



Common Fund for Commodities

CFC: Making commodities work for everyone

Twenty-two years after approving its first project, the Common Fund for Commodities (CFC) has entered a new era in furthering cooperation in the commodity sector. From the beginning, the CFC's interventions have helped realize the potential of commodity production, manufacturing and trade for the benefit of the poor. We contribute to the socio-economic development of commodity dependent developing countries (CDDCs) by supporting innovative commodity development projects. Our approach identifies opportunities and obstacles in specific value chains to develop practical solutions that generate employment, increase incomes, enhance food security and provide new opportunities for systemic change.

In our experience, small interventions made in the right place at the right time prove the effectiveness of our approach. These achievements open up attractive opportunities for the private sector to adopt and upscale the interventions, generating real, sustained economic growth with a dramatic multiplier effect.

In this edition of the CFC newsletter, we are covering projects in Latin America and Africa which demonstrate how new approaches directly impact those most dependent on the

commodity sector, from smallholder farmers to local producers. These projects include rejuvenating coffee plantations in economies emerging from war, enhancing food security by supporting root and tuber production in the Caribbean, and creating opportunities for exporting organic bananas in Sudan and Ethiopia.

The lessons from these projects provide us with a vision and a foundation for a forward-looking strategy to facilitate practical actions in commodities. Recognizing that development funding is scarce, we are focused on maximizing impact to create productive employment and promote inclusive growth. We are flexible, open to innovation and are cost effective. The CFC is currently undergoing reforms which will enable our members to achieve their goals and allow us to be even more flexible and effective in meeting their expectations.

We encourage you to take some time to read this newsletter, get a better understanding of our projects and learn more about meetings, policies and upcoming initiatives that impact the CFC, its members and its partners. As always, we value your ideas, insights and support.

Parvinder Singh, Managing Director a.i.



Strengthening the partnership between OFID & CFC to promote the shared goals of both organizations.

Depicted left to right: Mr. Suleiman J Al-Herbish, Director-General, OFID, Mr. Abdul Wahab Al-Bader, Chairman, Governing Board OFID and Mr Parvinder Singh, Managing Director a.i., CFC

Credit: OFID/Abdullah Alipour Jeddi

OFID reaffirms its commitment to the CFC

The OPEC Fund for International Development (OFID) extends financial support through 2018

From the start, OFID has been a strategic supporter of the CFC and has sponsored the memberships for 37 Least Developed Countries (LDCs) and has provided resources for co-financing the CFC's projects targeted at smallholder farmers in LDCs worldwide.

As of September 2013, OFID has earmarked voluntary contributions to the CFC's Second Account, amounting to a maximum of US\$46.4 million under the "Framework of Financial Support from the OPEC Fund for International Development (OFID) to the Common Fund for Commodities (CFC)" which has been extended up to the end of 2018.

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During the extended period, instruments for financing have been broadened to include grants, loans or other credit instruments, loan guarantees, investments in equity, debt or investment funds or any other forms of financial intervention or contribution which are duly approved by the competent organs of the CFC. Projects eligible for this financial support will predominantly promote technology transfer, productivity enhancement, quality improvement, enhancement of market accessibility and promotion of private sector initiatives.

In addition, OFID has agreed to support direct participation of LDC members in the governance of the CFC. They have committed to covering the expenses of participation of Executive Directors so that these members can attend one CFC Executive Board meeting per year.

The CFC addressed the Governing Board of OFID on 18 September 2013 at the kind invitation of Mr. Abdul Wahad Ahmed Al-Bader, Chairman of the Governing Board and Mr. Suleiman J. Al-Herbish, Director General of OFID. At this occasion the extension of the Arrangement was signed.

With the continued support of Members, ICBs and OFID, the CFC will emerge stronger and even more attuned to meeting the evolving challenges in commodity development.



Participants met with the Governing Board of OFID on 18 September 2013 at OFID Headquarters in Vienna to sign the extension of the Framework Agreement.



A video which was presented at the OFID meeting is available on the CFC website: <http://www.common-fund.org>

Latin America

Producing high-quality olive oil in Argentina

With favorable growing conditions and the existence of national programs to expand olive production, Argentina has the potential to become one of South America's top olive oil producing countries. But to achieve this, Argentina's olive growing and processing system needs to be optimally exploited for the benefit of the farmers. All aspects of the local olive oil market need to be addressed to enable Argentinean olive oil to compete in national and international markets, including enhancing plantation productivity, improving oil quality, reducing production costs and creating differentiated products through branding.

To enhance the cost-effective and environmentally sustainable production of high-quality olive oil to increase the incomes of olive farmers and boost the overall development of the Argentinean olive oil sector, the Common Fund for the Commodities (CFC) launched a four-year project in May 2009 in the province of Catamarca entitled "Creation of a Pilot Demonstration Plant and Training to Improve Olive Oil Quality in Latin America".

With a total project budget of US\$2.13 million, the CFC provided US\$1.65 million in the form of a grant. The project was executed in partnership with the National University of Catamarca, the FAO Intergovernmental Group on Oilseeds, Oils & Fats, BERCI International Consulting and CNR-IVALSA.

