

SEEDS OF DEVELOPMENT PROGRAM

YEAR 3



A Final Report Submitted to

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Supplementary materials (attached separately):

1. Making Markets Matter workshop 2005 report
2. Making Markets Matter workshop 2006 report
3. Seed Trading Forum 2005 report
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5. AFSTA pre-conference workshop report
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OVERVIEW

Context of SODP

Small and medium-size (SME) domestic seed companies have significant potential to meet the needs of smallholder farmers because of their ability to adapt quickly to the changing needs of their clientele, their reliance on locally developed and adapted varieties, and, overall, their general connection to the communities they serve and operate in. To meet their potential, domestic SME companies need assistance in establishing a solid financial base and developing management capacity. The success of these companies in turn will improve market access to locally adapted and affordable seeds for smallholder farmers, resulting in increased productivity, improved food security, and, ultimately, reduced rural poverty.

Objectives of SODP

1. Capacity building: to conduct training that will enhance marketing and supply-chain management strategies of small to medium sized local seed companies in order to improve their market delivery systems for poor farmers;
2. Network building: to create platforms for networking among African seed companies, research institutions and other seed industry stakeholders to improve their effectiveness in meeting the needs of smallholder farmers;
3. Research: to conduct research on the seed industry that will guide strategies of the local small and medium sized companies serving resource poor farmers and inform public policy.

Overview of Project Activities

Upon its inception in June 2003, the Seeds of Development Program selected ten medium-sized seed companies from Kenya, Uganda, Tanzania, Zambia and Zimbabwe to participate in a Fellows Program that provides management training and networking opportunities. The SODP began with five major activities: workshop training, distance learning, field trips, student attachments and research. In Year 3, the program was adjusted to reflect the changing needs of participants: the distance learning component was removed because Fellows were not able to make sufficient use of the Internet-based facility. Instead, we added a new component: a mentorship program under which existing Fellow companies provide mentorship to fledgling seed companies, private and public sector representatives from countries where the seed industry is in its infancy.

Reflecting SODP's three main objectives, Year 3 activities included workshop training, field trips, student attachments, ongoing research, the Seed Trading Forum, and the newly created mentorship program. In addition to the quick overview below, these activities are introduced in detail on pages 6-15.

- Workshop Training: Each year, selected managers from the Fellow seed companies attend the "Making Markets Matter" workshop in Stellenbosch, South Africa. In the third year, SODP companies were able to attend two workshops in September 2005 and May 2006. (The regular time for the MMM workshops has been changed to May.) For the September workshop, companies were invited to send their finance managers, while in May operations managers attended the training.
- Field Trips: Fellows visit successful seed companies in developing countries to learn relevant aspects of seed production and marketing. Half of the Fellows participated in a field trip to India in SODP's second year. In the third year, 8 Fellows submitted proposals and received partial funding for a field trip. To date, six Fellows have completed their trips; two of them have had to postpone the trips due to unforeseen circumstances.
- Student Attachments: To address specific management and marketing problems facing seed companies, SODP organizes and supports attachments for university students at Fellow companies. In Year 3, a team of Cornell University students visited Fellow companies Suba Agro, Ltd. and Zanobia Seeds in Arusha, Tanzania.
- Seed Trading Forum: For the past two years, SODP has organized the Seed Trading Forum (STF) to enable SODP Fellows to explore joint business opportunities, and, through linkages among Fellow companies along with providing an opportunity for exchange with representatives of the public and private sectors relevant to the seed industry. In 2005 the STF was held in Zimbabwe, while in 2006, it took place in Mozambique.
- Mentorship Program: Under this new component, established and experienced SODP companies are paired with nascent seed companies, often from other African countries, in order to pass on experience and knowledge of the industry. In the first year of the mentorship program, five public and private-sector representatives from Mali visited Uganda and met with private seed companies and seed inspection services.
- Research: In collaboration with Cornell University and regional partners, SODP conducts research on the local seed industries to better inform the development of mar-

ket strategies for improving competitiveness of local SME companies serving the interests of low-income farmers. In the past year, SODP-affiliated research has yielded 10 publications and five presentations at professional meetings.

Other program-related developments

Building on its existing success, SODP successfully competed for additional funding for the program from the Department for International Development (United Kingdom). Our grant from DFID commenced on January 1, 2006 and is scheduled to continue for three years. This new grant will bring the total number of SODP Fellows to 25. Table 1 lists the current SODP fellows along with their location, managing directors, year of joining SODP and source of sponsorship. To meet the changing needs of this growing program, SODP hired the services of two consultants in the areas of financial advising and program administration. In April 2006, the program also launched a new website.

Outline of this report

The remainder of this report lists the current group of SODP Fellow companies, explains in detail SODP's activities and achievements in Year 3, with a special emphasis on specific programs, and the extensive monitoring and evaluation survey that has been launched this year. The report closes with a certified financial review of the year and a selection of photos showcasing the activities. Please note that for additional information on the main activities we have provided, as supplementary information, reports prepared internally by Market Matters, Inc. following an activity.

