



FERTILIZER SUBSIDIES IN SUB-SAHARAN AFRICA: SMART POLICY OR POLITICAL TRAP?

WEBINAR CHAT TRANSCRIPT

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PRESENTERS

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WEBINAR CHAT TRANSCRIPT

- USAID Agrilinks 2: Welcome to today's Ag Sector Council, hosted by Feed the Future Knowledge Driven Agricultural Development project. For more information on past and future events, visit Agrilinks.org.
- John Mischler: John Mischler - King's College, PA signing on!
- Judith Payne: Good morning. This is Judy Payne, USAID's ICT Advisor for Ag.
- Mike Colby: Mike Colby, BFS' Climate Smart Ag Advisor, from Arlington
- Erika Clesceri: Erika Clesceri, USAID Bureau for Democracy, Conflict and Humanitarian Assistance, Bureau Environmental Officer
- Richard Tinsley: dick tinsley colorado state university, good morning
- Andrew Bisson: Hi All, Andrew Bisson with Mercy Corps
- Richard Tinsley: subsidize should be on output not inputs, inputs develop black markets while output give you full control
- Joshua Ariga: Joshua Ariga, the International Fertilizer Development Center, Muscle Shoals, Alabama
- George Kegode: George Kegode, Independent Consultant
- Mariana Kim 2: Mariana Kim, Bill & Melinda Gates Foundation, Agricultural Development team, Seattle WA
- Joan Msuya: Joan Msuya, graduate student at Ohio State University
- E Manning: Becky Manning, BFS, good morning
- Biniam Iyob: Biniam Iyob here from Washington DC USAID
- Leslie Gardiner: Hi everyone. Leslie Gardiner here from MLD Consulting in Ottawa, Canada.

Ana Rodriguez: Morning everyone Ana Maria Rodriguez from Conservation International

Zachary Baquet: Zachary Baquet, BFS in DC, Good Morning All

James Rowland: jim rowland at USGS in south dakota.

Brent Simpson: Brent Simpson, FAO Investment Center, Africa Service

Philippe Chabot: Good Morning, Philippe Chabot Fintrac

Siera Vercillo: Good morning, Siera here, I am at the U of Western Ontario in Canada analysing agriculture and food policy in Ghana

USAID Agrilinks 2: We have a diverse crowd on the webinar and in the room today.

Mike Colby: Has anyone heard of SPARC bonds ("Subsidy Phase-Out and Reform Catalyst Bonds"), which are being used to help countries back out of fossil fuel subsidies (eg, I think in India so far, and switch to cleaner/more sustainable energy sources)? I'm wondering if they could be used on fertilizer subsidies, to help farmers start planting fertilizer trees, conservation ag, etc to reduce their needs for fertilizer in the long run?

Richard Tinsley: there is a real serious problem in providing reasonable price food for a impoverished urban population but the need is to set high buying price to encourage farmers to produce and high level then take the loss in the marketing. It should not cost more than subsidizing fertilizer and inputs but be administratively easier to manage

Elizabeth Dunn: Hi. Elizabeth Dunn of Impact LLC, attending from Gainesville, FL USA

Richard Tinsley: however, an impoverished society also means no tax base to pay the subsidies

USAID Agrilinks: That's a great comment Mike, for other participants curious about SPARC bonds: <https://www.americanprogress.org/issues/green/report/2014/06/25/90277/subsidy-phase-out-and-reform-catalyst-bonds-2/>

George Kegode: there always seems to be a 'dark clouds' around the word 'subsidy', hence the uncertainty in my opinion of why we are split on what they stand for.

Jock Anderson: Jock Anderson, GU

Brent Simpson: The other edge of the high food price sword is that the urban poor already spend a majority of income on basic food stuffs, and will not sit by and quietly starve. Higher food prices will also lead to more political instability.

Richard Tinsley: i might just as well mention for those who have not previously please visit the www.smallholderagriculture.com website it has a lot of information not anything specific to subsidies

Alicia Macmanus 2: Good morning. Alicia Macmanus, Chemonics International in DC

Julie Collins: Julie Collins from IFPRI, good morning!

AV Monitor: Thanks to everyone for attending the webinar. As a reminder, if you're using Google Chrome, please switch to Firefox or Safari

Jasia Steinmetz: Good morning from Univ. of Wisconsin-USA

Michael Doherty: Mike Doherty, Illinois Farm Bureau

Nicole Mason: Nicky Mason from MSU. Greetings from East Lansing!

