

**F E P S A N**

**THE GROWTH ENHANCEMENT SUPPORT SCHEME (GESS)  
MONITORING REPORT**



**SUBMITTED TO**

**THE HONOURABLE MINISTER OF AGRICULTURE AND RURAL  
DEVELOPMENT**

**BY**

**The Fertilizer Suppliers Association of Nigeria**

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***DFID – ENABLE Project***

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## **FOREWARD**

The agro-economy in Nigeria has huge potentials and fertilizer plays a significant role in harnessing this opportunity in crop production. Research has shown that farmers in Nigeria apply less than 20kg fertilizer nutrients per hectare compared to world average of 100kg. It is also established that farmers in Nigeria use less than 5% improved seeds. For many years, agro inputs supply and distribution in Nigeria has been limited by ambiguity in government policy regarding production, liberalization, regulation and subsidy provision. Subsidy administration has been fraught with so many inefficiencies with farmers claiming that the inputs do not get to them at required times and recommended rates or at all. Fertilizer procurement and distribution in particular has been fraught with fraud, discrepancies and inefficiencies. Governments at the Federal and State levels were spending a lot of money on farm inputs which were not reaching the intended beneficiaries (small holder farmers) and thus, had no significant impact on the national food output. Resulting from advocacy efforts by FEPSAN and other stake holders, the Government has now realized that it's intervention in the market with presumed subsidized inputs might have been limiting development of the private sector (potential) market channels that are sceptical of coming into the market, consequently the private agro input market does not develop, thus constraining crops productivity, national food security and economic growth.

To address this, the Federal Government has decided from the 2012 farming season to opt out of direct procurement and distribution of inputs and instead instituted the Growth Enhancement Support Scheme (GESS), aimed at delivering subsidized farm inputs to farmers through an electronic wallet. Under the Scheme, an accredited farmer will receive agro inputs allocation through an e-wallet that hosts unique voucher numbers sent to his or her phone, and goes to an accredited agro dealer to redeem his inputs. It is expected that this should lead to improvements in agro inputs distribution and marketing by private sector; as well as consequent improvement in crop and agricultural productivity; and profitability for both the input supplier/dealer and farmer.

It is in view of the fore-going and in line with its advocacy objectives of developing the fertilizer value chain that the Fertilizer Suppliers Association of Nigeria (FEPSAN) sought and obtained the approval of the Honourable Minister of Agriculture to undertake an independent monitoring of the GESS and give him another view point of the successes, constraints and recommendations to improve the scheme in the coming cycles. To undertake this activity FEPSAN also approached ENABLE for technical assistance which came in form of assigning consultants to work with FEPSAN on the monitoring activity. With these support FEPSAN together with the Consultants were able to undertake the exercise whose findings and recommendations are contained in this report. It is our sincere hope the Honorable Minister will find the report useful in redirecting the scheme in future

cycles. Similarly we hope that other stake holders in the agro input value chains and other interested parties will find the report of use as well.

On this note I wish to most sincerely thank the Honorable Minister of Agriculture and Rural Development Dr. Akinwunmi Adesina for granting us the permission to undertake this independent monitoring of the GESS. I also wish to thank all the Directors and staff of the Federal Ministry of Agriculture that assisted FEPSAN in this effort especially the Director (Mr. A. O. Osho) and Deputy Director (Alhaji Abba Auchan) and all staff of the Federal Fertilizer Department (FFD). I want to specifically register my profound appreciation and thanks to the DFID - Enhancing Nigerian Advocacy for a Better Business Environment (ENABLE) Project (Dr. Bayo Akindeinde, Mrs. Ada Umenwaliri and Mrs. Habiba Jambo) for all the technical guidance and for assigning competent consultants (Mrs. Opeyemi Abebe and Fusion Consulting) to assist us in this monitoring exercise. I also want to register my appreciation for the understanding, cooperation, support and suggestions proffered during the interviews with the various respondents especially the Farmers, Agro dealers, Fertilizer Companies, Seed Companies, Commercial Banks, National Agricultural Seeds Council, CELLULANT, States GESS Coordinators and other States staff from the 12 sampled states, all the Members, Executive Secretary (Alhaji Ahmed Rabiu Kwa) and staff of FEPSAN; and to all those not mentioned but have contributed in one way or the other to the successful completion of this monitoring activity.

**Mr. Thomas Etuh**  
**Chairman, FEPSAN**

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## **ACRONYMS**

ATA	Agricultural Transformation Agenda
DFID	Department for International Development (United Kingdom)
ENABLE	Enhancing Nigerian Advocacy for a Better Business Environment
FEPSAN	Fertilizer Producers and Suppliers Association of Nigeria
FFD	Federal Fertilizer Department
GESS	The Growth Enhancement Support Scheme
IFDC	International Fertilizer Development Center
LGA	Local Government Area
MOU	Memorandum of Understanding
NPK	Nitrogen, Phosphorous, Potassium
WACOT	West African Cotton Company Limited

## REPORT HIGHLIGHTS

- Farmers generally support the GESS and say it is more effective in delivering subsidized inputs than previous programmes of a similar nature.
- The biggest challenge to the scheme was late delivery of inputs. To ensure inputs are delivered by March/April, i.e. in time for the season, early preparations are required.
- The E-wallet was found to be limited in effectiveness, due largely to poor telecommunication services. Clear alternative procedures for redeeming inputs, such as the use of scratch cards, should be developed and effectively communicated to all stakeholders.
- Knowledge of the procedures for redeeming inputs was found to be low. To improve the effectiveness of the scheme, there is need for extensive sensitization on this using local channels and languages. In addition, there is need to develop numbers that will be easy for the farmers to remember and work with. For instance, 3-digit numbers like 777.
- The survey found that only a small proportion (36%) of farmers interviewed were smallholder farmers, who are the target of the scheme. Stringent measures should also be taken to ensure only eligible farmers are registered for future cycles of the scheme.
- There were some complaints from farmers that the types of fertilizer supplied were not appropriate for the local soil types. Consideration of the local soil types and crops grown should be made in determining the type of fertilizer supplied for each location.
- The current two 50kg bags of fertilizer available to farmers under the scheme were found to be inadequate to meet the needs of farmers, even the smallholders. Considerations should be made to increase the number of bags available under the scheme. Although the farmers requested for an increase to 10 bags, we recommend a gradual increase to four in the second cycle, and six in the third cycle.
- The locations of collection centers were too far for many farmers to easily access. At a minimum, every local government area should have a collection center.
- Quite a high proportion of non-GESS farmers surveyed (40%) were not aware of the scheme. To increase registration of farmers for the next cycle, there is need for more extensive sensitization and enlightenment, especially at the grassroots level.
- The non-payment of counterpart funding from the government hindered the operations of the agro dealers, with implications also for the input suppliers who supplied products on credit. To facilitate settlement of equity contributions from the government, the process for approving and making payments to agro dealers needs to be streamlined so payments can be received in good time.
- In general, lack of funding for the agro dealers limited their ability to procure inputs for supply to farmers. The requirements agro dealers have to meet in order to access loans from the banks need to be reviewed.



## **EXECUTIVE SUMMARY**

The monitoring exercise was carried out between September 27 and October 5, 2012. In implementing the exercise, 902 respondents consisting of farmers and agro dealers on the GESS, and farmers outside the scheme were interviewed across 12 states. In addition, fertilizer companies, seed companies, and banks on the scheme, as well as Cellulant, were also interviewed. The interviews were conducted using face to face and telephone modes.

Farmers interviewed were mostly happy with the scheme under which they found it easier to purchase fertilizer from appointed dealers than was previously possible. There were also only few reports of foul play in the process of redeeming inputs. Similarly, agro dealers found access to fertilizer and seeds much easier under the scheme and were generally satisfied with its operations, their main complaint being in relation to funding to purchase inputs.

The exercise found that the GESS had limited success in getting subsidized fertilizer and free seeds to farmers, with about 20% of the farmers reporting various challenges in accessing the inputs. Benefitting farmers generally paid about half the market price for fertilizer redeemed under the scheme. The average prices for NPK and Urea were N2,943 and N2,921, respectively.

However, participants in the scheme faced numerous challenges. Foremost among these was the late delivery of inputs. The scheme was launched after the planting season in most of the states visited; hence the farmers did not receive inputs in time for use.

The e-wallet was found to be ineffective in many states, mainly because of the poor telecommunications network. Many farmers did not receive the e-wallets and had to resort to the use of scratch cards, which were insufficient for the number of farmers who required them, especially in Gombe. Among those who did receive the e-wallets, a large proportion did not know how to activate their numbers, or the numbers to dial for fertilizer and seeds.

Farmers were generally able to purchase the required types of fertilizer, as it appears NPK and Urea are the main types of fertilizer in demand across the states surveyed. However, there were complaints from some farmers and agro dealers that the types of fertilizer supplied were not right for the local soil types. Farmers also noted that the 2 bags of fertilizer subsidized under the scheme were very inadequate in meeting their needs. Across the states visited, seeds were very short in supply; rather than receive two 50kg bags each as intended under the scheme, a number of farmers had to share one bag.

A large proportion of the farmers registered did not participate in the scheme. While some were not verifiable by Cellulant, many did not turn up at the collection centers. This may have been due to lack of knowledge of when the redemption period commenced or lack of knowledge of the

procedures for redemption, especially when e-wallets were not received. The reasons for this should be better understood and addressed to ensure the scheme is more inclusive.

A high proportion of non-GESS farmers surveyed (40%) were not aware of the scheme, but were willing to register for the next cycle. To increase registration of farmers, there is need for extensive publicity and enlightenment, especially at the grassroots level.

The banks, which signed MOUs to participate in the scheme, provided little or no funding to the agro dealers. While the banks reported that applying agro dealers did not meet the requirements for loans under the scheme, the agro dealers complained that the requirements were too stringent. The resulting lack of funding was a major problem for dealers in securing inputs for distribution under the scheme. This was especially the case with the seeds, where the seed companies were only willing to supply seeds for upfront payments.

The Government on its part appeared to have some challenges in meeting its obligations under the scheme. In most of the states visited, the government did not provide warehousing and storage facilities as obligated under the scheme. Furthermore, delays in providing counterpart funding for payment of the inputs was not only crippling the businesses of the agro dealers, but also limiting the capacity of the fertilizer and seed companies to produce or import inputs for the next season.

## **1.0 BACKGROUND**

The Growth Enhancement Support Scheme (GESS) was designed as a component of the Agricultural Transformation Agenda of the Federal Government (ATA). The ATA is the current Government's response to the crisis that has riddled the agricultural sector in the past and seeks to put agricultural growth at the center of the Government's development objective given its critical role for food security and economic diversification.

At inception, the broad objective of the GESS was to achieve food security for the nation at the macro level, and increase household income for the farmers at the micro level. The scheme was designed to encourage the stakeholders in the fertilizer value chain to work together to improve productivity, household food security and raise the income of the farmer by providing direct subsidy through the supply of discounted fertilizers and seeds.

In the past, fertilizer procurement and distribution in the country has been fraught with fraud, discrepancies and inefficiencies. Governments at the Federal and State levels were spending a lot of money on farm inputs which were not reaching the intended beneficiaries (small holder farmers) and thus, had no impact on the national food output. The Federal Government was involved in the direct procurement and distribution of fertilizers and this weakened the ability of private companies to participate in the sector and compete efficiently for market share. As with most subsidy regimes, the sector was grossly under developed and the opportunities for fraud and diversion were rampant.

With the GESS, Government sought to withdraw from direct fertilizer purchase and distribution and introduce an alternative system of distribution built on the voucher system which had been developed by International Fertilizer Development Center (IFDC) and successfully implemented in 4 States.

The Federal Ministry of Agriculture and Rural Development, as part of its mandate, is monitoring the implementation of the GES Scheme. In accordance with the National Fertilizer Policy, which mandates that "Government shall ensure that all fertilizer stakeholders are involved in the monitoring and evaluation process", FEPSAN as part of its advocacy objectives sought the support of DFID-ENABLE project to also carry out an independent monitoring and assessment of the GES scheme, and submit a report to the Honourable Minister of Agriculture and Rural Development.

FEPSAN has the support and backing of the Federal Ministry of Agriculture and Rural Development to carry out the project. Towards this end, the Ministry has directed the Federal Fertilizer Department (FFD) to collaborate with FEPSAN in carrying out the monitoring exercise.