Table 1: Current SODP Fellows

| Company Name | Country | Managing Director | Joined SODP | Sponsored by |
|---------------------------|---------------------|------------------------|-------------|--------------|
| 1. FICA Seeds | Kampala, Uganda | Chris Kaijuka | 2003 | RF |
| 2. Victoria Seeds | Kampala, Uganda | Josephine Okot | 2003 | RF |
| 3. Harvest Farm Seeds | Kampala, Uganda | Dr. Mukiri wa Githendu | 2005 | USAID |
| 4. NASECO, Ltd. | Hoima, Uganda | Nikolai Rodeyns | 2006 | DFID |
| 5. Freshco Seeds Ltd. | Nairobi, Kenya | James K. Gichanga | 2003 | RF |
| 6. Western Seeds | Kitale, Kenya | Saleem Esmail | 2003 | RF |
| 7. Lagrotech Seed Company | Kisumu, Kenya | Dr. Moses Onim | 2003 | RF |
| 8. Faيدا Seeds | Nakuru, Kenya | Kahenya Njihia | 2006 | DFID |
| 9. Zanobia Seeds | Arusha, Tanzania | Rajinder Mand | 2003 | RF |
| 10. Tansed International | Njombe, Tanzania | Isaka Mashauri | 2005 | USAID |
| 11. Suba Agro Trading | Arusha, Tanzania | Mahenye Muya | 2003 | RF |
| 12. Highland Seed Growers | Mbeya, Tanzania | Justine Mwiga | 2006 | DFID |
| 13. ZUM Seeds | Lilongwe, Malawi | Patrick Khonje | 2006 | DFID |
| 14. Seed - Tech | Blantyre, Malawi | Frank Samidu | 2006 | DFID |
| 15. Funwe Farm Ltd. | Blantyre, Malawi | Jon Lane | 2006 | DFID |
| 16. Pristine Seeds | Harare, Zimbabwe | John Makoni | 2003 | RF |
| 17. National Tested Seeds | Harare, Zimbabwe | Colin Richards | 2003 | RF |
| 18. Tropical Seeds | Ruwa, Zimbabwe | Vincent Gwarazimba | 2005 | USAID |
| 19. MRI Seeds | Lusaka, Zambia | Vladimir Ristanovic | 2003 | RF |
| 20. Kamano Seeds | Lusaka, Zambia | Dis Horemans | 2005 | USAID |
| 21. Qualitá | Chimoio, Mozambique | Benhard Van Dyk | 2005 | USAID |

CAPACITY BUILDING ACTIVITIES

The first objective of SODP is to conduct training that will enhance marketing and supply-chain management strategies of small to medium sized local seed companies in order to improve their market delivery systems for poor farmers. To achieve this objective, the following activities were undertaken in the third year.

Making Markets Matter workshop 2005

Targeted program area: Capacity building

Location/date: Stellenbosch, South Africa; September 5-10, 2005

A collaborative initiative of Cornell University, Stellenbosch University, and Market Matters, Inc., the 2005 workshop offered business development training to forty-one representatives of companies, government agencies and nongovernmental organizations from across the African continent. Facilitators at the 2005 workshop included Professor Ralph Christy (strategic planning) and Frank Pedraza (marketing), Dr. Edward Mabaya (), Dr. Onkutlwile Othata (finance), and Dr. Mohammad Karaan (supply-chain management). In addition, the workshop featured a session on the implications of the HIV/AIDS epidemic for African SMEs, coordinated by Dr. Ndunge Kiiti of MAP, International, Dr. Quinetta Roberson, professor of human resources at Cornell University, and Dr. Ken Robinson, a development sociologist.

The workshop featured guest speaker Pete Ondeng, founder and CEO of ASET Capital, a financial services company based in Kenya, whose address at the awards ceremony inspired participants to meet the challenge of building a successful business in Africa. Of special interest to Fellows, the workshop also included a field tour of Agricol, a Cape Town-based South African seed company. Fellows received a tour of the company and its local facilities, and, as a result of this initial introduction, several companies drew up contracts to buy seeds from Agricol.

The workshop received high ratings overall both in terms of its educational content and the opportunities provided for informal networking. Fellows also highlighted the visit to Agricol as a useful part of the program.

Making Markets Matter workshop 2006

Targeted program area: Capacity building

Location/date: Stellenbosch, South Africa; May 8-12, 2006

The sixth annual Making Markets Matter workshop grew thirty-nine participants from nine African countries for the three-day agribusiness training workshop. Facilitators included Ralph

Christy (strategy), Edward Mabaya (marketing), Onkutlwile Othata (finance), and Jose Jackson (marketing case study). In addition to classroom sessions, participants also attended an evening presentation by Dr. Mohammad Karaan, Chairman of South Africa's National Agricultural Marketing Council, on challenges faced by African SME's in a globalizing world. Andrew Mkanete, head of Agribusiness Division at ABSA Bank, delivered the welcome speech at the Awards Ceremony. The workshop closed with a roundtable discussion moderated by Pete Ondeng of ASET Capital Management (Kenya), during which participants discussed the challenges facing African SMEs locally as well as globally.

SODP companies once again visited Agricol, the Cape Town-based South African seed company to observe best practices and explore business opportunities. Similarly to previous MMM workshops, this event received high ratings overall. One particular feature of this workshop noted by facilitators was the uniformly high level of experiences and expertise displayed by participants, which allowed for more in-depth exchanges focused on more complex issues faced by African SMEs.

Student Attachments

Targeted program area: Capacity building

Location/date: Arusha, Tanzania; January 3-12, 2006

In January 2006, Dr. Edward Mabaya led a group of five Cornell University students on a study trip to Tanzania. Participants were all students in Applied Economics and Management and had all taken courses offered by the Emerging Market Program Department. During the ten-day visit, the students worked closely with two seed companies, Zanobia Seeds and Suba Agro, Ltd., both based in Arusha, at the foothills of Mount Kilimanjaro. Putting their classroom experiences and technical expertise to good use, the students designed promotional materials and marketing presentations and created the companies' websites. Both companies found the students' services useful to their work: "The Cornell team has done for my company in 10 days what would otherwise take months and thousands of dollars to do through local service providers," said Rajinder Mand, managing director of one of the companies, Zanobia Seeds. While the two companies clearly benefited from the visit, the students also described it as a valuable and memorable learning experience. Upon returning to Cornell, the students, under Dr. Mabaya's guidance, began working on a case study of Suba Agro, Ltd. The case study has been completed and is attached in the Appendix of this report. It will also be submitted for publication later this year and made available for classroom use. The field trip

also generated a lot of press coverage as a successful example of integrating teaching and outreach programs. Below are some links to the online news articles related to the trip:

- <http://www.seedquest.com/News/releases/2006/february/14871.htm>
- <http://www.news.cornell.edu/stories/Feb06/Tanzania.seeds.ssl.html>
- <http://www.cals.cornell.edu/cals/public/comm/news/archive/tanzania-seeds.cfm>
- <http://research.cals.cornell.edu/entity?home=5&id=17334>

SODP Fellow Field trips

Targeted program area: Capacity building

Location/date: Various locations; January-June, 2006

The field trip component was initiated in SODP's second year, when representatives of X SOPD Fellow companies visited India. Following the field trip, participating companies reported that they had found this activity useful; however, they expressed a preference for a more tailor-made approach that would allow each of them to organize the field trips to best suit their needs. Consequently, the program was redesigned: companies were required to submit a proposal outlining their planned travel and business objectives, and, once approved, they received a \$3000 grant towards the expenses of the trip. The table below lists the field trips that have taken place so far. Attached separately are the trip reports that have been completed by Fellows up until the completion of this report.

