common fund for commodities

Newsletter 13 | April 2019


Image: ©FAO/Giulio Napolitano

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Providing **proper inputs** to smallholder farmers in **Côte d'Ivoire**

Founded in 2010, Agritec S.A. has become one of the leading suppliers of agricultural inputs and equipment in Côte d'Ivoire. The company serves more than 300,000 farmers, helping them increase productivity with agriculture inputs such as insecticides, herbicides and fungicides as well as providing access to irrigation and spraying equipment systems. The CFC has extended a loan to Agritec to expand smallholder farmers' access to proper inputs in Côte d'Ivoire.

Image: Agritec S.A.

The company has an advanced, highly diversified distribution system, with 60 distribution centers across Côte d'Ivoire. This enables Agritec to reach farmers in rural and remote areas who could not access these products before.

CFC support enables new production capabilities

The CFC-supported project includes the construction of a new factory, which will enable the company to increase its processing capabilities and add more value to its products. Agritec will build a dry bulk fertilizer blending and packaging station, reducing the need to import the final product from foreign suppliers. Formulating special fertilizer blends locally will increase efficiency, reduce the company's costs, and lower the final price of its product. The company will also be able to produce a wider range of fertilizers that align with the needs of its consumers.

Better productivity and higher incomes

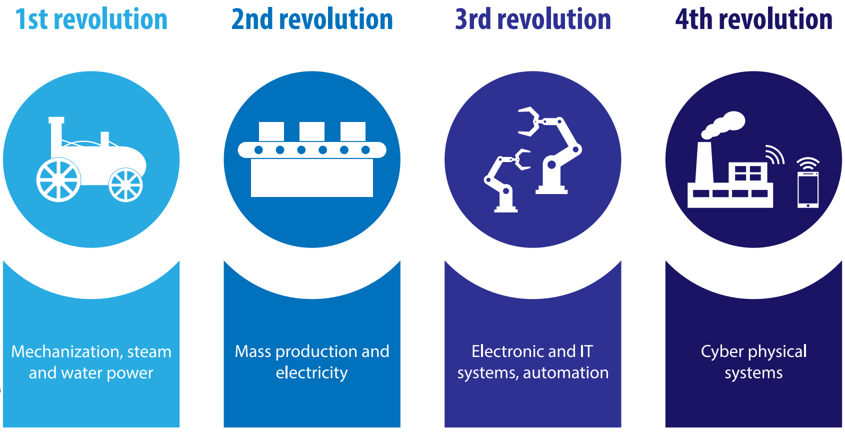
The project expects to create 120 new jobs over the next 7 years. Agritec's goal is to reach new customers and provide them with agricultural inputs. Agritec's inputs are expected to increase smallholder productivity by 38%, resulting in a substantial income increase. Additionally, the company will promote the adoption of organic fertilizers and provide technical assistance to its customers. ■

AGRITEC SA

Commodities and the **fourth industrial revolution**

The 'fourth industrial revolution' is one of today's key challenges. According to the World Economic Forum in 2018, it amounts to '...a new chapter in human development... that create[s] both promise and peril'. The disruptive impact of the widespread technological change combined with the vulnerabilities of commodity-dependent developing countries (CDDCs) may undermine the aspirations of CDDCs for sustainable development.

Industrial revolutions are characterized by a rapid change in technologies which impact society as a whole. The diagram below broadly illustrates the technological developments which have defined the past and present industrial revolutions.



Images: Adobe Stock

To illustrate the impact of technological revolutions on agriculture, we can consider that moving from subsistence farming to commercial farming, and then to industrial farming reduced the working hours per hectare per year from anywhere around 800 hours per hectare (1st revolution), to 80 hours (2nd revolution), to 10 hours (3rd revolution). The 4th industrial revolution promises to bring this down even further to less than 2 hours of human work per hectare per year.[1]

Every new technological breakthrough changes the operation of economic value chains, creating both winners and losers. Past industrial revolutions saw mass unemployment, loss of some livelihoods and economic migration, and it's expected that the fourth industrial revolution could also cause social disruption. CDDCs may face significant social challenges as the most vulnerable people have to adapt to the changing global economic value chains.

