



Common Fund for Commodities

Reflecting on the KIT, CFC and AGRA round table (December 2012)

Public-private partnerships driving agricultural development in Africa: Exploring the way forward



KIT, CFC and AGRA round table (7 December 2012, Amsterdam)

How can private initiatives (better) contribute to the development of agribusiness in Africa? On 7 December 2012, international leaders from the public, private, and non-profit organisations and academia gathered in Amsterdam to address this very question. The invitation-only round table event was organized by the Royal Tropical Institute (KIT) in collaboration with the Common Fund for Commodities (CFC) and the Alliance for a Green Revolution in Africa (AGRA), with financial support from the Government of the Netherlands.

The presence of Chairman Kofi Annan and other esteemed members of the AGRA board (including representatives from the Rockefeller Foundation, Bill & Melinda Gates Foundation, Econet Wireless Holdings and World Economic Forum) provided a unique opportunity to explore the possibilities and

pitfalls of public-private partnerships (PPPs) in African agriculture. Prominent figures from the Dutch business sector (Unilever, Rabobank, ADM, Rijk Zwaan), development agencies (Oxfam Novib, SNV), academic sector (University of Amsterdam, Leiden University) and the Dutch Ministry of Foreign Affairs and Ministry of Economic Affairs, Agriculture and Innovation participated in the meeting.

Economist and former Dutch Secretary for Education, Culture and Science Rick van der Ploeg moderated the proceedings and led in-depth discussions about the role of public-private partnerships in Africa's agricultural development.

The outcomes of this meeting will serve as the basis for the upcoming open event to discuss the use of public funds for private sector agribusiness development in Africa (11 April 2013 – additional information on pg. 2).

Content

- 1 - 3 **Public-private partnerships driving agricultural development in Africa**
- 4 **CFC partners with AATIF**
- 5 **Friends of the Sea eco-labelling certificate in Morocco**
- 6 - 7 **Improving Myanmar's mango supply chain**
- 8 **Used lead acid battery collection in Senegal**
- 9 **Agricultural financing in Ghana with repurchase agreements (repos)**
- 10 - 11 **Myanmar School Milk Programme**
- 12 **CFC responds to threat of coffee leaf rust**

African agriculture: Current state of affairs

Before discussing the future of African agriculture, the participants looked at the current situation. Africa has seen substantial economic growth over the past five years, due in part to increasing revenues from natural resources. In the coming years, it is estimated that six or seven of the world's ten fastest growing economies will be from Africa. In terms of agriculture, Africa is home to up to 60% of the world's uncultivated arable land, creating a huge opportunity to become a major player in the global food supply chain.

But before Africa can start feeding the world, it first needs to feed itself.

But before Africa can start feeding the world, it first needs to feed itself. Development assistance has a role to play, but ultimately the responsibility lies with African leaders and the African people themselves. African governments need to reinvest the benefits of economic growth and revenues from natural resource into improving the lives of their people. The success of small-scale farmers is a crucial starting point. Instead of being stuck in a perpetual cycle of subsistence farming, smallholding farms can be transformed into small businesses by providing access to seeds, technology, advice and a network of partners within the existing supply chain.

Discussions reveal issues at the core of supporting agricultural development in Africa

Keeping Africa's current situation and challenges in view, the round table participants examined pre-selected discussion statements as a group.

As the discussion took place under the Chatham House Rule, none of the standpoints or comments can be attributed to specific participants or organizations. In addition, they do not represent the official opinions or positions of KIT, CFC, AGRA or any other organization present at the round table.

During the discussions, it became clear that the public and private sector (as well as academic and other institutions) all have an important role to play reforming African agriculture – sometimes acting alone, but often in collaboration.

Crucial aspects of successful partnerships

The participants saw significant value in establishing public-private partnerships to support the development of African agriculture. Together, they identified a number of criteria that contribute to effective partnerships, including establishing shared objectives, investing in relationships and finding the right parties to further agreed-upon goals.

They agreed that the preparation phase was of utmost importance for any partnership. Once the right parties and people are identified, partners need to formulate common objectives. Partnerships can't function properly if each party is operating based on individual interests instead of shared goals.

Carefully building relationships and trust is also key. This includes clearly defining the role of each partner, utilizing individual strengths and ensuring that each party can deliver what they have promised. It also requires transparency and honesty throughout the entire process, even if that leads to dissolving the partnership.