Julie Collins: Hi Jasia, which program are you in? I got my Masters in AAE in Madison.

USAID Agrilinks 2: We are now getting started.

Amanda Fong: Good afternoon from Mozambique

USAID Agrilinks: Welcome again, everyone. Please feel free to contribute to the discussion, pose questions, and share resources in the chat box. You can also start private chats with other participants by hovering over their name and selecting "start private chat"

Felix Kamau: Fellix Kamau from The Nature Conservancy Africa Regional Office , Nairobi Kenya

USAID Agrilinks: Good morning Felix, is the Nature Conservancy working on any projects relating to fertilizer use or ag productivity? What have been your experiences in Kenya?

Richard Tinsley: how much of the profitability of using fertilizer is the result of ceiling prices on the commodities intended to keep urban prices low?

Zachary Baquet: Or liquidity and availability of fertilizer are not in sync

Felix Kamau: Currently we do not have any project relating to fertilizer use

USAID Agrilinks: What are your opinions on these arguments for smart subsidies?

Amanda Fong: And, once a subsidy is in place, what are the odds that it will ever be removed (for political reasons)? Once farmers get vouchers will they ever pay for the good again?

Felix Kamau: I support smart subsidies if they are well targeted especially for small scale farmers

USAID Agrilinks: Felix, what makes a subsidy well targeted?

Mike Colby: As USAID's Mike McGahuey and colleagues in Africa have reported, one reason many African farmers don't use fertilizer is because their soils are so weathered, that they cannot absorb them - they just run off when it rains, which is a big waste of scarce money. Farmers aren't automatically dumb for not using an expensive, high risk input. Also, most places outside of Africa are over-using fertilizer, causing water quality problems and damaging fisheries, a much higher value food than maize. So comparing Africa use levels to them is not necessarily an appropriate target.

Orla Kilcullen: I missed the beginning of the presentation - are the subsidies provided as part of wider training on Integrated Soil Fertility Management which looks at combinations of fertilizer, compost, etc?

Siera Vercillo: Well said Mike

USAID Agrilinks: Thanks for sharing that anecdote Mike

Siera Vercillo: they are not adopting the technology because of a range of rational logical reasons -it not being appropriate for their situation (geography, farm plan, diets, labor availability)

Mike Colby: (not an anecdote - this is backed up by statistical evidence)

Richard Tinsley: with your voucher how often was the fertilizer diverted to more valuable crops than maize?

USAID Agrilinks: Thats a great point Siera, check out our past webinar on the topic: <http://agrilinks.org/events/smallholder-adoption-integrated-soil-fertility-management>

USAID Agrilinks: Very true, Mike

Felix Kamau: Well targeted in the sense that they target the venerable farmers but should not be permanent. The subsidy should be reduced gradually as the vulnerable farmers conditions improve

Siera Vercillo: TY

Mike Colby: Sorry, I think those are somewhat misleading graphs - eg manipulation of scales to over-dramatize effects.

Charles Kome: Were fertilizer applications based on any soil tests?

Charles Kome: Were fertilizer applications based on any soil tests or soil information?

Richard Tinsley: are soil test cost effective, in that they cost roughly a bag of fertilizer and need to make that much of a difference in recommendation, which will be difficult for the field size of small famers

USAID Agrilinks: Reminder, should you have any questions for the presenters, please state your name and organization and I will ask them during the QA session on your behalf

Philippe Chabot: What I am understanding from the slides is that if the fertilizer use gets you close to an additional 2MT/Ha of maize, that additional 2MT of maize will buy quite a lot of fertilizer even at an unsubsidized price

Mike Colby: IS the insurance subsidized?

indra klein: From a funding perspective (for sustainability), what steps are being/have been taken to create compelling educational proposals/messaging to donors/funders to fund needed material/equipment/training to farmers at the onset to help overcome initial financial and technical issues?

indra klein: And then a 5-7 year program that creates pool of money that can be better leveraged?

Leslie Gardiner: It is not "moms and pops" that are distributing agro-chemicals. I have worked directly w smallholders in Manica province. Due to remote locations, poor roads, and need for seasonal credit, a growing cadre of middlemen offer agro-chemicals on "credit" in exchange for the right to purchase harvest at ridiculously low prices. There is an alarming change in power relations and problems with distribution channels that will affect sustainability if not concurrently addressed.

Curtis McCoy: What do you think the effect would be on harvest quantities and subsequently learned use of fertilizers, if the subsidy was extended over a longer timescale, as soil carbon levels are likely to diminish?