### **The Fertilizer Suppliers Association of Nigeria**

The Fertilizer Suppliers Association of Nigeria (FEPSAN) is a national trade association of fertilizer manufacturers, importers, blending plants, producers and distributors in Nigeria. The association was launched in 2004 to provide a platform for members to effectively work together to ensure adequate supply of quality fertilizers, and to develop and promote professional and ethical practices in the sector. Its goals and objectives include:

- a) Improve the production and regular supply of adequate quantity and quality of fertilizers to meet the demand of Nigerian farmers.
- b) Provide for the business development of its members through training, education and enlightenment.
- c) Dialogue and advocacy activities on agricultural, and in particular fertilizer policy reforms, in Nigeria.
- d) Collaborate with public and private sector stakeholders to develop and promote appropriate fertilizer use technologies; and implement quality control standards and specifications of fertilizer products.
- e) Development and improvement of the fertilizer market chain in Nigeria.
- f) Promote balanced and judicious use of fertilizer through demonstrations and enlightenment campaigns to improve fertilizer use efficiency and ensure proper maintenance of soil fertility and environmental safety.
- g) Serve as a reference point for data and information on the fertilizer industry in Nigeria.

A major objective of the Association is to ensure adequate fertilizer supplies and timely distribution to boost food production in the Country. FEPSAN, therefore, plays a pivotal role in ensuring food security for the populace.

## 2.0 METHODOLOGY

### 2.1 Research objectives

The objective of the research is to contribute evidence to the debate on the implementation of the fertilizer policy. It is also aimed at increasing collaboration between Government and the private sector in the development of the fertilizer sector.

The specific research questions were:

- Was the scheme effective in delivering subsidized inputs to farmers?
- Was the use of the E-wallet an effective mechanism for administering inputs subsidy?

### 2.2 Sampling Plan

Twelve States implementing the GES scheme were selected for the purpose of this exercise. In order to have an overview of the level of implementation across the country, 2 states were selected in each geo-political zone. There were face to face and telephone interviews in six of the selected States, while in the other six states only telephone interviews were conducted.

### 2.3 Key Respondents

The respondents to the survey are as shown in table 1 below:

Table 1: Key Respondents

Category	Sample Size
Agro Dealers	36
GESS Farmers	780
Non-GESS Farmers	60
Banks	3
Fertilizer Companies	6
Seed Companies	5
Cellulant	1
National Agricultural Seed Council	1
State GES Coordinators	10
<b>Total</b>	<b>902</b>

## ***2.4 Sample Selection***

Agro dealers surveyed were selected from a list of agro dealers provided by Cellulant. The list provided contained the names of agro dealers, contact persons, addresses, telephone numbers and local government areas (LGAs). A stratified approach was used to select agro dealers. First the LGAs in each state were grouped into the 3 senatorial districts of the state. Secondly, 2 agro dealers were selected from each group using a systematic random approach.

The respondents for the telephone survey were drawn from state lists of farmers on the GESS scheme, provided by Cellulant. The list for each state had contact details for 150 farmers. Details provided include the names of farmers, telephone numbers, and local government areas. During the survey, attempts were made to call a total of 1,140 numbers, out of which 927 (81%) were working numbers. The remaining numbers were unavailable throughout the duration of the survey.

Respondents for the face to face survey of GESS farmers were drawn from lists provided by selected agro dealers. The agro dealers provided lists of farmers served on the scheme, from which a systematic random approach was used to select farmers to be interviewed. Similarly, non-GESS farmers were selected from lists provided by the agro dealers of farmers served outside the scheme.

## ***2.5 Data Collection***

Data for the monitoring exercise was collected between September 27 and October 5, 2012. In the states where there were face to face interviews, data was collected by teams of fieldworkers consisting of 3 interviewers, a supervisor and a quality controller in each state. Interviewers were locally recruited from the survey states. The telephone survey was conducted by a team of 4 interviewers and 1 supervisor. Staff of FEPSAN conducted some of the face to face and telephone surveys in Kaduna State.

### 3.0 GESS FARMERS

#### 3.1 Characteristics

The survey respondents were mostly males. Men accounted for 83%, while women accounted for 17%. The top 3 crops cultivated by farmers surveyed were maize, cassava and yam. Other crops include rice, guinea corn, groundnuts, millet, beans, oil palm, green leaf vegetables, soya beans, ginger, sugar cane, cocoa, watermelon, beniseed, plantain, okra, cocoyam, tomatoes, onions, banana, rubber, mango, moringa and kolanut. Farmers in the northern states primarily cultivated grains (beans, millet, maize, guinea corn and groundnuts) and vegetables.

About one third of the farmers surveyed (36%) were cultivating lands which were less than 2 hectares, hence they were smallholders and the intended beneficiaries of the scheme. However, this suggests that the bulk of the beneficiaries of the scheme are not smallholder farmers. As much as 8% of farmers surveyed were cultivating lands of sizes larger than 19 hectares.

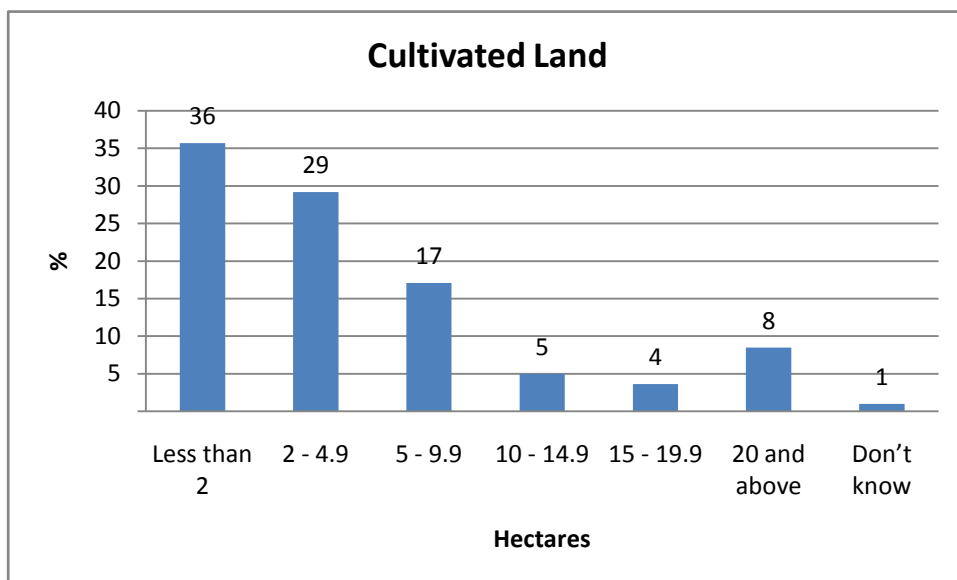


Figure 1: Farm Size

#### 3.2 Knowledge of Activation of Numbers

In order to get fertilizer or seeds under the scheme, farmers first have to activate their numbers. Almost half (47%) of the farmers interviewed did not know how to activate their numbers. In addition, to purchase the fertilizer, farmers had to dial specific numbers for NPK and Urea, and then enter their voucher numbers. A similar procedure was required for redeeming seeds. However, 54% of the farmers did not know the numbers to dial for fertilizer and 58% did not know the numbers for seeds.

Farmers who said they did not know how to activate numbers, and the procedures for redeeming inputs sought the assistance of family members and other farmers.

Two policy implications arise here: First there is need for extensive education of farmers on the procedures for redeeming inputs. This should be done in languages farmers can easily understand (e.g. pidgin and local languages). Secondly, there is need to develop numbers that will be easy for the farmers to remember and work with. For instance, 3-digit numbers like 777.

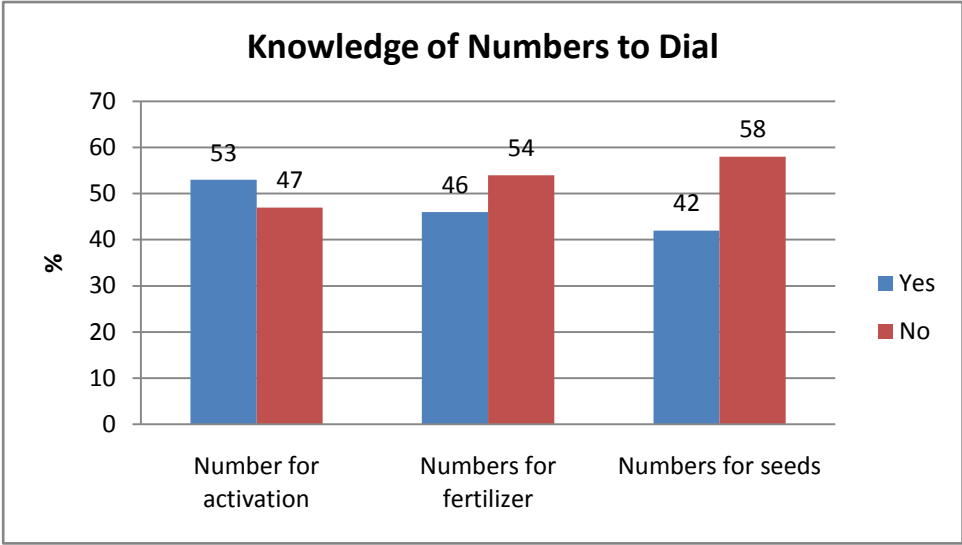


Figure 2: Knowledge of Numbers to Dial

### 3.3 Purchase of Fertilizer

Only 65% of farmers interviewed said they had purchased fertilizer through the scheme. Kaduna (85%), Jigawa (84%), Gombe (68%) and Abia (48%) had the highest proportions of farmers who had not purchased fertilizer through the scheme at the time of the survey. The main reasons for this were the late launch of the scheme in the states, non-availability of inputs, and non-receipt of E-wallets.



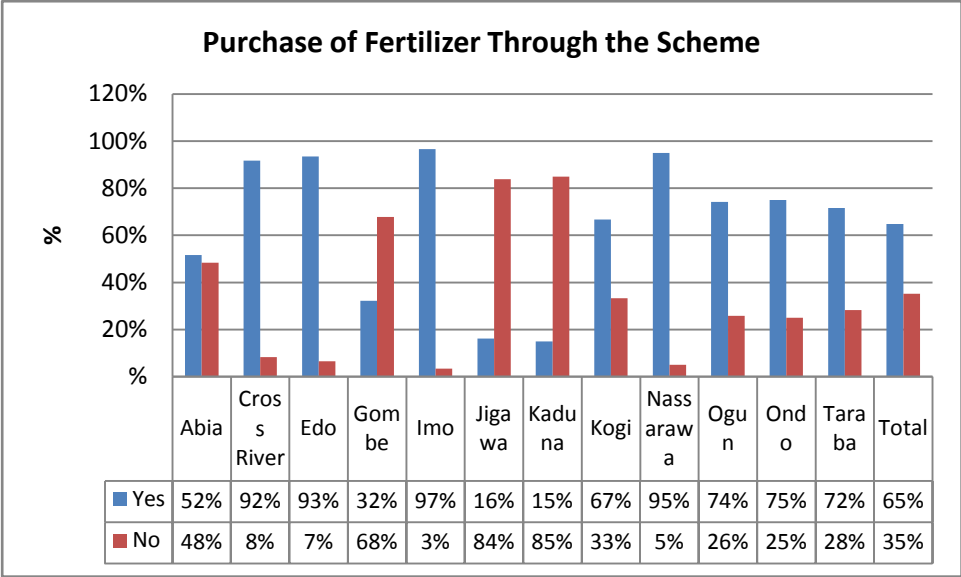


Figure 3: Purchase of Fertilizer Through the Scheme

**3.4 Access to Fertilizer**

Over 90% of the farmers surveyed, say the scheme makes purchasing of fertilizer easier. Similarly, 92% rate access to fertilizer under the scheme as easy or very easy. Most farmers said their access to fertilizer has improved with the scheme. On the whole, almost all who had purchased fertilizer on the scheme commended the government for the scheme saying it is the most effective for getting subsidized fertilizer to farmers, compared to previous schemes.

