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# Enabling smallholders to access vital irrigation

**Successful farming requires a consistent supply of water. In regions increasingly impacted by drought conditions, this makes effective irrigation a crucial tool that strengthens economic and climate resilience.**

But for many smallholder farmers installing an irrigation system is an expense they cannot afford, which leaves their livelihoods at the mercy of unpredictable weather patterns.

That's why we're in the process of investing USD 1 million in Rivulis, a company that specializes in providing cutting edge irrigation products and solutions across 120 countries. Rivulis will use the funds to enable smallholder farmers to invest in this vital capability.



Working in partnership with the CFC, Rivulis will extend financing to a broad range of farmers and communities in CFC member countries, providing flexible payment terms that accommodate the seasonal cash flows and inherent risks of agriculture. This includes funding micro irrigation for small scale farmers who would otherwise struggle to access these resources. Ultimately, this will increase food security in areas of the world where it is most threatened by extreme weather.

Rivulis combines expertise in irrigation products and systems with years of experience operating in developing countries. This puts it in a strong position to help unlock the potential of smallholder farmers by implementing solutions that enable consistent harvests, support the growth of opportunity crops and open up previously unviable land to cultivation.

Smallholder farmers that work with Rivulis are expected to increase yields by between 30% and 50%, building prosperity and generating greater economic opportunity. The combined impact of a reduced need for fertilizers and an increase in the number of carbon-absorbing

plants, is also expected to decrease emissions in this group by 31% by 2029.

CFC Risk and Portfolio Manager, Hector Besong, is excited by the prospects of a partnership with Rivulis: "Water is fundamental to the lives and livelihoods of smallholder farmers, but it is becoming a scarce and erratic commodity for many. Without it they cannot grow their crops, feed their families or earn an income that lifts them out of poverty. In short, it is an essential ingredient in achieving many of our goals at the CFC, from driving prosperity to strengthening food security."

He added: "That's why Rivulis is such a good fit for us. They have a wealth of experience providing irrigation solutions in many of the regions we work in. Our funding is designed to ensure those systems can benefit smallholder farmers who are most impacted by a lack of water."

When smallholders can gain better access to irrigation, they can expect to have increased crop yields, improved food security, and better economic outcomes to drag them out of the pit of poverty. ■

Photo: Rivulis

Photo: Rivulis



## Unlocking private investment in regenerative farming: CFC & U.S. State Department collaboration

**The Common Fund for Commodities (CFC) Managing Director Ambassador Sheikh Belal and U.S. Special Envoy for Global Food Security, Dr. Cary Fowler, recently announced a new collaboration aimed at scaling private sector investment into climate-adapted crop varieties and healthy soils through the Vision for Adapted Crops and Soils (VACS).**

This collaboration seeks to bolster food security by promoting private sector financing for small and medium-sized agribusinesses that are committed to increasing the incomes and agricultural resilience of smallholder farmers. The partnership represents a significant step forward in addressing the dual challenges of climate change and food insecurity.

The VACS initiative was launched last year by the United States government, the Food and Agriculture Organization (FAO) of the United Nations, and the African Union (AU). It aims to develop a resilient food system rooted in diverse, nutritious, and climate-adapted crops cultivated in healthy, fertile soils.

The CFC will identify viable investment opportunities and develop a VACS pipeline of projects suitable for financing and technical support. Through our Agricultural Commodity Transformation Fund (ACT) – a private sector funding vehicle – the CFC will include qualified investment opportunities under its mandate. The pipeline will focus on promoting sustainable and equitable food systems in Africa and Central America, two of the most food-insecure regions in the world. This effort builds on approximately USD 50 million in previous CFC investments in VACS-identified opportunity crops such as sorghum, African rice and millet.

ACT's blended finance model will catalyse investments from private investors by reducing investment risks, delivering measurable SDG-aligned impact, and offer attractive risk-adjusted returns. It provides investors with the reassurance they need to finance agribusinesses that are enhancing the livelihoods of smallholder farmers and promoting regenerative farming.

In response to the announcement Michael van den Berg, Director of the ACT Fund, said: "Global collaboration is the only way forward if we are to rise to the twin challenges of overcoming climate change and eradicating rural poverty. Bringing our two organiza-

tions together is part of that united effort. At the CFC we're extremely excited about the potential of working with VACS and benefiting from Dr. Cary Fowler's wealth of experience in the area."