Improving olive orchards and oil production

The project transferred efficient processing technologies, agricultural best practices and marketing know-how to small and medium-scale olive farmers, entrepreneurs and mill operators through systematic training sessions. In addition, a modern pilot processing plant was set up to serve as a medium-scale production and demonstration facility for the region.



Project interventions included training local farmers in olive orchard management best practices.

The project's objective was to enhance the olive oil sector in the Catamarca in terms of better crop productivity and higher quality olive oil. This, combined with an effective brand strategy, led to higher financial returns and a premium price. The olive oil produced at the CFC plant by "Los 12 Olivos" (a cooperative of local olive farmers) is marketed under the brand Olivares del Valle.

An innovative processing plant

To support the production of high-quality olive oil, the project established an innovative processing plant and provided training to a range of stakeholders, including olive farmers and olive oil processors to ensure maximum output and superior quality throughout the value chain.

In 2011, the processing plant was set up in the "El Pantanillo" industrial zone in San Fernando del Valle de Catamarca. It is located in close to the existing olive orchards to facilitate the supply of olives and, more importantly, to provide opportunities for demonstrating the impact of olive quality and processing methods on the desired oil quality. Italian manufacturer Pieralisi S.p.A., a global leader in olive oil extraction technology, provided the necessary equipment. With a processing capacity of 2,000 kilograms per hour, the plant manages the complete process of making olive oil, from receiving and sorting the olives to extracting and bottling the end product.

The plant features technologies that maximize yields while reducing environmental impact. For example, the two-phase extraction system minimizes residue and water consumption while extracting 15% more oil by volume than traditional milling technologies. At full capacity, the pilot plant is expected to produce 150,000 liters of olive oil per year, which at the average wholesale price of US\$10/liter will result in a total gross revenue of US\$1.5 million.



The innovative technologies applied at the plant efficiently utilize inputs and reduce waste while maximizing the quality and quantity of the olive oil.

During the first commercial production and marketing campaign in 2013, the plant processed 385 tons of olives with an average extraction rate of 11%. About 16,000 liters of high-quality extra virgin olive oil were produced and marketed in 2013 under the brand Olivares del Valle. Thanks to the overall project intervention, the smallholder farmers of Catamarca tripled their returns from US\$3 to US\$10 per liter of oil.

The pilot plant in Catamarca now serves as a model and information hub for sharing knowledge and best practices for olive oil production in Latin America.

Olivares del Valle goes to market – locally and internationally

Catamarca's extra virgin olive oil is now marketed under the name Olivares del Valle to buyers in North and South America. It will be distributed by ATK Consulting Group in Canada, primarily to specialized boutiques and high-end restaurants. The product's story and quality has allowed the cooperative to obtain an excellent price of US\$12/liter.

Locally, the cooperative participated in the annual Caminos y Sabores Fair held in Buenos Aires in July 2013. Open to all small producers in Argentina, the fair attracts 100,000 visitors over four days. It proved to be a good platform for introducing the product to the local market, and 750 liters of olive oil were sold with a total turnover of US\$7,000.

In addition, a showroom adjacent to the plant has been set up to allow for direct sales. The cooperative plans to host regular tastings for the public as well as various seminars on olive oil production and consumption.

A range of beneficiaries

The principal beneficiaries of this CFC project were Catamarca's olive small farmers who suffered from a lack of modern production technology, basic infrastructure to process olives and store the product, technical assistance to improve productivity and marketing know-how.

Specifically, the project directly impacted a newly-formed cooperative of olive farmers - Cooperativa Olivícola los 12 Olivos. The group presently includes

13 members. Their farms vary in size from 4 to 15 hectares, with a total of 110 hectares combined. At the moment, 60 hectares are still available for planting, allowing for significant growth potential in the coming years.

On 10 July 2013, the project officially handed over the olive oil processing plant to the 12 Olivos cooperative. The signing of the transfer of ownership was attended by cooperative president Martín Cherasco and CFC Project manager Francesco Gibbi.

The plant also offers milling, filtering and bottling services to non-members at affordable rates that align with the project's initial objective of benefiting small-scale producers.

Finally, members of the cooperative together with other independent local olive farmers have received extensive orchard management training over the course of the four-year project. These trainings were conducted by the University of Catamarca as well as by international experts in olive oil production. In the words of Raúl Alfredo López, Secretary, Cooperative Los 12 Olivos,

“We believe that CFC has helped us to make our olive oil project sustainable, allowing us to financially sustain our farms and the people and families that work and take care of our plantations... Thank you all again.”



The processing plant in Catamarca held an open house in September 2012 and invited industry stakeholders to learn more about the plant and taste their extra virgin olive oil.

Latin America

Coffee and Cocoa: Reviving Ecuador's crucial agricultural exports

The project helped improve the quality of the coffee by establishing processing units with washing and fermentation tanks and solar driers.

