



**Some lessons learnt about innovation, food prices
and the farmers right for a decent profit.**

Ajay Vashee

President

International Federation of Agricultural Producers



Introduction I

The Agricultural Treadmill (*Cochrane 1958*)

Productivity-increasing / cost-cutting innovations:

- Allow early adopters to gain windfall profits,
- *Propel later adopters to innovate to prevent incomes from falling, and*
- *Force non-innovators out of business.*

Once many adopt the innovation, new innovations are needed to ensure a profit... farmers can compete innovating until extinction.

The Agricultural Treadmill (*Cochrane 1958*)



→ Farmers run faster and faster, innovating with the hope of making a decent profit possible.



Introduction II

The Plundering of Agriculture in Developing Countries

(Schiff and Valdes, World Bank, 1992)

Between the 60's and the 80's, governments in developing countries used policies and regulations to maintain low food prices.

As a consequence, over this period, farmers received about 45% less than the real value of their produce.



Introduction II

The Plundering of Agriculture in Developing Countries

(Schiff and Valdes, World Bank, 1992)

Between the 60's and the 80's, governments in developing countries used policies and regulations to maintain food prices low.

As a consequence, over this period, farmers received about 45% less than the real value of their produce.

Farmers were systematically plundered to ensure low food prices possible...

→ This is what we need to prevent from happening as a solution to the so called *food price crisis*.



Main drivers of change in the agri-food systems over the past decades.

Modern markets (including local and international trade):

- Changes on Consumers and Retailers Demand
- Standards and Certification



Main drivers of change in the agri-food systems over the past decades.

Modern markets (including local and international trade):

- Changes on Consumers and Retailers Demand
- Standards and Certification

Decreasing farmers' profit per unit of product:

- Need for increasing productivity, quality and timing at the time of reducing costs.
- Availability of technology offering solutions to compete under limited profit margins.



Main drivers of change in the agri-food systems over the past decades.

Modern markets (including local and international trade):

- Changes on Consumers and Retailers Demand
- Standards and Certification

Decreasing farmers' profit per unit of product:

- Need for increasing productivity, quality and timing at the time of reducing costs.
- Availability of technology offering solutions to compete under limited profit margins.

Promotion of diversification with 'profitable crops', to replace the traditional low profit crops, like cereals.



Some features of the promotion of innovation in the agri-food production

Salient context:

- Increased market deregulation.
- Decreased public investment in Agriculture related infrastructure and research.



Some features of the promotion of innovation in the agri-food production

Salient context:

- Increased market deregulation.
- Decreased public investment in Agriculture related infrastructure and research.

Salient effects:

- **Concentration** at all levels of the food chain (vertical and horizontal)
- **Decrease of cereals' production**
- **Profitability crisis for farmers**, specially smallholders in developing countries
- **Current high food prices**



Lessons from the Re-governing Markets Programme

The research programme in short:

Three Components:

- 1. What's happening?** Are the poor being excluded as food systems restructure? (*9 cases, 8 countries*)
- 2. What is best practice** for inclusive market development (business, producers, policy)? (*40 cases*)
- 3. What does this all mean for policy?** (*8 countries*)

Advisory Groups (global, including IFAP, Agribusiness, OECD, GFAR/FAO, Academia)

