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Breakout Session P3.2 Turning Innovations into Market Opportunities – Speaker Brief

ICRISAT

Context – the problems being addressed

This Breakout Session seeks to identify effective strategies for implementing innovation partnerships that improve the livelihoods of the poor on a large scale, including the gaining of evidence and understanding needed for that implementation.

There is a growing realization that the CGIAR and partners' historical focus on the production system may not be capturing the full potential of R4D innovations toimprove the livelihoodsofpoor smallholder farmers. Smallholder farmers tend to be disempowered in value chains and consequentlygarner only a small fraction of the ultimate marketplace value of the products that are derived from their farm outputs.

In response to this realization, many are now urging greater attention to farm-to-fork value chains and how smallholder benefits generated bythose chains can be increased. This change in perspective has far-reaching consequences both for R4D priorities and for partnerships. In this Briefing Paper we utilize ICRISAT's experiences toexamine some of those consequences and their implications for partnership strategies.

Current activities presented and discussed in the Session

Partners have been increasingly calling for ICRISAT's assistance in value chain activities. The development of crop varieties suitable for high-value export or high-quality urban markets has emerged as a common theme, for example for groundnut exports to the UK from Malawi; pigeon pea exports from Tanzania and Myanmar to India; chickpea exports from Ethiopia to the global market; and chickpea from rural dryland areas in India to meet growing demand in urban areas.Improved grain quality is demanded by those markets, which, when delivered through plant breeding and improved postharvest grain handling/processing,translates into higher incomes for farmers. Partners in these endeavours include government agencies, seed companies, community seed schemes, farmer organizations, processors, wholesalers, export agencies, commodity exchange trading agencies, crop advisory services, and others. The last several of those listed represent novel innovation partnerships.

Regarding dryland cereals, partners are engaging ICRISAT in developing new higher value uses for sorghum such as poultry feed, malting, and bioethanol. Increased stalk nutritional quality for livestock fodder is another growing demand.These new or enhanced uses of dryland cereals also require novel partnerships with organizations such as livestock feed manufacturers, breweries, processing machinery manufacturers, peri-urban livestock traders, pre-market fattening operations, fodder traders and others.

Intended outcomes

Outcomes of these novel innovation partnerships that we have observed, and expect to continue to observe in the future include increases in farm family income, increased grain yields and area sown to crops, increased home consumption of these crops, increased total volume of production, higher prices due to accessing larger markets, and increased adoption of technology innovations by farmers resulting from their increased motivation to capture larger rewards.

The production component of these value chains tends to be geographically concentrated and sub-national in size. This concentration facilitates the integration of smallholder farmers through collective action mechanisms. Concentration also makes the distributionof inputs, knowledge, credit etc. to farmers and investments in infrastructure and equipment more cost-efficient, as well as the facilitating the logistics of collecting and transporting farm outputs to subsequent links in the value chain. These inherent advantages of geographic concentration may appear at first glance to constrain the scaling-upand-out of the value chain and R4D innovations that contributed to success. However a cross-analysis of different value chains reveals that they share many success principles in common so there appears to be value in consolidating lessons learned and replicating (with adaptation) these success principles across crops and locations. Returns on R4D investment in value chain enhancement also appear to be high, because of rapid adoption of innovations triggered by the large market incentives.

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

i. With existing resources

Due to the crop-specificity of most commodity value chains, the “crop” will form the unifying principle for collective actions for R4D innovation during 2012-2014. Crop commodity R4D in the newly-reorganized CGIAR is housed in cross-centre Consortium Research Programs (CRPs) that inherit crop-specific R4D teams from the Centres. These CRPs have been formulated not as internal CGIAR structures but rather with strong external partnerships. Crop teams within Centres have been in operation for decades and have thus established ongoing partnerships that now must evolve and diversify to include the novel types of partners of the types listed earlier who are involved in value chains.CRPs also inherit large portfolios of projects and partnerships from their predecessor Centres programs, so during 2012-2014 their collective actions will focus on fulfilling those prior commitments and beginning a transition to new initiatives structured around CRPs.

ii. Immediate gaps to be filled

There is a need to compile and share the value chain lessons learned across the many crops, centres and partnerships engaged in these endeavours. A methodology of value chain innovation should be distilled from those experiences and from related literature and experiences outside these domains. The CRP on “Markets and Policies” would be a logical convenor for such a compilation, sharing and methodology development.

iii. With specific large scale programme investment

Large-scale programme investment would be informed by the lessons learned and methodology described above. Due to the CGIAR’s original focus on reducing hunger, the historical crop focus of the CGIAR and partners has been on relatively few staple food crops. These crops were not selected with consideration of their suitability for a value chain approach. Over time though the CGIAR has realized that poverty is probably the most important root cause of hunger, so increased income from crop value chains would make a direct contribution to hunger alleviation. While value-addition opportunities to the mandate crops have delivered large benefits, additional and perhaps even larger benefits could accrue from diversification of crops to also include high value fruits, vegetables and specialty crops. These should be considered as opportunities for expanding programme investment.

Investment patterns in value chain innovation partnerships are interesting. They often feature strong elements of shared commitment from partners in resourcing of financial, human and infrastructural resources. For example the R4D innovation of improved hybrid sorghum and pearl millet varieties in India provided the impetus for the formation of a public-private Hybrid Parents Research Consortium partially funded by membership fees paid by private seed companies. The knowledge-sharing that takes place between consortium members is a major incentive, resulting in quicker dissemination and use of public sector breeding innovations. Groundnuts seed multiplication in the export-oriented value chain in Malawi operates through a revolving seed fund with the initial funding provided by a donor then replenished by income from seed sales.

Donor support will continue to be needed to enable R4D to strengthen value chains, especially in the initial stages, but for the longer-term sustainability of these initiatives, supplementary funding mechanisms such as these should be explored. Since value chains are concentrated geographically and feature relatively integrated partnerships, the partners may find it in their interest to sustain and enhance R4D investments as long as those generate positive returns. R4D institutions should therefore credibly monitor and assess their ROI in particular value chains and explore mechanisms such as check-off fees, consortium member fees and other means to institutionalize R4D as a core function within value chains.