Credit: John Belt, KIT

In Ecuador, 27.6% of the labor force is employed by the agricultural sector, and agricultural exports significantly impact the country's economic stability. Over the past decade, the Common Fund for Commodities (CFC) has funded several long-term projects to revitalize two of the Ecuador's most important exports – coffee and cocoa.

New opportunities for abandoned coffee farms

From 2000 to 2005, Ecuador experienced a steady decline in coffee prices. Due to reduced income, many farmers moved to urban areas or abroad, abandoning their farms and increasing rural poverty in the process.

The National Coffee Board of Ecuador (COFENAC), the National Association of Coffee Exporters (ANACAFE) and International Coffee Organization (ICO) developed a project in response to this crisis. Their aim was to reduce poverty among coffee-growing families by introducing new agricultural activities that would result in higher incomes, greater food security and better preservation of natural resources.

With a total cost of US\$3.20 million, CFC provided a grant of US\$1.12 million with co-financing from COFENAC and the US Department of Agriculture 'DA P1-480' program of US\$860,000. National institutions contributed an additional US\$1.22 million.

Entitled 'Reconversion of small coffee into self-sustaining agricultural family units in Ecuador', this project has been so successful, there are plans to use it as a model for similar efforts elsewhere.

Practical solutions, sustainable results

Running from 2005 to 2010, the project focused on the provinces of Manabí, El Oro and Loja. CFC and its local partners approached the challenge from two angles – practical interventions at the farms and organizational strengthening.

They helped convert family farms into diversified, self-sustaining agricultural units by:

- Training coffee producers on technical aspects of agriculture
- Replacing 2,122 hectares of old or damaged coffee plants with improved varieties
- Establishing coffee processing units (643 washing/fermentation tanks and 659 solar driers) to improve quality
- Introducing livestock to increase available protein and provide additional income

The project also worked to strengthen existing organizations and establish new ones. 1,244 coffee-producing families were encouraged to form 31 producer organizations – 10 in Manabí, 15 in Loja and 6 in El Oro. These organizations established cooperative marketing initiatives, improved coffee processing and participated in training to expand their social, administrative and legal capacities. Within each organization, an internal control system helped to monitor achievements and indicate where additional resources were needed.

Finally, a revolving fund was established to provide micro-loans to meet the urgent needs of producer families. About 1,200 micro-loans (averaging US\$100 each) were disbursed under the project.

A model for similar projects

The project achieved all of its objectives and more. It created a substantial income increase for 1,250 coffee-producing families – often more than tripling their earnings. Introducing livestock increased food security, and reforestation contributed to conservation efforts. The coffee-producing organizations are thriving and effectively using of the new processing equipment.

The CFC, CONFENAC and ANACAFE believe there is strong potential for replicating this project in other regions of Ecuador and abroad. Information has been disseminated to relevant interest groups in Ecuador and elsewhere, including through several publications and workshops.

Latin America

Funding food security in the Caribbean

Breeding program enhances cocoa production

At the same time as the coffee-production project, CFC was helping to improve one of the country's other major crops. Ecuador is one of the world's leading producers of the 'fine flavor' category of cocoa, but faces the same challenges as other cocoa-producing regions. The first is poor productivity due to drought and low-yielding planting material. The second is cocoa's vulnerability to diseases like witches' broom and moniliasis.

From 2004 to 2010, CFC, the International Cocoa Organization (ICCO) and Bioersity International collaborated on an ambitious project entitled 'Cocoa Productivity and Quality Improvement: a Participatory Approach'. The project's main objective was to improve the welfare of smallholder cocoa farmers by distributing new cocoa varieties with improved yield capacity and resistance to pests.

INIAP, Ecuador's national agricultural research institute, together with Mars Chocolate and the US Department of Agriculture (USDA) invested in an innovative cocoa breeding program in Ecuador under the umbrella of the larger CFC project. Besides influencing local production, the project's most valuable achievement was contributing to an international gene bank that will further the development new cocoa varieties.

Disease resistance and higher yields

This breeding project focused on clones of two varieties with a long tradition in the region – CCN-51 and Nacional. Developed by INIAP in the 1970s, CCN-51 is now the most common variety in Ecuador and is known for producing higher yields, larger pods and more disease-resistant trees. In recent years, they've turned their attention to cloning and cultivating Nacional. While studies suggest that Nacional's productivity and disease-resistance is on par with CCN-51 when grown under similar conditions, only Nacional is currently graded as 'fine flavor' on the international market.

In addition to new varieties, the team worked to ensure better fertilization and irrigation which also have a significant impact on cocoa yields. With cocoa production, demand and prices on the rise, these developments are promising for Ecuador's economy and the cocoa sector as a whole.

The project supported production of value-added root and tuber products like cassava farine in Dominica and St. Vincent.

The global food crisis peaked in 2008 and millions of individuals suffered the consequences of increased food prices. It was caused by a number of factors, including changing consumption patterns, speculative investment in agricultural commodities and poor harvests in certain regions, as well as the depreciation of the US dollar.

