

# Getting Fertiliser into Farmers' Hands

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***TO FACILITATE ACCESS to subsidised fertiliser for smallholder farmers in Nigeria, IFDC developed a fertiliser voucher programme that relies on a public-private partnership. This initiative has met with resounding success, even if many limitations remain to be addressed.***

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► IFDC (<http://www.ifdc.org/>) is an international organization addressing critical issues such as international food security, the alleviation of global hunger and poverty, environmental protection, and the promotion of economic development and self-sufficiency. IFDC focuses on increasing productivity across the agricultural value chain in developing countries. To date, IFDC has provided assistance in nearly 100 countries.

**H**ALADU ABDU, chairman of the Jumar Kwari Kamfa Fadama Farmers Cooperative in Wudil (Kano state), has just paid for two 50-kg bags of subsidised mineral fertiliser upon presentation of a voucher coupon that was allotted to each member of his organization two weeks earlier. "The great advantage of the voucher programme is that fertiliser is distributed almost on our doorsteps," he says. "Many of us had not seen fertilisers for a long time. Last year, with this programme, we received three bags each. Before, there were times when we had only two bags for our entire community."

Mr. Abdu was one of a total of 300,000 farmers in Bauchi, Kano, Kwara and Taraba states who had a chance to purchase government-subsidised fertilisers. He is one of the beneficiaries of the 2010 Fertiliser Voucher Program funded by the U.S. Agency for International Development (USAID) in collaboration with four state governments in Nigeria and implemented with technical support from IFDC.

Farmers in Nigeria have limited access to mineral fertiliser. In most villages, it is harder to get fertiliser than a bottle of Coca-Cola or a cell phone card.

**A Recent Initiative to Respond to the Absence of Structured Fertiliser Distribution Channels.** Between 1977 and 1996, the federal government of Nigeria implemented an annual programme to supply fertiliser to farmers. In 1997, the fertiliser market was liberalised without prior preparation of the private sector. This led to a sharp decline in fertiliser use, from 1.2 million tonnes in 1992 to under 57,000 tonnes in 1997. In 1999, the federal government introduced a subsidy of 25% to increase fertiliser use. Studies have shown, however, that only 20% of subsidised fertiliser actually reaches small farmers, due to diversion all along the distribution chain. Moreover, the products often arrive late in the season, and are sometimes of poor quality and insufficient quantity. Furthermore, they are sold on local markets at prices comparable to those of unsubsidised fertilisers, due to intermediaries and government agencies that are not held accountable for procurement and supply.

How can we make sure that subsidised fertiliser actually reaches small farmers in time and at a reduced price? One solution is to use a voucher system. André de Jager (IFDC) supports this approach: "One of the voucher system's strengths is that everyone gains: the distributor benefits from an assured market and a guaranteed margin; the government benefits from the assurance that subsidies are reaching a targeted audience—smallholder farmers; the farmers benefit

from governmental assistance and are able to buy fertiliser near their homes."

In 2008, capitalising upon successful experiences in other countries, IFDC, in collaboration with the National Programme for Food Security (NPFS) of Nigeria, piloted a Fertiliser Voucher Program (FVP) in Kano and Bauchi states. These pilot schemes, which targeted fewer than 5,000 farmers, demonstrated the feasibility and efficiency of a voucher system to allocate public subsidies directly to smallholder farmers, via private-sector supply of subsidised fertilisers.

The success of the 2008 pilot phase led to testing of the fertiliser voucher system on a larger scale. A vaster programme covering Kano and Taraba states was launched in 2009. These programmes aimed to supply subsidised fertilisers to one-third of the smallholder farmer population in each state (134,109 farmers in Kano, and 60,468 farmers in Taraba).

The objectives of the FVP in Nigeria are threefold: (1) ensure that the subsidies reach the targeted farmers; (2) develop a distribution channel managed by the private sector that is able to function with or without subsidies while providing fertiliser to meet market demand; and (3) improve the administration of subsidies by the federal and state governments.

