Common Fund for Commodities

Commodity markets

Stronger Public-private Partnerships to Overcome Commodity Market Volatility

The first meeting of the Public-Private Initiative on Commodity Market Volatility was held on 25th September 2012 at UN Headquarters in New-York. The meeting was meant to analyse possibilities for strengthening public-private dialogue in current discussions on commodity market volatility.

The volatility of commodity markets, and increasing role of financial investors have come to prominence recently as one of the factors to be considered in formulating international agenda for development of commodity dependent countries. This was prompted by the new developments in financial markets after 2008, as well as by the food crisis of 2010 and forecasts of further possible food shortages due to production problems in 2012.

The Public-Private Initiative (PPI) on Commodity Volatility Market intends to open a dialogue to reach an understanding on issues of common interest to mitigate commodity market volatility and its costs, as well as to channel financial capital into investments in physical production capacities for commodities of high socioeconomic significance for Commodity Dependent Developing Countries (CDDCs).

During the meeting, main areas of discussion covered the following:

Financialization of commodity markets

Financialization by itself doesn't seem to be a major factor in volatility. Distinction should be made between price volatility and general price levels. Actually, current volatility in commodity markets is historically low while prevailing prices levels are very high.

View was expressed that it would not be productive to try to debate and negotiate an agreement on the exact origins and criteria of extreme volatility until more consistent and unbiased evidence and analysis were available.

Dealing with volatility

Volatility in commodity markets raises concerns about food security of the most vulnerable countries and groups of people. Therefore, developing countries need to acquire capacity to deal with globalized markets. Such capacity would involve investment in knowledge, skills and broad financial and physical infrastructure and should be supported through public-private partnerships.

Facilitating investment in agriculture

Many developing countries see their domestic commodity markets isolated from the global ones because of poor infrastructure for storage and distribution of products. As a result, investment is not forthcoming even when market conditions are beneficial. Today, potential productivity gains are found in developing countries making them an obvious target for investment in commodity productive capacity. Such investments should be facilitated by some form of mitigation of risks at producer level.

Agreed outcomes of the meeting strongly suggest the necessity for modernized agenda of action in commodity sector, including research on newly emerging issues, feasible and effective practical actions to improve investment in physical production capacity, and better communications. ●

a public-private initiative on market volatility

Content

Commodities and Development

Where Do Developing Countries Go from Here?

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Dr. Masuma Farooki is a development economist, with a research focus on the impact of emerging economy commodity demand on other developing countries. She has recently co-authored a book titled 'The impact of China on global commodity prices; the global reshaping of the resource sector'. She is currently working with the Resource Materials Group (Stockholm, Sweden) as a Resources Policy Analyst.

In your report you say that we are witnessing "landscape changes" in the global commodity sector. Could you give us an illustration of the magnitude of the change?

The context in which commodities, particularly the agricultural sector, were based has considerably changed over the last three decades. Between 1970 and 2000 the global population nearly doubled, global economic output increased by a factor of 10, while global agriculture increased by a factor of three. Yet commodities suffered from low price levels for most of the 1960s to 2000. This changed in the 21st century, with rising economic and population growth being accompanied by a sustained increase in commodity prices. Whereas once agricultural land was readily available, there is now stiffer competition for it. Governments now seek to secure food and resource security as a priority in national and regional policies. We are witnessing the new super-cycle of commodity prices, as well as the competition for traditional food crops becoming stronger.

Currently there's much discussion about the changes in the global economic system. How would you characterize those relevant to commodities?

In principle, all economic developments in recent years directly affect commodity sector participants simply because commodities remain at the base of any economic activity related to physical products. However the role of commodities in development should now be seen as one arguing 'for' resource optimism. To organize our understanding of these changes, I would suggest that we look into the following segments:

▪ **Reversal in terms of trade.** Over the last century, the exchange ratio between commodities and manufactures has increasingly favoured the latter. With the commodity price super cycle starting in 2003, this has begun to change in favour of the former. This is a step away from commodities being an 'entry point' to development and becoming a lead sector, driving economic growth, employment and innovation.

▪ **Constraints in global supply.** In the past commodity supply faced short term constraints, either due to natural phenomena or political conflict. This led to price spikes, but supply normalised quickly. However the post 2003 sustained price increase has been driven by structural factors, including trade restrictions driven by food security concerns; changing governance of global agricultural value chains, the increased participation of Transnational Corporations; constraints posed by technology and investment; concerns about conservation and renewable resources; rising south-south trade. These are not short term factors and will change the economics of global commodity supply in the coming years.

▪ **Global growth driven by emerging economies.** The financial crisis of 2008 left most industrialized nations struggling to overcome structural issues in their economies. At the same time the BRICs (mainly China) have accounted for greater share of global output and for nearly half of global growth, with the expectation of rising further to 62 % by 2015. The countries are at a resource-intensive stage of their growth and their impact on commodities will be hard to ignore.

