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PRIVATIZATION OF FERTILIZER MARKETING IN CAMEROON:

FIRST-YEAR ASSESSMENT OF THE FERTILIZER SUB-SECTOR REFORM PROGRAM

TECHNICAL REPORT

JUNE 1989

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PRIVATIZATION OF FERTILIZER MARKETING IN CAMEROON:

A FIRST-YEAR ASSESSMENT OF THE FERTILIZER SUBSECTOR REFORM PROGRAM

TECHNICAL REPORT

Submitted to

The Technical Supervisory Committee
Government of Cameroon

and

USAID/Cameroon
Yaounde

June 1989

THE AGRICULTURAL MARKETING IMPROVEMENT STRATEGIES PROJECT

Abt Associates, Washington D.C.
and
The University of Idaho/Postharvest Institute

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GLOSSARY OF ACRONYMS

FSSRP - Fertilizer Subsector Reform Program

GRC - Government of the Republic of Cameroon

TSC - Technical Supervisory Committee

ONCPB - Office Nationale de Commercialisation des Produits Bruts

UCAL - Union des Cooperatives du Littoral

NWCA - North West Cooperative Association

UCCAO - Union Centrale des Cooperatives Agricoles de l'Ouest

BCCC - Bank of Credit and Commerce Cameroon

BICIC - Banque Internationale pour le Commerce et l'Industrie de Cameroun

BIAO - Banque Internationale pour l'Afrique Occidentale

MINFI - Ministry of Finance

MINPAT - Ministry of Plan and Regional Development

MINAGRI - Ministry of Agriculture

MINDIC - Ministry of Industrial and Commercial Development

MESRES - Ministry of Higher Education and Scientific Research

ACKNOWLEDGEMENTS

This report was prepared in response to a request made to the AMIS Project by USAID/Cameroon for an assessment of fertilizer importation and distribution during the first year's operation of the Cameroon Fertilizer Subsector Reform Program (FSSRP) and the design of an information system to monitor program performance over the remaining four years of its life. The work was carried out in two phases. A preliminary assessment was conducted by AMIS Market Analyst Richard Abbott from December 1 to December 19, 1988; the work was completed by a two-person team consisting of Mr. Abbott and an Information Systems Specialist, Nicholas Minot, from February 22 to March 22, 1989. Mr. Abbott and Mr. Minot provided services through the University of Idaho, Postharvest Institute for Perishables, a subcontractor to Abt Associates, Washington D.C., on the AMIS Project.

The present report covers the first-year assessment of the FSSRP only. A separate report authored by Mr. Minot covers the proposed information monitoring system.[1] The full scope of work covering both efforts will be found in Appendix F.

In both phases of the work, the consultants worked closely with personnel from USAID/Cameroon and the Government of Cameroon through the Technical Supervisory Committee for the FSSRP. The team wishes to especially thank the Committee's President, M. Jean-Marc Oyono, and Dr. Tham Truong, Chief Mission Economist, USAID, for their guidance and support.

Much of the information used in preparing this report was collected during two field trips in Cameroon, one to the Littoral, West and North West Provinces from December 4 to 14, 1988, and a second to the same provinces plus the South West Province from March 7 to 19, 1989. We are grateful to the following individuals who collaborated closely with the consultants in the collection of information on the two field trips:

M. Felix Nkonabang, Assistant Director, Agricultural Production Section, Ministry of Agriculture (December trip)

M. Augustin Fongang, Charge d'Etudes, Ministry of Finance (Dec. trip)

M. Ambassa Kiki, National Center for Soils Research, Ministry of Higher Education, Computer Science and Research (March trip)

Mr. Tjip Walker, USAID/Cameroon (both trips)

Mr. Walker also prepared many of the tables included in this report.

Findings of the assessment are presented in three parts: Part 1 is a description of the FSSRP, Part 2 presents findings regarding performance of each part of the system, and Part 3 lists a series of recommendations to

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[1] Monitoring and Data Collection System for the Fertilizer Sub-Sector Reform Program of Cameroon, AMIS Project, May 1989.

strengthen the FSSRP.

It should be noted that the information in this report was current as of mid-March 1989. Due to the evolving nature of the FSSRP, some information may no longer be valid.

EXECUTIVE SUMMARY

General Findings

In 1988, the first year of the Fertilizer Sub Sector Reform Program (FSSRP), 63,000 tons of fertilizer were imported and distributed by participants from the Cameroon private sector, which included importers, commercial banks, and distributors. The year marked the transition from a heavily subsidized government-directed scheme to one in which the state's involvement was limited to providing loans, subsidies (at much reduced levels), and establishing target ceiling prices. Despite some procedural problems and misunderstandings, the participating organizations carried out their functions effectively. A major achievement of the program was that the process from determination of fertilizer requirements to delivery of the product to distributors was shortened from twelve to eighteen months under the previous system to four to six months under the FSSRP in 1988.

Findings on the Importation System

The program attracted the participation of three importing firms, two commercial banks and four distributors (all of them cooperatives). Distributors signed a total of six contracts with importers, who applied for and received importation loans at participating banks totaling FCFA 853 million. All these loans have since been repaid. Subsidies amounting to a total of FCFA 2 billion were granted to importers at the same time. Subsidies reduced the farm-gate price by an average of 33% below total delivered cost (inclusive of all margins), compared to 65% under the previous program.

The importation loan facility was utilized by all importers since it was a requirement of the FSSRP program for access to the subsidy fund. However participants found some of the procedures unwieldy, and as a result of their suggestions changes have been made in the 1989 program.

Findings on the Distribution System

Cooperatives in the Littoral, West and Northwest Provinces participated as distributors in the 1988 program. Of the 63,000 tons imported, approximately 58,000 tons were destined for coffee planters and the balance for vegetable and food crop growers. Due to the late start of the program, most of the fertilizer reached the cooperatives between September 1988 and February 1989, most of it too late for the September/October application on coffee trees.

As of mid-March 1989 very little of this fertilizer has been sold to farmers. The failure of the National Produce Marketing Board to make advance payments to cooperatives for purchase of coffee in the 1988/89 crop year has greatly reduced the purchasing power of farmers and thus utilization levels of fertilizer. As a consequence, cooperatives in the North West and Littoral Provinces are experiencing difficulty in repaying debts incurred in financing purchase of fertilizer in 1988, and will accordingly reduce their planned

purchases in 1989. Due partly to a lack of understanding of the program and partly to financial constraints experienced by some cooperatives, no use was made of the FSSRP distribution loan facility.

The FSSRP established a system of target farm-gate ceiling prices which were calculated to allow a sufficient margin to cover product cost, handling/storage/distribution costs, and transport costs from the port of Douala to users in each province. In general, these margins proved to be adequate and in fact retail prices were generally well below the ceiling levels. The weighted average retail price for all types of fertilizer and all locations was 55,400 FCFA per ton (2770 FCFA per 50 kg. bag), compared to the 1987 fixed uniform price of 40,000 FCFA per ton (2000 FCFA per 50 kg. bag). Thus the price increase for all types of fertilizer taken together was about 39%.

Findings on Utilization of Fertilizer

The overwhelming problem facing the FSSRP at present is the low level of sales to farmers caused by lack of liquidity in coffee growing areas. Delayed payments for coffee have induced farmers to channel fertilizer to food crops and vegetable crops which the farmer can more readily convert into cash. Maize and tomatoes are examples. This problem is accentuated by the planned increase in prices for fertilizer under the FSSRP, making its use on coffee even less attractive to the grower. Not enough is known about the level of present and potential demand for fertilizer on these crops to judge its impact on future sales of fertilizer under the FSSRP

In 1988, farmer/growers who were not members of one of the four participating cooperatives were not served by the FSSRP. These cooperatives generally followed a policy of selling solely to members and there were no other sources of supply of subsidized fertilizer available. There are indications however that private firms may engage in fertilizer distribution in 1989 and this should help improve the situation.

Recommendations

Provide Liquidity to the Coffee Sector: The problem of lack of liquidity in the coffee growing areas needs to be dealt with promptly if the FSSRP is to have its intended impact. If funds could be unblocked promptly, the liquidity problem could conceivably be solved in time for fertilizer to be imported and used on the March/April application on coffee trees. A financial restructuring of the coffee and cocoa marketing system is urgently needed to reduce the deficit to be financed and to render that marketing system operational again.

Adhere to the January 1 Annual Launch Date for the FSSRP: It is recommended that a schedule be established for government and AID actions leading up to the annual launch of the FSSRP. If the prescribed January 1 date could be adhered to, orders could be placed and fertilizer delivered in time for the March/April application on coffee trees. The process should begin with a government decision on available subsidy funds no later than September 1.

Improve Flow of Information on the FSSRP: To improve understanding of the program by provincial and local government officials, cooperatives, processor/exporters, and the private sector generally, it is recommended that an illustrated brochure be prepared which describes the main features of the program in simple terms. This should be supplemented by television, radio and newspaper coverage which would reach all participants, including farmers.

Establish a Monitoring System: Pursuant to the consultants' terms of reference, an information gathering system has been designed (see separate report) to monitor performance of the FSSRP and assure that fertilizer reaches the farmer in the desired amounts, at a reasonable price, and in a timely fashion. In order to assure that the farmer utilizes the proper type and rates of fertilizer application according to soil type and crop, and realizes the maximum economic benefits from its use, it is recommended that the FSSRP support a program of agronomic trials to be carried out by existing research organizations.

Prepare Demand Studies: There is a lack of information on the current demand for fertilizer by coffee growers who are not members of cooperatives, and by food crop and vegetable crop growers, especially in provinces such as the East and the South West which were not involved in the 1988 FSSRP program. It is recommended that demand studies be prepared as a means of encouraging participation of the private sector in fertilizer distribution.

Create a Secretariat Attached to the TSC: A secretariat should be created within the TSC to provide technical and administrative support for the FSSRP and to avoid excessive dependence on USAID personnel. Its staff should consist of an agronomist, who would assist in design of agronomic surveys and the compilation of periodic reports on FSSRP performance, and an adminstrative person responsible for preparation and routing of FSSRP documents, seminar and travel arrangements and publicity.

Support Cooperative Development: Coffee cooperatives in the North West, Littoral, and South West Provinces lack personnel trained in the procurement and financing of fertilizer and thus can not benefit fully from participation in the FSSRP. Cooperatives could also benefit from technical assistance in improving coffee export quality and prices, especially for arabica coffee, a problem area which has led to declining coffee revenues for cooperatives. It is recommended that technical assistance and training in these areas be provided to cooperatives outside the framework of the FSSRP. However such assistance should be made contingent on revisions to the cooperative law which would give cooperatives more autonomy, especially by granting them the right to export coffee directly (as is now the case for UCCAO.)

1. DESCRIPTION OF THE FSSRP

1.1 Purpose of the FSSRP[1]

The purpose of the Cameroon Fertilizer Subsector Reform Program is to support the Government of Cameroon's effort to (1) progressively liberalize fertilizer importation and distribution; (2) eliminate fertilizer subsidies in phases; and (3) expand the role of the private sector in the financing, importation and distribution of fertilizers. The program aims at insuring the timely availability of fertilizers to farmers at the lowest possible cost.

1.2 Background

It was recognized by the Cameroon government in 1985 that the government monopoly system then in force for procurement and distribution of subsidized fertilizer was inefficient -- leading to lengthy delays and untimely delivery of fertilizer to users -- and constituted a severe budgetary drain. (Subsidy levels were equivalent to 65% of the retail price of fertilizer and in 1987 cost the government 12 billion FCFA.) Accordingly, USAID/Cameroon was requested to perform a comprehensive study of Cameroon's fertilizer subsector. This study, carried out in 1985 by the International Fertilizer Development Center (IFDC), recommended reform of the fertilizer marketing system.

