FEPSAN

FERTILIZER PRODUCERS & SUPPLIERS ASSOCIATION OF NIGERIA

PRESIDENTIAL FERTILIZER INITIATIVE PROJECT

DRAFT

IMPLEMENTATION GUIDELINES

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ABBREVATIONS

ABP – Anchor Borrower Program
AfDB – African Development Bank
AFAN – All Farmers Association of Nigeria
BOA – Bank of Agriculture
BOI – Bank of Industry
CAC – Corporate Affairs Commission
CBN – Central Bank f Nigeria
COS - Chief of Staff
DAP – Di-Ammonium Phosphate
FEPSAN – Fertilizer Producers & Suppliers Association of Nigeria
FGN – Federal Government of Nigeria
IFAD - International Fund for Agricultural Development
ISPO – Irrevocable Standing Payment Order
KASCO – Kano Agricultural Supply Company
MAAN – Maize Association of Nigeria
MD – Managing Director
MOP – Muri ate of Potash
MOU – Memorandum of Understanding
NGC –Nigerian Gas Company
NNPC – Nigerian National Petroleum Corporation
NPK – Nitrogen, phosphate, potassium fertilizer
NSA – National Security Advisor
NSIA Nigerian Sovereign Investment Authority
NAIC-NPK – Nigerian Agricultural Investment Company – Fertilizer Project
NAIDA – Nigerian Agricultural Inputs Dealers Association
OCP – Office Chérifien des Phosphates
RIFAN – Rice Farmers Association of Nigeria
SEEDAN – Seed Entrepreneurs Development Association of Nigeria
SMAN – Sorghum, Millet Association of Nigeria
TV – Television
USAID – United States Agency for International Development
WAFERT – West African Fertilizer Company

1.BACKGROUND

Nigeria has one of the most suitable arable land with varied ecologies conducive for the cultivation of a variety of crops and rearing of livestock and fish. However agriculture has been neglected over the years in the country to the point now it is unable to adequately meet its demand for food security, raw materials for agro-industrial development, additional employment opportunities and increased economic growth of the nation. The obvious and persistent factors such as increasing growth in population, dwindling oil revenue, over reliance on oil as the major source for revenue generation, erosion of foreign reserve and apparent food scarcity necessitate the administration of President Muhammadu Buhari on assumption of office to pronounce agriculture as one of the main sectors to focus on to diversify the economy and get the country out of the current recession and economic down turn. The main impediments to agricultural growth especially in the crop sub sector are lack of improved seeds and sufficient quantity and quality fertilizers on time and at affordable prices.

The Federal Government over the years had made several efforts to make fertilizers available to farmers using different subsidy methods and approaches, and despite all these efforts fertilizer financing has not shown significant impact on crops yield, farmers' livelihood or the overall national economy. Nigeria's highest fertilizer consumption had not exceeded 1.2 million tons per annum, in a country with potential to use over 7 million tons per annum. The current fertilizer use rate in the country is only 15-20kg/ha against world average of 100kg/ha. A study by FEPSAN in 2010 showed that only 11% of farmers accessed subsidised fertilizer. Availability and accessibility of fertilizer therefore have been the major hindrance to farmers in their quest to embark on small, medium and large scale agrarian revolution.

President Muhammadu Buhari has realized that the Nigerian fertilizer industry if encouraged, can make significant impact in revolutionizing the agricultural sector because it has substantial local investment for production and blending of over 2 million tons of Urea and over 2 million tons of NPK which is in excess of current consumption level. However this investment is only partially utilized in preference to importation. The industry also has an employment generation potential of over 250,000 people in both direct and indirect jobs. If this investment is supported and encouraged by appropriate policies it can lead to saving substantial foreign exchange for the country in addition to generating employment. The President is also aware that timely supply of adequate quantity and quality fertilizer are the major impediments to crop production. Therefore in his policy directions he decided to make agriculture the pivot for diversifying the economy, and this prompted him to initiate a bilateral arrangement between the governments of Nigeria and Morocco the leading phosphate fertilizer producer in the world, to develop Nigerian fertilizer industry. This lead to the signing of two memorandum of understanding (MOU) between Moroccan company OCP and Dangote Group to produce additional 2.8 million tons of Urea by 2019 and another MOU between OCP and Fertilizer Producers & Suppliers Association of Nigeria (FEPSAN) to upgrade and expand local blending capacities to blend NPKs in the country.