▪ **Financialisation of commodity markets.** Today, a large share of commodity trade is done as a matter of financial risk taking and diversification by investors who virtually have no interest in physical commodities. While statistical evidence of their impact on prices is mixed, excess market volatility is not appreciated by either consumer or producers, nor by the long term financial investors, as it brings risk to their investments. We need to understand the extent of excess market volatility due to financialization and also look into the distribution of resultant economic costs to be able to direct targeted assistance to the vulnerable groups.

Photo Shutterstock

Group of farmers gathering potatoes and loading a truck for export to Zambia and Malawi.

In your report, you talk about commodity development space. How would you define it today?

Commodity development space is basically a construct to strengthen the link between current development challenges resulting from commodity dependence, priority development actions, and evaluating their impact in the context of practical implementation circumstances. In our conclusions, we talk about three relevant elements:

- creating commodity space: expanding opportunities for commodity sector;
- utilising commodity space: using knowledge and policy know-how to increase the capacity of developing countries to cope with challenges;
- defending commodity space: building resilience and protecting productive capacities in the face of shocks.

How do you think these changes in commodity development space affect the commodity sector and the developing countries?

There are a number of trends that will have an impact on how the commodity space realigns in developing countries, and countries need to understand these shifts.

The first is the change in global trade patterns, particularly due to the emerging economies. Countries and firms need to take into consideration domestic capabilities and look at the competition or complementarity offered by the emerging economies. There will be both positive and negative impacts, requiring trade and domestic policies to balance potential gains for local producers and consumers because of these changing patterns.

The second is the change in global production systems, where the continued proliferation of Global Value Chains (GVCs) and Global Production Networks (GPNs) in the commodities sector, means that the power over production of suppliers and consumers have increased substantially. Isolation from such production systems is no longer a viable option and firms need to develop the capabilities to participate in such global chains.

The third trend is the change in financialisation of commodity markets, and the role of investors and speculators. We need to distinguish between narrow and broad price volatility. The former refers to frequent price changes, disproportionate to changes in physical inventories, while broad volatility is the accentuation of price movements reflecting changes in fundamental markets. Differentiating the two impacts is important for commodity producers.

What would be an example of commodity value chains generating positive development results through linkages?

We have the example of the Nigerian oil industry which has developed extensive linkages with the domestic IT sector, and the Ghanaian gold sector which has led to expansion in mining support services. By exploring both forward and backward linkages, firms can expand their business volume, upgrade production and increase productivity.

What are the particular challenges facing LDCs and other vulnerable country groups?

Commodity dependent LDCs face the threat of exclusion from the larger trade environment as well as global production networks. Their lack of standardisation and certification are a hurdle and they need support in this for both the mineral and agricultural sectors.

Emerging economies, particularly China, engage with developing countries using a combined trade, aid and investment package, as well as barter contracts; exchange of commodities for other investments. To benefit LDCs need assistance in identifying their resources and in negotiating deals.

Did our understanding of commodities and commodity dependence change in the light of recent developments?

Commodities are often perceived as a homogenous product, but this has changed in recent years with grading proliferating commodity markets, particularly where commodity exchanges exist. We are seeing more product differentiation emerging in the commodity sector, such as fair trade and organic products, FSC certified products, food air miles etc. This expansion can generate increased revenues for commodity dependent countries. For example in 2001 Jamaican Blue Mountain coffee (differentiated product) sold at $6–8,000/tonne compared to the London market price for Arabica coffee (un-differentiated product) of around $1,200/tonne. This trend will help develop capabilities for standardisation and certification that can be duplicated in other sectors, thus spreading gains to the rest of the economy.

Photo Shutterstock

▲ *African women collect roses in the greenhouses to sell at local markets*

How would you assess the Integrated Programme for Commodities given today's challenges?

The Integrated Program for Commodities (IPC) resolution, on which the Common Fund for Commodities stands, remains the only commodity focussed international instrument available to both the developing and the LDC group of countries. The aims of the IPC are even more relevant today particularly to ensure that commodity exporting developing countries, through collaboration, gain from the commodities they export.

The CFC's approach towards a 'commodity' rather than a 'country' allows the organisation to provide support to developing countries in a more relevant context. The project by project approach adopted by the CFC is conducive in understanding the complex systems of demand and supply in operation now. In order to fulfil its role, the CFC needs to keep its focus on:

- Contributing to 'quality of growth' driven economic diversification
- To address external and internal physical shocks
- To address change in international price levels
- To promote the production of and access to commodities ●

ACE: CFC Supporting a Catalyst for Rural Economic Development in Malawi

"Supported by the European Union"

The Agricultural Commodity Exchange for Africa (ACE) established in Malawi in 2006 and supported by the CFC from the initial stages seeks to implement structured trade in the highly fragmented and opaque East African market. More precisely, ACE is working to build trust among market stakeholders. To do so, ACE is focusing on three strategic, complementary and highly interlinked components – also known as ACE's three pillars – namely a warehouse receipt system, trade facilitation and price information.