Muhammad Umar Kura, Managing Director of the Kano State Agriculture and Rural Development Authority (KNARDA), praises the programme: "We tested several options, starting with the direct distribution of fertilisers to farmers, but the government does not have the capacities of a business enterprise. Fertiliser is a political product. The shiner of shoes, the mechanic on the corner, everyone is interested in fertiliser since it is provided by the government. We needed a programme that made it possible to deliver quality inputs to targeted farmers. It is the transparency which is the strength of the FVP. The cost of the subsidy becomes more bearable for the government if it is sure that the money spent really benefits farmers."

**How Does the Voucher System Work?** Local extension agents distribute vouchers that represent a 40% discount on the market purchase price of fertiliser directly to targeted smallholder farmers. These vouchers can be redeemed at selected fertiliser dealers, to whom farmers pay only 60% of the nominal price, corresponding to the non-subsidised portion. Each voucher bears secure identification features: the farmer's name and photograph, a unique voucher serial number, indelible ink and a barcode.

Targeted farmers are identified on the basis of spe →

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Specific criteria. In 2010, most of the recipients were smallholders (20% women) affiliated with a farmers' organization who could afford to buy the subsidised fertiliser.

Farmers receive training on fertiliser management, and on the functioning of the voucher programme. Each operation is conducted by qualified teams of agents from the Ministry of Agriculture and each state's extension services, supervised and coordinated by the IFDC. The distribution teams are required to record a daily inventory of vouchers distributed and of fertiliser sales.

With the vouchers in hand, farmers can buy a specific quantity of fertiliser from private-sector dealers who are affiliated with the programme. The fertiliser dealers then redeem the vouchers with their suppliers, who in turn exchange them for payment from the government.

**Challenges to Be Met.** Despite the programme's success, many constraints undermine its sustainability. In 2009 and 2010, the government delayed payment to affiliated dealers—jeopardising the programme and pushing back the launch of the programme in each state. This led some stakeholders to withdraw from the 2010 programme and ultimately reduced the number of farmers who benefited (see table).

**The 2009 and 2010 Fertiliser Voucher Programmes in Nigeria: Key Figures**

Description	2009	2010
Number of Participating States	2	4
Number of Farms That Purchased Fertiliser with Vouchers	194,000	171,000
Amount of Fertiliser Sold under the Programme (metric tonnes)	29,800	16,397
Government Subsidy (millions of \$)	\$7.90	\$4.4
Total Fertiliser Sales (millions of \$)	\$18.7	\$10.6

Another challenge lies in the technical and financial capacities of fertiliser dealers and their ability to effectively implement the FVP. In the past, fertiliser was distributed through government channels and not by the private sector. As a result, there are significant gaps in the supply chain between fertiliser producers and local distributors. Furthermore, regional distributors and local dealers have limited access to the affordable credit that they need to procure their stock.

Implementation by government agents is not an easy matter either. As a consequence of dwindling funding for the agricultural sector in Nigeria, the qualifications of government agents specialised in agriculture in rural areas have also fallen, as competent workers seek better-paid jobs elsewhere. To provide an incentive for local extension agents, the FVP pays them in proportion to their involvement in the programme.

And those who profited under the previous system by diverting fertiliser from their intended beneficiaries are not well disposed towards the programme. Due to the transparency of the programme only some state and federal civil servants are willing to support it. Occasionally, extension of the programme has been deliberately impeded.

**An Innovative System that Stimulates the Private Sector.** The FVP is more transparent and cost-effective than earlier fertilisation distribution programmes in Nigeria (90% of FVP fertiliser reached targeted farmers in 2009 and 2010). Government costs for the distribution of subsidised fertiliser have been cut by 60%.

By securing their profit margin, the vouchers encourage fertiliser dealers to develop supply channels in rural areas. Although the FVP is an innovative way to boost the capacities of the private sector, it faces challenges that cannot be overcome in just one season. The programme's success will ultimately depend on the determination of the Nigerian government as a whole.