



Introduction to Commodity Supply & Value Chain

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Objectives of My Presentation

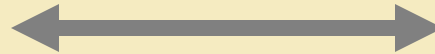
- ✦ To present an analytical model that we used in reviewing the DTISs
- ✦ To explain the importance of configuring a country's domestic production and trade capacities
- ✦ To highlight the need for different level of analysis to make things work
- ✦ To apply the model to 2 commodities with export potential from Kosovo



Determinants of Productivity and Productivity Growth

Macroeconomic, Political, Legal, and Social Context for Development

Sophistication of company operations and strategy



Quality of the microeconomic business environment

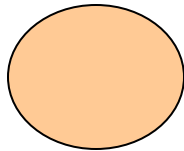
Microeconomic Foundations of Development

(M. Porter, WCR, 2004)



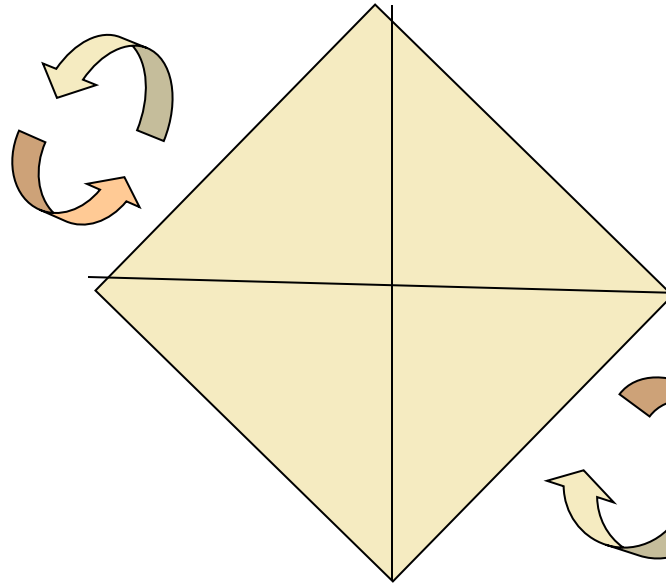
Success Factors of National Competitiveness - Porter's Concept (Porter, 1990)

Chance



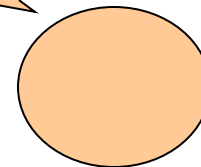
**Factor
Conditions**

**Firm strategy,
structure & rivalry**



**Demand
conditions**

**Related &
supporting industries**



Government



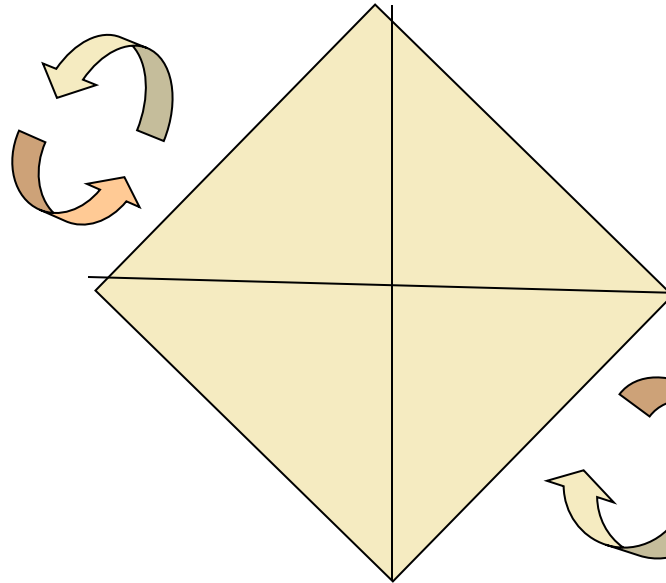
Basle: Global Competitors in Agro-Chemical & Pharmaceutical Industries

No WWI, WWII

Skilled & Highly skilled labour from CH, F, D

Private & Commercial Banks in Basle

**Hofmann, La Roche
Ciba, Geigy, Sandoz, Lonza**



**Doetsch, Grether
Ciba Vision**

**Retail Companies of Agro/Chem Products
Pharmacies
Health Insurance Companies**

**60 years coalition government
(left-right spectrum)**



Definitions

A **supply chain** is a system of organizations, people, technology, activities, information and resources involved in moving a product or service from supplier to customer. Supply chain activities transform natural resources, raw materials and components into a finished product that is delivered to the end customer.

