



## Business Innovation for Resilient and Efficient Farming

 Kibimba Limited

# Building a seed business to support lowland rice production and move Uganda closer to a self-sufficient rice industry

## Context

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### A seed industry is needed to boost lowland rice production

Household consumption of rice in Uganda has steadily increased in the past decade and rice is subsequently one of the country's fastest growing cash crops. Both lowland and upland rice varieties are grown, with consumers demonstrating a preference for lowland rice.

Despite the greater demand for lowland rice, little investment has been made into the lowland rice industry. As a result, the production of lowland rice is falling well-

short of demand, prompting consumers to seek out imported brands.

Uganda's largest rice estate, Kibimba Limited (Kibimba), is seeking to establish itself as a certified lowland rice seed supplier. Driven by a need to source higher volumes of better quality paddy to mill and sell, Kibimba's move to become the first producer of certified seed represents the potential beginnings of a lowland rice seed industry.

## Kibimba Limited

Recognised as one of Uganda's best local rice producers, the Kibimba rice estate covers 5,000 hectares and its business capabilities, all of which are run in-house and on-site, include growing paddy, multi-stage milling, packaging and distribution.

Kibimba is in the process of becoming the first Ugandan business to be certified to produce lowland rice seed. Once certified, Kibimba will sell WITA 9 seed, a high yielding, disease tolerant variety, to lowland rice farmers with a view to securing a supply of quality paddy for milling.

Kibimba has the capacity to mill 6 MT per hour of paddy, and had initially aimed to meet this capacity with an equal split of its own paddy from the estate and paddy sourced from farmer groups. It has so far only reached 50% of its milling capacity due to a combination of in-house growing practices and low numbers of farmer groups providing paddy from outside the estate.

By producing and selling seed, Kibimba can begin to build firmer relationships with farmer groups (who cannot easily access certified seed) while also influencing the quality and consistency of the paddy it sources for milling, packaging and distribution.

Given its size and internal capabilities, Kibimba is one of the only businesses in Uganda with the capability to produce lowland rice seed at scale. Its move to do so therefore represents an opportunity for farmers to improve yields and for an increased supply of locally produced, quality lowland rice on the domestic market.

## Challenges

### Changing cultivation practices and attracting farmer interest

#### Kibimba Limited

With an ambitious plan to sell a significant amount of certified seed to around 6,500 farmers in the first year (2020), Kibimba requires a sales strategy that focuses not only on selling seed, but on building strong relationships with farmer groups.

In 2019, Kibimba sourced 1.3 MT of foundation seed which will produce 130 MT of certified seed (enough to commence sales to 13,000 farmers) in time for the 2020 season.

In addition to encouraging farmers to purchase the certified seed, Kibimba will need to convince them of the economic benefits of selling the paddy back to Kibimba.

Kibimba tests paddy for quality as well as quantity prior to purchase and farmers do not see their own rice being milled. This is a significantly different approach to that of the single-stage and multi-stage mills that farmers are familiar with, where the focus is on quantity rather than quality.

To build farmer confidence in this process, Kibimba must find a way to demonstrate to farmers that they will benefit from buying the seed and selling paddy back to Kibimba.

#### Farmers

Due to increasing domestic demand for lowland rice, it is a good cash crop for Ugandan farmers. However, the income generated is limited by low yields and poor quality due to a lack of clean seed and water availability.

Unlike the upland rice sector, which has received significant government investment into the development of a seed industry, lowland rice farmers have little-to-no access to clean seed. They recycle grain from harvested paddy each year to use as seed in the subsequent crop. This practice traps them in a cycle of low yields, poor quality and limited income to invest in their crops each year.

Lowland rice farmers who recycle grain rather than use clean seed record an average yield of 1,000 kg per acre. In comparison, clean seed planted on the Kibimba estate produces yields that range between 2,500-2,700 kgs per acre. Taking into account the more automated processes and better facilities of the Kibimba estate, farmers who choose to purchase certified seed to grow on their own land could expect yields of 1,500-2,000 kgs per acre.

