



Session P3: Partnerships for Livelihood Impacts

Sub-Session P3.2: Turning Innovations into Market Opportunities

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Context – the problems being addressed

Dynamic changes are taking place in local, regional and global agrifood markets reflecting changing consumption patterns, income and life style changes, urbanisation and the impact of increased local and foreign direct investment in the agrifood sector. Whilst the overall demand for food is set to continue to increase, the pace and impact of the associated structural market change on agricultural producers differs by region, by country and by commodity.

Increasing vertical integration in the market chain and concentration of chain actors have enabled the industry to respond to changing consumer preferences, while maintaining relatively low consumer prices. However, there are concerns about the growing market power of the agribusiness sector, about price transmission, transparency and about 'fair' and 'equitable' distribution of profits across the food chain. Public food safety standards and private quality standards have been raised in response to consumer demands and the related investments for compliance provide challenges in market access for smallholder producers. While the trend of vertical integration and concentration is likely to continue, in many countries market access remains largely traditional, through spot markets and chains of intermediaries. However, even in these markets, key aspects are changing, like price information systems, financial modalities to pay in market transactions, storage systems, etc.

With some 500 million smallholder farmers in developing and emerging economy countries, it is in the public interest to create an enabling environment that allows smallholder farmers and family farms to engage with these dynamic and changing markets. Such engagement is central to guarantee local, national, regional and indeed global food supply and security and to ensure rural economic and household wellbeing. Rural households need to take advantage of new employment and livelihood opportunities created along the food chain. To enable smallholders access markets, a number of key issues need to be better understood and addressed. These include:

- the design of institutional arrangements that reduce risks in market chain transactions including those that limit the need for or enable working capital to bridge the gap between the moment of selling and the moment of cashing the revenue
- the enhancement of skills and capacities of both smallholders and those institutions which support them to act and deliver on their core functions and key services
- the reduction of administrative and tax procedures that create barriers to market access, e.g. for farmer groups that source from smallholder members that operate in the informal sector and have therefore limited possibilities to reduce value-added taxes
- the reduction in inequalities in power and voice in policy and in decision making on investment priorities and research agendas for smallholder market access

While policymakers and research have placed priority focus on agriculture and agricultural productivity and the associated public goods, there is now an urgent need to allocate complementary

resources to address the public good needs in agrifood markets and market chain development including new models of public and private sector alliances and smart-subsidy interventions. The specific needs of the smallholder and their access to markets requires priority attention, along with the needs of intermediaries and entrepreneurs that source from smallholders and that lubricate these markets.

Research has a central role to play in generating evidence to inform policymaking and policy design about the underlying enabling environment and to support and evaluate new institutional arrangements and mechanisms addressing the above shortfalls. These include innovation in business models along the value chain, new risk management instruments, financial intermediation addressing the missing market for credit, support for collective action for market development or advocacy, and new technologies and technical innovation in product handling, quality assurance and value chain management.

New organizational arrangements which place the user of research central in the definition of research priorities and in uptake processes are required. This includes a central role for organizations which represent the interests of the smallholders in particular farmer organizations but also for the private sector, trade and commodity associations and procurement officers in government programmes. Research partnerships which tackle cross-cutting issues in markets need to work with inter-ministerial task groups which go beyond ministries of agriculture and include other sectoral line-ministries responsible for trade, infrastructure, innovation and poverty-reduction strategies as well as the key stakeholders including farmer organizations, private sector and trade and commodity platforms.

Current activities presented and discussed in the Session

The Session will be chaired by **Philip Kiriro**, President, East Africa Farmers Federation, and facilitated by **Felicity Proctor**, an independent consultant, UK. The first part of the Session will address the *Enabling environment and policies for smallholders*. **Karen Brooks** (IFPRI), will outline the CGIAR funded and recently launched programme entitled *Policies, Institutions, and Markets to Strengthen Food Security and Incomes for the Rural Poor*. Illustrative examples of innovation initiated under this programme on contract farming and on strengthening rural producer organizations will be outlined. **Ruben Méndez** (ALIFRUT, Alimentos and Frutos SA), will present an innovative alliance between ALIFRUT, a publicly-funded research and smallholder producers who are working together to address specific challenges facing smallholders' market inclusion in the Chilean context and expand their export markets. **Lorenzo Castillo** (Junta Nacional de Café [JNC]), Peru, will explain how a lobby agenda has been developed by a group of economic farmers' organizations and led by the coffee cooperatives to influence the agenda of the national multi-stakeholder platform on agricultural policy and the outcome of these advocacy actions to enhance smallholder market access. **Giel Ton** (LEI Wageningen University and Research Centre, Netherlands) will introduce the *Empowering Smallholder Farmers in the Markets* (ESFIM)¹ Programme drawing out key generic lessons from work in ten countries on farmer organizations–research partnerships on strengthening farmer organization-led research for advocacy.

The second part of the session entitled *Fostering Smallholder Entrepreneurship - examples from practice* will bring first-hand examples from farmer organizations where such organizations have developed strategies of collective action and used evidence-based advocacy to call for change in policies and institutional arrangements to ensure that such arrangements meet the needs of their membership and specifically smallholders. **John Mutunga** (Kenya National Federation of Agricultural Producers [KENFAP]) will share KENFAP's experiences of how contributions to policy making processes have enhanced the pro-smallholder farmer market access agenda; **Shirlene Chaves** (Mujeres Campesinas de Costa Rica [CMC]), will outline how women have mobilised to enable better

¹ www.esfim.org

market access including the building up of local markets and **José Bervejillo** (Cooperativas Agrarias Federadas [CAF]), will present examples of innovation processes in the cooperative sector and how these can inform the national innovation policy in Uruguay.

