

United Nations Conference on Trade and Development

International Workshop on

**Fostering the Integration of Agricultural Value Chains of Commodity-Dependent Landlocked Developing Countries into
Regional and Global Value Chains**

24-25 November 2021, Palais des Nations, Geneva, and online

The State of Agricultural Commodity Markets

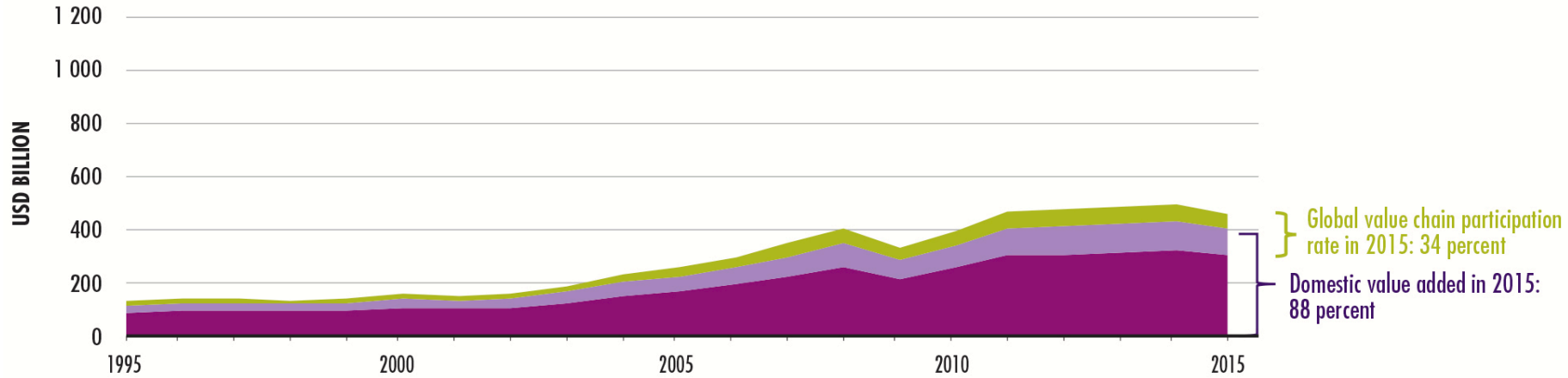
By

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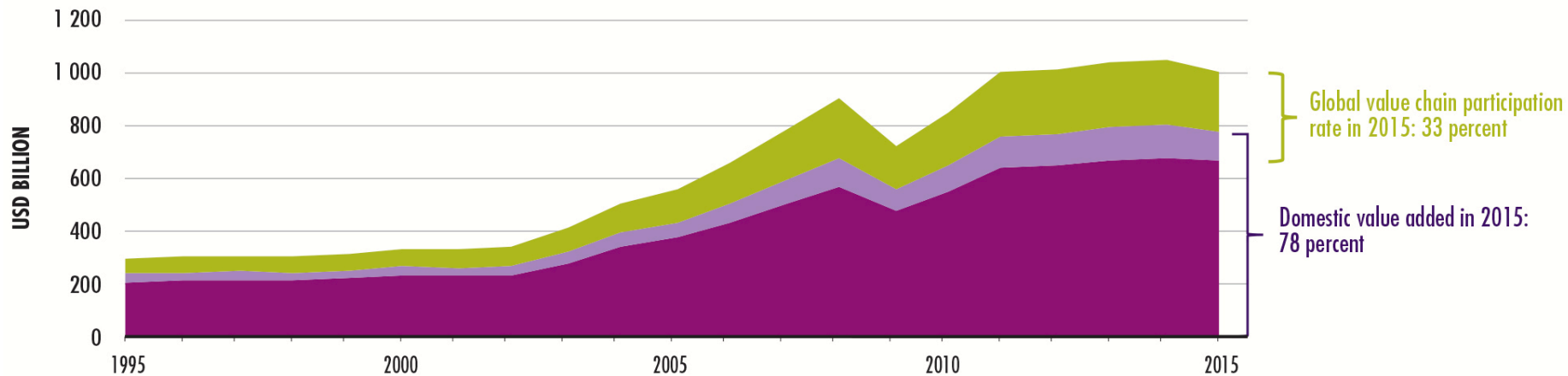
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GLOBAL VALUE CHAINS - FOOD THAT CROSSES BORDERS TWICE OR MORE