Photo CFC

Actors performing a sketch in local language showing the use of warehouse receipts

The **warehouse receipt system** (WRS) is a crucial component of the Exchange. The system has the potential to considerably transform agricultural marketing in Malawi as well as integrate and strengthen small farmers into the value chain. As such the system enables the depositor to maintain the ownership of the commodity until a profitable increase in prices arises. Besides, the WRS (i) provides performance guarantees; (ii) maintains quality; (iii) reduces post-harvest losses and enables smaller operators' access to financial services.

ACE's first warehouse receipt was issued in August 2011 to maize producers from the Paprika Association of Malawi. That same year, they earned 20 % additional net profit by selling part of their WR to the World Food Programme and another 70 % when the balance was acquired by a medium-size trader in January 2012.

"Do you call ACE before you trade?" has become the ACE catchphrase

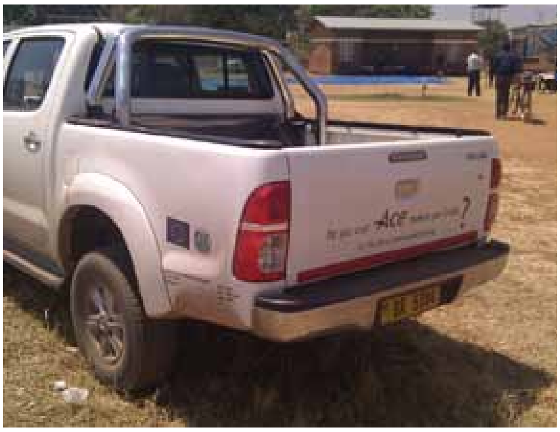

Photo CFC

To date, activities are focused on both the expansion and consolidation of the WRS. Though the system is already open to maize, soya, peas and rice, another priority will also be to target other commodities.

Trade facilitation is another essential pillar of the Exchange. In the past, ACE experienced difficulties in linking buyers and traders. This was mainly due to a lack of information, communication and high-level of defaults. Today, with the implementation of the warehouse receipt system, trade facilitation becomes more tangible. Thanks to the WR, buyers are provided with a performance guarantee enabling ACE to facilitate contracts in an orderly manner in both spot and forward markets.

Furthermore, ACE has established a network of rural agents to increase its rural reach. Their role consists in bringing ACE services closer to farmers namely collection of market data, facilitation of servicing and collection of warehouse receipts and contracts, transportation and training of rural participants.

As the WRS gains volume, there will be a need for creation of international demand. WR are indeed perfect for exports. It will then be necessary to raise awareness and build trust in these instruments.

General transparency and communication is not achievable without access to reliable **price information**. However, timely market information is only achievable through frequent contracts and significant trade volumes. Though ACE has not yet reached that objective, it collects price data from rural markets in Lilongwe and Blantyre. While disseminating these prices to about 6500 recipients — through SMS alerts and the ESOKO market information system (www.esoko.com)—, ACE experiences increased volumes of trade. With a current list of 6500 recipients, ACE is now selling SMS subscriptions for that information and not only NGOs but also the World Food Programme have bought the data for their beneficiaries. In the future, the Exchange expects to be able to publish an ACE price index for spot and forward markets.

Being a non-profit operation, ACE would not be able to grow without support of the CFC. Gradually, sustainability is expected to be reached through commissions on trade and warehouse receipts but also by facilitation of price information, transport and finance. Aware of the profitability of its business model, ACE still opted for a philosophy that all users are making profits by linking activities, e.g. brokering, storage, management or finance, to the Exchange. This model is designed to ensure that small farmers and traders can access ACE's services at the lowest cost possible. In the future, lucrative/ profit-making components such as derivatives platform or a professional clearing house could emerge from or be merged to ACE but then it would be feasible for ACE identified potential partners to operate those. ●

Photo CFC

Refurbished warehouse in Kafulu, ACE Malawi

CFC and EU Joined Forces to Revive African Cotton Sector

In collaboration with the European Union (EU), through its All ACP Agricultural Commodities Programme (AAACP), the Common Fund for Commodities supported a cluster of interventions targeting specific development opportunities in the African cotton sector.

Introduction of commercial standardization of instrument testing of cotton for African cotton producing countries (CFC/ICAC/38)

Due to ever increasing requirements of buyers and processers for good quality cotton worldwide, cotton-producing countries are obliged to provide objective and reliable tests results on cotton lint. While many developed countries had already established their own cotton-quality systems, African cotton-producing were left behind.

The global component of the project consisted in describing the procedures and requirements for a comprehensive international system of instrument-based testing of cotton. This included extensive "Round Trials" which were held 4 times/year and in which some 80 laboratories with more than 125 instruments participated.

