Turning Senegal’s rice self-sufficiency vision into reality

In the Senegal River Valley rice processing business Coumba Nor Thiam is working with farmers and investors, including the Common Fund for Commodities, to respond to a nationwide challenge.

Rice is the staple food of Senegal, according to the International Food Policy Research Institute, the average Senegalese consumes 85kg per year. It is the core ingredient of millions of meals served up and down the country each day. Consequently rice, and the smallholders who produce it, has a crucial role to play in the nation’s economy, culture and food security.

Despite its prominence in the daily life of the nation, Senegal has for many years imported most of the rice it consumes. This leaves its people vulnerable to the price volatility of the international markets and is one of the reasons rice self-sufficiency has been a priority for almost 30 years. Progress has been made but there is still plenty of work to be done. According to the US Department of Agriculture, Senegal’s rice imports for the year from October 2021 to the end of September 2022, will total around 1.3 million metric tonnes, while local production is expected to be 1.25 million metric tonnes. The Covid-19 pandemic highlighted the dangers of an overreliance on imports when several rice exporting countries suspended exports and the price of the commodity rose by more than 11% in one day.

It’s no surprise this has focussed minds even more. A major part of the solution lies in the Senegal River Valley, a large area of land in the north of the country that skirts the border with Mauritania. It is a region that combines the waters of the Senegal River with a favourable growing climate, to produce the majority of the country’s rice crop. But to achieve the goal of self-sufficiency more land needs to be cultivated and yields need to increase. The key to that is supporting smallholder farmers to improve their harvests.

The government and other development organisations have invested heavily in the area, building the infrastructure necessary for the sector to thrive. This is most successful when it is done in partnership with local rice millers like Coumba Nor Thiam (CNT), that understand the needs of smallholder rice farmers and can provide them with the access to national markets they often lack.

CNT, Senegal’s third largest rice processing company, proves what’s possible when the public and private sector work together effectively. It is helping to both reduce Senegal’s reliance on imports and generate greater prosperity that is rippling throughout the region.

To widen CNT’s impact the Common Fund for Commodities (CFC) is providing USD 1.46 million in financing to support its farmer suppliers to produce rice even more effectively. The first part of the loan, disbursed in 2019, is being invested in building irrigation channels that turn previously unviable land into productive paddy fields, and providing the modern equipment needed to farm them efficiently. It is an example of how we are able to strengthen the commercial viability of local commodity producers by enabling private sector innovation.

Over the six-year period of the investment, CNT will expand its reach from 2,500 to 3,250 farmers, increase the land under rice paddy cultivation by developing new rice plots and improving old ones, and enable smallholders to boost their yields. The aim is to increase the number of harvests from 1.2 times per year to 1.9, in turn this will enhance farmer incomes on average from EUR 789 per year to around EUR 1299.
Ministry of Foreign Affairs and went on to work across Africa. He joined a young inclusive business models on a global scale. After finishing his studies in 2016, Jos lived in making rice cultivation possible. Modern equipment provided by CNT is helping rice farmers increase productivity.

Jos de Best joins the CFC to support the Technical Assistance Facility

We’re pleased to welcome Jos de Best to the CFC team. Jos will strengthen the management of the Africa Agriculture and Trade Investment Fund (AATIF) as our new Junior Technical Assistance Facility Manager.

Jos holds a BSc in Business Administration and an MSc in Global Business and Sustainability, both from the Rotterdam School of Management, Erasmus University. During his studies, he minored in Poverty Studies at the International Institute of Social Sciences (ISS). He graduated with a thesis that developed business cases for ecosystem restoration, and specialises in pioneering inclusive business models on a global scale.

After finishing his studies in 2016, Jos lived and worked across Africa. He joined a young professional programme run by the Dutch Ministry of Foreign Affairs and went on to launch the Kenyan office of a horticultural product and service provider. He introduced high quality hybrid vegetable seeds, soil analysis solutions and irrigation products from Dutch brands into the local market.

Next Jos launched an office in Côte d’Ivoire for a Dutch agri-agency and specialist in agricultural cooperatives. His key focus was advising larger cooperatives on export strategies, financial management and governance.