A. AGRICULTURE



B. FOOD & BEVERAGES

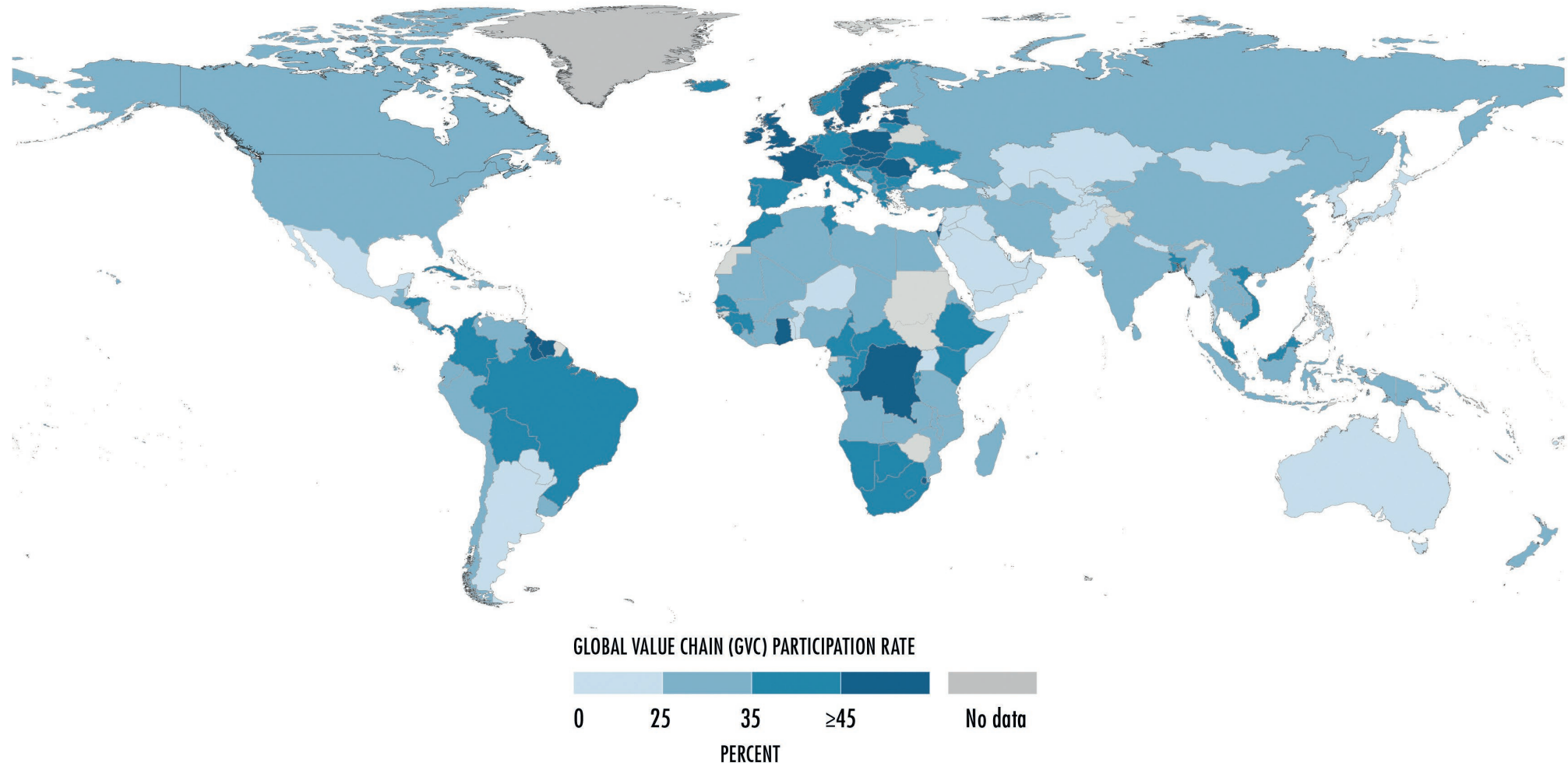


■ Non-GVC exports
 ■ Forward-linked GVC exports
 ■ Backward-linked GVC exports

Over one-third of all agri-food exports forms part of