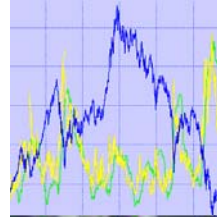


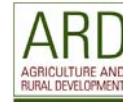


Coffee Sector Risk Management



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Presentation to the
International Coffee Organization
2nd Consultative Forum on Coffee Sector Finance
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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 Swiss SECO and the Dutch government

Risk – more than just price.....

- Price risk is just one of many risks facing the coffee sector
- Risk identification, assessment and prioritization are vital steps in developing an appropriate risk management strategy for each country
- Failure to prioritize risks can result in inappropriate focus being made on only some risks

For example:

- *Weather – Weather events ranging from droughts to floods can generate substantial losses for the entire supply chain*
- *Pest & Disease – Outbreaks of pests and disease may result in heavy losses to producers and the wider coffee sector*

Relationship between Risk and Finance

- Tackling the “financing gap” requires a comprehensive understanding of all sector risks and the means for prioritizing and dealing with them
- Major risks affecting coffee sectors across the world:

Production	Market	Enabling Environment
<ul style="list-style-type: none">• Drought• Pest & Disease• Erratic Rainfall• Quality	<ul style="list-style-type: none">• Intra-seasonal Price Volatility• Long Term Price Collapse• Input Price Volatility• Counterparty• Exchange Rate• Interest Rate	<ul style="list-style-type: none">• Reputational• Theft• Logistics• Regulatory Changes

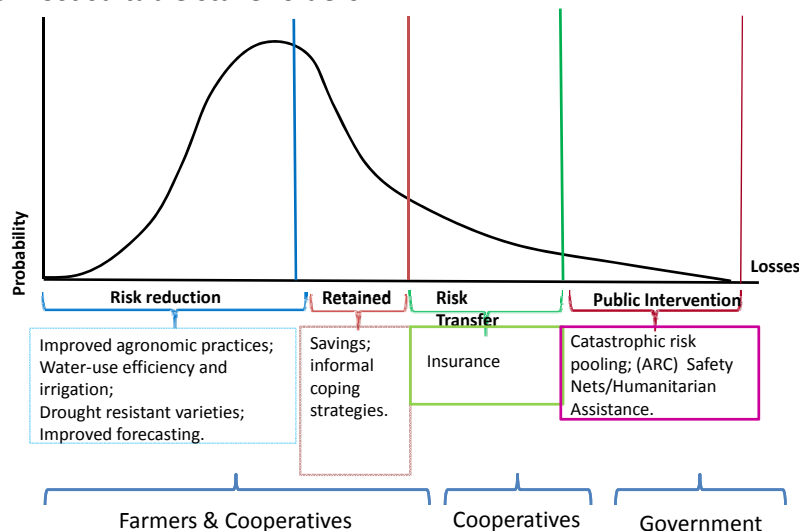
Developing a Sectoral Risk Management Strategy

- ARMT have conducted supply chain risk assessments for the coffee sectors of Haiti, Cameroon, Vietnam and Uganda
- The risk assessments identified, quantified and prioritized key risks facing the sectors and the stakeholders
- Risks vary by country in terms of importance, impact and significance
- Only once risks are understood and prioritized can a comprehensive risk management strategy for the sector can be developed detailing actions and responsibilities

3 Tasks	3 Risks	3 Layers	3 Stakeholders	3 Strategies
Identify	Production	Idiosyncratic	Macro	Mitigation
Assess	Market	Covariate	Meso	Transfer
Manage	Enabling environment	Catastrophic	Micro	Coping

Risk Layering - Roles & Responsibilities

A risk management strategy involves assigning and layering risk, ensuring that levels of risk are dealt with in an appropriate way by the most suitable stakeholders



Next Steps /Going Forward

- ARMT aims to collaborate with ICO to undertake an exercise which examines coffee sector risk and access to finance
- Research will consider how risks vary across the industry and consider how they can best be prioritized and managed
- A better understanding of how unmanaged risks restrict finance, and how improved risk management releases finance, will be the goal of this exercise

Thank You!

For more information, please visit:

www.worldbank.org/agrm

www.agrisktraining.org

www.agriskmanagementforum.org