New technologies with the power to impact the commodity sector

Some of the technologies that will directly impact the commodities sector are already available. Their adoption is mainly a matter of knowledge and technology transfer. Here are some examples of what might be possible during the fourth industrial revolution:

1. **Genetic editing in combination with Artificial Intelligence (AI)-driven genetic analysis.** The use of AI for analyzing the genetic traits of main agricultural crops enables more precise breeding programs, producing plants specifically adapted to climate, soils, or nutrient composition. This will lead to significant productivity improvements, and producers in developing countries may face challenges in remaining competitive.

2. **Internet of Things (IoT)-enabled precision agriculture.** Precise monitoring of production conditions is already possi-

ble with inexpensive sensors connected in smart wide-area networks. This may eliminate most of the loss due to incorrect farming practices, saving scarce resources, and, generally, lead to achieving greater productivity with fewer inputs.

3 **Drone-driven logistics.** Critical spare parts, medical supplies and deliveries can be transported by self-piloting drones at a reasonable cost. The feasibility has been demonstrated by ZipLine in Rwanda, showing that technology-based solutions are completely viable in developing countries.

4 **AI applications in agronomy and crop management.** Using IoT sensors, a digital farmer's assistant can provide farmers with precise advice on crop management via a mobile device, at a very low cost, but with significant productivity improvements.

5 **Blockchain applications for contracts, settlement and transport.** Distributed ledger technology holds great promise for reducing the costs of logistics tracking, contract settlement, traceability, certification and other services which require trusted information transfer.

6 **Remote sensing and big data technologies in water management and climate change mitigation.** A machine learning algorithm, using data from drone-mounted video cameras or satellite images can produce accurate recommendations for irrigation, pest and disease control, and forecast the yield and quality of future crops.

7 **Robotic agriculture.** Robotic agricultural machinery that operates without human involvement is already available. This increases productivity but may lead to rural unemployment, as relatively skilled machinery operator jobs may start disappearing.

Investing in technology and positive change in CDDCs

The above list is not exhaustive, and other cyber-physical applications are likely to enter commodity value chains in the future. The first challenge is to raise awareness that CDDCs have to participate in the technological change, or face marginalization as technologically advanced competitors gain market share.

The technologies behind the cyber-physical revolution are all relatively accessible, and the main barrier to adoption lies in the knowledge and technology transfer. Development financiers can reach out to CDDCs and support the emergence of a critical mass of knowledge and skills to enable the mass adoption of new technologies in daily economic life.

The challenge facing impact investors, including the CFC, lies in finding effective ways to support technology projects and involving CDDCs in the adoption of new technologies. The goal is to support the sustainable transformation of the commodity sector by investing in the new technologies and skills required to bring about a positive impact from the fourth technological revolution in CDDCs. ■

[1] *Adapted from 'Approaching the Fourth Agricultural Revolution: analysis of need for the profitable introduction of smart farming in rural areas' by S. Lombardo, et al., University of Rome*

This article has been provided by Mr. Denis S. Ulin (Russian Federation), Chairman of the Governing Council of the CFC.

CFC holds **30th Annual Meeting** of the **Governing Council**

The Common Fund for Commodities (CFC) held its 30th Annual Meeting of the Governing Council (GC) in The Hague, Netherlands, from 6 to 7 December 2018. Participants included representatives from Member States of the CFC, international organizations and distinguished featured speakers. The Governing Council, by consensus, re-elected Mr. Denis S. Ulin from the Russian Federation as Chairperson for the period up to and including the 31st Annual Meeting of the Governing Council.

During the meeting, Ambassador Erdenetsogt Odbayar, Executive Director of the International Think Tank for Landlocked Developing Countries, spoke about the challenges related to mitigating commodity-related vulnerabilities and structural transformation of landlocked developing countries.