He added: "By combining their expertise and knowledge in building climate resilient food systems with investment through our ACT Fund we will support smallholder farmers in some of the least privileged regions of the world. Together we'll work to diversify the crops they grow, develop growing methods that support biodiversity, soil health and climate resilience, and raise incomes by enabling access to markets. We can't wait to get started!"

The CFC's 24th Call for Proposals demonstrated the continued demand for financing among agribusinesses that align with VACS' goals. In the 24th Call for Proposals, the CFC received proposals totalling around USD 40 million in VACS regions and crops.

***"Global collaboration is the only way forward if we are to rise to the twin challenges of overcoming climate change and eradicating rural poverty."***

Going forward, the CFC will classify a subset of qualifying agribusinesses from its regular call for investment proposals that align with VACS objectives in Africa and Central America, starting with the 25th Call for Proposals, which is currently underway.

The CFC will also work in close coordination with the U.S. Department of State to expand and enhance VACS-aligned technical assistance across global supply chains, particularly focusing on the needs of smallholder farmers. This collaborative effort aims to bolster sustainable agricultural practices and improve market access for small-scale producers in these regions, by ensuring they are equipped with the necessary knowledge and tools to succeed.

The CFC is excited by the immense potential of this partnership to drive economic opportunities through the promotion of regenerative agriculture. By focusing on sustainable farming methods, this collaboration aims to create a lasting positive impact on the livelihoods of smallholder farmers while also preserving the health of the soil that sustains the planet Earth and the people. ■

# Building ACT around regenerative agriculture

**The Agricultural Commodity Transformation Fund (ACT Fund) has put inclusive regenerative agriculture (IRA) at the heart of its impact strategy.**

The promotion of regenerative agricultural practices not only aligns with the CFC's goals of improving smallholder livelihoods, climate change mitigation and adaptation, and biodiversity conservation, it also contributes to a more resilient agricultural system globally.

While the implementation of regenerative practices requires upfront investment and knowledge, its long-term benefits can be particularly advantageous for low-income farmers. Regenerative agriculture, therefore, has the potential to alleviate poverty by offering benefits that can positively impact the livelihoods of smallholder farmers and communities in poverty.

IRA offers a holistic approach to farming which promotes regenerative agricultural practices that address the interlinked challenges of poverty, climate change and biodiversity loss, while also restoring the productive capacity of agricultural systems.

ACT Fund's impact strategy, therefore, focuses on four overarching objectives inspired by academic research on regenerative agriculture:

- 1 Increased smallholder farmer incomes,
- 2 climate change mitigation,
- 3 climate change adaptation, and
- 4 enhanced biodiversity.

Collectively, these are also the four objectives which are at the core of ACT Fund's impact strategy and theory of change. The addition of 'inclusive' is crucial in the positive change we seek, because it prioritizes increasing smallholder farmer incomes alongside achieving climate and biodiversity results.

Since its inception, the CFC has had a laser focus on growing the incomes of farmers who are often neglected or completely overlooked. Regenerative agriculture is typically carried out at large scale or in plantation-style agriculture where its principles are easier to apply and manage. But we're putting the potential benefits of applying regenerative agriculture farming principles to smallholder farmers front and centre.

Although specific practices will vary in each location, certain general agronomic principles have yielded positive outcomes when adjusted to local conditions across a wide range of geographies and crops:

- 1 Minimum- and no-till farming,
- 2 cover cropping,
- 3 crop rotation/intercropping, and
- 4 agroforestry.

Smallholder farmers, in some cases, may lack the technical knowledge needed to adopt regenerative practices to being with. Training programs, demonstration farms, and farmer-to-farmer networks etc can help bridge this gap. Accordingly, we have been working to design ACT Fund to provide necessary tech-



Photo: Adobe stock

anical assistance (TA), alongside financing from impactful agricultural companies, that advances inclusive regenerative agriculture.

The CFC's TA management team will lean on its extensive experience working with agricultural companies across the global South, to provide tailored advice, technical support and capacity development. This will enable companies (typically investees of the investment fund) to function more effectively and contribute to positive social and environmental impact.