Richard Tinsley: surprised they couldn't get the money as assets are held in kind and can be easily monetized

Brian Dutoi: Any potential explanation for why the % increase in living standards is so much lower (3.7% compared to ~9% for all others) for subsidy+basic savings? - Brian, USDA Office of Capacity Bldg and Devmt

indra klein: Leslie, didn't realize it was that bad

Mike Colby: I've also heard that insurance is resulting in increased access to credit, which helps address the cost issue - if not over-subsidized to induce reckless behavior.

Richard Tinsley: where does this money come from for governments with minimum tax base?

USAID Agrilinks: Leslie, would you like for your comment to be expanded upon by one of the presenters? That is an interesting point

Leslie Gardiner: Would love that. The voice of smallholders seems to be missing too often from these discussions.

Siera Vercillo: Perhaps something along the lines of what type of policy processes are required to ensure pro-poor outcomes and avoid capture by elites, commercial interests and others?

Siera Vercillo: including smallholders

Siera Vercillo: avoiding the danger of benefits being captured more by fertilizer manufacturers and traders than small scale farmers?

Brent Simpson: Question for Michael: what guidance does research give us regarding the level fo subsidy required and length of the subsidy period in order to maximize farmer learning at minimum cost (given the variability of rainfed ag, prices shifts, etc).

indra klein: With projected pop increase and declining land holding, what steps are being to consider/adopt urban farming techniques, to include funding/development strategies?

KDAD AV Tech: If anyone is joining from behind the USAID firewall and experiencing any lag or latency issues, please private message me. Thank you.

Leslie Gardiner: To note - this is not unusual. Same in rural Ethiopia and Kenya. These middlemen (not manufacturers, but distributors whose power comes from access to transport, finance and markets) are becoming more powerful as dependency of food insecure HHs on agro-chemicals grows but their access remains limited.

Richard Tinsley: regarding these middle men make certain you have factor in all the costs they are incurring

Richard Tinsley: how much of the economic response is associated with depressed ceiling prices on the staple crop like maize

indra klein: Is there a breakdown of farmer gender, with percentage rates?

Richard Tinsley: the problem of acidity is really Aluminum toxicity below a ph of 5.5

Richard Tinsley: this may not apply to oxisols and andisole with their anion activity

USAID Agrilinks: sorry folks, it seems the animations were removed from this slide.

Richard Tinsley: wedding is not mundane given the labor requirements and labor availability

Richard Tinsley: Remember these governments don't have a tax base to provide services and are financially stalled, need to work around them instead of relying on them

Richard Tinsley: because the Ethiopia fertilizer distribution is all public sector, turn it over to private and the price should go down

USAID Agrilinks: What is the best way to transition from public to private?

Siera Vercillo: especially if farmers are often against privatization (at least in Ghana see Buffer stock debates happening now)

Richard Tinsley: i will try to address that in a blog as it is too detailed for a chat

Charles Kome: Was any work done on fertilizer placement to improve fertilizer application efficiency

Martial ASSINE: I'll be delighted to get (or learn) it, Ms. Tinsley

Richard Tinsley: there is considerable background info on the www.smallholderagriculture.com website

Richard Tinsley: who is Ms. tinsley

Martial ASSINE: well

Martial ASSINE: bug, sorry

Martial ASSINE: MR, I mean

Richard Tinsley: not a problem

USAID Agrilinks: Feel free to submit your questions or comments for the QA session. Please state your name and org

Philippe Chabot: I think it would be nice to see Leslie G's point discussed further by the presenters. My experience also has been that in a lot of instances (though not all) the terms of the contract between the trader and the farmer are quite ungenerous w/t/ro prices for inputs and vs prices paid for farm output, that is even after taking into account most of the likely costs and risks the trader is incurring

David Hong: David Hong from One Acre Fund here, can you ask Mr. Payne if he's conducted follow-up analysis of Kenya's fertilizer and maize reforms illustrated in IFPRI's Millions Fed report

Martial ASSINE: MAsterfull

Leslie Gardiner: Thx Philkippe. Leslie Gardiner, MLD Consulting, Ottawa, Canada: Q: How can the holistic strategy be expanded to address the "last mile distribution" problems for food insecure farmers who need seasonal credit for planting season, who are geographically marginalized from distribution centers, and who

are increasingly exploited by a growing cadre of rural traders who offer agro-chemicals on "credit" in exchange for exploitative prices on the harvest, eg. a poverty trap for smallholders...

