

QR

QUARTERLY RETURN 112
SUMMER 2019

25 YEARS OF THE FAIRTRADE MARK

SUPPORTER EVENTS

Our recent supporter events gave members of staff, Board and Council a great opportunity to meet long-standing, new and potential investors.

REACHING PRODUCERS THROUGH BUYER FINANCE

Through our lending, we empower smallholder farmers and artisans to improve their business operations.

VOLUNTEERS' WEEK

An annual celebration of the fantastic contribution made by millions of volunteers across the UK.

SHAREDINTEREST
INVESTING IN A FAIRER WORLD

WELCOME



Atif Choudhury, Zaytoun



Attendees at our recent supporter day in Brighton

MEETING OUR INVESTORS

Hello, and welcome to your summer edition of QR.

It has been a great pleasure participating in our UK supporter events this year. We have visited York, Sheffield, Brighton and Cambridge and were joined by a range of inspiring key speakers. You can read more about the events on the page opposite.

This issue shines the spotlight on our buyer customers, as we are often asked about the benefits of this type of lending. You can hear how vital our finance is to organisations like Twin Trading, who work with 59 producers, and Tropical Wholefoods, who work with smallholder farmers in Pakistan, Uganda, and Burkina Faso. We have also included a focus on ethical fashion brand, People Tree, and children's organic clothing retailer, Little Green Radicals. Both businesses are based in the UK, sourcing fair trade items and materials from disadvantaged communities in the developing world. Catch up on their stories on pages 5 and 8.

We hope you enjoy reading these customer stories, which show the positive impact of your investment. Sadly, for every farmer or artisan we are able to help, there are dozens we cannot reach due to a shortfall in capital to lend. To put this into context, we have applications from organisations requiring finance of over £10m, but we only have £3m remaining. We urgently need more funds so we can address this gap between our Share Capital supply and demand. Even if you are able to simply pass on this copy of QR to someone who may be interested in investing, you will be helping us reach this goal. Please also remember, you can request further copies of this newsletter from our membership team at membership@shared-interest.com or by calling 0191 233 9102. As always, they will be happy to answer any questions you may have.

Until next time,

Patricia Alexander (MD)



Shared Interest volunteer on stall

25 YEARS OF THE FAIRTRADE MARK

It is a quarter of a century since the FAIRTRADE Mark was launched in the UK.

This year, Divine, Zaytoun and Traidcraft also reach special milestones. Divine is celebrating 20 years, Zaytoun will be celebrating its 15-year anniversary and Traidcraft is also marking 40 years.

In 2020, we will be celebrating our 30th anniversary on Friday 13 March at the BALTIC Centre for Contemporary Art, Gateshead, so please save the date in your diary.

Our recent supporter events gave members of staff, Board and Council a great opportunity to meet long-standing, new and potential investors. In addition to our AGM in Gateshead, we have visited Aberdeen, Portsmouth, York, Sheffield, Brighton and Cambridge – meeting over 300 supporters.

Guest speakers, Melanie Traub of People Tree, Amanda Galliano of Liberation Foods, Atif Choudhury of Zaytoun, and Chris Thompson from Cafédirect gave a detailed account of the challenges faced by many of the producers we support.

Managing Director, Patricia Alexander, and Finance Director, Tim Morgan, gave a summary of recent activity and financial performance that prompted a stimulating and varied question and answer session. The themes of bad debt, membership development, due diligence, certifications, interest and impact ran across all events.

Questions included:

It is great to see the success, but what about the failures? How do bad debts arise? You mention that in 72% of the organisations, Shared interest is the only social lender. What else can be done to enable them to access more finance?

We are the only social lender who is prepared to lend to small, vulnerable, weak co-operatives. Many are accessing finance for the first time. That in itself is a success because they can build a track record and eventually source finance from elsewhere. Our Foundation does support the very small and weak co-operatives with finance and governance training.

We do try to mitigate against risk by carrying out due diligence. 2.5% of our total debt book as an impairment charge each year is not unreasonable, and is comparable with other

social lenders. The charge for bad debt is not automated. We make a prudent judgement that we are unable to recoup the funds. One thing we do not do is give up.

