

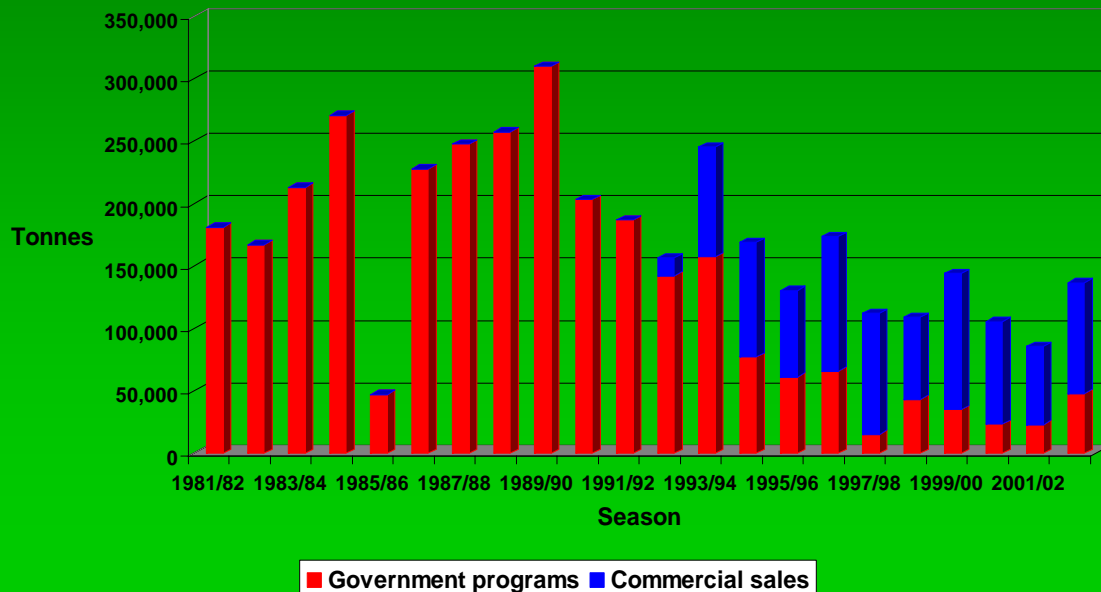
# PRIVATE SECTOR LED INPUT MARKET DEVELOPMENT

## Preview

- Trends in fertilizer supply
- Private sector investment in fertilizer industry
- Government programs & private sector investment
- Strengthening the performance of the private sector

# Trends in fertilizer supply

Source: MACo Statistical Bulletin & Fertilizer Importers



## Private sector investment

- All imports handled by private firms
- Investment portfolio driven by profits
- Distribution networks follow patterns of effective demand
- Density of networks a function of:
  - Size of market
  - Level of competition
  - Operation costs

# Government programs stifle further private investment

- Selection of distributors creates un-level playing field
  - Firms who lose tenders face market risks – where & how much will government distribute
- Scale large & reduces commercial demand
  - Distribution concentrated in Southern, Eastern & Central
  - Beneficiaries well-off and have higher incomes
- Programs not sustaining presence of private firms
  - Demand is less when farmers pay full market price
  - Failure to phase off programs inhibits commercial service from taking off fully

# Market or government failure?

- Reluctance to invest a response to market realities – not market failure
- Elimination of duty and VAT on fertilizer imports stimulated imports
- Distribution stimulated by reducing retail costs
  - Tax incentives for input distributors
  - Special financial arrangements for start-up and operation costs

# INCREASING SMALLHOLDER DEMAND FOR IMPROVED TECHNOLOGIES

## Preview

- Identify factors affecting demand for fertilizer
- Impact of government programs on fertilizer demand
- Contribution of fertilizer alone
- Stimulating fertilizer use profitability

# FACTORS AFFECTING DEMAND

- Demand related to profitability of using input
  - Benefits > Costs
- Profitability varies due to
  - Proximity to markets
  - Timing of sales
  - Availability of market
  - Farmer management practices
- Credit availability

## Consequences of fertilizer subsidy

- Demand for fertilizer rises but it is difficult to sustain
- Farmer ability to pay full price in future may improve
- Opportunity to raise awareness of technology impacts

# Fertilizer the silver bullet?

	Users	Non-Users
Yields (kg/ha)	2046	1300
Fertilizer rate	221	0
Revenue per ha @ K480/kg	982,080	624,000
Fertilizer costs per ha @ K2000/kg	442,000	0
Net ZMK per ha	540,080	624,000
Gain to fertilizer users ZMK per ha	-83,920	

## Improving profitability of fertilizer use

- Reduce input prices and raise output prices
- Interventions to include research and extension on
  - Fertilizer responsive cultivars
  - Liming
  - Early planting, weeding
  - Conservation farming
- Invest in export-led crop diversification