carmine de salvo: can i ask a question?

carmine de salvo: for professor carter

Richard Tinsley: in an impoverished society in which 80% of income goes for survival, the limited ability of consumers be they general population on goods as well as farmers on input severely restricts profits of private traders and other service providers. the need is for a detailed cost of business analysis of private traders to make certain the apparent profits are not consumed by legitimate business expenses

Brent Simpson: Question for Thom: you did not mention growing impacts of climate change and the impacts on the production environment and efficiencies of inorganic fertilizers, including a) the ability to increase soil organic matter content, and b) importance of doing so with regards to moisture conservation (where moisture is limiting). Thoughts?

Richard Tinsley: again check the website for some good details on this

indra klein: What percentage of farmers are involved in collectives, facilitating voice input as well as shared resources that could be better leveraged? If so, can you touch upon impact and potential for the long-term?

P Sundareshwar: Would like to hear the thoughts of the presenters on the following points:

USAID Agrilinks 2: For more on fertilizers, visit Visit Agrilinks for more resources on fertilizers and subsidies: <http://agrilinks.org/library/rethinking-agricultural-input-subsidy-programmes-changing-world>.

P Sundareshwar: 1. Some of the smallholder farmers are too poor to participate in the fertilizer subsidy program. The lack of transparency of the process for deciding on the recipient of the subsidy,; and 2) Policy reforms that make the adoption of the best management practice as a pre-requisite for receiving the input subsidies. This 'in-kind' contribution can be used in lieu of the cash contributions that the farmers have to make in order to benefit from such programs.

faycal benameur: could we get the presentation ?

USAID Agrilinks: Faycal, the presentation is available for download on the left

faycal benameur: Great !

Porfirio Fuentes: I agree with the low ranking given fertilizer subsidy by the Economist and IFPRI since in order for the subsidy to be effective it will need, what I have been calling along my work on subsidies, complementary policies and programs that

will make the implementation of subsidies more effective and perhaps the use of the subsidized inputs more efficient. In other words, the effectiveness of the subsidy and efficiency in the use of the subsidized input is heavily reliant on the implementation of complementary policies and programs (R&E, extension services, infrastructure investment, processing facilities and for market access, access to credit and perhaps financial instruments such as indexed crop insurance etc.). If we neglect those complementary policies and programs, we cannot expect any significant long term effect and sustainability of the subsidy program.

- Mike Colby: Isn't part of the problem that short-period subsidies take on political power to maintain them into longer terms?
- Richard Tinsley: is that 30% more than one goat?
Richard Tinsley: don't forget all assets are retained in kind until needed
- USAID Agrilinks: With about 5 minutes left, we encourage you to take our polls and continue to listen and chat
- USAID Agrilinks: We encourage participants to continue the discussion by commenting on our events page: <http://agrilinks.org/events/fertilizer-subsidies-sub-saharan-africa-smart-policy-or-political-trap>
- Joshua Ariga: Can the presenters give some pointers how policy has been effective in fostering fertilizer use and lessons learned for possible replicability. Policy is ranked highly as per presentation. Thanks
- Judith Payne: Plenty to do without smart phones and that 10 year prediction is probably very optimistic for the poor farmers in sub-Saharan Africa.
- Michael Doherty: super presenters!
- Porfirio Fuentes: Can we download the chats?
- Michael Doherty: I have the same question - Chat download possible?
- indra klein: Best to copy and drop into word file
- Porfirio Fuentes: Good suggestion Indra
- Michael Doherty: understood
- Porfirio Fuentes: I notice the firsts ones are cut off already, so the copy and paste will not work for the whole chat
- Jen Peterson: Hi - I don't seem to be able to access the presentation on the left (all I can see is the end use survey). Is there another way to access it?

indra klein: Jen, they generally send email post event, with links to material
Jen Peterson: Great - thanks!

USAID Agrilinks: Hi there, i changed the screen, you can download the presentation on the left

indra klein: Thanks, Porfirio.

USAID Agrilinks: we will also be following up with post-event products such as a recording and transcripts in about a week's time

indra klein: Thank you for thought-provoking presentation. It appears that there is a need to rethink the way funding is secured, ratio of individuals to traditional funders, esp when considering long-term goals

Martial ASSINE: nothing about rice, millet, sorghum ... on a topic related to crop production in sub-Saharan Africa ... still disappointing...