We continue to chase the debt. We may also restructure the debt, and sometimes, we even lend more.

Where does Shared Interest fit with microfinance lenders? Aside from the fair trade element, what is different about Shared Interest?

The first point is that we do not do microfinance, which is lending very small amounts to individuals. For microfinance, you really need to be in-country and interest rates tend to be much higher – around 40%. We lend to co-operatives, not individuals. We also try to keep a balanced portfolio between weak, small and disadvantaged groups, where we can have a big impact, and those larger organisations, who still need our finance. Many other lenders see agricultural finance as too risky, and this is only likely to increase as more farmers feel the effects of climate change. The finance we provide ranges from \$10,000 to a small handcraft producer in Kenya, up to a large Ghanaian cocoa co-operative with a €1.5m facility.

What are you doing to attract more young people?

The average age of membership has reduced over recent years, and we are working hard to bring in younger members but we are mindful that young people have many demands on their

money and have less disposable income. We also know that the younger members invest less and for a shorter period of time. Members recently voted to change our Rules to enable us to attract members under the age of 16 at the moment, which does open up more opportunities. Up until now, we have not been able to communicate directly with younger people. (We do have some members under the age of 16 at the moment, but the contact details are those of the parent/guardian). We produce a Children's Annual Review and send these out to younger supporters and schools. We also believe that social media is very important to build awareness within the younger generation. If we start the conversation, we hope it will spark an interest and they will become investors in the future.

There is no one simple cause of the bad debt. It arises through:

- Weakness in the governance structure. Our Foundation does try to support through capacity building training.
- Climate issues and these can be long term, leading to lower or higher levels of rainfall or temperature affecting crop yields. They can also be affected by one-off floods, drought or landslides; destroying crops or making it difficult to transport the crop to market or the ports.
- Political turmoil.
- Market volatility: A bag of coffee now costs the same as it did 20 years ago.

Front cover image: Association Ton, mango and cashew producers in Burkina Faso.

REACHING PRODUCERS THROUGH BUYER FINANCE

Despite the progress made in increasing the availability of financial services, the majority of people living in developing countries struggle to access finance.

Through our lending, we empower smallholder farmers and artisans to improve their business operations, access commercial markets, create employment opportunities and to contribute to the alleviation of poverty in their respective communities.

We do this by lending money in two ways: directly to fair trade producer groups (producer lending), and to fair trade buyers (buyer lending).

Fair trade buyers are required to provide producers with a 50% payment on placing the order as per the WFTO Fair Trade Principles. This can place financial pressure on the buyer's cash flow and Shared Interest plays a vital role in filling this gap by sending money to producers on behalf of the buyer; we call this a 'recipient producer payment'. This year, we made 1,589 recipient producer payments to 253 organisations in 55 countries.

In 2018, Shared Interest lent money to 32 buyer organisations and a large proportion of this was to pay producers in Asia, primarily in Nepal, Bangladesh, India and Pakistan, and the Middle East. Due to political and economic constraints, it is difficult or impossible to lend directly in these regions, and without these buyer organisations, many producer groups would have limited market access.

On the following pages are some examples of buyer organisations we are working with in the UK to provide vital access to working capital, helping the producers they work with thrive.



People Tree producers handmaking jewellery



The hand dyeing process



People Tree producers hand-knitting



People Tree producers hand weaving

A pioneer in sustainable fair trade fashion, the People Tree journey began in 1991. Their core mission has stayed the same over the past three decades since social entrepreneur, Safia Minney, founded the company.

Managing Director, Melanie Traub, spoke to members and supporters at our recent York event. Here she tells us about what it is like to work in fair trade.

Why do you work in fair trade?

I have worked in retail for many years now and have travelled around the world and seen how clothes are made. I have seen some of the best and some of the worst factories. Once you have had that opportunity, it makes it an easy decision to work in fair trade. It means you know that those working in the factories and farms are getting a fair price and proper working conditions for the goods they work so hard to make.

What does People Tree do?

