

UPDATE

SECTOR - DAIRY

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Commercializing forage seed production and distribution in Nepal

Across Nepal, low productivity hampers the growth and income earning potential of dairy producers. Forage crops - the plant material, like grass, eaten by grazing livestock - are critical to the success of the small-scale dairy industry in Nepal. However, access to suitable varieties of forage seed is one of the major constraints facing dairy farmers. Traditionally, selected farmers were given improved varieties of the forage seed either from the government or from NGOs, but access has proven uneven and unsteady. Therefore, rather than cultivating forage seed, they continue to feed cost-ineffective and lower-milk yielding food such as straws and dry matter to their cattle and buffaloes.



As part of adopting a market systems approach to development, Samarth-NMDP has been working with private companies to stimulate more sustainable access to quality forage seed for smallholder producers. In collaboration with public agencies, Samarth-NMDP has been helping to

innovate a new business model for private seed companies to diversify into forage seed production and sales. Now, for the first time in Nepal, seven seed companies have begun a contract farming arrangement with seed multipliers for the commercial production of a summer forage seed.

The business innovation

A number of seed companies in Nepal were already producing seeds for other commodity crops, such as vegetables and cereals. Samarth-NMDP saw the potential for these seed companies to diversify their product offering into forage seed production and marketing. The first step was to support the companies to conduct a study to assess the demand and supply situation of the forage seed along with the commercial production potential of different varieties. The seed companies found the research findings convincing enough for them to begin trying out the new business of quality forage seed production and marketing.

Focusing on the high-potential districts such as Chitwan and Nawalparasi, seven seed companies were then supported to enter into a contract farming arrangement with seed multipliers (lead farmers, cooperatives and

"This is a new business area to me. I was not sure whether this business could generate any benefit to me. Now my multipliers are harvesting the Teosinte seed and I have started getting almost five times more demand of Teosinte than I am likely to produce, even before I started actual marketing activities for the seed. This has motivated me to go for the winter season forage crop as well so I have decided to produce about 17 metric tons of Oat seed during the winter. When seed companies are facing tough competition in the cereal grain and vegetable seed production, this business has offered me an attractive niche business offer"

Hari Raj Bhattarai,
Managing Director, NASIC Pvt. Ltd.

community forage groups) to produce one variety of summer forage seed - *Teosinte*. Eight multipliers were contracted by the seed company, with the companies also sourcing the seed from abroad and selling on to the multipliers for seed multiplication. Seed companies closely monitored the seed production process and provided embedded technical advice to ensure quality. These companies are now beginning to harvest the summer forage seed through their multipliers - enacting the buy-back guarantee in the agreement - and preparing for the winter season forage seed production.

The seed companies are also coming together to influence the government to create a supportive environment for the private sector to undertake forage seed production. The District Livestock Service Office (DLSO), a government agency, has been helping companies to identify potential forage seed multipliers and also helped to source seed from a government-run farm in Janakpur. To address the issue of trust in the business relationship between the seed companies and multipliers, the DLSO agreed to become a witness in the contract farming agreement between these parties. The new commercial venture into forage seed production by the private sector has been viewed positively by the government as a complement to their own practice of forage seed production and distribution.



"We have realized that private companies led forage seed production process has a great value in promoting the quality forage seed across the country. We are waiting for the success story around this model."

Dr. Devendra Yadav,
Chief Livestock Development Officer, National Pasture and Animal Feed Development Centre, Department of Livestock Services, Ministry of Agriculture and Cooperatives.

"I am taking this as a trial for an innovative way of forage seed production and now that it is harvesting time I am quite optimistic that I can make better money out of this business. I feel more comfortable in this business modality as I have assured market for my products and I can also get technical advisory services from the seed companies. I am optimistic that once other people see me making money out of this business, they will definitely copy this kind of business"

Dasharath Bhusal,
Forage Seed Multiplier, Nawalparashi District

Next steps

The seed companies are now beginning to source new varieties of forage seed. They are also preparing to roll-out marketing and sales activities to promote forage seed throughout the country – beginning from Chitwan. An initial cost-benefit analysis from Samarth-NMDP shows potential milk yield and income increases for smallholder farmers who buy, cultivate and feed forage to their cattle and buffalo. At the same time, Samarth-NMDP is working on innovative models to resolve another long-standing productivity-inhibiting constraint around access to veterinary services, and to pilot new commercial-driven platforms for aggregating milk collection to give farmers more sustainable milk selling channels.

About Samarth-NMDP

Samarth-NMDP is a five year DFID-funded programme that aims to reduce rural poverty in Nepal. The programme follows a market systems development approach, addressing underlying causes in the performance of market systems to bring about more competitive and sustainable markets that work better for the poor.

Samarth-NMDP in the Dairy sub-sector

Samarth-NMDP is working with Practical Action Nepal to facilitate cost-effective access to critical input services in dairy, and stimulate growth in the markets that smallholders need to sell their dairy products.

Samarth-NMDP is a DFID-funded programme managed in partnership with the Government of Nepal by a consortium comprising Adam Smith International, The Springfield Centre and Swisscontact. For more information on the programme, please visit www.samarth-nepal.com.