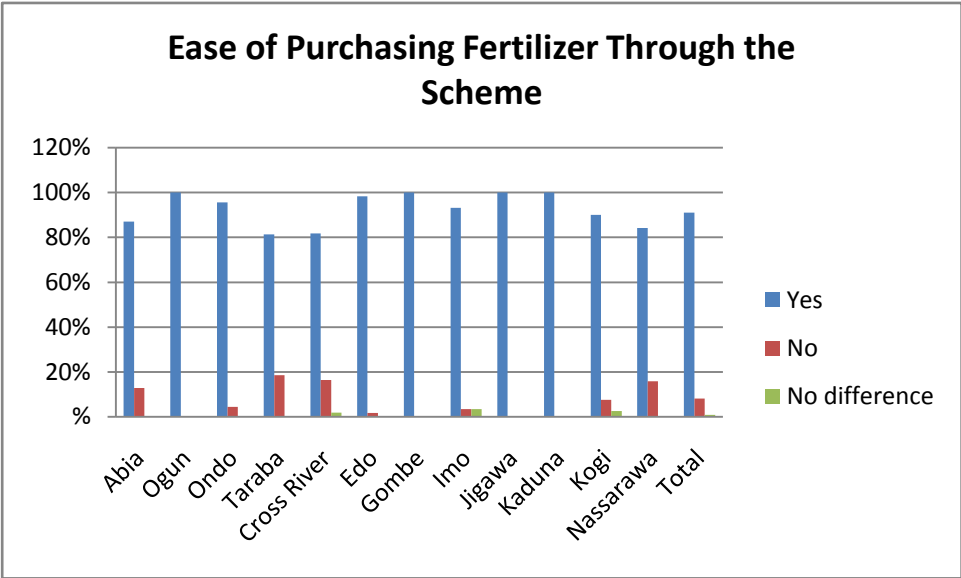


Figure 4: Ease of Purchasing Fertilizer through the Scheme

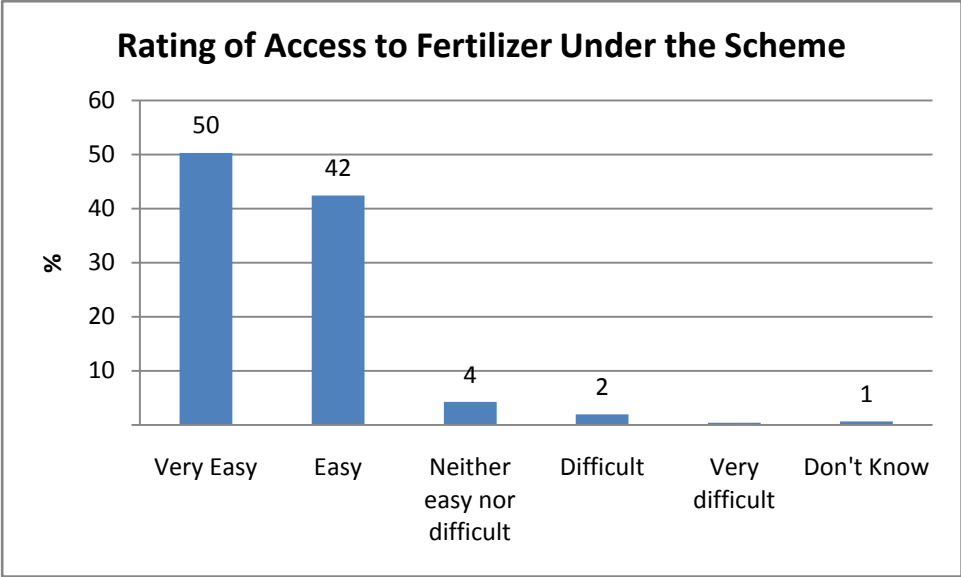


Figure 5: Rating of Access to Fertilizer

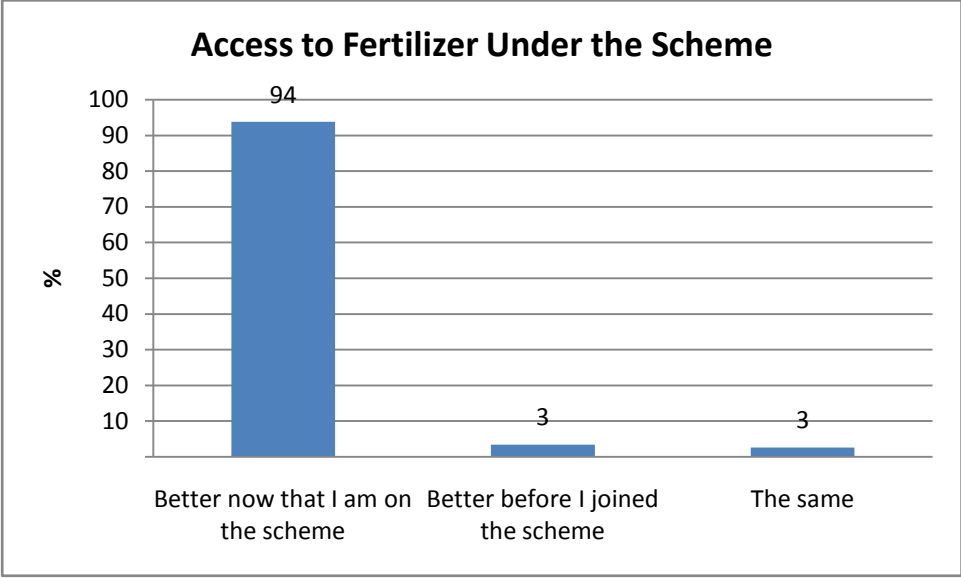


Figure 6: Access to Fertilizer under the Scheme

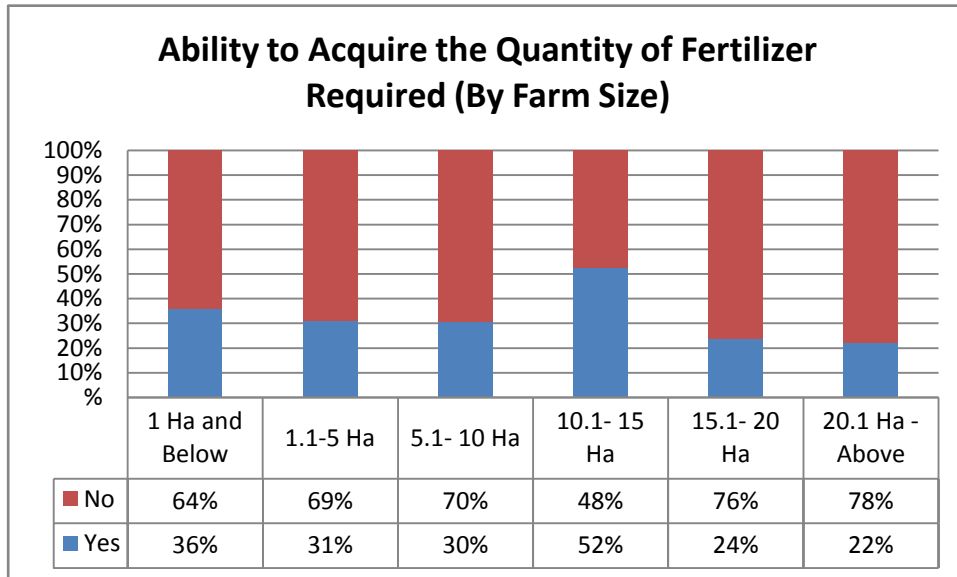
**3.5 Presence of Middlemen**

87% of the farmers surveyed said there were no middlemen between them and the appointed agro dealers for purchasing fertilizer. More male farmers (12%) reported the presence of middlemen than the female farmers (8%). However, most of the farmers who reported presence of middlemen, said their presence made it easier for them to access fertilizer. Some of the farmers said the middlemen were extension agents and local government officials, who were in essence facilitating access to fertilizer.

### 3.6 Ability to Purchase Required Fertilizer

About 9 in 10 of the farmers surveyed said they were able to purchase the required type of fertilizer under the scheme. NPK and Urea were the main types of fertilizer the farmers required for their crops and soil types. However, many farmers reported that they were not able to get 1 bag each of the 2 types from the agro dealers. Many received either 1 bag of one type or 2 bags of the same type of fertilizer.

However, most farmers (68%) said they were unable to purchase the quantity of fertilizer required for their farms under the scheme. This impediment cut across farmers with different farm sizes, even those with 1 hectare and below. 82% of farmers stated that they require 1-10 bags of fertilizer for their farms and urged the government to increase the quantity of fertilizer made available to farmers to 10 bags per farmer.



**Figure 7: Ability to Acquire Quantity of Fertilizer Required**

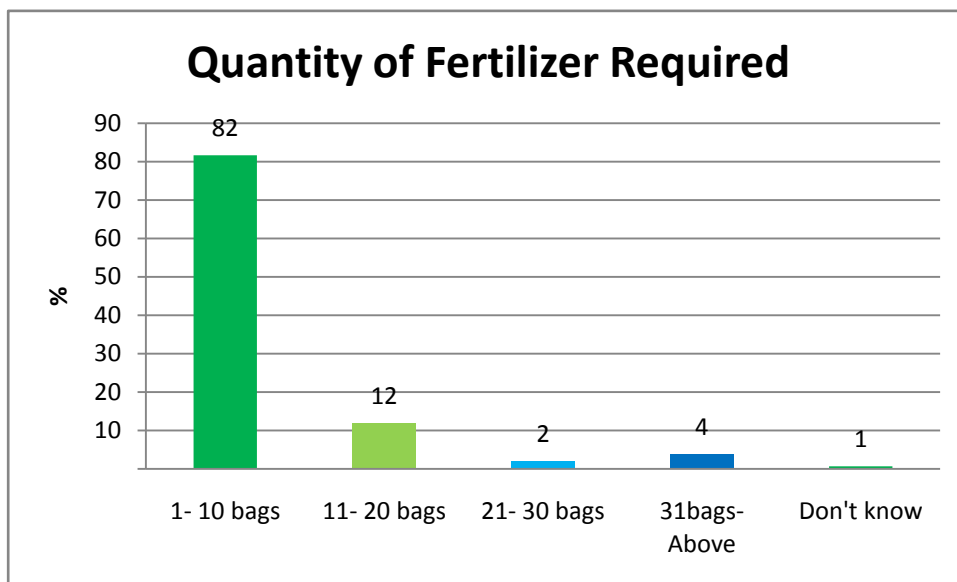


Figure 8: Required Quantity of Fertilizer

### 3.7 Prices

Table 2: Price per 50kg Bag of Fertilizer under and outside Scheme

	Price paid by GESS farmers for 50kg bag of NPK (N)	Price paid by Non-GESS farmers for 50kg bag of NPK (N)	Price paid by GESS farmers for 50kg bag of Urea (N)	Price paid by Non-GESS farmers for 50kg bag of Urea (N)
<b>Average</b>	2,943	5,499	2,921	5,667
<b>Minimum</b>	1,200	3,200	1,500	4,000
<b>Maximum</b>	6,000	7,500	5,200	6,200

On the average, the prices paid for fertilizer by farmers on the scheme was about 50% less than the prices paid by farmers outside the scheme. For a 50kg bag of NPK, farmers on the scheme paid an average of N2,943, which was 47% less than the N5,499 paid by farmers not on the scheme. Similarly, farmers on the scheme paid N2,921 for a 50kg bag of urea, which was 49% less than the N5,667 paid by farmers outside the scheme. In view of this, the scheme can be considered successful in making fertilizer available to participating farmers at half the market price.

### **3.8 Challenges in Accessing Fertilizer**

Farmers reported a variety of challenges in accessing fertilizer under the scheme. Some farmers did not receive e-wallets through their telephones and had to obtain scratch cards from the State GESS Coordinators. Among those who did receive e-wallets, some were unable to activate their numbers mainly due to lack of know-how and poor telephone network.

Many farmers complained that the fertilizers did not arrive on time and should have been available before the start of the rainy season. Furthermore, the quantity of fertilizer subsidized was considered inadequate to meet their needs. A few farmers complained that the price of the fertilizer was still too high.

Some farmers reported that agro dealers did not have fertilizer to sell to them, and in some cases only had one type of fertilizer to sell. There were reports that the types of fertilizer available at the collection centers were not the types required for their crops and farms. Farmers also complained that agro dealer/collection center staff were unpleasant and made things difficult.

The locations of collection centers were too far for some farmers, hence it was difficult for them to access fertilizers. Some farmers generally found the process of redeeming fertilizers cumbersome, coupled with long queues and the need for repeated visits to collection centers before being able to purchase fertilizer.

The challenges farmers faced with collecting seeds were similar to those faced in purchasing fertilizer. These included unavailability of seeds, late arrival of seeds, inadequacy of quantity received, non-receipt of vouchers, difficulties activating numbers, distance to collection centers, and long queues at centers. In addition to these, some of the farmers did not grow crops for which seeds were given. Some farmers also reported that they were given receipts for seeds, though no seeds were given.

The following actions are proposed for a smoother operation of the GESS:

- Establishment of clear alternative procedures for redeeming inputs where E-wallets are not received. Replacement of the current 10-digit activation numbers with more user friendly 3-digit codes. Increased sensitization of farmers on the operational procedures of the scheme in languages easily understood by farmers (e.g. local languages, pidgin, etc) Improvements in operational procedures to ensure inputs are delivered to agro dealers by March/April
- Establishment of a monitoring framework to ensure farmers receive one bag each of NPK and Urea as intended under the scheme.
- Establishment of more collection centers, especially in rural locations close to farms.

