

BRIDGE

Kickstarting the Ethiopian forage seed market

BRIDGE Project brief



Background

Feed shortages and the poor quality of available feeds are major constraints to increasing livestock productivity in Ethiopia. Forage production is considered a key step in improving the productivity of livestock. To this effect, extensive research and development has been carried out to test and evaluate the adaptability and performance of various forage species in different agro-ecological zones. Many grasses, legumes, and fodder tree species with good potential were released to farmers through development programs (Mengist et al., 2016). However, the adoption of forage production and utilization practices is still relatively low as cultivated forage holds less than 2% of total feed resources for livestock (Tolera et al., 2019). This results in low livestock productivity and high production costs, while the demand for animal source food is rapidly increasing. Previous initiatives on forage production have focused on increasing the adoption rate through free distribution, but this has often gone at the expense of a well-functioning forage seed market. While free distribution of forage seed can reach many farmers, it often results in poor market linkages between forage seed suppliers and farmers. NGOs and GOs tend to act as market actors rather than as market enablers.

Introduction

The BRIDGE project has piloted a forage seed smart subsidy market model with the aim to address the challenges stated above. The model brings together forage seed producers, farmers, and distributors (agro-input dealers) with the objective to stimulate forage seed demand through a smart subsidy (starting from 50% reducing over time), as opposed to free distribution. A pilot was introduced in the main growing season of 2020 (May-August) The model consists of several elements that reinforce each other: Forage seed suppliers supply forage seed to agro-input dealers, who further distributed it to farmers. Farmers pay 50% in cash and 50% in vouchers obtained from the project; the agro-input dealer reconciles 50% of the costs by submitting the voucher to the BRIDGE project. The main objective is to kickstart the forage seed market system through initiating new demand and encouraging the involvement of the private sector in forage seed production and marketing. With these arrangements, in 2020 five forage seed suppliers were linked with 13 agro-input dealers, servicing 2,815 dairy farm households in 14 pilot woredas. A total of 740.5 quintal (1 quintal is 100 kg) of forage seed was distributed.

Key messages

This project brief shares the key findings of two assessments on kick-starting the forage seed market by applying smart subsidies.

Smart subsidies were used to shift from free distribution of forage seed to market-oriented forage seed supply approaches.

This succeeded in offering farmers reliable access to quality forage seed and planting materials against fair prices and on-time supply.

The model creates an opportunity for agro-input dealers and forage seed suppliers to increase their market outlet, customer base and turnover from the forage seed business.

During the first season (2020), 2,815 farmers accessed improved seeds, while in the subsequent season (2021) 36 Agro-input dealers supplied forage to almost 11,000 farmers, with further expansion planned for the 2022 season, thus establishing a sustainable forage seed market in Ethiopia.



As follow up to the pilot, assessments were conducted in 2021 and 2022. To evaluate the effectiveness and scalability of the model. This practice brief shares the assessment results, provides practical recommendations for upscaling the pilot, and intends to contribute to the discussion among stakeholders on how an effective forage seed market system could be created in Ethiopia.

Assessment 2021 – objective and methodology

The assessment focused on assessing the introduced smart subsidy model's contribution to creating a sustainable forage seed market in Ethiopia, checking the assumption that well-established and reliable markets and marketing systems serve as an incentive for smallholders to engage deeply in forage production, as well as motivate private actors to invest in forage seed production as key business activity.

The forage seed smart subsidy model was piloted in 2020 in five BRIDGE dairy clusters. Of these, two clusters were selected for the assessment (West Amhara and Adama-Asella clusters) based on quantity of forage seed distribution by BRIDGE and adoption rates. Five woredas were purposively selected, based on the number of forage seed smart subsidy beneficiaries, quantity of forage seed distributed, forage production experience, and access to the milk market: Ada'a, Digalu-Tiyo and Limu-Bilbillo woredas in Adama-Asella cluster, and South Achefer and Dejen woredas in West Amhara cluster. Data collection was carried out in February 2021. A household survey with 160 households investigated the type of forage produced, the sources of forage seed and the forage seed marketing system, agronomic practices in forage production, and the effectiveness of the forage seed smart subsidy model as compared to other sources of forage seed supply system.