Finally, they mentioned a number of areas where the private sector could independently contribute to the future of African agriculture, including building infrastructure, providing training, or supplying inputs like seed and fertilizer. But the most effective partnerships are often formed by a combination of sectors, including government, NGOs and the private sector, as well as universities and knowledge institutions. Success is often based on the ability to leverage the experience and expertise of other parties as opposed to 'reinventing the wheel'.

Open meeting on public-private partnerships (PPPs): 11 April 2013

As a follow up to the invitation-only meeting on public-private partnerships held in December 2012, an open meeting is to be held on 11 April 2013 – the day after CFC's 55th Meeting of the Executive Board.

The objective of this meeting is to discuss the conclusions of the closed-door meeting with a larger audience, bringing deeper perspectives of policy makers and development practitioners into the debate. Participants will analyze the opportunities for directing private sector investment with public development funds and recommend potential options for future support of PPPs.

Approximately 170 participants are expected, including business executives, development practitioners, academics, government officials and NGO representatives.

Held in Amsterdam at the Royal Tropical Institute (KIT), the event will include keynote presentations and breakout sessions with one-on-one debates. For those unable to attend, a summary of the key discussion points will be available on the CFC website at the end of April.

Local food security: The importance of seeds

The participants then went on to explore the crucial role of local food security. The future success of African agricultural sector means moving the focus to producing what is required locally and nationally instead of simply concentrating on the export market. It also means transforming subsistence-level African farmers into small commercial enterprises capable of selling their surplus.

A number of important aspects could contribute to this transition, from soil conditions and water management to food storage and access to markets. But there is one input that's essential to making a change: It all starts with seeds.

African smallholder farmers are at a distinct disadvantage before they harvest a single crop. With existing seeds, improved management like fertilizing, weeding and irrigation can potentially boost yields, but often not enough to create a significant surplus.

Access to better seed varieties is a top priority. Specifically, seeds need to be high-yielding, adapted to local conditions and they should be produced locally. These requirements will not be resolved by major seed companies that primarily pursue crops with the highest commercial value. Traditional crops for local communities hold no interest for them.

Partnerships can play an essential role in improving the quality of seeds. Investment is required to increase the small-scale farmer's access to better varieties. Entrepreneurial training programmes and technical knowledge are also necessary. African governments can contribute by creating appropriate legislation to support the development of the seed sector, including stimulating innovation by protecting the rights of plant breeders who develop new varieties.

Providing access to capital

Financing plays an essential role in the growth of Africa's agricultural sector. Farmers need access to capital, but few options exist in the mid-range between microcredit and large capital investment. Moreover, difficulties in securing local financing are further compounded by very high interest rates. Grants, subsidies and credit have been the traditional financial instruments for supporting agricultural development. They have not outlived their usefulness, yet new financial instruments combined with the right policies would create more room for the private sector to operate.

Impact investment and patient capital are two possible financing mechanisms that could allow the private sector greater participation in agricultural development. But both require a change in thinking – prioritizing social gains and taking a long-term perspective. At the moment, these resources are slow to materialize and there is a mismatch between supply and demand.

Grants still have their place, but government funds might be better spent on essential services like infrastructure instead of subsidizing the private sector. Governments can encourage more private sector initiatives by creating consistent policies, developing reliable legislation and reducing red tape.

Finally, stimulating cooperatives can provide another solution to freeing up capital. In contrast to individual farmers, established collectives provide better, less complicated investment opportunities for both banks and the private sector.

Fuelling Africa's green revolution

After a fruitful day of discussion and debate, the session concluded by reflecting on the changes necessary to stimulate an agricultural revolution in Africa. In addition to successful partnerships, new seed varieties and access to capital, they also cited the necessity of African-specific technology, stronger institutions and improved local knowledge. Fair prices and willing governments will also play an essential role.

Regardless of the form it takes, collaboration with private companies will be crucial to the further development of agriculture in Africa. If the required elements are put in place and properly coordinated, African agriculture could be flourishing within a decade – supporting not only its own people, but contributing to the global food supply.

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Royal Tropical Institute



CFC partners with AATIF

Common Fund for Commodities signs agreement with Africa Agriculture and Trade Investment Fund to act as Technical Assistance (TA) Facility Manager

Established in 2011, the Africa Agriculture and Trade Investment Fund (AATIF) is an innovative public-private partnership dedicated to realizing the potential of Africa's agricultural production, manufacturing, services and trade for the benefit of the poor.

The Fund aims to provide additional employment and income to farmers, entrepreneurs and labourers by increasing productivity, investing in efficient local value chains and transferring knowledge. It is managed by Deutsche Bank and financed by a coalition of public and private investors such as the German Ministry of Development (BMZ) and German Development Bank (KfW). The capital committed to AATIF is currently valued at 130M USD, with expectations for further growth.