## 4.0 NON GESS FARMERS

### 4.1 Characteristics

The survey respondents were mostly males. Men accounted for 82%, while women accounted for 18%. The predominant crops grown were maize, cassava and yams; these accounted for 68.3% of the crops cultivated. Other crops include rice, groundnut, guinea corn, millet, cocoa, beans, green leaf vegetables, tomatoes, pepper, oil palm, pawpaw, garden egg, plantain, okra and melon. About a quarter (28%) of the farmers surveyed were cultivating lands which were less than 2 hectares, and 69% cultivating land under 5 hectares.

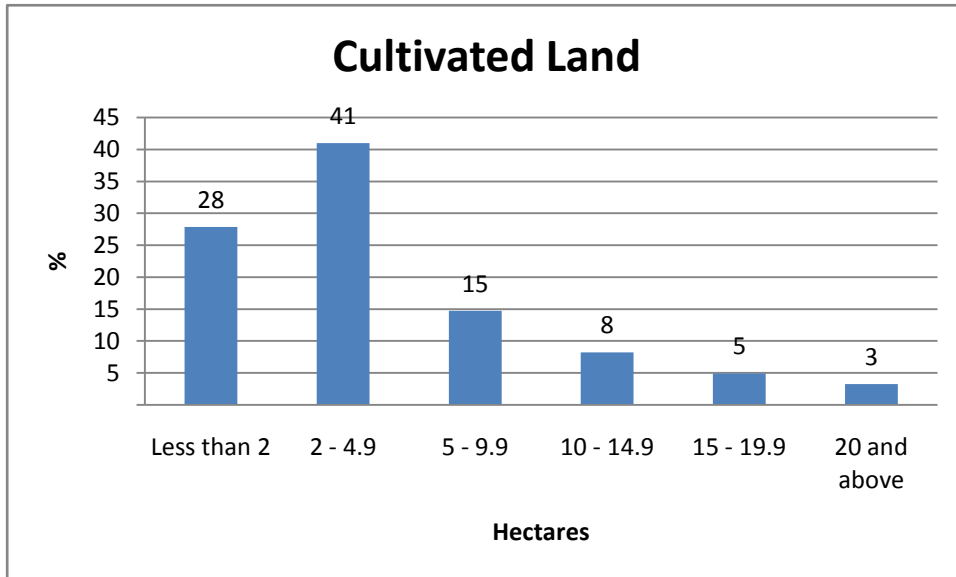


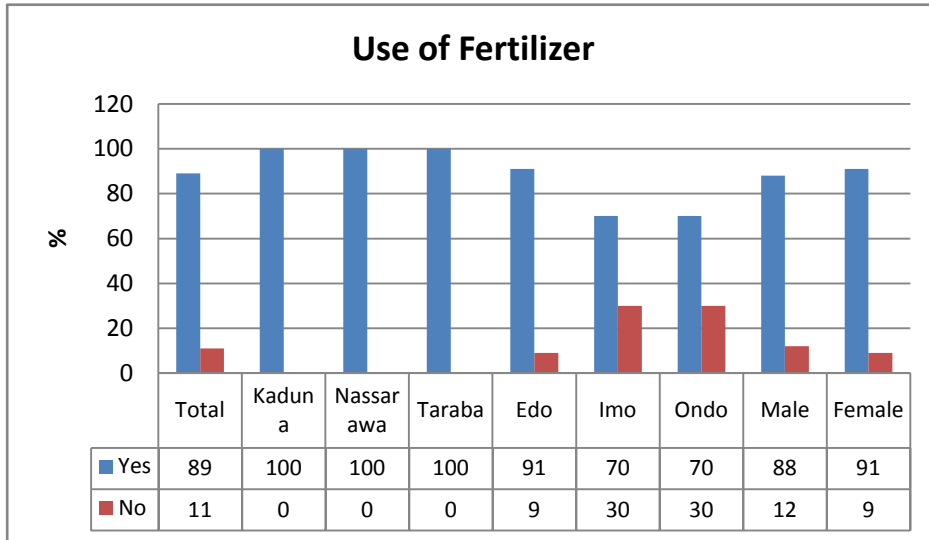
Figure 9: Farm Size

### 4.2 Use of Fertilizer

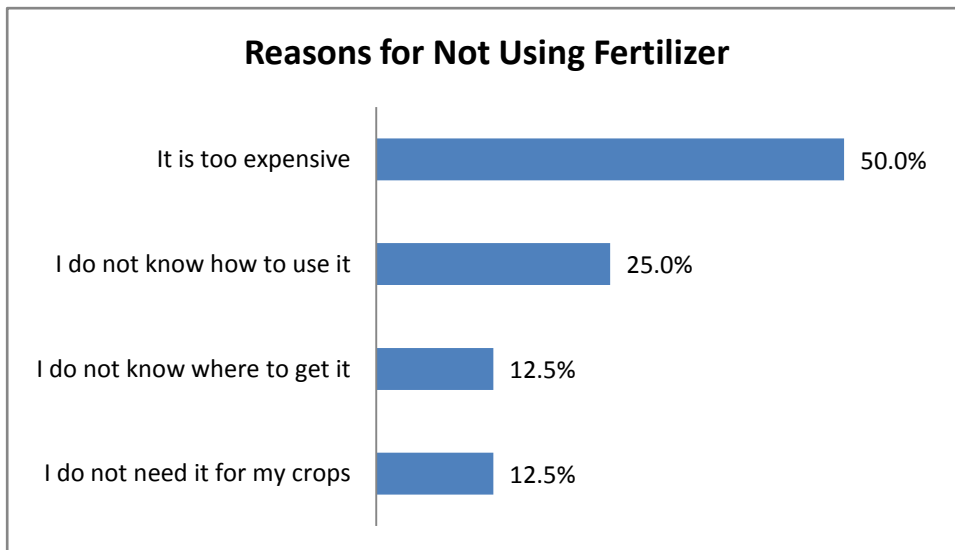
At about 90%, the usage of fertilizer was quite high among the farmers surveyed. This high level cut across the farmers in Kaduna, Nassarawa, Taraba and Edo states, but dropped to 70% in Imo and Ondo states. There was no significant difference in usage between the male and female farmers. For those who did not use fertilizer, the main reason was that they found it too expensive. Some did not know how to use it or where to get it. However, a small proportion said they did not need it for the kind of crops they grow. These findings suggest a need for more education of farmers on the benefits of using fertilizer.

Most of the farmers (80%) reported that they faced challenges in acquiring fertilizer. The challenges faced were quite similar to the the reasons given for not using fertier. The main challenge faced was the price of fertilizer, which was considered to be too high. Other challenges

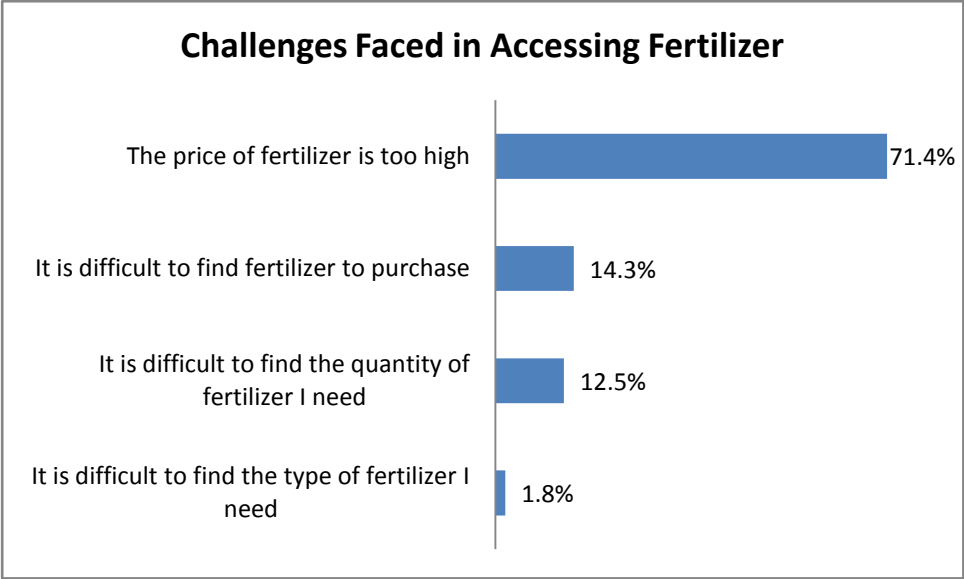
include difficulties finding fertilizer to purchase, difficulties finding the quantity of fertilizer required, and difficulties finding the type of fertilizer needed.



**Figure 10: Use of Fertilizer**



**Figure 11: Reasons for not using Fertilizer**



**Figure 12: Challenges Accessing Fertilizer**

**4.3 Sources and Prices of Fertilizer**

For those who use fertilizer, the bulk of them (86.2%) obtain the product from the open market – fertilizer companies and dealers, while small proportions said they obtain the product from the government and family members. On the average, the farmers paid N5,499 for a 50kg bag of NPK and N5,667 for same sized bag of Urea. The quantity of fertilizer which farmers outside the GESS said they typically require (9 bags) is similar to the quantity which the farmers under the GESS require (10 bags). This corroborates the request for an increased quantity of fertilizer to be made available under the scheme.



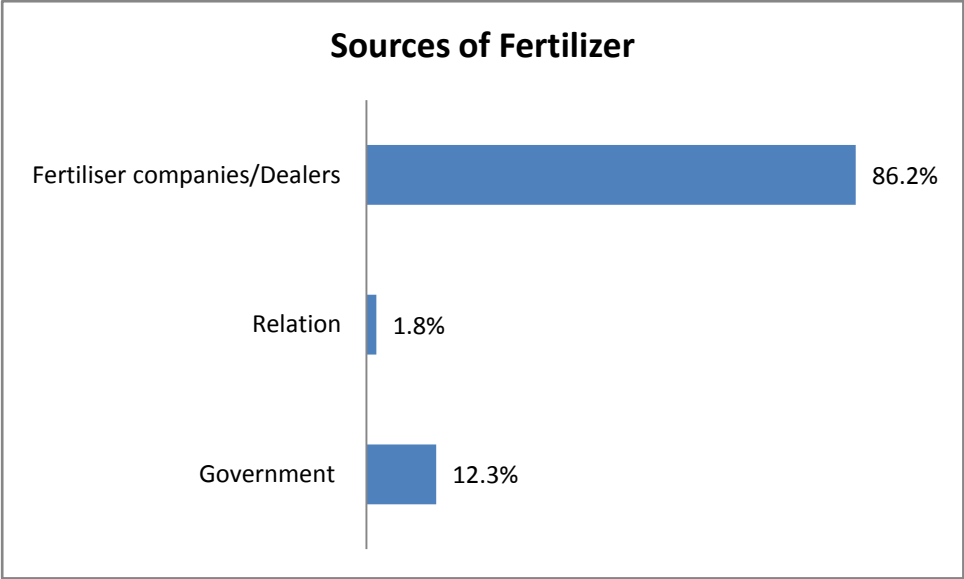


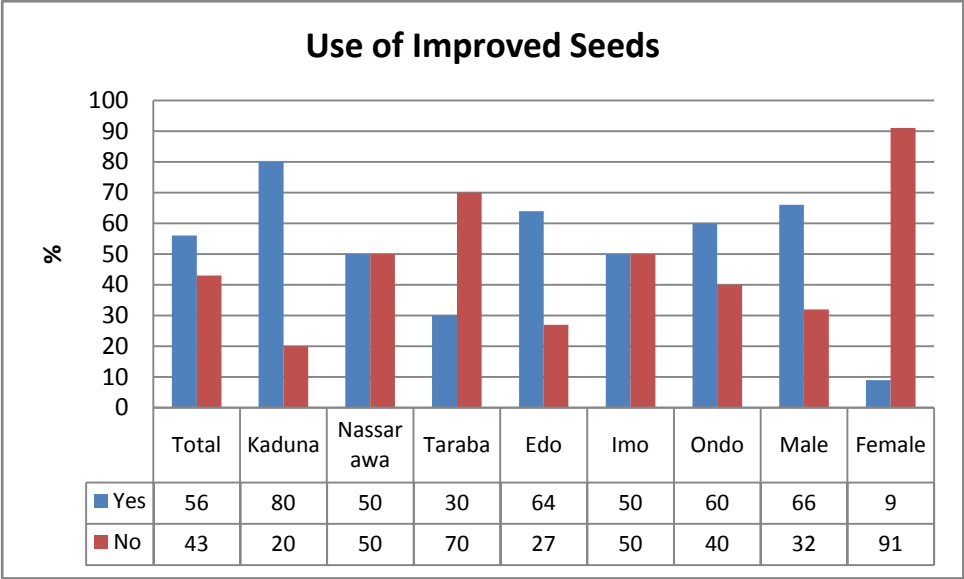
Figure 13: Sources of Fertilizer

Table 3: Price per 50kg Bag of Fertilizer and Typical Requirement

	Price paid for 50kg bag of NPK (N)	Price paid for 50kg bag of Urea (N)	Qty of NPK typically required (50kg bags)	Qty of Urea typically required (50kg bags)
<b>Average</b>	5,499	5,667	9.3	8.9
<b>Minimum</b>	3,200	4,000	1	1
<b>Maximum</b>	7,500	6,200	50	50