a value chain that involves at least three countries

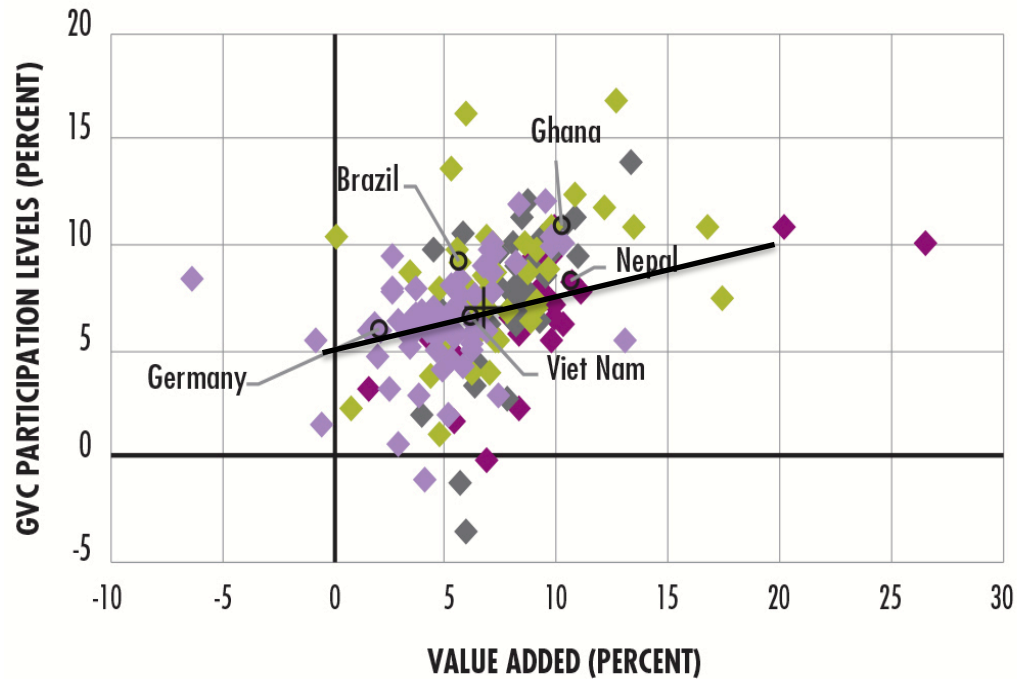
GLOBAL VALUE CHAIN PARTICIPATION

Many countries trade more than 35 percent of their food through global value chains

