

COMMUNIQUE

EAGC-GBI Regional training on International Structured Commodity Trade Financing (ISCTF)



29th – 31st October 2024, Madinat Al Bahr, Zanzibar

By:



Specialized Training and Capacity Building Division of EAGC



EASTERN AFRICA GRAIN COUNCIL
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November 2024

Introduction

The Eastern Africa Grain Council (EAGC) through its specialized training and capacity building division, the Grain Business Institute (EAGC-GBI) successfully conducted a regional training on International Structured Commodity Trade Financing (ISCTF) from 29th to 31st October 2024, bringing together key financial institutions from Kenya and Uganda and a cargo handling service provider from Tanzania. Held at Madinat Al Bahr hotel in Zanzibar, the training provided a platform for knowledge exchange, networking, and showcasing innovative structured commodity trade financing solutions aimed at boosting sustainable food trading systems in East Africa.

Overview of the training

This specialized training program featured extensive theory and comprehensive practical training sessions with an aim of providing key insights and practical knowledge to professionals from financial institutions engaged in financing agricultural commodity trade. The training program focused on the complexities of financing the trade in agricultural commodities, an essential sector for economic growth and development. Specific focus was on financing of physical flows of commodities and risk management.

The course was tailored for credit and risk managers, trade finance specialists, marketing managers, finance managers and directors, bankers, and agribusiness managers with engagements focused on equipping participants with the practical skills to create and analyse the opportunities and challenges/risks presented by structured commodity trading systems and devise financing proposals and risk management measures to manage the associated challenges/risks. The course provided a foundation for development and betterment of existing financial products/ services targeting agricultural commodity value chains.



With the rise in global demand for agricultural products and the challenges related to financing trade, banks play a crucial role in providing the necessary financial support and risk mitigation mechanisms making this course fundamental and timely for financial institutions in the region.

Key Topics Discussed:

1. Overview of Agricultural Commodity Trade

Participants were introduced to the global, regional and national landscape of agricultural commodity trade, including major players, market trends, and the flow of goods across borders.

2. Structured Trading Systems

Participants were taken through grain commodity aggregation and warehousing to understand quality assurance, insurance, including trade contracts in structured grain

trade, grain trading platforms, risks mitigation and management in structured commodity trade, and relevant dispute resolution mechanisms applicable in commodity trade financing.

3. Financing Structures in Agricultural Trade

A deep dive into the various financing structures used in agricultural commodity trade, including trade credit, documentary letters of credit (LC), and supply chain financing. We discussed how these tools can be applied to mitigate risks, optimize liquidity, and ensure payment security.

4. Risk Management in Agricultural Trade Financing

Experts shared strategies for managing the diverse risks associated with agricultural trade, such as price volatility, currency fluctuations, political instability, and climate risks. The session highlighted the importance of hedging instruments, insurance products, and risk-sharing arrangements in securing successful transactions.

5. Sustainability and Impact Financing

With increasing emphasis on sustainability in global trade, participants gained insights into the growing role of impact financing and responsible sourcing in agricultural trade. Special attention was given to procedures and processes for international trade including international commercial terms, and sustainable finance frameworks and how banks can participate in improving government policies on agricultural commodities.

6. Emerging Trends and Innovations

The training also highlighted the latest innovations in agricultural trade financing, including the digitization of trade finance, and fintech solutions that enable faster and more efficient cross-border payments considering the high volatility in grain commodity prices.



Key Guest Speakers:

The training was graced by industry experts from various fields, including agricultural finance, risk management, and global trade policy, commodity handling and trade, who shared their insights and best practices. Special thanks to our keynote speakers:



i. Mr. Hassan Juma Amour, Public Relations Manager, Zanzibar Port Corporation (ZPC): He discussed the role of ZPC as a government regulatory and trade facilitating agency in commodity trade. He cited that their major responsibilities as stipulated in the Act include managing, operating, developing and promoting port industry in Zanzibar. ZPC expected in particular to perform the role of an operator in terms of commercial activities under the Ministry of infrastructure and Communication.



ii. Mr. Mbarouk Abdala Ally, Ag. Assistant Manager – Inspection and Quality Control, Zanzibar Bureau of Standards (ZBS): His insights on the role of standards and regulations in facilitating structured trade financing were highly valuable to the participants. He stated that, as a standardization and quality assurance institution, ZBS focuses to ensure the imported products and those manufactured within Zanzibar meet the requirement of relevant Zanzibar standards or other recognized standards.



iii. Ms. Zuhura Vuai Moh'd, Tanzania Plant Health and Pesticides Authority (TPHPA): The visiting expert spoke about legal and regulatory requirements, policies, procedures, certifications, and documentation for ensuring compliance with sanitary and phytosanitary (SPS) requirements as a government regulatory and trade facilitating agency in commodity trade.

Participants:

The training saw participation from representatives leading financial institutions such as commercial/ development banks, trade finance professionals from Kenya, Uganda and private cargo handlers from the port of Zanzibar. This included Equity Bank Kenya Ltd, Cooperative Bank of Kenya, Agricultural Finance Corporation, aBi Development, and Fumba Ports. The diverse audience enriched the discussions with their practical experiences, making the session highly interactive and insightful.