**4.4 Use of Improved Seeds**

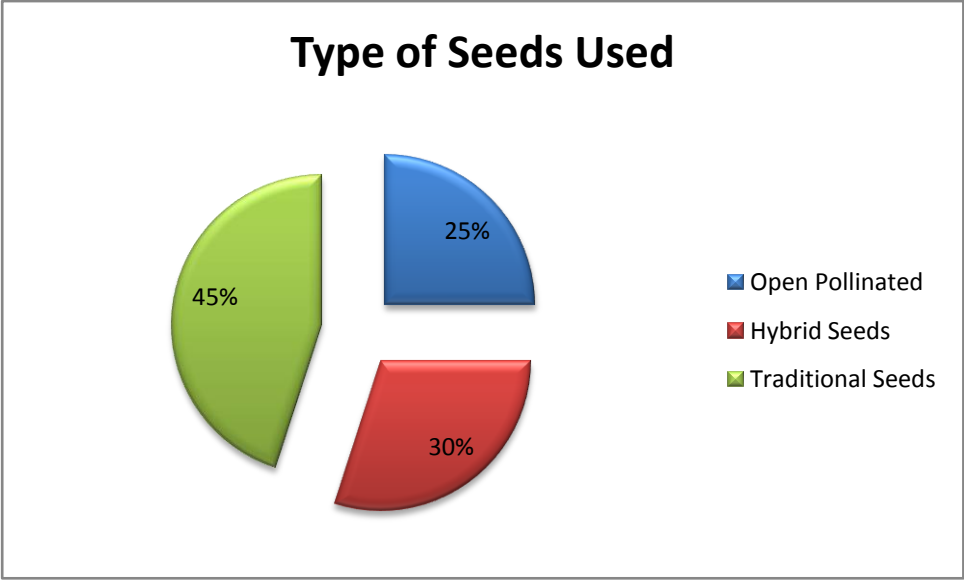
About half the farmers surveyed said they used improved seeds in their farms. Among the states, Taraba had the least proportion of farmers (30%) who reported the use of improved seeds, while Kaduna had the highest proportion (80%). There was very low usage among the female farmers surveyed, with more than 90% saying they do not use improved seeds.



**Figure 14: Use of Improved Seeds**

**4.5 Types and Sources of Seeds Used**

The most used type of seeds among the farmers are the traditional seeds (45%), but as much as 30% use hybrid seeds and open pollinated seeds (25%). The main sources of seeds are the open market (seed companies and dealers) and own farms, which account for 90% of the seeds used by the farmers. Small proportions were sourced from government stores (9%) and relations (1%).



**Figure 15: Types of Seed used**

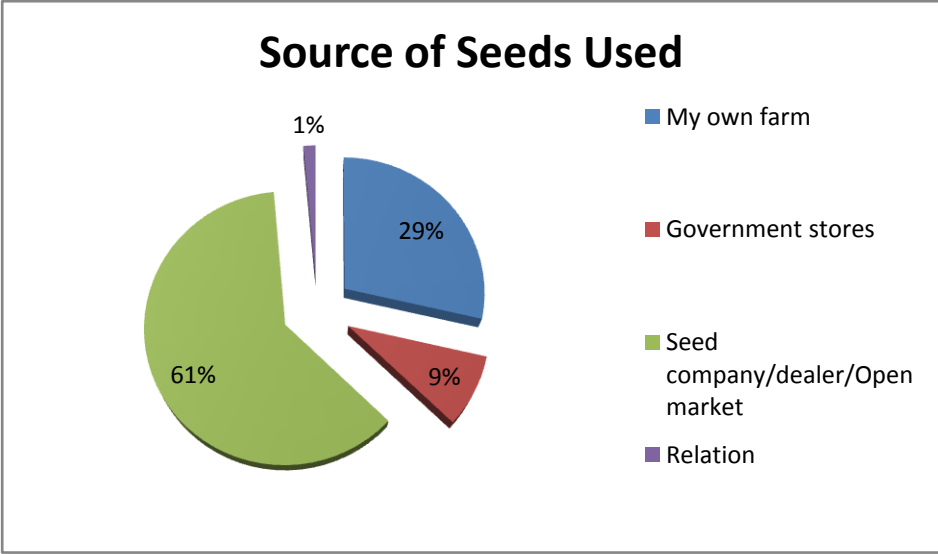


Figure 16: Sources of Seeds

**4.6 Awareness of the GES Scheme**

About 60% of the farmer said they were aware of the GESS, while 40% were not. The proportion of farmers aware of the scheme was highest in Nassarawa State and lowest in Ondo State. The high proportion of farmers who are not aware of the scheme suggests that more sensitization needs to be done to inform and get more farmers registered for the next cycle of the scheme.

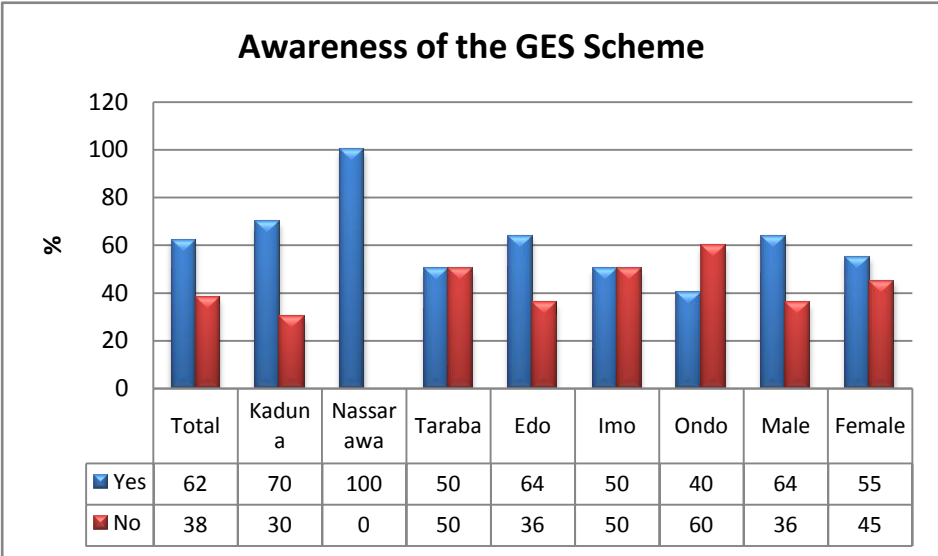


Figure 17: Awareness of GESS

#### 4.7 Reasons for not Registering for the GES Scheme

The level of awareness about the scheme was the major reason why the farmers did not register for it. Almost 50% said they did not register because they did not know enough about the scheme. Other reasons for not registering include the distance of the agro dealers/collection centres from the farmers and lack of faith in the scheme. Some farmers were out of town during the registration period in their areas, others got information on the scheme at a time too late for them to register, some more got to the registration centers too late to register. There were farmers who said they applied for the scheme, but somehow did not get registered. A few said they could not register because they did not have telephones. Finally, nearly all the farmers (98%) indicated willingness to register for the scheme.

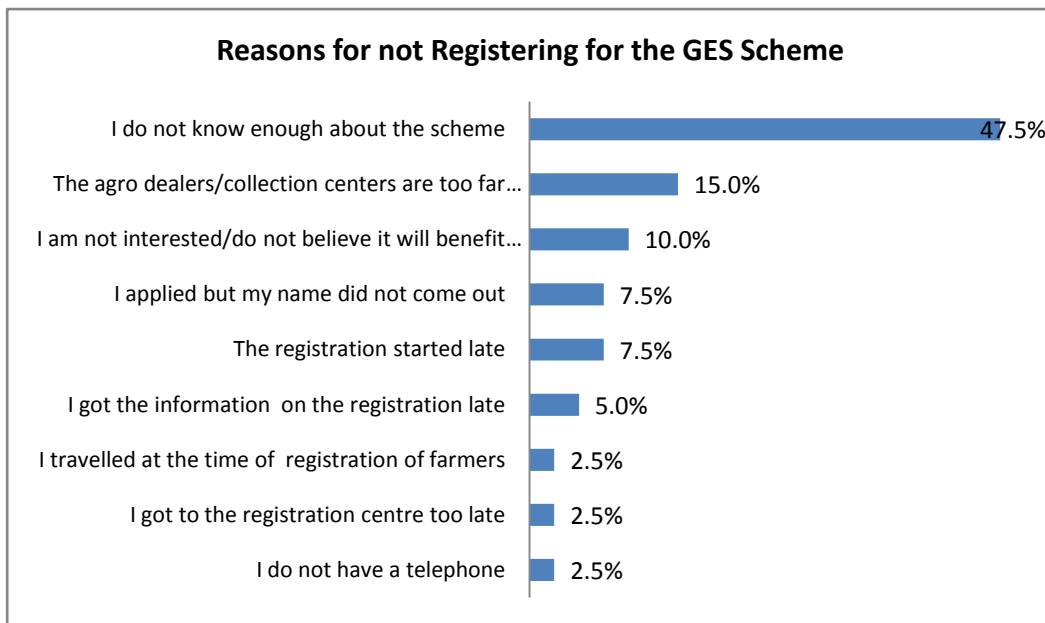


Figure 18: Reasons for not Registering for the GES

The following actions are proposed to increase the registration of farmers for the next cycle of the scheme:

- Intensify programs to educate farmers on the benefits of the use of fertilizer and improved seeds.
- Increased sensitization to create awareness of the scheme, preferably in pidgin and local languages. This sensitization should start well ahead of the registration of farmers.
- Extending the registration period for the scheme.
- Establishment of more collection centers, especially in rural locations close to farms.

## 5. 0 AGRO DEALERS

### 5.1 Characteristics

Most of the agro dealers interviewed were male (86%), while 14% were females. The dealers seemed to have extensive experience in trading agro inputs. Only 17% said they had been in the business for 2 years or less, while as much as 25% claimed to have over 15 years of experience.

Only a few (28%) of these dealers were members of fertilizer and seed associations. A slightly higher proportion (33%) were registered with fertilizer and seeds companies.

**Table 4: Organizations Agro Dealers Registered With**

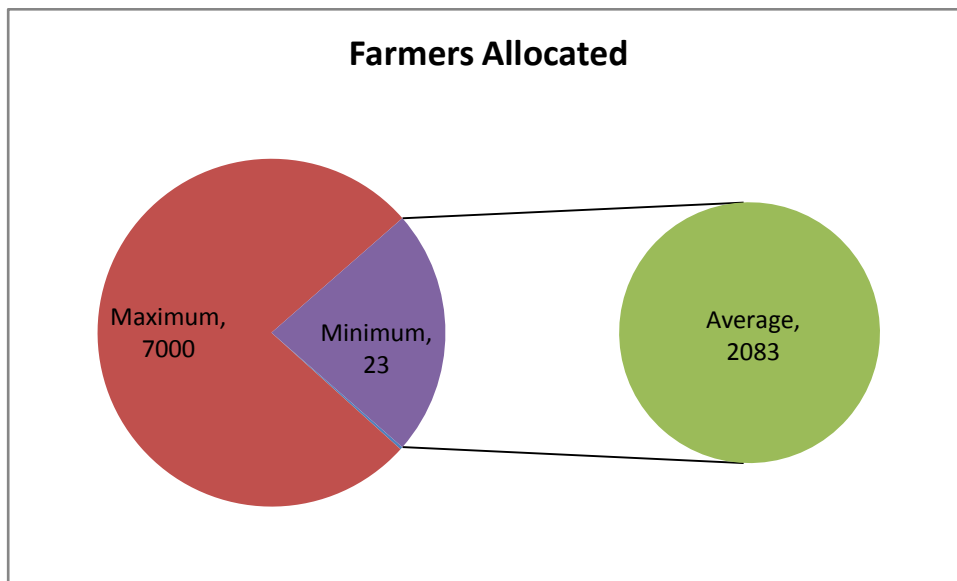
Name of Organization
West Africa Cotton Company Ltd (WACOT)
Taraba State Agro Dealers Association
Springfield Agro
Golden Fertilizer
Okalum Agro Enterprises
Notore Chemical Industries Ltd
North Eastern Agro - Input Dealers Association
Nigerian Agro Input Dealers Association
Nagari
Monoma
Ganiyu Agro Allied Enterprises
Agro Input Dealers Association of Nigeria

