Trade and Environment Programme Newsletter - October 2015

Trade and Environment Programme

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This quarterly newsletter gives an update of the Trade and Environment Programme’s (TEP) activities in capacity building and market analysis.

2015 is a key year in trade and environment issues. In December, world leaders will meet in Paris to negotiate a climate deal. For ITC, this places spotlight on the role of trade in achieving climate change policy goals and, how environment can be mainstreamed into Aid for Trade.

A new survey published by ITC describes the strategies and technical assistance needs of SME agricultural exporters in Peru and Uganda to increase their climate resilience as an element of enhancing their competitiveness. The TEP is also working on the ground to support vulnerable groups including 5 women’s associations in the Makira National Park in Madagascar sourcing raffia for the fashion industry. This complements our strong engagement with the agricultural sector in East Africa facing climate change challenges.

In Peru, a country preparing for a severe El Niño, the TEP continues to support exporters of native cacao including Kemito Ene, the cocoa association of the indigenous Asháninka tribe, which has signed its first ever business contract to sell 10 tons of fine and aromatic cocoa after participating in the B2B meetings organized by ITC.

To support Peruvian exporters explore new markets for native biodiversity products, ITC in partnership with the Graduate Institute in Geneva, has launched a survey of market opportunities and barriers facing these companies in new and emerging markets.

The programme continues to explore how markets can benefit conservation through its close engagement with CITES Parties. In June, ITC published an analytical framework with IUCN for assessing ways that trade can benefit conservation.

ITC is grateful to the Governments of Denmark, Germany and Norway for funding the TEP and to its cooperation partners for our ongoing collaboration: partnerships are key to ITC’s strategy for delivering both impact and sustainability in support of the Global Goals.

Alexander Kasterine
Head, ITC Trade and Environment Programme
Peruvian cocoa and chocolate producers taste sweet success in Lima

Peruvian producers of fine and aromatic cocoa are increasing their share of the global chocolate market, thanks to a coordinated effort to improve the quality and standards of their produce. And it is especially through business-to-business (B2B) meetings organized by the International Trade Centre (ITC) that doors have been opened.

Peru is recognized by the International Cocoa Organization as one of the few countries in the world that produces fine and aromatic cocoa. Fine flavoured cocoa grows in a variety of regions across Peru, including the coast of Tumbes and Piura, the Amazon areas of San Martín, Amazonas and Ucayali and other rainforest areas in Cajamarca, Huánuco, Junín, Ayacucho and Cusco. Smallholder agriculture accounts for the majority of the native cocoa production in Peru and is the main source of income for the local rural population.

Earlier this year, ITC together with the Peruvian Export and Tourism Promotion Board (PromPerú) sponsored international chocolatiers and chocolate tasters to participate in the VI Cocoa and Chocolate Showcase event and the first edition of Peruvian International Chocolate Awards, which was held in Lima, Peru, on July 2-5. That also enabled buyers and tasters to visit Peruvian cocoa producing regions following the VI Cocoa and Chocolate Showcase to witness cocoa production in the Peruvian Amazon region.

As part of the event, international bean-to-bar chocolatiers from Australia, Belgium, United Kingdom, Uruguay, Venezuela and Viet Nam engaged in business meetings with Peruvian suppliers of fine and aromatic cocoa. Sales forecasts suggest that preliminary deals of 52 tons of cocoa-based products (cocoa butter, cocoa liquor and chocolate), 15 tons of fine and aromatic cocoa and a sample of 100kg of premium chocolate were made, totalling more than US$300,000.

Supporting indigenous communities through trade opportunities

Beyond the prospective trade results, the business-to-business meetings facilitated by ITC, are also expected to bring significant positive outcomes for rural communities engaged in cocoa growing production.

This is the case of Kemito Ene, the cocoa association of the indigenous Asháninka tribe
from the Ene River, which has signed its first ever business contract to sell 10 tons of fine and aromatic cocoa after participating in the B2B meetings organized by ITC. Since 2013, the association has produced cocoa using sustainable practices to ensure forest protection and sustainable livelihoods with the support of The Rainforest Foundation UK.

‘Overcoming the middlemen is certainly a milestone for the Asháninkas. Accessing international markets was their main challenge to thrive in the cocoa business. Having the opportunity to meet bean to bar chocolatiers in the right place, and explain to them who are the Asháninka and why their cocoa is so special, made all the difference,’ said Aldo Soto, coordinator of the Andean Amazon Programme of The Rainforest Foundation UK, who accompanied Kemito Ene. ‘Now the producers are receiving better prices for their fantastic aromatic and sustainable cocoa, and mainly this opens further opportunities to establish other trading relationships.’

Sustainable sourcing of fine and aromatic cocoa has been identified as one of the priority areas for the sustainable development of the agricultural sector in Peru. Cocoa production involves around 45,000 households, thus including around 225,000 persons from different regions.

‘Creating market linkages between smallholder producers and international buyers goes beyond simple business transactions,’ said Ann-Kathrin Zotz, Project Manager at the Trade and Environment Programme of ITC ‘It is about enabling direct, transparent and traceable trade, which allows smallholder producers to receive price premiums for their differentiated products. Smallholder producers play a key role in reducing poverty in rural communities as they are a source of employment and income’.

