

The Private Sector and Smallholder Adaptation: What We Know

Feed the Future Learning Community for Supply Chain Resilience

19 September 2017



RESEARCH PROGRAM ON Climate Change, Agriculture and Food Security



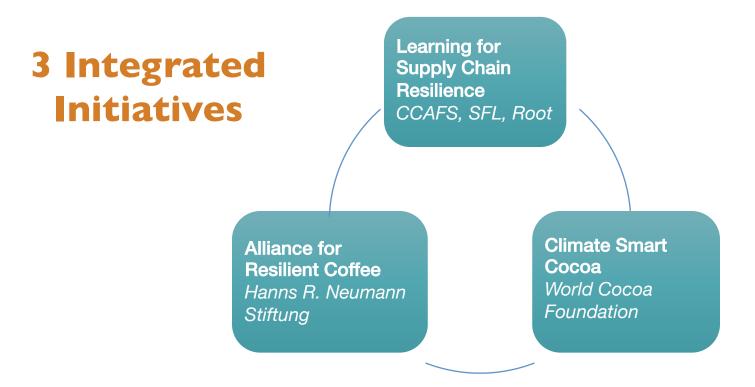












Goals of the Feed the Future Learning Community

- 1. Increase private sector engagement in smallholder adaptation through tools and learning.
- 2. Provide insight for better alignment of USAID CSA funding and private investment.



The Private Sector and Smallholder Adaptation

A consortium BAA project to:

- **Engage global private sector:** Learn how to frame adaptation as a business issue, identify information needs and language, build partnerships and select 3-4 pilots:: Sustainable Food Lab
- Make science actionable: Regional climate risk mapping, CSA practice menus, cost benefit analysis, enterprise level assessment tool for CSA implementation and M&E Toolkit on climate resilience :: CIAT, IITA, Root Capital
- A learning community: Webinars, regional for a, links to other platforms and USAID missions meetings:: Sustainable Food Lab, CIAT















The Private Sector and Smallholder Adaptation

Results to date:

- Engage global private sector: 40+ companies interviewed, 22 companies engaged in an impact lab, 9 pilots identified in Ghana (4 cocoa) and Uganda (4 coffee & I sorghum)
- Make science actionable: Regional climate risk mapping for West Africa, East Africa and Central America, CSA practice menus, cost benefit analysis (on-going), stepwise investment pathways defined (on-going), enterprise level assessment tool (drafted) for CSA implementation and M&E Toolkit on climate resilience (drafted)
- A learning community: Webinars, USAID GLEE, engagement with key international platforms (WBCSD, SCA, GCP, WCF), coordinate with national platforms in 8 countries, USAID mission visits in Western and Eastern Africa















Our Engagement Process with the private sector

1. How exposed is your cropping system / geography?

2. Make sense of data

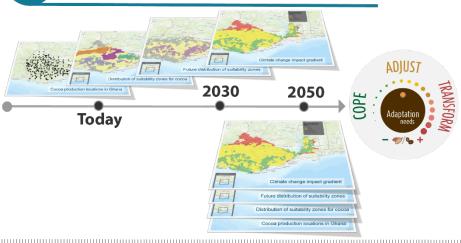
3. What can we do and how much will it cost us?

4. Develop crop and site specific plans and investment strategies

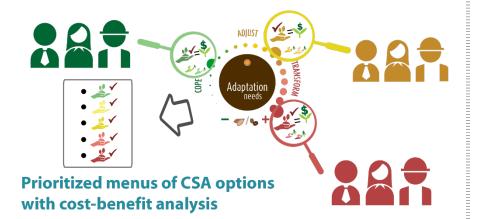


Our Engagement Process with the private sector

Map the **impact gradient** to understand the risk of climate change over time



Identify and prioritize relevant CSA practices by exposure gradient and analyze costs and benefits.