The panel of respondents will include: **Robert Carlson** (President, World Farmers' Organization); **Mohamed El-Kholy** (Olive Network of the Association of Agricultural Research Institutions in the Near East and North Africa [AARINENA]); **Lucy Muchoki** (CEO, Pan African Agribusiness Consortium [PanAAC]); and **Bayan Alimgazinova** (AgroInnovation, Kazakhstan).

Intended outcomes

- Share first-hand experiences on how the public sector, private sector and farmer organizations have worked with research to formulate changes in policies, market chain practice and institutional arrangements that enable smallholders to access new and better local, regional and international market opportunities;
- Draw out key lessons on what works well, what works less well and why with a focus on new partnerships arrangements between research and market chain actors including smallholders;
- Share information on selected ongoing and planned research and development programmes which support smallholders' market access;
- Identify key gaps, new opportunities and next steps to inform the CGARD 2012 wider agenda.

Commitments to collective actions in 2012-2014 (national, regional or international)

i. With existing resources

- Institutionalise the sharing of experiences on innovation and smallholder market access including technology, organizational structure and institutional arrangements and policy within and between existing programmes;
- GFAR stakeholders commit to improving knowledge about smallholder access to markets and market development as part of the wider food security, nutrition, poverty reduction and economic development agenda;
- Advocate for more inclusive and equitable partnerships specifically engaging farmer organizations and the private sector including the small-scale entrepreneurs in research planning, implementation and uptake processes.

Internationally funded programme examples include:

Empowering Smallholder Farmers in the Markets (ESFIM) (2009-2012)

Key components: Component 1: Collaborative Farmer Organization-led research for advocacy in ten countries; Component 2: Comparative research: incentive structures in collective marketing; risk insurance models; innovative financial models; and market information systems; Component 3: Learning for Action: discuss and communicate results.

Co-funded: IFAD, the European Alliance on Agricultural Knowledge for Development (AGRINATURA), the Dutch Ministry of Economy, Agriculture and Innovation, Agriterro, and CTA - the ACP-EU Technical Centre for Agricultural and Rural Cooperation.

Lead institution: LEI Wageningen University and Research Centre, Netherlands for AGRINATURA.

Policies, Institutions, and Markets to Strengthen Food Security and Incomes for the Rural Poor (CPR2) (2012- 2014)

Three key themes. Effective Policies and Strategic Investments (Theme 1): improve policy options at the global, regional, and country levels by modelling scenarios of future trends, analyzing how best to allocate public resources for research and investment, and strengthening governments' capacity to design and carry out policies and investments that will increase agricultural productivity and enhance rural incomes. Inclusive Governance and Institutions (Theme 2): examine the scope for policy, institutional, and governance reforms and contribute to effective and equitable access to rural services, property rights, collective action, and assets by studying existing systems and testing institutional innovations in these areas. Linking Small Producers to Markets (Theme 3): increase the competitiveness of markets to benefit producers and consumers and offer greater income opportunities by integrating small-scale producers into upgraded value chains.

Co-funded: CGIAR Fund, restricted donor projects and other income.

Lead institution: IFPRI

ii. With additional support

- Create knowledge platforms drawing on best practices and lessons learned of existing partnerships and enabling mechanisms to support pro-smallholder transformative change in market development – building on existing regional networks where appropriate including regional research networks and regional platforms of farmers' organizations;
- Enhance learning (including strengthening the evidence base) across the multiple programmes including those of the CGIAR on issues of smallholder market access;
- Strategic alliances to strengthen the focus on market institutions and smallholder market access modalities on key initiatives, for example in Africa: national agriculture investment plans (CAADP country compacts) and their implementation, G-8 cooperation frameworks to support the "New Alliance for Food Security and Nutrition" and the Global Agriculture and Food Security Program (GAFSP) – for enhanced livelihood, income generation and employment;
- Feed evidence into regional and global trade debates on policies and process that can enable greater smallholder market access through the analysis of processes and impacts of innovation/technology development interventions and policies of regional integration and harmonisation;
- Reinforce capacities of national and regional farmers' organizations and commodity associations to participate in key decision-making processes for more balanced and effective policies on agriculture, food security and nutrition. Specifically strengthen the position of farmers, particularly smallholders, in the national and regional policy arenas addressing key policies and institutional arrangements that relate to the marketing of their produce;
- Cross-site learning among national farmers' organizations to reinforce their regional networks in their capacity and services to represent smallholder interests in market access at regional, continental and global levels and to enable technology and innovation uptake;
- Cross-site learning between national commodity associations on strategies of value chain development that address the interests of the smallholder farmer and small and medium scale entrepreneur in the market chain.

iii. With specific large scale programme investment

- At country and regional levels, funds are allocated and ring-fenced for national and international research to address constraints for smallholder access in markets through technology and innovation, institutional and organizational arrangements of smallholders and in markets, coordination and governance mechanisms of policies, and new public and private sector alliances in order to secure smallholders' and family farmers' access to more stable and transparent national, regional and international markets;

- Institutional structures are in place and supported that enable farmer organizations and the private sector (including the informal market chain actors), to voice their needs and play a greater role in defining and benefitting from public-funded research;
- Specific research funds are allocated to improve the advocacy capacities of farmer organizations to generate evidence-based and technically feasible proposals to improve smallholder market access;
- That new smallholder market access instruments and relevant research is mainstreamed and prioritised into national investments plans and budgets;
- New mechanisms (funding and policies) are developed that enhance the capacities of the private sector – in particular the agrifood corporations - to source from smallholder producers;
- Lesson sharing of evidence-based innovative and good practice in enabling smallholder market access within and between regions is institutionalised and sustained.