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Risk differentiation

by

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
Risk Differentiation
Agenda

1. Differentiation of Risk
2. Changing the Balance through Alliances
3. Improving Transparency
5. De-commoditization
6. Tech
7. About ITC
Differentiation of Risk

• Behind the farm gate: production and quality risk

• Farm gate forward: price and market risk
  • How perishable is it?
  • How commoditized is it?
  • Is it an input to processors or sold fresh?

• System risk: environmental and policy risk
Alliances for Action

• Change the balance of power in the value chain through alliances between buyers, public sector, growers and others
• Focus on multi-product / multi-market combining cash and food crops
• Integrate contributions from multiple actors
• Identify opportunities for upgrading
• Build relationships between buyers and suppliers
• Examples:
  • Ghana – yam and cocoa
  • Caribbean – Coconuts and Associated crops
  • Afghanistan – Saffron, dried nuts and fruit
## Blending Public and Private Funds

*Based on alliances in cocoa and yam sectors in Ghana 2015 – today*

<table>
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<tr>
<th>Partner</th>
<th>Role</th>
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<tr>
<td>ITC core funding</td>
<td>Managing sector platform, technical leadership and pilot funding</td>
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<td>Large development NGO</td>
<td>Assistance to farmers, certification and market linkages</td>
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<td>Farmer union / co-ops</td>
<td>Time and material of agronomic team and linkage to 30,000 members</td>
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<td>Swiss retail chain</td>
<td>Reducing carbon in their supply chain</td>
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<td>Nordic donor</td>
<td>Funding to expand model to more farmers</td>
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<td>Swiss donor</td>
<td>Funding to leveraging private sector contribution for scale</td>
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Improving Transparency

• Better visibility along the supply chain improves bargaining power
• Electronic exchange of data can reduce cost and increase trust among actors
• Examples
  • Sustainability map www.sustainabilitymap.org
  • Market analysis tools www.trademap.org
Reducing risk for producers

- Contract farming in Kenyan Avocado
- Strengthening Cooperatives / Farmer Groups in Comoros
- Providing mini-grants / mini-loans in the Gambia to chicken growers
- Working financial counsellors and banks in Fiji, Comoros, Zambia
Price and Risk Management for SMEs

• Local and international trading dynamics
• Employing price risk management to monitor and manage exposure
• Using physicals and financial markets in managing risk
• Applying break even pricing
• Distinguishing financing options
Climate Resilience for SMEs in Agrifood

1. CC impacts
2. CC risks and opportunities
3. CC adaptation measures
4. CC adaptation strategy

Coordinated with the buyer
Conducted by the SME
Based on practical issues
De-Commoditization: 5 “easy” steps

- Product innovation
- Branding and intellectual property
- Distribution, marketing and sales
- Outsourced transformation and sales
- Digital technologies and platforms
De-Commoditization: Coffee

- Product diversification
- Supporting E-Auctions such as AFCA taste of harvest
- Connecting SMEs to e-commerce platforms
- Building direct relationships between exporters and buyers
- Example results: 40x value, $10m sales, price doubled
Can Tech Help?

WeFarm

Xente

We.trade

Telenor Group

Twiga

ITC
About ITC

Joint agency of the United Nations (UN) and the World Trade Organization (WTO)

Helping SMEs compete in global markets through:

• Providing trade and market intelligence
• Building a business-friendly environment
• Strengthening trade and investment support institutions
• Connecting to international value chains
• Mainstreaming inclusive and green trade
• Supporting regional integration and South-South links
ITC in numbers

15,200 additional enterprises were supported to improve their international competitiveness or to meet buyers with whom they subsequently transacted business.

157,000 additional users of trade intelligence have greater awareness of international trade as a result of ITC support.

$646 million in estimated export and investment value resulting from ITC market intelligence, business connections and support to TISIs.

219 TISIs indicated ITC support helped them improve operational and/or managerial performance.
Conclusions and Questions