Convene multi-stakeholder partnerships along the exposure gradient

Areas that transition from one suitability type to another but remain suitable

Locations where climate characteristics will not fundamentally change

Exposure specific portfolios of priority CSA practices for different investors

Production in these zones will likely become unviable and other crops should be considered







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Entry points for private sector action





Individual or Company specific supply chain





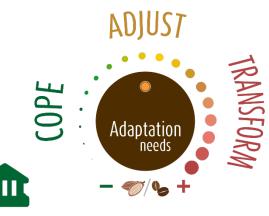
Multiple companies from the same sector





Complementary roles of private and public investment







More intervention from the **private** sector



More intervention from the **public** sector



Different companies play different roles in the value chain

	Inputs suppliers	Producers	Traders	Roasters/Brands	Retailers
	Focus Area - Report				
Global	Breed and propagate seed clones; fertilizers and crop protection.	Primarily off-taking from smallholder producers in addition to some trading companies with plantations under management in addition to	Global traders who are dependent on smallholder farmers and networks of local traders to aggregate and sometimes initial processing.	Consumer brands, coffee roasters	Distribution channels from brands to the consumers. Few are global, but some are expanding into developing markets.
i			Focus Area – Uganda Case Study		
National	Distributors of planting material, agro-chemicals and soil amendments. Distribute international as well as local products	National scale producer companies and small scale commercial enterprises operating plantations	National companies involved in trading, national brands and retailers are often low-margin businesses with less reputational risk or opportunity from smallholder engagement. Also includes informal sector especially with regard to local retail and consumption.		Distribution channels from brands to the consumers. Few are global, but some are expanding into developing markets.



Company roles in smallholder adaptation



1. Direct Service Providers: Providing in-depth, direct farmer services

Direct service companies work the most closely with farmers, providing integrated services on-the-ground. These companies are generally very knowledgeable about what farmers need in the specific areas in which they are sourcing.



2. Collaborators: Sharing the burden of services provision via collaboration

Collaborating companies have a presence on the ground through implementing organizations. These companies work with others to provide holistic services to farmers. Depending on their degree of ownership over these on-the-ground programs, they range in their depth of knowledge or access to information about what farmers need in the specific areas in which they are sourcing.



3. Catalysts: Sparking action in the sector level

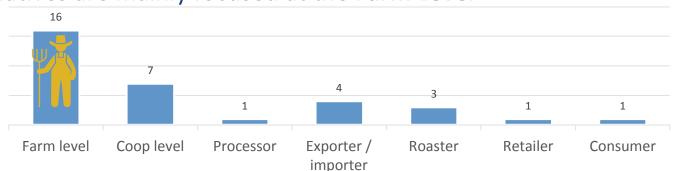
Catalysts are the most removed from on-the-ground service provision. Instead of bottom up, these companies are looking at the bigger picture, even outside of their own value chain. They may provide funding for research or services provision, may be visible as leaders in the sector, and may be interested in risk at origin, but are rarely implementing programs on the ground.



The coffee industry example

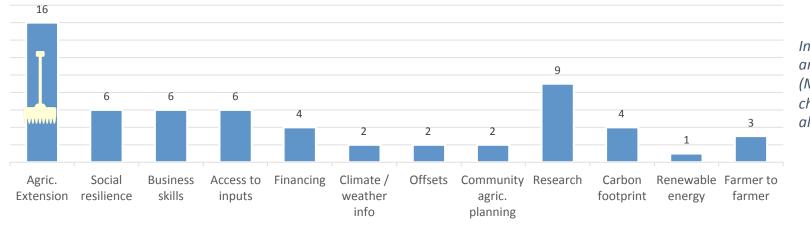
Most interviewed companies have smallholder adaptation interventions in place

Climate initiatives are mainly focused at the Farm Level



Intervention focus in the chain (by # of companies – multiple choices allowed)

The most cited intervention area is **Agricultural Extension**



Intervention areas (Multiple choices allowed)

DEMAND FOR CLIMATE AND RISK INFORMATION

Catalysts

Collaborators

Direct Service Providers

"In general [we want] knowledge about water stress areas, or how coffee cultivation is affecting the natural environment in that specific location." "I feel like the data is probably there, but it's not for the people that are on the corporate side that have limited knowledge and time to pull all of the data pieces together."