The Caribbean region was heavily affected by the crisis and many households struggled to feed themselves. Though food prices slowly decreased after 2008, the crisis revealed that many Caribbean countries were dangerously dependant on imports for their daily nutritional needs.

Strategic response to 2008 food crisis

Part of the Caribbean's vulnerability to world food prices was attributed to a change in local diets. Over time, residents had moved away from traditional, domestic staples to a diet dependant on imported food crops such as wheat and exotic vegetables.

The Common Fund for Commodities (CFC) financed three projects in the region to reverse this trend, enhance self sufficiency and contribute to food security in the Caribbean. They aligned with the goal of the Caribbean Community (CARICOM) governments to replace up to 25% of imported foodstuffs with locally-grown produce as a strategic response to the 2008 food crisis.

Fully funded by CFC, one project aimed to stimulate the small ruminant (goat)

industry. Running from 2010 to 2013, two larger projects were funded with co-financing by the EU All ACP Agricultural Commodities Programme (AAACP). One focused on using protected agriculture for vegetable and herbs, while the other addressed root and tuber crop production. All three projects were executed by The Caribbean Agricultural Development Institute (CARDI).

Addressing the complete root and tuber crop value chain

Yams, sweet potatoes and cassava are traditional staples of Caribbean diets. The project's goal was to develop a sustainable root and tuber industry that contributed to regional food security while addressing the entire value chain, from propagation of healthy planting material to creating profitable convenience foods.

Pilot locations were identified in Jamaica, Haiti, Trinidad & Tobago, St. Vincent & Grenadines, Dominica and Barbados, and the project was broken down into five major components.

Increasing production and creating new products

The first step was increasing production of fresh and value-added products. To encourage demand for fresh produce, processing facilities were upgraded to increase production and improve compliance with health and safety regulations. For example, the project provided washer/peeler machines in Trinidad & Tobago, supplied oven racks and a mill in Jamaica, and updated farine processing





A number of root and tuber processing facilities were renovated during the course of the project, including the Tranto/Dispax cassava farine processing plant in Dominica.

Before

After

facilities in Dominica and St. Vincent. In Jamaica alone, demand for fresh cassava by Twickenham Bammy Industries grew by 300%.

The improved facilities stimulated production of value-added root and tuber products. Some examples include bammies (cassava flatbread) in Jamaica, cassava farine (flour) in Dominica and St. Vincent, and sweet potato fries in Trinidad & Tobago.

Strengthening producer groups

The project also worked to create or strengthen producer groups. Activities included strategic business planning, improving administration and accounting practices, and examining general industry issues. The project supported 2 producer groups in Trinidad & Tobago, 6 in Jamaica, 3 in Haiti and 1 in Dominica.

Competent producers, processors and marketers

The third objective was to develop skilled, knowledgeable actors throughout the value chain. Stakeholders received training in various disciplines, like Good Agricultural Practices (GAPs)



In Trinidad and Tobago, 218 workers in processing plants were trained in Good Manufacturing Processes (GMPs) and aspects of Hazard Analysis Critical Control Points (HACCP).

for producers and Good Manufacturing Practices (GMPs) and Hazard Analysis Critical Control Points (HACCP) for processors. In total, 1512 individuals received training, far exceeding the project's initial targets.

In addition, the project set up demonstration plots to test new varieties and apply best practices. In every instance, marketable yield per acre increased significantly while production costs fell.

Affordable, high-quality planting material

An affordable, locally-managed supply of high-quality planting material was required for the project's continued success. Therefore, a Caribbean network of propagation and hardening facilities was established in Jamaica, Trinidad, St. Vincent, Dominica and Barbados. In addition, tissue culture laboratories were created in Jamaica, St. Vincent and Barbados. Relevant stakeholders were trained in micropropagation and conservation techniques.

Available root and tuber varieties were increased by multiplying local strains of sweet potato, cassava and yam, introducing new (internationally-sourced) varieties to germplasm banks and eliminating bacteria from existing commercial cultivars.

Utilizing appropriate technologies

The project concluded by promoting appropriate technologies throughout the value chain. Participants collected and analyzed information on yields, quality standards and fresh and value-added products. Project leaders also conducted HACCP assessments at processing locations and knowledge assessments with those who had completed GAPs training.

Finally, new materials were introduced for future training on Good Agricultural Practices (GAP) and Food Technology. These included videos on topics ranging from trellising yam to marketing roots and tubers. In addition, printed and digital publications and training modules were created.

Lasting benefits for Caribbean agriculture

In Jamaica, Trinidad & Tobago, Dominica, St. Vincent and Barbados, the project concluded in December 2012. Activities in Haiti are set for completion in December 2013. The project's contributors and participants are very enthusiastic about what has been achieved, and the test sites will serve as models for replication throughout the region.

The training, infrastructure improvements and propagation efforts mean the project's success can be sustained by the local population well into the future. The region is now increasingly capable of supporting their nutritional requirements, and has reduced their dependence on imported food products and fluctuating international prices.

The project received US\$0.5 million co-funding from the OPEC Fund for International Development (OFID).