In sophisticated supply chain systems, used products may re-enter the supply chain at any point where residual value is recyclable. Supply chains link value chains. (wikipedia, 2010)



Definitions

A **value chain** is a chain of activities for a firm operating in a specific industry. The business unit is the appropriate level for construction of a value chain, not the divisional level or corporate level. Products pass through all activities of the chain in order, and at each activity the product gains some value. The chain of activities gives the products more added value than the sum of added values of all activities. (wikipedia, 2010)



Commodity *Problématique*

Primary commodities

- Major source of income and employment, especially for LDCs
- Countries dependent solely on primary agricultural commodities rank low on the Human Development Index (HDI)
- Volatility of prices, changes in demand
- High demand – gains not evenly distributed



Commodity *Problématique*

Primary commodities

- Potential for poverty reduction, esp. of small farm producers and women
- Poverty reduction through development of commodity sector and transition up the production ladder
- Commodity development strategy – address supply side and value chain issues and inadequate diversification of production
- In the past - emphasis on trade in primary commodities at the cost of industrial development



Diagnostic Trade Integration Study' (DTIS)

It is a primary tool:

Integrated Framework

A coordination mechanism to trade capacity building

DTIS addresses trade development and seeks to improve linkages between trade and poverty reduction strategies

Not designed only for development of commodities



CSEND's DTIS Analysis - Methodology



Assess supply side constraints, diversification, value chain creation and forward and backward linkages for industrial development in existing DTISs.

- Analyse different stages of commodity value and supply chain
- Focus on actors at each stage: policy makers, institutions and entrepreneurs
- Identify areas for further action



CSEND Analysis – Methodology 2

Set of criteria developed spanning supply side (domestic production capacities) and value chain (trading capacities) issues.



CSEND Analysis – Methodology 3

Criteria of **supply-chain** analysis:

- **Infrastructure issues:**
 - **warehousing and storage (cold chains)**
 - **electricity**
 - **IT and telecom**
 - **transportation**
- **Production of primary commodity inputs:**
productivity improvements, technology inputs, management know-how, skills development of workforce, gender participation



CSEND Analysis – Methodology 4

Criteria of **value-chain** analysis:

- **Processing production inputs** (primary and secondary)
- **Standard setting** (creating, adopting, implementing)
- **Quality culture** (general awareness and demand for quality products)
- **Quality infrastructure** (laboratories, accreditation facilities, personnel training)
- **Distribution system** (including marketing- and export-promotion services)
- **Business linkages** (availability and conditions for joint ventures, franchising, credits, financial services)
- **Pricing mechanisms** (existence of commodity boards, futures trading)
- **Investment climate** (regulations on competition rules, repatriation of profits)
- **Social and environmental sustainability**



Analysis – Methodology 5

- **Criteria integrated into a Commodity Development process**
- **Matrix in which relevant information from each DTIS recorded and analyzed.**

Recommendations or references classified separately at 3 levels of intervention by commodities:

- **Policy**
- **Institutional actors**
- **Enterprise development**



Country Commodity Development Strategy Map

COUNTRY: BENIN

Commodities: 1. Cotton 2. Cashew nuts 3. Pineapple 4. Shrimps & fish

CRITERION	POLICY				INSTITUTION				ENTERPRISE				
	1	2	3	4	1	2	3	4	1	2	3	4	
Warehousing and storage													
Electricity													
IT and Telecom													
Transportation													
Production inputs													
Processing the production inputs													
Standard setting													
Quality culture													
Quality infrastructure													
Distribution system													
Business linkages													
Pricing mechanisms													
Investment climate													
Social and environmental sustainability													

Key:

Shaded cells indicate correspondence of DTIS text with criterion

Blank cells indicate absence of DTIS text with respect to the criterion

Total no. of cells (No. of criteria x Levels of intervention x No. of commodities) = 14 x 3 x 4 = 168

Correspondence of DTIS to the criteria = 26 (15%)



Application

• What are the commodities with development potential for export?