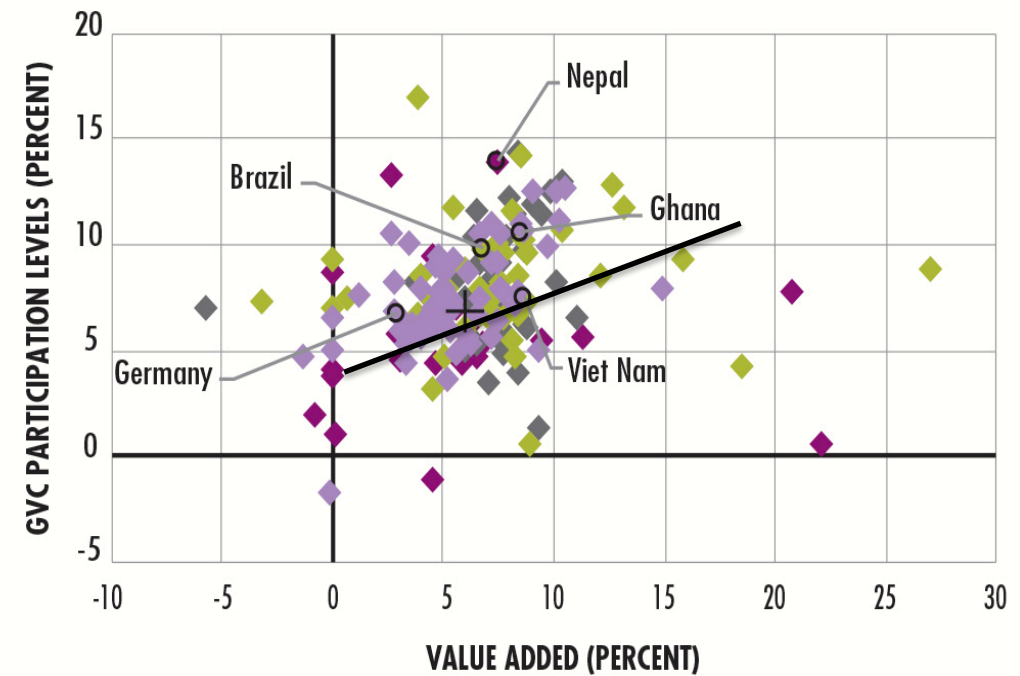


VALUE CHAINS: ECONOMIC EFFECTS

A. AGRICULTURE



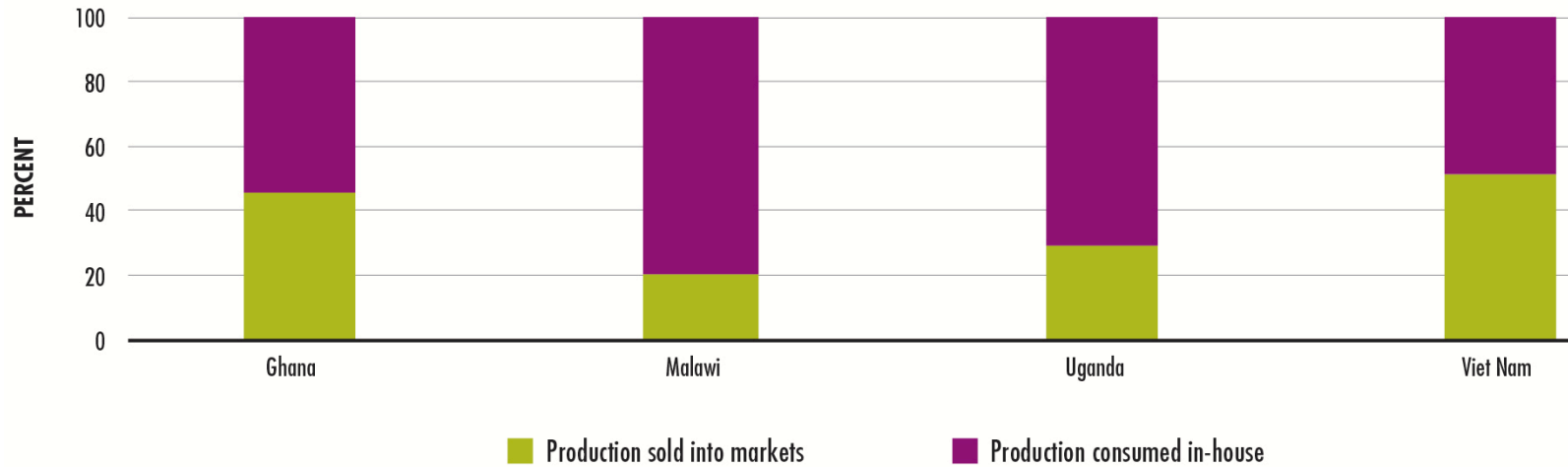
B. FOOD & BEVERAGES



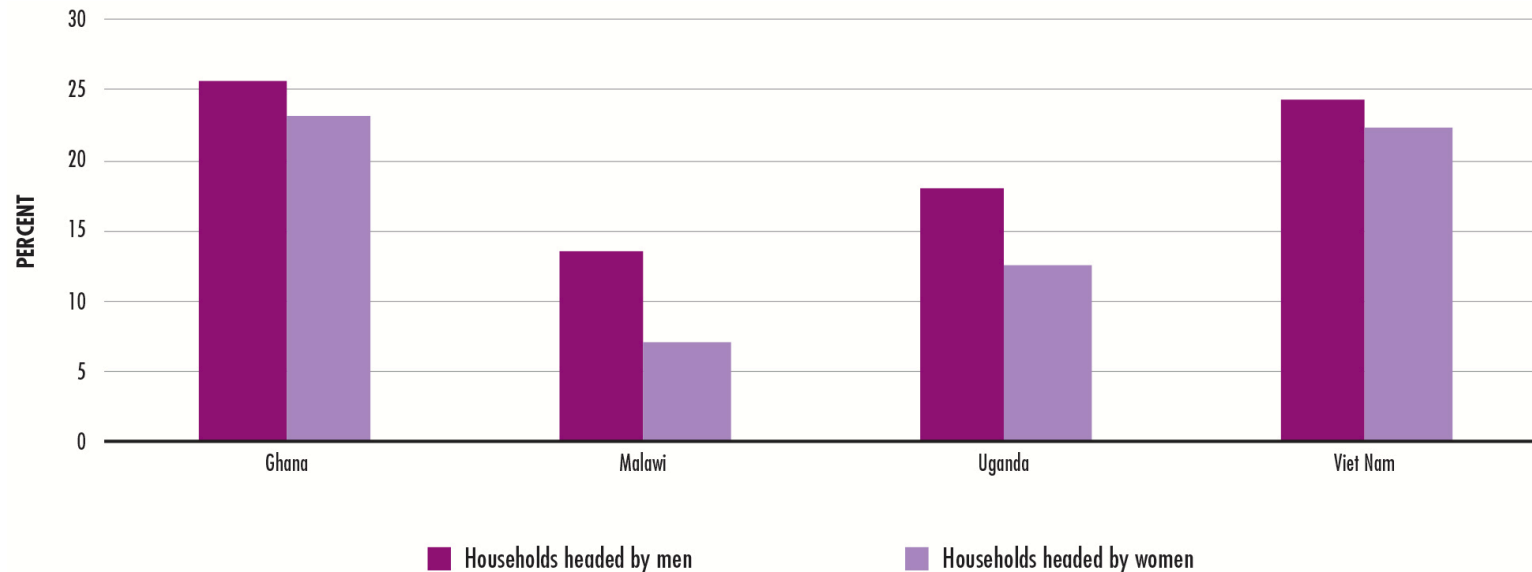
◆ Low-income ◆ Lower middle-income ◆ Upper middle-income ◆ High-income

10% increase in agricultural global value chain participation can lead to an increase in agricultural labour productivity of over 1%