The IFDC study found that total fertilizer consumption in Cameroon amounted to about 105,000 tons in the 1984/1985 season. Approximately 65,000 tons of this was subsidized and was consumed mainly by coffee growers. Imports were limited to five types: NPK 20-10-10, NPK 12-06-20, NPK 10-30-10, Urea, and Ammonium Sulfate. (Under the FSSRP, imports are also limited to these types.)

In 1986/1987 AID engaged in a dialogue with the GRC over fertilizer reform policy, working through an ad hoc interministerial committee (which later became formalized as the Technical Supervisory Committee of the FSSRP). Options of (1) reinstituting fertilizer manufacture in Cameroon, and (2) creating a new quasi-public fertilizer distribution monopoly, were both rejected in favor of the third option of total privatization of fertilizer importation and distribution. Indeed, given the depth of the economic crisis affecting Cameroon by 1987 the first two options were no longer viable.

In September 1987 the GRC and USAID/Cameroon signed a grant agreement governing the Fertilizer Subsector Reform Program (FSSRP). Under its terms, the GRC agreed to eliminate public tenders, import quotas, various restrictions at the distribution level, quantitative allocations to end users, and uniform pricing. In its place, the new FSSRP system would open subsidized

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[1] The material in this and the following sections of Part 1 is taken verbatim or paraphrased from various FSSRP official documents listed in the bibliography.

fertilizer procurement and distribution to the private sector. The government would continue to provide subsidies, though at progressively lower rates, until by the end of the program in 1991 fertilizer would be sold at market prices. Disbursement of subsidies would be linked to a loan program to partially finance importation and distribution of fertilizer, and these funds would be managed by commercial banks.

AID agreed to provide $20 million over the five year life of the project, of which $17 million would be used to create and progressively expand a revolving credit fund to assist in financing the import and distribution of fertilizer. Additional funds were provided for special studies and analysis to ensure effective implementation of the project.

The grant agreement thus tried to address those issues limiting private sector participation in fertilizer marketing, specifically (1) removal of legal and regulatory constraints imposed by the government, and (2) creation of positive incentives for the private sector. These incentives included the availability of a loan fund at preferential rates, and facilitating access to subsidy funds through commercial banks. While the effect of the program will be to shift costs from the government to the farmer, resulting in appreciably higher fertilizer retail prices, it was felt this would be outweighed by the advantages to the farmer of more timely delivery of fertilizers and, ultimately, of fertilizers better adapted to his needs.

1.3 Eligibility Criteria

Organizations which have imported or distributed fertilizer at least once during the 1984 - 1987 period are eligible to participate in the program. A new organization which has as shareholders persons or entities which meet these criteria is also eligible, as is a new marketing organization which adds significant value to imported fertilizer through warehousing, mixing and bagging, or transport. The intention is not to exclude any qualified importer or distributor, but only to screen out organizations with no relevant experience in fertilizer marketing or intention to invest in fertilizer distribution facilities.

1.4 The FSSRP Financial System

Under the financial system of the FSSRP both subsidies and loans are made available to participating organizations. A Fiduciary Bank (Bank of Credit and Commerce of Cameroon), appointed by the Technical Supervisory Committee, administers both accounts and disburses funds on approval of applications from participating commercial banks.

1.4.1 Credit Fund

Under the terms of the agreement, importers (or organizations acting as both importer and distributor) may apply for importation loans in an amount equal to 30% of the CIF value of the shipment at a participating commercial bank upon submission of an application and an executed purchase contract with a producer/supplier. The commercial bank applies in turn to the Fiduciary Bank. Loans are then disbursed by the Fiduciary Bank within 5 days of receipt

of evidence that fertilizer was loaded on a ship at the point of origin. The loan subsequently granted by the commercial bank to the importer becomes due 90 days from the date of loading or the date of customs clearance, whichever is earlier.[1]

Distributors may apply for loans under similar procedures upon presentation to the commercial bank of an executed contract between the importer and the applying distributor. The amount of the loan is equivalent to 70% of the subsidized farmgate value of the shipment, plus the subsidy, minus the CIF import value of the shipment. Loans are granted 90 days from issuance of bill of lading or the customs clearance date, whichever is earlier, and are due 180 days from date of disbursement.

An importer who also acts as distributor may apply for both types of loans at the same time, but the distribution loan is not disbursed until the import loan has been repaid.

1.4.2 Subsidy Fund

The Subsidy Fund is provided by the Government of Cameroon. It amounted to 2.0 billion FCFA (about $6.7 million) in 1988. Subsidy levels are scheduled to be reduced from 45% in 1988 to 30% in 1989, to 10% in 1990 and to zero in 1991. In practice, subsidy levels for 1988 were lower than originally planned, averaging 33%. The subsidy is calculated as a percentage of the target farmgate ceiling price, which varies according to the type of fertilizer. Subsidies are available to importers or distributors qualifying for either of the two types of loans described above, but is applied only once for any given shipment. A subsidy is earmarked in favor of an importer/distributor upon application by the commercial bank to the fiduciary bank and remains in force for 90 days from the date of the contract between importer and supplier. It is disbursed upon presentation by the commercial bank to the fiduciary bank of customs clearance documents, bill of lading, certificate of quality and quantity, and suppliers's invoice.

1.5 Fertilizer Prices

Under the previous government monopoly system, all fertilizers were uniformly priced regardless of nutrient content or transportation cost. Under the FSSRP, retail prices of fertilizer are no longer controlled but the Government of Cameroon publishes prior to each crop year a schedule of indicative ceiling prices. These prices are calculated based on the estimated cost of the imported fertilizer, thus taking into account nutrient content, and allow a reasonable margin for transport, storage and handling costs incurred by distributors.

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[1] Procedural changes have been made in the 1989 program. See discussion in Appendix B, Para 1.2.2.

1.6 Supervision of the FSSRP

Supervision of the FSSRP is provided by the interministerial Technical Supervisory Committee, consisting of representatives of the following ministries:

Ministry of Plan and Regional Development (President)
Ministry of Finance
Ministry of Agriculture
Ministry of Industrial and Commercial Development
Ministry of Higher Education and Scientific Research
National Produce Marketing Board

A USAID representative is an ex oficio member of the committee.

The Committee is responsible for fixing agreements with the Fiduciary Bank, establishing rules for access to the loan funds and monitoring their performance, establishing each year the schedule of indicative fertilizer prices, publicizing the FSSRP, and for general oversight of the program.

2. FIRST YEAR PERFORMANCE OF THE FSSRP

2.1 Overall Performance of the System

In 1988, the first year of operation of the Fertilizer Subsector Reform Program (FSSRP), 63,000 tons of fertilizer were imported and distributed by participants from the Cameroon private sector, including importers, commercial banks and distributors (all of them cooperatives in 1988). Thus the year 1988 marked the transition from a government-directed scheme under which the Ministry of Agriculture determined fertilizer needs of the country in consultation with principal users, matched these needs to available subsidy funds, then allocated imports among the users at heavily subsidized prices.....to a liberalized system in which the state's involvement was limited to providing a subsidy fund (at reduced levels) to importers and loan facilities available to both importers and distributors, and establishing target ceiling prices.

Under the new system in its first year of operation, the distributing organizations (cooperatives) determined their needs, then selected importers on the basis of tenders and placed their orders. Importers in turn ordered fertilizer from suppliers abroad, then applied through commercial banks for importation loans provided through the FSSRP at 30% of the CIF value of the shipment. Linked to the loan program was the payment of subsidies, which in the first year amounted to an average of 33% of the farmgate ceiling prices. A commercial bank appointed as fiduciary bank acted as manager of the subsidy and loan funds. Despite some procedural problems and misunderstandings, the participating organizations carried out their functions effectively. A major achievement of the program was that the process from determination of need to delivery of fertilizer was shortened from twelve to eighteen months under the previous MINAGRI/FONADER system to four to six months in 1988 for most shipments.

2.2 Importation of Fertilizer

2.2.1 Ordering of Fertilizer by Distributors

Four distributors, all cooperatives, ordered fertilizer under the 1988 FSSRP program. In contrast with the previous government-operated importation system, most of the cooperatives acted independently in determining their needs and placing orders. Three of them are large coffee cooperative unions which group numerous second-level cooperatives: UCCAO in the West Province, UCAL in the Littoral Province, and NWCA (which has a three-tiered structure) in the North West Province. One distributor -- COOPROVINOUN in the West Province -- is a small vegetable marketing organization.

Following the launching of the 1988 FSSRP in May 1988, the cooperatives determined their needs for the 1988/89 crop year, then requested offers from among eligible importers in May and June. . Cooperatives selected the preferred offers and placed orders in June and July. Most of the fertilizer shipments reached the port of Douala in September and October, though some arrived as late as February 1989.

As noted above, only three provinces were served by the program in 1988, and even in these provinces several smaller cooperatives did not place orders, either due to a lack of understanding of the program or a lack of financial resources. A large coffee and cocoa cooperative in the South West Province -- SUWEFCO - also did not participate, apparently because they still had unsold stocks from the previous year.

2.2.2 Fertilizer Shipments

A total of 63,000 tons were imported under this year's FSSRP program. Exhibit 1 on the following page shows the amounts handled by each importer broken down by contract. As of mid-March 1989, most of this fertilizer had been delivered to cooperative warehouses located in provincial towns.

The time from contract date to arrival at Douala varied. It ranged from 14 weeks to about 18 weeks, though in one case deliveries were not yet complete as of mid-March. It appears that variations in delivery times were due to unfamiliarity with procedures on the part of both banks and importers, in addition to the difficulty some cooperatives had in arranging financing.

Exhibit 1 also shows the total value of contracts at FCFA 2.271 billion (US $7.57 million at 300 FCFA to the dollar) for the 63,000 tons imported under the FSSRP in 1988. This figure of 2.271 billion FCFA represents the cost incurred by distributors in importing 63,000 tons of fertilizer. It does not take into account the amount of 2.027 billion FCFA (US$ 6.8 million) of subsidy received by importers under the FSSRP. (See Exhibit 3 below.) It should be pointed out that, under the FSSRP, the distributors' low fertilizer importation costs (FCFA 2.271 billion instead of FCFA 4.298 billion if subsidies are not taken into account) are passed on to fertilizer end-users via low farmgate prices as they were set in the MINPAT/MINDIC May 9, 1988 pricing decree.

A detailed account of the activities of each of the importers participating in the 1988 FSSRP appears in Appendix C.

2.2.3 Financing of Fertilizer Imports

Importation Loan Facility

The importation loan facility was utilized for all 1988 imports. To induce greater participation of commercial banks in the privatization process, FSSRP procedures require importers to go through commercial banks and through the revolving credit fund to access the subsidy fund. Three importers -- CAMATREX, ADER, and Aminou -- and two banks -- BICIC and Meridien Bank -- participated.

Some changes in timing of the importation loans have been suggested to make them more useful to importers. Currently loans are disbursed upon presentation of shipping documents and are due 90 days from the earlier of the B/L date or the customs clearance date. It has been suggested that loans become due 90 days from date of actual disbursement.