Key Observations on Grain Trade and Structured Commodity Financing



- a. The grain market is predominantly unstructured with pricing determined on arbitrary basis and unguaranteed product aggregation, handling, storage, quality, and transportation. Agriculture commodity trade decisions are based on wild or unproven market fundamentals. However, signing of contractual agreements on commodity care e.g., storage contracts, warehouse receipt issuance and adherence to transaction protocols is increasing among traders, farmers, and grain handlers. EAGC is organizing farmers into GHubs to enable collective purchase of inputs and sale of commodities as economies of scale is achieved through aggregation among farmer organizations.
- b. The process of grain commodity standards harmonization championed by EAGC led to increase in grain trade by 195% between pre- and post-harmonisation periods with the first harmonisation in 2013, followed by reviews in 2017 and 2019.
- c. Unlike Tanzania and Uganda, Kenya is a net importer of grains. The value of direct imports traded through structured markets into Kenya has been steadily increasing in the international markets for most of the commodities providing more opportunities for profitable grain trade in products due to efficient, structured, and inclusive systems.

Proposed Recommendations/ Actions/ Interventions

1. Collaborate with EAGC to finance trade for contracts signed through EAGC GSoko trade facilitation service
2. Follow up trainings on International Trade Processes and Procedures, Warehouse Operations and Inventory Management is recommended to better understand opportunities in grain commodity trade financing.
3. In partnership with EAGC, conduct a detailed stakeholder mapping and analysis to identify all relevant stakeholders supporting structured commodity trade financing and business opportunities.
4. Assess commodity value chains and select priority commodities for trade financing.
5. Collaborate with EAGC to establish inventory of warehouse storage infrastructure in Kenya, Uganda and Tanzania mapped with GPS coordinates detailing the current status of the warehouses and Market Information Systems that are crucial for Structured Commodity Trade Financing.

Acknowledgements:

We extend our sincere appreciation to all the participants for their active engagement and participating financial institutions for their commitment to enhancing their understanding of agricultural commodity trade financing. We are confident that the knowledge gained during this training will empower the institutions to better support the agricultural sector, particularly in emerging markets, and strengthen their role in global, regional and domestic trade.

Next Steps:

As part of our ongoing efforts to foster knowledge-sharing and professional development in trade finance, we will continue to offer specialized programs tailored to the needs of the financial sector. We encourage participants to stay connected for upcoming events, trainings, workshops, and webinars on related topics.

We look forward to continued collaboration and thank you for your commitment to advancing the field of international agricultural commodity trade financing.

About the Organizing Organization

Eastern Africa Grain Council, EAGC



The Eastern Africa Grain Council, EAGC is a regional membership-based organization for the grain value chain stakeholders in Eastern Africa region whose objective is to develop and promote structured grain trading. This is done by contributing to creation of an enabling environment for trade through policy advocacy, improved post-harvest management practices, establishment and adoption of structured trading systems, provision of market information and intelligence reports, trade linkages and training and capacity building of EAGC members and grain value chain stakeholders.

EAGC members include farmers and farmer-based organizations, traders, processors, sector associations and service providers. EAGC's mandate covers 10 (ten) countries in Eastern and Southern Africa comprising Kenya, Uganda, Tanzania, Rwanda, Burundi, DR Congo, Zambia, Malawi, South Sudan and Ethiopia. EAGC strives to improve the overall trading efficiency that results in more trade and better trade with a vision to be the leading voice of the grain sector in Africa and mission to facilitate efficient, structured, inclusive, sustainable, and profitable grain trade.

To achieve this, EAGC works closely and in partnership with governments through a fast-growing public-private partnership (PPP) framework in the region. The Council also works closely with development partners, research institutions and service providers to deliver its mandate while staying on the cutting edge of technology and innovation. EAGC has therefore developed several interventions, services and targeted programs realizing optimal benefits to grain value chain stakeholders in Eastern and Southern Africa.

Grain Business Institute, EAGC-GBI



EAGC-GBI, formerly the Eastern Africa Grain Institute (EAGI), is a specialized division of the Eastern Africa Grain Council (EAGC) whose mandate is to provide training, capacity building, and consultancy services to the grain value chain stakeholders in Eastern Africa region and beyond. EAGI was incorporated in 2012 and was established to address knowledge gaps in the grain value chain. The EAGI also delivered training and consultancy services in

South and West Africa as well as outside Africa while bearing the "Eastern Africa" in its title. Following this, the EAGC-GBI was established to support in **development of professionals** by way of imparting **knowledge** and **skills** while **supporting innovations** that will **contribute to**

improved efficiency and **reduced transactional costs** in the grain industry without geographical boundaries.

The objective of the Institute's existence is to train and develop professionals and structured trading practitioners through imparting knowledge, technology and support adoption of innovations that will contribute towards improved efficiency resulting from reduced costs of transaction in the grain industry. The overall outcome is to enhance the competitiveness of the grain sector that assures optimum returns on investments for all the stakeholders as a result of a functional regional structured trading system in the region.

The Institute's efforts are geared towards understanding the existing capacity needs of the grain value chain stakeholders, and proactively responding to these needs by collectively and collaboratively designing solutions either through training or research consultancy and mentorship. EAGC-GBI therefore addresses the bottlenecks in the grain sector by enhancing capacities to help stakeholders maximize their returns.

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