
# Fertilizer Cost Chain Analysis

## An overview of the Mombasa Corridor

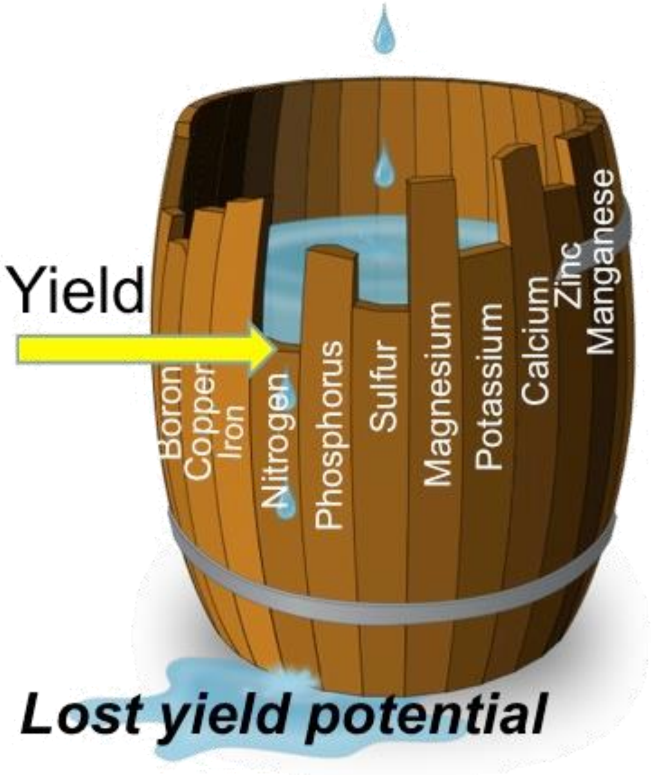
**Kenya Fertilizer Roundtable (KeFERT)**