The fertilizer blending program will start with blending 0.5 million tons of NPK 20:10:10 in 2017 farming season. For the program DAP will be supplied under a negotiated arrangement with OCP of Morocco; MOP will be sourced from Europe or Former Soviet Union (FSU) under a negotiated concessionary pricing arrangement; Urea will be supplied by Indorama Eleme Fertilizer & Chemicals Company and NOTORE Chemical Industries both in Port Harcourt, Rivers State and Granulated Limestone will be supplied by West Africa Fertilizer Company (WAFERT) in Okpella, Edo State, as raw materials to the blending plants.

This idea conceived by President Muhammadu Buhari lead to what is now the Presidential Fertilizer Initiative (PFI) Program and a Presidential committee was set up to steer, guide and direct the implementation of this laudable initiative. The Committee is domiciled in the office of the Chief of Staff (COS) in the Presidency and is chaired by His Excellency Governor of Jigawa State Alhaji Badaru Abubakar and consists of Chief of staff (COS), Minister of Finance, Minister of Agriculture, Governor of CBN, National Security Adviser (NSA), GMD of NNPC, MD Nigerian Sovereign Investment Authority (NSIA), President of Fertilizer Producers & Suppliers Association of Nigeria (FEPSAN), MD Nigerian Gas, among others. The committee is charged to work to find solutions to the fertilizer problems in the country, and how fertilizer can be supplied timely in adequate quantity and quality and at affordable price to farmers to ensure attainment of crops production potential, food security, improved livelihood for farmers and economic growth for the nation. The first supply of raw materials and blending operations commenced in February 2017.

2. OBJECTIVES

The program aims to promote innovation in an effort to contribute towards productivity-led agricultural growth and improved farmer livelihood through:

- Strengthening capacity to ensure a timely supply of quality fertilizers in adequate quantities and in a cost-effective manner to farmers as well as to develop an efficient supply chain through improvement of logistics management, including warehousing and transportation services; and strengthening the agricultural extension service system.

- Securing a supply of quality fertilizers by bringing in raw materials required for the production of NPKs suitable to the crops and soils in Nigeria, as stipulated in the new soil fertility policies and recommended formulations released by the Federal Ministry of Agriculture,

- Increase the production of Urea and NPKs to meet local requirement, create employment and serve as source for foreign exchange

- Strengthen local production and blending capabilities by leveraging on technical know-how and engineering capabilities of partners;

- Stimulating product innovation and development through the deployment of partners' expertise in producing scientifically recommended fertilizer formulations adaptable to the needs of Nigerian soil.

3. THE PROGRAM ENABLING AGREEMENTS

The program implementation will be guided by the following agreements:

1. The Memorandum Of Understanding between FEPSAN and OCP
2. The Master Agreement between FEPSAN and NSIA/NAIC-NPK
3. The Raw Material Supply Agreements between NSIA/NAIC-NPK and the raw material suppliers (OCP, INDORAMA, NOTORE, WAFERT)
4. The Blending Agreements between the Blending Companies and NSIA/NAIC-NPK
5. The Logistics Agreement between the Logistics Company and NSIA/NAIC-NPK

In addition to the terms and conditions stipulated in the enabling agreements, following sections provide additional implementation guidelines for the various participants in the program

4. PLANNED OUTPUTS, DELIVERABLES AND SCHEDULES

At the end of each growing season the planned outputs, deliverables and schedules of the program in respect of next growing season/cycle with regards to blending plants, raw material supply, quantities to be produced, up take and other related matters will be elaborated upon and produced to guide implementation.