Good Agricultural Practices (GAPs) training included introducing effective, affordable trellising systems for yams and sweet potatoes.

Africa

Creating new potential for exports in Sudan and Ethiopia

CFC funds banana and vegetable projects to diversify export crops and increase incomes

The Common Fund for the Commodities (CFC) recently completed two projects in Sudan and Ethiopia that seek to diversify each country's agricultural sector and stimulate the production of high-value agricultural exports. Running for five years, one project created a new export market for organic bananas. A complimentary project was implemented over three years, focusing on vegetable exports.

New revenue streams with organic produce

Ethiopia and Sudan showed strong potential for expanded banana production and exports, with plenty of available farmland, perfect agro-ecological conditions for banana cultivation and relative proximity to potential export markets in North Africa, Europe and the Middle East. The project focused on producing organic bananas, which is the fastest-growing segment of the global banana market. It was funded by CFC and co-financed by the Dutch government under their Trust Fund within the CFC and OPEC Fund for International Development (OFID). The project was implemented by Bioversity International.

The project started by sourcing planting material of banana varieties that was suitable for export markets. In total, approximately 40,000 clones of banana varieties were introduced using tissue-culture techniques.

Improving processing and packaging

A number of simple innovations greatly improved banana processing and packaging. For local markets in Sudan, traders now transport banana "hands" instead of bunches in plastic crates, improving ripening and reducing losses from 40% to about 10%. New portable packing stations are also being



The project introduced mobile packing stations which allowed bananas to be packed directly at the plantations instead of being transported to a central packing location.

used to increase post harvest efficiency. They allow for packing directly at the plantation, instead of transporting bananas to a central packing location. In addition, the project developed manuals covering exporting and various aspects of production in local languages.

Sudan now exports organic and conventional bananas for the first time ever; Ethiopia for the first time in 40 years. While successful on many levels, the project's biggest achievement was putting Sudan and Ethiopia on the map as banana exporters. In 2012, Sudan started exporting bananas for the first time ever, sending nearly 6,000 tons to foreign markets including Lebanon, Egypt and Jordan. Banana exports valued at US\$1.8 million were produced by 39 commercial growers.

Ethiopia has a longer history of growing bananas, but the project revitalized the sector and as a result, the country began exporting bananas again for the first time since 1974. In 2012, they signed significant export agreements with Saudi Arabia for bananas produced by 62 Ethiopian growers.

Ongoing challenges and opportunities

Upon the project's completion, a total of 200 farmers directly benefited - 120 in Ethiopia and 80 in Sudan. In both countries, public sector horticultural organizations are committed to continuing the development of their bananas sectors. They are working to further expand the number of available varieties and address logistical challenges like high transportation costs that put especially Ethiopian exporters at a disadvantage compared to other banana-producing regions.

Exports to Europe hold the most promise for future, as demand is high and consumers are willing to pay a premium for organic bananas. A number of international shipping companies have already shown interest in starting trial shipments to Europe. To ensure increased exports in the coming years, participants and the entire sector must build on the momentum of the project, actively seek out new markets and improve infrastructure to become more competitive.



Harvesting bananas in Sudan.

In 2012 the country started exporting bananas for the first time ever thanks to this project.

Strengthening vegetable farmers' competitive advantage

In parallel to organic bananas, the CFC funded a project in Sudan and Ethiopia to improve the competitiveness of smallholder vegetable farmers producing crops for export. This included enhancing quality to meet foreign regulatory requirements, expanding production, developing an integrated supply chain and improving marketing tools.

In Ethiopia, 460 smallholder farmers and 2 commercial farmers participated in a pilot for green bean production. Over the course of the project, exports rose from 50% to 75% of their total output, while yields increased from 2.5 to 7.3 tons/hectare.

In Sudan, the project worked with 116 smallholder farmers and 66 commercial farmers. Green bean farmers saw a slight increase in exports (from 65% to 71% of their harvest), but a significant increase in yields – from 6 to 11 tons/hectare. They also cultivated okra, but very little was exported due to high local demand. In the third year, the project expanded to include melon, which was planted by 30 farmers. Exports of the melon alone accounted for more than US\$2 million in additional income.

Over the project's three years, the various economic activities generated a total income of roughly US\$2.5 million. Thanks to training and changes in production methods, many of the farmers now meet the GlobalGAP standards which are mandatory for exporting to regions like Europe. In addition, the project introduced innovative communal pack houses that allow smaller producers to aggregate their harvests, creating quantities more suitable for export.

The project received US\$1.0 million co-funding from the OPEC Fund for International Development (OFID).



CFC helped finance refrigerated trucks to improve the quality and value of the crops.



This new communal pack house allows small producers to combine their harvests, creating quantities more suitable for export.

Africa

Returning Angolan coffee to its former glory



Coffee plants can take up to four years to mature before they produce commercial-quality cherries.

