

PROPOSED REFORMS OF THE FERTILISER SUPPORT PROGRAMME

Presented by
Hyde Hantuba

**FSRP/ACF Agriculture Policy Dialogue
with High Level Government Officials
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

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

Maize Production Trends 1995 -2008

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

Comparison of Small & Medium Farm

Source of Acquisition of Fertilizer - Mostly for Maize

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

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.

Key features of Regional Agricultural input subsidy programme

- 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.

Key features of Regional Agricultural input subsidy programme

- **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, soyabeans 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.

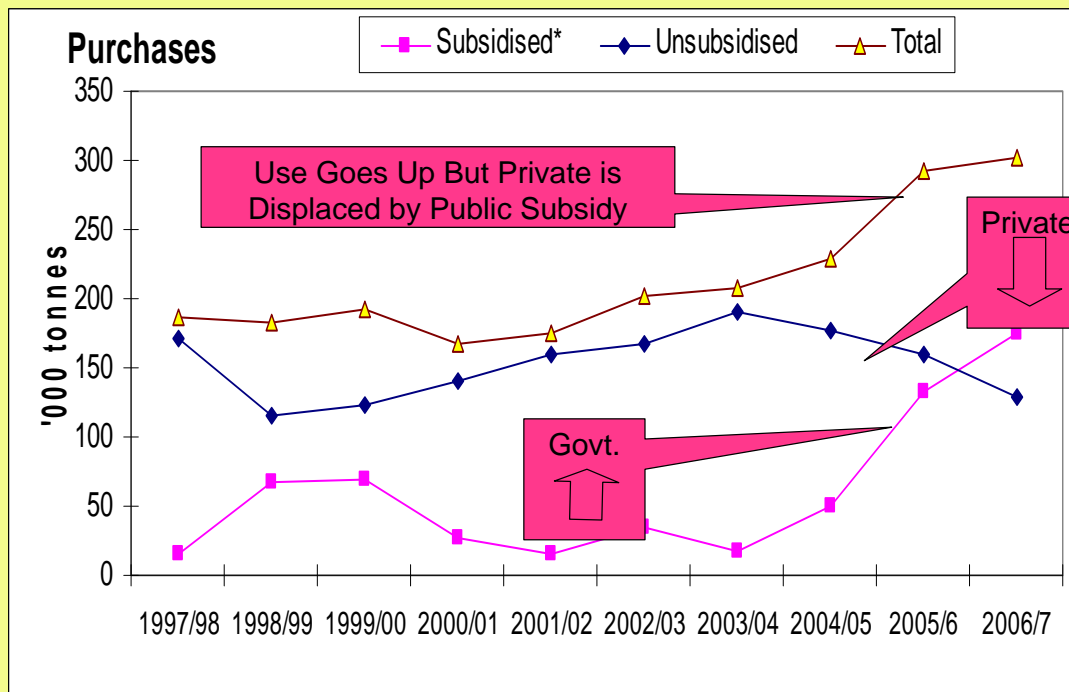
Key Study Tour & Stakeholder Recommendations on FSP

- 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

Illustrating Displacement Farmer fertilizer purchases, Malawi



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)