Impact investing for financial and social gains

The AATIF was founded on the principle of 'impact investing', an emerging paradigm that seeks to achieve a balance between obtaining financial returns and social and economic development. Private sector collaboration allows the Fund's public investors and other donors to leverage their resources and achieve their objectives more efficiently. The AATIF's innovative structure also provides an encouraging example of how development financing institutions and government leaders can work together to revolutionize the way development is fostered, nurtured and financed.

The Fund targets small, medium and large-scale agricultural farms as well as agricultural businesses along the entire agricultural value chain. Initiatives and organizations (like co-operatives, commercial farms and processing companies) are financed directly as well as indirectly through local financial institutions or other intermediaries (such as large agribusinesses).

AATIF's recent achievements include direct investment in the Chobe Agrivision Company to stimulate wheat, soy and maize farming in Zambia and direct investment in the Global Agri-Development Company (GADCO) to support rice farming in Ghana. Both focus on improving food security, creating jobs and providing stable incomes to the smallholder farmers that will be contracted as outgrowers for expanding commercial farms. The Fund also closed two investments in the form of credit lines extended to African banks that seek to increase their engagement in the East African agricultural sector.

CFC joins forces with AATIF as Technical Assistance (TA) Facility Manager

In order to address the shortcomings of agricultural sector funding and improve the commercial viability and social impact of its investments, the AATIF's investments are supported, where required, by a Technical Assistance (TA) Facility, initially capitalized with 6M EUR. The Common Fund for Commodities (CFC) was invited to act as TA Facility Manager due to its proven expertise and in-depth knowledge of the African agricultural sector and its market-led approach to enhancing agricultural value chains.

The TA Facility provides grant-based funding to support the investment goals of AATIF, including:

- Providing investment-specific support to partner institutions (such as farming best practices, financial and accounting skills, agricultural risk management, and support of certification processes).
- Promoting compliance with the Fund's social, environmental and development policy guidelines (such as establishing and reporting on health and safety standards).
- Compiling and sharing knowledge with the parties involved in Fund-supported investments (such as conducting impact assessments to analyze factors such as increased household income or the competitiveness of the sector).

On 4 March 2013, the CFC and AATIF jointly announced an agreement committing the CFC to act as the manager of the AATIF's TA Facility. In its new role, the CFC will formulate, monitor and supervise the AATIF's TA activities. It will also work closely with Deutsche Bank, who, as Investment Manager, will help identify opportunities that support the investment goals of the AATIF.

This partnership enables the CFC to support the AATIF's objectives by contributing its knowledge and network of international experts in the field of agricultural commodities and value chains. It will also allow the CFC to strengthen its involvement in private sector driven commodity innovation by participating more closely in selected AATIF activities.

Additional information about upcoming investments, projects and achievements will be shared on a regular basis throughout the duration of the partnership.



First Friends of the Sea eco-labelling certificate in Morocco



FOS Certificates
Cooperative Merja Zerga
Hake and Sole

As awareness of sustainable fishing practices grow, more consumers, restaurants and supermarkets are demanding information about how their fish and seafood is sourced.

In many Arab countries, the fishing industry consists of small-scale fisheries that account for more than 80% of the total landings. Local cooperatives are often formed, but many lack sufficient fishing gear and basic equipment like ice machines. In addition, there is a need for capacity building in areas related to hygiene, safety, handling and logistics.

Investing in the future of small-scale fisheries

To improve the competitiveness of small-scale fisheries, a pilot project entitled "Technical Assistance for the Upgrading of Small-Scale Fisheries and their Integration in International Trade" was launched in Djibouti, Morocco and Yemen. The project focused on upgrading the critical points of operations in artisanal fishery cooperatives. Funded by the Common Fund for Commodities (CFC) and supervised by the Food and Agriculture Organization of the United Nations (FAO), the project is being executed by INFOSAMAK (Centre for Marketing Information and Advisory Services for Fishery Products in the Arab Region).

It supports fishery cooperatives by providing information and training related to safety on board, fish handling, hygiene, packaging and sustainability. It also helps the cooperatives to make contact with potential buyers by participating in regional seafood exhibitions.

With the recent emergence of eco-labelling, a logo that identifies that the product has met an environmentally preferred standard, obtaining sustainability certifications for small-scale fishery products is a key objective. These certifications create enormous added value for artisanal fisheries, giving them a competitive edge in the market and ensuring better integration with the local and international fish trade.