| SODP Company/Traveler | Country visited | Outcomes: |
|--|------------------------------|--|
| Kamano Seeds (Malawi) CEO Desiree Horemans | Belgium, Netherlands, France | Made contacts for the supply of Vegetable Seed; Purchased a seed processing machine; Purchased a stitching conveyor. |
| Harvest Farm Seeds (Uganda) Mukiri wa Githendu, General Manager | China | Signed contract to procure vegetable seed (cabbage, carrots, Chinese cabbage, hot pepper, okra, egg plant) from Beijing Honor Seed Company. |
| Pristine Seeds (Zimbabwe) John Makoni, Managing Director | Kenya, Israel, South Africa | Several deals to source agrochemicals and fertilizers from KBP, Genesis, and Agromor; Grow for Capstone the following seed crops: Sorghum, millet, sun hemp, Katambora Rhodes grass and jugo beans. |
| Qualitá Seeds (Mozambique) Bernhard van Dyk, owner/CEO | Uganda | Qualitá will register and sell seed in Uganda. Vegetables seed supply contract with FICA seeds |
| Tropical Seeds (Zimbabwe) Vincent Gwarazimba, CEO | South Africa | Exploring deals to import various vegetable seeds from Agricol Ltd. |

¹Sponsored by a grant from United States Agency for International Development.

| SODP Company/Traveler | Country visited | Outcomes: |
|---|------------------|--|
| Western Seeds (Kenya) Saleem Esmail, owner/CEO | Zimbabwe | Exploring the purchase of seed processing equipment. |
| Fresco, Ltd. (Kenya) James G. Karanja, owner/CEO | Not yet traveled | Report pending |
| Tanseed (Tanzania) Isaka Mashauri, Managing Director | Not yet traveled | Report pending |

NETWORK BUILDING ACTIVITIES

The second objective of SODP is to create platforms for networking among African seed companies, research institutions and other seed industry stakeholders to improve their effectiveness in meeting the needs of smallholder farmers. In the third year, this network building objective was achieved through the following activities: Seed Trading Forums (2005 and 2006), AFSTA pre-congress sessions.

Seed Trading Forum - 2005

Targeted program area: Network building

Date/location: 22-25 June, 2005; Harare, Zimbabwe

The Seed Trading Forum (STF) was designed for SME seed companies from East and Southern Africa to network and explore seed trading and other collaborative initiatives. The specific objectives of STF were to enable participants to:

- Explore business opportunities in neighboring countries.
- Learn about the domestic seed industry in the host country Zimbabwe.
- Explore opportunities for joint business ventures and opportunities for collaboration.
- Learn about new technologies and varieties from public research institutes that are ready for commercialization.
- Discuss upcoming activities and the future direction of SODP.

Sixteen participants representing fifteen SODP companies from Kenya, Uganda, Tanzania, Zambia and Zimbabwe attended the workshop. On June 23, following the opening session by SODP coordinator Edward Mabaya, each company made a short presentation about their company's history, its vision and mission, its main products and services, as well as challenges facing the business. On the second full day of the program, participants listened to a presen-

tation on the role of seed companies in ensuring food security by Dr. Tobias Takavarasha, Chairman of Pristine Seeds and Advisor to NEPAD. Additional guest speakers were Rosalia Madamba, Head of the Crop Breeding Institute (CBI), Laura Karadzandima, Research Officer/Seed Inspector at the Ministry of Agriculture and Rural Development, and Dr. John MacRobert, Seed Systems Specialist at CIMMYT. The presentations were followed by a field tour to two Zimbabwean seed companies, National Tested Seeds and Agpy Pvt. Ltd. The field tour provided foreign seed company representatives a first-hand look at the level of commercialization, business processes and the nature of seed market in Zimbabwe. In addition, throughout the program, Dr. Mabaya was available for private consultations with individual seed companies throughout. Participants were also encouraged to network and explore joint business opportunities.

The post-event evaluations showed that participating companies found the STF a valuable source of networking and information. The field tour was also highlighted as a beneficial component of the program. Participants did suggest the need for more time for discussion and individual consultation, and they also felt that they would have liked to meet more policy makers and representatives of large seed companies. Overall, the first STF was a success; the second STF held in June 2006 built on the experiences of the first one.

AFSTA pre-conference sessions

Targeted program area: Capacity building

Location/date: Entebbe, Uganda; March 28-30, 2006

In March 2006, the African Seed Traders Association (AFSTA) held its Congress in Entebbe, Uganda. The Seeds of Development Program held three pre-conference sessions on financing seed companies in Africa, a financial model for seed companies, and innovative business development services for seed companies. Session chairs and panelists included Pete Ondeng, Managing Director of ASET Capital Ltd., a Nairobi-based consultancy firm specializing in strategic financing, marketing and management solutions to SMEs in East and Southern Africa; Tom Adlam, Managing Director, African Agricultural Capital (Uganda); Andrew Makenete, General Manager Agribusiness, ABSA Bank (South Africa); Abdel Tomusange, Investment Manager, Grofin (Uganda); Tony Wainaina, Founder and Managing Partner, Origins East Africa Fund; Alan Rennison, Cambridge Economic Policy Associates, (London, UK), Mark Sachs, General Manager of Sakata-MayFord and Vice President of AFSTA, South Africa; and Dr. Edward Mabaya, Research Associate, Cornell University, who also coordinated the events. Altogether,

sixty-nine companies attended the sessions. This activity was funded by the Department for International Development (UK) for all Fellows.

Seed Trading Forum - 2006

Targeted program area: Network building

Location/date: Maputo, Mozambique; June 28-July 2, 2006

The objectives of the second annual STF were similar to those of the first event. The event was organized to allow SME seed companies from East and Southern Africa to:

- Explore business opportunities in neighboring countries.
- Learn about the domestic seed industry in the host country (Mozambique).
- Explore opportunities for joint business ventures and collaboration with similar companies.
- Learn about new technologies and varieties ready for commercialization.
- Discuss the key issues affecting the seed industry in Africa.