When Covid-19 struck in 2020, he began a new adventure in Brussels, managing the West Africa portfolio of an NGO working in technical and vocational education and training. As part of his role, he developed and implemented country programmes concerning technical and financial assistance for schools in Benin, Mali and Burkina Faso.

The opportunity to work in agriculture once again and return to his home country of the Netherlands has brought Jos to the CFC, where he will manage technical assistance projects for funds investing in African agriculture. This will enable him to explore his interests in impact investment, practical solutions to social issues and the dynamics between smallholder farmers and large agricultural conglomerates. When he’s not working you’ll find Jos reading, playing chess, or walking on the beach.

Hector Besong, the CFC’s Portfolio and Risk Manager who visited CNT in Senegal earlier this year, says: “Smallholders often struggle to fund the inputs they need to make the most of the rice seasons and there are no rural banks that will provide seasonal loans. CNT fills that gap, providing access to water through its three pumping stations and the irrigation channels it builds, as well as the high quality seeds and modern equipment that increase productivity. CNT then provides a stable national market for the farmers’ harvests.”

The positive results are evident in the relatively high yields of the region’s paddy fields and a growing prosperity that is slowing the flow of young people out of the area. It is, says Hector, an example of what can be achieved when governments and businesses are committed to working together and responding quickly to emerging challenges.

Ibrahim Sall, founder and Managing Director of CNT, agrees: “The success of the rice sector is the result of good cooperation between the government of Senegal and rice producers. The support of the government has been very important this year. The government recently increased the price of rice paddy from CFA 130 francs to CFA 160 francs, this helps the farmers to offset increasing input prices especially the cost of fertiliser. We expect them to continue supporting the sector to meet the challenge of achieving self-sufficiency in rice.”

Most importantly behind each rice paddy is a farmer benefiting from the economic opportunity working with CNT creates. Farmers such as Seidou, who has been growing rice for 23 years. He currently cultivates 50 hectares and employs 12 seasonal workers. Aged 40 he is part of a younger generation of farmers eager to continue expanding their businesses.

“Without CNT and mechanised agriculture I would not be able to develop 50 hectares,” says Seidou. “My relationship with them is a win-win and I hope one day to own my own machines and be a millionaire. In our region many young people are involved in rice farming because they can earn a good living. Very few youths from this region choose to cross the desert for opportunities in Europe.”

Like many farmers in the Senegal River Valley Seidou is, clearly, thinking big. It is an entrepreneurial spirit CNT is eager to harness by increasing its rice processing capacity to 50,000 metric tonnes per year by 2023, giving more farmers the opportunity to fulfil their ambitions. By creating the conditions in which they can do this, providing the nurturing that every rice paddy and small business needs, CNT is both driving up prosperity locally and contributing to the nation’s long-held goal of rice self-sufficiency.

Photos: CFC
5 reasons supporting smallholders is vital to the world’s food systems

The theme for this year’s World Food Day, which takes place each year on 16 October, is ‘leave no one behind’. It’s a message that resonates with smallholder farmers and everyone who works with them, because they often struggle to build secure livelihoods despite the crucial role they play in feeding their families and communities.

According to the World Bank around 80% of the world’s poorest people live in rural areas, many of whom work in agriculture. That’s why we’re committed to supporting smallholders, through our investments in commodity businesses, to tackle hunger and provide greater economic opportunity. We want to help remodel food systems locally so that smallholders are able to benefit fairly from them. Here are five reasons why.

Embedding a fairer deal for 84% of the world’s farmers

It’s hard to put an exact figure on how much of the world’s food smallholder farmers produce. But recent research by the Food and Agriculture Organization of the United Nations (FAO) found that globally five out of six farms (around 84%) are under two hectares in size and collectively they produce roughly 35% of the world’s food.

Although this figure varies significantly from country to country, across low-income nations it increases to 44%. The smallholders who grow this food often operate in the hardest to reach areas, providing vital nutrition to remote communities. They are a crucial part of local food chains, but they have little access to wider markets that could enable them to grow their customer base and their businesses.

Reducing agriculture’s environmental impact

Think of smallholders as custodians of their land. It is the key to their prosperity and an asset they may hope to pass on to other family members. That is why they are often faster than large industrial farms to adopt more sustainable production patterns and practices that maintain the quality of the land they rely on. This includes methods such as crop diversity that promotes healthier soil and resilience to extreme weather events, and agroforestry that protects local biodiversity while farming within it.

