

United Nations Conference on Trade and Development  
**11<sup>th</sup> MULTI-YEAR EXPERT MEETING ON COMMODITIES AND DEVELOPMENT**

**15-16 April 2019, Geneva**

**Risk differentiation**

by

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



International  
Trade  
Centre

# Risk Differentiation

A presentation to: Multi-year expert meeting  
By: Robert Skidmore, Chief DEI/SEC  
Date: 16 April 2019





# Agenda

1. Differentiation of Risk
2. Changing the Balance through Alliances
3. Improving Transparency
4. Applied Risk Management
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





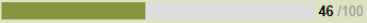

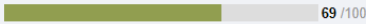
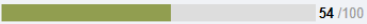
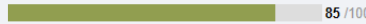
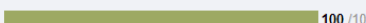
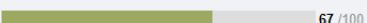
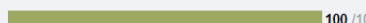
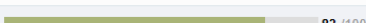
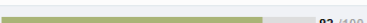
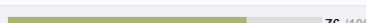
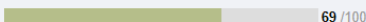
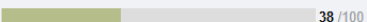
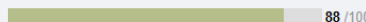
# Blending Public and Private Funds

*(based on alliances in cocoa and yam sectors in Ghana 2015 – today )*

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

# 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](http://www.sustainabilitymap.org)
  - Market analysis tools [www.trademap.org](http://www.trademap.org)

	 SAI Platform -- Farm Sustainability Assessment	 4C - CAS	 UTZ Codigo de Conducta para grupo y multi-grupos - Cafe
<b>ENVIRONMENT</b>	 67 /100	 46 /100	 77 /100
▶ Soil	 69 /100	 54 /100	 85 /100
▶ Forests	 100 /100	 67 /100	 100 /100
▶ Inputs	 83 /100	 83 /100	 76 /100
▶ Biodiversity	 69 /100	 38 /100	 88 /100



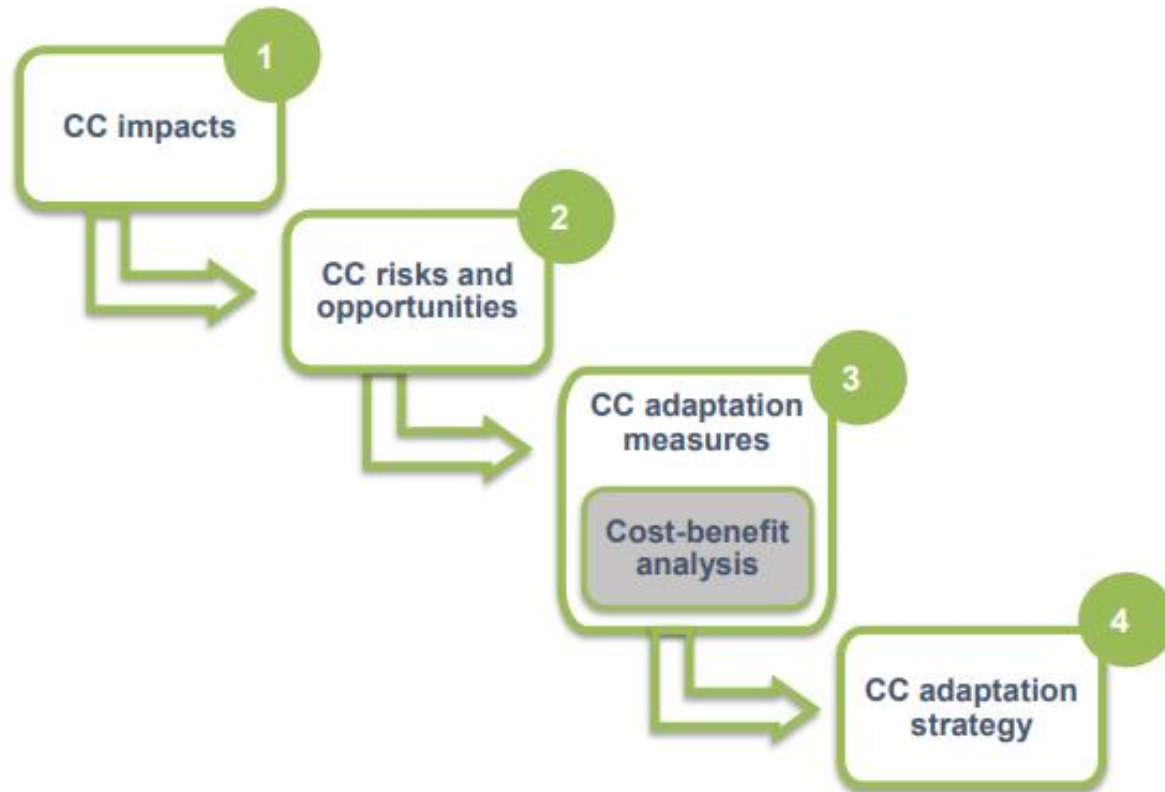
# Reducing risk for producers

- 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



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?

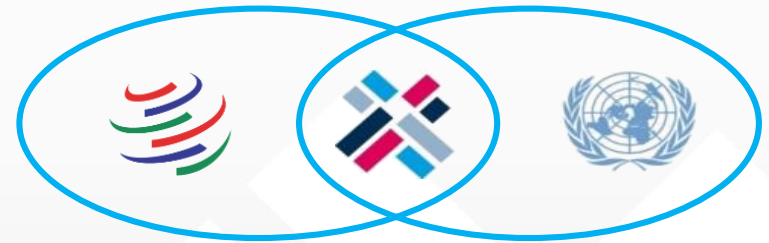


# About ITC

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