Similarly to last year's program, the seventeen participating companies were invited to make a presentation about their services and products and business opportunities their company was looking for. The event also featured several guest speakers. Dr. Calisto Bias of the National Institute of Agricultural Research talked about Mozambique's seed industry. Celso Ruface, representing USEBA - Basic Seed Unit, a partnership between IIAM and ICRISAT, and David Mariote of the National Maize Program AT IIAM shared more information about the seed industry and agricultural research efforts in Mozambique. SOCAMA and Jain Irrigation Systems, Ltd. from South Africa also made presentations about their products.

The Seed Trading Forum was positively viewed and rated successful by the majority of the participants. Most of the participants expressed interest in attending similar future programs and indicated that they would also encourage other companies to attend these. The workshop ended on a very positive note, with the formation of a voluntary committee to represent the collective voice of SODP fellows. The idea was proactively suggested by the fellows and the committee was self-organized.

The 2006 STF did not feature a field trip; instead, more time was allocated for company meetings and individual consultations. An important outcome of this activity was the establishment of the SODP Fellow Steering Committee set up by Fellows to represent Fellows' collective interests and to enable Fellows to work towards more ownership of the Program after SODP has completed its donor-supported life-cycle.

Another significant outcome, Fellows listed the following preliminary joint business plans:

- Collaboration on germ-plasm, Calidad, exchange visit to Uganda.
- Enquiry on acquisition of some inbred lines from IIAM breeders.
- Fica Seeds - vegetable seeds, NASECO - building of drier, Suba Agro - chemicals, fertilizer and vegetable seed production, Freshco Kenya - vegetables
- Pristine Seeds and Fica Seeds - future collaboration on food contracts.
- Fica Seeds - output marketing and irrigation equipment.
- ZUM Seeds - seed dye, import and export to fellows.
- Pristine Seeds and Suba Agro.
- Fica and Calidad: FICA to buy vegetable seeds from Calidad.
- Calidad seeds, Victoria seeds, and Harvest Farm on vegetable seeds

The 2006 STF received positive evaluations overall. Companies appreciated the opportunity to draw up potential business deals. They also indicated that the presentations were useful to their work. While this year the field trip was not included in favor of more discussion, companies felt that the field trip component was a key activity that should be included in the program.

Mentorship program activities

Targeted program area: Capacity building

Location/date: Kampala, Uganda; January 15-20, 2006

A new addition to SODP's program components, the purpose of the mentorship program is to build links between established and successful locally-owned seed companies and private and public sector representatives from countries with an underdeveloped seed sector. The first visit under the mentorship program took place in January 2006, when five representatives of various sectors of Mali's seed industry visited Uganda to meet with three seed companies (Victoria Seeds, FICA Seeds, and Harvest Seeds). Program participants Dr Bonny R. Ntare (Peanut Breeder, ICRISAT), Dr. Aboubacar Touré (Sorghum Breeder, IER), Cheick Oumar Sissoko (Private sector), Issa Mory Dembélé (National Seed Producers' Association), and Soumaila Samaké (Farmer, Kafara) learnt about the operations of the Ugandan seed companies, the history and current structure of Uganda's seed industry, and the current challenges posed by issues such as weak and informal distribution systems, illegal competition, low technology adoption rate by farmers, the difficulty of obtaining financing from banks and other financial institutions, and insufficient market information. Based on the post-visit report (attached as a supplement to this report), the members

of the Mali delegation found the visit useful and applicable to the questions they face at this point in the development of the seed sector in Mali.

RESEARCH ACTIVITIES

The third objective of SODP is to conduct research on the seed industry that will guide strategies of the local small and medium sized companies serving resource-poor farmers and inform public policy. Because research programs often extend beyond a year, it is difficult to delineate research activities for the third year. Below is a list of publications and professional presentations that were completed in the third year. In addition to these, SODP launched a baseline survey targeting private seed companies that are registered and are doing business in Sub-Saharan Africa. The survey was intended to generate information to form an understanding of the seed industry in the Africa from the perspective of the private sector. The four-page questionnaire was divided into the following sections: Company Profile, Policy and Regulatory Environment, Access to Finance, Access to Biotechnology, Business Development Services, and Company Size and Performance Indicators. The original instrument is provided among the supplementary materials.

Publications

- R. Christy, E. Mabaya, and M. Karaan, "Marketing Strategy Handbook", *Market Matters Inc. publication*, 2005.
- E. Mutambatsere, E. Mabaya, R. Christy, "Integration and Efficiency of Cereal Markets in Southern Africa", *Journal of International Agricultural Economics*, under review.
- H. Zavale, E. Mabaya, R. Christy, "Adoption of Improved Seeds among Smallholders in Mozambique", *Agrekon Journal*, under review.
- David S. Conner and Edward T. Mabaya, "Consumer Preferences for Organic and Fair Trade Chocolate: Implications for Sustainable Agriculture in the Developing World", *AEM Staff Paper*, 2006.
- E. Mutambatsere, "Welfare Analysis of Trade Policy Reforms in Southern Africa: Case of Malawi", *AEM Staff Paper*, 2006.
- N. Mhlanga, "Foreign Direct Investment and Economic Growth in Sub-Saharan Africa", *AEM Staff Paper*, 2006.
- H. Zavale, "The Effect of Improved Seed on On-Farm Technical Efficiencies", *AEM Staff Paper*, 2006.

- S. Roy Intellectual Property Rights and the Structure of Seed Industries in Developing Countries AEM Staff Paper
- E. Mabaya et al., "Thriving For Growth In Tanzania's Emerging Seed Sector: The Case Study of Suba Agro", In-house case study, Emerging Markets Program, 2006.
- K. Robinson et al., "Development in the Delta", In-house case study, Emerging Market Program, 2005.