Many of the commodity businesses we invest in run programmes that train smallholders to farm sustainably. For example, our investment in Philippines-based Kennemer Foods International has supported a reforestation project with 2,000 smallholders that is enabling them to grow cocoa in a sustainable way while opening up an additional revenue stream by linking planting trees to the carbon credits market.

Increasing local food security

The multiple challenges facing the world, from the pandemic to climate change and the war in Ukraine, have highlighted the weaknesses of global food supply chains and the dangers of price volatility.

When supply chains are disrupted it can leave the poorest regions, that often suffer from an overreliance on imports, vulnerable to shortages and unaffordable price rises. Strengthening the smallholder supply chain is one way to counter this. For example, adding value to farmers’ products enables them to access wider regional markets, stimulating local growth and ensuring there are reliable suppliers on the doorstep, whatever is happening in the wider world. It’s something that Kenyan grain processing business Shalem is putting into practise. With the support of CFC investment, the company built a factory to manufacture locally-processed brands using locally-sourced crops, such as a fortified flour aimed at low income consumers. This has created certainty for smallholders and put an affordable product on the shelves.

Wider economic opportunity

The benefits of economic security and climate resilience go beyond the farms smallholders work on. As their revenues increase and their businesses grow it creates employment opportunities for others in the area.

This extra spending power has a knock-on effect on the rural economy, creating growth and helping the economy to diversify, as well as boosting the educational attainment of children whose school fees can be paid for longer. Played out on a large scale it can support significant poverty reduction.

It takes a combination of factors to get to this point, including strong public-private partnerships and long-term commitment from all parties. These elements have come together in the Senegal River Valley, where we work with rice processor Coumba Nor Thiam (CNT) – a company you can read more about on pages 1 and 2.

CNT has benefitted from the government’s vision of rice self-sufficiency, which has led to investment in vital infrastructure such as irrigation. In turn it is enabling rice farmers to grow their incomes by providing processing capabilities. The result is a regional rise in incomes and a lowering of emigration.

Empowering rural women

The FAO says that women account for 43% of the agricultural labour force in developing countries. But they do not have the same access as their male counterparts to the productive resources that drive up incomes. The FAO estimates if women did, they could increase the yields on their farms by 20-30%, building the economic security we’ve mentioned above. This is an opportunity we’re seeking to grasp. 63% of the 228,165 smallholders who will benefit from the 11 investments we approved in 2021 will be women. This includes those working with Exotic EPZ, a macadamia nuts exporter in Kenya led by three women and supported by USD 0.6 million of CFC funding. As part of its business model Exotic helps women smallholders to become financially independent, by providing training in growing techniques and links to digital tools such as mobile payments, traceability apps and health insurance.

Smallholders have a critical role to play in food systems across the globe. Yet they are often left behind struggling to earn a decent livelihood. When they thrive the positive ripple effects in the communities around them are transformative. Indeed, they have the potential to lift the prosperity of the poorest regions and contribute to the key sustainable development goals of eradicating poverty, achieving zero hunger, addressing inequality and achieving sustainable production. With the right support and by rebalancing value chains in the favour of smallholders, we know it’s possible.
Ugandan vanilla producer Enimiro was founded in 2019 around a commitment to three pillars that are crucial to its business: farmer, customer and quality. The key to delivering on each are the traceability systems it uses to bring fairness and transparency to a complex value chain.

Vanilla’s high-income potential makes it a great crop for smallholder farmers in a least develop country (LDC) such as Uganda. But growing vanilla is an intricate process, requiring farmers to follow specific procedures that produce the best quality crop and the higher revenues that come with it.

On top of this, the traditional vanilla supply chain is unstable and opaque. It relies heavily on middlemen to collect vanilla from smallholders and sell the crop to buyers, which means there is little to no transparency in the value chain. Since farmers are paid at the point their crops are sold, vanilla trading is also a cash intensive business. This is partly because the limited financial structures in LDCs prevent companies’ accessing finance, making it hard for them to advance payments to farmers and also fund activities that grow their businesses.