**Tuesday, 16th October, 2018**
**Nairobi, Kenya**

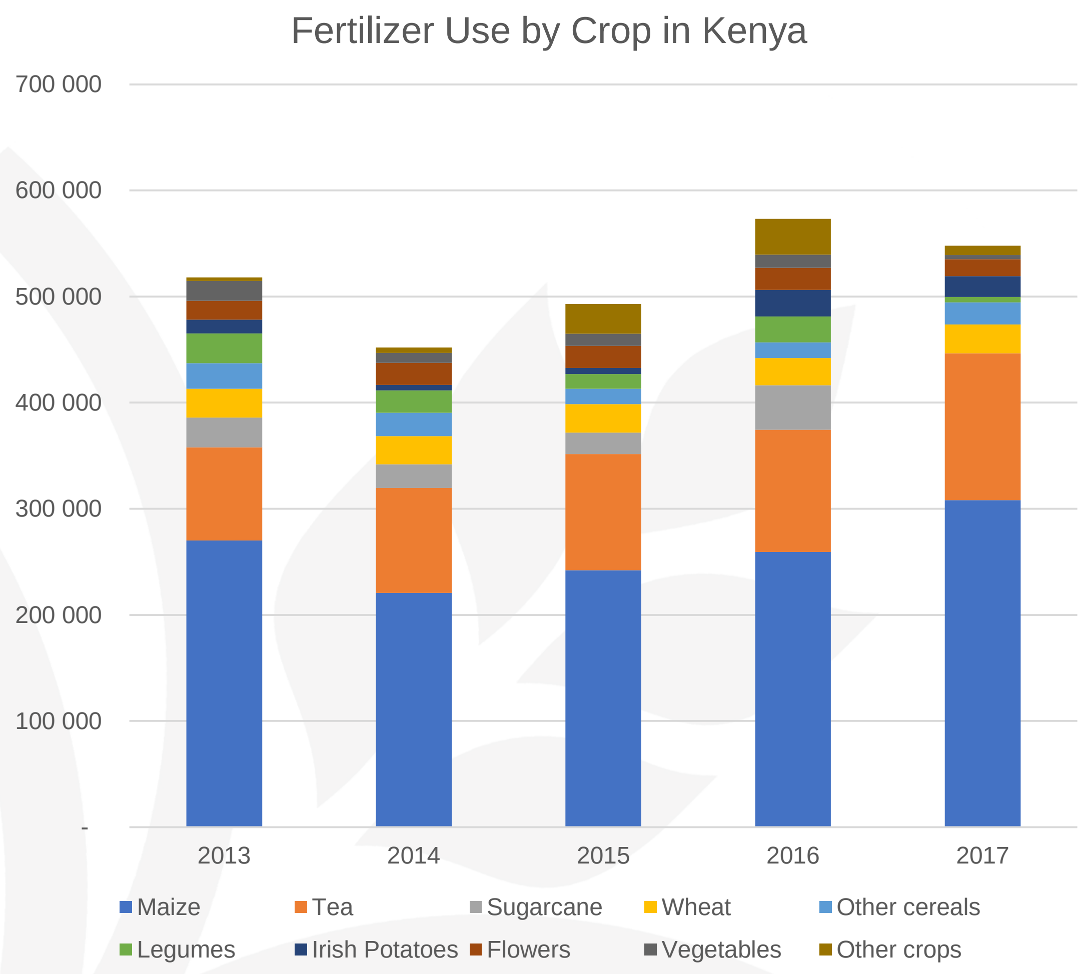
# Setting the scene

## Major changes in SSA fertilizer markets

- Change from commodity purchasing to development down the value chain.
  - This is evolving as the role of distribution channel players changes.
    - Further integration by manufacturers/traders
      - *Shortening the value chain*
      - *Defining and servicing specific market sectors (One Acre Fund—OAF))*
    - Players having to redefine roles to maintain market share
    - Governments continually wanting to control the space
- A recognition of the role balanced nutrition plays increasing productivity.
- The recognition that acidity is having a major impact on both productivity and Nutrient Use Efficiency.
- An increasing awareness by governments to address the mounting food security issues.



# Country overview: KENYA




*Source: AfricaFertilizer.org*

- 2015-2017: 20-25% subsidized market; County gov. subsidies
- Maize + Tea > 80%
- Kenya has 4 blenders – MEA, ARM, TTFA and ETG. Exports and re-exports approx. 50,000mt to Uganda and Rwanda
- Mainly DAP+ NPK (25-5-5; 23-23-0 and 17-17-17)
- Brand images surrounding certain products
  - DAP: strong historic use, failures with other products
  - Compounds: Historic and issues of adulteration
  - Blends (flexibility and SMNs)
- Limited capacity in institutions of broad issues of balanced nutrition and product options
- Reluctances of farmers to change
- Reasonable distribution network
- Consumption at >500KT-fertilizer prices are still of concern.