Presentations at Professional Meeting

- E. Mabaya, "Pricing Efficiency Under Discontinuous Trade: An analysis of Urban Spot Markets for Tomatoes in Zimbabwe" *AEASA meetings*, (Stellenbosch, South Africa) September 2005.
- E. Mabaya, R.D. Christy, "Marketing Opportunities and Challenges for African Fruits and Vegetables", IFT annual meetings, (New Orleans, USA) July 2005.
- Mutambatsere, E., Mabaya, E., Christy, R.D., "Integration and Equilibrium of Maize Markets in Southern Africa: A SADC Sub-regional Assessment", *Agricultural Economics Association of South Africa 44th Conference*, accepted.
- Mutambatsere, E., "Trade Policy Reform and Food Security in the SADC Region", *26th Conference of the International Association of Agricultural Economists* (Brisbane, Australia)
- Zavale, H., Mabaya, E., Christy, R.D., "Smallholders' Cost Efficiency in Mozambique: Implications for Improved Maize Seed Adoption", *26th Conference of the International Association of Agricultural Economists* (Brisbane, Australia)

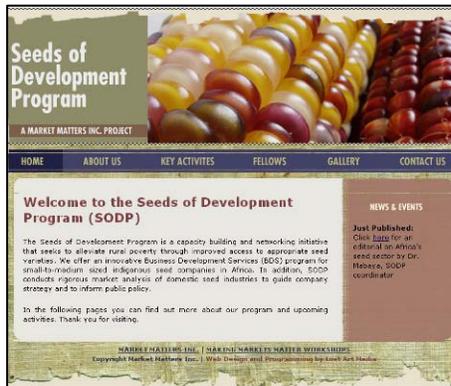
Other program-related developments

In its third year, SOPD obtained the services of two consultants to enhance its services to participating seed companies.

Pete Ondeng, based in Nairobi, Kenya, is a financial consultant who, as part of his contract with the program, has offered financial consultations to seed companies. While SOPD does not offer financing of its own, the program recognizes the need for Fellow companies to be successful at obtaining appropriate financing for business expansion and other needs. Since each company is different, Mr. Ondeng has worked on a case-by-case basis and has met with X companies so far. He has reviewed business plans, proposals for financing, and provided advice on how to apply for and secure business funding in general.

Silvester Hwenha, based in Harare, Zimbabwe, has been hired as a consultant in the capacity of assistant project coordinator. He has attended to day-to-day administrative tasks associated with organizing SODP's various programming activities. In addition, he has been responsible for collecting and entering survey data from SODP and other companies that has been used for the three-year monitoring and evaluation exercise conducted by SODP.

SODP's new website



In April 2006, SODP unveiled a new website at www.sodp.marketmattersinc.org. The new site features up-to-date information about Fellows, upcoming activities, a photo gallery and contact information. The new site will also be used to keep Fellows abreast of the latest news about the seed industry in Africa, policy and regulatory changes by regularly posting links to relevant news and publications.

OUTCOMES AND INDICATORS

The Seeds of Development Program (SODP) seeks to alleviate rural poverty through improved access to affordable high quality seed varieties to smallholder farmers. The opportunities available to Fellow companies through the SODP training and networking activities have enabled these small start-up companies to improve competitiveness and grow. The Fellow companies have benefited from scale economies and have taken advantage of their linkages through SODP to share information, develop joint market entry strategies, and are currently preparing for the planned harmonization of regional seed trading regulations. Market Matters Inc. continues to build internal monitoring and evaluation for SODP with the confidence that we are addressing the appropriate "indicators and milestones".

In November, 2005, Dr. Tristi Nichols was contracted as an independent Evaluation Consultant from Manitou, Inc., to assess MM, Inc.'s current Theory of Change, monitoring and evaluation frameworks and to offer at least two different data collection options which correspond to evaluation needs. As the Evaluation Consultant served as the Measurement Specialist on a US Agency for International Development (USAID) - funded study, similarly conducted in Uganda, her estimations about costs and feasibility are germane to desired study parameters. The first report concluded that it would be too costly to fully measure the impact of SODP at farm level. A minimum of US\$50,000 per country would be required to undertake data collection exclusively, after taking into account a) country and participant selection, b) instrument development, and c) data gathering. A viable option would be to evaluate effectiveness of SODP activities through questionnaire to participants plus a comprehensive assessment of company growth and performance indicators.

Building on these recommendations, Market Matters Inc. further contracted Manitou Inc. to conduct an external evaluation of SODP based on available data. A copy of this evaluation report assessing SODP impact in capacity building, network building and research is attached as a supplement. While much of the conclusions from this report are positive, the quantitative assessment weakened by poor data and the absence of a control group. The baseline survey of seed companies in Africa that is cur-

rently underway is expected to yield additional data that will allow for a more comprehensive comparison of the performance of SODP Fellows compared to non-Fellows.

Company performance

Of the ten Fellows funded by the Rockefeller Foundation, eight have turned in the baseline survey. Table 3 shows the average performance indicators for these eight original SODP Fellows. Note that all statistics are self reported by companies and have not been independently verified. These statistics show remarkable growth by SODP Fellows as measured by, number of employees, number of varieties offered, sales revenue and domestic market shares, and total volume of seeds produced. For emphasis, the remarkable increase in the average annual seed sales in volume and value are illustrated in Figures 1 and 2 respectively. While it is not possible to assign all growth to SODP interventions, it is important to note that the rate of growth for most growth indicators increased after the companies had joined the program. To distill the impact of SODP intervention would require a statistical analysis that would compare similar sized companies that are Fellows vs. non-Fellows. Data available at this time is insufficient to conduct such quantitative analysis.