Exhibit 1: Fertilizer Import Situation as of March 15, 1989

Importer	Distributor	Contract Date	Quantity (tons)	Type	Value, FCFA
CAMATREX	UCAL Littoral Pr.	June 2, 1988	6000	NPK 20-10-10	
			2000	NPK 12-06-20	
			3500	Sulf. of Ammon.	
			1500	Urea	
			13000		510,468,000
Aminou and Co.	UCAL Littoral Pr.	June 2, 1988	5000	NPK 20-10-10	
			3000	Sulf. of Ammon.	
			8000		312,414,000
CAMATREX	UCCAO West Pr.	June 24, 1988	5000	NPK 20-10-10	
			5000	NPK 12-06-20	
			5000	Urea	
			15000		495,500,000
ADER	UCCAO West Pr.	June 24, 1988	5000	NPK 20-10-10	
			5000	NPK 12-06-20	
			5000	Urea	
			15000		495,500,000
CAMATREX	COOPROVINOUN West Pr.		5000	Sulf. of Ammon.	182,425,000
CAMATREX	NWCA North West Pr.		5300	NPK 20-10-10	
			1000	Sulf. of Ammon.	
			700	Urea	
			7000		274,894,500
TOTALS			63000		2,271,201,500

Note: The indicated value is the value of the contract between the distributor and the importer and thus does not include the value of the subsidy received by the importer.

Subsidy Program

The Cameroon government's deposit of 2.0 billion FCFA in the 1988 FSSRP subsidy fund combined with interest earnings of approximately 44.2 million FCFA facilitated the importation of 63,000 tons of fertilizer. Virtually all the available funds were utilized for this purpose. Of the 2,044,117,739 FCFA available, 2,026,680,000 FCFA were disbursed.

It is worth reiterating that with the subsidy payments importers are able to sell fertilizers to distributors at reduced cost (i.e. 2.271 billion FCFA instead of 4.298 billion FCFA for 63,000 tons) and these reduced costs are passed on to the farmers through low farmgate prices.

For detail on the use of the importation loan facility and the subsidy fund, refer to Appendix A. Activities of the participating banks are detailed in Appendix B.

2.3 Distribution of Fertilizer

2.3.1 Fertilizer Movements

Of the 63,000 tons imported, 58,000 tons were ordered by three coffee cooperative unions: UCCAO, UCAL, and NWCA. The remaining 5000 tons were ordered by COOPROVINOUN, a food crop marketing cooperative. A detailed account of the fertilizer distribution activities of these cooperatives appears in Appendix D.

All the cooperatives took delivery of the fertilizer at the port of Douala and arranged for transport to their member cooperatives, using either their own or hired trucks. The status of distribution as of March 15, 1989 is shown in Exhibit 2. Of the 63,000 tons imported, over 51,000 tons had been delivered to cooperatives at the union level and about 80% of this amount was shipped onward to the cooperative level.

2.3.2 Financing of Distribution

Financing of fertilizer distribution during the 1988 program was carried out without benefit of the FSSRP distribution loan facility. (Footnote: After the team completed its mission, one importer/distributor requested and was granted a distribution loan valued at FCFA 154 million.) Distributors generally utilized some combination of credit granted by the importer or bank loans, and secured these loans by such instruments as Bills of Exchange, bank accounts, guarantees by ONCPB against deliveries of coffee, and amounts owed by other government agencies.

There were various reasons for non-use of the distribution loan facility. In some cases there was a lack of understanding of the loan program, especially the eligibility requirements. In other cases cooperatives had sufficient internal financial resources so that they did not need loans. In still other cases, the lack of tangible assets to serve as collateral prevented cooperatives from obtaining distribution loans. One problem beyond the control of the cooperatives that is emerging is the lack of bank liquidity, and in at least one instance this appeared to be the reason for a

Exhibit 2: Fertilizer Distribution Situation as of March 15, 1989

Distributor/ Province	Fertilizer Ordered Quantity (tons)	Type	Received At Union Level	Received At Coop Level
UCAL, Littoral	11000	NPK 20-10-10	6000	5582
	2000	NPK 12-06-20	2000	1710
	6500	Sulf. of Ammon.	3500	3250
	1500	Urea	1500	1499
	21000		13000	12041
UCCAO, West	10000	NPK 20-10-10	10000	9500
	10000	NPK 12-06-20	10000	7500
	10000	Urea	10000	9000
	30000		30000	26000
COOPROVINOUN, West *	5000	Sulf. of Ammon.	1800	1800
NWCA, North West**	5300	NPK 20-10-10	5314	2387
	1000	Sulf. of Ammon.	505	200
	700	Urea	694	206
	7000		6513	2793
TOTAL	63000		51313	42634

Note: *COOPROVINOUN is a single level coop, so figures for union and coop level are the same.

**Figures for NWCA show deliveries at apex and union levels respectively.

lengthy delay in granting a distribution loan.

One conclusion emerging from the assessment is that more information on the FSSRP has to be communicated to participants, and in terms understandable to all participants.

2.3.3 Distribution Costs and Margins

The farm-level target ceiling prices established by the May 1988 MINPAT/MINDIC interministerial decree for the various types of fertilizer in each province appeared to be adequate to cover distributors' costs and margins, as demonstrated by the following data.

Exhibit 3
Fertilizer Retail Price Ranges
(FCFA per 50 kg sack)

	NPK 20-10-10	NPK 12-06-20	Urea	Ammonium Sulfate
Ceiling prices:	3413-3913	2635-3535	2313-3135	2313-2813
Selling prices:	2600-3245	2600-2850	2850-3075	2600-2800
% of ceiling:	76-83	79-81	98	99-112

Prices for NPK 20-10-10 and NPK 12-06-20 were set at roughly 75 to 80% of target ceiling prices, whereas prices fixed for urea and ammonium sulfate were just above or below the point at which the cooperatives felt they had to sell these products in order to cover costs. In part these variances reflect the prices at which each type of fertilizer was acquired, and these may differ from projections made by the FSSRP when target prices were established. In the case of ammonium sulfate, it also reflects policies of cooperatives aimed at discouraging the use of this type of fertilizer by keeping prices higher. Ammonium sulfate is not only lower in nutrient content per unit of weight than the other fertilizers, and thus less economic to use, but has also been determined to contribute to undesirable levels of soil acidity.

Average gross distribution margins for these four types of fertilizer can be calculated from data supplied by the cooperatives, as shown in Exhibit 4.

Exhibit 4
Average Gross Distribution Margins for Coffee Cooperatives
(FCFA per ton)

	20-10-20	12-06-20	Urea	Ammon. Sulf	Ave
Ave cost	39,108	38,204	37,934	38,085	38,333
Ave sale price	57,968	54,500	56,883	54,001	55,838
Ave gross margin	18,860	16,296	18,949	15,916	17,505
Gross margin, %	33	30	33	30	31

Gross distribution margins cover transport, handling, storage and administrative costs as well as product losses. They do not, however, include management costs, interest charges on borrowed funds, or amortization of assets such as warehouses and trucks. Cooperative officials with whom we talked apparently did not take these costs into account in fixing fertilizer prices. According to this data, gross distribution margins for the four types of fertilizer for all cooperatives averaged 17,500 FCFA per ton, or about 31%.

An attempt was made to compare these margins to those in other developing countries. This is difficult because the wide use of direct and indirect subsidies make comparisons difficult. One FAO source[2] quotes typical margins in developing countries in the early 1970's (based on what sale prices would have been without subsidies), ranging from 10% to 35%, excluding management and finance charges.

For Cameroon, we have to calculate an unsubsidized sale price by adding back the 33% subsidy (in 1988) to the average sale price of 55,838 FCFA shown above, which gives 74,265 FCFA per ton. The gross margin of 17,505 FCFA per ton thus produces a percentage margin of 24%, which is well within the range mentioned above. This very rough calculation merely indicates that distribution margins in Cameroon are not out of line with those in other countries.

2.4 Utilization of Fertilizer

2.4.1 Lack of Liquidity in the Rural Sector

Discussions with cooperatives and other fertilizer distributors during the March 1989 assessment mission were dominated by concern over the failure of the ONCPB to make advance payments for purchase of the 1988/89 coffee and cocoa crops. Our contacts with cooperatives in the North West, Littoral, and South West provinces revealed an alarming lack of liquidity in the rural sector caused by this situation. Coffee farmers who are not members of cooperatives, and the coffee processor/exporters who handle their production, are likewise affected.

The team's investigations revealed that virtually all the fertilizer imported by cooperative distributors in the North West, West and Littoral provinces under the first-year of the FSSRP remains unsold, despite the fact that the month of March is normally the time for the first and principal application on coffee trees. The cooperatives, already financially extended by purchases of this fertilizer, are not in a position to extend credit to member-growers. Given the unsold stocks on hand, amounts to be ordered by cooperatives in the three provinces mentioned -- plus one in the South West province, which did not participate in 1988 -- under the 1989 FSSRP are likely to be much smaller than in 1988. Given the lack of cash in farmers' hands, even private distributors who might be considering participating in 1989 are likely to find it risky to purchase sizeable stocks.

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[2] Fertilizer Marketing, FAO Marketing Guide No. 7, K. Wierer and J.C. Bott, Rome, 1978.

2.4.2 Fertilizer and Coffee Marketing Linkages

In the four western provinces mentioned above, coffee (and cocoa in the South West) remains the principal source of cash income for farmers. If farmers are unable to convert their production into cash, as is now happening, repercussions are felt through the entire rural economy. This is particularly true of fertilizer marketing, since most growers convert a portion of earnings from coffee directly into purchase of fertilizer. "Pre-financing" of the coffee crop by the ONCPB under normal circumstances would involve an advance payment to cooperative unions, followed by successive further payments as coffee is delivered by farmers to member cooperatives. These payments are passed on to the farmer at or soon after delivery of coffee (during the January to March period), making it possible for him to purchase fertilizer for application in March or April (in effect, fertilization to assure a good crop for the following year). At present (mid-March 1989), much of the 1988/89 crop of coffee in the North West, Littoral and South West provinces remains in the hands of farmers or their cooperatives because of uncertainty about ONCPB's ability to pay for it.

Immediate transfer of funds by the ONCPB to cooperatives in the North West, Littoral, and South West provinces in keeping with past practices of crop pre-financing would solve the current liquidity crisis for the cooperatives -- though the illiquidity in the banking sector further complicates the situation. If this does not occur by approximately the end of March, it is likely that the March/April application of fertilizer on coffee trees will not take place Cooperatives would be left with large stocks and would make purchases under the 1989 FSSRP only to the extent their financial situations permit (in order not to lose the benefit of fertilizer subsidies).

The next important date is September 1989, by which time coffee farmers would need fertilizer for the second application. Hopefully, it will possible for the ONCPB to make payments for coffee by that time so that the coffee crop could still benefit from the second application of fertilizer. Should this not happen, some other means of injecting liquidity into the system will need to be found to insure the flow of fertilizer to farmers in the four western provinces.

2.4.3 Channeling of Fertilizer to Other Crops

More importantly for Cameroon's agricultural sector, these developments are accelerating the downward trend in coffee (and cocoa) production, which is marked by low rates of replanting, inadequate maintenance of trees, and limited application of fertilizer. Instead the farmers' need for cash income, heretofor derived from these crops, is causing a pronounced shift toward increased production of food crops (maize, beans, and yams, for example) for local sale and of vegetable crops (tomatoes, lettuce, cabbage, carrots, peppers, etc.) for sale to urban areas. Farmers who have the financial resources to do so are purchasing fertilizer for application on these crops wherever they find it, often at prices higher than the FSSRP target ceilings. It should also be noted that the fertilizer types available, such as NPK 20-10-10, are not optimum for most vegetables and thus it is not being used as efficiently as it should be.

Leaving aside its immediate impact on coffee production, one might choose to see the above-mentioned shift to food crops and vegetables as rational decision-making by coffee farmers (which indeed it is), and likewise as a healthy trend toward reduced reliance by Cameroon on exports of coffee. (Though price trends for arabica coffee are currently more favorable than for robusta.) However even here there are danger signs. In the North West, the consistent upward trend in prices for maize exhibited in recent years appears to have flattened out over the past twelve months, a possible indication that the market is reaching the saturation point -- again implying possible declines in farmer income and fertilizer consumption.