With the support of EU-AAACP funding, the Africa-focused project component resulted in the establishment of two fully operational Regional Technical Centres, each capable of providing all required instrument-based cotton testing expertise and services to cotton companies in East and West Africa. They can also provide general support and re-testing facilities to cotton companies that are not yet using cotton testing instruments. Being in a position to provide certification of cotton produced, cotton companies will be able to better negotiate prices at both national and international markets. Estimates go in the direction of an additional US$ 40 – 50 per ton of lint. For a country producing 50,000 tons of cotton lint, this implies the possibility of annual incremental export earnings of some US$ 2 million or more.

Photo ITC

◀ Lab technicians classifying cotton samples

The project developed a "Guideline for Commercial Standardized Instrument Testing of Cotton" through the Faserinstitut Bremen in cooperation with the CIRAD (France) and the US Department of Agriculture-Agricultural Marketing Service, which was published in May 2012.

Information on the project can be found on the project website www.csitc.org.

Prevention of cotton seed contamination (CFC/ICAC/38)

Launched in 2010, the "Project for the Prevention of Cotton seed Contamination" (PPCC) aimed at encouraging and helping West African cotton producers to prevent seed cotton contamination in order to obtain better prices for both seed cotton and lint and to improve the overall reputation of the cotton produced in the region.

Cotton produced in West Africa is found to be adversely affected by contamination with inorganic matter, particularly polypropylene, as well as with foreign organic matter.
Under the technical responsibility of the International Fertilizer Development Center (IFDC), the project has been working on the improvement of quality efforts of cotton companies based in three projects countries, namely Burkina Faso, Côte d'Ivoire and Mali.

More specifically, the project identified practical ways to change post-harvest practices adopted by farmers to eliminate critical sources of contamination at minimal cost. Accordingly, distribution of post-harvest kits and systems for removal of plastic sacs from farmer households has been proposed to the farming communities.
Other activities included promotion of the adoption of less contaminating harvest and post-harvest techniques with appropriate preventive measures; and the development of an efficient marketing strategy to increase West African cotton sales and ensure that price premiums for cleaner cotton are achieved on the international market.

Photo ITC

▲ Workers offloading cotton in a more preventive way

Some 30,000 producers, 160 extension workers, 250 transporters and 1,250 ginnery workers have been trained on quality improvement. More than 40,000 harvesting kits made of cotton have been distributed to participating farmers who have produced thus far about 60,000 metric tons of better quality 'clean cotton.' Furthermore, intensified efforts are being focused on ensuring proper "sharing of profit" mechanisms being established to ensure appropriate rewards for cotton producers for the higher than usual efforts during cotton production and harvesting.

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"Supported by the European Union"

"Supported by the OPEC Fund for International Development"

Improving cotton production efficiency in small-scale farming systems in East Africa (CFC/ICAC/37)

This project objective was to increase cotton production efficiency with a view to providing an attractive and stable livelihood for over 2.75 million people living in rural areas of Kenya and Mozambique, whose incomes depend partially or totally on cotton.

So far 124 farmer field schools reaching more than 3,000 smallholder cotton farmers have been established in Kenya and Mozambique. In addition, training materials including a manual on integrated crop management of cotton for extension workers and pictorial pest identification guides for farmers have been developed. Farmers are now using training materials coupled with the knowledge gained through hands-on training, to make well informed decisions avoiding routine preventative applications of pesticides. In some farmer field schools in Kenya, pesticide applications have been reduced from 8 - 12 to 5 - 6 times within a cropping season. Through strip intercropping of cotton with food crops such as maize and beans, in Mozambique, the project is ensuring that food security and income generation issues are addressed simultaneously.

Lessons learnt from the project were shared with the wider cotton community on the occasion of the 11th Southern and Eastern African Cotton Forum (SEACF) meeting from 27-28 August 2012 in Nyeri, Kenya. ●

Photo CFC

Cotton farmers participating in a Farmer Field School in Kenya

CFC's Contribution to LSE Prestigious Programme for African Leadership

The Common Fund for Commodities participated to the London School of Economics Programme for African Leadership (PfAL). The Programme welcomes Africa's most proactive leaders to access high level academic thinking and policy conceptions about fundamental contemporary debates from around the word and to take forward leadership for development.

After a successful pilot delivery held in March 2012, the second Programme for African Leadership took place between 3-21 September 2012, welcoming 36 leader-participants from 17 countries: Cote d'Ivoire, Ethiopia, Ghana, Kenya, Liberia, Madagascar, Malawi, Mauritius, Morocco, Nigeria, Senegal, Seychelles, Sierra Leone, South Africa, Tanzania, Uganda and Zimbabwe. Participants were leaders, representing a cross-section of African society, with the private and public sectors represented along with civil society and the media.

On the occasion, of this second edition, CFC led a session on "the Role of Commodities in Africa development". Through the presentation of various CFC (co-) funded commodity development projects across the world, the Fund illustrated that reliance on commodities for integration into the global economic system does not systematically lead to incessant poverty trap. Still, such dependence on commodities entails a certain number of risks, which need to be addressed to utilize commodities for economic growth and development.