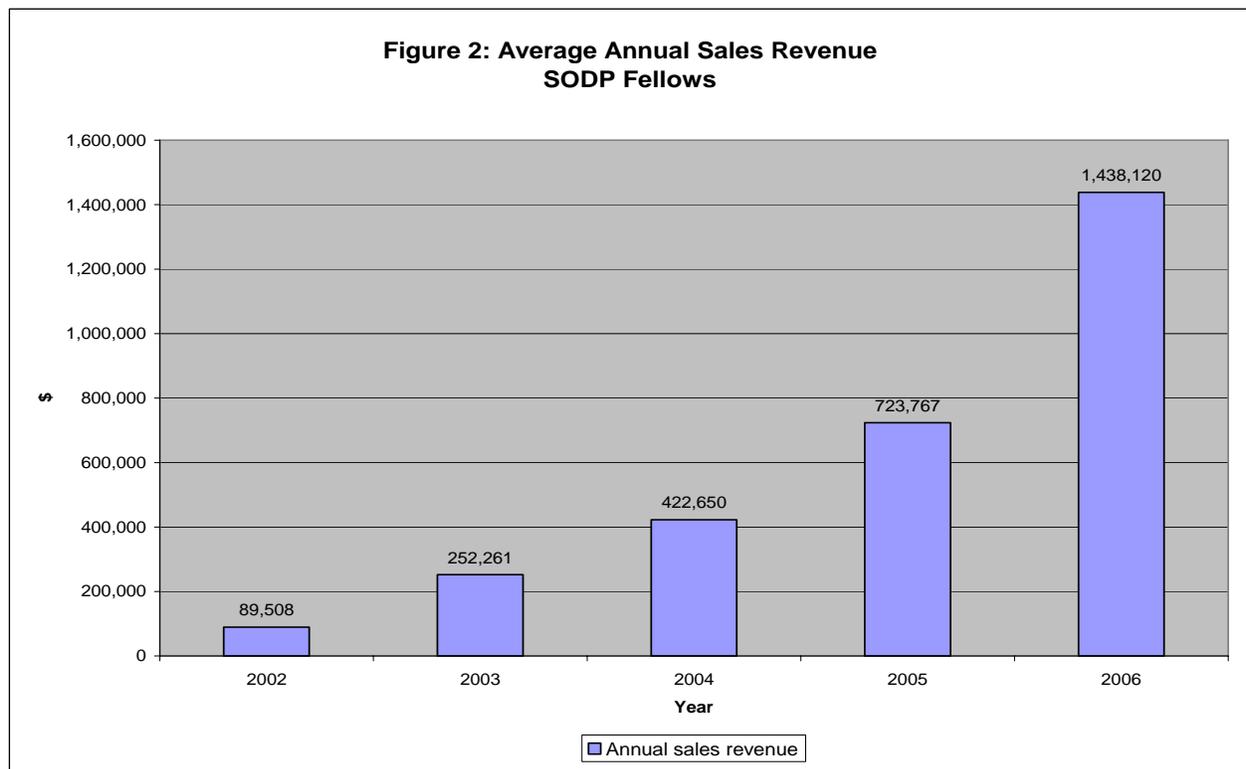
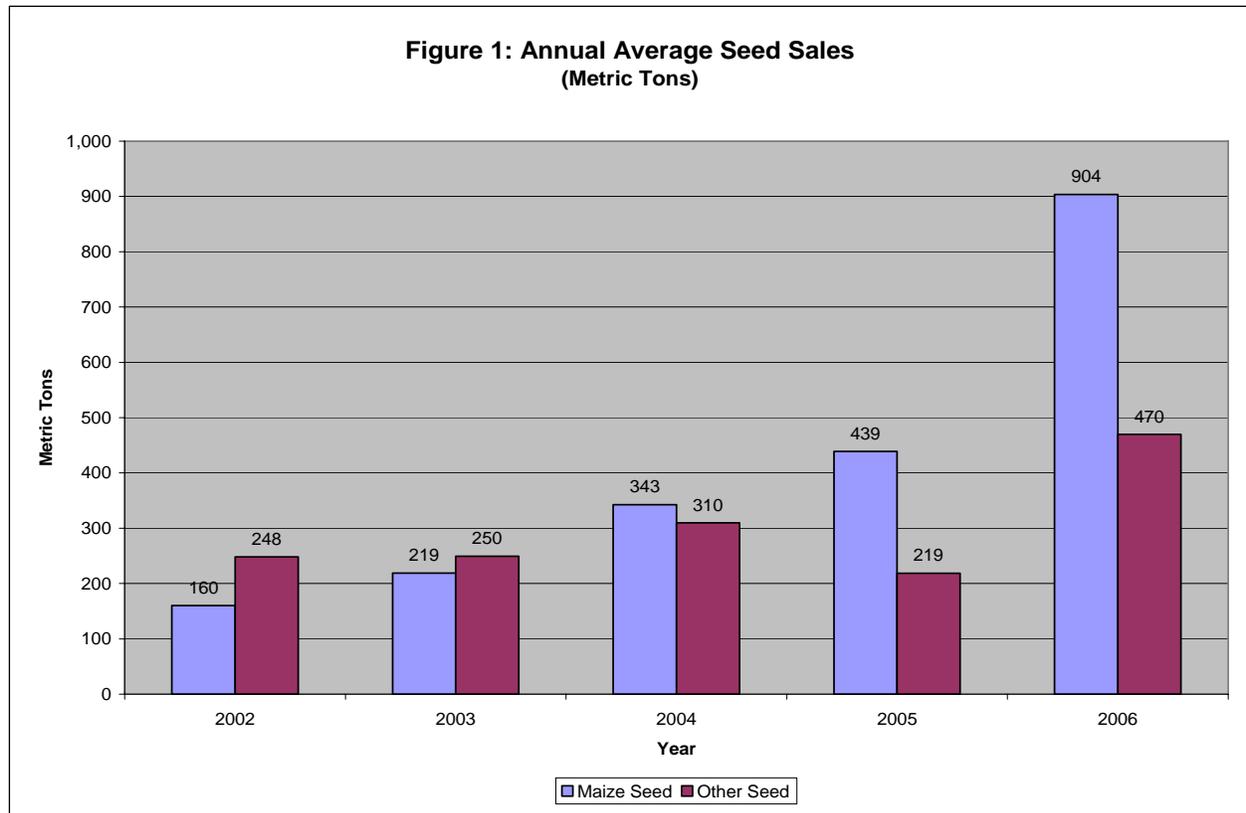
There are two important variables in Table 3 that do not relate to company performance - sales breakdown by market and product. The sales breakdown by market shows how market segments served by Fellows have remained stable across the years with more than 80% of the sales going to smallholder farmers (about 53% in direct sales and 30% through NGOs). The figures also dispel a widely held misconception that SME seed companies primarily target the NGO/relief market which is perceived as low hanging fruit. The sales breakdown by product shows that seeds are indeed the primary portfolio for SME seed companies accounting for 48% of sales revenue in 2002 and increasing precipitously to 69% by 2006. Both of these points support the theory of change behind SODP that place SME seed companies in the vanguard of improving access to improved seed by smallholder farmers.

