



Coffee Sector Risk Management



Agricultural Risk Management Team
Agriculture and Rural Development
The World Bank



Presentation to the
International Coffee Organization
21 September 2010



About ARMT

- The Agricultural Risk Management Team is part of the World Bank's Agriculture and Rural Development Department
- ARMT focus on assisting clients in identifying and managing agricultural risks
- ARMT Clients include:
 - Macro – Governments
 - Meso – Banks, Insurers, Farmer Associations, Exporters
 - Micro – Traders, Cooperatives, Farmers
- Funding of ARMT comes from the EU's AAACP program, SECO and the Dutch government

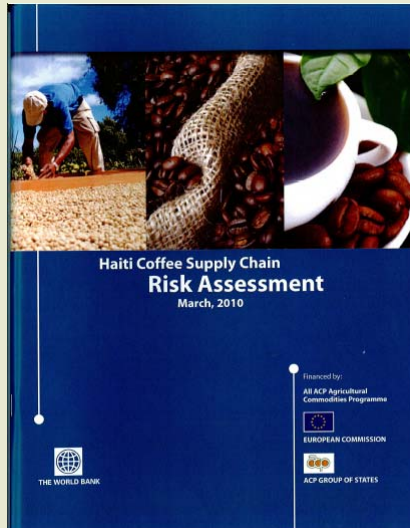
+ ARMT Coffee Sector Activities

1. Supply Chain Risk Assessments
2. Agricultural Insurance (Weather Risk Management) for Coffee Farmers
3. Price Risk Management Education and Training

+ Coffee Supply Chain Risk Assessments

- ARMT undertake national level supply chain risk assessments of key agricultural commodities on behalf of governments and industry agencies
- To date ARMT have conducted supply chain risk assessments for the coffee sectors of Haiti, Cameroon and Uganda
- The risk assessments identify and quantify the key risks facing the coffee sector within a country
- The assessments identify and review current risk management strategies before considering potential improvements

+ Haiti's Coffee Supply Chain Risk Assessment



+ Agricultural Insurance for Coffee Farmers

- Agricultural insurance is rarely available to smallholder farmers and when available is often prohibitively expensive
- Often there are more effective means for farmers to protect themselves against agricultural production risks
- In a limited number of cases agricultural insurance may be an appropriate and useful means for managing agricultural production risks for coffee farmers

+ Jamaican Blue Mountain Coffee Insurance for Farmers

- ARMT is providing the Coffee Industry Board (CIB) of Jamaica with technical assistance for the design of a weather insurance scheme for the Blue Mountain coffee industry.
- A study is underway examining the feasibility for an insurance scheme based on an indexed product for wind, and if possible, excess rainfall.
- The decision for testing an indexed insurance model was based upon the constraints observed with traditional insurance products.
- Traditional insurance suffered from difficulties in mobilizing in-field loss adjustment following a major event due to small farm size, logistical disruption, claim numbers, damage assessment

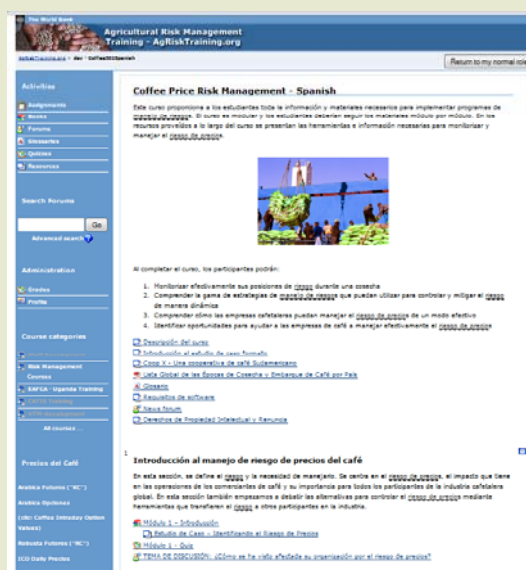
+ Price Risk Management Training - Objectives

- Increase the capacity of local coffee sector organizations to
 - Understand the causes of price risk exposure
 - Undertake ongoing risk assessments to identify and quantify exposure
 - Comprehend the methods for managing and mitigating/transferring price risk
 - Design and implement practical price risk management strategies within their trading businesses
- Regional capacity building is being achieved by partnering with local organizations ensuring longer term sustainability

+ Coffee Price Risk Management Course Accessibility

- Course material are broken into five modules – each section can stand on its own or be used as part of the course.
- The course is housed in “MOODLE” – an online learning management system.
- The course is freely available on CD-ROM.
- The course is being delivered face to face via partners - EAFA (East Africa) and CATIE (Central America).
- The course is available in English and Spanish.