TABLE 3: SUMMARY OVERVIEW OF THE 29 DTIS NOTATIONS BY COUNTRY AND CRITERIA (NO WEIGHTING)

Criteria Countries (number of commodities)	SUPPLY CHAIN ANALYSIS						VALUE CHAIN ANALYSIS								
	Level of intervention	Warehousing and storage	Electricity	IT and Telecom	Transportation	Production inputs	Processing	Standard setting	Quality culture	Quality Infrastructure	Distribution System	Business linkages	Pricing mechanisms	Investment climate	Social and environmental sustainability
Benin (4)	P	2	1		2	4		2		1	1		1	3	2
	I					2	1						1		
	E					1								1	1
Burkina Faso (6)	P	2			2	6		2		4	5		2	2	3
	I	1				1							1		
	E					2	1			1			1		
Burundi (3)	P					3		3	1	1	3		2	2	3
	I					1	1				1	1	2	1	
	E										1			1	
Cambodia (2)	P	1	1	1	2	2	2	1	1	2	2	1	1	2	2
	I		1		2	2	1	1			1	1	1	1	
	E				2	1		1			2	2		1	
Central African Republic (3)	P	1			2	3	3	1		2	3	2	2	2	2
	I					3	1	1					1	1	
	E				1	3	2								
Chad (6)	P	3	1		3	6	5	1		1	4		2	4	4
	I	1			1	3	1	2		1		1		2	
	E	1				3	3	1		1				2	
Comoros (4)	P	1			1	4	3	3	1	2	2	4	4	1	2
	I					4		1			3				2
	E					4				3		1			1
Djibouti (3)	P	2	1		3	3	2	3	1	1	3		1	1	2
	I					2		1		1	2				
	E					2	1				1				
Ethiopia (5)	P				1	5	1	3	1	1	3		1	1	3
	I					1	2	1		1	1			1	
	E									2			1		
The Gambia (5)	P	1	2		3	5	1	2	1	3	4	2	1		3
	I					1		1			1				2
	E					2	1				3	1			1

Key:

P= Policy, I= Institutional actors, E= Enterprise development

Note 1: The bracketed number next to each country designation represents the number of commodities that were treated in the respective country DTIS. For instance, in the case of Benin, the number of commodities addressed in its DTIS is four.

Note 2: The figure in each cell after the country designation represents the number of occurrences recorded in the DTIS for each country according to the level of intervention, regardless of the commodities it addresses. A differentiated charting by country and by commodity is presented in annex V.

Note 3: A blank cell denotes no correspondence with the criteria used in the analysis.



Cross-country comparison

Counting references by country and chain components



Analysis - Findings

2. Policy oriented bias – long on policy recommendations and short on implementable actions

TABLE 6: TOTAL NUMBER OF REFERENCES MADE AT DIFFERENT LEVELS OF INTERVENTION WITHIN DTIS (N= 29)

	POLICY	INSTITUTIONAL ACTORS	ENTERPRISE
Total number of references in all 29 DTISs	296	132	103
Average	10.2	4.6	3.5



Analysis - Findings

DTISs have following characteristics:

1. Inconsistent in-country approach to commodity development, across commodities

TABLE 4: TOTAL NUMBER OF OCCURRENCES BY SUPPLY AND VALUE CHAIN ACROSS ALL DTISs

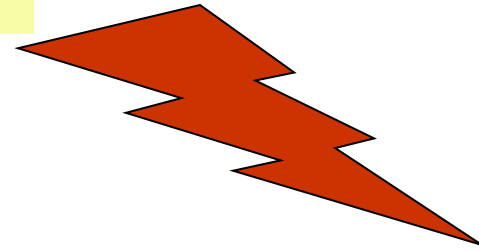
(N = 29 countries x 42 cells = 1,218 cells)

	Warehousing and storage	Electricity	IT and Telecom	Transportation	Production inputs	Processing	Standard setting	Quality culture	Quality Infrastructure	Distribution System	Business linkages	Pricing mechanisms	Investment climate	Social and environmental sustainability
Total	21	11	2	36	77	47	44	17	44	60	30	45	40	58



Changing the Rules of the Game

*Comparative
Advantages*



*Competitive
Advantages*



Thank You!!





CSEND's DTIS Analysis - Scope



- **Analysis of existing DTISs of the IF with reference to commodity diversification, value addition and industrial development.**
- **National focus.**
- **Global trade issues such as market access not examined.**