



**STATEMENT  
AMB. ALI MCHUMO,  
MANAGING DIRECTOR  
COMMON FUND FOR COMMODITIES**

**HIGH-LEVEL CONFERENCE ON WORLD FOOD SECURITY**

**Rome, Italy, 3 June 2008**

*Chairperson,*

*Excellencies,*

*Ladies and Gentlemen,*

[It is an honour for me to address this High-Level Conference on World Food Security on behalf of the Common Fund for Commodities (CFC) on the timely issue of world food security which is inherently linked to the mandate and activities carried out by the Common Fund.]

The Common Fund for Commodities (CFC) is an intergovernmental organisation which concentrates its activities on financing commodity development projects in developing countries, especially in Least

Developed Countries (LDCs), with the objective to strengthening and diversifying the commodity sector as a major contributor to economic growth and development of society as a whole. Our main mandate is to enhance the socio-economic development of commodity producers with priority given to assistance to small-holders commodity producers.

*Ladies and Gentlemen,*

The root causes of the present food crisis are manifold and involve a number of aspects. Factors such as the low stock levels of food and the increase consumption caused by rapidly growing emerging economies, especially China and India; the changing consumption patterns of the population towards products that require feedstock such as meat; the rising of oil prices and its effect in agricultural inputs such as fertilisers and transportation cost; climate variations and the production of bio-fuels competing for food production are well known to all of us.

However, while these factors are behind the current food crisis, the major long-term underlying factors remain to be addressed and need

due attention by the international community. Issues such as supply capacity deficiency, technological boundaries, poor infrastructure, inadequate rural financial services continue to impede the development of the commodity sector in developing countries in a sustainable way therefore acting as a hurdle to achieve worldwide food security. There has been a generalised neglect to investment in agriculture, in particular in the net food deficit countries, leading to stagnant cereal yield and resulting in a widening yield gap among different group of countries. This problem has been exacerbated by the distortions in international commodity trade which is plagued with domestic and export support measures and subsidies imposed by developed countries which act as direct disincentives for food production in developing countries.

Of course, the food crisis is in our hands and requires urgent response now in order to save lives and as such relief emergency measures to urgently supply food to the hungry taken by WFP, FAO and other organisations are very commendable. At the same time, intermediate, medium-term measures, to restore better harvest by provision of seeds and fertilisers to small-holder farmers should be emphasised. In this

regard, such initiatives as the African Green Revolution and the recently announced World Bank 10-point plan and the accompanying \$1.2 billion funding facility should be applauded.

There is a need, however, to address commodity and food production in a holistic manner and in a long-term development context by looking at possible means to increase yields and productivity. The habitual method of taking temporary mitigating measures designed to ease emerging pressures only provides temporary relief but do not provide lasting solutions. This is why the Common Fund for Commodities joined hands with other partners, namely the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP) and the Secretariat of the African, Caribbean and Pacific Group of States (ACP), to organise a **Global Initiative on Commodities (GIC)**, which was held in Brasilia, Brazil, in May 2007, bringing together stakeholders from across the world to underline the importance of commodities, including food production, in the development process. [The Global Initiative aims to re-launch the commodities agenda from a poverty reduction perspective, raise the profile and understanding of the

commodity *problématique* through sensitisation of the international community and identify an international strategy for commodities based on coherence, governance and solidarity breaking the so called “the conspiracy of silence” in the commodity agenda.]

The Global Initiative on Commodities had identified four major aspects of commodity markets which could have a direct bearing on commodity producers’ incomes and wellbeing as well as opportunities for economic growth and sustainable development of commodity dependent developing countries, namely,

- (i) the supply capacity limitations under which commodity producers operate;
- (ii) effective participation in the value chain;
- (iii) lack of diversification of their production and export base;
- and
- (iv) an international enabling environment.

*Ladies and Gentlemen,*

One of the main areas in which action is needed is increasing productivity and yields of crops. Support needs to be given to small-

holders to increase the productivity through, for example, the establishment of on-farm research and technology transfer programmes and the introduction to improved crop management practices leading to narrowing the yield gap, increasing on-farm incomes and permitting more sustainable production. The Common Fund currently finances several targeted interventions which lead to higher yields and productivity and an example is the rice project we financed in Southern Brazil which quadrupled rice yields and due to this successful experience the project will now be replicated in Central American countries. Also last year the Common Fund approved yet another strategic rice project in Africa to improve food and rural incomes, and to reduce dependency on rice imports in Cameroon, Central African Republic and Chad through innovative interventions that promote competitive domestic rice production and marketing. [The project is introducing improved rice varieties - particularly newly developed rice hybrids (“NERICA”) that are especially well adapted and available for various African agro-ecological zones - as well as simple market-oriented post-harvest technologies to smallholder-farmers and farmers’ groups, allowing them to integrate production with market development activities.]

It is also necessary to strengthen the value-chain so that production becomes more efficient and reaches the end markets. In this regard, the Common Fund is providing financial support to develop the potato value-chain in West Africa increasing the volume of locally produced potato and securing the supply of the commodity through targeted measures such as the development of local seed potato production enterprises. [Supply enhancement measures are another important part of the pool of measures financed by the Common Fund. Also regarding the commodity potato, which is recognised as an important crop for food security, the Common Fund is supporting the production and marketing of potato in Kenya, Uganda and Ethiopia. This specific project is adopting an integrated approach to achieve improved productivity combined with value chain streamlining in the potato sector ultimately leading to increased supply of potatoes in the local markets and improving food security.]

One emerging area in the commodity sector is bio-fuels which needs to be considered in light of the current food crisis. It is true that bio-fuels could capture important land which could be otherwise devoted

for food production. However, we should recognise that for some LDCs, the production of bio-fuels in marginal lands could also serve as a viable economic alternative in rural areas, generating investment, employment and higher earnings, while at the same time reducing the country's dependence on fossil fuel. For example, the Common Fund is financing a project in this sector in Peru and Honduras which aims to convert jatropa-seeds cultivated in marginal land areas of these countries into bio-diesel for the local bus public transportation system.

*Ladies and Gentlemen,*

If we want to address the current crisis in an effective and permanent basis substantive improvements are required in international development assistance targeting the commodity sector to revert the current trend and bringing back commodities to central stage in the international development dialogue. We also need to implement past UN General Assembly Resolutions which called on the international community to strengthen the resource base of the Second Account of the Common Fund in order for the institution to finance more projects



and provide adequate assistance to commodity producers in poor countries. The Common Fund, as the only intergovernmental organisation with an exclusive mandate on commodities, is positioned to play its role towards addressing the current food crisis provided more resources are made available.

Finally, in addition to greater international assistance, it is also important to underscore that national governments also need to do their part and in this regard agriculture and commodity development should be accorded high priority in national development plans. Governments need to channel more resources to agricultural and rural development investing more in roads, irrigation, silos, seed distribution, land reform, and in the rural social sector such as education and health. In this regard, African government should speed up the implementation of the Maputo Declaration which stipulates that a minimum of 10 percent of national budgetary resources should be devoted to the agricultural sector and rural development.

I thank you for your kind attention.