2.4.4 Farmer Attitudes toward Fertilizer Usage

It was not possible in the time available to conduct a survey of farmer reaction to the FSSRP. However, three farmer members of the COPLACARM cooperative (which belongs to the UCAL cooperative union) were interviewed in the Nkongsamba area. These farmers seemed quite well aware of the response in terms of increased yield from the use of fertilizer, though application rates varied. One farmer with about 6 hectares of trees reported using 50 to 70 sacks (2.5 to 3.5 tons) of 20-10-10 each year, while another with 3 ha reported that he used 70 sacks (3.5 tons). Both reported that they used the fertilizer on coffee trees and on interplanted crops such as bananas, plantains, macabo, and vegetables. One farmer commented that she avoided applying fertilizer near vegetables as she was afraid of burning them. Asked if they would continue to purchase fertilizer if the price went up further, the farmer with the lowest rate of application responded that she wouldn't buy less even at higher prices because a lower amount would not have the desired effect. The farmer with the higher rate of application commented that he would purchase less if the price went up. A third farmer stated that he would reduce his purchases at higher prices, but that the price he was paid for his coffee would also be a factor.

This extremely limited sample of farmer reaction to the FSSRP is not intended to be representative. A system of farmer surveys aimed at determining utilization rates, crop responses, elasticity of demand and other factors is to be developed as a part of the FSSRP monitoring network.

3. RECOMMENDATIONS

3.1 Provide Liquidity to the Coffee Sector

The discussion in Section 2.3 of this report pointed out the potential effect on the FSSRP of the lack of liquidity among farmers in several provinces caused by the failure of the ONCPB to make pre-payments against the 1988/89 coffee and cocoa crops. It was noted that immediate transfer of funds by the ONCPB to cooperatives in the North West, Littoral, and South West provinces in keeping with past practices of crop pre-financing would solve the current liquidity crisis in these areas. (In the West Province, UCCAO's financial situation is being affected by the lack of commercial bank liquidity.)

We understand that following consultation with the World Bank and the IMF, the Cameroon government is now considering steps to make funds available to ONCPB to cover crop pre-financing. However, if this should not occur, and the current liquidity crisis remains unresolved, other means of injecting liquidity into the system must be found without delay if the FSSRP is to have the impact on Cameroon's agricultural sector projected by AID and the GRC.

A financial restructuring of the coffee and cocoa marketing system is urgently needed to reduce the deficit to be financed and to render the marketing system operational again.

3.2 Adhere to the Prescribed Annual Launch Date of the FSSRP

According to FSSRP procedures laid down by the GRC and AID, the launch date for each annual program is to be January 1. This was supposed to allow orders to be placed and fertilizer delivered in time for the March/April/May application of fertilizer on coffee trees. This January 1 launch date has not been adhered to for either the 1988 or the 1989 programs. In 1988, the fertilizer arrived for the most part too late even for the September/October application; whatever fertilizer is ordered in 1989 will not arrive until June at the earliest. It is recommended that administrative procedures be started earlier so that the prescribed launch date could be adhered to.

Accordingly, the following schedule is recommended:

Decision by the government on available subsidy funds - by September 15
Annual review of the program by the TSC and USAID - during October
Annual FSSRP seminar/workshop - mid-November
Agreement by GRC and USAID on program elements - by December 15
Launch of the program - January 1

3.3 Improve the Flow of Information on the FSSRP Program

It was noted during the two field trips conducted by the mission that many participants and potential participants in the FSSRP were not well informed about the program. Indeed it became necessary for the team members to spend much of their time in large meetings organized by local officials for

this purpose. The pamphlet or brochure issued by the FSSRP, the 1989 version of which has just been published, is a useful and necessary document but is not understandable to many participants. It is recommended that an illustrated brochure be prepared that explains the program in simple terms and that this be made available to cooperatives and to coffee processor/exporters for distribution to growers, to private firms interested in distributing fertilizer, and to local government officials. The brochure would emphasize the fact that participation in fertilizer distribution is now open to the private sector, giving a simplified statement of the eligibility rules, and would inform farmers of the gradual price increase to be expected as the privatization process occurs, while pointing out that private distributors including cooperatives will be responsive to their needs. (Publication of the brochure should take place only after the matter of ONCPB payments has been resolved.) In addition, it is recommended that this type of information be disseminated through the media, including television, radio, and newspapers.

3.4 Establish a Monitoring System

In addition to the assessment of the program covered by this report, the terms of reference for the work of the AMIS consultants calls for design of an information gathering system to monitor progress of the program over the remaining years of its life. The design of such a system, which embraces both information gathering and the sponsorship of agronomic research, is presented in a companion report to this one.

The justification for the system became apparent during the team's field work. While there is some research going on in Camerooon on crop response to fertilizer according to soil type and crop, it is insufficient to guide extension agents in providing advice to farmers except in narrowly defined areas. Nor is very much known about the rates and types of fertilizer use at the farm level, and especially the costs and benefits accruing to the farmer and his perception of these benefits. Expansion of this research and survey work, and coordination of efforts of the various research organizations is needed. It is recommended that the FSSRP provide financial support to selected organizations to carry out this work. More details on the recommended system will be found in the above-mentioned report.

3.5 Prepare Demand Studies

At this time, there is insufficient information on demand for fertilizer in areas not being served by coffee cooperatives. Information of this type could be made available to interested private distributors to encourage them to establish distribution networks in these areas, in effect helping to reduce the risk of going into the fertilizer business. Our investigations show that there are numerous coffee growers in the West, Littoral, and Southwest Provinces who are not members of cooperatives, or who are members of smaller independent cooperatives, who were unable to obtain fertilizer last year. Furthermore, there are no cooperatives or distributors serving the East Province and little is known about demand there.

It is recommended that fertilizer demand studies be conducted among coffee growers in these areas. These need not be based on farm survey data

(which will eventually become available through FSSRP-sponsored research) but could be estimates based on official crop statistics supplemented by a limited number of farmer surveys in selected areas. Given the increasing importance of food crops as consumers of fertilizer, the study could be extended to cover maize and possibly other crops as well.

3.6 Create Secretariat Attached to the Technical Supervisory Committee

At present the Technical Supervisory Committee has no administrative or technical staff attached to it. This severely hampers its ability to coordinate activities under the program and has led to an excessive dependence on USAID staff for this work. Functions of the secretariat would include:

1. Assume primary responsibility for the collection and design of materials from secondary sources, and collection and interpretation of periodic reports from the fiduciary bank and from distributors,

2. Assist AID and the implementing agency in the design of farm surveys, agronomic trials, and special studies,

3. Assist AID in the review of drafts of study results,

4. Route FSSRP program documents requiring action by other GRC ministries and agencies, and/or provide information copies of relevant documents to these organizations,

5. Make arrangements for seminars and workshops on the FSSRP, and for travel of fact-gathering missions (and accompanying such missions), including assuring adherence to all necessary protocol procedures,

These functions would require the following personnel, who would report through the Secretary of the Technical Supervisory Committee to the President of the committee:

- a junior-level agronomist of the GRC civil service with some exposure to on-farm and on-station trials on crop response to fertilizer, and comfortable with statistical compilations, whose tasks would include items (1) through (3) above,

- an administrative person of the GRC civil service to be responsible for items (4) and (5) above, and

- a secretary/typist to handle correspondence, filing, and telephoning.

Also required would be appropriate office space and equipment, a vehicle, and operating expenses to cover salaries, per diem, supplies and fuel.

Inasmuch as the Technical Supervisory Committee will cease to exist as such at the conclusion of the FSSRP in 1992, it is recommended that the above personnel of the GRC civil service be seconded to the Committee by the Ministry of Agriculture for the remainder of the program period, and that they return afterward to the Ministry of Agriculture. The office could be reconstituted within the Ministry and charged with permanently monitoring the

supply of and demand for all types of agricultural inputs.

3.7 Support Development of Coffee Cooperatives

During the March 1989 assessment mission, it became apparent to the team that the ordering of and arranging of financing for import of fertilizer according to procedures laid down by the FSSRP was imposing a burden on the staff of cooperatives in the North West, Littoral, and South West Provinces. It was likewise apparent that fertilizer distribution is intimately linked to the marketing of coffee by these cooperatives, and that current difficulties being experienced in this regard have greatly complicated tasks relating to fertilizer distribution. Finally, the team noted the problem of declining coffee quality, which is particularly serious with respect to the higher-value arabica coffee, and is related to inadequate quality control at the primary processing level and at the final sorting stage.

There is a strong need to provide short-term and long-term technical assistance as appropriate to the above-mentioned cooperatives in the areas of (1) fertilizer procurement and financing and (2) coffee export quality control, together with appropriate training of counterpart personnel on the staff of the cooperatives and access to computer facilities to support their work.

The provision of such assistance should be made contingent on changes to the cooperative law which would make cooperatives more independent of government ministries, especially with regard to coffee processing and exporting. It seems evident that Cameroon must rely heavily on the performance of coffee cooperatives to maintain and expand exports of coffee, expecially arabica, and that the best guarantee of performance lies with the staff and members of coffee cooperatives themselves. Thus we strongly urge that the above-mentioned technical assistance and training by linked to the granting by the government of export privileges to coffee cooperatives in the North West, Littoral and South West Provinces, as is now the case for UCCAO in the West Province. Furthermore, since it is apparent that ONCPB will no longer have the resources to provide coffee processing and sorting equipment to the cooperatives, alternative funding sources for the purchase of such equipment should be explored.

APPENDICES

APPENDIX A

FINANCING OF FERTILIZER IMPORTS

Importation Loan Facility

Exhibit A-1 below summarizes the use of the importation credit fund. CAMATREX was the largest user of import loan funds, accounting for 69% of the total loan volume, as it handled 40,000 of the 63,000 tons imported. ADER utilized the balance of the loan funds. As indicated, all of the loans have since been repaid.

Exhibit A-1: Use of Importation Credit Facility as of December 15, 1988

Importer	Commercial Bank	Importation Loan Amount (F CFA)	Distributor(s)	Date Disbursed	Date(s) Repaid
CAMATREX	BICIC	99,937,500	UCAL, UCCAO	September 9, 1988	October 27, 1988, October 31, 1988
CAMATREX	BICIC	221,127,512	UCAL, UCCAO, COOPROVINOUN	September 20, 1988	October 31, 1988
CAMATREX	BICIC	129,360,000	UCAL, UCCAO	September 26, 1988	November 7, 1988
ADER	BICIC	266,250,000	UCCAO	November 2, 1988	November 11, 1988 November 21, 1988
CAMATREX	BICIC	137,258,488	NWCA	November 22, 1988	December 2, 1988
TOTAL		853,933,500			

Subsidy Program

Exhibit A-2 shows earning and disbursements from the subsidy fund during 1988. Virtually all available funds were disbursed. Details on use of the fund as of December 1988, showing disbursements by importer, appear in Exhibit A-3. CAMATREX accounted for about 62% of all subsidy disbursements and earmarked subsidies, while ADER and Aminou accounted for 24% and 13% respectively.