First Peruvian bean-to-bar chocolate competition

Trade promotion efforts in the fine chocolate industry in Peru will also benefit from the landmark launch of the Peruvian International Chocolate Awards (Primer Concurso Nacional de Chocolate Peruano), the first national version of the International Chocolate Awards.

This initiative aims to position the Peruvian fine chocolate in the international market of premium chocolate. International chocolatiers invited by ITC to participate in the VI Cocoa and Chocolate Showcase were among the judging panel of the Peruvian International Chocolate Awards including the two internationally recognized chocolate tasters Martin Christy, the Judging Director of the International Chocolate Awards, and Maricel Presilla, member of the Grand Jury of the awards.

The establishment of national cocoa tasting networks is essential to promote fine and aromatic cocoa by ensuring regular quality and taste controls as well as to achieve credibility within the international market.
Empowering Malagasy women through climate-smart raffia production

Support for women’s associations in Madagascar to enhance raffia production is also helping the conservation of biodiversity in the Makira Natural Park.

In 2015, the International Trace Centre’s (ITC) Trade and Environment Programme in collaboration with the Wildlife Conservation Society (WCS) launched a two-year project in Madagascar to improve and develop the raffia-palm value chain for the international handicraft and fashion industries. The aim of the initiative is to enhance women’s economic empowerment and strengthen the climate resilience of Madagascar’s raffia sector.

Leaves from Madagascar’s raffia palms are widely used as a high-quality natural input for products made by local communities and international companies, including basic woven goods and high-end luxury products. International fashion houses have expressed interest in sourcing a sustainable supply of raffia from women’s associations based around Madagascar’s Makira Natural Park, which have a long history of raffia production for local markets.

Raffia value addition

Raffia harvesting, sorting, and processing are carried out manually, and often by local groups or associations who sell directly to brands or retailers. Support to increase the quality and business capacity of these associations and linking them to international markets through trade fairs and workshops will increase their bargaining position and the income they receive from their products. However, raffia in the Makira Natural Park has been affected by climate change: frequent droughts are threatening to up raffia forests. To help tackle this, ITC and WCS are providing assistance for climate-change adaptation to secure stable incomes from raffia in the long term.

The interest in sourcing raffia from Makira is not only because of the high quality found in this area, but also the added benefits from enhanced biodiversity conservation. WCS is the delegated manager of the 372,000-hectar park, which contains over 20 lemur species and the largest remaining area of low to mid-elevation tropical forest in the Madagascar.

The project will provide households around the park with increased income and aims to reduce their dependence on unsustainable exploitation of natural resources. Households engaged in the project will also be involved in conservation
activities in Makira Natural Park as part of their responsibilities and collaborative managers of the Park.

Training of trainer workshops

During the months of July and August 2015, ITC and WCS have been offering training workshops for around 200 women from six women associations in the Makira forest. The women have been trained on raffia harvesting, sorting, drying, tanning, processing techniques to improve product quality, the creation and design of final products as well as on planting techniques of the raffia trees to ensure climate resilience and long-term profitability.

The capacity building sessions are implemented in two stages. First, 24 representatives – four women from each woman’s associations – participated in a ‘training-of-trainer’ workshop to enable them to train other members of their associations in the long-run. In the upcoming weeks, 180 members of the women associations will successively receive one week training sessions. In 2016, the women associations will receive trainings on contract negotiations and organization of their associations, thus increasing their business capacity.

Manuals, training modules and posters were prepared in Malagasy and French and will form a base for replicating the project in other regions of Madagascar.

The raffia project is intertwined with to a broader programme ITC is developing in Madagascar, which focuses on promoting exports of natural resources to provide direct benefit to rural livelihoods and encourage conservation of biodiversity. This broader programme is supported by the Ministry of Trade and Consumption, and the Ministry of Environment of Madagascar.
ITC and the Graduate Institute launch ‘superfood’ partnership

Research partnership to explore opportunities and challenges for South-South trade in biodiversity-based products from Latin America.

Demand for biodiversity-based products has grown rapidly in recent years, as consumers in developed countries seek out ‘superfoods’ such as quinoa and chia. Such demand offers significant export opportunities for rural communities in Latin America. If complemented by the right policies, biodiversity-based food exports can play an important role in improving local livelihoods and creating incentives for environmental protection.

In a similar fashion, biodiversity-based products could potentially find new customers in the growing markets of the global south. However, companies in Latin America, especially small and medium-sized enterprises (SMEs), often lack the information they need to successfully reach these markets. To break into a new market, companies need to understand market barriers and requirements like tariffs and food safety regulations, as well as market sizes and consumer preferences and related niches to target.

To respond to developing country SMEs seeking advice on how to access markets for biodiversity-based products in other developing countries, the International Trade Centre’s (ITC) Trade and Environment Programme (TEP) has entered into a research partnership with the Geneva-based Graduate Institute of International and Development Studies (IHEID). Under the IHEID Applied Research Seminar (ARS) programme, master students carry out an applied research under the joint guidance of partner organizations and faculty of The Graduate Institute.