During this 3-week programme, participants had a the opportunity to attend seminars, debates and lectures, addressing salient issues relating to leadership, development dilemmas, youth, economic governance or outstanding challenges faced by the African continent.

PfAL speakers included senior academic staff from both London School of Economics and other top United-Kingdom universities, as well as high-profile national and international figures from across several sectors. *(See picture below)* ●

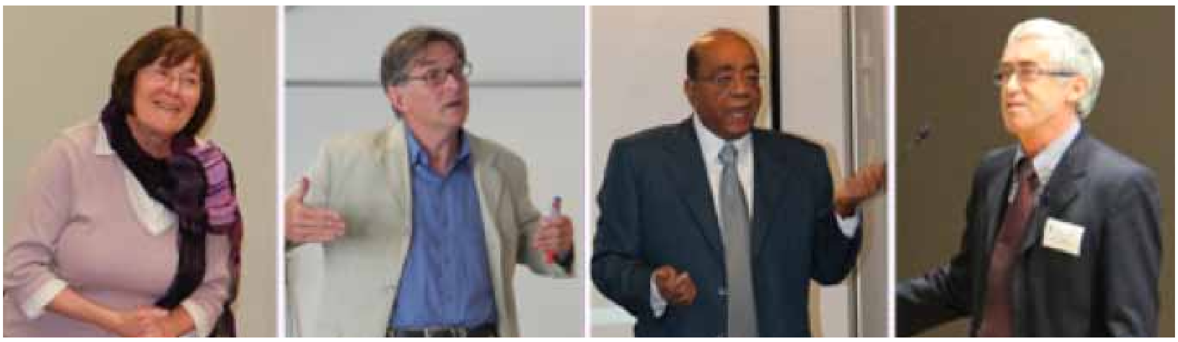
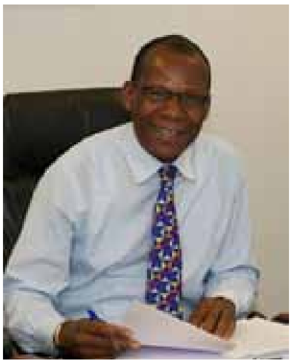


Photo LSE

World Cocoa Conference

Global Cocoa Sector : A Critical Review of Strategic Challenges



Interview with Jean-Marc Anga, Executive Director at the International Cocoa Organization (ICCO), London.

Mr. Jean Marc Anga is the executive Head of the International Commodity Body engaged in the monitoring and promotion of cocoa. There are a number of constraints in the global cocoa economy which at the time of this interview are being addressed at the World Cocoa Congress (WCC, 19-23 November 2012) convened by ICCO and the Government of Cote d'Ivoire in Abidjan. Mr. Anga addresses the main themes to be discussed during the WCC meeting.

Could you elaborate on the importance of cocoa in the world economy, the main producers, the global demand, farmers income derived of cocoa production and eventual supply side constraints?

International trade of cocoa represents about US$ 13 billion per year and the chocolate sector which depends on it generates some US$ 105 billion annually. Of the 50 cocoa-producing countries, four are located in Africa (Côte d'Ivoire, Ghana, Nigeria and Cameroon) and account for 70% of global production.

Cocoa provides livelihood for over three million farming families worldwide and represents a major source of employment and of earnings for producing countries. However, most cocoa producers face low farm-gate prices and suffer from high price volatility.

The cocoa sector has entered a period of structural deficit, threatening the sustainability of the industry. Despite significant resources being invested to improve the sustainability of the sector, little progress has been achieved in terms of productivity and quality.

As a result, in recent years, cocoa production has been lagging behind cocoa consumption in traditional markets and very soon, will be unable to meet the demand in emerging markets.

The world cocoa sector faces other challenges, including certification, child labour, diversification into food security, strengthening of farmers' organizations, access to affordable credit, food safety legislation, inventory of cocoa resources for strategic planning, cocoa processing for value addition, climate change and environmental protection, infrastructure in rural areas, sustainable funding for cocoa projects and more recently, the financialization of agricultural commodities.

What are the goals of the World Cocoa Conference which will be held in Abidjan from 19 to 23 November 2012?

The objective of the World Cocoa Conference is to critically review the strategic challenges facing the global cocoa economy and to agree on coordinated actions to be implemented. The Conference is expected to adopt a Global Agenda for a Sustainable World Cocoa Economy, outlining the key issues facing the world cocoa sector and the best approach, strategy and players to tackle them. The Agenda will contain a Strategic Action Plan at global level, with specific actions to be implemented at regional and national levels. Finally, the Conference will agree on a mechanism to raise the necessary resources to enhance the long-term sustainability of the sector.

Sustainability seems to be a common theme in the Conference. Could you briefly describe the significance of "*sustainable cocoa production*"; "*sustainable cocoa consumption*" and "*sustainable industry chain*"?