Exhibit A-2: Subsidy Fund Status as of December 15, 1988

Startin Amount		2,000,000,000
Total Available Subsidy , including interest		2,044,117,739
Subsidy Disbursed	1,618,380,000	
Subsidy Earmarked	408,300,000	
Total Subsidy Used		2,026,680,000
Remaining in Account		17,437,739

Exhibit A-3: Detail of Use of Subsidy Fund as of December 1988

		NPK 20-10-10		NPK 12-06-20		Sulfate of Ammonia		Urea	Totals	
Importer	Distributor	Amount (tons)	Subsidy (F CFA)	Amount (tons)	Subsidy (F CFA)	Amount (tons)	Subsidy (F CFA)	Subsidy (F CFA)	Amount (tons)	Subsidy (F CFA)
SUBSIDY DISBURSED										
CAMATREX	UCAL	6000	219,600,000	2000	70,000,000	3500	83,300,000	41,250,000	13000	414,150,000
	UCCAO	5000	183,000,000	5000	175,000,000			137,500,000	15000	495,500,000
	NMCA	5300	193,980,000					19,250,000	6000	213,230,000
CAMATREX Subtotal		16300	596,580,000	7000	245,000,000	3500	83,300,000	198,000,000	34000	1,122,880,000
ADER	UCCAO	5000	183,000,000	5000	175,000,000			137,500,000	15000	495,500,000
Total Subsidy Disbursed		21300	779,580,000	12000	420,000,000	3500	83,300,000	335,500,000	49000	1,618,380,000
SUBSIDY EARMARKED										
CAMATREX	NMCA					1000	23,800,000		1000	23,800,000
	COOPROVINOUN					5000	119,000,000		5000	119,000,000
Aminou & Co.	UCAL	5000	183,000,000					82,500,000	8000	265,500,000
Total Subsidy Earmarked									14000	408,300,000
TOTAL SUBSIDY USED										2,026,680,000

APPENDIX B

ACTIVITIES OF THE BANKS

1. FIDUCIARY BANK

The Bank of Credit and Commerce Cameroon (BCCC) was chosen by the Government of the Cameroon (GRC) to manage the Revolving Credit Fund and the Subsidy Fund under the FSSRP.

1.1 First Year Operations of the BCCC

Total funds available in the Special Account are as follows:

First AID disbursement	-	1,710,000,000
Second " "	-	484,500,000
Total		2,194,500,000

By joint GRC-USAID agreement, the amount of 2.1945 billion FCFA deposited in the Special Local Currency Account is to be exclusively used to replenish a Revolving Credit Fund. In 1988, the Revolving Credit Fund has two credit lines: one for importation loans and one for distribution loans.

With respect to the FSSRP loan program, 745 million FCFA were transferred from the Special Local Currency Account to the Revolving Credit Fund and were disbursed to commercial banks which in turn made a total of seven importation loans. Ninety-five percent of this amount passed through BICIC and the balance through the Meridien Bank. All these funds have been repaid.

No distribution loans had been disbursed as of March 15, 1989.

1.2 BCCC Comments on Program

1.2.1 Respective Roles of MINFI and TSC/MINPAT

BCCC states that they have a problem with the process whereby the authorization to transfer funds from the Special Local Currency Account to the Revolving Fund is given by the Secretary General of MINPAT, while the account holder of record is MINFI. Their contention is that to conform to GRC procedures, as well as to satisfy their internal and external auditors, the authorization must come from MINFI.

Proposed solutions were to have MINFI become a signatory to the management agreement, which would in effect give their approval to actions of the Secretary General of MINPAT, or to have MINPAT delegate authority to MINFI to authorize the transfers. USAID is in full agreement with the latter approach.

1.2.2 Loan Disbursement Procedures

In December 1988, BCCC (and other participants) reported that there were procedural problems with the timing of importation loans. These problems have been corrected in the 1989 program. The problem was that importation loans were disbursed by commercial banks following submission of shipping documents and approval by the Fiduciary Bank of the loan request. It then became due 90 days from the Bill of Lading date or upon customs clearance at Douala, whichever was earlier. Given the fact that shipment from Europe takes only 10 to 12 days, what had been happening is that by the time that shipping documents reach the bank and the loan request is processed, the goods were about to clear customs in Douala. Thus loans had been coming due upon customs clearance and were typically outstanding for only a few weeks. For this reason the loans were of little use to the importers. They applied for them only because they were linked to the payment of the subsidy. An additional reason was that the loan limit of 30% of the CIF value was considered too low. (This has been changed to 50% in the 1989 program.) It was suggested by BCCC that loans should become due 90 days from actual disbursement. This suggestion has since been adopted for the 1989 program.

1.2.3 Earmarking of Subsidy

A problem was also reported having to do with the term of validity of the subsidy earmarking. Changes made in the 1989 program have corrected this problem as well. Formerly, the subsidy was earmarked for 90 days from the date of the sales contract between the importer and supplier and was disbursed upon presentation of custom clearance documents by the importer. But because of delays in shipment, or because contracts may call for delivery at a later date, the earmarking date sometimes expired before custom documents were presented. Changes made in the 1989 program make the expiration date of the earmarking the same as that of the importation loan.

1.2.4 Interest-bearing Account

BCCC is to maintain an interest-bearing account at the Central Bank for funds not immediately needed in the Revolving Credit Fund. These funds are held in 30-day notes. BCCC states that it is difficult to program the use of these funds since they have no advance notice of requirements but must disburse import loans within 5 days of receipt of shipping documents. Thus if funds have to be withdrawn from the interest bearing account at times other than the maturity date, interest is lost on the note.

2. COMMERCIAL BANKS

2.1 Banque Internationale pour le Commerce et l'Industrie de Cameroun

The Banque Internationale pour le Commerce et l'Industrie de Cameroun (BICIC) is one of the largest commercial banks in Cameroon with some 34 branches around the country. It has been involved with financing of fertilizer for some years under the old MINAGRI/FONADER program.

2.1.1 Financing of 1988 Imports

Under the 1988 FSSRP, BICIC financed the import of 57,000 tons of fertilizer, or approximately 90% of all imports under the program. The amounts financed, by importer and distributor, are as shown in Exhibit B-1.

Exhibit B-1: Imports Financed by BICIC

Importer	Distributor	Tons	CIF Value
Camatrex	UCCAO	15,000	887 mill.FCFA
Camatrex	UCAL	13,000	714
Camatrex	NWCA	6,000	367.7
ADER	UCCAO	15,000	887.5
Aminou	UCAL	8,000	512.4
Totals		57,000	3368.6

The earmarked subsidy served as guarantee for 50 to 60% of the CIF value of the shipments. As guarantee of payment by importers, in addition to the above, BICIC required a combination of (1) Bills of Exchange (traites) and (2) agreements to turn over payments by distributors for fertilizer as they were made directly to BICIC. In the case of UCAL, the ONCPB guaranteed payment in return for an agreement by the cooperative to turn over a certain tonnage of coffee to the agency.

2.1.2 BICIC Comments on the Program

BICIC had several suggestions to improve the program. Like others, they were concerned about premature expiration of the validity periods for the import loans and subsidies. They also felt that cable or coded telex notification of shipment should be adequate to trigger the 90 day loan validity period, rather than waiting for receipt mail of shipping documents by mail. This procedure has been adopted by banks for the 1989 program.

To make the distribution credit program more useful, they felt that procedures for obtaining importation loans and distribution loans should be linked. In the 1989 program, an importer/distributor may apply for and obtain both types of loans for a given contract or shipment at the same time, though the distribution loan will only be disbursed upon repayment of the import loan. Also, an independent distributor may apply for and obtain a distribution loan without regard to the state of repayment of an import loan granted to an importer for the same contract or shipment.

2.2 Meridien Bank

The new owners of the Meridien Bank, who acquired the bank from Chase Bank-Cameroon last year, are expanding operations and increasing their customer base. They first financed the import of fertilizer last year for SEPCAE under the MINAGRI/FONADER program.

Meridien financed one contract under the program this year, the import of 6,000 tons of Ammonium Sulfate by Camatrex for COOPROVINOUN and NWCA. The CIF value of the shipment was 236 million FCFA, which was the amount of the Letter of Credit opened by Meridien in favor of the supplier -- Comptoir Francais de l'Azote (C.F.A.), Paris. The subsidy granted the importer amounted to 143 million FCFA which the bank treated as guarantee of payment for just over 60% of the CIF value. (The subsidy was fixed at 23,800 FCFA per ton for Ammonium Sulfate in the North West Province.) As guarantee of payment for the balance, the bank held warehouse receipts for the entire tonnage.

2.3 Banque Internationale pour l'Afrique Occidentale (BIAO)

BIAO, a large commercial bank with many branches in Cameroon, has been financing fertilizer imports for more than 15 years under previous programs. Management states that they currently finance about 25% of all coffee exports and about 20% of cocoa exports.

Under the FSSRP this year, BIAO's participation was limited to providing an interbank guarantee for a portion of the 6000 tons of fertilizer imported for NWCA by CAMATREX. The guarantee covered a loan of FCFA 200 million out of a total contract value of FCFA 274 million and was secured by funds owed to the cooperative by FONADER. Also BIAO financed the purchase of an additional shipment of 1000 tons from CAMATREX which was secured by NWCA deposits in that bank.

NWCA reported dissatisfaction with the length of time it took to arrange these loans. From other sources we understand that BIAO is experiencing severe liquidity problems as a result of the current economic crisis.

APPENDIX C

ACTIVITIES OF IMPORTERS

1. CAMATREX

1.1 Background

CAMATREX, a joint Cameroon-American venture, was established in March 1988. The new company actively promoted business under FSSRP, to the extent of working closely with the large cooperatives to develop an import program which met their needs, and became the dominant importer for the first year of the FSSRP. CAMATREX does not import fertilizers outside the FSSRP but the Deputy Director General states that the company has plans to do so. He also stated that CAMATREX is interested in becoming directly involved in fertilizer distribution in some parts of the country. (We understand that the company has since applied for a distribution loan.) CAMATREX employs eight permanent and up to 15 temporary persons at their office and warehouse in the port of Douala.

1.2 First Year Operations

Exhibit 2 below lists the imports made during 1988 by CAMATREX by client contract. Contracts were awarded through private tenders in each case. All imports were on behalf of cooperative unions and were distributed to cooperatives who are members of those unions.

Exhibit C-1: CAMATREX Import Contracts

Distributor	Contract Date	Tons	Value, 000 FCFA
UCAL	2 June 88	13,000	510,468
UCCAO	24 June 88	15,000	495,500
COOPROVINOUN	8 July 88	5,000	192,425
NWCA	9 July 88	7,000	274,894
Totals		40,000	1,473,287

CAMATREX received importation loans from commercial banks for 30% of the CIF value of these shipments, which amounted to 587,683,500 FCFA. All these loans have been repaid. Subsidies disbursed to CAMATREX amounted to FCFA 1,265,680,000 covering the import of 40,000 tons. The supplier for all these shipments was Comptoir Francais de l'Azote (C.F.A.), Paris.

1.3 Comments/Suggestions on the Program

CAMATREX had a number of suggestions for changing the program, some of them the same as those offered by BCCC and BICIC. In addition they offered an opinion on the reasons why there have been no applications for distribution loans. The large cooperatives such as members of UCCAO have enough resources of their own and don't need such loans, while the smaller ones who do need them can't put up enough security to qualify. CAMATREX suggested that the distributor should be able to apply for a distribution loan at the same time as the importer applies for an import loan, so that all approvals could be received at the same time. The distribution loan would then be disbursed without delay upon repayment of the import loan. This problem has been dealt with in the 1989 FSSRP, in that an importer may apply for both types of loans at the same time and therefore either act as distributor himself or be in a position to finance another distributor.

2. Aminou S.A.R.L.

Aminou is an importing firm located in Douala. Established in 1981, the firm imports a variety of goods, though this has not until now included fertilizer. They are also engaged in the distribution of rice within Cameroon. The company has 72 permanent employees, of which 12 are involved in fertilizer importation, and 28 temporary employees.

This year Aminou had one contract, with UCAL, for the import of 5000 tons of NPK 20-10-10 and 3000 tons of Ammonium Sulfate. The value of the contract was 312,414,000 FCFA and that of the import loan 153,740,000 FCFA. The import loan has since been fully repaid. As of mid-March, 7,415 tons of this order had been delivered. A subsidy of FCFA 265,380,000 was paid to Aminou. The supplier was Continental Fertilizer Co. of London.