‘In addition to delivering useful research contributing to economic opportunities, the initiative will provide hands-on experience to students while representing an outstanding opportunity for ITC to partner with a leading institution of research and higher education in development studies,’ said Alex Kasterine, Head of ITC’s TEP.

The potential of South-South trade

The research project, entitled ‘The potential of South-South trade – challenges and opportunities
This research can be regarded as a starting point to highlight the potential of South-South trade for biodiversity products. It will seek to inform governments and export promotion agencies about the challenges faced by would-be exporters in the selected countries, while identifying best practices of SMEs exporting to developing countries. A final report will be presented in December 2015 with the findings of a survey of exporters from Peru, Ecuador and Colombia on their perceptions on the challenges and opportunities for South-South trade of the aforementioned products.
Climate change is reducing the competitiveness of agricultural exports from developing countries as far apart as Peru and Uganda, as rising temperatures and more variable rainfall hit agricultural productivity while extreme weather events like floods damage roads and other supply chain infrastructure.

These are among the conclusions of an ITC study launched today, on World Environment Day, on the threats posed by a changing climate to exporters in the two countries. Based on surveys of exporting firms in both Peru and Uganda, the new publication, Climate Change and the Agri-Food Trade: Perceptions of Exporters in Peru and Uganda, identifies threats arising from climate change and seeks to develop solutions to help the agriculture sector adapt.

Agricultural exports are a key source of income for Uganda and Peru, and a major driver of rural job creation and income growth. The new study found that climate change threatens to make exports of key export commodities such as cocoa, coffee, cotton, tea and tobacco unpredictable. In addition to affecting harvests, climate change can cause post-production losses, for instance when floods cause food to rot before it can reach a processing plant or a port.

“The key finding from this survey is that climate change makes existing challenges in the agri-food sector even more difficult to overcome, and is already having a highly negative impact on competitiveness,” said ITC Executive Director Arancha González. “In both Peru and Uganda, the majority of exporters surveyed reported that climate change was of equal or greater importance to longstanding challenges such as price volatility, high operating costs and meeting product quality requirements.”

While micro, small and medium-sized enterprises are already providing locally-driven solutions for climate adaptation, such as agricultural extension services, they require public support to implement such initiatives on a larger scale.

Agricultural exporters in both Peru and Uganda called on their governments to integrate climate change into long-term, sector-specific policies and investment strategies. Based on these findings, the study recommends that the international community develop a climate
platform to share information on best practices more effectively. Targeted training in climate-smart agriculture as well as on meeting sustainability certification requirements would also help exporters respond to climate change, exporters said.

Exporters said better access to financing would help them invest in sustainable practices and infrastructure improvements such as access to irrigation. Improved access to more reliable climate information would enable better responses to shifting weather patterns, they said.

Better networks and partnerships are also needed, the survey results showed. While exporter associations exist for certain commodities in both Peru and Uganda, expanding their membership and the services they provide could improve knowledge-sharing and create new opportunities to attract funding and government support for managing climate risks.

Agricultural exporters also identified crop diversification and the development of new crop varieties, such as drought resistant ones, as vital to sustaining export viability.
A study by the International Trade Centre (ITC) published today on the occasion of the International Day for Biological Diversity highlights the role that trade can play in the conservation of flora and fauna whilst supporting local livelihoods.

The study ‘The Trade in Wildlife – a Framework to Improve Biodiversity and Livelihood Outcomes’, developed in partnership with the International Union for the Conservation of Nature (IUCN), finds that wildlife can be used in a sustainable way if certain conditions are in place. These include having strong economic incentives for rural communities to benefit from the trade.

The combined pressures of climate change, rising incomes and population growth is putting the sustainable management of flora and fauna under threat in many places of the world. This is having negative impacts on the poor.

Biodiversity is often described as the ‘GDP of the poor’, given the reliance of marginal rural communities on natural resources for food, medicines, cash income and shelter. Ensuring that communities benefit from the trade in these resources is key to their sustainable use.

Furthermore, despite these pressures, trade can support the sustainable harvest of biodiversity and natural resources. The study highlights the trade in vicuna wool and crocodile skins as successful examples of communities benefiting from a sustainable and legal trade. The analysis sets out the role of policies, property rights, supply-chain governance and consumers in determining sustainable use of the world’s wildlife, and ensuring greater income streams to the communities involved in its management.

The study is in line with ITC’s commitment to mainstream environmental considerations into Aid for Trade. In particular, ITC aims to support the greening of international value chains, ensuring greater participation of the rural poor, strengthening climate resilience and improving the sustainability of sourcing of natural resources.

The study will be presented to policymakers and researchers at an international symposium organized by the University of Kent and ITC on 18-19 June in Canterbury, United Kingdom, entitled ‘Towards a sustainable and legal wildlife trade’. The symposium will discuss the evidence of successful models of sustainable use in the trade in wildlife.