

Empowering Small Producers' Organizations: How to Manage Price Risk and Make Loans More Accessible



October 2023

This webinar marked the first collaboration between FARM-D and IFAD's [Climate and Commodity Hedging to Enable Transformation \(CACHET\)](#) Project, managed by the IFAD Private Sector Advisory and Implementation (PAI) Unit. The event received support from the [IFAD's Inclusive Rural Finance \(IRF\)](#) Network in the context of its collaboration with FARM-D debuted in 2022.

Background

Climate-related shocks and international price volatility disproportionately impact smallholders, and their recurrence are likely to increase. In 2018, IFAD has launched its initiative CACHET, a financial solution designed to ensure revenue protection for smallholder farmers against climate-related disasters and price shocks.

In collaboration with [FARM-D](#) (hosted by [PARM](#)) and the [IFAD's Inclusive Rural Finance \(IRF\)](#), the CACHET project has organized the webinar "**Empowering Small Producers' Organizations: How to Manage Price Risk and Make Loans More Accessible**", which was held online on 12 October.

The webinar explored, with leading specialists, the lessons learned, and challenges faced during the implementation of CACHET phase 2, more specifically on the use of price risk management as a tool to mitigate climate change and price volatility for small producers, as well as insights on how to make loans more accessible to the latter.

Objectives of the webinar

The webinar focused on the following objectives:

- Inform IFAD Staff and external partners about the CACHET Phase 2 activities (April 2022 to October 2023)
- Provide insights about the PRM Dashboard
- Present the approach used for the PRM Program
- Share training outcomes, challenges, and lessons learned

Speakers and moderator



Thouraya Triki

Director of the Sustainable Production, Markets and Institutions Division (PMI), IFAD



Nadine Manzi Umunyana

Senior Global Technical Specialist, IFAD



Barbara Rademaker

Capacity Building Manager, Oikocredit International



Rita Muckenhirn

Facilitator and Consultant in Sustainable Development and Conflict Transformation, Systways gUG



Hugo Villela

Agribusiness Specialist, Funder, Agroclick S.A



Jean-Marie Irakabaho

Consultant Coffee Price Risk Management, POSADA



Marc de Sousa-Shields

Lead Technical Specialist, Rural Finance and Markets, IFAD



Anaïs Petitjean

FARM-D
Community of Practice Analyst, PARM

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Director of the Sustainable Production, Markets and Institutions Division (PMI), IFAD

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Jean-Marie Irakabaho

Consultant Coffee Price Risk Management, POSADA

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Barbara Rademaker

Capacity Building Manager, Oikocredit International

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Hugo Villela

Agribusiness Specialist, Funder, Agroclick S.A

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Rita Muckenhirn

Facilitator and Consultant in Sustainable Development and Conflict Transformation, Systways gUG

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Lead Technical Specialist, Rural Finance and Markets, IFAD

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Nadine Manzi Umunyana

Senior Global Technical Specialist, IFAD

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Rita Muckenhirn

Facilitator and Consultant in Sustainable Development and Conflict Transformation, Systways gUG

Opening remarks

Thouraya Triki

Director of the Sustainable Production,
Markets and Institutions Division (PMI), IFAD

To introduce the webinar, Thouraya Triki warmly welcomed all the attendees. She introduced the CACHET project which was born out of conversations between farm organizations that complained about climate risks, price volatility and how these were affecting their livelihoods. The CACHET project has reached positive outcomes thanks to the support received from key partners such as the [Spanish Agency for International Development Cooperation](#) (AECID), that funded the two phases of the project as well as from the implementing partner [Oikocredit](#). In her speech, Thouraya mentioned that support from the ground has also been provided by [Agrocklick](#) S.A in Honduras and [POSADA](#) in Rwanda. Furthermore, she stressed the particular help received from farm organizations in the field ensuring that results were achieved. CACHET aims to reduce the income vulnerability of small producers by promoting risk management knowledge and fostering mechanisms to mitigate price volatility. She presented the components of the second phase of CACHET namely (i) digitalization and adaptation which involves adapting the Price Risk Management (PRM) Open Dashboard tool and existing training materials to the specific context of the country, including translation and interpretation; (ii) sector and local market analysis; (iii) implementation of Price Risk Management (PRM) trainings, tools, advisory services, and financing; (iv) use of financial instruments: participating organizations that have completed the training and demonstrated their understanding and capacity to mitigate price risk will be eligible to apply for financing options; (v) knowledge sharing and engagement of financial sector stakeholders; (vi) monitoring and evaluation of activities, the PRM Dashboard, and competency scores through a Senior third party evaluator; and (vii) awareness and integration of IFAD staff and collaborators. Specifically, CACHET Phase 2 focuses on mitigating risks associated with climate change and price volatility for small producers by providing private sector operators and small producers with the knowledge, skills, and tools necessary to protect their revenues. The second phase targets coffee producers in Honduras and Rwanda, as well as the NSO in Nigeria involved in maize trading.