"...more information about if the worldwide coffee supply went from X million bags to Y million bags, what would that do to the... market?"

-Small Roaster

-Medium Roaster

--Small Roaster

Information related to measuring and managing risks with better analytics on future supply security and economic impact

'Bank' of reliable information or central platform where actors can find credible research on specific regions, climate events, current activities, etc.

Downscaled maps, relevant to value chain, showing coffee production, farmer vulnerability and risk to supply

Risk mitigation information to inform global strategy
Broad origin information for planning interventions
Links between weather variability and livelihoods

Actual weather and climate impacts for specific supply chains
Climate data that is tailored to the sourcing region to inform
programmatic decision-making
Improved diagnostics for farmer vulnerability, environmental risks
Best Practice methods for sharing information with farmers to
increase adoption

Information on specific, practical technologies



Supply and Reputation are key drivers for adaptation investments





REPUTATIONAL RISKS

General Drivers for Sustainability and CSR investments

SHAREHOLDER/ CUSTOMER

PRESSURE

BUYER REQUIREMENTS

LICENSE TO OPERATE

LEGAL COMPLIANCE

CO-FUNDING OPPORTUNITIES

AVOIDED REGULATION

SUPPLY CONCERNS

IMPROVED STAKEHOLDER RELATIONS

NGO ADVOCACY

COST SAVING

CORPORATE PRIORITIES FOR CSA INVESTMENT

Catalysts

Collaborators

Direct Service Providers

"Even if you want to do the right thing as a business, if at the end of the day you can't commercialize it, it's difficult."

"We don't focus on it for marketing and communication. We invest in long-term partnerships. We want to continue buying from the same farmers."

-Small Roaster

"[We are]not as flexible in shifting to other origins and thus ha[ve] a closer relationship to producers... climate change has not changed much in the way business done, but adds another element."

-Small Trader

-Small Roaster

Largely driven by supply of sustainable and quality coffee, with a few citing reputation of the company for consumers and clients

As for-profit companies, the bottom line is very important

Largely led by corporate strategy, to support business model or in line with founding values

More focused on longer-term, large scale challenges across the sector

Focus on both long and short-term challenges depending on corporate priorities

Largely driven by producer and client needs when making investment decisions More focused on short-term challenges at origin
Sustainability team more likely integrated with procurement and part of daily operations



How do companies make decisions about origin investments?

Internal Alignment within a company is crucial What are the **PRODUCTION &** metrics & SOURCING **incentives** for **STRATEGY** each? **COMPANY** SUSTAINABILITY **GROWTH STRATEGY** STRATEGY



Key Take-aways from Private sector

"Climate is wrapped around [all of the issues we face]. Without being able to understand climate change, the conversation can only go so far."

Better Collaboration - pooling resources for greater impact. The problem cannot be solved alone. "If we engage on our own, we might help some farmers, but we'll never solve the problem."

Profitability comes first — need to cover the costs of production or more farmers will stop growing coffee "You need to be talking about profitability or you're not even having a conversation."

Research that develops tangible and practical solutions—eg. WCR work on varietals; harmonized training curricula in cocoa.

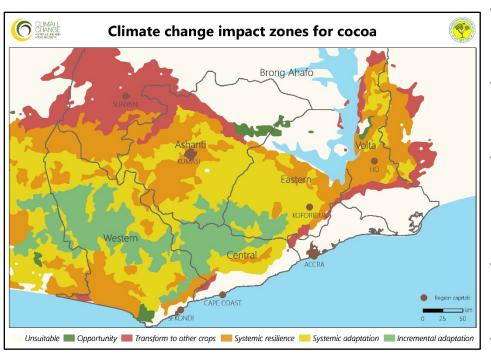
Easily accessible and digestible information—People are busy, they need information that they can understand and utilize quickly, that is stored in a central place

Longer-term investments—investments should be up to 10 years (permanent and local is the most effective and cost-effective way to produce change)

"It would be great if the funding horizons were much longer. We could spend much less money and be much more effective if...we set up a 10-year time horizon: 2-3 years to get a project going on the ground is nothing. You've barely gained producer's trust in that time and you can't see impact."