The CFC has been undertaking a targeted investor-outreach effort to raise funds for both the ACT Fund and its Technical Assistance Facility. We have been receiving encouraging responses from our potential investors of ACT. Positive responses from potential investors are a great sign. If you would like to ACT on this fund or recommend an investor or institution, please write to [managing.director@common-fund.org](mailto:managing.director@common-fund.org). ■

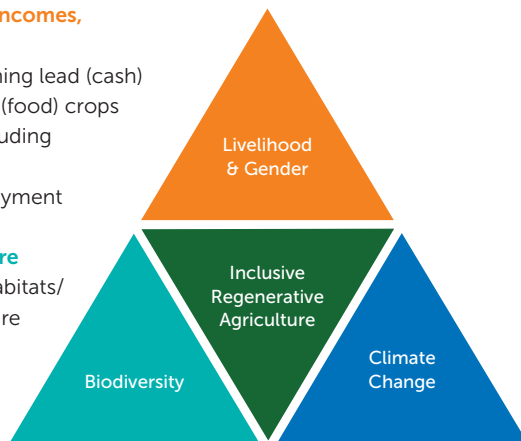
## Building ACT around regenerative agriculture

### Agriculture leading to better incomes, food security and inclusivity

- Diversification from combining lead (cash) crops with complementary (food) crops
- Female empowerment/including indigenous communities
- Inclusive and decent employment

### Biodiversity positive agriculture

- No conversion of natural habitats/deforestation-free agriculture
- Biodiversity enhancing multi-cropping
- Agroforestry and shade-tree agriculture



### Soil health enhancing agriculture

- Rotational and multi-cropping systems combining food and cash crops
- Mulching, cover crops and conservative tilling
- Minimal/no chemical inputs

### Climate friendly agriculture

- Habitat conservation practices
- Living soils
- Shade tree inclusion





## Making sure smallholder farmers are EUDR ready

**Smallholder farmers risk being locked out of European Union markets if they are unable to comply with the EU Deforestation Regulation by the end of 2024.**

Introduced in June 2023, with an 18-month transition period, the regulation aims to tackle deforestation associated with products such as soy, coffee, cocoa, wood, rubber, beef and palm oil, imported into the EU.

This could marginalize thousands of the poorest smallholder farmers who do not have access to high-tech compliance tools, even if they do not contribute to deforestation.

To help address this pressing issue, we are preparing a working capital facility of USD 500,000 for Netherlands-based tech company *Satelligence*. Founded in 2016, it uses

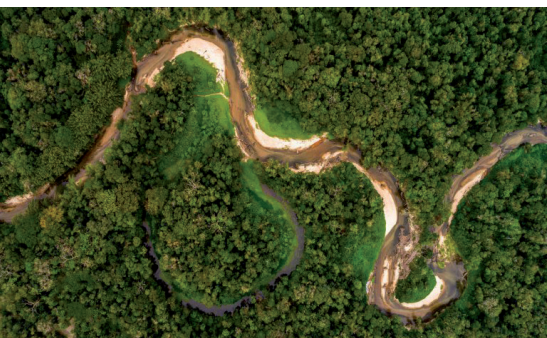


Photo: Satelligence

remote sensing technology, satellite imagery and machine learning algorithms, alongside on-the-ground field staff, to provide services including deforestation monitoring, land use mapping and supply chain transparency.

For large companies, failure to comply with EUDR could result in penalties such as severe fines and the seizure of goods. In response international food brands including *Unilever*, *Nestle* and *Cargill* have sought *Satelligence's* support, and the business currently serves 60-70% of the palm oil and cocoa markets. It also has a significant presence in global coffee, soy, rubber and coconut value chains.

Funding from the CFC is designed to ensure smallholder farmers don't lose out in this race to compliance. It will support *Satelligence* with the operating costs of developing an EUDR solution specifically for smallholder farmers, which will both incentivize the reduction of deforestation and ensure farmers are able to prove they aren't contributing to it.

*Satelligence's* partnerships with major NGOs such as *Solidaridad* and *Fairtrade International* will also ensure smallholders can benefit from the company's cutting-edge monitoring services in an affordable way. Strengthening ties between stakeholders across the supply chain can foster greater transparency and collaboration.

