Structure of the Zambian Fertilizer Market

by

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Presentation Outline

1. Introduction
2. Fertilizer Supply in Zambia
3. Fertilizer Usage
4. Government Spending on Fertilizer
5. Challenges facing the Fertilizer Sector
6. Conclusion & Recommendations
Introduction

- Importance of fertilizer
  - Key input for commercial agriculture
  - For higher yields
- Most Zambian soils especially in the northern parts of the country are acidic and require liming before application of fertilizers
- For a long time Government supply dominated the fertilizer markets
  - Crowded out private sector participation
- Mainly D-compound and Urea fertilizers are supplied
Fertilizer Supply in Zambia
Main Fertilizer Sources

**GOVERNMENT**
- FISP
- FSP

**COMMERCIAL FERTILIZER**
- Large input suppliers
- Agro dealers

### 2010/11
- FISP/FSP: 50%
- Commercial: 49%
- Gifts: 1%

### 2013/14
- FISP/FSP: 41%
- Commercial: 58%
- Gifts: 1%
Fertilizer Market Structure in Zambia

GOVERNMENT
Fertilizer distributed through FISP

LARGE INPUT SUPPLIERS
Fertilizer imported/produced for commercial sales

AGRO DEALERS
Fertilizer retailers

Smallholder Farmers

Large Scale Farmers

37% diversion!

Through traditional FISP, Cooperatives

Through E-Voucher or direct purchase
Large Fertilizer Suppliers in Zambia

- About 70 primary input suppliers among which are:
  - Nitrogen Chemicals of Zambia (NCZ)
  - Neria Investments

Local Companies

- Zambian Fertilizer
- Omnia
- Yara Zambia
- Export Trading Group (ETG)
- Farmer Rama
- Forest Co.
Agro dealers have increased since the introduction with the E-voucher

- E-voucher implementation has triggered participation of private sector in fertilizer distribution and marketing

- Agro-dealers sales points estimated at 2,300
  - Some had more than one outlets
Fertilizer Usage
Total Fertilizer Usage (MT) by Year

Source: CFS, various years
Fertilizer use per hectare

Source: CFS, various years
Fertilizer use by Province

- Central: 75%
- Copperbelt: 68%
- Eastern: 54%
- Luapula: 53%
- Lusaka: 74%
- Muchinga: 71%
- Northern: 64%
- North-Western: 57%
- Southern: 59%
- Western: 14%
Total Fertilizer Usage on Maize Vs All Other Crops

Source: CFS, various years
Total Fertilizer Usage by Selected Crops

Source: CFS, various years
Government Spending on Fertilizer
FISP spending, 2002-2017

![Graph showing FISP spending from 2002 to 2017. The graph compares FISP spending (ZMW million) to the percentage of total agricultural spending. There is a significant increase in FISP spending in 2016, with the highest FISP % of total ag spending reaching around 70%.](image-url)
Challenges facing the Fertilizer Sector
Challenges facing the Fertilizer Sector

- High cost – unaffordable by most small-scale farmers
  - High importation and transport costs
- Storage challenges – fertilizer not available throughout the year
- Political fertilizer market frustration
- Fake fertilizers on the market resulting from lack of proper inspection/monitoring by relevant institutions:
  - Zambia Compulsory Standards agency
  - Zambia Environmental Management Agency
  - Ministry of Agriculture
  - Competition and consumer protection commission
Traditional FISP related challenges

- Poor targeting of farmers/beneficiaries
- Delays in input distribution
- Poor fertilizer use efficiency among targeted farmers
- FISP impact on private sector participation (limited private sector participation)
- Long term concerns about the FISP sustainability
- One blanket fertilizer distribution
- Poor monitoring of programme effects
E-Voucher related challenges

- Late release of programme funds by Government resulting in delayed e-cards activation
- Problems with banks
  - Lack of physical presence by contracted banks in some districts (Operations too centralized)
  - Taking too long in replacing lost PIN codes
- Farmer sensitization of e-voucher operations inadequate
- FRA late payments seem to hinder farmers to make their deposit early
- Expired e-cards

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Conclusions

- Fertilizer usage in Zambia has remained virtually the same over years, below 400,000 MT per annum.
- Fertilizer usage is still dominant on maize production.
- Commercial fertilizer is increasingly becoming popular among smallholder farmers.
- Decline in fertilizer usage during the e-voucher period could be explained by enhanced agricultural diversification.
- The E-voucher system has increased private sector participation in the fertilizer markets.
Recommendations

- Fertilizer value chain should be private sector led (production to marketing)

- Encourage the use of blended fertilizers – where soils are tested and specific recommendations are made

- Encourage availability of fertilizer throughout the year in all parts of the country
  - Leave the E-voucher open throughout the year

- Government takes effective regulatory and standards role
Thank You
Mean Smallholder Area Planted to Maize and Other Crops
HHs Accessing Fertilizer by Source

Source: RALS12 & RALS15
Total Fertilizer Usage (MT) by Year

Fertilizer Usage (MT) by Year:

- 2009/10
- 2010/11
- 2011/12
- 2012/13
- 2013/14
- 2014/15
- 2015/16
- 2016/17
- 2017/18

Source: CFS, various years