Identifying new ways of promoting entrepreneurship in seed production

For seed entrepreneurs, profit is an incentive to sustain seed business, thus increasing the production and availability of seed. The action-learning projects of Integrated Seed Sector Development (ISSD) Africa showed the innovative ways in which seed producers control seed quality and access credit, thereby contributing to entrepreneurship. Even with seed crops with low profit margins, there are ways to make a business.

To improve farmers’ access to quality seed, first it is necessary to ensure the production of sufficient quantities of seed of acceptable quality. Experience from past interventions has shown that seed production is best conducted in a market-driven way, as profit is a strong drive to sustain the business. Giving away seed for free, as is often carried out by non-governmental organizations (NGOs) and governments, is not sustainable. Such free seed often doesn’t meet the specific demands of the farmers, or it may be available at an inappropriate time, and it makes the farmer dependent on the seed provider. Seed production and distribution by seed producers is stimulated through the entrepreneurship of individual farmers, farmers’ groups or formal seed companies, as well as agro-dealers, service providers and others in the seed chain. During a conference in Nairobi held in September 2016, the results of two years of action-learning case studies and expert meetings in ten African countries were presented and analysed. In relation to seed entrepreneurship, the research focused on three main topics hampering seed entrepreneurship: poorly functioning systems of seed quality assurance; limited access to credit for seed companies; and lack of business options for seed crops with low profit margins on their seed.

Quality assurance

‘When a farmer in Burkina Faso sows sorghum after the first rains, and only 10% of the crop emerges as a result of poor seed quality, that is a disaster for his or her livelihood and income’, observes Peter Gildemacher, seed expert with the Royal Tropical Institute (KIT), which has been coordinating ISSD Africa together with Wageningen Centre for Development Innovation (CDI). The quality of seed is vital, yet farmers in Africa often have to deal with poor quality seed. Counterfeit seed – regular grain packaged and sold as seed – is often sold or given away for free in subsidized programmes.

In many African countries, seed quality assurance carried out through national certification systems functions poorly as these systems are centralized, publicly run and logistically complex. Seed producers often lack the manpower and resources for external quality assurance. In ISSD Africa, several case studies have been carried out, analysing some of the seed quality control systems currently in place in different countries. In Burundi, for example, the internal quality control procedures of a seed potato producers cooperative was studied. In Burkina Faso, certified maize seed production was analysed. In South Sudan, quality management based on self-control and social pressure was investigated. According to Gildemacher, ‘the
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The conclusion was that different crops and seed systems require an alternative intermediate system of quality assurance, in between the formal centralized system of certified seed, and the informal local quality control. This alternative needs to be locally managed, technically simple, and less costly than full seed certification. The cases studied in Tanzania show the potential of so-called quality declared seed (QDS), a seed class in which the quality is locally controlled. This quality control system has contributed to the availability of quality seed of indigenous vegetables, maize and rice seed. In Uganda, QDS has, with the assistance of the ISSD Uganda project, been recognized as a new seed class by national government, and has been incorporated into national policy. Local seed businesses in Uganda – farmers’ groups specializing in producing seed as a business – produce seed according to quality standards that are controlled by the district agricultural officer instead of a national inspector; however, this is in line with national regulations. The next step is to introduce simple laboratory tests that can be executed in decentralized field laboratories to support this quality control, rather than complex tests in the national laboratory.

Another way of enhancing quality is self-control by companies, so-called ‘truthful labelling’. The functioning of such a system is based on trust and the desire by companies to protect their reputation, as limited external control is carried out. Gildemacher notes that ‘the general conclusion by ISSD Africa is that this form of quality control is not yet an option in many African markets, given the context of widespread fraud in the seed sector.’

Finance

Limited access to finance hampers seed business development. Seed producers need to invest more money than regular farmers, and must wait longer for the revenue, as they can only sell their seed at the start of the next planting season. The case studies showed that seed producers largely rely on their own savings. Saving can be stimulated by organizing group savings; for example, through a seed box in which participating farmers can save money. Seasonal credit can be accessed through micro-finance institutes, but at a considerable interest. Commercial banks are hesitant to lend to seed producers.