Commenting on the investment, CFC Risk and Portfolio Manager Hector Besong said: "EUDR legislation supports an extremely important cause, but it is vital smallholder farmers who grow sustainably are not disadvantaged simply because they cannot meet the costs of compliance. Losing the ability to access a large and lucrative market such as the EU would be devastating for many."

**"EUDR legislation supports an extremely important cause, but it is vital smallholder farmers who grow sustainably are not disadvantaged simply because they cannot meet the costs of compliance."**

He added: "At the CFC we're constantly looking for ways to harness advancing technological capabilities to benefit smallholder farmers. This is a great example of how tech can be used to overcome a challenge and have a genuine positive impact on the livelihoods of smallholders."

As the world focuses on creating sustainable supply chains and food systems, it is vital that concerns of smallholders are continuing to be heard and acted upon. Technology has a crucial role to play in giving them a voice. ■

# Charting a Sustainable Future for Smallholder Farmers

Photo: Adobe stock



## The well-being and welfare of smallholder farmers must be prioritized in global discussions about the planet's future.

This was the central theme of a high-level forum co-organized by the Embassy of Guatemala to the Netherlands and the Common Fund for Commodities (CFC) on July 3, 2024, in Amsterdam. The event, ***Beyond the Green Horizon: Charting a Sustainable Future for Smallholder Farmers***, brought together key stakeholders to explore sustainable agricultural practices and policies affecting Guatemalan smallholders, emphasizing the role of scientific innovation and economic sustainability.

In her opening address, Ambassador Ana Cristina Rodríguez Pineda of Guatemala underscored the critical importance of international cooperation in tackling the challenges faced by smallholder farmers. She reaffirmed Guatemala's commitment to sustainable agricultural practices, highlighting the need for collaboration to support these essential contributors to global food security.



Photo: Michelle Nathaniel, CFC

Managing Director of the CFC, Ambassador Mohammed Belal, spoke about balancing environmental goals with the economic needs of smallholder farmers. He stressed the importance of science-based approaches to ensure that efforts to protect the environment do not jeopardize the livelihoods of those who depend on agriculture for their survival.

The agenda featured insightful presentations and discussions led by renowned experts in the field. Erick van Lith, Public Affairs Manager at the *Fresh Produce Centre*, discussed the European Union's Green Deal and its new regulatory framework for agricultural products. He examined the implications of these policies for smallholder farmers and the fresh produce industry, advocating for the alignment of environmental objectives with practical agricultural needs.

Carla Caballeros, Executive Director of Guatemala's *Chamber of Agriculture*, highlighted the country's achievements in sustainable agriculture. Her presentation showcased the significant role that smallholder farmers play in Guatemala's agricultural sector and the positive outcomes of implementing sustainable practices at scale.

Ria Hulsmann, Regional Manager for Latin America and the Caribbean at *Wageningen University*, highlighted recent advancements in agricultural technology (AgTech). She emphasized the potential of these innovations to boost smallholder productivity and stressed the importance of research and development in creating scalable, sustainable solutions.

Peter Andreas Nielsen, Impact Investment Manager at the CFC, concluded by reaffirming the CFC's commitment to supporting smallholder farmers through targeted investments and collaboration that accelerates sustainable development. He emphasized the need for international cooperation, regulatory coherence, and research investment to achieve environmental sustainability without sacrificing economic viability.



The forum highlighted the indispensable role of smallholder farmers in global food security and sustainable development. The CFC is steadfast in its commitment to empowering these farmers through ongoing dialogue, strategic partnerships, and innovative approaches. ■

Photo: Michelle Nathaniel, CFC

# Technical Assistance supporting almost 50 agribusinesses and financial institutions across Africa and Latin America

With more than 10 years of experience in managing Technical Assistance (TA) facilities and a diverse array of knowledge within the wider CFC to call on, our team is a leading provider of TA services across an array of value chains. The combined expertise of the TA team spans across agriculture, agroforestry, project management, impact assessment and social and environmental risk management. Currently, the team is managing the technical assistance facilities of two large impact investment funds, worth USD 300 million, designing and implementing tailored TA support through advisory and capacity development to partner companies across agricultural value chains in Africa and Latin America.

Our TA team aims to accelerate development in communities where it is needed most. Here is a look at some of the ways it is achieving that with each impact investment fund.