3. ADER

3.1 Background

ADER is an international company engaged in import and sale of a variety of products, including fertilizer, agricultural chemicals, and animal feed. They were recently established in Cameroon, acquiring the assets of SEPCAE. These assets included warehouses and distribution facilities in Bafoussam, Nkongsamba, Yaounde and Bertoua in the East Province.

3.2 Operations Under the 1988 Program

ADER imported 15,000 tons of fertilizer for the account of UCCAO. The shipment cleared customs at Douala on 11 November 1988. Importation loans totaling 266,250,000 FCFA were disbursed to ADER; all have since been repaid. ADER also received subsidies in the amount of 495,500,000 FCFA.

In a meeting at Bafoussam in March 1989 with the ADER representative, during which an explanation of the FSSRP program was given, he expressed the company's interest in engaging in distribution of fertilizer through their existing warehouses.

4. Other Importers

An invitation was extended to importers who did not participate in this year's program to attend a meeting in Douala to express their views on the program and indicate possible future interest. The following firms attended:

Shell Cameroun
WITCO
Rhone-Poulenc
SOGETA
ADIR
Bela-Nke

In response to questions, various aspects of the FSSRP were explained to the group. Several of the representatives present said their companies would be interested in participating in 1989. Asked if any of the companies would be interested in establishing distribution networks of their own, in addition to acting as importers, the reply was that no one had experience in this area since fertilizer had always been distributed through cooperatives in the past.

APPENDIX D

ACTIVITIES OF DISTRIBUTORS

1. Union des Cooperatives du Littoral

1.1 Organization and Activities of the Cooperative

The Union des Cooperatives du Littoral (UCAL) was created in November 1987 when 12 cooperative societies in the Littoral Province agreed to join forces. Its principal activity is to serve as a marketing conduit between its member cooperatives and the ONCPB. In its initial year of operation, UCAL marketed 1,295 tons of robusta coffee. UCAL also contracted for the purchase of fertilizer on behalf of its member cooperatives under the FSSRP. Almost all of UCAL's operating expenses in its first year were provided by subsidies from the government and ONCPB.

The 12 member societies are quite heterogeneous, ranging from a well-equipped 39-year old robusta marketing cooperative with 2000 members that is capable of processing over 1,500 tons of coffee to the point it is ready for export to newer cooperatives with a few hundred members that hull approximately 100 tons of robusta a year. Of the 12 member cooperatives, 9 market robusta coffee, 1 markets cocoa, and the remaining two are of a more general rural development nature. All ten of the marketing cooperatives are located in Moungo Division, one of four divisions in Littoral Province. As a result, the nine coffee marketing cooperatives, particularly the four largest, find themselves in the unusual situation of competing amongst themselves for the allegiance and patronage of the division's farmers.

The marketing cooperatives also compete with licensed private exporters ("exportateurs agrees") for the purchase of coffee from farmers. And as the exporters have been able in the past to pay immediately for the coffee they purchase while the cooperatives must usually wait for financing from ONCPB, it is not surprising that the cooperatives handle only 5 percent of the 60,000 to 80,000 tons of coffee produced annually in the division. It should be noted that only one of the coffee cooperatives -- COOPLAM -- has all the necessary machinery to hull, calibrate, and sort the beans and prepare them for export. The remaining eight must sell to the private exporters who complete the processing.

1.2 Financing and Distribution of Fertilizer

UCAL passed two orders for fertilizer during the year -- one for 13,000 tons of NPK 20-10-10, NPK 12-6-20, Urea, and Ammonium Sulfate through CAMATREX, and one for 8,000 tons of NPK 20-10-10 and Urea through Aminou. Almost all of the CAMATREX order had arrived in the area at the time of the team's visit in December; by the mid-March visit 7,415 tons of the 8,000 ton Aminou order had been delivered.

The status of distribution of fertilizer as of November 30, 1988 as reported by UCAL is shown in Exhibit D-1. During our visit in March 1989, management was unable to update this information. Much of the available stock

has apparently been sold to farmers on credit by UCAL member cooperatives against future payment for coffee already delivered but not paid for by ONCPB. We understand that a portion of the stock has been sold in the Haut Nkam Department of the West Province, and an additional amount to a private distributor in the Littoral Province, permitting UCAL to accumulate modest amounts of cash.

The lack of prepayments for the 1988/89 coffee crop by ONCPB has created financial problems for UCAL. The shortage of cash receipts for fertilizer sales has made it impossible for UCAL to repay credits extended by its two importers, CAMATREX and Aminou. Both these firms accordingly presented for payment at commercial banks on March 2 the bills of exchange (traites) they held as guarantees of payment for the fertilizer. (One of these credits was secured by an ONCPB guarantee, covered in turn by UCAL's agreement to turn over 5000 tons of coffee from this year's crop to UCAL. Because of ONCPB's financial condition they have been unwilling to accept the coffee, rendering the guarantee invalid.) The banks have frozen UCAL's accounts to cover this payment, leaving the cooperative with few if any financial resources.

A complicating factor has been the close involvement of the Provincial Delegate of Agriculture in the ordering process which has reduced management's freedom of action.

Exhibit D-1: UCAL Distribution Status as of November 30, 1988

	Fertilizer Types				
	NPK 20-10-10	NPK 12-06-20	Urea	Sulf. of Amon.	Total
Total Contract(s)	11000	2000	4500	3500	21000
Total Received	6000	2000	1500	3500	13000
Percent	54.5%	100.0%	33.3%	100.0%	61.9%
Distributed					
COOPACROM	300	394	100	410	1204
COOPAGRIL	145	46	143	104	438
COOPLACARM	1189	228	223	597	2237
COOPLAM	1940	429	550	1174	4093
COOPLAMEL	1466	584	187	599	2836
COOPROCAM	0	0	0	0	0
COOPRODICAM	106	10	50	60	226
COOVENPROVEX	137	10	0	3	150
SOCCOPLACACAM	17	0	0	0	17
SOCOPED Mungo	209	0	80	171	460
Others	73	9	166	132	380
Total Distributed	5582	1710	1499	3250	12041
Percentage	93.0%	85.5%	99.9%	92.9%	92.6%
Total Stocks	418	290	1	250	959

1.3 Fertilizer Pricing System

UCAL established a uniform price for all types of fertilizer of 52,000 FCFA per ton (2600 FCFA per 50 kg. sack) delivered to the farmer for the whole province. The pricing system was worked out with the help of the Provincial Delegate of Agriculture based on an average delivered price at Douala of about 39,000 FCFA/ton for all types of fertilizer, plus transport and handling charges and margins for UCAL and the member cooperatives totaling about 13,000 FCFA per ton. UCAL's pricing structure by type of fertilizer is shown in Exhibit D-2 on the following page. Note that prices for NPK 20-10-10 were well below ceiling prices, while those for Ammoniium Sulfate, at the other extreme, were above ceiling prices.

Several reasons were given for adopting the uniform pricing policy. The most important was that a uniform price throughout the province for all farmers was seen to be more in line with the cooperative principles of mutual self-help and service rather than profit. A second reason was that a uniform price should discourage usage of Ammonium Sulfate which is widely known to increase soil acidity. A final reason for adopting the uniform price was due to a concern that farmers would find a differentiated price structure daunting, particulary given that uniform pricing of fertilizers prevailed prior to the initiation of the FSSRP.

Nevertheless, uniform pricing does create distortions in the market and provides opportunities for undercutting the price. Indeed, the team found evidence of just this happening. One cooperative, located closer to Douala than Nkongsamba, was selling all fertilizer at 2500 FCFA per bag, undercutting the uniform price by 100 francs a bag. In addition, in setting a uniform price for all types of fertilizer at 2600 FCFA per bag, UCAL is exceeding the 2313 FCFA per bag provincial target ceiling price for Ammonium Sulfate set in the May 1988 MINPAT/MINCI pricing decree by 287 FCFA a bag.

2. North West Cooperative Association

2.1 Organization and Activities of the Cooperative

The North West Cooperative Association (NWCA) is the apex organization of the export crop marketing cooperatives in the North West Province. That structure is comprised of three tiers: 40 primary societies located throughout the province that purchase arabica and robusta coffee and cocoa from farmers, 11 cooperative unions that process coffee to the point that it is ready for export, and NWCA as the apex which provides financial, audit, mechanical, educational, and input supply services to its member cooperatives. NWCA was established in 1978, but is the direct sucessor to organizations dating back to the colonial period.

Throughout its life NWCA has been the sole agent licensed by the ONCPB to buy export crops in the North West Province; in short, NWCA has been granted a monopoly. Thus farmers are obliged to sell their coffee or cocoa to the cooperative at the govermentally established prices. The cooperatives process the coffee (hull, calibrate, and sort) and sort the cocoa and then turn the produce over to the ONCPB and receive a commission.

Exhibit D-2: Distributor's Pricing Structure: UCAL, Littoral Province

	NPK 20-10-10				NPK 12-06-20				Urea				Sulfate of Ammoni		
	Average*	Pct.	Imputed**	Pct.	Average	Pct.	Imputed	Pct.	Average	Pct.	Imputed	Pct.	Average	Pct.	Imputed
CIF Douala Price, Avg.	39185	75.4			39185	75.4			39185	75.4			39185	75.4	
CIF Doual Price, Actual			39213	75.4			43784	77.4			38783	75.2			36984
Transport to Member Cooperative	6000	11.5	6000	11.5	6000	11.5	6000	10.6	6000	11.5	6000	11.6	6000	11.5	6000
UCAL's Margin	1815	3.5	1815	3.5	1815	3.5	1815	3.2	1815	3.5	1815	3.5	1815	3.5	1815
Transport/Handling to Farmer	3000	5.8	3000	5.8	3000	5.8	3000	5.3	3000	5.8	3000	5.8	3000	5.8	3000
Member Cooperative's Margin	2000	3.8	2000	3.8	2000	3.8	2000	3.5	2000	3.8	2000	3.9	2000	3.8	2000
Price to the Farmer															
Per ton	52000	100.0	52028	100.0	52000	100.0	56599	100.0	52000	100.0	51598	100.0	52000	100.0	49799
Per bag	2600		2601		2600		2830		2600		2580		2600		2490
Ceiling Price															
Per ton	68250		68250		65500		65500		52700		52700		46250		46250
Per bag	3413		3413		3275		3275		2635		2635		2313		2313
Farmer Price as Pct. of Ceiling Price	76.2%		76.2%		79.4%		86.4%		98.7%		97.9%		112.4%		107.7%

Notes: * The average pricing structure is based on the weighted average Douala CIF price for all types of fertilizer and represents the way UCAL calculated its selling prices.

** The imputed pricing structure calculates the price to the farmer based on actual Douala CIF prices while maintaing all other cost elements the same.

There is a close relationship between NWCA and MIDENO (Northwest Development Authority) in that MIDENO has funded the construction of 59 Farm Service Centers (small warehouses for storage of fertilizer and coffee) at the district/village level and 6 Rural Development Centers (large warehouses) at the cooperative union level. MIDENO also assists with extension services and a credit program to assist maize farmers and coffee farmers (for purchase of coffee pulpers and sprayers).

2.2 Financing and Distribution of Fertilizer

NWCA purchased 7000 tons of fertilizer through CAMATREX of which all but 495 tons of Ammonium Sulfate had been received as of mid-March 1989. The status of distribution of this fertilizer to the various areas is shown in Exhibit D-3. A part of this is stored in the large Rural Development Center warehouses and the balance in Farm Service Center warehouses. A combination of cooperative-owned trucks and hired trucks was used to move the fertilizer from Douala.