“Vertical supply chains and transparency are a growing demand from customers,” says David. “The ability to ensure that the products offered originate from a fair and transparent supply chain is becoming crucial. Being a supply chain partner for these customers also allows an investment environment where customers can increase value addition at the bottom.”

The market for sustainably produced goods is growing, which is creating an opportunity to expand the sustainable vanilla sector. It’s why Enimiro is committed to the rigorous traceability that proves its sustainable credentials. In its early days before a digital system was in place, 15 support officers ensured transparency by working directly with farmers to collect data, monitor compliance and support the implementation of best practice agronomic techniques, including training more than 2,000 farmers.

"In this system the most vulnerable link is funding the supply chain“, says Enimiro Managing Director, David Wright. His company is seeking to develop a more reliable system to collect vanilla from smallholders and sell the crop to buyers, which means there is little to no transparency in the value chain. Since farmers are paid at the point their crops are sold, vanilla trading is also a cash intensive business. This is partly because the limited financial structures in LDCs prevent companies’ accessing finance, making it hard for them to advance payments to farmers and also fund activities that grow their businesses.

These officers continue to support smallholders in numerous ways today. Alongside transparency, Enimiro strives to create positive social and environmental impact by engaging with local communities and farmers. Officers are key to this. They constantly talk to farmers to understand their challenges and find solutions. They also support them to access financial tools, comply with organic certification and meet fair trade requirements. “Market security, and understanding the market, is extremely important for farmers with crops like vanilla. Consistent engagement gives farmers the security that there will be a market, as well as enough information to make the best decisions”, explains David.
The disruption to supply chains caused by the Covid-19 pandemic has been quickly followed by the impact of the conflict in Ukraine. These global events have triggered a dramatic rise in the cost of many commodities, threatening the livelihoods of smallholders.

It may seem counterintuitive that commodity price increases are harming commodity producers. But there is a huge disconnect between commodity futures prices and what smallholders receive at the farm gate. The recessions that often follow price shocks will only add to the struggles of smallholders in the least developed countries (LDCs).

So why are high prices bad for smallholders? Although the price of their crop may have risen, inputs such as nitrogen fertiliser and fuel have also gone up. In fact, according to the UN’s Food and Agriculture Organization input inflation has outstripped output inflation by 6% to 2%.

The situation is made harder for smallholders in remote areas who have little access to competitive markets and limited power to charge more for their produce, which means they can’t always pass on their increased costs.

Smallholders are also consumers of the products their crops are used to make. The poorest households spend a much greater proportion of their income on food, so when prices rise in the shops smallholders are hit harder. This is exacerbated by the depreciation in value many developing world currencies are currently experiencing.

Clearly, smallholders need support. In the short term, governments and institutions must provide finance and subsidies that enable smallholders and local agribusinesses to weather this storm. At the CFC we are always looking for ways to help viable businesses survive during a crisis, as we did by providing liquidity to several of our partners when Covid-19 was at its height.

In June 2020, we established an Emergency Liquidity Facility (ELF) of up to USD 2 million to help the agribusinesses we work with continue operating. It enabled businesses that work to increase smallholder incomes, such as avocado oil producer Olivado EPZ and female-led grain processor Shalem, to keep their activities going. Beyond meeting immediate needs, this support put them in a strong position to grow once the crisis had past.

But long-term resilience to price volatility requires deeper change. Small and medium sized enterprises (SMEs) that work positively with smallholders, need financial backing and a fair playing field to profitably expand in existing and new markets.

By investing in SMEs in developing countries we aim to help them enhance their businesses for the benefit of smallholders and the communities they serve. Time and time again we’ve seen the positive impact of successful collaborations, from the building of factories that add value to products to the implementation of climate resilient farming practices. But to achieve more, there needs to be a greater focus on de-risking investments made by impact funds like us.

Ultimately, our core purpose is to tilt the economic balance back toward smallholders, so they can make a decent living in normal times and have the strength to survive when, like now, price shocks strike.

Through this close engagement Enimiro is encouraging agroforestry methods that benefit farmers and the environment around them. This includes the intercropping of vanilla with coffee and jack fruit, and the introduction of beekeeping and black soldier flies, to diversify revenue streams and give the farmers a year-round income. Establishing new farming models takes time and is often challenging but the long-term benefits of increased yields and rising incomes make the effort worthwhile.