## AATIF TA Facility

Climate-related challenges are a significant concern for the agricultural sector across Africa, posing substantial risks to AATIF investee companies and the smallholder farmers within their sourcing networks. These challenges, such as extreme droughts or flooding, are negatively impacting crop production, food security and income generation. In response, the AATIF TA Facility has been actively implementing projects aimed at mitigating climate risks and strengthening adaptation measures both at company and smallholder farmer level to ensure more resilient agricultural practices.

Climate change induced droughts have been significantly affecting rainfed crop production in Zambia during the last year, with rising temperatures and changing rainfall patterns varying across the country. Due to limited access to systematic and reliable irrigation, smallholder farmers are particularly vulnerable. To gain a comprehensive understanding of the medium and long-term effects of climate change on crop yields across Zambia, and to identify adaptation measures for small-

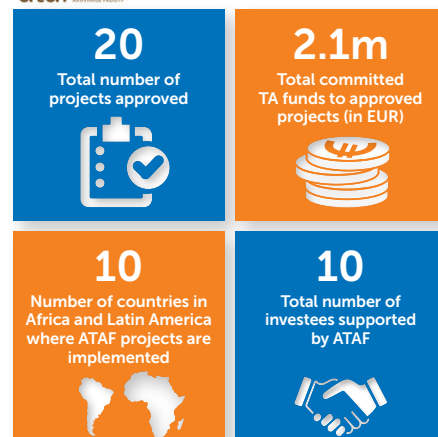
holder farmers, the TA Facility has launched a climate change impact study with focus on rainfed crops in Zambia. Researchers from Copperbelt University in Zambia are conducting the study which will offer valuable insights for AATIF, its investee companies, and other stakeholders. These insights will be crucial for developing adaptation strategies that support smallholder farmers and reduce the risks to their livelihoods posed by extreme weather events resulting from climate change. The study is ongoing and is expected to be completed later this year.

In 2023, Kenya faced severe droughts that significantly impacted the agricultural sector, followed by extreme flooding in 2024. In response, AATIF investee CKL Africa Ltd is committed to supporting the sector by expanding its range of climate-resilient products for farmers. To this end, the AATIF TA Facility is helping the company explore new climate-resilient seed varieties tailored to the Kenyan environment. As an initial step, the company has established a new permanent position, Seed Business Development Manager, with the TA Facility partly subsidizing the salary for the first two years. Additionally, further support will be provided to develop demonstration plots, deliver farmer training, and undertake other activities needed to introduce a new climate-resilient seed range.

As climate change increasingly threatens the agricultural sector in Africa, the AATIF TA Facility is committed to supporting investee companies in becoming more adaptive and innovative. These efforts aim to secure the supply of raw materials, enhance food security, and improve the livelihoods of smallholder farmers.



ATAF (2017-present):



## Agroforestry Technical Assistance Facility (ATAF)

ATAF is currently wrapping up a TA project with a West African vegetable oil processing company that has assisted the company in reinforcing its smallholder outgrower scheme. ATAF has supported the company already in 2019 by strengthening the company in combating deforestation, which alongside land grabbing is often associated with conventional vegetable oil cultivation. The support then included creating a deforestation monitoring tool, resulting in improved transparency practices and a more comprehensive understanding of its supplier network.

The recent support has built on the previous project and included the design and roll-out of a full traceability system, support to a nursery for high-quality crop production, and expansion of the company's extension services provided to their supplying farmers. The project will also deliver a practical outgrower action plan to the company, aiming to position the company as a trustworthy off-taker for smallholder farmers.

Feel free to contact us should you have any questions/comments and/or need for our service at [managing.director@common-fund.org](mailto:managing.director@common-fund.org).



AATIF TA Facility (2012-present):



### Map (of AATIF and ATAF countries)

- Orange:** ATAF (Belize, Brazil, France, Germany, Mali, Nicaragua, Togo)
- Green:** AATIF (Botswana, Côte d'Ivoire, Malawi, Mozambique, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe)
- Blue:** AATIF and ATAF (Benin, Ghana, Kenya)



# Rebuilding communities in Sierra Leone by supporting organic palm oil

The Kailahun District of Sierra Leone was devastated during the country's civil war which raged from 1991 to 2002. Thousands of lives were lost, millions were displaced, and the economy was crippled, intensifying poverty particularly among rural communities.

