

CLIMATE CHANGE AND THE AGRI-FOOD TRADE

PERCEPTIONS OF EXPORTERS
IN PERU AND UGANDA



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The report presents the findings of research on the perceptions of agri-food exporters of climate change - provides direct insight into the perceived needs of business and exporters in responding to climate change impacts in Uganda and Peru, to inform ITC, its clients and other Aid for Trade practitioners on strategies to mainstream climate resilience among exporters and to improve the effectiveness of support for adaptation - Part 1 on Uganda shares the perceptions of agri-food exporters in key export sectors including coffee, tea, cocoa, cotton, fruits and spices. Part 2, on Peru, shares the perceptions of agri-food exporters in the coffee and cocoa sectors; gives recommendations from stakeholders on how to improve the delivery of climate assistance to exporters; includes bibliographical references (pp. 52-55).

Descriptors: **Climate Change, Agriculture, Food Products, International Trade, Uganda, Peru.**

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English, Spanish (separate editions)

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Foreword



Climate change is one of the defining development challenges for this century. Rising temperatures, more extreme weather events and other climate-related impacts are affecting the competitiveness of economies and reducing agricultural productivity. As the majority of the world's poor still live in rural areas, climate change threatens to reverse decades of development gains and places the most vulnerable – women and youth – at the greatest risk. In many scenarios, we are seeing a disproportionate impact on the poorest sections of the population despite evidence that shows they have a negligible contribution to the problem.

Exports of agri-food products are an important driver of rural growth, creating jobs and raising rural incomes. However, currently very little is known about the role that exporters play in adaptation to and mitigation of climate change. It goes without saying that exporters, particularly micro, small and medium-sized enterprises (MSMEs), play a key role in the value chain through delivery of extension services to farmers, making investments and connecting with markets. Exporters have a constant “ear to the ground” on what is happening in the field and thus have unrivalled knowledge of market trends, the challenges facing farmers and what is needed to make markets work more effectively.

Against this background, it was important for ITC to dig deeper into this issue and provide a fact-based insight into what is happening on the ground through a survey of exporters. We selected two countries where we are actively engaged in agri-food development projects, namely Peru and Uganda. I am grateful to PROMPERU and the Uganda Export Promotion Board for the support provided to ITC in carrying out the survey.

The results of the survey illustrate how the contrasting development position of the two countries has an impact on their capacity to adapt to climate change, with Peru able to invest in adaptation given its access to more resources, but Uganda unable to do the same given that the country faces greater financial and technical constraints.

The key finding emerging from this survey is that climate change makes existing challenges in the agri-food sector more difficult to overcome, and thus has a highly negative impact on competitiveness. In both Peru and Uganda, the majority of exporters surveyed reported that climate change was of equal or greater importance to their existing export challenges, most notably price volatility, high operating costs and product quality. In response, governments and agencies need to integrate climate change into sector-specific policies and investment strategies and provide a platform for more effective sharing of information on best practices. The survey finds that MSMEs are already providing locally driven, effective solutions on adaptation, but that they need support to implement these initiatives.

I hope this report will provide a fresh private-sector perspective on agriculture and climate change and, in doing so, make a substantial contribution to the Aid for Trade community on how to mainstream climate change into its programming. I look forward to engaging with our technical cooperation partners to support exporters and importers to deliver locally driven solutions to the substantial challenge of climate change.

A handwritten signature in blue ink, appearing to read 'Arancha González', written over a light blue horizontal line.

Arancha González
Executive Director, International Trade Centre

Foreword



Climate change is affecting Peru's ecosystems and micro-climates – seen in phenomena such as higher temperatures, variable precipitation, eroding glaciers and rising sea levels – and has become a major issue on the national agenda. The Fifth Assessment Report of the United Nations Intergovernmental Panel on Climate Change (IPCC), presented in November 2014, contains scientific information on social and environmental effects that have become key factors in shaping responsible public policy seeking to mitigate the effects of climate change.

Such effects will be especially significant in Latin America and the Caribbean. Peru ranks third worldwide for its vulnerability to climate change. It is periodically subjected to El Niño, which increases the likelihood of flooding in some areas due to heavy rainfall, as well as prolonged droughts elsewhere in the country. At the same time, Peru's rich variety of flora and fauna is priceless, and it has an enormous diversity of micro-climates, with 27 of the world's 32 climate types found within its borders.