People Tree designs, sources and sells ladies clothing, nightwear, underwear and jewellery to customers. We sell directly to customers online, and wholesale to smaller independent retail stores and larger customers such as John Lewis and ASOS.

What do you consider to be People Tree's biggest challenge?

The UK retail market is very tough at the moment and there have been some very high-profile retailers failing. This has led to a very price sensitive, competitive, marketplace. Our biggest challenge is competing in a market where we will never be 'cheap' or fast fashion. We have to work hard to get across the message that by being fair trade, we are paying a proper price for the goods we sell and this has a

cost associated with it. Brexit is also a big challenge, as we sell to a lot of shops in Germany, Benelux and France. We sell six months ahead and we have no idea whether we will need to pay duty going forward or what the exchange rate will be when we actually ship the goods.

What is the most inspiring or surprising encounter you have had with a fair trade producer?

I think each of our producers is inspiring in what they do, but there is one story that has really touched us this year. It is the story of Kumbeshwar Technical School (KTS), which produces our hand-knitted jumpers and cardigans in Nepal.

They wrote of a Newar silver producer from Patan, called Raju Shakya. (The Newar are historical inhabitants of the Kathmandu Valley, an area known for its unique beauty and cuisine.) Raju's family could not afford for him to complete his high school studies. When he was 13, he learned skills as a silver producer from his friend and started as an assistant, but earned very little. In 1993, he started out on his own but due to lack of orders, the pay rate was very low. He married in 2001, and his wife persuaded him to establish his own workshop with an interest-free loan from KTS. Following some additional marketing support, he was able to gain orders from international fair trade

People Tree
Sustainable and Fair Trade Fashion

buyers. His economic status improved and he is now able to provide employment opportunities to metalsmiths from the village of Trishuli, Nuwakot district in Nepal.

People Tree bought some of the jewellery, and it has sold very well. We now stock it on an ongoing basis.

What is your favourite fair trade product?

Obviously, any clothing from People Tree and as a chocaholic, it would have to be Fairtrade chocolate!

Do you have a message for Shared Interest investors?

The ongoing support from Shared Interest has made a real difference to us as a business and ultimately, our producers. Shared Interest supported us when trading was tough.

When orders picked up, we struggled with cash flow to order enough goods to meet the demand – Shared Interest was there to help us again. So my message is simple – thank you.

You can read more about People Tree at peopletree.co.uk



Association Ton mango producers in Burkina Faso



Association Ton, cashew nuts, Burkina Faso

Tropical Wholefoods is one of Shared Interest's long-standing customers, and has been working with us since 1998. Founding Director, Adam Brett, talks to us about his own fair trade journey.

Why do you work in fair trade?

I was raised to think about the greater good in general, so when I started in business, profit was not the overriding issue in my mind. Having been born in Africa, I grew up in England and returned to Uganda in the late 1980s to see levels of poverty, which I found horrific. I immediately wanted to do something positive to raise incomes and provide a route out of poverty for the people I saw.

The rich agro-ecological environment means Ugandan farmers can grow some of the world's finest fresh fruits. When I started out, the Fairtrade Foundation didn't even exist, and the idea of fair trade had not been totally formulated. There were lots of competing ideas, including co-operative trade, worker empowerment and a whole host of other concepts, but right from the outset, we worked with a "fair trade plus" mindset.

It has been a long journey for Tropical Wholefoods, working with diverse businesses in Uganda and all over the world in the 28 years since we were founded. Fair trade has always been just part of the story. We have also sought to include positive environmental and ecological elements in our supply chain. For us, the overriding concept is to do good work first and strive to do the best we can for all stakeholders, including the wider environment.

Fair trade is by far the best way of encapsulating what we do, as it definitely includes ideas of environmental and ecological benefit, alongside social benefits.

What does Tropical Wholefoods do?

Tropical Wholefoods works with producer partners who produce dried fruit, vegetable and nut products. We help these partners to improve their systems, so



they can produce products of the highest quality standards, supply European customers, and be paid fair prices. We also strive to include good systems for farmer and worker representation, and fairness in the businesses that supply us.