5. THE ADMINISTATIVE SET UP AND COMPONENTS

The program administrative set up, components, roles, responsibilities and linkages are provided below

A. Presidential committee

The Presidential committee is the policy hub of the program and it will:

1. Work to find solutions to the fertilizer supply and distribution bottle necks in the country and how fertilizer can be supplied at affordable prices to farmers.
2. Meet on regular basis to assess the design and implementation modalities as well as the progress of the program, and make amendments where necessary

3. Undertake visits to assess the operational state and condition of the blending plants to be used for the program, as well as oversee the overall implementation of the program
4. Negotiate with raw materials suppliers with a view to securing concessionary bulk order price so that the blended fertilizer will be affordable to farmers

B. Technical Committee

The Technical Committee will assist the presidential committee in its work, and will undertake supervision and oversight functions on a more regular basis. Its composition include:

The President of FEPSAN,
The MD of NSIA and
The NSA's office.
They will ensure that participants comply with the implementation guidelines especially on quality assurance and security requirements. They can co-opt specialists/technicians to join them when and where required

C. Supply of raw materials to the blending plants

DAP will be supplied by OCP Morocco: MOP will be sourced from Europe or Former Soviet Union (FSU); Urea will be supplied by Indorama Eleme Fertilizer & Chemicals Company and Notore Chemical Industries both in Port Harcourt, Rivers State, while the Granulated Limestone will be supplied by the West Africa Fertilizer Company (WAFERT), Okpella, Edo State. Procurement of raw materials will be negotiated by the Presidential Committee under a bulk order concessionary price arrangement so that the blended fertilizer will be affordable to farmers

The indigenous raw materials suppliers are required to:

I. Register with FEPSAN if not already a FEPSAN member
II. Pay all outstanding arrears of annual subscription if already a FEPSAN member
III. Keep up to date records of all the fertilizer transactions under the program to facilitate monitoring, assessment and impact evaluation

D. Financing arrangements

The Nigerian Sovereign Investment Authority (NSIA) of the Nigeria Sovereign Wealth Fund in collaboration with the Central Bank of Nigeria (CBN) have floated the Nigeria Agricultural Investment Company-NPK (NAIC-NPK) that will fund the payment of the raw materials and operating expenses of the blending plants for the program. The Bank of Industry (BOI) was contacted to fund the upgrading and expansion of the blending plants, while the Bank of Agriculture (BOA) and participating money deposit banks under the CBN programs would provide funding at concessionary rates to farmers and fertilizer distributors/dealers to buy the fertilizers under the program.

E. Blending and distribution:

Selection of blending plants. The program is open to all eligible blending plants in the country. However they will only participate after required assessments and meeting set criteria, starting with blending plants that are members of FEPSAN and or have been in continuous production for at least the past three years. Others will be admitted after proper assessment of the plants for meeting set technical and security requirements.

Other guidelines for the participation of blending plants include:

a. Must have registered with the Federal Ministry of Agriculture& Rural Development to do fertilizer business in Nigeria.

b. Must have registered with Corporate Affairs Commission (CAC) as a business entity in Nigeria

c. Must register with and secure a VAT Identification Number (VIN) from the Federal Inland Revenue Service (FIRS)

d. Must register with FEPSAN or update their registration according to the categorization of FEPSAN, new members will pay registration and 3 years annual subscription, and defaulting members will pay all outstanding arrears of dues

e. Must have a functional and operating machinery

f. Must have internal quality testing laboratory/facility

g. Must have been in production for a minimum of 3years except where specifically exempted by joint agreement between FEPSAN and NSIA

h. Must not divert any raw material or finished products to unauthorized destinations

i. Must not sell the fertilizer product above the approved factory price set by the PFI committee

j. Must not sell to any distributor or dealer that did not show an evidence of registration with FEPSAN

k. Must keep up to date records of all the fertilizer transactions under the program to facilitate monitoring, assessment and impact evaluation

l. Must pay a development levy of an amount to be determined by FEPSAN from time to time on each 50kg bag of fertilizer produced.