Besides covering operational aspects of the Fund, the meeting provided a great opportunity for GC members to discuss current topics related to impact investing and commodities. For example, Froukje Kruijssen, Senior Adviser from the KIT Royal Tropical Institute gave a presentation on gender equality, and Dr. Carlos María Correa, Director of the South Centre placed for consideration the topic of commodity dependence. ■

Image: CFC

During the Annual Meeting of the Governing Council, attendees had the opportunity to discuss contemporary issues related to impact investing and commodities.

Images: Shalem Investments

Shalem currently produces 8 tons of maize and 2 tons of porridge flour per month. A loan from the CFC is being used to build a new factory, and when it opens in 2019, production will quadruple.

As the daughter of smallholders, Shalem founder and CEO Ruth Kinoti has unique insight into the needs of the farmers her company works with, and how to best support them.

Producing **nutritious flour** in Kenya with **Shalem**

Kenya-based Shalem Investments is a for-profit business led by Ruth Kinoti. Founded in 1998, the company aggregates, transports and markets grains, cereals and legumes from a network of over 30,000 smallholder farmers. The company works closely with the smallholders to provide ongoing support and stable demand for their crops. Financial support from the CFC will enable Shalem to construct a new factory, enabling it to expand its operations and increase its impact across the region.

The CFC asked Ruth Kinoti to share more about Shalem's history and its vision for the future.

Why did you decide to become an entrepreneur?

When I was 27 years old, I was working as a teacher in rural Kenya. One day, there was a big food shortage and the students had nothing to eat. However, I knew that my hometown had a good season and there was extra beans and maize to be sold. My parents, who are smallholders, were struggling to find buyers. So, my husband and I collected the crops from the smallholders and sold them to the school. As other schools in the region were facing the same problem, I did the same thing for them. When I realized I was already running a small business and decided to focus all of my time on developing it. As a result, Shalem now purchases maize and beans from 32,000 smallholder farmers and supplies food for 11 schools in Kenya!

How has being a daughter of smallholder farmers helped you develop your business?

It was and still is a great advantage for me. I understand the uncertainties and challenges smallholders have to overcome every day. I know how your life depends on the results of each season: if the harvest is too good, the price goes so low that you have to throw part of it away; if the harvest is bad you can't buy the basics for your family. Knowing this allowed me to understand what the farmers needed and helped me to develop new products and services for them.

Could you give some examples?

Constructing storage facilities is a good example. It sounds simple, but allows us to store the excess production from a good harvest until demand increases and farmers can get a better price. Another great example is the development of the Asili Plus flour – a fortified flour for low-income consumers. Our formula permits a different mix of grains, depending on their availability each season, but always has the same quality and nutritional value. It results in a more stable demand for the farmers and a nutritious, accessible product for people living in poor conditions.

How will the CFC's financial support help Shalem?

The CFC loan will be used to build a new factory, allowing us to expand our processing capacity. Currently, Shalem produces 8 tons of maize and 2 tons of porridge flour per month. When the new factory opens in ▶

Eva M. Johansson joins the CFC to strengthen the management of two **technical facilities**

Eva M. Johansson recently joined the CFC to further strengthen the Africa Agriculture and Trade and Investment Fund Technical Assistance Facility (AATIF TA Facility) and the Agroforestry Technical Assistance Facility (ATAF), both managed by the CFC. With a diverse background in the international development cooperation sector, she comes to the CFC with a broad understanding of the different actors and contexts within international development.

Eva started her career as Project Officer with the Swedish International Development Cooperation Agency (Sida). She later moved on to research-oriented positions at the International Institute for Social Studies/ Erasmus University Rotterdam, Securing Water for Food: A Grand Challenge for Development TA Facility and IRC International Water and Sanitation Centre. Most recently, she worked as a consultant at Swedish Development Advisers and in the Technopolis Group Sweden where she carried out research assignments such as project evaluations, organizational analyses and impact assessments commissioned by government agencies, international NGOs and research institutes. Over the course of her career, she has repeatedly focused on public-private collaboration, mainly in the water and sanitation sector.

Her decision to join the CFC stems from her interest in executing public-private collaboration and her desire to use her project management skills while working with the two technical assistance facilities.