Video of beneficiaries

Jean-Marie Irakabaho

Consultant Coffee Price Risk Management,
POSADA

Jean-Marie Irakabaho introduced a video featuring beneficiaries' testimonials on how the Price Risk Management Training Program implemented by CACHET has contributed to the development of their Cooperatives in Rwanda. In fact, the Twongere Umusaruro wa Kawa (T.U.K) emphasized that thanks to the program, they have been able to negotiate open contracts with buyers which created a price increase from US\$4 to US\$6.5 per kilo of grain. In parallel, members of KOPAKAKI Dute-gure Coffee Farmers' Cooperative stressed the importance of the PRM Dashboard which helped them with information management, the generating of report on time and traceability. Eventually, the president of the Gashonga Coffee Cooperative highlighted the importance of the methodology used for peer to peer visits allowing a greater level of information transfer enabling exchanges prior to the final price decision.

Approach used for the Price Risk Management (PRM) Program

Barbara Rademaker

Capacity Building Manager,
Oikocredit International

Barbara Rademaker explained that the PRM program approach was created in collaboration with PRM specialists and experts. It is tailored for the coffee sector and customized based on the beneficiaries' needs. The PRM program aims to bridge the gaps left by the standard PRM training provided by experts in trade finance as the knowledge provided by them was not effectively applied by smallholder producers organizations in their daily coffee transactions. Participants of the programme received training before harvest followed by advisory services to ensure a good guidance on how to apply the knowledge just learned. Also, the peer-to-peer activities facilitated knowledge absorption and exchanges among small holder producers. CACHET included an impact evaluation to assess the implementation of the knowledge acquired by the beneficiaries. The programme is structured in the three parts: (i) Governance; (ii) Physical Coverage Strategy; and (iii) Financial Hedging Strategy.

Providing insights into the Price Risk Management (PRM) Dashboard

Hugo Villela

Agribusiness Specialist, Funder,
Agroclick S.A

Hugo Villela shared details on the content of the training sessions. During those, the farmers were shown details on the coffee market price's trend and how they could identify it during their business cycle for them to be able to manage their rations. The goal was to ensure that farmers get the better income and margins they can as well as enough working capital to be able to collect the more coffee they can from their providers and to manage the sales. Bearing in mind the challenges beneficiaries may face, the concept of "open position" was developed. The latter is a key performance indicator (KPI) with which it is possible to identify the exposure to the price volatility, and to monitor your purchases and sales. Furthermore, participants to the trainings could know more about the strategies they could put into place at their level to have tools to manage the risks. One of the strategies is to take advantage of technology. One example presented is the systematization of operations to enable the management of the membership, the collection of coffee, the sales contract and the financing operation and more through one system. The latter ensures a detailed traceability which is crucial in today's context.

