



**Making Public-Private Partnerships Work in Support of Fertilizer Value-Chain Development**

African Fertilizer and Agribusiness Partnership

**AFAP**

Partnerships. Productivity. Prosperity.

30 May 2012

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**What is AFAP?**



The African Fertilizer and Agribusiness Partnership (AFAP) is an independent non-profit created by a partnership of African development organizations:

- [Alliance for a Green Revolution in Africa \(AGRA\)](#)
- [The African Union's New Partnership for Africa's Development \(NEPAD\)](#)
- [The African Development Bank \(AfDB\)](#)
- [The International Fertilizer Development Center \(IFDC\)](#)
- [The Agricultural Marketing Trust in Africa \(AGMARK\)](#)

Headquartered in Johannesburg, AFAP has regional offices in Accra, Dar es Salaam and Maputo.

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## What does AFAP do?



- AFAP is a one-stop shop focused on fertilizer market development
- AFAP links specialized technical expertise and resources in addressing priorities identified in the CAADP agenda
- AFAP offers **Agribusiness Partnership Contracts (APCs)** to leverage greater private sector investment and know-how in fertilizer value chain development

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## What are APCs?



**APCs** are contracts under which eligible international, regional or local agribusinesses will make application for AFAP assistance and, in exchange, agree to perform significant market development activities with local farmers and/or agribusiness. This assistance may include management and technical advising, payment and credit guarantees, matching grants (for demonstration and other demand creation activity) and in-kind investments.

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## APC Objectives



1. Increase **affordability, accessibility** and **incentive** for fertilizer use among African smallholders
  
2. Facilitate development of **sustainable, competitive** fertilizer markets in Africa

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## Metrics for Success



### Demand

- Increased fertilizer use in target countries
- Increased number of smallholders using fertilizer

### Supply

- Reduction in cost difference between farm gate price and world market price
- Increase in availability at the right time in the planting cycle
- Reduction in distance from smallholder to fertilizer source

### Quality

- Link fertilizer use to farmer income and crop yield

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## Barriers to Fertilizer Affordability and Access



- Fragmented, inefficient importation – high FOB and freight costs
- Poor port infrastructure – high freight and port costs
- Limited importer competition
- Unavailability on a timely basis

- Poor inland transport infrastructure (road & rail) – high transport costs
- Limited distributor competition
- Limited and expensive credit; stringent collateral needed – constrains supply
- Warehouse shortages – constrains supply

- Limited credit for small farmers – constrains affordability
- Subsidies have limited reach and often misused – constrains affordability
- Poor farmer awareness and knowhow – constrains demand



- Niche, over-engineered blends imported at higher costs – few scale economies

- Limited dealer network and reach – limits access and supply
- Low retailer margins vs. other inputs – limits supply and access
- Limited and expensive credit; high collateral requirements – constrains supply
- Fertilizer not available in sufficient quantity at the right time in the planting cycle – limits usage

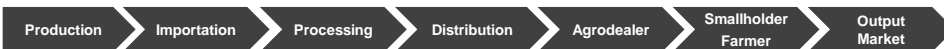
- Limited access to stable and competitive output markets, especially for staples – constrains affordability

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## Conditions for Change & Key Levers

To **increase** affordability & access and stimulate markets, AFAP must address the following:



- Increased focus from fertilizer producers to develop SSA market

- Importer credit
- Holding warehouses to improve timely availability
- Improved port infrastructure and efficiency
- Liberalized fertilizer trade

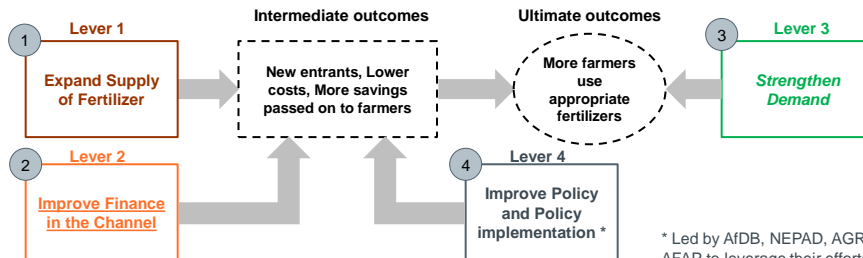
- More local blending & granulation

- More financing for inventory and storage

- More financing for inventory and storage
- Timely availability closer to farmers

- Education on fertilizer use best practices
- Output market access to increase farmer profitability
- Improved subsidy schemes

- Market development
- Value added processing
- Storage



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## Opportunities to Expand Supply & Improve Finance



These levers will be coordinated through Agribusiness Partnership Contracts (APCs)

1 Lever

Expand Supply of Fertilizer

Payment Guarantees

**Purpose**

- Address misperception by fertilizer suppliers of payment risk by **mitigating counterparty risk**
- Gain more **favorable import and credit terms** in exchange
  - E.g. +180 days of credit for importers

2

Improve Finance in the Channel

Credit Guarantees

Grants

- Improve efficiency of credit markets for the agricultural sector by facilitating:
  - **Expanded working capital** for importers, blenders, outgrowers, distributors, retailers and co-ops
  - **Infrastructure financing** to remove key supply chain bottlenecks

- **Build technical and management capacity** for value chain players and banks to facilitate increased credit in channel [www.afap-partnership.org](http://www.afap-partnership.org)