Merja Zerga is first to receive eco certification

Merja Zerga is a Moroccan fishery cooperative supported by the project. Founded in 2000, it is comprised of 480 fisherman operating 150 boats. The cooperative is based near the Merja Zerga lagoon, classified as a protected wetland area under the Ramsar Convention in 1980. The industry employs approximately 16% of the village's households. The Merja Zerga collective was a very suitable candidate for the *Friends of the Sea* eco-label. Their fishing methods

didn't affect the protected wetlands or damage the seabed. Discards were less than 2% and a waste management system had been put in place in order to avoid pollution.

In April 2011, an assessment was launched to certify the cooperative according to Friend of the Sea (FOS) standards. Thanks to this process and with the support of INFOSAMAK, the cooperative has started adopting better practices related to ecosystem impact and waste and energy management.

On 22 August 2012, they received an FOS sustainability certification for two species: sole and hake. Merja Zerga became the very first cooperative to be certified not only in Morocco, but the whole of North Africa. Their success will be a model for a number of other project beneficiary cooperatives in Djibouti, Morocco and Yemen.

Merja Zerga receives additional recognition from the FAO

The United Nations General Assembly declared 2012 the "International Year of Cooperatives". In the same year, the World Food Day celebrations selected "Agricultural cooperatives – key to feeding the world" as their theme. In this context, the FAO awarded the Merja Zerga cooperative with a special medal of merit. The medal rewarded their outstanding performance and significant results. Their Friend of the Sea certification helped emphasize the cooperative's commitment to sustainability as well as the crucial importance of Merja Zerga as a Ramsar site. Currently, the cooperative is an important supplier of sole to the Spanish market. Discussions are underway for similar supply contracts with major supermarket chains in Morocco and abroad.



Merja Zerga cooperative receives medal of merit from FAO (2012) >

Improving Myanmar's mango supply chain: Success starts at the plantation

Indigenous to Myanmar, the mango is not only well-loved locally, but also provides export opportunities for a country struggling to become part of the global economy. Mango producers in Myanmar had made the first steps in bringing their fruit to foreign markets, but a variety of factors were limiting their overall success.

Since June 2009, the Common Fund for Commodities (CFC) has assisted producers in Myanmar with improving every step of the fresh mango supply chain. This initiative is one element of a larger project, 'Production of Certified Fruit and Vegetable for Export from Lao PDR and Myanmar through Integrated Supply Chain Management', which is overseen by the Food and Agriculture Organization of the United Nations (FAO) and is also funded by the OPEC Fund for International Development (OFID) through the CFC. The project also works closely with two counterparts in Myanmar: the Ministry of Agriculture and Irrigation (MoAI) and the Myanmar Fruit, Flower and Vegetable Producer and Exporter Association (MFFVPEA).

To date, the project has made a number of significant improvements in the entire mango supply chain. The involvement of CFC and its partners has helped to create a higher quality product with distinct offerings for different markets, reduce dependence on a single buyer and substantially increased profit margins.

Fruit flies, fungus and a single foreign market

The project focused on mango growers in central Myanmar (Mandalay) and the Southern Shan State. Before it commenced, mango producers were receiving low prices for the fruit they sold to the Chinese market. Analysis of the complete supply chain revealed a number of reasons for the low rates.



Un-bagged Sein Ta Lone mangoes damaged by anthracnose soon after harvest.

The primary cause was simply poor quality fruit – the mangoes were often infested by fruit flies (*Bactroceradorsalis*) and a fungus (anthracnose) that causes black spots to form before or soon after the harvest.

The second issue was their export method. The mangoes were sent by trucks to Muse, near the border crossing to China. There traders purchased them on a consignment basis. Once the farmers arrived in Muse, they had to sell their fruit for whatever price they could get. The long and expensive route to market (20 hours) did not warrant returning to Mandalay with unsold produce. Both the farmers and local traders were at the mercy of the Chinese buyers.

The mango's relatively low value also discouraged farmers from improving essential processes. Packaging was especially poorly executed. The flimsy beer bottle boxes filled with mangoes were not sturdy enough to be stacked, yet were piled high for each shipment, resulting in damaged fruit.

The first steps to higher quality fruit

The project kicked off at the mango plantations. Double-layer paper bags were wrapped small, young mangoes. The outer wax paper layer protected the fruit from water, while the inner carbon paper layer kept out light.

This simple experiment proved very successful. The bags prevented the fruit flies from laying their eggs on the fruit. The lack of light (and therefore less chlorophyll) gave this specific variety of mango (SeinTe Lone) a desirable pale yellow colour. And while not completely eliminated, the anthracnose fungus was reduced.