Table 3. Average Performance Indicators for SODP Fellows

| Performance Indicator | | Unit | 2002 | 2003 | 2004 | 2005 | 2006 |
|----------------------------|---------------------|------|--------|---------|---------|---------|-----------|
| Number of employees | Permanent | # | 15 | 20 | 26 | 31 | 34 |
| | Seasonal | # | 77 | 100 | 97 | 134 | 167 |
| Seed production | Maize | Ha | 162 | 234 | 177 | 424 | 429 |
| | Other | Ha | 144 | 198 | 269 | 431 | 529 |
| Varieties offered | Maize | # | 3 | 4 | 5 | 6 | 7 |
| | Other | # | 6 | 5 | 8 | 10 | 13 |
| Seed sales | Maize | Tons | 160 | 219 | 343 | 439 | 904 |
| | Other | Tons | 248 | 250 | 310 | 219 | 470 |
| Sales breakdown by market | Commercial Farmers | % | 9 | 9 | 8 | 9 | 9 |
| | Smallholder farmers | % | 57 | 59 | 54 | 54 | 53 |
| | NGOs / Relief | % | 29 | 23 | 24 | 29 | 32 |
| | Export | % | 16 | 20 | 23 | 20 | 20 |
| Sales breakdown by product | Seeds | % | 48 | 54 | 61 | 65 | 69 |
| | Agrochemicals | % | 39 | 31 | 21 | 19 | 20 |
| | Tools & equipment | % | 2 | 2 | 4 | 3 | 3 |
| | Other | % | 20 | 14 | 13 | 14 | 15 |
| Domestic market share | | % | 20 | 25 | 37 | 29 | 36 |
| Sales Revenue | | \$ | 89,508 | 252,261 | 422,650 | 723,767 | 1,438,120 |

Notes:

1. All figures are averages based on eight RF funded SODP fellows.
2. 2006 figures are composed from actual statistics as of August 2006 plus projections by balance of the year.
3. All statistics are self reported by companies and have not been independently verified.



Deals between Fellows - the power of networks

The CEOs of these pro-poor Fellow companies have taken advantage of their linkage through SODP to share experiences and develop joint market entry strategies. In response, SODP has adapted its second year program to create more opportunities for networking among Fellow through a listserv dedicated to the Fellows and creating more opportunities for meeting between management staff in different companies. In a recent survey, Fellow companies were asked how they had benefited from the networking opportunities provided through SODP. Below are the summarized responses given by Fellows themselves highlighting the power of networking as reported by Fellow companies. Please note that some of the evolving deals reported below should be treated as confidential because of their strategic nature.

FICA Seeds Ltd: "FICA has a joint venture with FRESHCO Ltd. called Royal Nut Uganda Limited undertaking introduction of a macadamia nut sector in Uganda worth US\$750,000.00. FICA and Highland Seed Growers have already undertaken a joint venture on highland maize seed variety production. The venture is worth US\$500,000.00 and has a high growth potential. FICA and Pristine Seeds have a joint venture company, ZUM seeds Limited, which is operating in Malawi with a business turnover worth US\$400,000.00 just after one year of existence. Growth potential is high. FICA and Qualitá Seeds have an understanding to supply vegetable seeds from Qualitá by FICA in the East African region. Qualitá will also undertake to supply maize seeds from FICA in Mozambique, especially the varieties that are already released in the region. This business is worth US\$100,000 annually. Suba-Agro has been trading with FICA in a number of products, including maize and sorghum seed. The value of transactions is in the range of US\$100,000.00 annually."

Freshco Ltd. "has formed a joint venture company to produce seedlings with FICA Seeds of Uganda in which the two companies are investing US\$445,000. We are currently negotiating a vegetable seed distribution deal with Qualitá Seed of Mozambique."

Pristine Seeds Ltd. "formed ZUM Seeds together with Fica Seeds. Pristine is now accessing sun hemp for the South African market valued at over US\$200,000 with prospects of doing more next year with better coordination. Pristine Seeds is also printing packaging materials for Kamano Seeds (Zambia). Pristine anticipates providing equipment to startup Fellows, e.g., a seed cleaner, grader and treater to Zum Seeds."

Funwe Farm Ltd: "We can see many opportunities for networking and mutual trading and support among the Fellows. Intangibly but probably most importantly, we have discovered that we are not alone as a social investment organization in African agriculture, which is a huge boost for our confidence."

Harvest Seeds Ltd: "We have managed to source high quality vegetable seeds from China at affordable prices as a result of the sponsorship in February."

NASECO Ltd: "We have a basic agreement with Western Seeds on both seed production for export and seed marketing in Uganda. We have the possibility to visit and learn easier from other members, I was invited to Arusha to learn more about farming techniques."

Qualitá Seeds: "We just went into joint ventures to send vegetable seed to SODP fellows in Uganda (FICA seeds), Kenya (Fresco Ltd.), Tanzania (Highland seeds, FICA 2000), Malawi (Seed Tech, ZUM Seeds) and Zimbabwe (Pristine Seeds). The total value of all these business deals will be around US\$900,000. We also changed our packing material following company visits with other fellows."

Suba Agro Trading: "Seed trade with SODP members i.e. FICA Seed (US\$250,000); Victoria Seeds (US\$200,000.0); Western Seeds (US\$85,000.00). Following an SODP sponsored field trip, Suba sourced vegetable Seeds from Bejo Sheetal of India (US\$20,000 every year). We have also started discussion to establish Bt cotton seed business with the help of MAHYCO in Tanzania. Following a visit to Agricol of South Africa at the Making markets Matter workshop, Suba has imported sunflower seeds (USD20,000 per year)."

Victoria Seeds Ltd: "Since most of the Fellows trade in the same products, the deals have been limited to a few export orders from fellows in Tanzania valued at US\$80,000 in 2004 and US\$10,000 in 2005 and only US\$20,000 in 2006. However, the field trip to India has been most useful to our company. This is because it provided opportunity for identifying technologies and our collaboration with the Bejo-Sheetal company has grown. We are marketing some of their vegetable hybrids with excellent performance. They are also producing vegetable seed on contract for us. They have been able to source seed equipment for our company. We have now signed a Marketing Agreement, and I believe this is the best trading partner for Victoria Seeds Ltd. Since they produce vegetable seed on contract for us, our profit margins have improved and we are usually successful with vegetable seed tenders."