In the UK, we import, store, package and market branded dried fruit and nut products. Virtually all our products are Fairtrade and Organic, and sourced from smallholder farmers. In a few cases, it can be hard to certify products due to low volumes or other issues, but we always try to buy the best products we can.

We also put the environment first. For example, we introduced new compostable bags for our dried fruits, and helped producer partners to introduce environmentally positive technologies, such as solar driers and less damaging technologies for processing nuts.

What is the most inspiring or surprising encounter you have had with a fair trade producer?

About two years ago in Uganda, after visiting farmers in a small village, I was about to travel back to Kampala. I always get the bus when I do this, as it is cheap, quick, and I actually feel safer in a big bus than I do in small cars on the dangerous African roads.

A woman approached me when she saw I was going to take the bus and offered to drive me to Kampala. She seemed nice, so I said yes. In the car, she explained that she was the daughter of the first people in her village to sell us dried fruits, 25 years earlier. The money they had earned from selling fruit had enabled her to attend a decent school and then a teacher training college.

She has now become the first qualified teacher at her village school.

She was proud to be wealthy enough to have a car, so she could give me a lift back to the city. I was proud she had been able to qualify as a teacher using the money her family had earned through fair trade, and was now teaching the children in her village to a far higher standard than was possible before.

What do you consider to be Tropical Wholefoods' biggest challenge?

The world is a big place. There is always someone willing to sell something that is cheaper, perhaps because they are desperate, or because they can exploit power and pay farmers a lower price. This makes it almost impossible for us to

compete when we go into supermarkets, who place price as a premium above all else.

We face the daily challenge of how to communicate to our customers that our prices might be a little bit higher, but the product is really different and (we think) better. Our products really do taste good, and we are lucky to have loyal customers, so we must be doing something right.

The present move to online retail is also a big challenge for us. Conventional shops are struggling, and some of our loyal retail customers are quite traditional, so they are not adapting to online shopping as fast as they could.

What is your favourite fair trade product?

I think I have to say Clipper Fairtrade Tea, as I drink five or six cups of it every day! I also love the Zaytoun olive oil products – that is another incredibly inspiring fair trade story.

You can read more about Tropical Wholefoods at tropicalwholefoods.com

"Tropical Wholefoods could not exist without the loan we and our partners receive from Shared Interest, so my message is pretty simple: Thank you. Without you, we would not be here."



Fairtrade T-shirt made by Little Green Radicals producers



Top and bottom image: The people working behind the scenes, making ethical and organic pieces



Producers working with Twin Trading

Little Green Radicals formed in 2005 and became a Shared Interest customer earlier this year, receiving a loan to support their strategy for growth. Their founder, Nick Pecorelli, spoke to us about the challenges they face and why they chose to start a business in fair trade.

Why do you work in fair trade?

I didn't previously have any interest in fashion, I just wanted to do something within the fair trade sector. At the time, cotton seemed like it would be the most logical thing, given the power of the fashion industry and the decreasing global price of cotton.

What does Little Green Radicals do?

Little Green Radicals makes organic and fair trade fashion for babies and children, from newborn to age eight.

What do you consider to be Little Green Radicals' biggest challenge?

The biggest challenge has always been the supply chain. Our production process works well now, but in the beginning, the quantities we wanted were too small for the factories to be economic. However,

the conventional approach of buying some stock T-shirts and printing on them was not open to us because of our fair trade commitment.

What is the most inspiring or surprising encounter you have had with a fair trade producer?

In the early days, I used to love going out to meet producers because I would often end up being invited into their houses. Meeting families and sharing the food on which they depend on so much for their livelihood is quite humbling.

What is your favourite fair trade product?

I have always loved Tropical Wholefoods' products, particularly the mango. I also love the fact that they create a product from the apricot kernels to minimise waste.

Do you have a message for Shared Interest's investors?

My message is to simply emphasise the importance of having successful fashion brands in the fair trade space. Products like coffee and chocolate have reached the mainstream. In fashion, I think the complexities of the supply chain and the different ethical issues distract people. Whether it be the use of landfill, poor treatment of workers or pesticide use, the public cannot grapple with them all, and the fair trade message gets diluted or lost. It is therefore vital that brands with popular products are also advocates for fair trade, and prove it can be done.