SMALLHOLDERS AND MARKETS



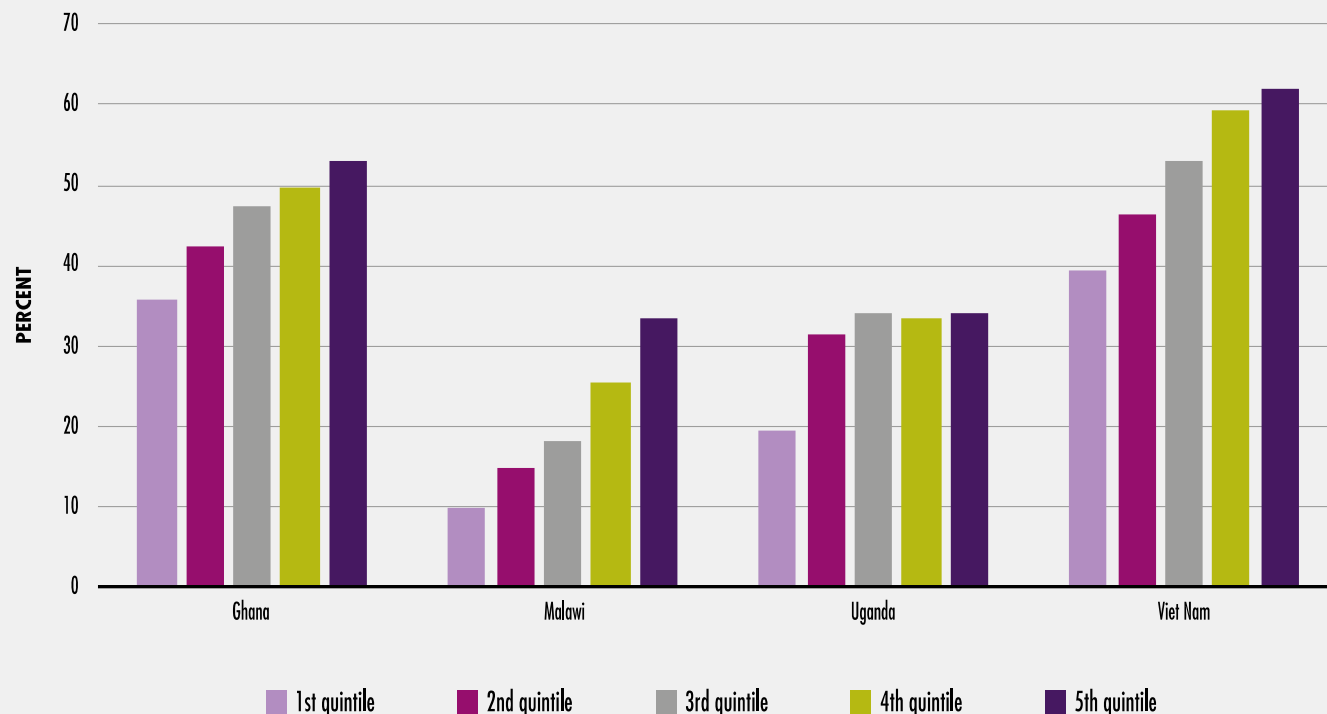
Average share of household production sold in markets in Ghana, Malawi, Uganda and Viet Nam



Average household sales revenue over total household income by gender of household head

MARKET FAILURES

FIGURE 3.4
SHARE OF HOUSEHOLD PRODUCTION SOLD IN MARKETS ACROSS THE FARM SIZE
DISTRIBUTION IN GHANA, MALAWI, UGANDA AND VIET NAM, QUINTILES



- Poor transport and communication infrastructure = high search and transaction costs
- Markets are 'thin' – price risk
- Farm size is positively related to market participation: smallholders and search costs

Non-separable decisions

- production mix and consumption preferences
- low rates of technology adoption
- high family labour intensity
- social impacts (education) through missing credit markets

CONTRACT FARMING

MADAGASCAR (several crops)

10% increase in contract participation = 6% increase in income

VIET NAM (vegetables)

contract participation = 37% increase in income

NICARAGUA (fruit & vegetables)

contract participation = 16% increase in assets

BENIN (rice)

contract participation = 17% increase in income

CHINA (fruit and vegetables)

contract participation = 22-45% increase in income

INDIA (various crops)

contract participation = 27-47% increase in income but evidence of heterogeneous impacts

Contract farming can help farmers to access markets and increase their incomes significantly - 50%

Contract farming: forward agreement between farmers and buyers for the supply of products

- predetermined prices (minimizes price risk);
- provision of inputs, credit but also technical advice (addresses several market failures)
- 'bundling' inputs – insurance & credit

