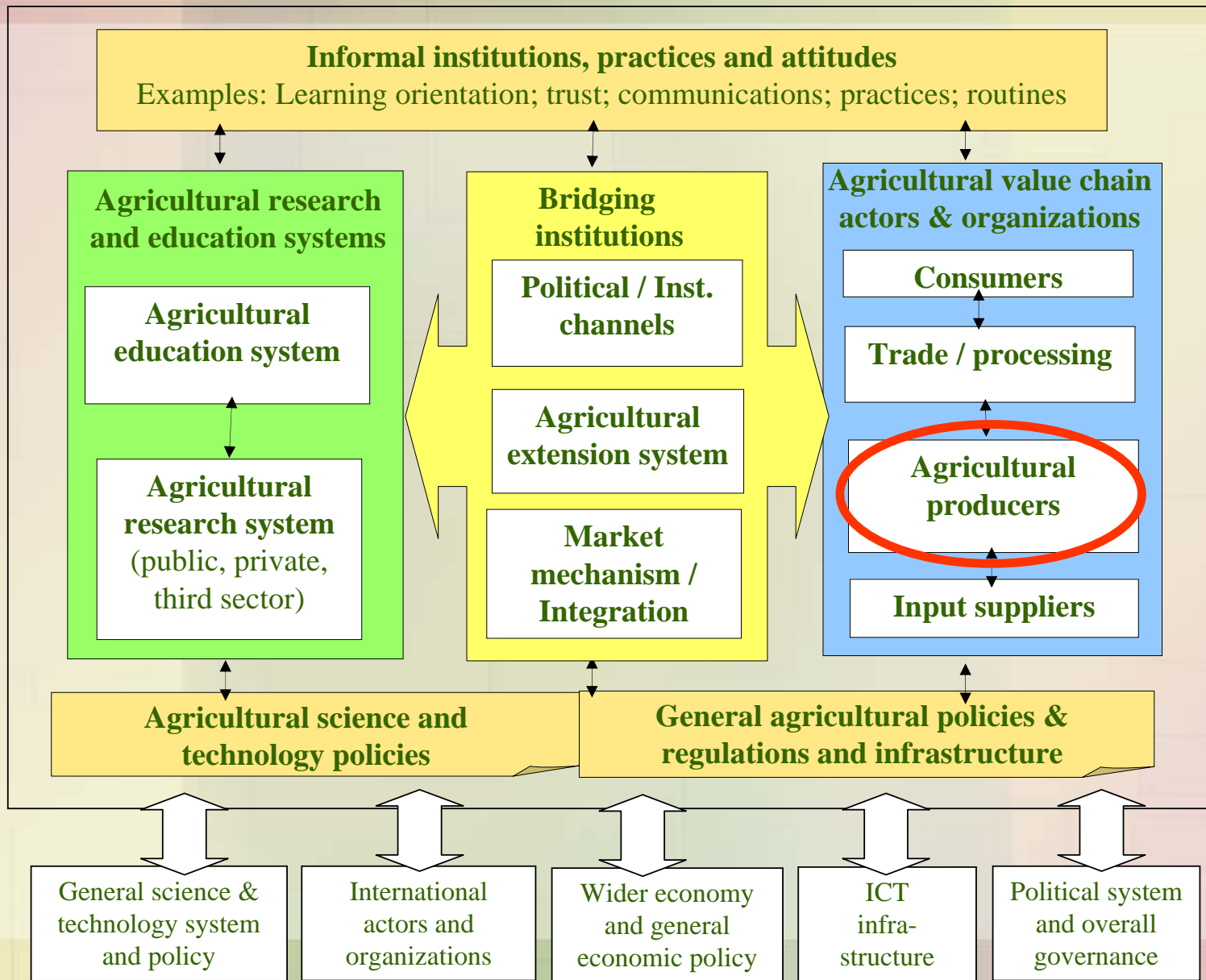


# Markets, Value Chains and Innovation

Practicing Agricultural Innovation in Africa

12-14 MAY 2008



**Informal institutions, practices and attitudes**

Examples: Learning orientation; trust; communications; practices; routines

**Agricultural research and education systems**

**Agricultural education system**

**Agricultural research system**  
(public, private, third sector)

**Bridging institutions**

**Political / Inst. channels**

**Agricultural extension system**

**Market mechanism / Integration**

**Agricultural value chain actors & organizations**

**Consumers**

**Trade / processing**

**Agricultural producers**

**Input suppliers**

**Agricultural science and technology policies**

**General agricultural policies & regulations and infrastructure**

**General science & technology system and policy**

**International actors and organizations**

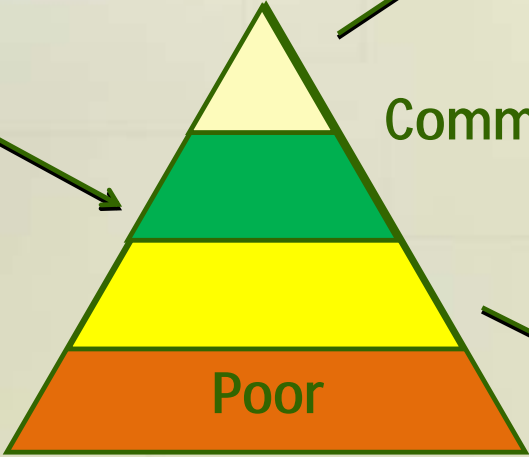
**Wider economy and general economic policy**

**ICT infrastructure**

**Political system and overall governance**

Input Suppliers:  
Seed,  
Fertilizer,  
Livestock Services

Formal Markets  
Supermarkets  
Exporters  
Large-scale Processors



Commercial

Poor

Segmented Market  
of Farmers

Advisory Services:  
Public Extension  
NGOs  
Private Providers

Informal Markets  
Local Markets  
Buyer-Transporter  
Small-scale Processing  
Wholesale Markets

# Principles Underlying Innovation Systems

- Innovation includes improved techniques, processes and organizational forms
- Innovation occurs within a systems context
- Innovation is contingent on the local economy and the value chain
- Innovation requires best fit rather than most productive

# Factors within the Value Chain Conditioning the Innovation Process

Conditioning Factor	Rwanda-Coffee	Ghana-Cassava
Coordination Mechanism	NGO, reinforced by consortium of actors	Government program and starch factory
Margin and Investment Incentive	High quality premium for export market	Competition in export market and domestic market