# Fertilizer Value Chain

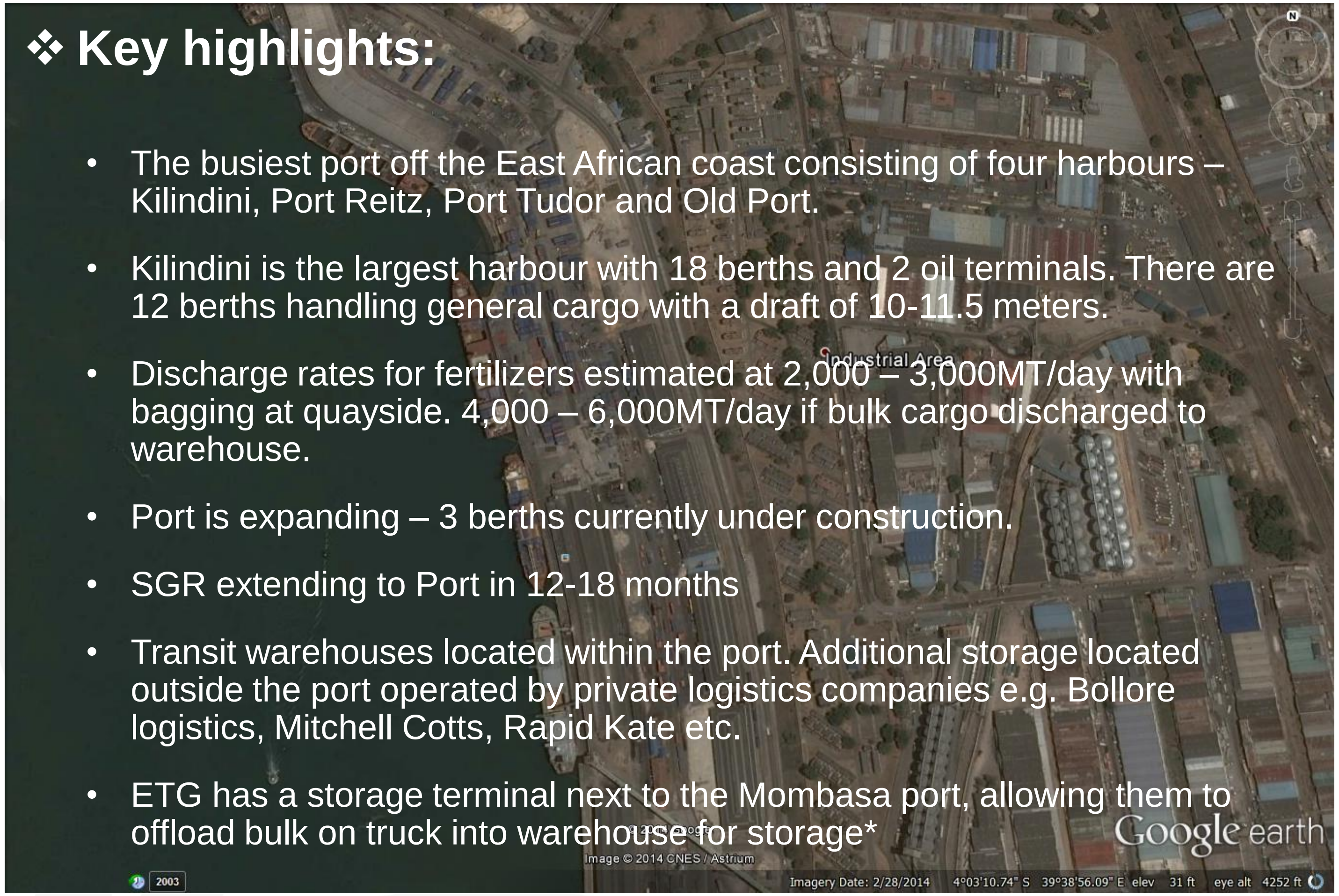
**Manufacturing**
- Cost of Production
- Local capacity?

**Logistics**
- International freight
- Local freight (road/train)
- Efficiency?

**Margins**
- Competition
- No. of players-importers, wholesalers, agro-dealers etc.

Product to market at a rate that = ROI to the farmer

# Port of Mombasa---FoT




## ❖ Key highlights:

- The busiest port off the East African coast consisting of four harbours – Kilindini, Port Reitz, Port Tudor and Old Port.
- Kilindini is the largest harbour with 18 berths and 2 oil terminals. There are 12 berths handling general cargo with a draft of 10-11.5 meters.
- Discharge rates for fertilizers estimated at 2,000 – 3,000MT/day with bagging at quayside. 4,000 – 6,000MT/day if bulk cargo discharged to warehouse.
- Port is expanding – 3 berths currently under construction.
- SGR extending to Port in 12-18 months
- Transit warehouses located within the port. Additional storage located outside the port operated by private logistics companies e.g. Bollore logistics, Mitchell Cotts, Rapid Kate etc.
- ETG has a storage terminal next to the Mombasa port, allowing them to offload bulk on truck into warehouse for storage*

| Port Cost | Direct (Bulk to warehouse) $/Mt |
|---|---|
| CIF | 0 |
| Stevedores | 4.40 |
| Wharfage | 5.50 |
| IDF (customs clearing fee) 2.25% of FOB | 6.28 |
| RDL levy (Rail development) 1.5% of CIF | 4.19 |
| COC inspection: 0.5% of FOB | 1.18 |
| Radiation: 1% of CIF | 2.79 |
| MSS levy | 0.50 |
| Clearance/Agency fee | 2.25 |
| Bagging | 18.0 |
| Transport to warehouse | 5.45 |
| Warehouse handling (In & Out) | 5.39 |
| Storage (2 months) | 3.00 |
| Spillage: 0.5% of CIF | 1.38 |
| VAT on services (16%) | 9.03 |
| Finance costs (LC (opening) + interest) | 14.65 |
| **Cost to move product in Mombasa port** | **83.99** |