Eva holds a Research Master's Degree in International Development from University of Amsterdam and a Bachelor's Degree in Political Science from University of Gothenburg. Her studies included a substantial focus on social science methodology. She has a history of engaging in volunteer work, including as former Vice President for the Society of International Affairs in Gothenburg, and as former Editor-in-Chief for the Amsterdam Social Science journal.

Eva is a Swedish citizen and resides in Amsterdam with her partner. In her free time, she enjoys cultivating her balcony vegetable garden and wishes she had more time to read the books on her bookshelf. ■

2019, production will quadruple. As a result, we expect to create 50 new jobs, increase the number of smallholders working with Shalem to 50,000 and offer a nutritious product for more people living at the bottom of the pyramid.

How do the smallholders benefit from working with Shalem?

Besides access to stable demand, Shalem supports smallholders by offering technical assistance and conducting training programs. We also promote several initiatives for women, who represent about 70% of our network. For example, we encourage the creation of women's groups, which makes it easier for Shalem to collect the crops and provides a social network for the women at the same time. Furthermore, we help them access financial services through local banks. This gives the women new opportunities to develop their own businesses, and have more control over their financial decisions. Female empowerment is also reflected in the company structure: our management team is made up of 4 women and 3 men.

One of Shalem's product innovations is Asili Plus flour – a fortified flour made from a mix of grains that provides accessible nutrition to low-income consumers.

What is your dream for Shalem?

The thing I most like about my business is seeing how it can transform the lives of smallholders, like my parents and neighbors. My big dream is to be able to buy and process products from 100,000 smallholders, and have a great impact on their lives! ■

Untreated limes bring employment opportunities to Brazil

The city of Pojuca is located in the state of Bahia in the Northeast Region of Brazil, which is one of the country's poorest regions with an unemployment rate of 17.3%.

Last year, Torres Tropical started a project in this area to set up eco-friendly agricultural production of untreated limes. In contrast to conventional lime farms, when cultivating untreated limes, farmers avoid the use of chemical and post-harvest treatments.

Because the limes do not undergo theses harvesting treatments, the skin is edible and free from the wax usually used to coat citrus fruits.

This project has already been providing new employment opportunities to locals, and is expected to provide stable employment for about 50 local men and women once the plantation is finished. Torres Tropical estimates that the first harvest will be ready by the end of 2020.

An ideal climate for growing limes

The farm consists of 297 hectares of land, of which 100 hectares can be planted. The remaining land will continue to be protected forest. So far, 20 hectares have been planted using about 28,000 lime seedlings of the 'Tahiti' variety. At the same time, Torres Tropical staff is engaged in leveling work in order to prepare more land for transplanting lime plants. The seeds are sown at the beginning of October, when days start to be longer and the temperature begins to rise. The plants need a constant average temperature of between 21 and 25 degrees Celsius to grow. With an average temperature of 24 degrees, Pojuca has the ideal climate for cultivating limes.

This project is ambitious and it needs a sound financial base to be carried out successfully. This is where the Common Fund for Commodities (CFC) comes in. With support from the CFC, Torres Tropical has the opportunity to realize this project and provide employment in one of the poorest regions of Brazil. At the same time, they're creating a sustainable food chain that respects the natural environment and provides a healthy product: the untreated lime. ■

Images: Torres Tropical

Wilson Andrade discusses the important role of CFC's Consultative Committee

As a businessman and economist with vast experience in mergers and acquisitions, international relations, foreign trade, industry and agribusiness, Wilson Andrade has presided over various sector entities in Brazil and abroad. Since 2011, he has also focused on the forestry sector, serving on the board of the Bahian Association of Forest Based Companies (ABAF), which contributes to formulating policies for the continuous development of forest activities.

Among his many other duties, Mr. Andrade is currently serving as Chairperson of the Consultative Committee (CC) for the Common Fund for Commodities (CFC). Last month, we asked him to tell us more about his role and goals for the CC.

What are the CC's main goals during your term as chairperson?