You can read more about Little Green Radicals at littlegreenradicals.co.uk

Twin Trading has been a Shared Interest customer for eight years. We spoke to their Chief Executive, Richard Anstead, about his role in the organisation.



Why do you work in fair trade?

I have worked in fair trade since 2005 (firstly for Fairtrade Foundation) and for Twin since 2016. Prior to joining Fairtrade Foundation, I had worked for various commercial businesses, in the retail sector and for large multi-nationals such as Unilever and Barclays Bank. After taking the opportunity to travel independently throughout much of Southern and Eastern Africa for nine months, I returned to the UK with a desire to help connect entrepreneurs in Africa to value chains that recognise and reward their efforts. My commercial experiences allowed me to do this, working with fair trade partners such as M&S, Ben and Jerry's, Divine and Cafédirect.

What does Twin do?

Twin is a non-profit organisation, which owns a trading company. This structure allows us to combine trade, marketing, programmes and advocacy to build market systems that create better livelihoods for farming groups growing coffee, cocoa and nuts.

Twin is all about connecting actors along the value chain, and facilitating meaningful, global partnerships between buyers, donors and farmer co-operatives; with a shared vision of using trade to enable sustainable and vibrant farming communities to develop and prosper.

We have an amazing history and are behind brands such as Divine Chocolate, Liberation Nuts and Cafédirect. We still work closely with all three companies and I

sit on the board of Divine and Liberation.

Twin itself is currently working with 59 farmer groups, representing over 400,000 smallholder farmers.

What do you consider to be Twin's biggest challenge?

Twin works with producer groups in Africa, Asia and Latin America. We have a continued need to secure funds for our activities together. This is why we work so closely with Shared Interest; our partnership can help farmer groups access finance in a timely manner, helping them to pay their members for the coffee, cocoa, and nuts they deliver to the co-operative. This strengthens the co-operative, helps them access good prices for their product, and delivers greater value to their members.

What is the most inspiring or surprising encounter you have had with a fair trade producer?

In November 2017, I took a couple of our commercial buyers on an inspiring trip to Sierra Leone. I was able to see the hard work of cocoa farmers jointly building their futures through producing quality cocoa in harmony with the rainforest. In this amazing country, we are working with the RSPB and Comic Relief to protect the Gola Rainforest by supporting communities to develop their cocoa production. Within this one snapshot, we are able to see the unique potential of the Twin approach, combining programmes, trading and opening up

new market opportunities for smallholder farmers or buyers.

What is your favourite fair trade product?

Well of course it must be Divine Chocolate and Liberation Nuts. We are close and supportive sister companies. However, there are many more. I cannot believe how widely available fair trade products have become and I love tasting great new coffees especially, and hearing about the communities where it is grown.

Do you have a message for Shared Interest's investors?

A big, huge THANK YOU! The success of Twin, of fair trade, and of so much of our work, depends on Shared Interest investors. I am most aware of this when I meet with commercial partners, especially those who are not familiar with the UK. Explaining to them the support for fair trade and for organisations like Shared Interest always takes a minute. Then there is a moment of complete admiration as they begin to understand the commitment such organisations receive from supporters. It is always a pleasure to work with people so passionate about our shared work.

You can read more about Twin at twin.org.uk



Left image: Shared Interest volunteer, Vivienne Kynaston
 Right image: Shared Interest volunteer, Liseth Galvis



VOLUNTEERS' WEEK

Volunteers' Week is an annual celebration to promote and show appreciation for the fantastic contributions made by millions of volunteers across the UK.

We marked the occasion by sending a small gift to our network of volunteers.

Our volunteers contribute to our work in a variety of ways, from carrying out online research, to translating content for our customers, to raising Share Capital.

When it comes to raising awareness and Share Capital, our volunteers often rely on bookings from groups looking for a speaker for their next meeting or event. We will consider all invitations, but some of the groups we have recently spoken to are Rotary Clubs, Women's Institutes and church networks.

One attendee said: "The talk was very informative and demonstrated some complex information in an easy-to-understand format. As a result of the talk, we will be opening a Share Account."