In parallel to the introduction of these bags, the farmers were also trained to employ additional methods to improve fruit quality, such as orchard hygiene, fruit fly traps, irrigation and pruning.

Southern Shan State: The CFC-FAO mango bag is very popular with farmers in Myanmar. The ShwePuZan mango orchard orders the bag directly from Thailand.

Mangoes worthy of suitable packaging

The higher quality (and more valuable) fruit justified improved packaging and transportation. Instead of beer bottle boxes holding 15+ kilograms each, the standard is now a smaller, stronger box that holds 12 kilograms. If used properly, they significantly reduce physical damage to the fruit during transport.

By addressing the issues of packaging and transport, the project effectively created distinct product lines suitable for different markets. The 12-kilogram boxes are used for the bottom end of the product range – mangoes grown without bags, marketed under the name Sein Ta Lone. At the top end of the range, premium mangoes are individually wrapped and placed in a single-layer display box holding 7 kilograms. Sold exclusively for export, they are branded as Santa Lone.

Finding new markets

With a better product and improved packaging, Myanmar's mango farmers were ready to look beyond their single point of sale in Muse. Farmers and their representatives joined experts from the MoAI and MFFVPEA on a trade mission to Kunming, China, organized by the project. There they met with potential buyers like Wal-Mart, Carrefour and wholesalers.

In addition, farmers and traders from Myanmar exhibited at two international trade shows in Kunming and Bangkok. These shows brought them in contact with traders from all over Asia, the Middle East and Europe, helping them to identify new buyers and reduce their dependence on China.

As a result of this international exposure, one of the Southern Shan State Mango Groups was contracted by a Malaysian buyer to supply mangoes for export to Malaysia and Singapore from 2010 to 2012. Grown in bags, the mangos are collected in Taunggyi in the Southern Shan State and represent a 77% premium over the prices paid for un-bagged mangoes sold in Muse.

The premium Santa Lone variety is also gaining traction in new foreign markets. They are now being sold to buyers in Malaysia, Singapore and Thailand.

New and improved supply chains positively impact prices

Before the start of the project in 2007, the existing supply chain from Mandalay to Muse delivered an average farm gate price of 0.27 USD per kilogram. The new and improved supply chains significantly increased the value of the mangoes.

As of 2012, the improved supply chain from Mandalay to Muse using better boxes brought farmers an average farm gate price of 0.52 USD per kilogram for the Sein Ta Lone variety.

The new supply chain producing mangoes for a Malaysian exporter saw even greater gains. The Southern Shan State Mango Group under the MFFVPEA signed a contract for the 2012 harvest to supply the Sein Ta Lone variety grown in bags. They were transported to the collection point in Taunggyi,

where they were paid a contracted price of 1.00 USD per kilogram. Even after accounting for the cost of bags, additional labour and transport, the average farm gate price was 0.92 USD per kilogram.

The exclusive Santa Lone product also shows great promise. This new supply chain took the mangoes from Mandalay to Yangon, where they were transported by air freight to Singapore. The average farm gate price (A-grade) was 0.96 USD per kilogram – slightly higher than the Taunggyi-Malaysia supply chain.



The new Santa Lone product from Mandalay is destined for supermarkets in Singapore. Mangoes are wrapped in individual foam nets and packed in single-layer display box.

On track for continued success

Over the course of 2012, the project continued to introduce new ideas and business processes to ensure the ongoing success of Myanmar's mango producers. In collaboration with the government of Myanmar, the project helped establish a new packing house in Mandalay. Facilities include a machine for grading fruit by weight, a tank for hot water treatments (to kill fruit fly eggs), a tank for cooling and fungicide treatment, a packing line and a cold storage unit. The facility and treatments will enable the mangoes to be certified (similar to ASEAN GAP), facilitating sales in China, Thailand, Malaysia and Singapore.

Within a few short years, the CFC, FAO, OFID, MoAI and MFFVPEA have made major strides in revealing attractive business opportunities for mango producers in Myanmar. Besides improving fruit quality, creating new packaging, developing new supply chains and finding new markets, Myanmar's mango farmers can now make real profits in the global marketplace and operate as profitable and growing businesses in the future.



Senegal moves forward with collection and recycling of used lead acid batteries

Millions of lead acid batteries are in use worldwide, and will need to be decommissioned and replaced at the end of their lifespan. Under the Basel Convention, Used Lead Acid Batteries (ULAB) are classified as a hazardous waste. In Senegal, ULAB recycling was being carried out by the informal sector, using highly dangerous practices that were contributing to high lead exposure.