Credit: Sonangol Universo Magazine

Starting in 2006, the Common Fund for the Commodities (CFC) embarked on an ambitious project in the Republic of Angola to help rebuild the country's once-illustrious coffee industry. In spite of overwhelming circumstances, the project has been a definitive success. They've exceeded their own targets, increased the country's coffee production and exports, and stimulated new interest in Angola from foreign investors.

The rise and fall of Angolan coffee

Angola was once the world's fourth largest coffee producer, exporting up to 240,000 tons per year. At its peak in 1974, coffee exports were valued at US\$180 million. On 11 November 1975, the Angola gained independence from Portugal. It was a bittersweet victory, and within two months, civil strife broke out which lasted until 2002.

Independence and three decades of fighting directly impacted the Angolan coffee industry. Prior to 1975, large

plantations accounted for 70% of the country's coffee production. Many were run by Portuguese settlers who departed after Angola's independence, taking their expertise with them. The government nationalized the plantations, but the lack of skilled labor and essential supplies resulted in huge decreases in yields.

In the 1990s, the plantations were privatized and some were divided into smaller plots. But the on-going civil war posed continued obstacles to rehabilitating the coffee farms. Many were abandoned as farmers fled to safer urban areas. By 1992, coffee production had dropped to a mere 3,000 tons.

During the same period, the Angolan economy was kept afloat by a surge in oil exports. Oil is still the country's most important source of revenue. However, both the Angolan government and international aid organizations recognized that rebuilding the coffee sector was crucial to restoring rural livelihoods.

Going far beyond growing coffee

As the project commenced, it was clear that the challenges went far beyond rehabilitating abandoned coffee plantations. They needed to redistribute land, resettle displaced farmers, and provide training and agricultural inputs like planting material. They also needed to support the development of basic necessities like houses, schools and clinics.

The entire project was valued at US\$8,530,000. CFC provided a loan of US\$2,760,000, as well as a grant of US\$1,990,000. Additional funding was provided by the Angolan government. CABI was responsible for coordinating the project locally, and a number of other aid organizations assisted in non-commodity related activities.

Resettlement & essential inputs

The first phase of the project took place from 2006 to 2009. Focusing on coffee-producing regions in the province of Kwanza Sul, the goal was to resettle 4000 displaced families. Each family was given a 2 to 5 hectare plot, subdivided from larger coffee estates.

As the plantations had been abandoned for decades, significant work was required to get them productive again. The coffee plants were old and often infested with pests and diseases. Essential support systems like research, agricultural extensions and credit facilities no longer existed. The project assisted the families with every aspect of nurturing a productive coffee crop, including weeding, replanting and fertilizing the land. Thousands of participants received training in various aspects of coffee production, processing and marketing.

Each family received 2,000 coffee saplings which they cared for in small nurseries until they were ready to be replanted. As coffee bushes need four years to mature, they farmed crops like bananas and cassava to supplement their income in the meantime. The project worked with the community to build houses, classrooms and health centers to ensure that the necessary social infrastructure was in place.

Organizing cooperatives

After securing additional funding, the project was extended through March 2011. During this second phase, more than a million seedlings were transplanted from nurseries, rehabilitating over 400 hectares. In addition, 2400 hectares of mature plants were pruned. Finally, to improve the flavor and market price of the harvested coffee, the project introduced raised drying platforms.

CLUSA helped organize the 4,917 participating farmers into 101 associations and 13 registered cooperatives, united under one umbrella organization called Cesacopa. This centralized the marketing and trading of the coffee, and enabled better access to financing. In partnership with a local bank, the project provided a total of US\$2.3 million in microcredit loans of \$500 each.

During this period, the Instituto Nacional do Café (INCA) of Angola set up 324 community plant nurseries in Kwanza Sul. So far, they have produced more than 13 million coffee seedlings and have trained more than 80 extension staff in good agricultural practices (GAPs).

Achievements & challenges

The majority of the participants are already harvesting coffee from the seedlings planted during the project. The families involved are also benefitting from an increased income. For example, in 2011, project participants received 73.4% of the selling price for their coffee. The outlook for future earnings is strong, given the rising international demand for coffee, Angolan coffee's superior flavor, and the fact that many farms are practicing organic techniques assures a steady market.

Despite the overall success of the project, 2012 production levels fell below expectations due to drought. Similar results are expected in 2013, with Casimiro Cardoso, Deputy Director of INCA, estimating a maximum output of 15,000 tons – 2000 of which will come from the project area in Kwanza Sul.

There are still a number of issues that need to be addressed in the coming years. The next step is processing the coffee locally. At the moment they can sell coffee in the husk for \$0.60 per kilogram, while hulled coffee fetches up to \$1.50 per kilogram. Roasting locally is not yet a possibility, but if facilities are built, they could sell roasted coffee for up to \$12.50 per kilogram. Finally, much of the infrastructure still needs improvement, like better roads to link the farms to neighboring towns, as well as expanded training and research facilities.