The information was collected from dairy farmers and key informants through:

- Farm visits and observations on farmers' fields
- One focus group discussion per woreda, with forage experts, extension experts, cooperative experts and development partners working in forage development
- Key informant interviews with agro-input dealers, forage seed suppliers, research institutes, and woreda and zone-level managers of livestock offices
- Desk review of secondary data to prepare, enrich and complement the field assessment; this included performance reports of the other clusters in orderto complement the findings from the sample clusters.



Picture 2: Farmer holding the voucher that he used to purchase forage seed



Picture 3: Distribution of forage seed through smart subsidy in Aneded worda

Assessment 2021- Findings

Results showed that participating farmers were very satisfied about most of the key market success factors as compared to their previous experience, except for price of forage seed. The results for the scores are presented in the spider chart in Figure 1. The different indicators are briefly discussed below.

Quality: Farmers' main reason for participating in the model was the need to get quality forage seed for a 'fair' price. Forage seed suppliers generally collect seeds of all varieties and bulk them up for resale without proper processing and checking (cleaning, grading, and packaging). The model promotes quality checking of seed as a prerequisite for suppliers engaged in supplying forage seed to farmers, even if it may be difficult to access laboratory facilities with strong technical capacity.

Price: Participating farmers are willing to pay for forage seed. Farmers mentioned that the price of the forage seed supplied through the smart subsidy model was 30-50% higher than what they pay in the open market. While they complained about the high price of forage seed supplied, their level of satisfaction on the quality of seed supplied under the model was high and they reported positive net results on their dairy farm business.

Nearby access: The market linkages created between forage seed suppliers, agro-input dealers and farmers brought forage seed market closer to the farmers, resulting in better quality, reliable supply and on-time delivery. Forage seed usually is delivered to farmers by government agencies and NGOs. The existing marketing system is not well organized and barely operational. Access to markets is difficult due to the absence of forage producer-farmer linkages.

Quantity/packaging: Offering different package sizes enables farmers to purchase the amount of forage seed they need for sowing. This creates an opportunity for farmers to save money and avoids keeping forage seed stock till the next harvesting season, which may cause deterioration of the quality of seed.

Reliability: The smart subsidy model facilitated to bring actors together and develop a working modality. The new market linkages enable farmers to enjoy sustainable forage seed supply of forage seeds and planting materials offered in a range of qualities and quantities, against fair prices and in a timely manner. This improves the unsustainable way the forage seed supply system has been operating so far. Farmers have suffered from lack of sustainable supply of forage seeds and planting materials after the termination of projects.

Range/variety of forage planting materials

As opposed to previous experiences, the smart subsidy gives farmers a say in selecting the types of forage (s)he is going to produce, with support of extension providers. The linkages created between market actors and the support from extension enabled farmers to make proper decisions on what they will grow. Agro-input dealers and forage seed suppliers conducted demand creation activities and offer after-sales backstop services to farmers. This created an opportunity for them to understand the forage seed demands of farmers in terms of type of species, required quantities, and other supply modality issues. They then

compiled a summary. The forage seed market has started to offer baskets with several forage types and varieties that make it easier for farmers to decide what they want to grow, based on their needs and priorities.

Traceability: The smart subsidy model in effect shortened the chain between farmers and suppliers by facilitating market linkages and introduced labelling and product tagging to ensure traceability and control of the quality of seed as it moves along the forage seed value chain. Controlling and assuring seed quality has been given little attention in the forage seed market. In most cases, it is very difficult to trace the seed in the value chain, since records are lacking. Forage seeds are exchanged between various actors, which makes traceability challenging. The situation is made worse as labelling and product tagging of the packages are missing.

Compatibility with local conditions: The stakeholders participating in the smart subsidy model expressed the opinion that the model is better than other ways of distributing forage seed: It improves the trust between the value chain actors and encourages forage seed market actors to invest in forage production and marketing.