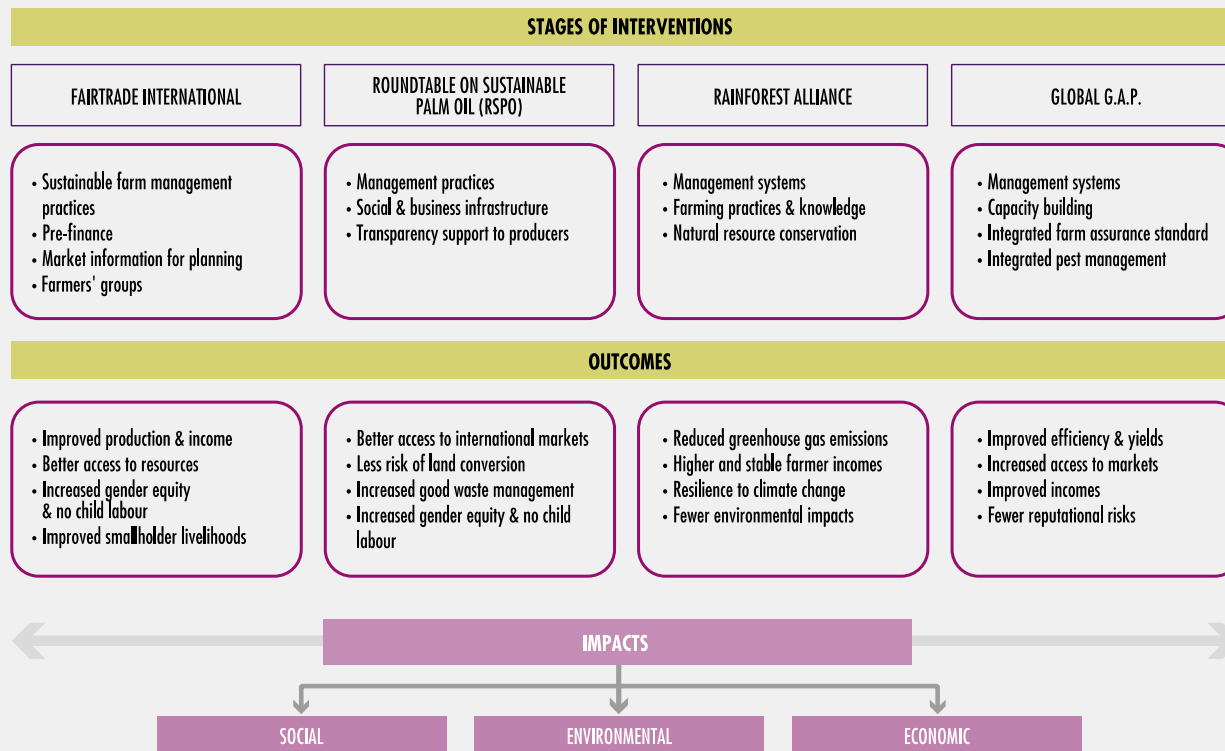
Contract schemes collapse frequently

High rate of exit – stringer requirements

Farmers' groups are key in building capacity & long term relationships

SUSTAINABILITY CERTIFICATION SCHEMES

FIGURE 3.9
SELECTED SUSTAINABILITY CERTIFICATION SCHEMES: STANDARDS AND POTENTIAL OUTCOMES



COURSE: PL 101 - U. 110

Harnessing markets to generate sustainable benefits

- requirements and incentives to produce sustainably
- social standards (wages, education)
- higher and more stable prices

PALM OIL – RSPO (Thailand)

low environmental impacts

COFFEE – RAINFOREST ALLIANCE (Ethiopia)

15-20% higher prices and increased forest density

COCOA – FAIRTRADE (Cote d'Ivoire)

20% increase in household consumption

FAIRTRADE & ORGANIC (Mexico)

increased schooling for boys and girls