Western Seeds Ltd: "Consideration is being made in seeking SODP Fellow partnerships. There is currently a strong possibility of concluding one."

Zanobia Seeds Ltd: "We have established strong working relationship with SUBA AGRO since we met through SODP. This year alone we are producing 200 Acres of maize seed and 100 acres of bean seeds from our excessive farm capacity for SUBA AGRO. We have purchased agro chemicals and hybrid seeds worth about US\$60,000 and we have supplied US\$30,000 worth of seeds. We also have working relations with Western Seeds and Qualitá to explore some partnership deals."

Tanseed International Ltd: "Through SODP networking, we are currently exploring seed export/import with Naseco Seeds Ltd. of Uganda and ZUM Seed Ltd of Malawi."

CONCLUSION

Having worked for three years with SODP Fellows and in the African seed industry in general, clear and well-established observations are now beginning to emerge about the project's effectiveness, its successes, shortcomings, and its legacy beyond its life span. Analyses that have been conducted to date point to significant impacts of SODP interventions as seen through company growth and performance indicators. Some of these are captured in the previous section of this report. A more detailed monitoring and evaluation analysis is currently under way that will isolate the direct impacts of SODP's interventions.

An important development not captured by the monitoring and evaluation analysis is that Fellows' have begun to take ownership of the program. At the recent Seed Trading Forum, they formed the Fellow Steering Group, which seeks to:

- work closely with the SODP staff on behalf of all the Fellows;
- prioritize issues that are important to the Fellows;
- draft documents that formulate the Fellows' ideas and needs;
- give peer-group advice and information to all Fellows.*

This development clearly bodes well for SODP's legacy to leave behind a self-sustaining group that is brought together by common interests and shared goals. As SODP formulates its exit strategy, consultation with this Committee will ensure that the group is well equipped to continue, according to its own needs and capabilities, after the official life span of SODP is over.

* Source: Fellows Information Fact Sheet for Steering Committee.

HIGHLIGHTS IN PICTURES



Seed Trading Forum 2005 (Zimbabwe):
SODP Fellows and SOPD Coordinator Edward Mabaya
at the 2005 STF.



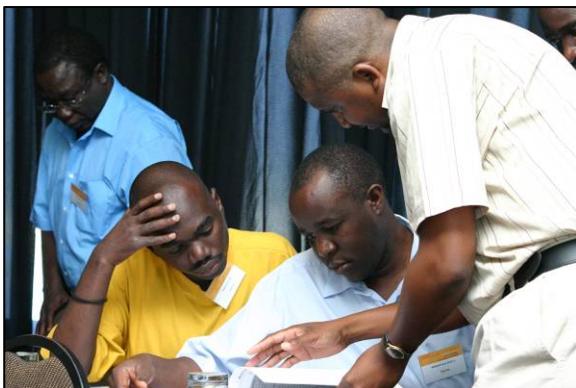
Seed Trading Forum 2006 (Mozambique):
Some of the SODP Fellows pose for a photo.



Making Markets Matter workshop 2005:
Participants preparing a group presentation.



Making Markets Matter workshop 2005:
Participants and facilitators in an informal exchange.



Making Markets Matter workshop 2006:
Participants working with
Facilitator Onkutlwile Othata (finance).



Making Markets Matter workshop 2006:
Participants Catherine Laizer (Suba Agro) and Facilitator
Nomathemba Mhlanga at the Awards Banquet.



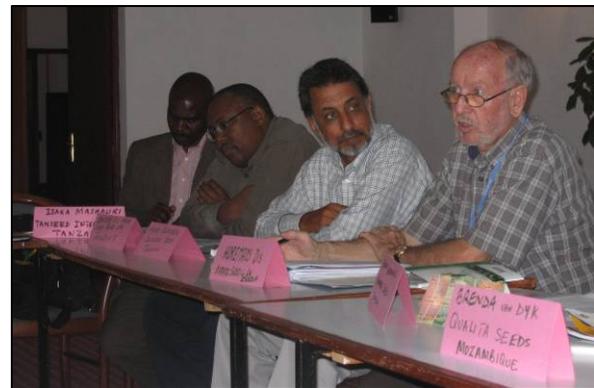
Student Attachments 2006 (Tanzania):
The Cornell team pose for a picture with
SODP Fellow Rajinder Mand of Zanobia Seeds.



Student Attachments 2006 (Tanzania): Cornell student
Rob Hernandez and Suba Agro's Maheny Muya saying
good-bye.



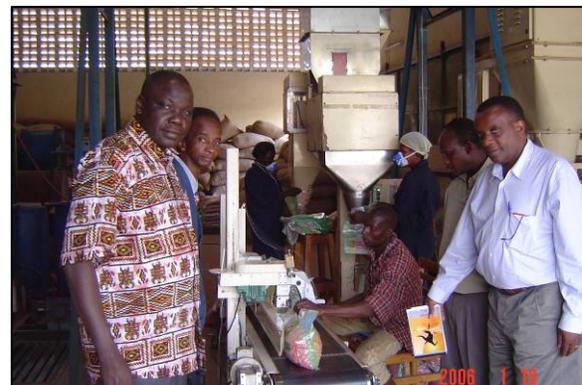
AFSTA pre-conference workshop - Uganda:
Representatives of SODP companies - Freshco
(Kenya), Qualita (Mozambique), and Zanobia (Tanza-
nia) - with Ed Mabaya, SODP Coordinator.



AFSTA pre-conference workshop - Uganda:
(from r-l) Representatives of SODP Fellow companies D.
Horemans (Kamano Seeds, Malawi), R. Mand (Zanobia, Tan-
zania), M. Muya (Suba Agro, Tanzania) and I. Mashauri (Tan-
seed, Tanzania) in a panel discussion.



Mentorship program 2006 - Uganda:
Members of the Mali delegation visit SODP Fellow
company Harvest Seed.



Mentorship program 2006 - Uganda:
The Mali delegation at FICA's processing plant.