NWCA management states that their preference would be to place orders twice a year, allowing a full six months from date of order to delivery to warehouses in their various divisions. Thus they would place orders in March for shipments to arrive in April/May for use in September, and again place orders in September for deliver in October/November for use in March/April.

Exhibit D-3: NWCA Distribution Status as of March 13, 1989

	Fertilizer Types				
	NPK 20-10-10	NPK 12-06-20	Urea	Sulf. of Amon.	Total
Total Contract(s)	5300	0	700	1000	7000
Total Received	5314		694	505	6513
Percent	100.3%		99.1%	51%	93%
Distributed					
Bali	64		0	0	64
Bamenda Central	276		30	73	379
Kom	764		124	4	892
Mbengwi	60		0	3	63
Moghamo	301		0	7	308
Ndop	197		12	18	227
Nkambe	438		0	65	503
Nso	500		0	0	500
Oku-Noni	459		0	0	459
Pinyin	77		0	0	77
Santa	494		77	30	601
Total Distributed	3630		243	200	4073
Percentage	68%		35%	40%	63%
Total Stocks	1684		451	305	2440

NWCA was able to arrange a loan guarantee against the value of the fertilizer from BIAO for 200 million FCFA which was used together with NWCA's own funds to cover payment for all imported fertilizer. Based on information from those familiar with the banking sector, BIAO is experiencing a lack of liquidity. This may account for the lack of action on an FSSRP distribution loan NWCA reports they have applied for through BIAO.

2.3 Fertilizer Pricing System

NWCA established a pricing schedule which conforms to the system envisioned in the FSSRP, that is prices vary by type of fertilizer and by location. Exhibit D-4 shows these prices and margins at each level. The farmgate target ceiling prices established by the May 1988 interministerial decree appear adequate to cover distribution costs, except that in the case of Ammonium Sulfate the cooperative claims that the 2800 FCFA per 50 kg bag price does not cover costs.

2.4 Relationship to Cash Crop Financing

NWCA sells its fertilizer to member cooperative unions on a cash basis, which makes sales sensitive to farmer income. The failure of the ONCPB to make prepayments against the 1988/89 crop (or bonus payments on the 1987/88 crop) is therefore having a serious impact on fertilizer sales. NWCA management fears that as happened last year some farmers who are short of cash will sell their coffee to other farmers at lower prices, and that sizeable amounts of coffee from North West Province will be sold in the West and Southwest Provinces.

3. Union Centrale des Cooperatives Agricoles de l'Ouest (UCCAO)

3.1 Organization and Activities of the Cooperative

UCCAO is a union of six coffee-producing cooperatives located in the six departments of the West Province. There are over 100,000 farmers belonging to these cooperatives and in the 1987/88 crop year they produced 27,000 tons of Arabica coffee, 12,000 tons of Robusta coffee and 1,500 tons of cocoa. UCCAO's principal activity is the processing and exporting of coffee for its member cooperatives. In addition to these activities, its large staff is involved in extension, training and research activities related to coffee. Its requirements for fertilizer are 30,000 to 35,000 tons annually. UCCAO is not only the largest of the three provincial coffee cooperative unions, but it is the only one having the right to export coffee directly rather than through ONCPB.

3.2 Financing and Distribution of Fertilizer

Under the 1988 FSSRP, UCCAO purchased 10,000 tons each of NPK 20-10-20, NPK 12-06-20, and Urea. No Ammonium Sulfate was purchased as UCCAO discourages the use of this type of fertilizer.

Exhibit D-4: Distributor's Pricing Structure: NWCA, North West Province

	NPK 20-10-10						Urea				Sulfate of Ammonia			
	Maximum	Pct.	Minimum	Pct.	Average	Pct.	Maximum	Pct.	Minimum	Pct.	Maximum	Pct.	Minimum	Pct.
CIF Douala Price	39700	58.4	39700	66.2	39700	61.9	39285	63.4	39285	65.5	36985	66.0	36985	66.0
Transport to Distributor	10000	14.7	10000	16.7	10000	15.6	10000	16.1	10000	16.7	10000	17.9	10000	17.9
Distributor's Margin	4300	6.3	4300	7.2	4300	6.7	2715	4.4	6715	11.2	2015	3.6	6015	10.7
Transport to Secondary Distributor	8000	11.8	0	0.0	4091	6.4	6000	9.7	0	0.0	4000	7.1	0	0.0
Secondary Distributor's Margin (includes any further tranport)	4000	5.9	4000	6.7	4000	6.2	3000	4.8	3000	5.0	2000	3.6	2000	3.6
Tertiary Distributor's Margin	2000	2.9	2000	3.3	2000	3.1	1000	1.6	1000	1.7	1000	1.8	1000	1.8
Price to the Farmer														
Per ton	68000	100.0	60000	100.0	64091	100.0	62000	100.0	60000	100.0	56000	100.0	56000	100.0
Per bag	3400		3000		3205		3100		3000		2800		2800	
Ceiling Price														
Per ton	78250		78250		78250		62700		62700		56250		56250	
Per bag	3913		3913		3913		3135		3135		2813		2813	

UCCAO solicited tenders from suppliers for the fertilizer and received fifteen. Eventually the order was divided equally between CAMATREX and ADER. UCCAO financed the purchase using its own resources without recourse to FSSRP distribution loans. Payments to CAMATREX were made weekly as fertilizer was withdrawn from the port. ADER required a 30% cash advance payment and "traites" or Bills of Exchange to be held for the balance.

UCCAO is normally in a position to finance such purchases since coffee buyers who deal with the cooperative union deposit advance payments for coffee to the cooperative's account and these funds can be used as guarantee of payment for imported fertilizer. However we understand that recently commercial bank illiquidity has made this much more difficult.

The six member cooperatives were responsible for transporting fertilizer from the port of Douala using their own trucks. Distribution by cooperative is shown in Exhibit D-5.

Inasmuch as UCCAO acts as exporter of its own coffee, their are no problems with the arrears of ONCPB. Farmers receive timely payment for their coffee and generally purchase fertilizer on a cash basis, though there were problems relating to illiquidity of commercial banks.

Exhibit D-5: UCCAO Distribution Status as of December 15, 1988

	Fertilizer Types				
	NPK 20-10-10	NPK 12-06-20	Urea	Sulf. of Amon.	Total
Total Contract(s)	10000	10000	10000	0	30000
Total Received	10000	10000	10000		30000
Percent	100.0%	100.0%	100.0%		100.0%
Distributed					
CAPLABAM	2000	3000	2000		7000
CAPALHN	500	1000	500		2000
CAPLAME	3000	1000	3000		7000
CAPLAMI	1000	500	500		2000
CAPLANDE	500	500	500		1500
CAPLANOUN	2500	1500	2500		6500
Total Distributed	9500	7500	9000		26000
Percentage	95.0%	75.0%	90.0%		86.7%
Total Stocks	500	2500	1000		4000

3.3 Fertilizer Pricing System

UCCAO adopted a policy of uniform farmgate prices for all types of fertilizer throughout the province and charges no mark-up for its involvement

in purchasing. Thus fertilizers cost 2750 FCFA per 50 kg. bag regardless of type of fertilizer or location of the farmer. As indicated in Exhibit D-6 this puts actual retail prices at levels considerably below ceiling prices (and incidentally acts as an inducement for farmers or traders from the North West Province to buy fertilizer here). Member cooperatives receive a sizeable margin varying from 11 to 17% on the sales price.

Exhibit D-6: Distributor's Pricing Structure: UCCAO, West Province

	NPK 20-10-10		NPK 12-06-20		Urea		Average	
	Average*	Pct.	Average	Pct.	Average	Pct.	Average	Pct.
CIF Doual Price, Actual	38440	69.9	37220	67.7	35340	64.3	37000	67.3
Transport to Member Cooperative	8500	15.5	8500	15.5	8500	15.5	8500	15.5
UCCAO's Margin	0	0.0	0	0.0	0	0.0	0	0.0
Transport/Handling to Farmer*	2000	3.6	2000	3.6	2000	3.6	1500	2.7
Member Cooperative's Margin*	6060	11.0	7280	13.2	9160	16.7	8000	14.5
							400	
Price to the Farmer								
Per ton	55000	100.0	55000	100.0	55000	100.0	55000	100.0
Per bag	2750		2750		2750		2750	
Ceiling Price								
Per ton	73450		70700		57900			
Per bag	3673		3535		2895			
Farmer Price as Pct. of Ceiling Price	74.9%		77.8%		95.0%			

Note: * Cooperative transport and margin calculated based on figures contained in CAPLABAM's Financial Report of September 30, 1987.

3.4 Remarks on Distribution in the West Province

In the West Province, it appears that several groups of growers who are not members of UCCAO who are currently not being reached by the FSSRP. One such group are the small growers of Robusta coffee. (While UCCAO is the dominant factor in Arabica coffee marketing in the West Province, its cooperative member account for only 30% of the Robusta coffee produced.) UCCAO management states that it is the union's policy to sell to non-members. However representatives of several cooperatives belonging to UCCAO say they do not sell to non-members.

The second group consists of several European-owned large plantations who

likewise are not members of UCCAO. Together with some Cameroun growers they have formed a cooperative called COOPAGRO, located at Foumbot. Their requirements are roughly 1000 tons of fertilizer annually.

There are two ways that the situation could be rectified:

(1) UCCAO member cooperatives could sell fertilizer to non-members at a small premium to cover additional administrative costs. Since the prices established by the cooperative for the 1988 crop year were well below the official target ceiling price, charging a somewhat higher price to non-members would not contravene any FSSRP procedures. Furthermore, the cooperative members of UCCAO could derive some additional income from these sales.

(2) Eligible private companies could import fertilizer under the FSSRP, establish distribution outlets, and sell fertilizer at retail to individual growers. At this writing, no such networks are operating but at least one company is interested in doing so under the 1989 program. It remains to be seen whether FSSRP target ceiling prices will provide sufficient margin for such business to be attractive to private firms.

3.4 Utilization of Fertilizer

Under the influence of gradually declining coffee prices, and more recently of delayed payments for coffee caused by the poor financial condition of ONCPB, cooperative coffee growers are increasingly channeling subsidized fertilizer to food crops. Such crops as tomatoes, beans, and maize earn the farmer badly needed cash income. This trend is likely to accelerate as fertilizer subsidies decline under the FSSRP and fertilizer prices increase more or less proportionately. UCCAO has recognized this trend and serves its members through recommmendations for proper cultural practices, including fertilizer application, for these food crops. To this end, UCCAO cooperates with the IRA in determining fertilizer application rates according to soil type.

These trends represent entirely rational decisions by coffee growers and need to be taken into account in analyzing the effect of the FSSRP on the rural economy of Cameroon, and of the West Province in particular. Since vegetable growers produce two, three, or even four crops a year, the demand for fertilizer will become more evenly spread out over the year. This may tend to make it more attractive for distributors, since they will not be forced to create large stocks at two intervals during the year as at present to meet demand from coffee growers.

One concern is that the rapid expansion of production of these crops may soom begin to result in surpluses and declining prices. This problem could be overcome to some extent by seeking regional or international market outlets for certain of these crops. Cameroon may well have a comparative advantage in crops which are grown in the highland areas of West Cameroon.

4. COOPROVINOUN

This cooperative, located in the West Province at Foumbot, was established in January 1987 for the purpose of marketing vegetables produced by its 400 members. It has seven employees and operates from a small office and several sheds adjacent to the Foumbot marketplace. Tomatoes represent the largest volume crop; others include maize, macabo, beans, potatoes, and smaller amounts of other vegetables. Using rented trucks, the cooperative transports produce to buyers at various university centers, and the major markets in Yaounde and Douala. Some wholesalers from the major centers also come to the cooperative in their own trucks to purchase produce. Farmers are paid for their produce in two installments, the first in cash at the time of pickup, and the second after the goods are sold.