Sustainable Cocoa Production: The current business model for cocoa production is characterized by poor and uneconomic production systems with limited or no access to improved planting material, extension services, inputs, credit, especially at affordable interest rates, coupled with poor organizational base for producers leading to weak marketing opportunities and generally low returns.

Sustainable Cocoa Industry Chain: There is a lack of knowledge on the best known practices along the industry chain, from trading, processing, manufacturing and retailing. In many cases, the cocoa supply chain is inefficient, reducing the share of export price received by cocoa farmers.

Sustainable Cocoa Consumption: Despite recent improvements, in traditional and mature markets, consumers' expectations and concerns for sustainable cocoa products, meeting economic, social and environmental requirements and verified through certification and traceability, remain largely unfulfilled. The potential for expansion of cocoa consumption in emerging markets and in producing countries is essentially low. Finally, there is a lack of understanding in the cocoa demand expected by the industry which could serve as reference by producers to plan cocoa supply accordingly.

How do you see the future of the cocoa economy?

Growth in demand for sustainable cocoa is likely to continue for decades to come

as incomes, human population, emerging consumption markets and taste for more and new cocoa and chocolate products continue to expand.
Over the past decade, the demand for cocoa and chocolate products have significantly evolved, with an emphasis towards premium products mainly in mature markets and a strong growth finally materializing in emerging markets.

Consumers are increasingly demanding cocoa and chocolate products that are sustainable, certified, traceable and ensuring high level of food safety. On the supply side, farmers need to become real entrepreneurs, businessmen, using modern communication tools to be able to seize opportunities to improve the profitability of their activity.

Therefore there is a need for increased and coordinated support to cocoa farmers at international, national and local levels. At international level, it is necessary to ensure a coherent vision of the initiatives currently undertaken and planned in the cocoa sector. At national level, each cocoa producing country should establish a comprehensive cocoa development plan, through a fully inclusive, transparent and participatory approach involving all stakeholders in the cocoa value chain.

Can CFC projects play a role in ensuring that cocoa farmers get a fair price and/or a better income from cocoa growing?

CFC projects can play a major role to help correct some of the problems that result in sub-optimal market prices for cocoa and low income for farmers. Cocoa farmers need to operate in a transparent market in which price signals could be the benchmark for their decisions on investment in future production, and the one that provides them with market information on future trends. In addition, CFC can keep on supporting farmers to improve their productivity, tackle price volatility by developing price risk management strategies, and provide farmers with better information on opportunities for diversification.

In this respect, ICCO and CFC should partner to identify barriers to market transparency in cocoa producing countries and to assist them in providing both policy and institutional framework to establish efficient and effective market information services. The ICCO and CFC have already been collaborating to help reduce the vulnerability of cocoa farmers to price volatility and to perennial threats to production from pests and diseases.

What is the possible role of CFC projects for the future of the global cocoa economy?

The future of the global cocoa economy is characterized by an increasingly high demand for wholesome cocoa beans that have been produced in a sustainable manner and which satisfy all food safety concerns of the consumers. Therefore the possible role of CFC projects for the future of the global cocoa economy could include projects that would:

- Encourage the use of improved and high-yielding cocoa planting material
- Increase farm productivity through better management practices and the availability and use of necessary farm inputs including micro credits.
- Improve the quality of cocoa beans produced to meet the standard requirements of the market.
- Improve the functioning of the cocoa supply chain from farmers to the end users.
- Encourage diversification on their farms through intensive use of land resources and to take advantage of market opportunities to produce other food and cash crops on their farms.

Photo CFC

What is your assessment of the performance of previously implemented CFC cocoa projects?

Since 1993, the CFC has provided about US$14 million grant to the cocoa commodity on thirteen projects through cooperation with the ICCO as the Supervisory Body.

The cocoa projects financed by the CFC and other donors have had a significant impact on the cocoa sector of all the participating countries. Through two of CFC projects, cocoa producing countries and the world cocoa scientific community now have a collection of all available cocoa germplasm and this has revolutionize breeding and research on cocoa. It is now much easier for cocoa breeders to develop improved and high yielding cocoa varieties using collections from all part of the world.

Photo CFC

CFC funded projects have enhanced the capacity of cocoa producing countries to reduce the perennial threats to production caused by pests and pathogens, improved knowledge on cocoa marketing and demonstrated the use of market instruments to mitigate against national and international fluctuations of cocoa prices.

However, given the importance of cocoa as a tool for development and poverty alleviation, more support is required from development partners. ●

Development Innovation

SCOPE*insight* Enabling Producer Organizations to Invest their Way out of Poverty

Access to finance for smallholders is universally important across all commodity sector. In developing countries, small and medium producers organizations (POs) are facing difficulties to gain access to finance due to lack of professionalization and transparency. In response to these challenges, SCOPE*insight* has introduced the concept of rating the creditworthiness of producer organizations to help them ease their way out of poverty.