We are currently recruiting for a small number of volunteer roles. You can read more on our website, and for a specific one-off event volunteer opportunity, please see below.



"Having been an ambassador for many years, I find that I have more or less exhausted my network of contacts, so really appreciate it when a member gets in touch to propose an organisation or faith community that would like to learn more about Shared Interest. We have some excellent resources to make the talks come alive. Especially when talking to a group of like-minded people, these events can be very rewarding and enjoyable."

– Elsa Fairbanks,
 Shared Interest Ambassador.

ARE YOU GOING TO GREENBELT? WE ARE!

We are excited to be attending Greenbelt on 23-26 August for the first time, but we need your help. To find out more and apply, please contact our Volunteer Engagement team, Alan and Sally, on **0191 233 9103** or email volunteers@shared-interest.com



COUNCIL COMMENT

The last AGM of Shared Interest in March happened to fall on International Women's Day. At the end of official proceedings, we were treated to a powerful presentation on women's issues ranging from wealth distribution, legal rights, land ownership, income gap, access to education, finance and healthcare. All facts that I was vaguely aware of, but had not paid much attention to.

According to the UN, there still seems to be nowhere in the world right now where women can claim to have the same rights and opportunities as men. Yet without women's unpaid contributions to caring for the elderly and infirm, cleaning, cooking and raising families, our economies (our world) could not function.

It seems particularly unfair to me that during the time of raising their families, women seem to be most vulnerable. Their capacity to earn is often reduced, and with it, their access to healthcare, food, housing and education for their children. This at a time when it is most needed, not only for the women themselves, but also for the well-being of future generations.

Shared Interest is already doing a lot to redress that balance. Between 2017 and today, the percentage of women supported by Shared Interest through our investments has risen from 30% to 39%.

As investors in Shared Interest, we have already made a commitment to work for change. Council is our chance as members to have an input into the work of Shared Interest and get our voice heard. Currently, there are six men and two women on Council. I ask myself if more women standing would be a further contribution towards redressing this imbalance. Please read the letter in this edition of QR concerning Council elections and consider putting yourself forward.

Katarina Diss,
 Member of Council

INTEREST RATES

Following a number of enquiries relating to interest on Share Accounts, we thought it would be useful to update members on our policy and process.

The interest rate for members is always set in advance by the Board of Directors, and the Society is permitted (by our Rules) to pay a rate "...not exceeding the minimum rate necessary in the opinion of the Directors to obtain and retain the capital required to carry out the object of the Society." That is of course always a judgement call for the Board, but the Directors are very aware of the implicit intention to share the risk and return of doing business, which is behind the very name of the Society – "Shared Interest". Whilst investing in Shared Interest Society should be seen as an ethical, social investment rather than primarily a financial one, we are conscious that even paying a small rate of interest to members offers some protection against inflation for the use of their money.

Interest is accrued daily and is paid on the 31 March for the year ended on the previous 30 September. As the interest rate was zero between 1 October 2017 to 30 September 2018, no interest was applied on your Share Account in 2019.

The interest rate is reviewed regularly and was increased to its current rate of 0.25% in November 2018.

You can change your interest preferences at any time and have three options;

- to receive interest
- to donate your interest to the Shared Interest Foundation
- to waive interest

This can be done through the online member portal or in writing to the Society at any time.



Andean Naturals, quinoa farmers in Bolivia

SAVE THE DATE

In 2020, we will be celebrating our 30th anniversary on Friday 13 March at the BALTIC Centre for Contemporary Art, Gateshead, so please save the date in your diary.

Quarterly Return is the newsletter of Shared Interest Society. Shared Interest Society Ltd is a fair trade lending organisation, which is a member of Co-operatives UK. It uses the pooled investments of its members in the UK to make real and lasting improvements to people's lives in the developing world.

Shared Interest Society Ltd is registered with the Registrar of Mutual Societies, number 27093R. The Directors decide on what the interest rate payable to members will be. The interest rate since 1 November 2018 has been 0.25%.

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Back cover image:
Association Ton, dried mangoes Burkina Faso.


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