These initiatives are having a real impact in Uganda’s vanilla growing communities, and Enimiro’s commitment to traceability systems ensures this work is being recognised. “When transparency is managed well, being able to trace products throughout a value chain can create a powerful competitive edge,” says Nicolaus Cromme, Chief Operations Officer of the CFC.

“At the same time, traceability applications that span the value chain connect an ecosystem of partners, opening the potential for additional value creation via increased connectivity, visibility, collaboration, and system-wide innovation,” he adds.

Enimiro is demonstrating the potential that embracing technology and transparency has for commodity producers and the businesses they work with. We hope it will inspire others to follow in its footsteps.
Alongside the CFC’s core mission to provide finance to agri-SMEs in its member countries, we also use our 30+ years of experience to deliver technical assistance (TA) to companies across agricultural value chains around the world.

In practice this means we work with agricultural or agroforestry impact-oriented investment funds to advise and support the companies they invest in. With nearly 10 years of hands-on experience in managing TA facilities and evolving to meet new needs and challenges, we are one of the leading providers of such knowledge and services.

What began as one CFC staff member dedicated to technical assistance support in 2013, is now a diverse team of five. Together, their skills and expertise include agriculture, agroforestry, project management, impact assessment and environmental, social and governance (ESG) risk management.

Currently, we manage technical assistance facilities for two large impact investment funds worth around USD 400 million, with projects across Latin America and Africa. These are the Africa Agriculture Trade and Investment Fund (AATIF) TA Facility and the Moringa Investment Fund Agroforestry Technical Assistance Facility (ATAF).

Making a real-world difference

Our goal is to help businesses have a genuine impact on the ground, here are some of the projects our two TA facilities are supporting to do this.

Enhancing educational opportunity with Chobe Agrivision

One of the first TA projects our AATIF TA Facility supported was with Chobe Agrivision, a maize, wheat, and soybean agribusiness in Zambia. We supported the rehabilitation of a community school and the acquisition of a school bus to transport Agrivision workers’ children from the farm to the classroom.

At the time, Katuba School was rundown and couldn’t accommodate the number of children in its catchment area, including those who came from the Agrivision farm. Children from the farm also had to walk 8km, taking three hours, to get to a school that had no electricity and was regularly flooded during the rainy season.

Our work led to a significant improvement in attendance rates and performance. The number of children enrolled from Agrivision farm and neighbouring villages also increased substantially. During a recent trip to Zambia the TA Facility Manager revisited the school ten years after our involvement in the project had ended. The school is still in good condition and now welcomes more than 1,200 primary and secondary students. According to Agrivision management the benefits have spread beyond the school gate, with its rehabilitation attracting development into the area supported by local government, such as improved access to electricity and the construction of a medical clinic.

Enabling ESG with Sterling Bank

We are currently supporting AATIF investee Sterling Bank in Nigeria to develop a digital ESG monitoring and reporting platform. Sterling Bank is a commercial bank and leader in agriculture finance in Nigeria. This platform will enable the bank to better assess and report its social and environmental performance, as well as that of its clients. It will allow Sterling to precisely quantify its ESG performance and use the data to improve its sustainability performance. The TA project also includes training of key bank staff to manage the platform and to ensure it is fit for purpose in the years ahead.

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Reducing plastic packaging with fruit processors

Our ATAF TA facility investigated sustainable alternatives to plastic packaging for African and Latin American fruit processing companies. During the project, all food processing companies supported by the ATAF were encouraged to identify challenges with their current packaging and find ways to reduce the use of plastic throughout their value chains. As a result, three companies have identified sustainable packaging alternatives to either reduce plastic usage or transition to an entirely non-plastic option.

Improving traceability with Jus Délice

We’re working with Jus Délice in Togo, an ATAF investee, to develop a digital traceability tool. This will provide it with a farm-to-fork traceability system that will help the company increase operational efficiency and improve its knowledge of the smallholder farmers in its sourcing network. For example, the tool can assist with inventory stock keeping, providing a transparent overview of the quantity and quality of produce supplied by each farmer.

The tool will also help smallholder farmers manage their farms more effectively, by boosting productivity and improving harvest planning. In August 2022, the ATAF Manager visited Jus Délice with the consultant for the project, to monitor its progress. Due to its success the tool is being considered for another Moringa investee company in Mali.