SCOPE*insight* has been working on the access to finance challenge in the agricultural sector for four years now. This is the first organization developing systematic assessments of producer organizations (POs) in agriculture, aquaculture, dairy/livestock and forestry in developing countries. It assesses the professionalism and creditworthiness of POs by profiling their organizational performance on the basis of easily observable indicators which can be verified and compared systematically.

As such, the organization seeks to (i) connect professional POs to banks, traders and input suppliers via profiles in order to enable business transactions; (ii) link immature POs to capacity building via assessment reports in order to graduate them to a professional business; (iii) set up a scalable, efficient and credible system of assessments which are affordable to all stakeholders involved; and, (iv) develop an ecosystem where capacity-building, access to markets and access to finance are interrelated via the "common language" of Profiles and Assessment Reports.

With a 120,000 US dollars-grant, the Common Fund for Commodities supported the launch of SCOPE*insight* Portal, a gateway to agricultural information and opportunities. The Portal serves as an online marketplace that bridges the information gap between small-to-medium farmer organizations and financial institutions, value chain players and NGOs. To date, over 50 profiles of producer organizations from Kenya, Uganda, Ethiopia, Cote d'Ivoire, Nigeria and Rwanda are now available. The Portal offers a competitive advantage for those financial institutions that are serious about agricultural finance. ●

www.scopeinsight.com

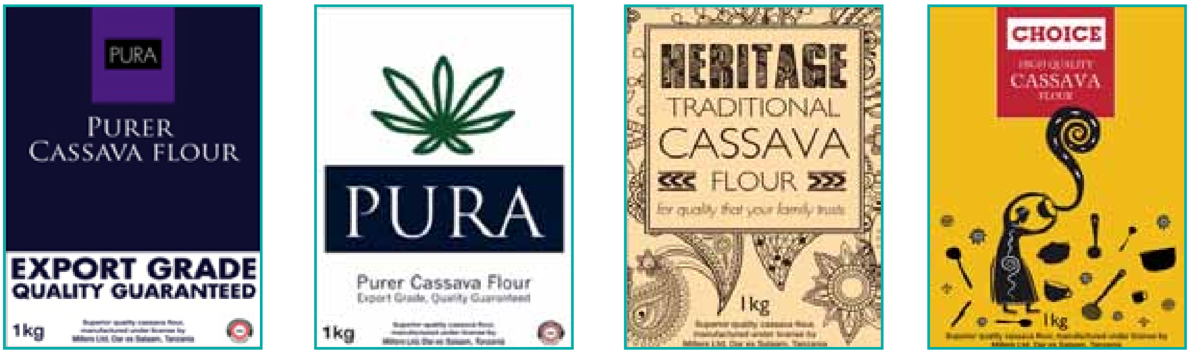
SCOPE*insight*

Turning Cassava into Cash: CFC is Reaching The "Last Mile"

"Supported by the OPEC Fund for International Development"

Attributes given to cassava are ambiguous. On the one hand it is widely regarded as a underutilized crop with large potential for food security and income generation. On the other hand persisting prejudices assume that cassava is poisonous, perishable and in any case an "emergency food crop of last resort" with an associated low status.

For some 10 years the Common Fund for commodities has been active in East Africa in order to test and trail processing methods and markets that would allow small scale farmers to make an income from cassava. After having developed a viable value chain where farmers and intermediaries in rural areas engage in cassava flour making, the CFC is currently developing a world class brand for cassava flour for home consumption that will be distributed in retail outlets in Tanzania. This approach is being led by contracted professional commodity marketing specialists who undertook market researches and developed a brand like it would be done for any other commercial product entering a new market. These branded products will directly compete with imported wheat flour and come at a competitive price. Negotiations with commercial companies to trade this branded flour are already at an advanced stage. After 20 years of confirmation and reassurance that there is a theoretical great potential for Cassava in Africa, this will be the first industrially produced and professionally marketed cassava product in East Africa. ●



▲ *High Quality Cassava Flour branding designs*

Caribbean Farmers on their Way to Expand their Food Production

"Supported by the European Union"

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As a response to the food crisis of 2008, CARICOM governments agreed to substitute up to 25 % of their food imports with local produce. With a view to facilitating Caribbean smallholders' contribution to regional efforts towards food security and sovereignty, the Common Fund for Commodities and the EU-funded All ACP Agricultural Commodities Programme (AAACP) initiated a cluster of projects aiming at boosting production of roots & tubers as well as of vegetables and herbs in the region.

Under "*Increased production of Root & Tuber Crops in the Caribbean through improved Marketing and Production technologies*", the CFC and AAACP have supported the development of a commercially viable and sustainable regional root & tuber crop industry in CARICOM countries. The project seeks to eradicate identified key constraints along cassava, yam and sweet potato value chains and to explore market opportunities in conjunction with exports, developing agribusiness clusters. Selected pilot countries are Barbados, Dominica, Haiti, Jamaica, St Vincent & the Grenadines and Trinidad & Tobago.