Despite Kibimba wanting to procure significant volumes of paddy, lowland rice farmers do not currently produce the quality that Kibimba requires. Access to clean seed provided by Kibimba combined with the option to sell paddy back to Kibimba will potentially result in farmers accessing a more efficient mill, a guaranteed buyer and premium prices provided they can meet the quality expectations.

#### Farmers

Kibimba's strategy to make clean lowland rice seed available to farmers and then buy the paddy back offers farmers the opportunity to improve yields and sell their paddy for a premium price.

There are however challenges to consider.

Kibimba's business model requires farmers to move away from a low-investment, low-input approach to farming. To engage with Kibimba, farmers must invest in the purchase of the certified rice seed and be convinced to move away from the current practice of recycling paddy from previous harvests to use as seed.

Farmers will also need to be assured of the demand for the WITA 9 rice variety if they are not currently growing this.

Another potential challenge for farmers is Kibimba's practice of purchasing paddy based on quality not quantity. Farmers will need to ensure their paddy is not too immature or too dry. It is likely that in addition to investing in clean seed, farmers may also need to change cultivation practices to meet Kibimba's quality requirements, or risk a proportion of their paddy being rejected due to quality issues.



## Solutions

### Building farmer confidence through stronger business-farmer connections

Kibimba's move to become a certified seed producer is a positive step toward improving lowland rice production and can move Uganda a step closer to a self-sufficient rice industry.



Kibimba has partnered with REACH-Uganda to establish stronger connections with lowland rice farmer groups and build their confidence in Kibimba as a supplier of seed and a buyer of paddy. To support this, Kibimba will employ four field agents and provide them with motorcycles. These field agents will visit and communicate more closely and more often with farmer groups and their members.



Kibimba is in the process of becoming a certified seed producer with the Ministry of Agriculture, Animal Industries and Fisheries in 2019. The National Agricultural Research Organisation (NARO) sold Kibimba 1.3 MT of foundation seed which was planted across 130 acres. This foundation seed is expected to yield 130 MT of certified seed in time for the 2020 planting season.



To demonstrate value to farmers, Kibimba will establish 20 demonstration plots where certified seed will be planted and harvested. The intention is to build farmer confidence in the higher yields produced from the seed. REACH-Uganda and Kibimba will jointly select host farmers through the partnership. These host farmers will be provided with advice on improved cultivation practices and inputs such as fertiliser and pesticides.



To ensure farmer groups and their members recognise Kibimba's seed as quality, certified seed, Kibimba and REACH-Uganda will work on clearly branded packaging. The packaging will be labelled with certification details and mandatory information that certification requires, such as the producer, quantity, variety, purity percentage, batch number, date of packaging and use-by-date.



While the partnership remains in its early stages, the potential to purchase lowland rice seed has attracted interest from SWT Tanners Ltd, a rice-milling company in the process of establishing a rice estate similar to Kibimba's. SWT has committed to purchasing 9 MT of seed from Kibimba to plant on its own estate. This is a positive indication of the demand for lowland seed, the potential to build a seed industry and further increase the volume of quality, lowland rice on the domestic market.



# Results

## Achieved and expected



Program investment

**REACH-Uganda**  
**USD 80,858**



Private investment to be leveraged

**Kibimba Limited**  
**USD 137,564**



Value of for Kibimba increased sales

**USD 1,163,534**  
by 2020

**USD 5,733,783**  
by 2023



Total additional income for farmers

**USD 1,110,574**  
by 2020

**USD 5,468,981**  
by 2023



Kibimba in the process of becoming a certified seed supplier. Procured 1.3 MT of foundation seed from NARO in 2019, which was planted and will produce 130 MT of certified seed in time for the 2020 season.



4 extension workers to be employed by the end of 2019 and provided with transport.