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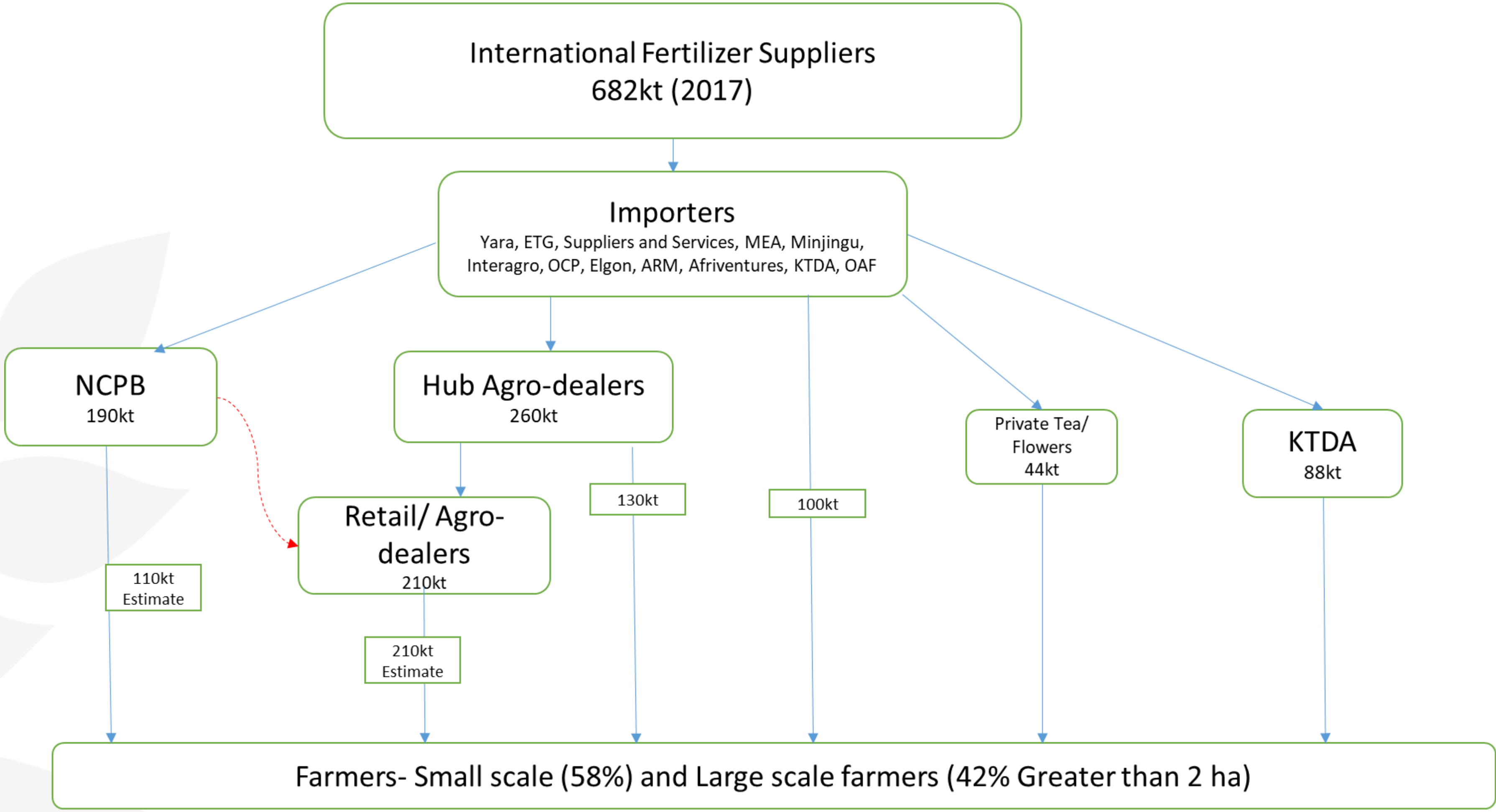
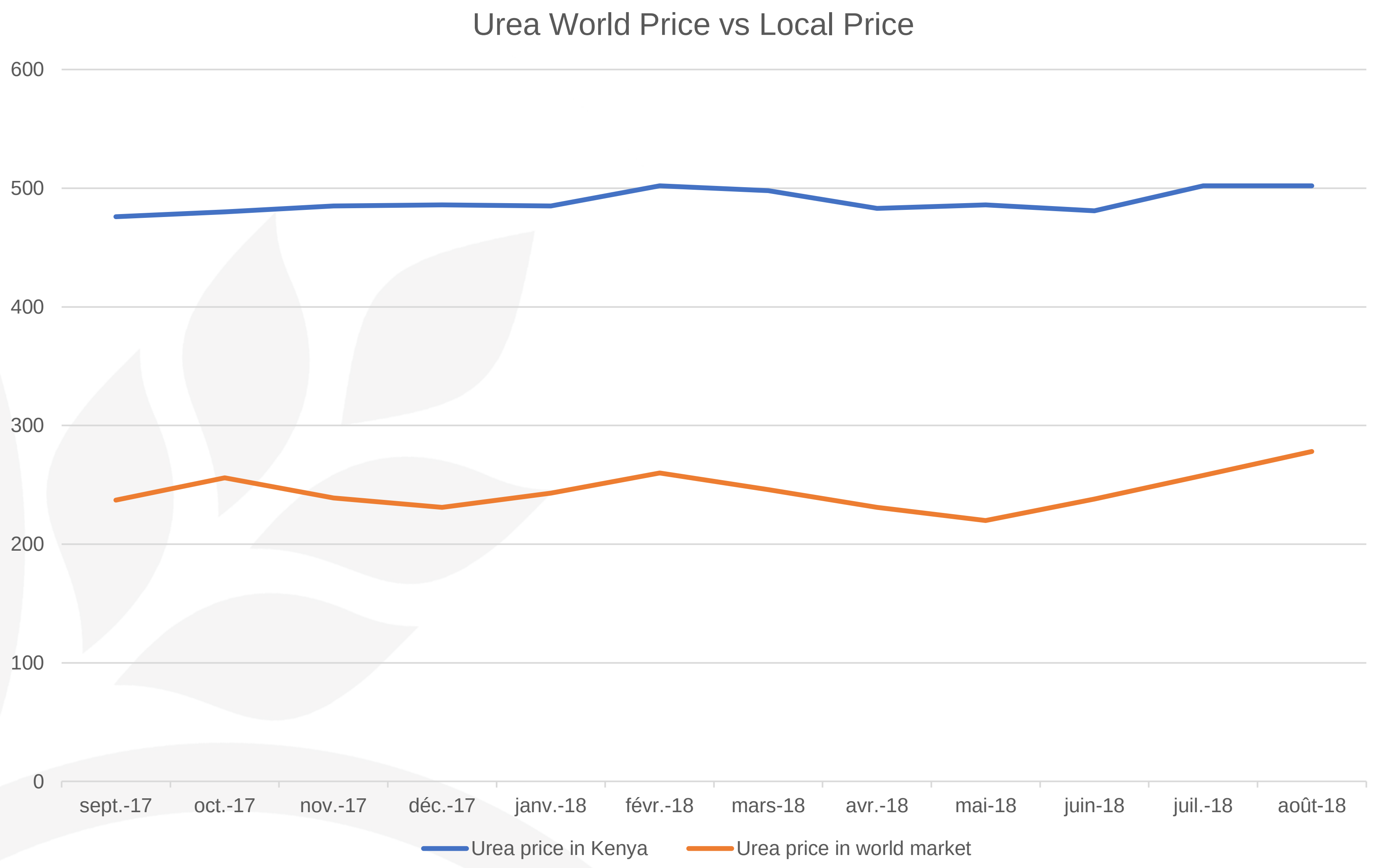
# Kenya's fertilizer market structure

- The national government model of procurement and distribution, for the subsidy programme
- The commodity based, interlinked input-credit-output model like that of the tea sector –KTDA, OAF.
- An unintegrated system of independent importers, wholesalers and retailers operating on a cash basis.



# Fertilizer Price: Retail vs World prices



# Highlight

- Fertilizer is a ‘logistics game’
- $15-25 freight to Mombasa; but $80-90 across the port (compared to $40 in Durban) and $50-60 to transport product upcountry
- Demurrage - $10,000/day (new product testing process, port congestion and gate failures)

**How can we lower fertilizer prices?**

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# Thank You!

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