Preliminary Findings: Ghana cocoa

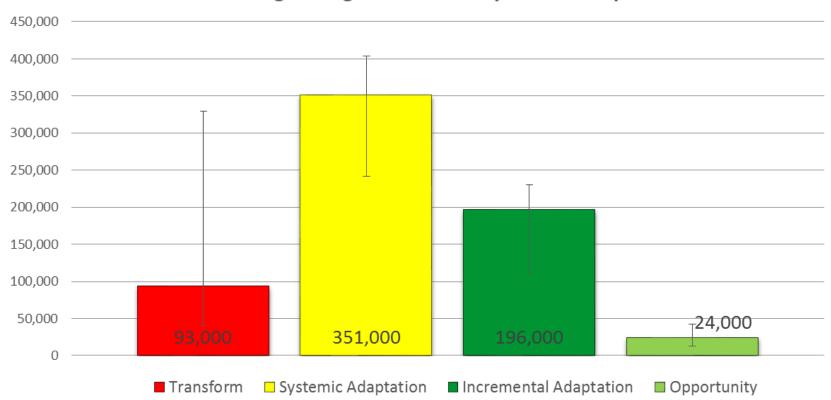


- Short-term thinking has higher priority
- Focused on productivity increases in cocoa
- Interest in suitability maps, but questions on how this relates to GAP investments and strategies
- Only slight differences depending on sustainability program set-up
- Clear need for policy dialogue



Households Affected - Preliminary Results

Current Cacao-growing Households by Climate Impact Zone



Households Estimate: Median and 90% range for 19 different climate projections.



Cost of Inaction - Preliminary Results

Cost of Inaction Estimate: Probability Distribution of Annual Cost over 19 climate scenarios.

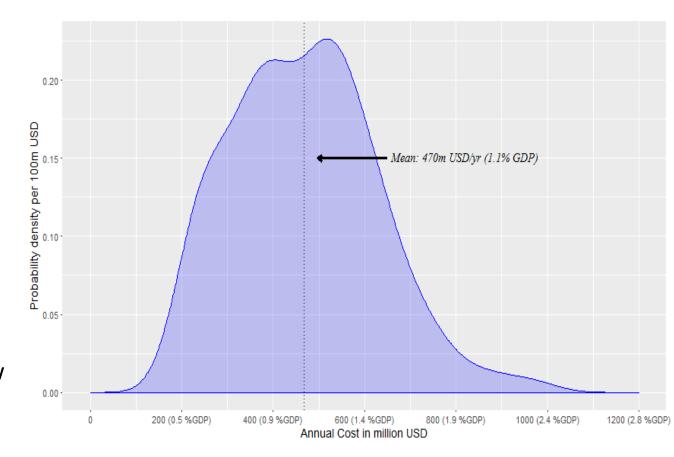
Mean

470m USD yearly 33% of export value 1.1% of GDP

90% range

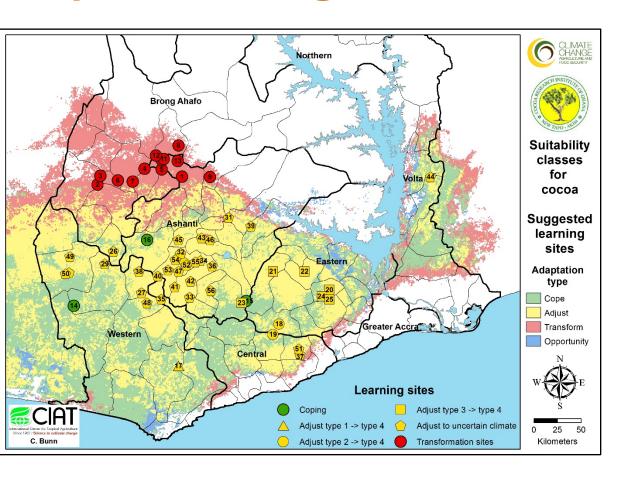
230m-740m USD yearly 17-54% of export value 0.5%-1.8% GDP