In April 2008, the situation turned to crisis and the Ministry of the Environment and Natural Resources in Senegal requested assistance from the Secretariat of the Basel Convention. At least 18 babies and young children had died in Thiaroye Sur Mer due to lead poisoning. After completing a series of tests, the Ministries of the Environment and Health concluded that the elevated levels of lead found in the area were a direct consequence of 'informal' ULAB recycling in Thiaroye Sur Mer.

CFC responds to urgent need for formal ULAB recycling

This horrible revelation confirmed the urgent need for regulated ULAB recycling in Senegal to source, pack and ship ULAB to an environmentally sound recycling plant. The Common Fund for Commodities (CFC) is providing 68% of the funding, and it is being implemented locally by the International Lead Management Centre (ILMC) in cooperation with Senegal Department for the Environment and Natural Resources (DEEC).

Besides reducing lead exposure, the new ULAB collection centre provides an opportunity to create 'green' jobs in an area desperate for employment. The centre could also generate additional income by offering recharging services for Lead Acid Batteries (LAB), commonly used in Senegalese homes.

Unregulated recycling conditions result in dangerous lead exposure

The enormity of the problem in Thiaroye Sur Mer was clear. At the informal recycling site women would break open the ULAB with hammers and axes, leaving lead oxide in the soil. The recovered lead was melted in an abandoned brick shack without ventilation.

The lead oxide paste posed the greatest risk. It dried in the sun, causing lead oxide particles to blow around the site. The excessive exposure in babies was linked to the practice of being carried on their mother's backs. Women working crouched over the ULAB would have exposed the children to very high levels of dust. The women had little idea of the dangers posed by these poor recycling practices and were simply in desperate need of income. Visiting universities and government agencies managed to convince the women to stop recycling the ULAB at the current site.

Site construction delayed due to permits

The construction of the ULAB collection centre is moving much more slowly than anticipated. Because ULAB is classified as a hazardous waste, the Senegalese government requires an Environmental Impact Assessment to set up a formal, licensed recycling location. In addition, any business that trades or stores hazardous waste (like ULAB) must obtain a license from the local Environmental Agency to operate. An Environmental Impact Study must be included with the application.

The application process has been slow and unpredictable. So far, three applications for operating licenses have been rejected by the local authorities. The project has submitted a fourth application and is awaiting the outcome. Assuming the latest application is approved, work can commence immediately and the collection centre could open as early as mid 2013.

Local ULAB recycling plant changes requirements

In January 2010, developments near Dakar revealed new opportunities. India-based Gravita planned to construct an environmentally sound ULAB recycling plant. A recycling facility would dramatically improve the economics and financial sustainability of the ULAB collection centre.

The collection centre plans originally included space for loading and storing pallets of ULAB, which would be periodically dispatched to a European smelter. If domestic recycling was an option, the additional storage space was no longer required. Gravitas could pick up the ULAB from the collection centre every day, providing a more consistent flow of capital. Once Gravita was given permission to open a ULAB recycling plant, the project amended the Terms of Reference (TOR) to reflect their adjusted requirements.

The Gravita ULAB recycling plant and lead smelting facility was built in Sebikotane, 45 kilometres east of Dakar. Completed in 2012, the plant has the capacity to produce 8,000 metric tons of lead bullion annually from recycled ULAB and complies with all necessary environmental and health standards.

Reconsidering the location of the collection centres

Thiaroye Sur Mer was originally selected as the location for the collection centre, but severe flooding in 2009 indicated the danger of this location. The surrounding area was badly contaminated by lead oxide and flooding could potentially affect the local water supply.

The project has identified an alternative location for the ULAB collection centre in Colobane, a suburb of Dakar that is 50 kilometres from the Gravita ULAB recycling plant. The project is still awaiting approval of all necessary permits to start building the ULAB collection centre at this new location. The DEEC and ILMC are making every effort to move this process forward, in the hope that the centre will be completed in 2013.



Foundations of agricultural financing using repurchase agreements (repos) being laid in Ghana



Supported by the
European Union

Bank financing for agricultural the sector is notoriously difficult because of high risks and limited availability of collateral. The reality of Ghana's financial system is that agricultural producers face near impenetrable barriers accessing traditional bank financing.

CFC, CCHFHL partner to establish repo scheme

In 2011, the Common Fund for Commodities (CFC) partnered with Ghana-based CCH Finance House Ltd (CCHFHL) to establish a repurchase agreement (repo) scheme for the financing and trading of commodity-backed warrants.