F. Up takers of the fertilizers

There are three categories of up takers that will buy the fertilizer from the blending plants on different payment arrangements namely:

a) **The state governments**:

i. Must submit an indent of their requirement to Federal Ministry of Finance for assessment of capacity to repay in case of any default

ii. Must issue an ISPO to Federal Ministry of Finance to deduct the equivalent amount of the money from their statutory allocation at source in case of default to repay within agreed period, the ISPO must be signed by the state Governor, attaching the House of Assembly resolution empowering the Governor to issue the ISPO from the State's approved appropriation.

iii. Must sell the product to organized farmers associations, groups and individuals at the fixed price set by the PFI committee without subsidy

iv. Must keep up to date records of all the fertilizer transactions under the program to facilitate monitoring, assessment and impact evaluation

v. Should support and cooperate with FEPSAN and NSIA to ensure smooth implementation of the program

b) CBN Anchor Borrower Programs

The Chief Coordinator of the ABP in a State:

i. Must submit an indent of their requirement to NSIA for review and allocation and assignment to a blender of their choice or that close to their area of production; and NSIA will inform the blending plant, the participating bank in the ABP and FEPSAN for their record and further appropriate action

ii. Must sell the product only to the registered participating farmers/growers under the approved ABP value chain, and must not sell above the approved retail price per bag set by the PFI committee

iii. Must pay for the fertilizers according to stipulations under the CBN-ABP and NSIA guidelines

iv. Must keep proper records of how the fertilizer was sold to the growers under the ABP value chain to facilitate monitoring, assessment and impact evaluation

v. Should cooperate with FEPSAN and NSIA to ensure smooth implementation of the program

c) **Distributors and dealers:**

i. Must have registration from Federal Ministry of Agriculture to do fertilizer business in Nigeria.
ii. Must register with Corporate Affairs Commission or State Ministry of Commerce/ Cooperatives as a business entity in Nigeria
iii. Must produce evidence of payment of tax to Federal Inland Revenue Service (FIRS) for the last 3 years
iv. Must register with FEPSAN and pay one off registration and the annual subscription fees. Failure to pay fees would lead to unconditional withdrawal of membership and from participation in the program.
v. Must have track record for a minimum of 3 (three) years in fertilizer business in Nigeria.
vi. Must have functional warehouse/houses. List to be attached to application
vii. Must have an established and functional supply chain network (retailers/outlets) in Nigeria. List to be attached to application
viii. Must register with and be introduced to FEPSAN by at least one participating blending plant as main supplier
ix. Must be able to buy a minimum of 10 trucks at a time from any participating blending plant and must ensure that their retailers and or their outlets do not sell the fertilizer to any farmer at more than the fixed price per bag set by the PFI Committee
x. Must not divert the fertilizer products purchased under the program to unauthorized destinations or users.
xi. Must immediately report any problem to FEPSAN for possible resolution
xii. Must keep proper records of all transactions under the program to facilitate monitoring, assessment and impact evaluation

G. Logistics arrangements

Transportation of the raw materials to the blending plants will be handled by a logistics company to be engaged by FEPSAN, while the transportation of the blended product will be handled by the up takers. The logistics company will collect and keep stock records of the fertilizer raw materials supplied to the blending plants, the quantities of finished products produced, quantities off taken, balances, etc. on a weekly basis and make same records available to FEPSAN, NSIA to facilitate reconciliation, monitoring, assessment and impact evaluation etc.

Other requirements for the transporters under the program include:

i. Must register with the company handling the logistics of the program
ii. Must provide the list of their trucks and registration numbers, names of drivers and truck boys with their phone numbers to the logistics company who will in turn make copies available to FEPSAN, NSIA and NSA's office for their records and appropriate action.
iii. Must pay to FEPSAN through the logistics company, the cost of the stickers to be affixed on each truck participating in the program while loading raw materials.

iv. Must not divert the products and must keep to schedule of the operations. Sanctions will be imposed for diversion of products and for violating schedules including litigation and or outright withdrawal of violators

v. Must keep proper records to facilitate monitoring, assessment and impact evaluation

H. Security and tracking system

National Security Agencies in collaboration with FEPSAN will track the loading, transporting and off-loading of the raw materials and finished products from point of loading to point of delivery along designated and other routes. A sticker with help line numbers will be affixed on trucks conveying raw materials to assist and speed up checking by security agencies.