+ Coffee Price Risk Management Course



The screenshot shows the Moodle course interface for 'Coffee Price Risk Management - Spanish'. The page includes a navigation menu on the left with sections like 'Actividades', 'Administración', 'Cursos categorías', and 'Precios del Café'. The main content area features a title 'Coffee Price Risk Management - Spanish', a description of the course, a list of learning objectives, and a list of course modules. A small image of coffee beans is visible in the center of the page.

Coffee Price Risk Management - Spanish

Este curso proporciona a los estudiantes toda la información y materiales necesarios para implementar programas de gestión de riesgos de precios de café y su importancia para todos los participantes de la industria cafetalera global. En esta sección también exploramos a detalle las alternativas para controlar el riesgo de precios mediante herramientas que transfieren el riesgo a los participantes en la industria.

Al completar el curso, los participantes podrán:

1. Monitorear efectivamente sus posiciones de riesgo durante una crisis.
2. Comprender la gama de estrategias de riesgo que pueden utilizar para controlar y mitigar el riesgo de manera dinámica.
3. Comprender cómo las empresas cafetaleras pueden manejar el riesgo de precios de un modo efectivo.
4. Identificar oportunidades para ayudar a los empresas de café a manejar efectivamente el riesgo de precios.

Introducción al manejo de riesgo de precios del café

En esta sección, se define el riesgo de precios de café y la necesidad de manejarlo. Se define el riesgo de precios de café en las operaciones de los comerciantes de café y su importancia para todos los participantes de la industria cafetalera global. En esta sección también exploramos a detalle las alternativas para controlar el riesgo de precios mediante herramientas que transfieren el riesgo a los participantes en la industria.

Módulo 1 - Introducción

Módulo 2 - Gestión de Riesgo de Precios

Módulo 3 - Seguro

Módulo 4 - Derivados

Módulo 5 - Conclusión: ¿cómo se ha visto afectada su operación por el riesgo de precios?

+ East African Partner - EAFCA

- EAFCA are responsible for delivering price risk management training to the East African coffee industry.
- ARMT have trained up the EAFCA Trainers in Coffee Price Risk Management
- EAFCA now offer Price Risk Management Training alongside their existing coffee training courses.
- EAFCA have adapted the materials into booklet form for wider distribution across the East African coffee sector.
- EAFCA are currently delivering a series of training events to train up East African coffee traders from across East Africa. Funding has been provided by EU AAACP.

+ Central America Partner - CATIE

- CATIE are responsible for delivering price risk management training to the Central America region.
- During 2010 CATIE staff have been trained by ARMT and other experts in coffee price risk management.
- CATIE are planning to incorporate price risk management education into their educational agricultural programs, starting in 2011.
- From end 2010 CATIE (with ARMT support) will implement a price risk management consultancy pilot. Following the pilot (and dependent upon pilot outcomes) CATIE may commence offering price risk consultancy services to enterprises across the region.
- Funding has come from the World Bank, RUTA and from within CATIE.

+ Next Steps / ARMT Going Forward

- Courses made freely available to the world via online website (agrisktraining.org).
- ARMT will be providing price risk management training to the staff of sustainable coffee programs (fairtrade, organic, etc).
- ARMT will start proactively distributing CD ROMs and course materials to both Latin American and East African coffee sectors.
- 2011 ARMT will offer coffee price risk management training to Asian coffee producing countries, commencing with Vietnam.

+ Other WB Coffee Sector Involvement

In addition to the work of ARMT there are a number of World Bank coffee related projects, in a number of countries:

- **Peru – INCAGRO (Innovation & Competitiveness Program)**
 - \$3.5 m WB funds with additional \$2.45 m of leveraged local funds used to support 73 coffee improvement projects in Peru
 - Research on pest management, organics and establishing geographic zoning
 - TA on yield improvement, organic certification, coop marketing
 - Progress includes increases in production of certified coffees, coffee exports and producer incomes
- **Kenya – Micro, Small and Medium Enterprise Competitive Project (MSME)**
 - 18 pilot projects in the coffee sector, focused on:
 - Access to Finance – assisting various institutions to expand their MSME lending
 - Strengthening Enterprise Skills and Market Linkages – enhancing access to business development services to improve market access



Other WB Coffee Sector Involvement

■ Papua New Guinea (PNG):

- WB, with PNG Coffee Industry Corporation seeking to operationalize PNG coffee strategy
- WB provides TA to support quality and sustainability initiatives as part of the wider PNG Productive Partnerships in Agriculture Project (PAPP)

■ Ethiopia:

- WB supports the Ethiopian Commodity Exchange (ECX) through the Rural Capacity Building Project (RCBP)
- RCBP supports the Ethiopian Institute of Agricultural Research to finance a tissue culture lab for coffee

■ Cameroon

- WB designed 4 pilot “eco-pulping” operations (Robusta and Arabica). WB will support machine procurement and provide TA for installation
- This work will raise production of specialty coffee and thereby incomes