The dealers generally did not seem to know the date the scheme was launched in their states, with dealers from the same states reporting different months. However, most dealers reported that the

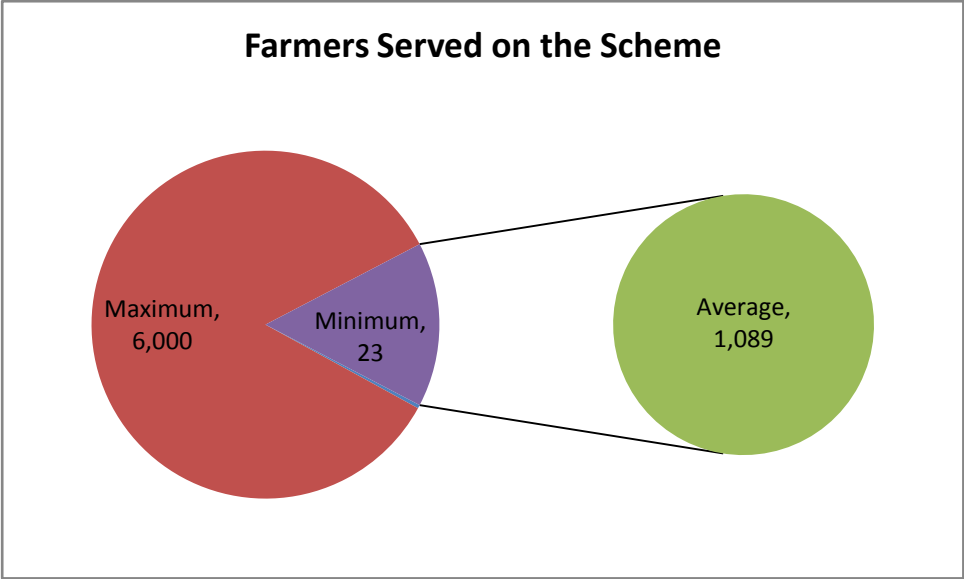
scheme commenced in their states from July 2012. Correspondingly, dealers across most of the states joined the scheme from July 2012.

### **5.2 Farmers Allocated and Served by Each Dealer**

The reported number of farmers allocated to dealers varied very widely, ranging from 23 to 7,000. Though, the average number was 2,083. Similarly, the number of farmers actually served on the scheme varied from 23 to 6,000. However, the average number of farmer served (1,089) was only about half the average number allocated. This suggests that despite registering with the scheme, a large number of farmers were unable to participate in it. This may be for any number of reasons, including non-receipt of e-wallets, lack of knowledge of process for redeeming fertilizer, lack of knowledge of when redemption commenced, etc. Another plausible explanation for the variance could be data fraud. According to Cellulant, some of the states presented bloated lists of registered farmers that could not be verified. In some cases some of the farmers were not in the field and in other cases they were people who had other primary occupations and only farmed as a secondary vocation. It would be very useful to research further to understand the reasons why these farmers were unable to participate in order to enhance the inclusiveness of the scheme. Some of the agro dealers interviewed only served farmers on the scheme, while some served both farmers in the scheme and those outside it. The reported number of farmers served outside the scheme ranged from 0 to 7,000, but averaged 684.



**Figure 19: Farmers Allocated**



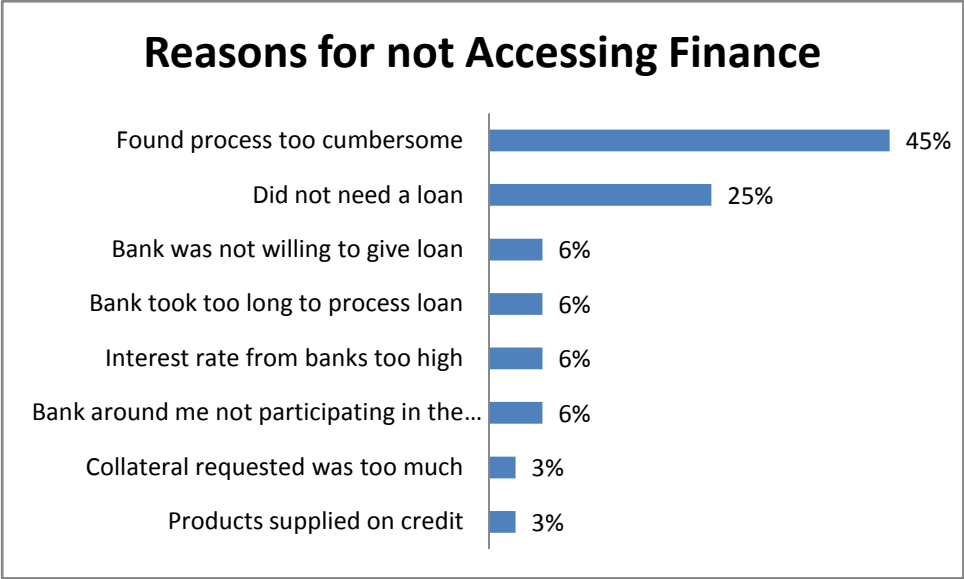
**Figure 20: Farmers Served on the Scheme**

**5.3 Finance from Banks**

69% of the agro dealers interviewed did not access finance from banks. This was especially so in Imo and Ondo States where none of the 12 dealers interviewed got finance from banks. However, slightly more female dealers (40%) said they accessed finance from banks compared to male dealers (29%). The banks which provided finance for the dealers were United Bank of Africa (UBA), Zenith Bank, First Bank, Unity Bank and Keystone Bank.

For those who did not access finance, the main reason was that they found the process too cumbersome. Other reasons include unwillingness of the banks approached to provide loans, long time taken to process loans, high interest rates and high collateral demand. Some also reported that the banks around them were not participating in the scheme. However, there were dealers who did not need loans to participate in the scheme, while others received inputs on credit from their suppliers.

The banks interviewed indicated willingness to provide funding for agro dealers, but reported that the dealers who applied did not meet the stipulated requirements. For instance, dealers were unable to meet a 20% equity requirement. Furthermore, banks reported that some applicants for funding under the scheme were merchants for products other than agro inputs.



**Figure 21: Reasons for not Accessing Finance**

**5.4 Effectiveness of the Scheme in Distributing Inputs**

The scheme was adjudged to be either effective or very effective by 75% of the agro dealers interviewed. Only 16% considered the scheme to be either ineffective or very ineffective. While this perception of effectiveness cut across Kaduna, Nassarawa, Taraba and Edo states, as much as one third of the agro dealers interviewed in Imo and Ondo states thought the scheme was either ineffective or very ineffective.

With regards to seed distribution, agro dealers were less generous with their rating of the GESS. Although a little above half (56%) rated the scheme as either effective or very effective, one quarter rated the scheme as ineffective or very ineffective. However, on the whole, all the dealers considered the scheme to be successful in getting subsidized inputs to farmers.

**5.5 Impact of the GESS on Access to Fertilizer and Seeds**

Almost all the dealers (94%) said that the GESS improved their access to fertilizer, but less (64%) agree that the scheme improved access to seeds. The major suppliers of fertilizer to the dealers under the scheme are Notore, Springfield Agro, WACOT, and Golden Fertilizers. Other suppliers are listed in the Appendix. For seeds, the major suppliers are Premier Seeds, Savannah Seeds, WACOT, Nagari and Dauda. Others are listed in the Appendix. However, almost 1 in 5 dealers said they did not receive any seeds under the scheme.

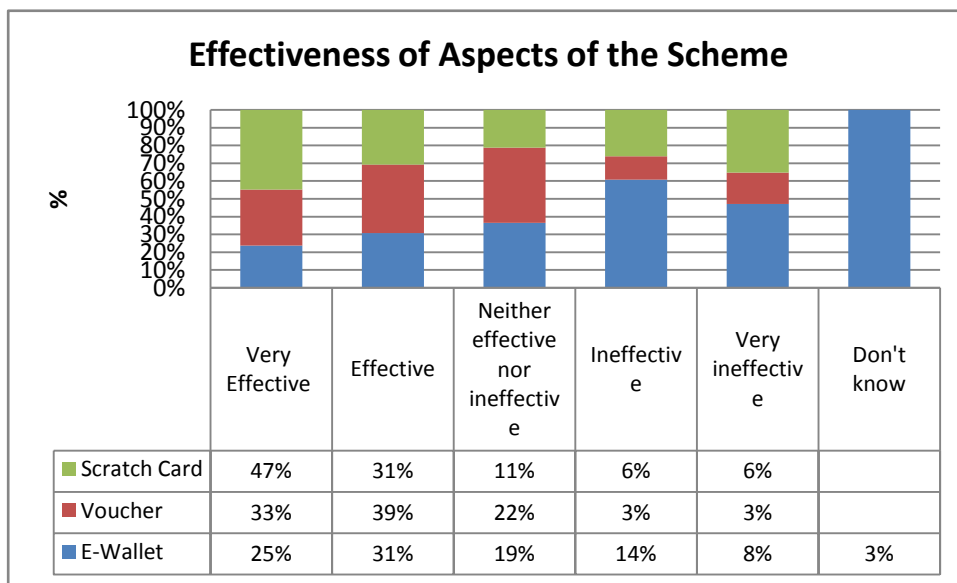
**5.6 Effectiveness of and Satisfaction with Aspects of the Scheme**

The survey asked about the effectiveness of 3 aspects of the scheme: the scratch cards, voucher and e-wallet. Over 70% of the agro dealers generally thought the scratch card and voucher were either

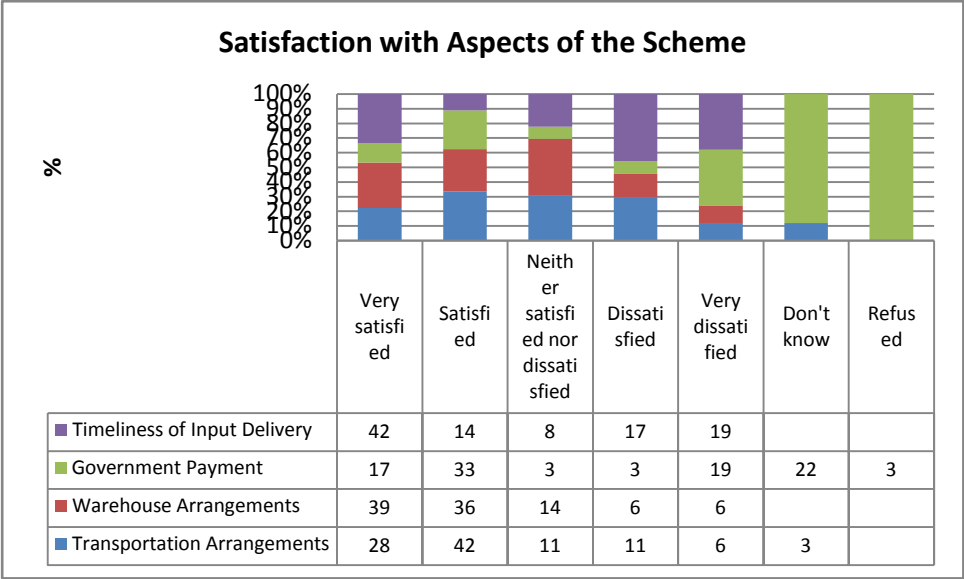


effective or very effective. However, the E-wallet was considered effective by only 56%. This may be because of the difficulties associated with the telecommunications network. All 3 aspects worked well, with about 70% saying they were either effective or ineffective. The e-wallet, though, was considered the least effective.

When asked about their levels of satisfaction with the timeliness of input delivery, 56% of the agro dealers said they were either satisfied or very satisfied. Although, as much as 36% felt the opposite. Most respondents in this group believed inputs should be delivered well ahead of the rainy season. Warehouse and transportation arrangements were satisfactory for over 70% of the agro dealers, but for government payments, less than half of the respondents were satisfied. This was not surprising considering no payment had been received from the government.



**Figure 22: Effectiveness of Aspects of the Scheme**



**Figure 23: Satisfaction with Aspects of the Scheme**

**5.7 Determination of Fertilizer Type and Quantity**

To determine the types of fertilizer to stock and supply to farmers, agro dealers depend on a number of factors. These include the demand from farmers, the types of crops planted, the local soil types, physical visits to farms to assess needs, and experience. From experience, dealers say farmers mostly demand NPK and Urea, so they stock up on those types of fertilizer. According to dealers, the kind of fertilizer to stock is also determined by the decisions and policies of the government, such as the GESS.

As for the quantity of fertilizer stocked, dealers mostly depend on current demand from farmers and projected needs. Other factors considered include the number of farmers allocated, as under the GESS, and any other prevailing government arrangement for fertilizer distribution.