One victim of the violence was a palm oil facility in the town of Daru, destroyed in fighting around a military base on the opposite side of the Moa River. It was disastrous for local smallholder farmers, but the area's fortunes have finally turned a corner. On the same ground, palm oil processing company [Goldtree](#) is playing a key role in resurrecting the sector and providing much-needed economic opportunity.

In 2012 the company built a new processing hub where the old one once stood and it is now working with around 8,000 farmers to supply organically grown palm fruit, which it transforms into organic-certified palm oil for export. In 2023 the CFC set up a USD 1 million trade finance facility to support this work. In a region that still suffers from around 40% unemployment, the hub is an economic lifeline and Goldtree is determined to improve the lives of its smallholder suppliers says Jan Hein De Vroe, Founder and CEO of Planting Naturals, the Netherlands-based organic palm oil specialist that has run Goldtree since 2014.

"Organic palm oil is our reason for being and it allows us to pay a premium to the smallholders we collect it from," says Jan. One of the advantages of palm oil, he explains, is the fact it can be harvested all year around every two weeks, which means it provides a continuous stable income.

Alongside the certainty of the palm harvest, farmers benefit from the comprehensive support Goldtree offers, including training to achieve regulatory standards such as EU organic and Roundtable on Sustainable Palm Oil (RSPO) certification. The business has also mapped all its farmer suppliers using precise polygon-mapping techniques to ensure they comply with the EU Deforestation Regulation. Together these activities enable smallholders to access more profitable international markets, lifting the value of their crop.

"The premium we pay varies depending on the time of year," says Jan. "In peak season it can reach 100%, compared to what they'd get selling to a middleman. Whereas in the lean season, the price may be similar, but as independent smallholders they are free to sell to anybody."

Equally as important as paying a premium is productivity, which Goldtree enhances by supplying high quality seeds that lead to greater yields. Lucas Vreuls, Managing Director at Planting Naturals, says: "One of the best ways to impact smallholder lives is growing better yielding trees. A lot of them have 40-year-old trees yielding very little oil. We help them plant and grow trees that can produce five to seven times more." To do this even more efficiently Goldtree encourages farmers to organise themselves into groups. "Where there is interest, community leaders identify spare land and we provide seeds. Local smallholders can then share the burden of farming and the income it generates."

A small percentage of revenues is set aside for communities to allocate to building infrastructure, buying equipment or embarking on other improvement activities. It's a way of working that "communities



Photo: Goldtree

really appreciate", says Lucas. And that positivity is reflected by the smallholders who work with Goldtree.

CFC Impact Investment Manager Peter Nielsen recently visited the area to meet some of them. A spokesperson for community members who collectively manage a group farm close to Daru, told him: "The group farm is a life changer for us. The plantation provides a steady income, which supports our children through school and helps us buy food. That's why we're focussing our attention on the group farm."

A farmer from a different group in the same area added: "We put aside money each year to support people and develop the community. We decide as a group how the funds will be used." Like most of the farmers that supply Goldtree, they grow other crops such as cassava, yam and maize, but it is palm that they now value the most. "Palm unifies us. It is so precious, it looks after our kids. We rely on it."

"In an area that still has many challengers it's clear that Goldtree is making a real difference to the lives of smallholders," says Peter. And with major companies such as Cadbury and Nestle eager to ensure their palm oil comes from organic and deforestation-free sources, the demand for Goldtree's product is only likely to grow.

"Our food system needs to be restructured to accommodate a growing global population while preserving and enhancing the ecosystems which the same food system relies on," adds Peter. "We believe that Goldtree and its organic and deforestation-free palm oil offers a model for such a restructuring while providing valuable income opportunities for smallholders and rural populations in Sierra Leone in the process."

The CFC's funding will help Goldtree to take advantage of an expanding market and increase its impact on smallholder farmers. "These funds will finance our supply chain. So rather than waiting for our customers to pay for their oil before we can buy more fruit from farmers, we can continually invest in smallholders and their communities," says Lucas.