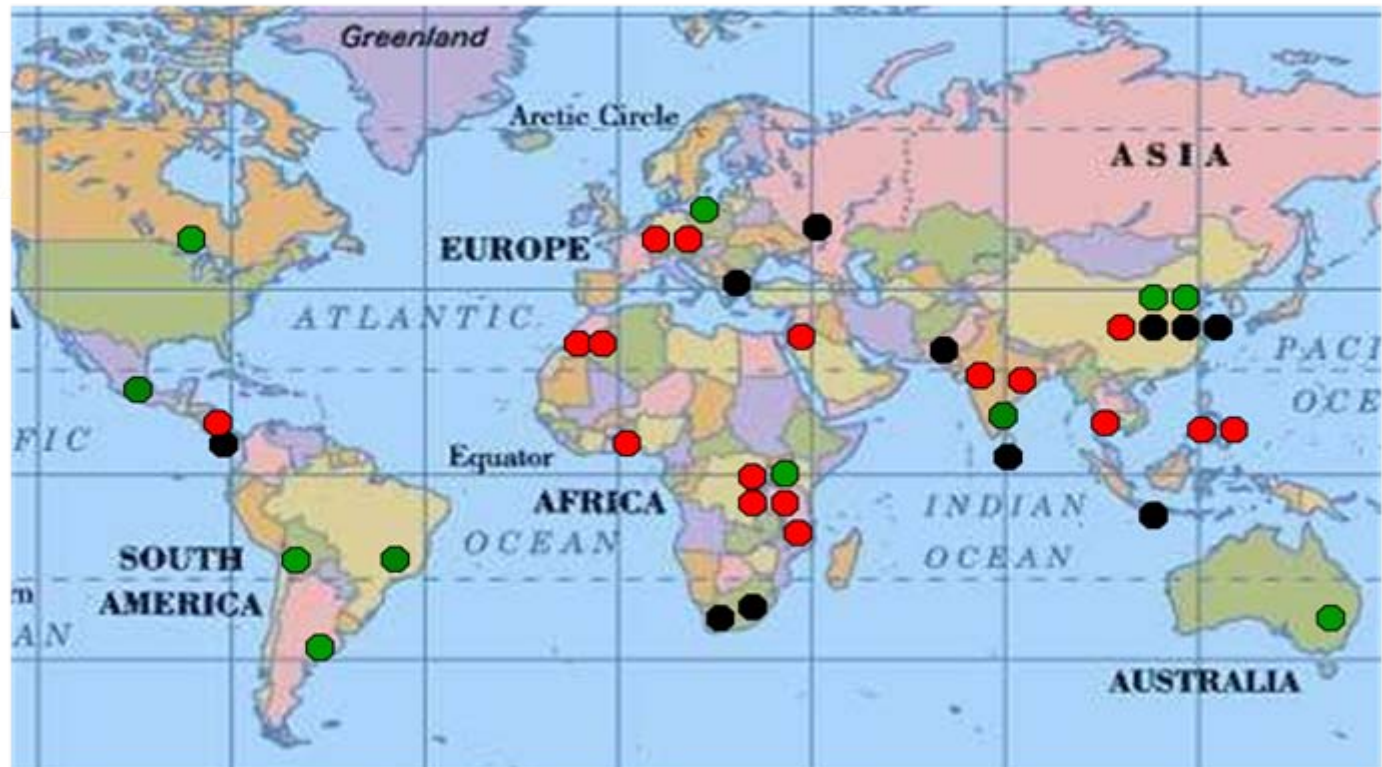
Ended March 2008 with Conference in Beijing



Lessons from the Re-governing Markets Programme

Component 2. What is best practice for inclusive market development (*business, producers, policy*)?