## Opportunities to Strengthen Demand & Improve Policy



These levers will be coordinated through Agribusiness Partnership Contracts (APCs)

3 Lever

Strengthen Demand

Grants

**Purpose**

- Link with existing output market value chain programs to **improve access and incentives and reduce risk** for fertilizer use among small holders
- **Expand programs** that promote more efficient fertilizer use

4

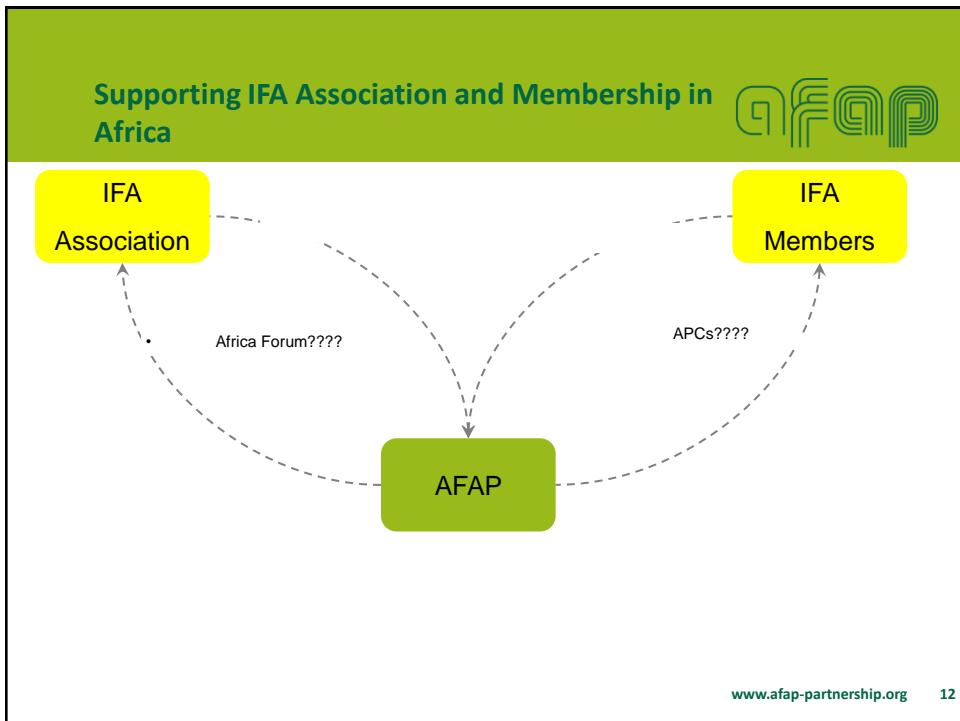
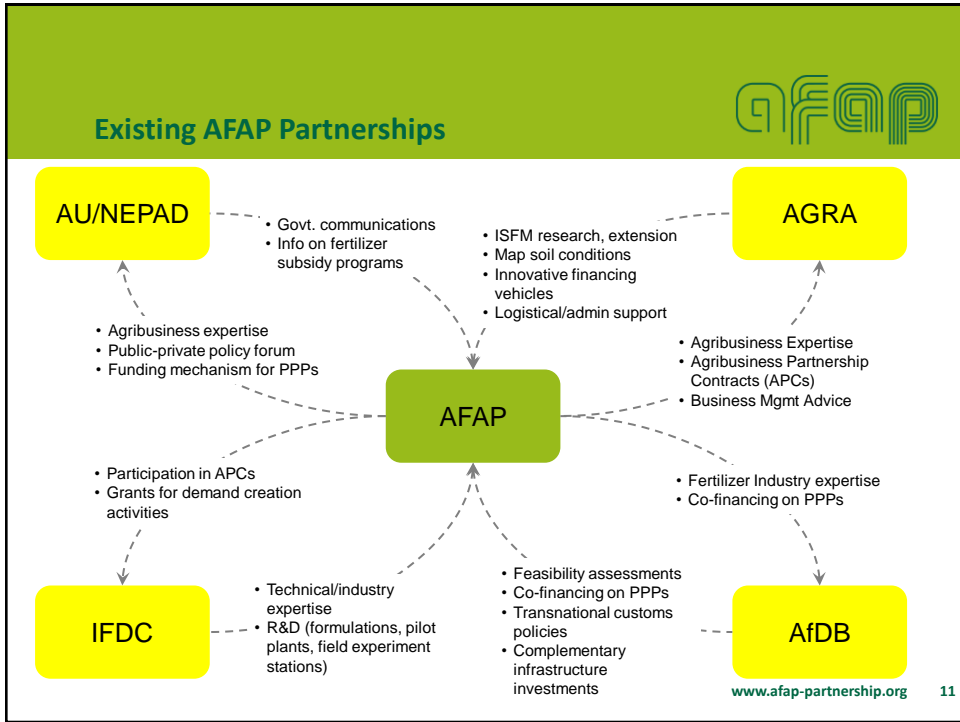
Improve Policy

Grants, PPP Dialog, Advocacy \*

Mkt Info Systems

- Address ineffective policies, e.g. that limit competition, through **policy analysis and advocacy** to support development of efficient and stable fertilizer markets
- **Improve transparency** through information systems that provide visibility across the supply chain

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**Thank you.**

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Presentation Title