Success generates interest from foreign investors

The project was designed to reach smallholder farms, which currently produce up to 90% of the country's output. But the success of this project has also stimulated interest from major foreign investors who want to support large-scale coffee production. In July 2012, Vietnam's Thai Hoa Viet Nam Group signed a contract to work with Brazilian consultants and an Angolan coffee producer to grow 6,000 hectares of coffee in the next three years. If the pilot is successful, the initiative will expand to improve 100,000 hectares of plantations over the next 10 years, supported by a US\$250 million line of credit from Brazil.



Coffee cherries are sorted by hand.

Credit: CABI



Before the project introduced drying platforms, the coffee was dried on the ground.

Credit: CABI

Africa

Reducing poverty in the Congo with eucalyptus

Years of social and political unrest have left the Republic of the Congo with a stunning unemployment rate – 53% in 2012. The story is similar in the neighboring Democratic Republic of Congo (DRC) – a country with the 2nd lowest nominal GDP per capita worldwide.

Forestry was traditionally one of the drivers of the economy in the Republic of the Congo, but it now revolves around oil – a product which generates up to 90% of the country's export revenues. The DRC's economy relies on mining. They have over 30% of the world's diamond reserves and 70% of the world's coltan, as well as significant copper deposits. Neither industry provides meaningful opportunities for the countries' poorest residents.

Additional income from existing resources

With this project, the Common Fund for the Commodities (CFC) saw an opportunity to increase rural employment and incomes by creating new products from existing eucalyptus plantations.

Native to Australia, *Eucalyptus citriodora* has long been a part of the Congolese landscape. The trees are primarily harvested for firewood and charcoal production, but offered the opportunity to create another valuable product: eucalyptus oil. This particular strain is known for having a high concentration of citronellal, a chemical compound used in products like disinfectants, insect repellants, personal hygiene products and fragrances.

As essential oil is extracted from the leaves (which were generally discarded), this would be a profitable by-product of the existing eucalyptus timber industry. The project aimed to provide local villages with the technical know-how and necessary equipment to extract essential oils.



Eucalyptus nurseries provide research and training opportunities and planting material for reforestation initiatives.

Entitled "Development of marketing chains for *Eucalyptus citriodora* essential oils, a non-timber forest product with high added value, by village communities in the Congo", the project implementation commenced in March 2010. The Project Executing Agency was the Service National de Reboisement (National Reforestation Service) in the Republic of the Congo. They collaborated with the Direction d'Horticulture et Reboisement (Directorate of Horticulture and Reforestation) to lead activities in the DRC.



Essential oil is extracted from the leaves of eucalyptus citriodora. Previously the leaves were discarded as byproduct of the timber harvest.

Learning to extract essential oils

Essential oil is extracted from eucalyptus leaves using hydro-distillation. The project started by educating 14 trainers (from both the Republic of the Congo and the DRC) on these techniques. Two training sessions were conducted by the Pôle d'Excellence Régional (PER) from the University of Brazzaville – the first looked at fundamental principles of distillation, while the second provided hands-on training in extracting oil from *Eucalyptus citriodora*.

The 14 trainers then went on to train a total of 56 local villagers in the Republic of the Congo and 42 in the DRC. To support local production of essential oil, five artisanal extractors were placed in Ossio, Odziba, Loudima and Loandjili (Republic of the Congo), as well as Kinzono (DRC).

Moving to a semi-industrial process

An average yield of 2% was achieved using these artisanal extractors. But to generate even better results, the project decided to shift to a more organized, semi-industrial process. This would allow for more stable levels of production, better yields and higher quality oil, resulting in more income for the villagers.

The project hired an extraction expert from Benin to assess the situation and advise on the potential for using semi-industrial processes in the Congo. He concluded that the plantations could provide the enough biomass for sustainable extraction of oil and confirmed that conditions were suitable for building semi-industrial extractors locally.

Policy & Planning

20th annual CFC-ICB meeting held in Dhaka, Bangladesh

In December 2012, five semi-industrial extractors were commissioned. Adopting semi-industrial processing scale triples the yields which can now reach up to 6%, and further increases the productivity by over 50% by cutting the extraction time down to 8 hours, versus 12 to 14 hours using artisanal extractors.

Tangible results for the local population

Over the three-year course of the project, a number of results have already been seen. Rural employment has increased, especially for women, who help harvest the leaves and bottle the oil. The project has also increased the total area of village and privately-owned plantations. There are currently 60 hectares of *Eucalyptus citriodora* plantations in the Republic of the Congo, and 37 more hectares are in development. In addition, villagers have received valuable training and are moving toward semi-industrial extraction methods.

This project has real potential to substantially increase rural incomes in the Congo. Good market opportunities exist in Brazzaville and Kinshasa, especially with local pharmacies and soap manufacturers. The oil extracted from the semi-industrial process is concentrated and can be diffused up to 8 times. The average local retail price is about US\$10 for 15 ml of diffused oil, suggesting revenues of up to US\$200 per liter for the villagers.

As a next step, the project plans to establish a laboratory for quality control, conduct market research and improve the packaging of the end product. The Congolese government has also expressed its commitment to continuing the project by establishing additional eucalyptus plantations through its National Afforestation and Reforestation Programme (PRONAR).