Together with my colleagues on the CC, which include representatives from Russia, China, Argentina, Ghana, Burundi, India, Malaysia, Brazil and Germany, we review and follow up on projects submitted to the CFC. Our goal is to achieve the CFC's main objective, which is developing commodities for the benefit of everyone involved in various supply chains. We also want to ensure we approve a wide variety of projects, to spread our support across a range of commodities, countries and supply chain segments. The CC is also responsible for considering project risks, social, environmental and economic impact, and alignment with the UN's 17 Sustainable Development Goals (SDGs).

What is the importance of the CC team's role?

Twice a year, the specialists on the CC have the opportunity to review dozens of projects received through the CFC's public call for proposals, in addition to the projects which are already approved and underway. CC members must distinguish between facts, opinions, fallacies and inflated numbers, in order to make informed suggestions to the Executive Board. All of the CC representatives are selected by the CFC's 101 member countries and have years of experience in their field, as well as up-to-date knowledge on all relevant aspects of the commodities sector.

During the 63rd Meeting of the Consultative Committee (CC) held in January 2019, Mr. Wilson Andrade was elected Chairman of the CC.

How does the CFC work to maximize their impact in the commodities sector?

The CC members' ultimate goal is to ensure that the CFC's current financial resources (about USD 20 million for 12 projects per year, distributed in the form of loans, equity or non-refundable grants) are optimized. The CC members' experience, common sense, up-to-date analysis and decision-making skills are fundamental to achieving this. However, it's important to reiterate that the CFC is not a bank. It is a support and development agency for commodities that produce results, as equitably as possible, for all members of the supply chain, with a special emphasis on small producers. Therefore, before projects are recommended for financing, the CC member have the huge responsibility of evaluating projects based on their economic viability, social, environmental and innovative impact, and the applicants' managerial capacity. This requires in-depth experience and a high level of professionalism from the CC members.

How does agribusiness benefit from CFC investments?

Commodity-based agribusiness accounts for a significant percentage of the total global economy. However, we are concerned with improving the distribution of the financial results of commodity activity between the different links in the supply chain. Income distribution is one of the elements that needs to be corrected. For example, there's a dramatic difference between the price of a kilo of coffee in the final consumer market and what the producers earn at the base of the supply chain. That's why it's important for us to focus on financing of projects that favor the verticalization of the supply chains, including technologies and innovations that enable a better distribution of income. The players themselves are also responsible for applying to development funds, such as the CFC, to enable the sector to grow even further. In summary, I see opportunities for agribusiness to grow as a whole – for producers as well as the related industries.

How does the CC approach sustainability?

Some of the most important factors we consider when reviewing and recommending the projects are the social and economic impact, as well as their reach, inclusivity and replicability. However, the environmental question is also given substantial consideration. All of the projects should use good agricultural practices, fair labor, recycle waste, save water and use renewable energy sources in order to work towards achieving many of the UN SDGs. In general, there's a focus on generating jobs and businesses that benefit the environment, striving to produce more with less, and aiming for zero waste.

What can the CC do to improve the distribution of its investments?

In order to improve the distribution of investments and the opportunities they represent, it's important to constantly promote the CFC's activities through different channels and partnerships. In Brazil, for example, we are establishing a partnership with a university (Unijorge) and the Commercial Association of Bahia Foreign Trade and International Relations Commission (Comex-ACB), which aims to promote opportunities, train planners and follow-up on local projects. They will share information with business entities, industrial and rural unions, and cooperatives and agents involved in development. The CFC's goal is to receive an increasing number of submissions with every open call for project proposals.

Image: CFC

Does the CC consider the UN Sustainable Development Goals (SDGs) when reviewing projects?

We strive to support all of the 17 SDGs with the projects eligible for approval. However, there are five goals that are especially aligned with the CFC's mission: Goal 1 – the end of poverty in all its forms and in all places; Goal 2 – reducing hunger, promoting food security and increasing nutrition through sustainable agriculture; Goal 5 – gender equality, Goal 8 – promoting sustained economic growth, including productive jobs and decent work for everyone; and Goal 10 – reducing inequalities within and between countries.

What kind of project are most interesting to you?