CCHFHL was appointed to act as the Project Executing Agency. Licensed by the Central Bank of Ghana as a non-bank financial institution, CCHFHL facilitates the financing of agricultural commodity trade in Ghana by local and international financial institutions as well as private investors. The project was supported by the CFC with a grant of 120,000 USD under the Fast Track facility. Co-financing and counterpart contributions were provided by UNC-TAD and CCHFHL.

Warehouse receipt system + commodities exchange

The project facilitates financing through financial institutions and private investors, primarily for Ghana's grain and shea nut producers. It is currently addressing the first of two interconnected platforms: a practical warehouse receipt system. The project will later focus on building a suitable commodity exchange platform.

To date, CCHFHL has developed the operating system manual, standard operating procedures manual and other key trading instruments such as the formal repurchase agreement. Progress has also been made in securing lines of credit, setting up a manual warehouse receipt system and initiating warehouse certifications.

Securing lines of credit

With the assistance of the CFC grant, CCHFHL concluded agreements to secure local and international facilities to operate the repo model. It closed a 4.5M USD line of credit from Stanbic Bank Ghana, which also involved its parent, the Standard Bank of Africa. This facility is co-financed with 0.5M USD internally generated by CCHFHL for the financing of maize and shea nuts.

In addition, a terms sheet has been received from Ecobank Ghana Ltd for up to 2M USD for financing maize only. Expressions of intent have also been obtained from Standard Chartered Bank Ghana Ltd, Ghana Commercial Bank Ltd and CAL Bank Ltd, each for credit lines of up to 3M USD. CCHFHL also hopes to obtain investment from the Africa Agriculture and Trade Investment Fund (AA-TIF). This foreign line of credit is being negotiated with the involvement of local banks willing to act as the conduits and manage the credit risks.

Manual warehouse receipt system (MWRS) and warehouse certification

The Ghana Grains Council (GGC) and CCHFHL underwent several negotiations with the ICX-Bourse Africa concerning the electronic warehouse receipt system. To reduce costs, CCHFHL had decided to access the software through a license acquired by GGC. However, both parties realized that the operational costs of this specific system were simply too high for the start-up organization. Instead, the GGC opted for a custom-built manual warehouse receipt system from a local developer. This alternative MWRS meets all the requirements for implementing the repo system. This includes the incorporation of a wide area network (WAN) which connects all participating institutions and companies and gives them access to real-time information.

CCHFHL has also arranged for the certification of related warehouses in line with the rules of the GGC and the requirements of the private finance initia-

tives (PFIs) providing funds for on-lending to aggregators. To date, one major grains warehouse and one shea nut warehouse have been certified.

Repo system poised to become reality in 2013

According to CCHFHL, up to 12M USD will be available to finance grain and shea nuts through repo contracts by early 2013. The repo scheme will operate through warehouses licensed and supervised by the GGC. To further mitigate risk for lenders, the CCH Ghana Repo Agreement includes a put option as a guarantee of the borrower's performance.

Upon successful completion of this project, including the commencement of repo transactions in practice, CCHFHL intends to seek funding for the second phase of their strategy – building a repo commodity exchange platform. Based on the achievements and outcomes in Ghana, this project will serve as a test case for implementing similar repo structures throughout the West Africa sub-region.

Launching the warehouse receipt system at Gundaa Farms (2012)



Myanmar School Milk Programme: Supporting local dairy development and nourishing schoolchildren

Taking a break to enjoy milk supplied by the School Milk Programme



Starting in the summer of 2012, primary school children in Myanmar's Mandalay and Yangon regions began receiving free deliveries of milk from local smallholder dairy producers. A total of 23 schools received approximately 200 ml of milk per child of pasteurized or sterilized milk once a week as part of the pilot School Milk Programme.

Free, safe milk for Asia's children

The Myanmar School Milk Programme is one element of a much larger four-year project focused on small holder dairy development in Bangladesh, Myanmar and Thailand. The project is being implemented by the FAO Regional Office for Asia and the Pacific (RAP) with the support of relevant national governments and agricultural agencies. A significant portion of the funding is being provided by the Common Fund for Commodities (CFC) in the form of a grant.

The project combines the benefits of improved child nutrition and income generation for smallholder milk producers in Bangladesh, Myanmar and Thailand. Improving the production and marketing of quality dairy products covers a variety of activities along the value chain, from milk collection and processing to pricing and payment of farmers.

As part of the project, the increased supply of safely pasteurized or sterilized milk is also directly benefitting children in Bangladesh, Myanmar and Thailand under pilot school milk nutrition schemes.