Case study research – 40 cases

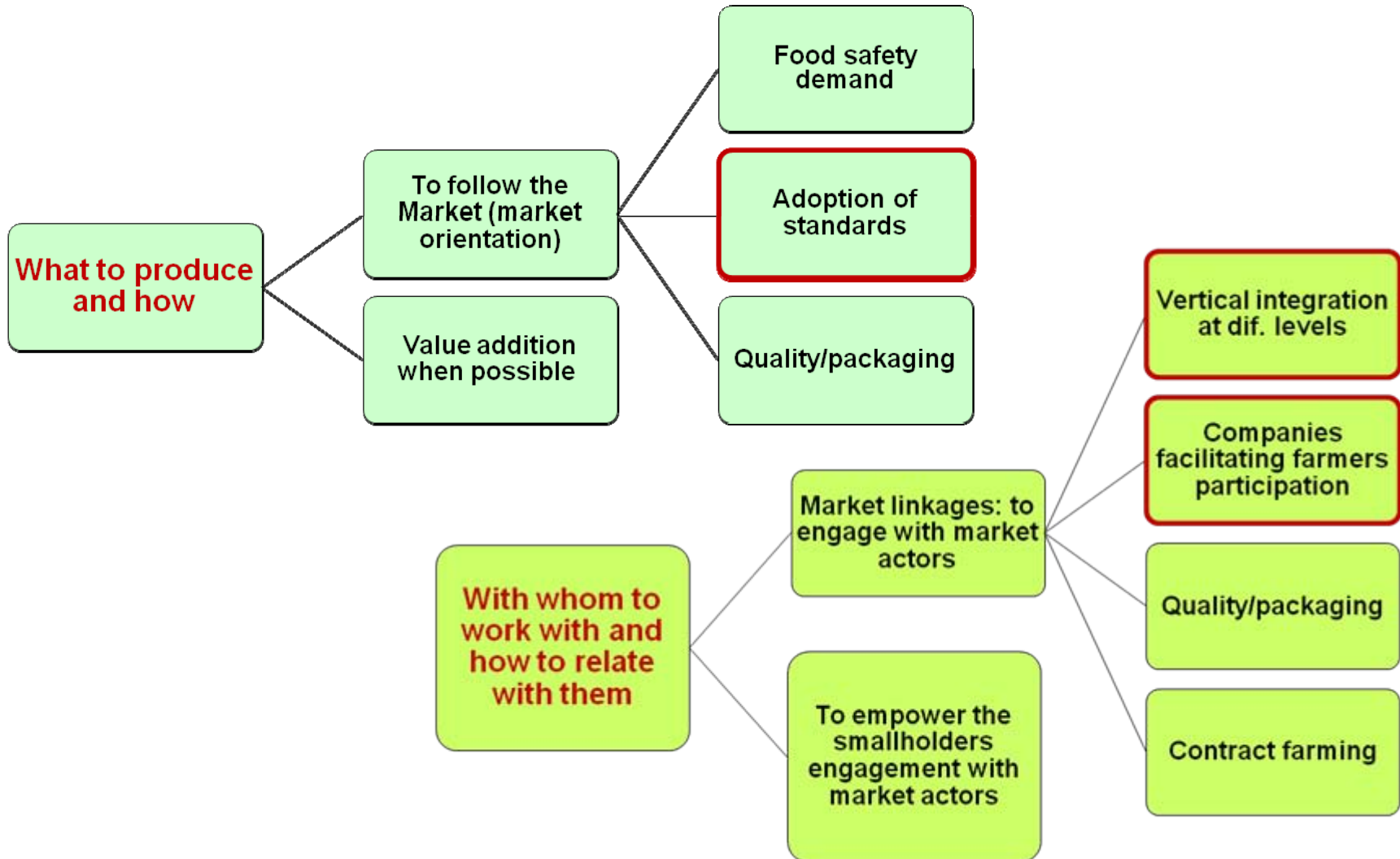


● Farmer innovations (16)

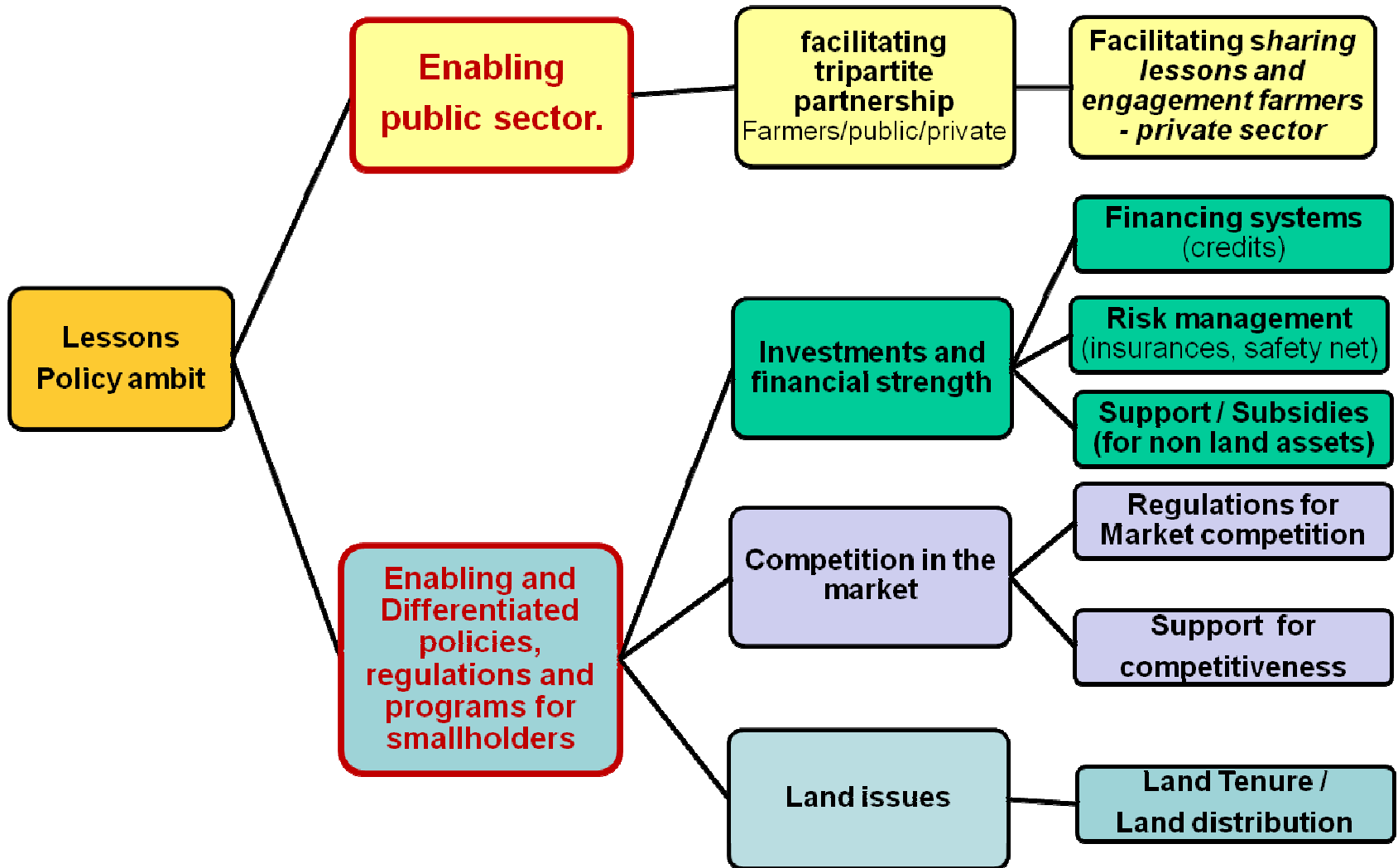
● Business innovations (11)

