



Pahtama Seed Company Ltd - Frequently Asked Questions

1. What is Pahtama Seed Company Ltd?

Pahtama Seed Company Ltd is a joint venture company between Myanmar Awba Group and a farmer entity group made up of 2,500 farmers. The company is founded with investment from Awba and The Livelihoods and Food Security Fund (LIFT), a multi-donor fund established in 2009 to improve the lives and prospects of smallholder farmers and landless people in rural Myanmar.

LIFT focuses on improving food security and promoting, among other areas, agricultural commercialisation, climate-smart agriculture, financial inclusion, and business and skills development.

2. What are the aims of Myanmar Awba in investing in Pahtama Seed?

a) The urgent need for change in the seed industry

As Myanmar’s largest provider of holistic solutions along the agricultural supply chain, Myanmar Awba has identified seeds as one of the key gaps on the input supply chain. There is an urgent need for a seed company to step into the leadership role to effect change in this field.

b) The need for quality seeds, and real action to combat climate challenges

The farmers of Myanmar need access to good-quality seeds, and we believe the seeds business is an area where the right education, better seed quality and improved farming practices can make a difference to farmers. The benefits of quality seeds with better genetics will be more resilient to the challenges of climate change resulting in increased yield, improved quality, and better returns for farmers.

c) Support from LIFT in the joint venture

Although open pollinated seeds yield lower-profit margins, it is a business we see long-term viability in, and LIFT agrees. The participation and financial contribution of LIFT, an international non-government organisation, was the necessary stamp of trust and approval we needed to enter into this joint venture.



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d) Leveraging existing agriculture supply chain expertise for implementation

We leverage our expertise in agricultural inputs, microfinance, and technological know-how to offer services and support to farmers who are ready to look at Pahtama Seed’s innovative business model and unique producer-shareholder structure.

e) Inspiring change in the industry and more support from the private sector

With Pahtama Seed, we look forward to pioneering a new model for agriculture businesses in Myanmar. In time, we hope to build up a competitive seed industry with high quality seeds that benefits growers and the entire agricultural supply chain.

We also hope to encourage other private agriculture companies and non-profit organisations to come forward and work together to create changes that Myanmar’s agriculture industry needs to progress, particularly in mechanisation, finance, processing, and other agricultural infrastructure needs.

3. Who are the shareholders of Pahtama Seed Company Ltd?

Myanma Awba Group holds 51% of shares in the company, while the farmer entity, which is currently being formed, will hold 49% of its shares.

4. What is the funding structure of Pahtama Seed Company Ltd?

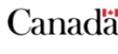
Myanma Awba Group will be investing USD 3.1 million in Pahtama Seed Company Ltd. The farmer entity will be capitalised with USD 3 million funding support from LIFT.

LIFT will also provide Myanma Awba Group with USD 2.5 million to undertake the implementation process of setting up the company and getting it operational.

LIFT has allocated an additional USD 1.25 million as deficit funding to cover expected losses in the first few years of Pahtama Seed’s operations, due to the lower profit margins of open pollinated seeds.



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5. Why is LIFT participating in the funding of Pahtama Seed Company Ltd?

As a multi-donor fund that works towards improving lives and prospects of smallholder farmers and landless people in rural Myanmar, LIFT sees this joint venture as a good investment to increase Myanmar farmers’ incomes, their labour productivity, and capability to adapt to climate change. Such a partnership with Awba and MoALI ticks all those boxes.

With the implementation of this initiative, a total increase of USD 500 million in income for 1.3 million farmers across Myanmar over five years is estimated.

6. Why did LIFT choose Myanma Awba Group as its implementing partner for this joint venture?

Myanma Awba Group is a long standing and reputable company and in recent years has been one of Myanmar’s top tax-paying companies. It is the country’s largest holistic solutions provider for the country’s agricultural supply chain. More importantly, Myanma Awba also has an innovative perspective in its business approach to create a unique operational structure that incentivises partner-producer loyalty.

The Group’s proposal addresses arguably the most important constraint facing farmers in the Central Dry Zone who grow beans, pulses, oilseeds and other open-pollinated crops — improved, high-quality seeds.

The economics of open-pollinated seed production, with significantly lower gross margins compared to that of hybrid seed production, require LIFT investment to catalyse private sector investment that would otherwise not happen.

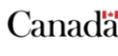
7. Can you elaborate more about the farmer entity company and the farmers who will be part of it?

a) The operational structure of the farmer entity company

The farmer entity company will be a Company Limited by Guarantee (CLG), operated based on cooperative principles, where participating farmers are entitled to training and education programmes, support services like in-field technical support and seasonal financing, and profit-sharing linked to the volume and value of the seeds supplied to Pahtama Seed Company Ltd. The farmer entity is also structured with company bylaws and governance that will ensure fair and transparent dealings within the company and with all stakeholders.



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b) Potential farmer partners

As the implementing partner of Pahtama Seed Company Ltd, Myanma Awba Group will take the lead in identifying 2,500 potential farmer partners located in geographic areas well-suited for the production of pulses and oilseeds, such as Sagaing Region, Magway Region, Mandalay Region, and other areas of the Dry Zone. These partners can be established farmer groups, individual farmers or farmer associations.

8. What is the significance of this joint venture?

a) Unique shareholder structure

Such a shareholder structure is the first of its kind in Myanmar, and possibly in the rest of the world, as a farmer-owned private company that is operated based on cooperative principles.

b) How will participating farmers benefit?

Participating farmer members will be both stakeholders and producers, contracted to produce quality seeds that Awba will buy at premium prices. Pahtama Seed will also offer a package of services that includes seed treatments, Myanma Awba's Soil Cares (soil nutrient testing) and in-field technical support. In future, these farmers will also receive dividends from Pahtama Seed's profits, pegged to the volume and value of the seeds they supply.

9. What are the key challenges of implementation for Pahtama Seed Company Ltd?

a) Breaking from traditional organisational structures

A number of challenges are expected as it attempts to move away from traditional farmer structures and introduce a private company approach and operating principles.

b) Identification of partners and collaborating organisations

Identifying 2,500 farmers with the right mindset and geographic locations for optimum production of pulse and oilseed crops is one of the key challenges Awba will have to overcome. This is why Awba is open to collaborating with like-minded organisations and associations to seek out potential farmer candidates.



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