We support the career development of our staff at the CFC, because we know it increases the impact we have as an organisation. That’s why we encourage team members to expand their expertise and keep up with the latest best practice in the impact investment sector. Here’s an overview of the training some of our team have taken in the past year, which will equip them with skills to deliver on our mission.

Liz He, Junior Project Manager, undertook training in Know Your Customer (KYC) and Customer Due Diligence (CDD) with the Association of Certified Anti-Money Laundering Specialists (ACAMS), the largest international membership organisation for anti-financial crime professionals. She increased her understanding of due diligence and how to prevent money laundering.

Nicolaus Cromme, Chief Operations Officer, successfully completed the Commercial Banking & Credit Analyst certification course, which provides training on practical credit appraisal and loan structuring.

Paula Whyte, Junior Technical Assistance Facility Manager, is taking the Horticultural Correspondence College’s Tropical Agriculture course. It focuses on achieving efficient and environmentally sustainable crop and livestock production in tropical areas, to reduce malnutrition and poverty, and improve the livelihoods and food security of the people who live there. Topics covered include farming systems in the tropics, soil management, water conservation, food crops and cash crops, managing livestock and rural development. Paula will build knowledge and skills that she can apply to technical assistance projects supporting agribusinesses and financial institutions that provide agri-lending.

Peter Nielsen, Project Manager, obtained a Certification in Climate Adaptation Finance. He developed tools to identify and assess both the potential upsides and downsides of climate change for agricultural SMEs. He also attended the Summer Academy on Risk Management & Debt Recovery, which focussed on techniques to manage non-performing loans and the latest developments in the coverage of environmental and climate risks in ESG frameworks.

Tia Sudjarwo, Treasury Assistant, recently became a Certified Associate in KYC following an ACAMS course. She has expanded her knowledge of KYC and CDD, enabling her to further support the CFC’s operations unit to quickly implement impact investment, while complying with the best practices in the sector.

CFC outreach initiatives from April to September 2022

Maintaining and growing international support for our mission to ease the impact of commodity dependence, is critically important.

We regularly engage with governments and global commodity organisations to discuss the issue, update them on our latest developments and attract more funding to enhance our work. As the world adjusts to several shocks, it is vital the needs of smallholder farmers are not forgotten.

In recent months our Managing Director, Amb. Mohammed Belal, and other members of our team have held meetings with a number of high level officials to highlight the role of impact investing in strengthening the commodity sector.

With our partners we want to extend the benefits of integrating innovative business models, and share technology and expertise that develops sustainable value chains and resilient communities.
Funding recommended for approval at the 70th meeting of the Common Fund for Commodities’ (CFC) Consultative Committee (CC) has the potential to improve the lives of thousands of farmers with training and increased incomes.

The CC reviewed the viability of eight investments submitted through the CFC’s 20th call for proposals. Together these projects have a total value of USD 21,495,000, of which USD 8,617,000 will be financed by CFC loans that will now go to the organisation’s Executive Board for approval.

The investments are expected to benefit 89,800 smallholders by supporting businesses that work positively with low-income farmers in developing countries, including Colombia, Côte d’Ivoire, Ghana, Indonesia, Nicaragua, Peru, Thailand and Uganda (a least developed country). They involve a diverse range of commodities and services such as rice, soybeans, oilseeds, fruits, spices, coffee, used cooking oil (UCO), land mapping and titling. The diverse investments also reflect our increased focus on tackling climate change and harnessing technology in agricultural development. They will now undergo social, environmental, business and financial due diligence.

As an impact investment fund, contributing to the UN’s Sustainable Development Goals (SDGs) is a core part of our purpose. These investments target several, including: SDG 1 (no poverty), SDG 2 (zero hunger), SDG 5 (gender equality), SDG 8 (decent work and economic growth), SDG 12 (sustainable consumption and production), SDG 13 (climate action), SDG 14 (life below water) and SDG 17 (partnerships for the goals).

Chairperson Jie Chen led the meeting which took place in Amsterdam and was the first to be held in person since the beginning of the pandemic. It was a brilliant opportunity to reunite the committee of nine independent commodity experts, comprising five women and four men, who identify and recommend which investments the CFC’s Executive Board should make.