Very high cost relatively more likely than very low cost (downside risk)





Proposed learning sites in Ghana



In partnership with













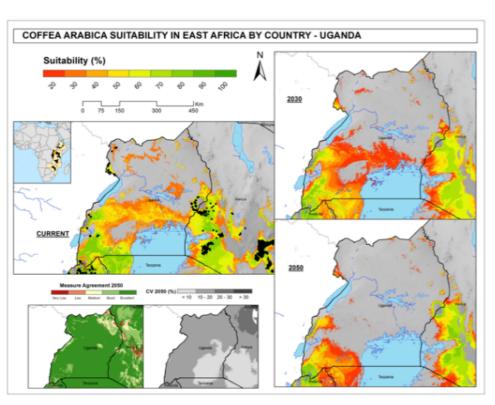








Preliminary findings: Uganda



- Short-term thinking has higher priority the closer private sector engages with farmers
- Focused on current increases in coffee productivity and quality
- Reaction to suitability maps is one of interest, but not one that fits in immediate practices
- Only slight differences depending on sustainability program set-up



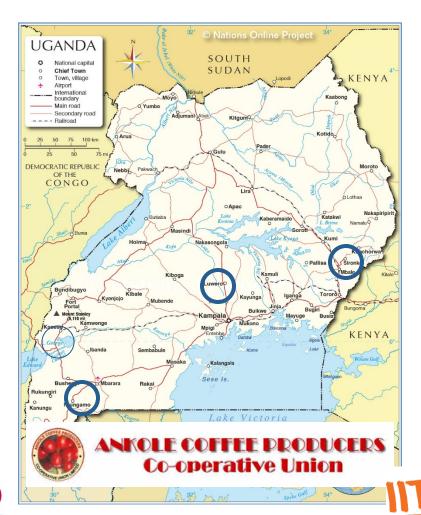






Proposed learning sites in Uganda





In partnership with:

Hanns R. Neumann Stiftung

















Example: *learning site in Sironko*



Current Needs:

To help farmers:

- Simple, uniform messages.
- Specific practices to address specific problems (also to address currently observed climate change impacts).
- Moving away from best practice to affordable practice

For private sector actors:

- There needs to be a business case
- Linking extension with monitoring
- Focusing more on the short-term, but still need to keep awareness raising about the long-term implications of climate change (without scare mongering).









Learning with local private sector partners











Concluding thoughts

- Corporate partners are engaged and interested in the topic.
- The private sector is not monolithic. Know what kind of company you are
 partnering with, their role in the value chain and how they approach adaptation.
 Diverse partnerships may be needed for effective adaptation.
- Corporate partners are key but cannot replace needed public investments.

 Companies need partnerships with others to achieve systemic resilience, share risk and reach vulnerable populations.
- Long-term climate projections need to connect to recommendations that contribute to short-term productivity gains while building greater resilience into the system.
- Adaptation is about both practices and processes. Effective adaptation requires both practices and process change in terms farming as well as business models, incentives and risk management at the corporate level.

















Private Sector Engagement in CSA

Next steps:

- Engage global private sector: Finalize and document results from pilots in West Africa (cocoa) and East Africa (coffee & sorghum), design pilots in Central America in collaboration with Climate Smart Cocoa (WCF) and Alliance for Resilient Coffee (HRNS) and explore needed changes in business models and value chain incentives.
- Make science actionable: Integration of science into site and company specific pilots, inclusion of M&E tools and high volume feedback and exploration of connections between long-term climate shifts and short-term weather variation.
- A learning community: Webinars, learning journey with key private sector actors, global conference with USAID, World Bank and CCAFS and development of centralized website.