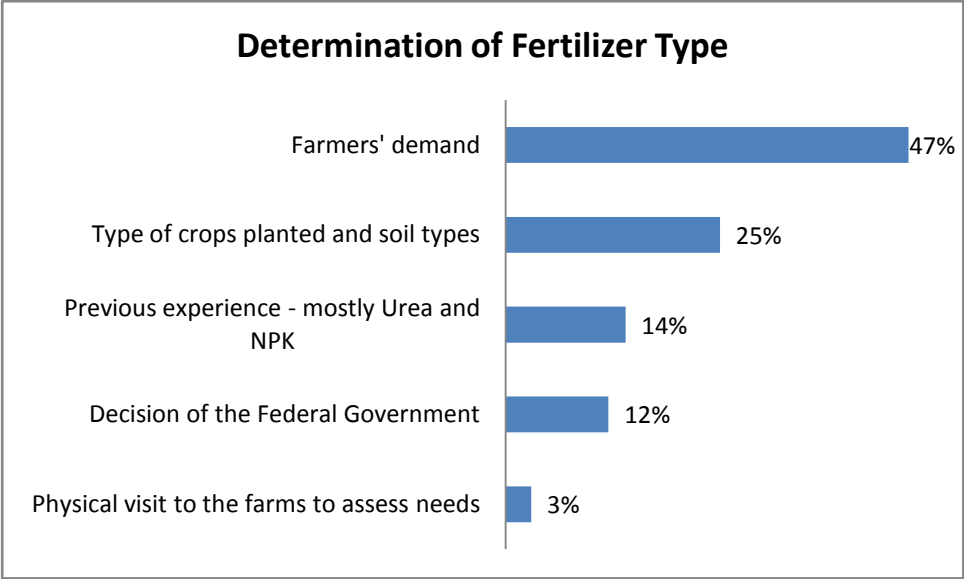


Figure 24: Methods for Determining Type of Fertilizer to Supply

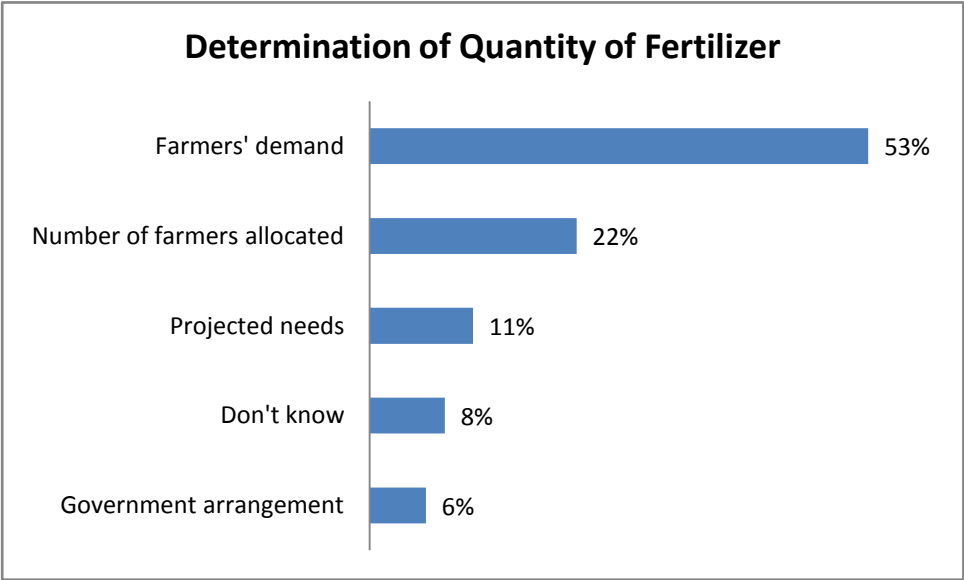


Figure 25: Methods for Determining Quantity of Fertilizer to Supply

**5.8 Appropriateness of Fertilizer Type**

To assess the appropriateness of the types of fertilizer being provided under the scheme, dealers were asked if they receive the type of fertilizer which the farmers and soils in their localities require. All the agro dealers surveyed said the fertilizer received was appropriate. This is slightly different from the views of the farmers, where 8% said they were unable to get the type of fertilizer required. All the dealers also said that they receive fertilizer from sources other than the scheme.

### 5.9 Prices of Fertilizer

Since most of the agro dealers serve farmers on the scheme and outside the scheme, the prices at which they sell to both categories of customers differ. Also, for any additional purchase over the limit of 2 bags subsidized under the scheme, farmers have to pay a different price. While the price of NPK under the scheme ranged from N2,250 to N3,350, the average price was N2,936 compared to N5,448 payable outside the scheme. Similarly, the average price of Urea under the scheme was N2,731, compared to N5,416 payable outside the scheme.

**Table 5: Prices of Fertilizer**

	Price of 50kg bag of NPK (N)		Price of 50kg bag of Urea (N)	
	Farmers on the GESS	Farmers not on the GESS	Farmers on the GESS	Farmers not on the GESS
<b>Average</b>	2,936	5,448	2,731	5,416
<b>Minimum</b>	2,250	4,500	2,250	4,800
<b>Maximum</b>	3,350	6,000	3,000	6,000

### 5.10 Challenges with the Scheme

Despite the generous ratings of the effectiveness and successfulness of the scheme in getting subsidized inputs to the farmers, most agro dealers still faced some challenges. One major area of concern was the late delivery of inputs, both fertilizer and seeds. The inputs did not come in good time for the planting season.

Dealers had difficulties working with some of the fertilizer and seeds companies. Difficulties were mostly related to logistical arrangements and payments. There were also difficulties working with the farmers. Many farmers did not understand how the scheme works, especially the e-wallet. This resulted in difficulties processing their claims. Poor telephone network also contributed to the difficulties in farmers processing their claims.

Finally, the inability to access finance was a challenge for some of the agro dealers who needed support to participate in the scheme. The cumbersome processes, high interest rates and demand for collateral were too prohibitive.

The following actions are proposed for a smoother operation of the GESS:

- Improvements in operational procedures to ensure inputs are delivered to agro dealers by March/April.
- Streamlining of processes for approving and making payments to agro dealers to enhance cashflow.
- Engagement with participating banks to review requirements for accessing loans under the scheme.
- Increased sensitization of farmers on the operational procedures of the scheme in languages easily understood by farmers (e.g. local languages, pidgin, etc)

## **6.0 REPORT ON INTERVIEW OF FERTILIZER COMPANIES**

In the design of the GESS, the fertilizer companies had the responsibility for identifying and providing the list of agro dealers, and establishing a distribution network for fertilizers in the states where they operate. A long list of agro dealers was submitted by the companies to the Federal Government prior to the commencement of the scheme. However, a large number of the dealers provided could not be validated and were not included in the scheme.

Six fertilizer companies who participated in the GESS were interviewed for the exercise. All six agreed that the scheme has been moderately efficient in delivering on its objectives of getting the fertilizers to the intended beneficiaries. However, the companies had differing opinions on the effects of Government intervention in the supply of farm inputs. While some opine that Government's participation has made fertilizer distribution more effective, others are of the view that it has had, and continues to have a negative impact. The responses suggest that the companies agree that there is still some need for Government's subsidy for the agricultural sector given its objectives of diversifying the economy and achieving food security, as well as the nascent nature of the farming regime. However, Government's intervention creates uncertainty in the market and makes fertilizer investment risky for the few companies willing to get into it.

One of the positive effects of the GESS has been an increase in the quality of fertilizer being distributed to the farmers. The interviewed companies agreed that it was easier to control the quality of the fertilizer distributed in the field to the farmers as there were less opportunities for the product adulteration. In addition, in areas where more than one brand of fertilizer was available for distribution, farmers could pick brands based on their previous use and effect on yield. This meant that the brands had to be competitive on quality.

On their field experience in the implementation of the scheme:

1. The fertilizer companies had varying reports on the level of support from the State Governments in the provision of storage and warehousing facilities for the distribution of the inputs as provided for in the GESS concept documents. In some states, the Government provided warehousing facilities, which were used as redemption centers. In other states, the Government did not provide any facilities.
2. The companies, in most cases, had to provide financial support to the agro dealers by supplying the fertilizers on credit. This was because agro dealers were unable to secure financing from the banks; hence the fertilizer companies were compelled to extend credit in order for the scheme to work.
3. The E-wallet system did not work as envisaged. All the interviewed companies were of the opinion that the system was not efficient. The network connections were bad and this had an impact on the amount of fertilizer redeemed. The scratch card which was developed as a substitute to the text messages also relied on the mobile networks, which meant that it was not very effective.
4. The companies were compelled to sell fertilizer at the Government advertised rate irrespective of the cost of transporting the products from their factories to the states. They recommend that the government indicates a subsidy amount they are willing to pay and allow the agro dealers determine the actual sale price of the input after factoring in their logistics cost. This will make the market more efficient and create healthy competition, which is good for the system.

## **7.0 REPORT ON INTERVIEW OF SEED COMPANIES**

In the design of the GESS, seed companies were responsible for the distribution of seeds to the agro dealers in the areas approved for them to operate. At conception, the seeds were to be sold to the farmers at 50% discounted price. However, as the scheme was rolled out, the Government took the decision to provide the seeds free to the farmers.

5 seed companies and the National Agricultural Seed Council were interviewed as part of the FEPSAN monitoring project. The seed companies reported varying accounts of the acceptance of the improved seeds by the farmers. While in some cases the seeds were accepted, in other cases the farmers were skeptical and preferred to use their previously stored grains. The decision to make the seeds free had a great impact in making them acceptable, as the farmers were willing to take them since they had nothing to lose.

The companies all reported an increase in their production capacity, and coverage of states and LGAs under the GESS. While 4 of the 5 recommended that Government continues the free distribution of the seeds, at least for a little while longer, one of the companies was of the opinion that the government should discontinue the subsidy. Rather the funds allocated should be used to create an enabling environment for the companies to compete by creating awareness on the benefits of improved seeds.

A major challenge reported by all the companies was the late roll out of the scheme in the various states, which had an impact on the distribution of the seeds. In some cases, most farmers had concluded planting before the scheme was rolled out in their states, and thus had no need for the seeds. The companies also incurred extra costs a result of Government's directive to repackage seeds to be distributed under the GESS.

Most of the seed companies were able to access some form of loan from banks for the scheme. However, they were unable to sell to agro dealers who could not afford to pay upfront for the seeds. In addition, as at the time of the report, the seed companies had not received payments for seeds supplied, thus tying down their working capital and impacting negatively on the ability to produce seeds for next season.

## **8.0 REPORT ON INTERVIEW OF STATE GESS COORDINATORS**

The State GESS coordinators were principal actors in the implementation of the scheme in their various states. They were primarily responsible for the coordination of the program, and the reporting on the distribution and redemption processes. The State GESS coordinators were staff of the State Ministry of Agriculture and had little or no funding to carry out their designated tasks.

From the reports of the States Coordinators, the scheme was launched in every state well after the planting season. In every case, the initial period specified for redemption was insufficient to adequately cover the various LGAs in the states and had to be extended. The scheme achieved moderate success in the states as some farmers benefited from the Government subsidy program for the first time. It also ensured that the input actually got to the framers who needed them the most.

### ***Kaduna State***

The scheme was launched in July 2012. The State had 3 redemption centers per LGA. Due to lack of funds, the agro dealers did not have sufficient inputs to meet needs, so the State Government had to get involved in the distribution of the fertilizer by buying directly from the Suppliers. The few Agro dealers who participated had to provide for their warehousing and storage of the inputs as the State Government did not provide. The E-wallet through telephone text messages did not work at all. The state had to use scratch cards and email vouchers which were sent directly to the State

Coordinator. Over 192,000 farmers were registered in the state, but only 150,000 were authenticated by CELLULANT. As of the time of reporting, about 100,000 of them had redeemed their fertilizers. The Banks did not provide financing for the agro dealers and this limited their ability to source for and distribute the inputs.

### ***Jigawa State***

The scheme was launched in June 2012, which was also past the planting season. The scheme was quite successful in the state, considering that 106,000 farmers were registered and about 100,000 of them were able to redeem inputs. The Distribution network put in place by the State Government and the fertilizer companies was effective, and the Government provided warehousing and storage facilities. The online redemption process did not work, hence vouchers and scratch cards had to be used. The state only got about 10% of the seeds required for distribution and this was grossly inadequate to meet the needs of the farmers. The GESS stabilized the prices of fertilizer in Jigawa, as the cost for a bag was the same in the open market as under the scheme.