A promising opportunity is inventory credit, whereby the stock of seed is used as a collateral for a loan. Another way to unlock commercial credit for seed producers is through value chain finance, whereby a larger company in the chain, such as a seed trader, provides credit to out-growers producing seed, or finances the basic seed and fertilizer they need. An example is a seed company in Tanzania that finances the production of indigenous vegetable seed by farmers.
Institutions buying seed, such as governments or NGOs, can do a better job by ordering seed in advance through forward contracting. This provides market security for seed producers, making investment decisions easier, and allowing seed producers to access credit based on the contract. Grants for seed companies can distort the market and may not be sustainable. On the other hand, grants provided by AGRA, for instance, to many seed companies producing hybrid maize in Africa, have contributed to the growth of seed businesses, helped make them bankable, and have also made hybrid maize more accessible for many farmers.

**Making business out of low-profit seed**
When aiming to increase access to quality seed for smallholder farmers, a lot of improvement can be made through stimulating seed business in low-profit seed crops. These include crops that play a vital role in food security and economy, but whose seed is easily recycled by farmers. Examples include open-pollinated cereal crops and vegetatively propagated root and tuber crops, as well as beans, rice and sesame, for which farmers tend to produce the seed themselves. Replacing their seed stock and variety once in a while could give them a much higher yield. Yet for seed producers, the margins are low and it is hard to make a profitable business out of these crops.

‘The good news from our studies is that in many cases it is possible to make business out of low-margin seed crops’, affirms Sam Kugbe, who is a consultant with the Food and Agriculture Organization of the United Nations (FAO) and has a lifelong experience in the seed sector in Africa. Several strategies were identified to achieve this. For example, the integration of seed production into a well-organized chain. Producing cassava cuttings, for instance, becomes more profitable when there is a factory producing cassava flour nearby, which demands high quality cassava. The demand for seed is then assured through an end buyer in the chain. Other strategies that can be used by small-scale seed producers include identifying local niche markets that are not catered for by larger seed companies; using demonstration plots to promote the produce; and getting first access to new varieties at research stations.

Governments and NGOs have a role to play here as well, as they often bulk buy seed to distribute for free. Kugbe points out that ‘institutional buyers could ask low-profit seed producers, well in advance, to organize themselves in order to be able to deliver a certain tonnage next year.’ He further notes that the government could include a provision in its seed policy whereby whenever the government buys seed, it is done according to this procedure: ‘that would give more room for small-scale producers; now policy is based on companies focusing on high-profit seed crops.’
Seed entrepreneurship in Burundi

Cyriaque Simbashizubwoba works for the International Fertilizer Development Centre (IFDC) in Burundi as a seed agronomist, training seed entrepreneurs and linking them to research institutes and farmers. He mentions several cases from his experience of seed producers making money with low-profit seed: ‘Being well organized as a farmers’ association for example helps. Like in the case of rice seed producers, who had an agreement with nearby farmers’ associations producing rice. The associations were well organized around the management of irrigation. That organization helped to buy rice seed collectively.’

In another case, a brewery plays a central role in improving the availability of sorghum seed. Normally, sorghum is a seed crop with a low profit margin. As Simbashizubwoba observes, ‘the brewery purchases improved basic seed from the national research institute and gives it to a small association of farmers for multiplication’. The seed-producing association not only sells seed to the farmers producing sorghum for the brewery, but also to other farmers. ‘Through this system, the availability of quality seed improved and many farmers benefit from this’, notes Simbashizubwoba.

IFDC trains seed producers not only in production techniques, but also in book keeping and management of their business, as Simbashizubwoba, explains: ‘We link them to microfinance institutes as well. Many seed-producing associations have problems with getting credit and bridging the gap between harvesting and selling their seed.’

One solution for rice seed farmers, is using their seed stock as collateral for a loan. ‘The door to the seed stock gets two locks’, adds Simbashizubwoba, ‘one key for the microfinance institution, one for the producers’ association. Whenever they want to sell the seed, the microfinance institution has to agree and come with a key.’

ISSD Africa is a community of practice that unites African seed experts, seed programmes and associated organizations, and which aims to increase farmers’ access to quality seed through the development of a market-oriented, pluralistic and vibrant seed sector in Africa. ISSD Africa seed experts implemented action-learning projects in 14 African countries, and shared their findings in national seminars that were held over the course of 2016, and in an international synthesis conference that took place in Nairobi in September 2016. This paper reports on the outcomes of the conference and on interviews held during the conference.

The ISSD approach is a farmer-focused and demand-driven seed sector development approach, which caters for the diversity of seed demands. Through this approach interventions are designed that are tailored to specific crops, value chains and seed systems. It is a seed sector-wide and inclusive approach.

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