>
<td>102,450 28,956</td>
<td>120,000 48,000</td>
<td>207,080 50,476</td>
</tr>
<tr>
<td>03/04 SS</td>
<td>101,139 33,034</td>
<td>150,000 60,000</td>
<td>171,274 41,507</td>
</tr>
<tr>
<td>03/04 CFS</td>
<td>49,824 13,461</td>
<td>150,000 60,000</td>
<td>131,598 24,937</td>
</tr>
<tr>
<td>06/07 SS</td>
<td>164,229 61,248</td>
<td>210,000 84,000</td>
<td>303,697 95,169</td>
</tr>
<tr>
<td>07/08 SS</td>
<td>140,612 43,596</td>
<td>125,000 50,000</td>
<td>286,514 89,951</td>
</tr>
<tr>
<td>07/08 CFS</td>
<td>56,271 14,706</td>
<td>125,000 50,000</td>
<td>259,717 59,366</td>
</tr>
<tr>
<td>08/09 CFS</td>
<td>200,000 80,000</td>
<td>200,000 80,000</td>
<td>259,717 59,366</td>
</tr>
</tbody>
</table>

 Farmers’ declarations FSP fertilizer received
 FSP Records of fertilizer distributed to farmers
 Farmers’ declarations of open mkt purchases
Concerns about FSP Past Performance

• Stakeholders concerned about FSP performance, especially with regards to:
  – Poor targeting of farmers/beneficiaries
  – Delays in input distribution
  – Poor fertilizer use efficiency among targeted farmers
  – Inconsistencies in policy implementation
  – FSP impact on private sector participation (limited private sector participation)
  – Long term concerns about the FSP sustainability, and
  – Poor monitoring of programme effects
  – More money being spent FSP but limited impact on maize production

• To help resolve some of the above concerns, a study tour was planned and undertaken

Objectives of the Study Tour

• To understand various approaches in input distribution by governments in Kenya, Tanzania and Malawi

• This was meant to help inform stakeholders on how to make FSP:
  – Effectively and efficiently improve household and national food security;
  – Improve resource constrained farmers’ access to quality agricultural inputs; and
  – Assist private sector players in developing an input delivery networks
Key features of Regional Agricultural input subsidy programme

- **Kenya**
  - Procurement and distribution of agricultural inputs is mainly done by the private sector.
  - Subsidy programme is about 13% of the overall allocation to the agricultural sector targeting 45,000 beneficiaries per year.
  - Government gives vouchers to farmers to purchase inputs on the open market.
  - The input pack size is 50kg bag of basal and another 50 kg of top dressing and a 10kg bag of maize seed.
  - The programme is a one-off subsidy for each beneficiary.
  - Weaned beneficiaries are linked to Equity bank for seasonal loans.
  - Agro dealer network are fully developed and have been trained to handle agricultural inputs.
  - Beneficiary selection is done at Village level using community based committees and Village Assemblies.

- **Tanzania**
  - Procurement and distribution of inputs is by the private sector through Agro Dealer network which is developed across the country.
  - CNFA provides regular training in business and management to the Agro-dealers.
  - Accredited Agro dealers can access credit from the National Microfinance Bank.
  - Initially there was a blanket subsidy at national level which did not benefit farmers at the grassroots.
  - The Government introduced a voucher system in 2008/2009 in order to distribute inputs to small scale farmers.
Key features of Regional Agricultural input subsidy programme

• Tanzania (Cont..)
  – The Subsidy programme targeted 700,000 small scale in the initial year.
  – The input pack includes a 50kg bag of basal and a 50 kg bag of top dressing and 10 kg of maize seed.
  – The programme includes other crops such as cashew nuts, tea, coffee, rice, sunflower and agro chemicals.
  – Beneficiary selection is done by the Village Inputs Committee of the Village Assembly
  – The Tanzanian inputs voucher is superior to the Kenyan model in that vouchers are reimbursed at a local Bank.

• Malawi
  – Procurement is through tenders issued to the private sector.
  – Distribution is done by two government owned companies.
  – The subsidy programme covers 1.7 million small scale farmers per year
  – The input size includes 50 kg basal, 50 kg top dressing and 10 kg maize seed.
  – It includes other inputs such as tobacco, groundnuts, soyabean and beans.
  – Beneficiary selection is done at Village level at an open fora.
  – The Malawian input subsidy is specific to the target groups average of cultivated land size.
Key Study Tour & Stakeholder Recommendations on FSP

- Change FSP to Farmer Input Training Support Programme (FITSP) to enable it to have a foundation of strengthened links to training & extension in order to benefit farmers.
- Implement the FITSP) through a Voucher Scheme (smart subsidy) starting in the 2010/2011 agricultural season.
- Programme should have agro-dealer training in yield enhancing technologies such as conservation farming technologies and appropriate input application practices.
- Programme should employ a flexible (electronic) Input Voucher System to help implement targeting.

Summary FSP 2.

- Pack size should start at ½ hectare and a farmer can access up to two packs. Diversify later.
- Selection/targeting of farmers at the community level using the farmer register, clear criteria and MACO camp officers.
- 2 consecutive seasons only, and the subsidy is to start at 50% for first season and reduce to 25% in the second season.
- New entrants benefiting in subsequent years will follow the same subsidy structure.
- Graduation from the reformed FSP is based by improved farmer knowledge and better payoff to the farmers own investment in improved input use.
- Linkages are also to be encouraged to credit agencies.
- Improved M/E is needed to determine effects and to make mid-course adjustment to better achieve objectives, which has lacked in FSP implementation.
Key Action Areas

- Implement the proposed programme in 2010/2011 agricultural season
- Government needs to make a policy pronouncement of the new Programme through a Cab Memo
- Appoint a lean structure, independent of MACO to implement the new programme who should be reporting to a Board (ZNFU, Agribusiness, Peasant Farmers Association, Anti Corruption Commission, MACO)