GLOBAL COMMODITIES FORUM

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Using brand recognition to streamline and shorten commodity value chains

by

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CFC

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Windward Commodities

windward

www.windwardcommodities.com

Introduction; windward commodities

Windward Commodities **turns low-interest commodities into high-value brands** for the benefit of producers in emerging markets by applying private sector marketing and supply chain principles to development objectives. This leverages intellectual property to capture value for producers by streamlining global value chains.

partners

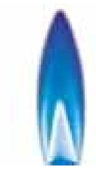
products

Sugar
Global

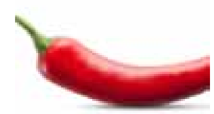
Coffee
Mexico

Oil
Caribbean

Energy
Latin America



Chillies
Zimbabwe



Nutmeg
Grenada

Pineapples
Ghana

Salt
Southern Africa

Metals
United States

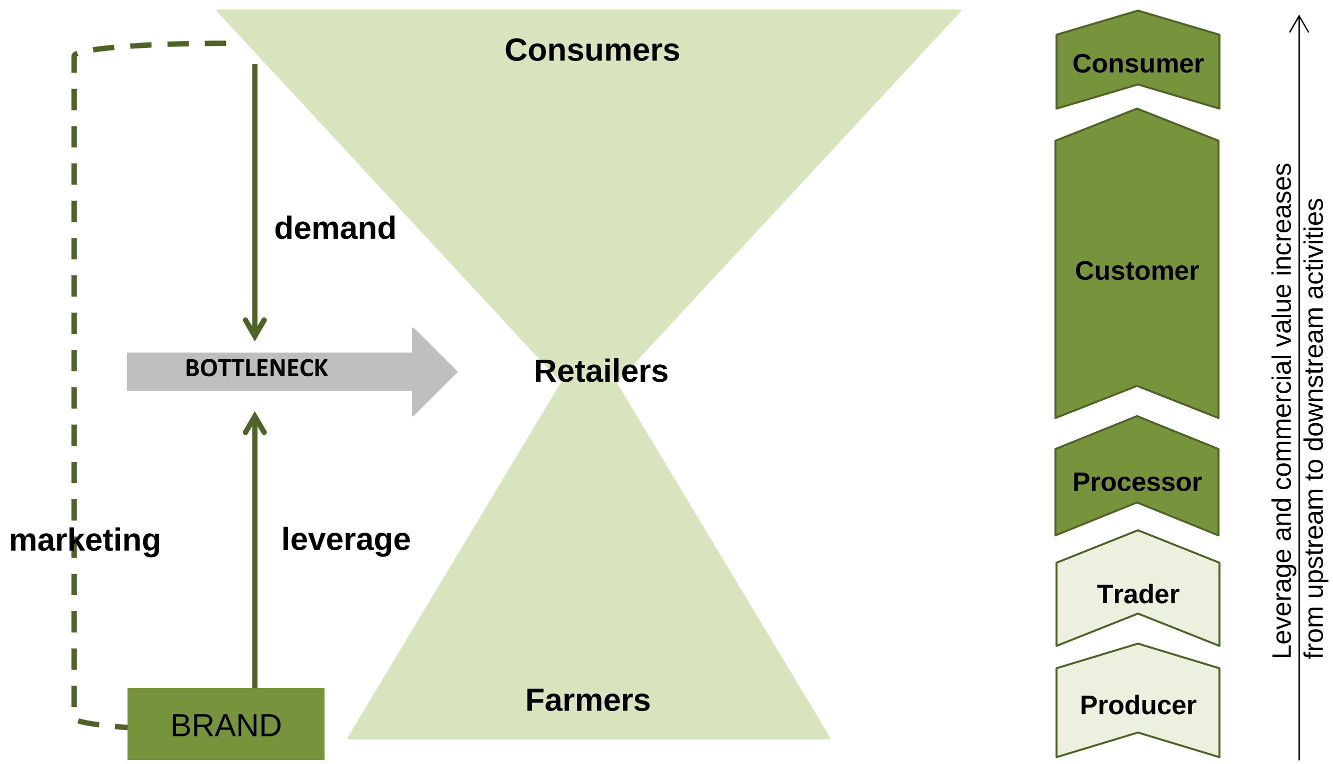
Cassava
Tanzania

Problem; the commodity bottleneck

Agricultural supply chains are increasingly dominated by a small number of major buyers who form a **'bottleneck'** between consumers and producers. This is partly responsible for the increasing value **captured by downstream** activities. Branding has the potential to provide leverage to producers through consumer demand:

Circumventing the buyer bottleneck through branding

Adapted from Grievink (2003)



Problem; the limitations of certification

Certification marks such as Fairtrade or Rainforest Alliance provide leverage in value chains at a low risk to producers but their proliferation – there are now **over 126 separate marks** – has lead to confusion and limited competitive advantage as it has become more mainstream

Opportunity; ingredient branding

Due to the dominance of manufacturing and own-label in commodity markets, Windward focuses on developing “ingredient brands” (e.g. Intel inside) that support manufacturers and retailers own brands rather than competing directly with them:

Opportunity; product differentiation

Windward takes as a starting point that **physical similarity is not necessarily a barrier to branding.** This is illustrated by three well known examples of primary product categories, water, salt and oil where value has been successfully added despite highly limited product differentiation:

US$0.002/litre

US$2.03/litre

US$0.76/kg

US$21.00/kg

US$0.78/ litre

US$0.92/ litre

Case study; Barbados sugar

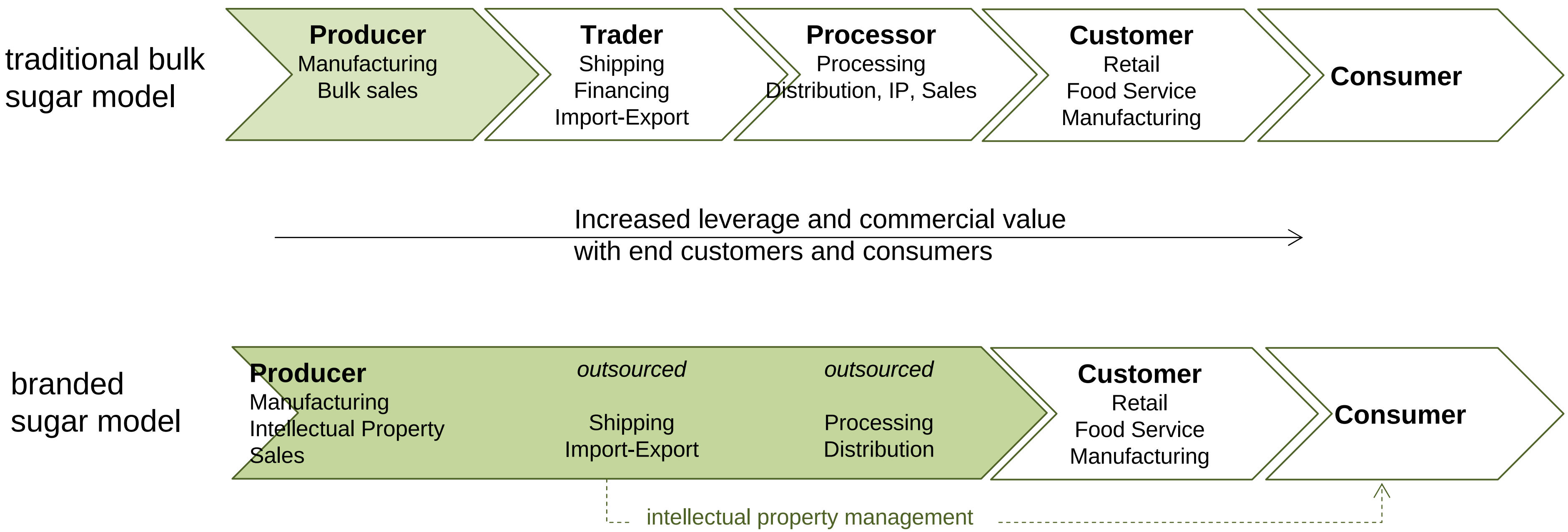
In common with many other Small Island Developing states, Barbados **lacks economies of scale** to compete on price in world markets with global sugar producers. This has been exacerbated by **reductions in EU subsidies** and a **traditional bulk export model** that limits total benefits from the global value chain.

Case study; branding objectives

The West Indies Sugar & Trading Company was created as a partnership between Windward and the government of Barbados in order to, **"Build a sustainable business that supports the Barbados sugar industry through the development of a profitable portfolio of sugar brands for domestic and export markets".**

Case study; value chains

A focus on **intellectual property** and control of **downstream operations** has streamlined the sugar value chain, creating significant added value for Barbados producers. However, this has required extensive outsourcing, partnerships, expertise and the resources to establish & manage complex supply chains:



Case study; impact

Streamlining value chains through branding has created transparent, quantifiable added value for producers. However, it is only **one, partial solution** to structural issues in Barbados. Branding is a high risk activity, returns on investment can be slow and need to be viewed in the context of wider industry costs and operations.