

Practical Challenges in Seed Pricing

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Outline

- What is seed pricing
- Factors to consider when pricing
- Pricing as a strategy for market development
- Understanding seed distribution chain
- Unethical practices in seed pricing

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Seed is Expensive!

- True or not...

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What is Pricing?

- Price is the net value attached to a product or a service.
- It's the total cost (variable & fixed) of producing seed and the Mark up profit that a Seed Company intends to get

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Factors to consider when pricing seed

- Product cycle- is it new or old variety?
- Production cost-OPV Vs Hybrid
 - AEZ; low, medium or High altitude variety
- Your position in the market- are you a market leader or new entrant?
- Type of market- monopolistic, oligopolistic or pure competition/capitalistic
- Related products in the market
- Level of processing- treated & untreated seeds

Market price objectives

- Short Vs long run profits
- A dash for market share
- Customer retention
- Relationship marketing- investing in customers
- Not for profit- penetrative & PR pricing

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A seed company Reps selling seed at subsidized price during field day



Why are farmers sensitive to prices

- Availability of alternatives
- Brand loyalty- new product can only be cheaper
- They fail to see value in seed- **Ravine farmer!**
- Price of related inputs- fertilizer, fuel, machinery, labour

Other factors affecting pricing

- Economic recession
- Govt intervention/ interference
- Imports
- **Middle men/women- Agent & stockists**



Show goes comparing prices and packaging of different seeds-Kitale ASK show -30/10/14

Price distortion by Agents & stockists

- Intermediaries between SC & Farmers
- They are given rebates and discounts by SCs
- May distort the price for profit by
 - hoard the seeds to inflate the price
 - sell fake seed cheaply than genuine one
- Push competitors product where they have large discounts

An Agrodealer in Masindi, Uganda (left) explains to Agra team how she maintains good relationship between Seed Cos and farmers



Factors to consider when setting up prices

- **Product quality-** premium product attract high prices
- **Profit orientation-** quick profit to recoup capital investments or low profit for product development
- **Pricing for survival-**covering costs to remain afloat
 - use one product profit to cushion loss making ones- **case**
- Benchmarking with market leaders
- **Loss-leader pricing-** lowering prices to lure customers

Types of price tagging

- Prestige price- exclusive & superior- Gaucho treated seeds
- Captive pricing- maize +beans,
- By product price- low price to rid goods
- Product bundle-maize seeds and desmodium seeds-Push &pull in striga areas
- Promotional price- rebates, discounts, free merchandise, special events price- field days
- Psychological pricing-Sh.999

Unethical price practices

- Price discrimination- same product, different prices
- Price fixing two or more SCs conspire
- Predatory prices- pricing below cost to hit at competitor
- Deceptive price- misleading through promotion- MLND resistant
- Price fluctuation- peak and off peak pricing

conclusion

- Need for market intelligence on price
- Know the nature of the customers/farmers
- Evaluate product cost
- Be consistent in pricing and explain price changes clearly and timely

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