● Policy innovations (11)

Summary market (business) key issues to be addressed



Summary of policy / regulations issues that need to be addressed.





Key lessons for small scale farmers to better access modern markets

1. Partnership with private sector is possible and needed.

2. To meet high market's expectations is possible.

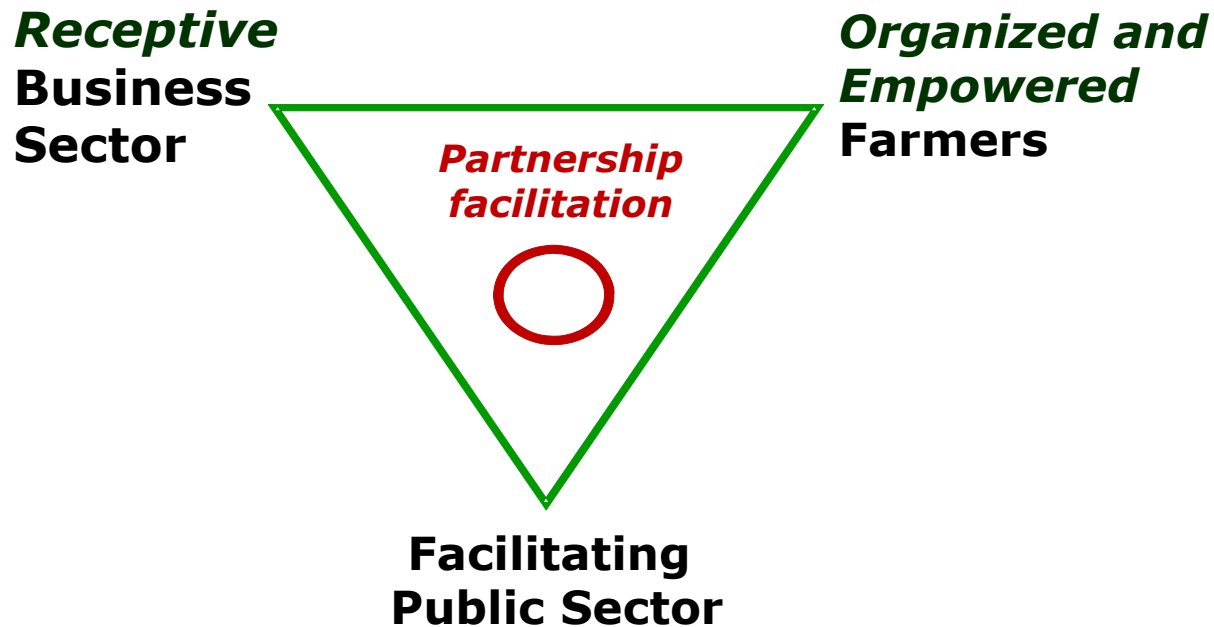
3. Policy is crucial to make innovations possible at the time of:

- Slowing down the '*Agricultural Treadmill*'
- Preventing the '*Plundering of Agriculture*'



“Foundation of Success”

Supportive public policies; organized and empowered farmers; and receptive business sector plus a facilitation “space”.