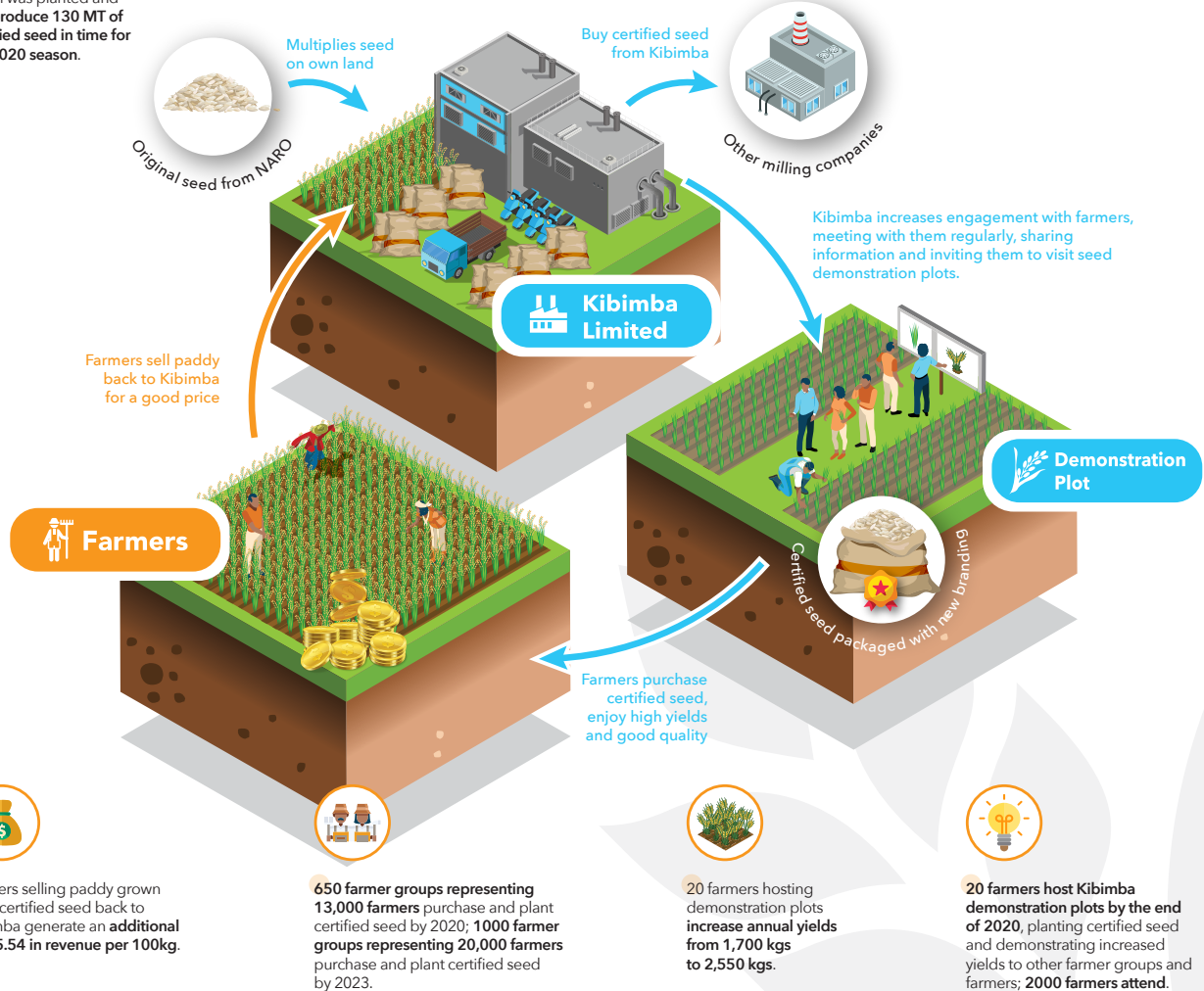
2 demonstration seed plots established in 2019, with 20 to be in place by 2020.



Certified seed sales result in additional revenue of USD 141,228 in 2020 and USD 776,752 by 2023.



Kibimba steadily increases milling output to reach 6 MT per hour through purchase of paddy from 3,600 farmers.



Farmers selling paddy grown from certified seed back to Kibimba generate an additional USD 5.54 in revenue per 100kg.



650 farmer groups representing 13,000 farmers purchase and plant certified seed by 2020, 1000 farmer groups representing 20,000 farmers purchase and plant certified seed by 2023.



20 farmers hosting demonstration plots increase annual yields from 1,700 kgs to 2,550 kgs.



20 farmers host Kibimba demonstration plots by the end of 2020, planting certified seed and demonstrating increased yields to other farmer groups and farmers; 2000 farmers attend.