

# CFC adds value in local commodity chains

From their headquarters in Amsterdam, the **Common Fund for Commodities** has been financing entrepreneurs involved in commodity trading since 1989, operating under the United Nations framework. Their COO, **Axel Gruber**, sat down with NABC to discuss the fund's main goal: improving the livelihoods of farmers.

## How does CFC work?

CFC provides finance to the agricultural sector in developing countries. We provide this to small and medium enterprises and to other institutions, especially those directly involved in farming, trading or processing. In this segment, we are one of only a handful of entities that do this. When we finance an enterprise we are convinced that this investment has a direct impact on the livelihoods of poor people who are to be found everywhere in agricultural value chains. We provide our investees with the means and technology to increase their yields and reduce their post-harvest losses. In turn, they create employment, enhance income and provide smallholder farmers with market access.

## Which countries in Africa do you focus on?

CFC finances interventions in all its 102 member countries. Apart from a few exceptions, notably South Africa, most African countries are CFC members.

## Which commodities have a promising future?

Intervention of the CFC is demand driven. Therefore, we do not give special weightage to any of the preferred commodities. However, in recent years we have seen that some, formerly less known crops such as the potato are experiencing rapid growth. This is a crop that has high potential yields per hectare, is storable and can

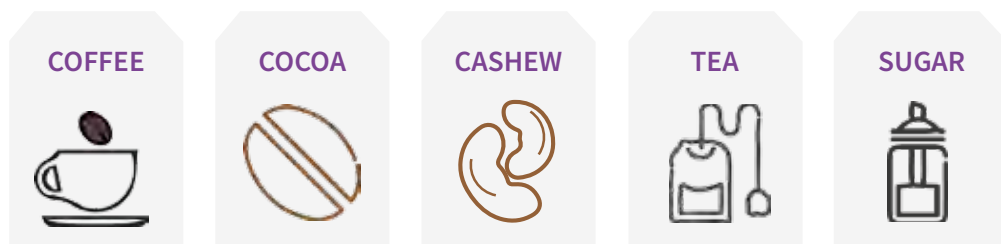
therefore be readily sold or used for consumption. Another trend we have noted is the development of honey with the integration of thousands of smallholder producers.

## Should Africa diversify beyond crops like coffee and tea?

We believe that it is not so much the commodity that makes the difference for development and wealth creation. Rather, it is the degree of value addition that can be captured in the country of origin and ways that allow for de-commodification, which means that commodities are being processed or produced for specific markets and demands. Today, for example, cocoa is mainly being produced and processed in West Africa, which was unheard of 15 years ago. Also, breweries require special varieties of sorghum and are prepared to enter into advance contracts and pay higher than the commodity price to local farmers. Similarly, traceable coffee with certain quality traits and taste from regularly audited cooperatives is no longer a commodity, it is a specialty product.

## Which investments have proven very successful for CFC?

One project financed by CFC is aimed at producing artemisinin, which is an ingredient in medication used





for the prevention and treatment of malaria. Artemisia is typically grown by smallholder farmers. Due to specific growing and harvesting conditions, it can be cultivated in the low season as a counter-crop for rice farmers. The part of this project based in Madagascar maintains nurseries for the artemisinin plant to provide the farmers with high quality seedlings and supports them by teaching them how to raise these plants. For the farmers, this crop is an important enhancement of their income per hectare. About 12,000 farmers are supplying the output to the project and derive about 25% of their annual cash revenue from this.

Another relevant project is a maize processor and trader in Uganda who set up an out grower scheme by establishing a permanent village collection centre network, where smallholder farmers, even those in remote areas, can deliver the same in small quantities of maize. The farmers are paid for quality according to a transparent system, and are thereby incentivized to increase maize production and quality. This system provides some 40,000 farmers with a reliable and transparent market for quality maize. As a follow up, the CFC is currently identifying the same for financial support of the company to establish a nucleus farm that will allow it to apply modern farming technologies to secure a reliable core supply of maize for storage, processing and trading.

**When does CFC welcome new bids and what are the specifications?**

CFC has two calls for proposals per year asking for proposals to be presented in a formalised way to the CFC. Specification can be found on the leaflet included and on the CFC website.

**What is, in your view, the most important change that Africa needs?**

From our perspective, Africa needs value addition in its local commodity chains. This requires dynamic entrepreneurs who have the understanding, capacity and courage to take the risk to develop a business in a challenging environment. Governments need to enable these businesses to thrive. Farmers should adopt entrepreneurial thinking and be given access to modern production methods and inputs.

**What are the priorities for the CFC in 2017?**

CFC constantly seeks to improve its access to interesting, scalable projects with a high potential to improve the lives of the rural farming and non-farming communities dedicated to the commodity sector. ◀

**OILSEEDS**



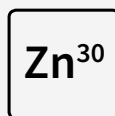
**SOYA**



**BANANA**



**ZINK**



**RICE**



**GRAINS**