Under the FSSRP this year, COOPROVINOUN purchased 5000 tons of Ammonium Sulfate, the only type of fertilizer the members want, through CAMATREX. Of this amount, 170 tons had been received by mid-December and half of this had been sold. Although vegetables can be grown year round in the lower well-watered areas, utilization of fertilizer is the greatest during the rainy season when demand for vegetables is highest. The cooperative sells Ammonium Sulfate for cash at 3100 FCFA per 50 kg. bag, which is actually above the target price of 2573 FCFA established for this location. We were told that this price was established with the help of FONADER and that it adequately covers all the cooperative's costs. They also report that there was no noticeable reduction in demand for fertilizer this year, despite the fact that the price increased by more than 50% from the uniform price of 2000 FCFA last year.

It was not possible to get detailed information on the financing and distribution of fertilizer purchase due to the unavailability of management personnel at the time of our visit.

5. Exporters/Processors

Two coffee processing and exporting firms in the Nkongsamba area were interviewed: CACEP and Gortzounian. These firms clean and sort coffee for coffee planters and for cooperatives who are not licensed to export, and are paid a commission by the National Produce Marketing Board (ONCPB) according to the amount exported. In the past they have sold fertilizer, along with other inputs, as part of the services provided to farmers. The current FSSRP import program has largely supplanted this business, which amounted to about 14,000 tons of fertilizer imports last year for the two firms together.

The financial health of these firms has been greatly impacted by the ONCPB payment arrears, which in the case of CACEP is said to amount to 2.1 billion FCFA.

APPENDIX E

LIST OF PERSONS CONTACTED

Individual	Title	Organization
TECHNICAL SUPERVISORY COMMITTEE		
OYONO Jean-Marc Dieudonne	President	Ministry of Plan and Regional Development
FONGANG, Augustin	Member	Ministry of Finance
ETAME, Victor	"	ONCPB
EBAYAH, Gabriel	"	MINPAT
NKONABANG, Felix	"	MINAGRI
MINJA, Angeline	"	MINDIC
FIDUCIARY BANK		
Zafar Husain NAQVI	Deputy General Manager	BCCC
R. SELAVARAJU	Manager, Operations and Credit	BCCC
COMMERCIAL BANKS		
Rene HEBRARD	Director of Credit	BICIC
Mohindra P. DHALL	Deputy General Manager	Meridien Bank
Gisele MOULONG	Credit Manager	Meridien Bank
	Credit Manager	BIAO
IMPORTERS		
Betru GEBREGZIABHER	Deputy Managing Director	CAMATREX, SARL
AMINOU Adama	Director General	Aminou and Co.
Oumarou AMINOU	Deputy Director General	Aminou and Co.
Moise TCHEUSSI	Manager, Fertilizer and Pesticides	ADER Cameroun SA
Jean BELA-NKE	Director General	Ets. Bela-Nke
IKELLE Philippe		Shell
NDIGUI Gregoire		WITCO
FOTSO Andre		Rhone-Poulenc
FENKAM Emmanuel		SOGETA
Enoch Epassy		Adir
DISTRIBUTORS (COOPERATIVES)		
Littoral Province		
	President	UCAL
Lazare S. DJOUMBI	Director General	UCAL
Jean-Pierre FOGUE	Manager	COOPLACARM
TAFFOU Bernard	Manager	COOPLAM
North West Province		
Achidi ACHU	President	NWCA
Polycarp N. NGWAYI	General Manager	NWCA
John AKWAR	Chief, Farm Support Service	NWCA
Hartmut Hoffmeister	Finance and Accounting Advisor	NWCA

West Province

	Director General	UCCAO
Frederic SONWOUA MOLUH	Chief, Purchase Transport and Supply Division	UCCAO
Pierre NJOUYEP	Director, Finance and Acctng	UCCAO
OUKOUOMI Samuel	Chief, Agricultural Operations	UCCAO
Cooperative Members	COOPROVINOUN, Foumbot	
Cooperative Members	COOPAGRO, Foumbot	
President	Cooperative Agricole de Planteurs de Menoua, Dschang	

South West Province

	President	SOWEFCU
Mathew E. MBONLEH	General Manager	SOWEFCU

MINISTRY OF AGRICULTURE

John NGU	Minister of Agriculture	

Littoral Province

NLEND Valentine	Provincial Delegate of Agriculture	
Mme. KOLOKO	Provincial Chief of Service, Provincial Delegation of Agriculture	
FOTSO	Divisional Chief of Service, Cooperation and Mutuality	Divisional Delegation of Agriculture,Moungo

North West Province

TATA Thomas	Provincial Delegate, Agriculture	Provincial Delegation of Agriculture
YEBIT George	Adaptive Research Agronomist	Provincial Delegation of Agriculture
FONGYEN Adam	Deputy Project Manager	MIDENO
Jonathan TAME	Coordinator, PEM Division	MIDENO
James MUNANG	PEM Division	MIDENO
SABUM, M. O.	PEM Division	MIDENO

West Province

Samuel NGOYE MUKURI	Provincial Delegate of Agriculture	Provincial Delegation of Agriculture
NKOUNGO David		Provincial Delegation of Agriculture

USAID

Jay Johnson	Mission Director
Dr. Tham Truong	Chief Mission Economist
Tjip Walker	Deputy Project Manager, FSSRP
Max Williams	Project Manager, National Education Project
Gary Cohen	Project Manager, National Cereals Research & Extension Project

John Dorman	Project Manager, Agricultural Planning Project	

OTHERS

J.N. TAMBE-EBOT	Branch Manager, Bamenda	ONCPB
Dr. Jacob A. AYUK-TAKEM	Director	Institut de la Recherche Agronomique
Dr. Roy	Rice agronomist	IRA, Dschang
Dr. Pauwels	Director, Soils Lab	UCD
Yerima Bernard	Soils Lab	UCD
MONTHE Paul	Provincial Delegate of Plan & Regional Develop.	Provincial Delegation, West Province
David MITCHNIK	Country Representative	World Bank

Coffee processors and planters, Dept of Haut Nkam, Bafang, West Province

Mr. Philippe BATAULT		CACEP
Mr. Sambalis SPYROS		"
	Manager, Coffee processor in Nkongsamba	

APPENDIX F

CONSULTANT'S TERMS OF REFERENCE

Note: The terms of reference which follow cover both the assessment of the FSSRP contained in the present document and the companion study entitled "Monitoring and Data Collection System for the Fertilizer Sub-Sector Reform Program of Cameroon".

Purpose: Design a monitoring and evaluation system for the Fertilizer Subsector Reform Program, and help gather initial data urgently needed for the second-year program design and implementation. The system should produce timely information (i.e. data and analysis) on how well the FSSRP responds to fertilizer demand by delivering quality products to the farmer in a timely fashion at a competitive price.

Work Plan: The contractor will provide a team of two specialists in Cameroon to carry out the tasks described above. One marketing specialist is to spend two months in Cameroon and one information system specialist one month. The position titles, qualifications and repsonsibilities are described below.

It shall be the responsibility of the team leader to coordinate all activities under the GRC Technical Supervisory Committee (TSC) and through this committee to work closely with a network of public and private agencies such as the Ministry of Plan (MINPAT), the Ministry of Agriculture (MINAGRI), the Institute for Agricultural Research (IRA), the Fiduciary Bank (BCCC) and other agencies and other institutions capable of assisting in collection, analysis and reporting of monitoring and evaluating data. It is intended that the contractor will draw on available data collection resources of these agencies and institutions to the maximum extent possible in carrying out their work.

The team is to report to the TSC on accomplishment to date after one month of field work. Prior to departure from Cameroon, a draft final report to include the survey design and a summary of initial data collected following this design, shall be presented and discussed with the committee.

A. Design of a Monitoring and Evaluation System

1. Assess the information requirements for short and long term monitoring and analysis of the Fertilizer Subsector Reform Program (FSSRP). Such an assessment should include, but not be limited to, the following information categories:

(a) Organizational Relationships

- Identify the network of Public Sector Organizations that are directly or indirectly substantively involved in the fertilizer subsector:
  - their understanding of and support for FSSRP
  - their understanding of their role in support of FSSRP
  - their understanding of the roles of other public/private sector organizations and their relationship with those organizations
  - their capacity to perform their role and the tasks required thereunder in terms of structure, financial and human

resources, administrative characteristics and incentives
. The structural and regulatory environment governing the relationship among the agencies.

- Identify and assess Private Sector organizations/associations that are participating in the FSSRP, including importers, banks, wholesalers, retailers, cooperatives, and farmers.
  . their understanding/support of the goals, objectives and operations of the FSSRP.
  . their understanding of the roles of other public/private organizations in the FSSRP.
  . thier relationship with other public and private organizations involved in FSSRP.
  . their technical and financial capacity to participate in the FSSRP.

. - The compatibility of the legal and regulatory environment with project objectives and procedures, particularly in terms of the level and nature of the transaction costs imposed by that environment.

2. Identify the categories of information to be monitored. These must include, but not be limited to, the following:

a. Banking System
- Number of cooperating commercial banks
- Number and size of loans by (1)bank (2) marketing organization
- Repayment status of loans by bank (1) on schedule, (2)delinquent (3) write-off

b. Marketing System
- Number of fertilizer marketing organizations by their geographic areas of operation: (1) importer (sack and bulk), (2) wholesaler (3) retailer.
- Type and volume of of fertilizer imported by: (1) sack (2) bulk
- Type of volume of fertilizer distributed by marketing area and timeliness of delivery.
- Type of fertilizer sold by marketing area.
- Type of fertilizer use by marketing area, (1)food producer, (2) coffee, tea, cocoa producer, (3) mixed crop use.
- Price of fertilizer sold by marketing area and by type.
- Marketing cost of fertilizer by marketing area: (1)transportation, insurance, etc.,(2) handling,. (3)storage, (4) losses, (5) distribution costs, (6) profit margin, taxes, etc.

c. Production System
- Crop yields by marketing area: (1)food crops, (2)tree crops.

d. Economic Impact of Fertilizer Use
- Crop price by marketing area; (1) domestically consumed crops (2) export crops.

3.Conclusions on FSSRP Performance

a. Identify constraints to fertilizer use, e.g. deficiencies in infrastructure, regulatory system, contracts, price information.

b. Identify the primary forces affecting performance, e.g. demand from farmers, entrepreneurial drive of traders, etc.

c. Assess system performance, e.g. pricing efficiency, allocative efficiency, operational efficiency, progressiveness, entrepreneurship, etc.

d. Impact assessment of FSSRP on suppliers, manufacturers, ;importers, banks, distributors (wholesalers/retailers), users and the GRC.

4. Design a cost effective monitoring and evaluation system that provides sufficient, accurate, timely and usable information to those who need it on the data points outlined in categories 1-3 above. The system must be designed to make maximum use of existing and developing capacity in Cameroonian institutions already engaged in data collection and analysis. The system's structure must be compatible with that of participating institutions. The design must make explicit and clear the TSC's management and coordinating role. It must also identify the strategies, procedures, roles, and tasks of the participating institutions for collecting, processing, analyzing and reporting data and for recommending follow-up actions to address constraints identified.

5. Collect and analyze data identified in the monitoring and evaluation system design as critical for second-year policy and management decision-making. It is assumed that this will include collection of data on variables that bear upon key decisions that must be made during the 12 months following the design of the monitoring and evaluation system. This data collection and analysis actively will continue until the monitoring and evaluation system is fully operational.

APPENDIX G

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