Peru has made significant efforts to increase agricultural productivity and sell its products successfully on global markets. But we need to be more than just competitive going forward. We must address the issue of climate change, which poses a major challenge to our crucial export sector, consisting primarily of non-traditional goods.

New efforts are being made through an alliance between the public and private sectors to promote sustainable businesses in sectors such as agriculture and food products. Peru's agriculture and food sector consists primarily of small and medium-sized producers which are reluctant to adopt technology to confront climate change. Considerable effort is required from all stakeholders to develop and adopt technologies and practices, such as drought-resistant crops, hydroponic agriculture and the construction of seawalls to protect against tidal phenomena. We must nevertheless continue to support producers in different regions to enable them to adopt technologies and practices suited to their circumstances.

The study conducted by the ITC, deserves praise for making producers aware of the steps they need to take to deal with climate change in terms of mitigation and, to adapt its effects on trade, and to safeguard markets for products that are important for Peru's economy. ITC surveyed food and agricultural exporters to gauge their views on climate change and its commercial impacts. In the study, 24 Peruvian coffee and cocoa exporters, associations, cooperatives and small businesses from five different regions shared their concerns about the impact of climate change on the bottom line of their exports. They also explained the strategies they use to cope with the changing climate and their capacity to mitigate climate risks.

The results show that exporters require better information to confront climate change adequately; and they need financial capital to respond to long-term climate change challenges. The ITC survey highlights key exporter requirements: help in developing new crop varieties and adapting these to changing temperatures; hedging strategies against climate change risks; stronger institutions to help them find solutions; access to adequate financing; constant availability of live weather-forecasting information; workforce training; improved infrastructure; and promotion of associations and cooperatives.

I invite you to take a close look at the results of this important survey and reflect on strategies to enable players in the agricultural export sector to continue increasing their exports and overcome the challenges that climate change poses to trade. Together, we must focus our individual and collective efforts on responding to the challenges that climate change represents for commercial exchange.

A handwritten signature in black ink that reads "Magali Silva". The signature is enclosed within a hand-drawn oval.

Magali Silva Velarde-Álvarez

Minister of Foreign Trade and Tourism of Peru

Foreword



The Ugandan agricultural sector, with its related wide range of agri-business activities, employs more than 70% of the country's population. Enhancing agricultural production and productivity, along with agro-processing, is therefore critical to Uganda's economic growth.

Climate change has an adverse impact on Uganda's agriculture. As most of the sector is rain fed, the country is sensitive to climate variability. Uganda experiences increasingly erratic rainfall patterns, prolonged droughts, flooding and increased incidence of pests and diseases. Agriculture productivity has declined as a result.

Exporters cite climate change as a major threat to their competitiveness. They rank it high among other sources of uncertainty about and obstacles to competitiveness, such as price volatility, weak infrastructure and low agricultural yields.

This study by the International Trade Centre (ITC) in partnership with the Uganda Export Promotion Board (UEPB) is, therefore, timely. Its findings highlight the challenges confronting the country's agricultural sector, giving voice to farmers and small and medium-sized enterprises (SMEs) to express their perceptions of climate change, their strategies to adapt to it and their support needs.

In December 2013, Uganda approved its National Climate Change Policy (NCCP), which focuses on the impacts of climate change on national development. Agriculture is one of the policy's priority sectors. The ITC report echoes the NCCP's stated need for more work on adaptation, mitigation and research, as well as cross-cutting areas of capacity building, education and training.

ITC's work will support Uganda in implementing the NCCP by providing helpful insights on how to design better responses to climate change and ways to enhance the sector's climate resilience. The report stresses the importance of mainstreaming climate change into Aid for Trade and creating more effective platforms for sharing information on adaptation and mitigation measures.

Our expectation is that this document will reinforce efforts by the international community to direct resources into assisting landlocked developing countries to meet the challenge of climate change.

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Amelia Anne Kyambadde (MP),
Minister of Trade, Industry and Cooperatives, Republic of Uganda

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