Photo M. Tambwe

▶ *Vincentian farmer in a sweet potatoes field*

With the collaboration of the Caribbean Research & Development Institute, the project involved activities fostering:

- the increase of the demand for fresh and value added products of the selected root and tuber crops in the local and regional markets; strengthen existing production groups;
- the improvement of the knowledge and skill of actors along the value chain through training in and dissemination of production, post-harvest, processing, and marketing techniques;
- the production and distribution of high quality planting materials of cassava, sweet potato and yam through the establishment of appropriate propagation facilities; and,
- the demonstration and, as necessary, the validation of technological innovations in root and tuber crop production and use.

To date, functioning plant multiplication and hardening facilities were established as key element in enhancing rootcrop productivity. The beneficiary islands now have the capacity to multiply high quality and disease free planting material for various roots and tubers on a sustainable basis. At the same time precise interventions are made along identified value chains for roots and tubers that show promising results.

The project has demonstrated that the approach of integrated root & tuber sub-sector development can have a significant and immediate impact on poverty eradication. In several islands, commercial value addition enterprises benefitted from the project and various unexploited market opportunities for sweet and Irish potatoes were identified and developed.

As for the project "*Increased Production of Vegetable and Herbs through the use of protected agriculture*", the focus was on strengthening the competitiveness of vegetable farmers in the Caribbean engaged in the Production and later the export of high value fresh vegetables and herbs through the use of Protected Agriculture (PA).

The project focused on setting up a pilot and expanding the use of protected agriculture (PA) systems through capacity building and infrastructure enhancement. Through the strategy of adapting and transferring PA technologies to vegetable farmers and other stakeholders in Haiti, Jamaica, and Trinidad and Tobago, the project has developed and intensified food production within the limited land available. At the same time, the projects increased the reliability of supply and enhanced quality and compliance with regulatory (both public and private) requirements of the markets, which are becoming more stringent, particularly with regard to sanitary and phytosanitary requirements. Another aspect was the development of improved production and marketing tools, including more integrated PA production and marketing information systems and a database accessible to all stakeholders.

Photo M. Tambwe

Harvesting a sweet potato

So far, demonstration greenhouses have been constructed. At the same time a market analysis for greenhouse produce has been undertaken and farmers have been trained in the complex management of greenhouse vegetable production. Direct market linkages have been established with hotel resorts and fast-food chains which are willing to pay premium prices for fresh local vegetables in order to demonstrate the economic viability of investment into greenhouses. ●

Photo M. Tambwe

Tomatoes growing in a greenhouse - Jamaica

Testimonial from the field

Boosting Smallholder Dairy Industry in Zambia and Lesotho

Smallholder dairy farmers in Southern Africa are fragmented which limits their productivity and competitiveness. In collaboration with the Golden Valley Agricultural Research Trust (GART), the Common Fund for Commodities co-funded a programme to strengthen productivity and competitiveness of dairy sector in both Zambia and Lesotho. Within four years, this joint initiative laid strong foundation for the integration and growth of smallholder dairy industry.

The programme acted through training in husbandry, national and international exchange visits, access to equipment and microfinance, and linking farmers with buyers. As regards market access, beneficiary smallholders have connected with rural dairy cooperatives which serve major dairy processors located in Lusaka (Zambia) and Maseru (Lesotho).

The project has helped 2000 small dairy producers to considerably improve their incomes and livelihood; it also brought significant technological advancement in rural milk sector. Dairy farmers are now able to produce hygienic milk thanks to improved milking practices, access to fully-equipped milking parlours and regular tests of cows for diseases. The project facilitated commercialization and marketing of dairy production. In addition, it promoted greater awareness and policy changes in support of development of dairy industry in both countries.

The "Strengthening the Productivity and Competitiveness of Smallholder Dairy Sector in Zambia and Lesotho" programme has illustrated how dairy development improves and diversifies livelihoods. In some cases, it assisted in achieving both food security and poverty reduction while offering employment and empowerment opportunities to vulnerable people of the society. Poverty alleviation through smallholder dairy development has proven being an important driver for the growth of the sector in many other developing countries. ●

Photo CFC

In Zambia, CFC/GART project facilitated the creation of some 500 permanent jobs for youths, with a monthly earning ranging from 30 to 90 US dollars. These employment opportunities prevent urban migration of unemployed youth.

Employment opportunities for rural youth

Titus, 25 years old, is a married man with one child. In 2006, he was hired as farm worker by Matongo Hapeela – a small dairy producer from Mazaboka district, Zambia. When he started out, his monthly income amounted to 21 US dollars/month. Increase in milk production and number of cows changed Titus' life. He has a secure job milking cows, record keeping and feeding. Besides, he's in charge of the daily milk delivery to Magoye Milk Cooperative Centre. Today, Titus enjoys a monthly wage of 45 US dollars plus free housing, 0.5 hectare land for maize planting and 25 litres of milk for home consumption.

The smallholder dairy project offered rural employment opportunity to many young people, preventing rural to urban migration of unemployed youths.

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