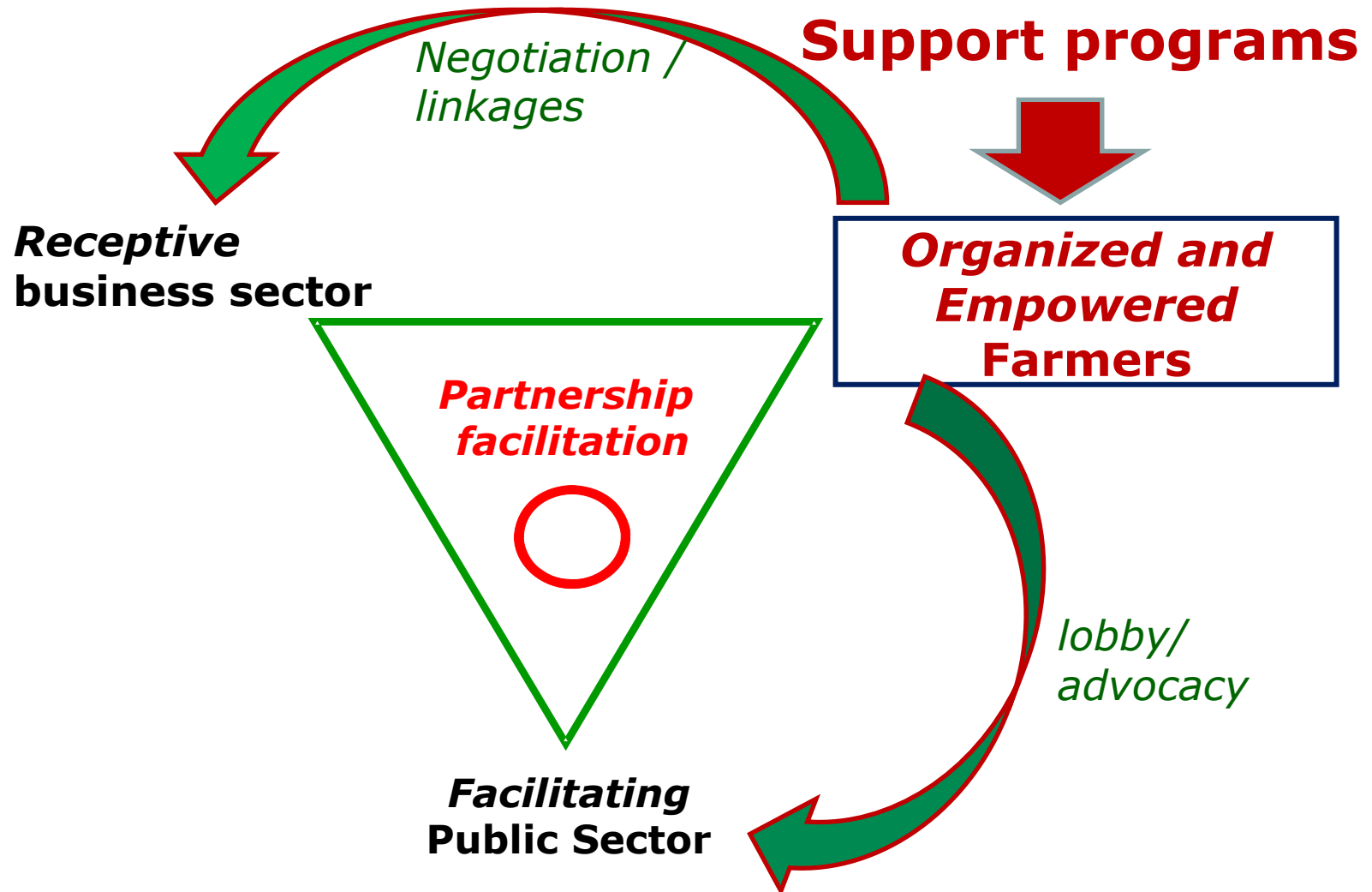
“Foundation of Success”



BUT, this does not happen often, nor spontaneously.



Task for IFAP





Conclusions

- Innovation is needed not only in technology for production and marketing.
- Innovation is needed also in the side of policies and in the interaction of actors involved in the agri-food systems (i.e. governance).
- Modern markets call for **economies of scale** that can be met only by those who concentrate resources or by organized smallholders.



Conclusions

Farmers Organizations (i.e. the organization of agri-food producers) are a key part of the agri-food sector's innovations to come:

Innovation needs not only *Hardware* (technology)
and *Software* (knowledge, human capacities)
but also '*ORGWARE*' (organizational capacity, good governance and conducive policies).



**Thank you for your
attention!**

www.ifap.org