### ***Nassarawa State***

The scheme was launched in July 2012. About 160,000 farmers were registered under the scheme, but only 98,000 were accredited to benefit by CELLULANT. Of this figure, 36,600 farmers had been able to redeem their E-wallets as at the time of report. The initial 3-week period specified for redemption was not sufficient, and was extended. Redemption is still ongoing. 27 redemption points were set up in the state and the distribution network effectively covered the 13 LGAs. The agro dealers and suppliers had to provide the storage and warehousing facilities since this was not provided by the State Government. The E-wallet was not effective in the state, hence they resorted to the use of vouchers and scratch cards. Some of the farmers did not have telephones and so could not receive the text messages. The seeds supplied were grossly inadequate; of the total number of accredited farmers, only 1,776 and 1,343 farmers got maize and rice seeds, respectively.

### ***Imo State***

The scheme was launched in July 2012. The program commenced well after the farmers had concluded planting for the season and as a result of insufficient stock, it could not be rolled out in each LGA at the same time. Redemption was carried out in two phases within a 9-week period. The State Government provided storage facilities for the agro dealers and the distribution network set up was somewhat effective. The E-Wallet system did quite not work in the State. Only a few farmers were able to redeem inputs through the system, and the bulk had to resort to the use of scratch cards. The seeds supplied were grossly insufficient and unnecessary as the farmers had no need for them having concluded planting in March. There were limited funds for implementing the



program as the State Government had not budgeted for the scheme and the Federal did not provide any assistance to the Coordinators.

### ***Abia State***

There were two separate schemes. The first was the Cassava Value Chain launched on the 26<sup>th</sup> of June, 2012 and the second was the Generic scheme launched on the 26<sup>th</sup> of July, 2012. Redemption of fertilizers is still ongoing. About 55,000 farmers were registered for the Cassava Value Chain and 110,000 for the Generic GESS. So far only about 4,000 farmers have been able to redeem their inputs in the state. The agro dealers could not access loans from the bank to stock the products and so there was insufficient supply. The E-wallet was limited in its effectiveness and had to be augmented with scratch cards.

### ***Gombe State***

The scheme was launched in June 2012 and was late for the planting season. 18 Redemption Centers were set up and the State Government provided warehousing facilities for storage of the supplies. Only about 800 farmers of the 148, 000 registered in the state redeemed their fertilizers through the telephone E wallet. There was a lot of confusion with the telephone messages as a number of the farmers were illiterate and could not rightly interpret the messages. They had to resort to the use of the scratch cards which were not provided in sufficient quantity by CELLULANT. The seeds supplied were grossly inadequate as the seed companies were unable to meet the demands of the state. The price of fertilizer in the open market was double the GESS price and this led to some diversion of the products.

### ***Taraba State***

There were 2 fertilizer programs. The first was the Paper Voucher Scheme put in place by the State Government which was rolled out and concluded between April and June 2012. The E-wallet GESS was rolled out in June and ran till the 19<sup>th</sup> of September 2012. The state had 34 redemption centers in the 16 LGAs. There were some challenges with the distribution process given the difficulties of the terrain. Some LGAs could not be covered simply because they were far out and inaccessible. The mobile technology did not work well in the state. The text messages to the farmers were not sent when due and so the stock with agro dealers were not being redeemed. The price of fertilizers in the open market was higher than the GESS price. They also had difficulties getting access to the staff of Cellulant to rectify the network challenges with the E wallet.

### ***Ogun State***

The program was launched in June 2012. The state had 2 schemes: One was generic and a second one was specifically for Cocoa. The fertilizer suppliers under each scheme also differed. The distribution network put in place was not effective to cover the various LGAs as the State

Government did not get involved in setting up the structures but allowed the market actors to determine how to implement the scheme. The greatest challenge faced in the state was insufficient seeds as the seed companies could not meet the demand. The agro dealers also could not source funds from the banks and this affected their capacity to stock up on the seeds and fertilizer. The E-wallet system was ineffective and the state had to resort to Paper Vouchers for redemption.

### ***Ondo State***

There were 3 GESS schemes in the state for cocoa, cassava and maize. The cocoa scheme was launched in August 2012 and has been deployed in two LGAs. At the time of reporting, some agro chemicals and fertilizers had been sent to 4 additional LGAs, but were yet to be distributed as a result of lack of vouchers/scratch cards. Of the over 20,000 farmers registered in the state for the cocoa scheme, only 75 had redeemed their inputs. This represents less than 1% of the farmers registered. The main reason adduced by the Cocoa GESS Coordinator for this low performance is insufficiency of inputs supplied by the fertilizer companies. For the maize scheme, 11 of the 17 LGAs were covered. Of the 50,000 farmers registered, about 5,000 (10%) had redeemed their inputs. Shortages resulted from the fact that some fertilizer companies pulled out of LGAs allocated to them, while those that participated did not provide sufficient inputs. The agro dealers also had financial challenges paying for the products received as banks did not provide loans. The E-wallet telephone redemption did not work in the state. Ondo State has an Agricultural Input Supply Agency which coordinated the distribution of inputs in all the LGAs.

### ***Edo State***

The scheme was launched on the 4<sup>th</sup> July, 2012. About 32,000 farmers were registered under the scheme and 21, 648 accredited by Cellulant. Of this figure, only 7,000 had received the subsidized fertilizer at the time of reporting. Some of the fertilizer companies pulled out of the state at the last minute and so two LGAs: Edo-Central and Edo-North did not receive any inputs. Only 6 centers were set up in Edo-South. The agro dealers had to provide their own storage facilities. Furthermore, the E-wallet system and vouchers were used.

## **9.0 REPORT ON INTERVIEW OF BANKS**

In November 2011, preparatory to the roll out of the GESS, the Federal Government signed a Memorandum of Understanding (MOU) with some commercial Banks who had indicated interest in participating in the new scheme. The Federal Government was by the MOU, required to provide capital for loans to enable the banks finance qualified agro dealers' fertilizer purchases. About 22.6 billion naira was earmarked for this purpose and the loan was meant to be made available to the agro dealers at 7% interest rate. All indications from the field suggest that the banks did not come through on the scheme, in spite of the Government's guarantee. In each state surveyed, one of the major challenges of the GESS was the lack of finance for the purchase of inputs by the agro dealers.

A direct implication of this was that the fertilizer companies had to extend credit to the agro dealers and bear the risk for non-performance. 2 Banks were interviewed as part of the data collection process for the monitoring exercise.

### ***First Bank of Nigeria***

According to the bank, before an agro dealer could access a loan for the scheme, he/she had to:

1. Get a pro forma invoice from a fertilizer company
2. Agree on payment after delivery terms
3. Be on the Federal Fertilizer Department's list of agro dealers
4. Have warehousing capacity for the required volume
5. Provide 20% equity contribution

The Bank put in place a product program specifically for the scheme after signing the MOU with the Federal Government. Under the program, if all the preconditions are in place, it should take an average of 48 hours for an agro dealer to obtain a loan. The Bank was not forthcoming with the actual numbers of loan applications they processed under the scheme or with the percentage of loans that were disbursed. However, the general response of the bank to the reason for the low/lack of bank finance was that the most of the agro dealers were unable to come up with the 20% equity contribution required of them. They also alluded to the fact that some of the agro dealers on the scheme were merchants whose primary line of business was not agricultural inputs.

### ***Unity Bank***

The Bank signed the Federal Government's MOU in 2011, but did not start work on the GESS until June 2012. According to the bank, only 5 applications were received for GESS related loans from agro dealers in Adamawa, Kwara, Zamfara, Ebonyi and Bornu. Four of these applications were processed and only one was approved for loan disbursement in Kwara State. There was limited understanding and activity on the scheme in the Bank as a result of a change in personnel, and this impacted on their ability to structure a formal loan process for the GESS.

### ***Access Bank***

The Bank participated in the GESS scheme and was one of the frontline Banks that worked with the Government in the conceptualization and design of the scheme. They received a total of 15 applications under the scheme and processed 12 of them. According to the bank, it would take an average of a month for an agro dealer to process a loan application through the Bank. The bank opines that the NIRSAL scheme should make future loan conditions less stringent. They contend that most of the agro dealers were unable to meet the minimal conditions they put in place for accessing the loans. In addition to this, they allege that some of the 'supposed' agro dealers whose

names were submitted by the fertilizer companies were not actual agro dealers and some were even staffs of the State Ministry of Agriculture! Going forward, the bank proposes a structured loan program for agro dealers specifically designed for the GESS. They also request that the agro dealers be verified as actual dealers who have been in the business and who are willing to make some commitment to meet the bank's lending requirements.

## **10.0 CONCLUSION AND RECOMMENDATIONS**

### ***10.1 Timing of Input Delivery***

A major challenge reported by the farmers and agro dealers, and corroborated by the State GESS coordinators, is the timing of input delivery. It is imperative that inputs are delivered to agro dealers before the planting season commences, usually around March/April. To achieve this, preparations required to ensure these dates are met should be made well ahead of time.

### ***10.2 E-wallet***

The E-wallet was found to be limited in effectiveness, due largely to poor telecommunication services. As much as 19% of the numbers of registered farmers that were called during the survey period were not reachable, probably due to the telecommunications network, switched-off phones, or discontinued use of numbers. Since not much can be done directly by the government about these issues, at least in the short term, clear alternative procedures for redeeming inputs, such as the use of scratch cards, should be developed and communicated to all stakeholders.

### ***10.3 Education/Sensitization***

The need for further education of farmers on the scheme is very apparent. Many farmers did not know how to activate their numbers or the numbers to dial for fertilizer and seeds. The lack of knowledge of the processes and procedures was a challenge for both the farmers and agro dealers, and this was attested to by the State GESS coordinators. To improve the effectiveness of the scheme, there is need for extensive sensitization on the procedures for redeeming inputs. This should be done using local channels that can reach out to farmer effectively such as radios, community leaders, and cooperative associations, extension workers, etc. The communication should also be in languages easy for farmers to understand, such as pidgin and local languages of states. In addition, there is need to develop numbers that will be easy for the farmers to remember and work with. For instance, 3-digit numbers like 777.

### ***10.4 Type of Farmer***

The survey found that only a small proportion (36%) of farmers interviewed were smallholder farmers, who are the target of the scheme. Data on farmers registration needs to be reviewed and verified to ensure only targeted farmers are beneficiaries of the scheme. Stringent measures should also be taken to ensure only eligible farmers are registered for future cycles of the scheme.

### ***10.5 Type of Fertilizer***

Farmers were generally able to purchase the required types of fertilizer, as it appears NPK and Urea are the main types of fertilizer in demand across the states surveyed. However, there were complaints from some farmers that the types of fertilizer supplied were not right for the local soil types. Consideration of the local soil types and crops grown should be made in determining the type fertilizer supplied for each location.

### ***10.6 Quantity of Fertilizer***

The current two 50kg bags of fertilizer available to farmers under the scheme were found to be inadequate to meet the needs of farmers, even the smallholders. Considerations should be made to increase the number of bags available under the scheme to four in the second cycle, and six in the third cycle.

### ***10.7 Participating Farmers***

The large difference between the average number of farmers allocated to agro dealers and the actual number served on the scheme suggests that farmers who registered for the scheme were unable to participate in it. This may be for any number of reasons, including non-receipt of e-wallets, lack of knowledge of process for redeeming fertilizer, lack of knowledge of when redemption commenced, etc. Another plausible explanation for the variance could be data fraud. This needs to be investigated further to ensure inclusiveness of the scheme.

### ***10.8 Collection Centers***

The locations of collection centers were too far for many farmers to easily access. At a minimum, every local government area should have a collection center. However, much more centers, located near farming areas are required to increase access to farmers.

### ***10.9 Awareness***

Quite a high proportion of non-GESS farmers surveyed were not aware of the scheme. To increase registration of farmers for the next cycle, there is need for more extensive sensitization and enlightenment, especially at the grassroots level. Education is also required on the benefits of using fertilizer and improved seeds.

### ***10.10 Payments***

The non-payment of counterpart funding from the government hindered the operations of the agro dealers, with implications also for the input suppliers who supplied products on credit. This tied down the working capital of fertilizer and seed companies, thus restricting their ability to import/manufacture new products. It also made the companies unwilling to supply more products in areas where they were needed. To facilitate settlement of equity contributions from the

government, the process for approving and making payments to agro dealers needs to be streamlined so payments can be received in good time.

#### ***10.11 Access to Finance***

In general, lack of funding for the agro dealers limited their ability to procure inputs for supply to farmers. The requirements agro dealers have to meet in order to access loans from the banks need to be reviewed. For instance, the equity contribution required from agro dealers should be reviewed downwards from 20% to 10% to be more affordable to the dealers.

#### ***10.12 Quality of Inputs (fertilizer)***

In order to address the quality challenges raised by stakeholders during the monitoring exercise, it is recommended that an effective regulatory and quality control system at every stage of the fertilizer supply chain be set up.