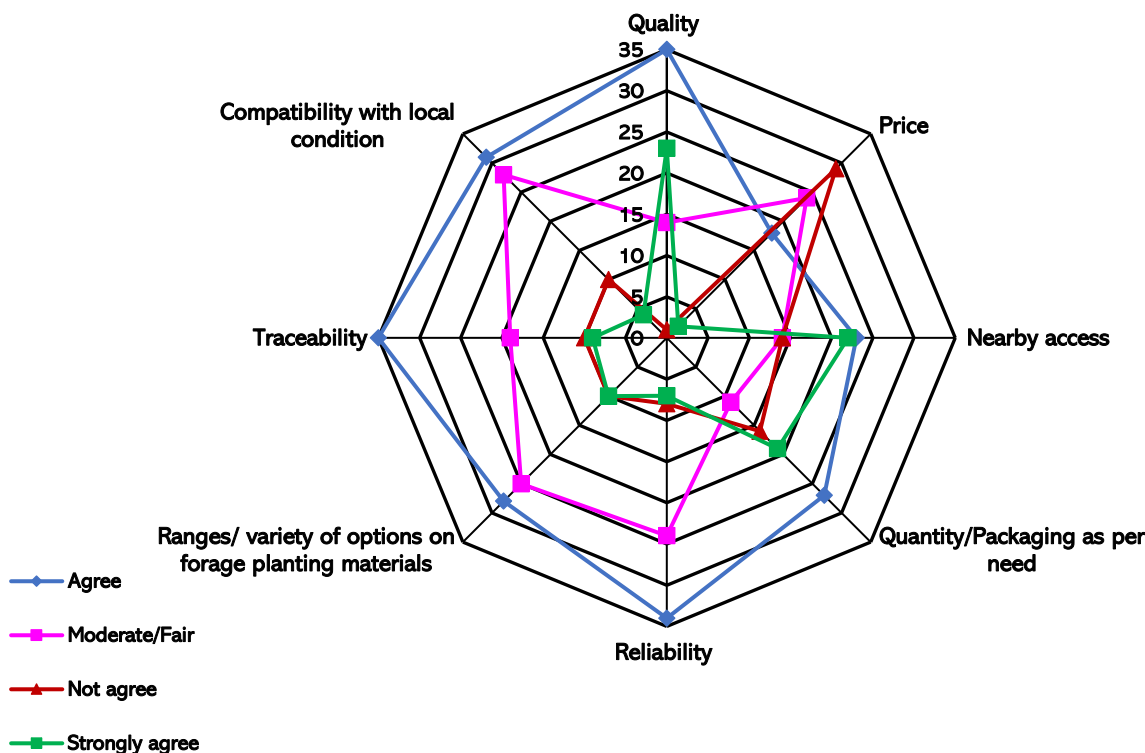


Figure 1: Farmers satisfaction on the forage seed smart subsidy model - Farmers scored their assessment on each key market success factor, using measurements scale “not agree - moderate/fair – agree - strongly agree” in comparison with their previous experience

Assessment 2022 – objective and methodology

BRIDGE conducted a follow-up assessment in April 2022, the objectives of this assessment were:

- Gaining insight in the capacity of Ethiopian forage seed association and identifying opportunities for improvement
- Drawing lessons from the implementation in 2021 to improve the forage seed smart subsidy supply process

The assessment covered the project cluster areas in Sidama, Oromia and Amhara. Data was collected through:

- Semi-structured key informant interviews with major seed suppliers
- Interviews with forage seed producer association members
- Focus Group Discussions with BRIDGE implementation teams (Sidama, Oromia and Amhara project clusters)
- Interviews with agro-dealers and their (extension) staff.
- Desk review of secondary data, such as project documents.

Assessment 2021- Findings

Forage seeds association

The fact that there was no access to quality certified forage seed for farmers in the market posed a challenge in forage seed development in the country. FEED the Future, a project implemented by ACIDI/VOCA, supported the emergence of the forage seed sector and managed to get together 11 existing seed suppliers to form a national association with the aim to supply quality declared seed. After one year the forage seeds association established itself as a legal entity. The association is meeting on a quarterly basis, actively providing market information to its members and currently identifying the potential to grow their membership base.

BRIDGE project already started working with the association to further develop the forage seed market. In 2021, BRIDGE signed a grant agreement with five of its members to supply quality certified seed to dairy farmers. The grant was used to subsidize farmers to purchase forage seeds and help forage seed suppliers to kick start a market for their seed.