Good local market opportunities for the oil exist in Brazzaville and Kinshasa, especially with pharmacies and soap manufacturers.



The CFC-ICB was an opportunity to discuss further collaboration with the private sector and introduce the CFC's new operational guidelines.

*Mr. Bhupendra Singh, Secretary General, International Jute Study Group (IJSJ)
Mr. Parvinder Singh, Managing Director a.i. CFC and Mr. Guy Sneyers, Chief Operations Officer, CFC*

International Commodity Bodies (ICBs) are strategic partners of the CFC and their technical expertise complements CFC's knowledge and experience in financing commodity development projects. The 20th annual CFC-ICB meeting to discuss the cooperation and collaboration between CFC and ICBs was held in March 2013 in Dhaka, Bangladesh at the Headquarters of the International Jute Study Group (IJSJ).

Notably, this was the first CFC/ICB meeting ever held in a Least Developed Country (LDC). It was also the first meeting after the approval of the CFC's new operational guidelines for the period from 2013 to 2015 which have a larger focus on the private sector and obtaining proposals through an open call.

The meeting began by reviewing the CFC's cooperation with ICBs, particularly with reference to the role of the private sector in commodity development. The participants were then briefed on the new operational procedures for CFC project implementation, including new methods of generating financing, identifying suitable projects and the open call procedure for proposals.

The meeting also addressed the suspension of selected provisions of the Agreement Establishing CFC involving ICBs for a period up to 2015. The role of ICBs in endorsing new CFC projects and in supervising ongoing projects was discussed and ICBs were encouraged to define their responsibility in supervising loan-financed CFC projects.

It was decided to hold next annual meeting back to back with Global Commodity Forum at UNCTAD in Geneva in March/April 2013.

Policy & Planning

CFC approves projects using new operational guidelines

As part of its reform process, the Common Fund for Commodities (CFC) has introduced new operational guidelines for 2013 to 2015. These include new methods for identifying projects and new criteria for their formulation, assessment and approval by the CFC. It also includes new ways of generating project financing in collaboration with a wider range of partners, particularly from the private sector. The first open call for proposals was initiated in October 2012 and generated more than 350 proposals from small and medium-sized enterprises, producer associations, cooperatives and NGOs.

New projects approved by the Executive Board

Based on the Consultative Committee's recommendations, the Executive Board of the CFC has approved nine proposals.

1. Integrated Food Management System – Regionalizing Warehouse Inventory Credit through Commodity Exchange:

The project connects farmers in remote areas with the local stakeholder-owned commodity exchange using affordable communications technology. The project will create two pilot sites, one each in Malawi and Zambia.

2. Micro Leasing in Commodity Value Chains:

The project will provide micro lease financing (ranging from US\$2,000 to US\$10,000) to small entrepreneurs and cooperatives in Tanzania seeking to invest in agricultural processing equipment, machinery, irrigation facilities or similar assets.

3. Solagrow PLC: Commercial Farm Expansion:

Solagrow provides seed potatoes, crop seeds and mechanization services to organized outgrowers and small farmers. It also produces food crops for local and export markets on its farms. CFC's contribution will be used to equip three additional farms in Ethiopia.

4. Organic Tea Marketing and Production Development for Smallholders in Shuangjiang Ethnic Minority Autonomous County of China:

YSMT is an established Chinese tea company which is now focusing on organic tea. It has about 20,000 contracted small-

holders in the Shuangjiang ethnic minority county. CFC and YSMT will establish a joint venture to conduct marketing, production and training activities to develop organic tea from Shuangjiang.

5. Commodity Branding (Windward Strategic/Shell Foundation):

The project aims to develop consumer brands for two specific commodities: sugar from Mozambique and India, and pineapple from Ghana. Windward Strategic Ltd. is partnering (inter alia) with the Shell Foundation to develop enterprise-based solutions for development problems.

6. Revitalisation of the Coffee Industry in Yemen:

Formulated at the request of the government of Yemen, this project aims to increase the productivity and efficiency of the country's coffee sector. By creating higher, more stable incomes for the coffee growers, it can provide farmers with an alternative crop that offers better returns than producing qat.

7. Partnership with the Africa Agriculture and Trade Investment Fund (AATIF):

As an Impact Investing Fund, AATIF it seeks to realize the potential of Africa's agricultural production, manufacturing, services and trade for the benefit of the poor. AATIF is complemented by a Technical Assistance Facility (managed by the CFC) that provides grant funding to strengthen the developmental aspect of individual investments.

8. SME Agribusiness Development in East Africa:

The CFC will support meso-level financing to SMEs in agribusiness in East Africa with loans ranging from US\$65,000 to US\$650,000. The types of loans will include input finance, crop finance, farm investment and company investment.

9. Identifying growth opportunities and supporting measures to facilitate investment in commodity value chains in landlocked countries:

The project aims to identify the needs and development instruments suitable for commodity dependent Landlocked Developing Countries (LLDCs). Local studies will be conducted to determine common and unique features of these various countries.



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