This project combines the benefits of improved child nutrition and income generation for smallholder milk producers in Bangladesh, Myanmar and Thailand.

School milk for primary schools in Mandalay and Yangon

The school milk programme started in the Mandalay Region on 16 July 2012. At 11 participating Basic Primary Schools (BPS), a total of 1589 students received milk once a week. In the Yangon Region, the School Milk Programme was introduced on 21 August 2012, providing milk to 12 schools and a total of 2341 students. The schools in both regions received weekly deliveries of milk until the end of the semester in February 2013.

Based on anecdotal evidence, the free milk programme is positively impacting the participating schools. The headmistress from No. 8 BPS (Yangon) said that the most noticeable effect was the decline in absence rates during the rainy season. She believes that the weekly donations of school milk may be improving the students' health.



The free milk is distributed once a week, often accompanied by a boiled egg

Celebrating school milk

In September 2012, students from the participating schools in the Yangon region took part in an essay and poster contest in celebration of the 13th annual World School Milk Day (an initiative of the FAO). Additional activities also took place in Mandalay and Nay Pyi Taw. In recognition of the achievements related to this project, the Myanmar Dairy Association was presented with the School Milk Programme Activities Award during the World Food Day commemoration in Nay Pyi Taw in October 2012.

The pilot School Milk Programme in Myanmar has been considered a great success by all involved. Part of the process of completing the project includes the development of plans to scale up the pilot to cover other regions of Myanmar in the coming year.



Poster created to celebrate World School Milk Day

The CFC responds to threat of coffee leaf rust

The Common Fund for Commodities (CFC) and their partners recently completed a project that addressed the threat of coffee leaf rust (CLR). Implemented between 2008 and 2012, participating institutions included the Central Coffee Research Institute of India, the Kenya Coffee Research Foundation, the Coffee Research Institute of Uganda, the Institut des Sciences Agronomiques du Rwanda and the Chipinge Coffee Research Station of Zimbabwe. The Supervisory Body was the International Coffee Organisation and the Project Executing Agency was CABI International (Africa Division).

Coffee leaf rust: A global economic concern

Coffee leaf rust (CLR) is one of the most economically significant threats to coffee producers worldwide. It is caused by the fungus *Hemileia vastatrix* and can result in crop losses of between 30% and 60%. Since being identified in Ceylon (Sri Lanka) in the late 19th century, CLR has spread to all major coffee producing countries.



Infected plants have small yellow spots which later turn into an orange-yellow powdery mass on the underside of the leaves. Infestation causes the plants' leaves to drop prematurely, often causing the affected farm to be abandoned.

CFC helps find solutions for rural coffee farmers

The CFC provided funding to support the project's goals of reducing crop losses due to CLR in India and parts of Africa. This would in turn contribute to more sustainable coffee production and help increase producer income and foreign exchange earnings.

The project's objectives included identifying and conserving coffee varieties and disease-resistant races and testing them under a range of conditions at farms and field stations. They also worked to develop scientific information systems for collecting and sharing results.

The project delivered direct benefits to the farmers that participated in the trials, as well as those who would use the disease-resistant coffee strains in the future. In particular, coffee varieties developed in India show promise of disease resistance in research station conditions. The project presented an opportunity for South-South cooperation by field testing these varieties in Africa.

CLR continues to plague the world coffee industry

This project and others like it are contributing to the eventual reduction of CLR, but the battle is far from over. In February of this year, Bloomberg reported that "Guatemala declared a state of emergency to address a worsening outbreak of coffee fungus in Central America's biggest economy."¹ Also referring to Central America, in January 2013 the Scientific American stated, "Where there is coffee, there is 'coffee rust'. But the long stalemate between growers and the fungus behind the devastating disease has broken — with the fungus taking the advantage."²

These recent examples emphasize the importance and relevance of this project and its outputs, not only to the participating countries, but to coffee producing regions worldwide. It also underlines the necessity of ensuring the project's stakeholders accurately present, document and disseminate the outcomes.

The CFC will continue to work with partner institutions to build upon the results of this project for the benefit of coffee producers as a whole, as well as the many individuals whose incomes rely on its cultivation and processing. Further documentation is currently being compiled to provide a framework for wider collaboration in the fight against CLR.

1: <http://www.bloomberg.com/news/2013-02-08/coffee-fungus-prompts-state-of-emergency-in-guatemala.html>

2: <http://www.scientificamerican.com/article.cfm?id=coffee-fungus-outbreak-resumes>



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