Personally, I'm particularly interested in projects that facilitate commodity investments in partnership with other funds or smaller scale development agencies. These partnerships have a multiplier effect on investments and enable us to exchange experiences with these smaller funds, as well as the companies, cooperatives and producers requesting financing. But overall, each project has its own unique character which can contribute new knowledge, activities or innovations. In other words, the CC members can learn something from every project the CFC supports, even those with many years of agribusiness experience. ■

63th Meeting of the **Consultative Committee**

The 63rd Meeting of the Consultative Committee (CC) was held at the headquarters of the Common Fund for Commodities (CFC) in Amsterdam from 28 to 31 January 2019. During the meeting, Mr. Wilson Andrade from Brazil was elected Chairman of the CC and Mr. Sebastian Senesi from Argentina was elected Vice-Chairman.

The Committee reviewed six regular projects paying attention not only to the feasibility and practical potential for lasting development impact, but also the preparedness to implement the projects without undue delay. As a result, five projects were recommended for consideration and approval by the Executive Board.

CorpoCampo – Colombia

CorpoCampo is the leading processor of palm hearts and açaí berries in Colombia, sourcing its raw materials from 1,200 local farming communities in the Amazon, and from its own 141-hectare agroforestry operation. The palm hearts and açaí products (pulp, powder and sorbets) are sold domestically and exported to the United States and Europe. CorpoCampo intends to invest in processing machinery and research and development, with the aim of expanding its small farmers outreach and its agroforestry model to meet the increasing market demand for açaí berries. The project is expected to create up to 1,200 direct and indirect jobs, increase incomes for up to 3,800 small farmers in Colombia, and expand their agroforestry operation to 1,200 hectares.

Agro food processing complex – Burkina Faso

AGROSERV Industrie S.A. is one of the leading corn processing companies in Burkina Faso. The company purchases corn from local farmers and traders and produces grits, cornmeal and animal feed. AGROSERV seeks to double its processing capacity and increase the range of value-added products by building a second processing unit. With their expansion plan, the number of smallholder suppliers is expected to increase from 4,000 to 10,000 and 64 new jobs will be created.

Sustainable Supply Chain Fund – Africa, Asia and Latin America

Sustainable Supply Chain Fund (SSCF) is an Impact Investing fund that seeks to invest in small and medium-sized enterprises (SMEs), active in the agricultural sector. SSCF focuses on commodity value chains related to nuts, fruits, cocoa and coffee in their key production regions, including Sub-Saharan Africa, Central America and Southeast Asia.

The fund will support the connection of smallholders to commercial markets. Upon maturity of SSCF in 2028, it is expected that the companies supported by the fund will be working with at least 240 suppliers/aggregators of raw materials, who will procure produce from the smallholder farmers.

Financial leasing – Tanzania

Equity for Tanzania Ltd (EFTA) provides loans to Tanzanian farmers and SMEs for machinery and equipment. Through lease arrangements, EFTA retains ownership of the equipment, reducing the risk associated with loans and eliminating the need for its customers to provide collateral. With this approach, the company is addressing one of the most significant barriers faced by SMEs when they secure financing for business growth.

EFTA focuses on leases for agricultural production and SMEs engaged in the agricultural value chain. Small farming businesses and agri-processing enterprises make up 95% of registered Tanzanian businesses, but only 7% of agribusinesses and less than 5% of subsistence farmers have access to banking services.

The project is expected to support the creation of 300 new businesses and 2,000 new jobs. In addition, 40,000 hectares of agricultural land will benefit from use of improved cultivation methods.

Meru Green Horticulture Export – Kenya

Meru Green Horticulture EPZ Limited (MGHL) is a fruit and vegetable processing company working with producers located in 14 counties across Kenya. The company aggregates, processes and exports French green beans and fruit, mainly to the European market. MGHL sources the raw materials from a network of 12,000 smallholder farmers, and provides them with full technical support.

The company intends to increase its processing capacity by expanding its factory and installing a new processing line. Upon completion of the project, MGHL expects to reach 24,000 smallholder farmers (60% women), giving them access to market and offering training in agriculture best practices. Furthermore, the project expects to create 75 new full-time jobs.

Common Fund for Commodities

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