Lessons

Out of the 11 members, the responses of 10 members were included. Available land for improved forage seed production remains a critical challenge. The land

allocation data indicate that most of their forage seed supply is collected by out grower farming scheme and bought from local market. The storage of forage seed is challenging as proper facilities are lacking. 3 of the 11 members (27%) do not have access to proper forage seed storage. There are several reasons why limited land is dedicated to forage production; absence of regulation contributes to the lack of available quality seed. Land scarcity, limited access to irrigation and the land not being prioritized for forage cultivation are also important factors affecting forage adoption. In addition, forage seed producers often have limited technical knowledge and skills with respect to forage production and its associated agronomic practices. In addition, there is a limitation in reliable market information available on forage seed demand and supply.

The introduction of the smart-subsidy has created sustainable market linkages between agro-input dealers and forage seed suppliers. The impact of these new market linkages and the subsidy on Agro-Input dealer is described in the case study below.

The impact of the BRIDGE forage seeds market model on a agro-input dealer business:

The case of Alemimesh Abera Maru Agro Input Dealer in Degelu Tijo woreda

“Before BRIDGE promoted forage seed, I didn’t know about forage seed market as a business and I wasn’t aware about forage seed marketing”. After the project promoted the forage seed market model through the subsidy approach and B2B meeting facilitation, his awareness of the forage seed market business increased and he was interested to engage in the forage seed market model developed by BRIDGE project. Participating in the forage seed market allowed Alemimesh to create market linkages with forage seed producers, through the smart subsidy he sold 530 quintals of different varieties of improved forage reaching 2,535 dairy farmers. He has earned 160,000 birrs of commission earned from the forage seed distribution from the supplier side (the forage seed suppliers paid a commission of 3 birr/ kg to agro-input dealers based on the amount of forage seed distributed. In addition, many new farmers visited his business and purchased other dairy inputs/products available in the shop. He recently expanded his market outreach as he opened two new shops.



Upscaling of forage smart subsidy approach

The assessment on the forage smart subsidy interventions found that farmers were satisfied about most of the key market success factors as compared to their previous experience (free distribution), except for price of forage seed. The other objective of the assessment was to review whether the introduced smart subsidy model can contribute to creating a sustainable forage seed market in Ethiopia. The findings show that the introduced model brings a new outlook and an opportunity to shift from free distribution of forage seed to market-oriented forage seed supply approaches. The model is successful in offering farmers access to forage seed and planting materials of better quality, at fair prices, with reliable and on-time supply. In the meantime, agro-input dealers and forage seed suppliers increase their market outlet, customer base and turnover from the forage seed business. To continue with the model, market actors need to build strong and mutually beneficial (win-win) business partnerships to help create a well-organized forage seed market system. To facilitate the upscaling of the forage smart subsidy model, BRIDGE organized several workshops in Amhara, Oromia and Sidama region. Among the participants forage seed suppliers, Agro input dealers, regional, zonal and woreda livestock officials and experts, model farmers, NGOs working on forage, research centres.



Picture 4: Attendants participating in the workshop on the forage seed market model

The outcomes of the workshops were:

- Participants learned of the assessment findings and key lessons of the piloted forage seed market development model.
- A shared vision was developed on the forage seed supply system among the stakeholders.
- 36 Agro-Input dealers were linked to the forage seed suppliers.

Through involvement of private forage seed supply networks and linking these to Agro dealers, the project aims to contribute to a sustainable supply of forage seed. With this approach commercial seed producers have a reliable market outlet, Agro input dealers have access to high-quality seed and farmers will receive reliable access to quality seed in their nearby area. In addition, the project' extension support includes practical demonstration for farmers on how to produce and use forage. BRIDGE aims to sign a partnership agreement with the forage seed association in 2022. The association has expressed its full support to facilitate the upscaling of the forage seed market model. In the pilot phase a total of 2,815 farmers purchased 740.5 quintal of forage seed from their agro-dealers, through the smart subsidy facility of the project. Based on the lessons from the pilot phase, BRIDGE has scaled up the model to expand the market for forage seed. In order to scale-up and further expand the market,

BRIDGE reduced the subsidy for oats from (50% to 33%). The model has been implemented in 44 woredas (8 non-BRIDGE woredas) in three regions (Amhara, Oromia and Sidama). In 2021, 36 agro-input dealers were linked with forage seed suppliers and purchased high quality forage seed. Resulting in 10,151 farmers accessing 1,034.7 quintals forage seed through the smart subsidy.

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