Raw Material Supplies	Supplies with increased farmer prices	Competition for roots with gari processors
Grades and Standards	Well defined with appropriate certification	None
Processing Scale	Medium sized with potential for coverage	Large scale with high cost of assembly
Farmer Technology	New varieties and management practices	High starch varieties but unacceptable in gari market
Farmer Organization	Cooperatives	Ineffective groups due to competition with gari

# Innovation Within the Dairy Value Chain

- Evolutionary Change at Points Across Value Chain
- Coordination by NGO's
- Quality and Development of Cool Chain
- Hub Interlinks Credit, Input, and Output Markets
- In Land Extensive Economies Reliance on Large Scale, Integrated Dairies

## Maize and Sunflower: Innovation at Different Scales

- Appropriate scale depends on assembly costs and quality in satisfying rural vs urban markets
- Informal markets have lower margins but are critical for the poor
- Links to additional refining capacity suggest potential to enter urban markets

# Collective Action in the Value Chain

- Associated with Degree of Vertical Integration
- Farmer Association around Assembly and Bulking and Quality Control
- Regulating Grades and Standards
  - Export: Self-Regulation
  - Domestic: Government Regulation

# Public-Private Linkages

- Research: Strongest at farm level
- Service Delivery: Extension focuses on farm level but increasing role of private sector in some value chains
- Education: Limited increase in private sector training with need for better linkage to universities
- Regulation: Largest area of public private interaction

# Conclusions

- Innovation is occurring in African value chains but it is variable and not clear how deep
- Innovation in rural financial markets remains a critical constraint
- Stimulating innovation in informal, staple food markets remains a key policy objective for poverty reduction
- Impacts at the level of farmer productivity is still lagging