I. Strengthening FEPSAN

The fees and levy charges will be utilized to strengthen FEPSAN to adequately coordinate the blending activities under the program for smooth implementation; and to undertake other activities on behalf of the Association with the overall objective of providing the required leadership of the fertilizer industry in Nigeria. The funds will be utilized to:

i. Engage more staff

ii. Acquire utility vehicles

iii. Undertake monitoring, assessment and impact evaluation of the program

iv. Undertake evidence based fertilizer related research, surveys, studies, etc.

v. Undertake other cross cutting activities on behalf of the Association such as collaboration with partners, advocacy for better business environment, publicity and promotion, capacity building of FEPSAN and members' staff, representation at various fora and events, etc.

J. Publicity

FEPSAN will work in collaboration with other stakeholders to publicize the program using the following:

i. Media: Jingles, adverts and announcements in print media, radio and TV

ii. Internet: Using FEPSAN website and through Facebook, Instagram, Tweeter, etc.

iii. Collaborators with large farmer base such as Federal and State Ministries of Agriculture and ADPs, Research Institutes, CBN, World Bank, IFAD, AfDB, USAID, SG 2000 Projects, etc.

iv. Commodity Associations such as AFAN, RIFAN, SMAN, MAAN etc.

v. Agro input dealer associations: Crop Life, SEEDAN, NAIDA, etc.

K. Documentation, reporting, monitoring and evaluation

a) Reporting

Information and data collected in the course of implementing the program will be properly documented to enable proper assessment of the achievement of the goals and objectives of the program, and in assessing and evaluating the impacts of the program In this regard FEPSAN will engage the services of a competent Monitoring & Evaluation research and documentation Consultant to work in this area. FEPSAN and the M&E Consultant will establish the baseline data and based on the project set targets, carry out periodic (monthly, quarterly, annual) monitoring, assessment and evaluation exercises and submit relevant reports to FEPSAN for review and onward submission to the PFI Committee.

- FEPSAN Secretariat and the Monitoring & Evaluation (M&E) research and documentation Consultant will develop appropriate reporting formats for the M&E data collection purposes.
- FEPSAN secretariat, the logistics company, raw materials manufacturers/suppliers, blending plants and distributors/dealers will make available the information expected from their end on the agreed formats to the M&E Consultant as at when due.
- Such data will include the quantity of raw materials received from manufacturers/ suppliers, quantities delivered to the blending plants, the list of transporters, quantities of blended NPK produced and that supplied to up takers as well as the list of distributors/ dealers to the M&E Consultant The consultant will in turn analyse the data and make the reports available to FEPSAN for their reconciliation and further action.

b) **Monitoring**

FEPSAN (for blending operations) in collaboration with NSIA (for financing operations) will be responsible for monitoring of the project implementation through:

i. Ensuring that the raw materials are supplied to the blending plants at the right time, quantity and quality; and that the blended product is lifted by approved up takers and sold to farmers at the fixed price

ii. Ensuring that the fertilizer bags under the project meet the labelling requirements, i.e. have the blending company logo and the technical specifications on one side of the bag and the price, FGN, FEPSAN, NSIA, OCP logos inscribed on the other side of the bag

iii. Ensuring keeping proper records by all participants in the program to facilitate monitoring, assessment and impact evaluation

iv. Undertaking periodic checks in the open market to ensure fertilizer dealers comply with the selling price of the fertilizer product

v. Undertaking periodic visits to blending plants to ensure the companies comply with quality and quantity standards of the fertilizer produced

vi. Ensuring safe delivery of the fertilizer product by working with the Office of the National Security Advisor (NSA)

vii. Ensuring all payments to beneficiaries are carried out as at when due

c) Evaluation

At least at the end of every six months and the year, the project will be studied to assess its progress and outcomes by conducting a survey that cuts across all stakeholders in the project value chain to determine if the project is on course and if the planned outputs, deliveries and schedules have been met/achieved or not so that action can be taken to correct any deficiencies as quickly as possible before the subsequent period. A more detailed impact assessment will be conducted after 3 years implementation. The evaluation activities will be carried out by the M&E Consultant for FEPSAN.