As in all areas blighted by war, investment and economic opportunity can augment Sierra Leone's recovery. In Daru, Goldtree is contributing to this brighter future, on the banks of the Moa River where conflict once caused such destruction. ■

# Humanizing the value chains to fix the blind spots in the free market

The world of commodities presents numerous unique challenges that require deeper research and reflection. Commodity trade not only links producers with markets but also exposes them to excessive volatility and vulnerability to external shocks, climate change, and geopolitical tensions. A stark disparity exists between the farm gate and final consumer prices, as seen in the cocoa sector recently. Even with cocoa prices hitting record highs of \$11,000 per metric ton<sup>1</sup>, farmers in Ghana or Côte d'Ivoire receive only about \$2.50 per kilo of cocoa beans, compared to the \$11 per kilo being traded on the New York Exchange. While smallholders may be content with \$2.50, intermediaries who play no role in production are the ones earning substantially more.

Smallholders are often price takers, meaning they have little to no influence over the prices they receive for their products. This is largely due to their weak bargaining power, limited market access, and reliance on intermediaries. The imbalance between supply and demand, as well as their small-scale production exacerbates this issue and calls for a rethinking of value chains, where sustainable growth should go hand-in-hand with respect for the people who produce the commodities and the environment that supports them.

One potential solution is to 'humanize the value chain through digitalization', i.e. connect conscious consumers directly with the smallholders and workers who provide their food and products. Through digital traceability, consumers can gain insight into where their products come from and have the option to "tip" the producers, much like tipping service providers at restaurants or cafés<sup>2</sup>. Using these technologies, consumers can help ensure fairer distribution of wealth within the value chain, promoting transparency and accountability through a practice like digital tipping with, both front and backward, digital ledger guided connectivity.

While leading brands often highlight their role in the supply chain, the stories of the people who produce these commodities

often remain untold. The reality is that farmers and workers, especially women and girls, are at the mercy of market forces. If a trader or retailer faces cost increases, they can adjust prices accordingly. But when the cost of production rises for farmers, they have little control over the selling price.

To address these disparities, it is crucial to align our head and heart to understand the languages of commodities and their producers. Cocoa beans, for example, represent the hopes and aspirations of struggling families in West Africa. Coffee, a beverage many cannot live without, carries the silent cries of the farmers who produce it. According to the Financial Times, less than 10% of the estimated \$200 billion<sup>3</sup> coffee industry is retained by producing countries, with most of the profits staying in the global north. The same is true for other commodities such as tea, cashew, sesame, and macadamia.

We would, therefore, urge all conscious consumers to take a walk, backwards, along the value chain where smallholders put the best of their resources and labour for a dream, they insist to believe in. In reality, despite being the backbone of essential commodity production, smallholders are undercompensated. We consider this as a fundamental flaw in the global marketplace. This issue is not just

about fairness; it also affects the sustainability and long-term viability of all the commodities producing smallholder communities. The lack of a reasonable return on their investments discourages smallholders, leading to reduced productivity, poor livelihoods, and eventually, a decline in the supply of these critical commodities. Its time to harness technology to foster hope and resilience for smallholders at the start of these value chains.

At the Common Fund for Commodities (CFC), we encourage relevant organizations and individuals to explore digital solutions like blockchain and AI to enable consumers to leave digital tips for the hardworking individuals responsible for their coffee, chocolate, and clothing. Just as we tip service providers in person, we can extend that practice to the other side of the world, using technology to humanize value chains and ensure fairer distribution of resources.

We invite you to join this effort to humanize global value chains. Please take a moment to read our article on '[Humanizing the value chains through the power of digital innovations](#)' in our 2023 Annual Report. This concept emphasizes the importance of creating fair and transparent systems that empower smallholder farmers and foster ethical practices throughout the agricultural value chain. Together, we can bring about meaningful change for the people at the heart of commodity production and help them alleviate from poverty with speed and dignity. ■

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<sup>1</sup> <https://tradingeconomics.com/commodity/cocoa> (accessed on April 28, 2024)

<sup>2</sup> In the US food industry alone, Azar (2011) estimates that annual tips reach \$47 billion. The Treasury Inspector for Tax Administration (2018) estimated a total of \$44 billion of individual tip income in 2006 in the United States (including unreported tips, and not only in the food industry). Ref: The Economics of Tipping by Ofer H. Azar, Journal of Economic Perspectives, Vol.34, No.2, Spring 2020. (pp.215-36).

<sup>3</sup> The size of USD 200 billion is disputed. By some estimates, this goes as high as USD 460 billion.