Valuable lessons learned and recommendations

Rita Muckenhirn

Facilitator and Consultant in Sustainable Development
and Conflict Transformation, **Systways gUG**

Rita Muckenhirn pursued by outlining the various lessons learned and recommendations drawn from the implementation of the programme. Among the lessons learned, it was greatly appreciated that the programme gave a contextualised and tailored support in terms of language and in terms of adaptability to the needs of people. The PRM Dashboard was also considered as a great tool by beneficiaries to take informed and timely decisions. In fact, the dashboard provides useful information immediately once data have been introduced into the system. One of the challenges faced when using the system is the lack of coordination and synergies among stakeholders when it comes to information systems. It was noted during visits to the cooperatives that some must insert the same information and manage several systems for governments, funders, or certifiers in parallel of the PRM one. A great level of communication and cooperation between cooperatives was made possible thanks to the trainings and peer-to-peer visits. This outcome should be considered for future interventions to continue helping building alliances between cooperatives. Another important lesson taken from the implementation was the necessity to note that PRM must not be isolated to fully help farmers. It is crucial to also take into consideration the production side or the advocacy for example and combine the whole into a broader theory of transformation. Rita Muckenhirn summed up by affirming that the program presented a great potential thanks to its strong foundation. She concluded by recommending keeping on strengthening local implementers, reaching out larger numbers of cooperatives and farmers, scaling up to influence policy and law, to have a greater impact on cultural roots and to enlarge to other contexts and crops.

Reflexion

Marc de Sousa-Shields

Lead Technical Specialist, Rural Finance and Markets,
IFAD

Marc de Sousa-Shields recalled that when it comes to inclusive rural finance, risk management is a major issue. According to its experience, the tools which were used concerned, among others, matching grants to bring the cost of an asset down or technical assistance to improve productivity and use of an asset. As suggested before, enlarging a programme such as the CACHET one to other crops would open up a variety of financing options to leverage cheaper and better financing for the beneficiaries. He also recognized the accessibility and the adaptability of the system as an example to take from for other inclusive rural finance activities/projects.

Questions and Answers

Nadine Manzi Umunyana

Senior Global Technical Specialist,
IFAD

1) Was there training provided to the banks' staff on the reporting? What kind of efforts were made to bring the banks on board? And what were the challenges faced?

Barbara Rademaker explained that the training was offered to the Council of Smallholder Agricultural Finance members who are the impact investors in the region. The latter were targeted to promote more impact investments in these cooperatives. She welcomed the comment and suggested to consider it as a following step, to involve local banks into this area of work.

2) Considering the lack of electricity and difficult access to internet in some rural areas in Africa, how the implementation of the dashboard worked on?

Jean-Marie Irakabaho admitted that they encounter issues during the implementation of the dashboard in some cooperatives due to their lack of IT equipment or due to a scarce internet coverage. To avoid these kinds of situations, an excel sheet was created and made available for beneficiaries that could collect and register the relevant figures on paper and then go to a centre with internet connection to fill in the excel sheet and upload it.

3) In Honduras, how did you sensitize the small producers to the use the PRM dashboard?

Hugo Villela acknowledged that the main challenge they faced was to convince small producers to share their information ensuring them that the latter will remain on their ownership and would never be transferred to any third party. Another challenge was to make the people agree with the cost of the service.

4) Will the PRM dashboard be available on commercial basis? If so, will cooperatives pay for it?

Hugo Villela confirmed that the dashboard is available for commercial purposes. If interested, it is necessary to contact Agroclick S.A to work on the service's implementation. Regarding the price, **Nadine Manzi Umunyana** specified that there are no costs for beneficiaries. New customers must liaise with Agroclick S.A to know the prize.

5) In most cases, coffee in Rwanda is for export. Have you liaised with the export board for this project? Can PRM be scaled up to the export board as well?

Jean-Marie Irakabaho responded that during the implementation of the project, they had technical meetings with the national agriculture export board to inform them on the implication and the progress of the project.

Concluding remarks

Rita Muckenhirn

Facilitator and Consultant in Sustainable Development
and Conflict Transformation, **Systways gUG**

To conclude the webinar, Rita Muckenhirn highlighted some key impact results achieved after the implementation of this project. The latter helped strengthen beneficiaries' resilience by raising their awareness on risk management and by increasing their competencies and organizational capacities. She confessed that the road is still long to fully support small farmers but the project already reached great goals.

All the panellists and participants were warmly thanked for sharing their knowledge and opinion.

Let's continue the talk!



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