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QUARTERLY RETURN 113
AUTUMN 2019

PAYING THE PRICE FOR COCOA

A SWAHILI SHARING SPIRIT
Swahili Imports works with
artisans in 15 African countries.

A BIG THANK YOU
To our volunteers who helped us
out at festivals this Summer.

SATIPO & ASUNAFO
Read the story behind
your chocolate bar.

SHAREDINTEREST
INVESTING IN A FAIRER WORLD



WELCOME

Welcome to your Autumn Quarterly Return. I am delighted to announce that thanks to your continued support and commitment, we hit two major milestones in August this year. As we edge closer to our 30th year, I am proud to tell you we now have over 10,000 Share Accounts open and £43m of Share Capital. This is a fantastic achievement, and means that over 400 producer groups across 63 countries can continue to benefit from our financial support.

As the nights grow longer, it seems timely to feature a product behind one of our favourite comfort foods. After all, it is the fruit of the cocoa tree, or *Theobroma cacao*, which provides us with the crucial ingredient for hot chocolate, as well as the growing range of ethically sourced chocolate products on our retailers' shelves.

Over 20% of Shared Interest lending facilities supports cocoa, and in this edition we bring you stories from farmers in West Africa and South America, facing challenges brought about by climate change, and a volatile international market.

On pages 4 and 5, you can read about Swahili Imports, an organisation that empowers female artisans to create their handmade products within rural communities, and sell them in an international marketplace.

Also included in this issue is an update on our Society Rules, after members voted in favour of proposed changes detailed in your January mailing, and at our AGM. Further information can be found on the page opposite and on our website.

We hope you enjoy reading this edition of QR.

Until next time,

Patricia Alexander (MD)

Front cover image:
Marith Tuanama is a cocoa producer with Acopagro co-operative in Juarjui, Peru.

ONLINE PORTAL

While we are aware that many of you still prefer paper communication, we are conscious of its environmental impact. For this reason, we encourage people to manage their Share Account online if they can. As a result, over a third of members are registered to use our online portal, 'Our Shared Interest.'

By signing up online, you can view your latest and previous statements, change selected personal details, as well as investing further and making withdrawals. For security purposes, all online withdrawals will be made into your nominated bank account. If your Share Account has more than one signatory, any transactional requests will need to be approved by all parties before being actioned.

Instead of receiving your quarterly statement and newsletter in the post, you will receive an email from us with a link to the portal, where everything will be available to view online. Of course, you can opt to take online access and continue to receive your mailing by post. Please specify that you wish to do this when signing up.

Our membership team can register you for this online service over the telephone. Please call us on 0191 233 9102 and we will take you through some security questions before getting you started. Alternatively, you can send us an email at membership@shared-interest.com with your contact number and the best time to get in touch, and we will call you.

THANK YOU

Thanks to the support of our volunteers, we were able to have a presence at two new events this Summer. In July, we attended Just V Show in London, which is aimed at people interested in a vegetarian or vegan lifestyle. Five volunteers joined two members of staff over the course of the three-day event. Our Volunteer and Engagement Manager, Sally Seddon, carried out an interview slot on the main stage with Liberation Nuts. Over the August bank holiday weekend, Sally joined 20 volunteers at Greenbelt Festival, which describes itself as a 'festival of artistry, activism and belief.'

We received a fantastic response at both events, and feedback from our stallholders was also positive, with one volunteer saying: "I really enjoyed my stint on the stand. It was very interesting to meet people and talk to them about Shared Interest, and very rewarding to find that many of them seemed enthusiastic about it. I also feel I learned a lot more about Shared Interest myself."

If you would like to volunteer at one of our events, please get in touch with Sally on sally.seddon@shared-interest.com



YOU CAN NOW INVEST IN US DOLLARS AND EUROS

We are pleased to inform you that the Rule changes, approved by members at the March AGM, have been registered by the Financial Conduct Authority (FCA) and are now incorporated into our Terms and Conditions.

The revised Rules now:

- Enable the Society to accept investment in US Dollars and Euros (as well as Sterling). As 93% of the payments we make to producers and buyers are in currencies other than GBP, fluctuations in exchange rates have a significant impact on the funds we have available to lend. If we raise investment in US Dollars and Euros, we will reduce the cost of borrowing and lessen the need to pass on US Federal Reserve increases to producers.
- The total investment per member remains £100,000, but this can now be split across three currencies. Members who wish to invest in US Dollars or Euros should contact Kerrey Baker, Head of Member Engagement, on 0191 233 9116 or email kerrey.baker@shared-interest.com
- Allow minors to be members of the Society in their own right, but must have one parent or guardian as a second signatory on the Share Account until they reach the age of 16.
- Enable groups or organisations holding Share Accounts to authorise withdrawal requests, with a minimum two signatories rather than all signatories noted on the Share Account.
- Provide for a Council of eight members (mirroring the usual size of the Board), being four randomly chosen and four non-randomly chosen members. Council previously comprised of nine members.

The revised Terms and Conditions are available on our website. If you would like a full copy, or would like to discuss any of the changes, please get in touch with the membership team on 0191 233 9102 or email membership@shared-interest.com

THE IMPORTANCE OF INCREASING INVESTMENT

As Shared Interest Society reaches 10,000 Share Accounts, our organisation's growth can be a source of pride in work well done. It ensures that our reach is greater as we increase our assets and so our potential to influence events around the world.

Like most of us, I am not an economist by training, so my grasp of the practical workings of forces of supply and demand is hazy. However, what struck me clearly in my first meeting as a new Council member this Summer, was the frustration that exists when the organisation does not have enough money to satisfy need. A new concept was put before me – that of the 'pipeline' of financial support; at present, loan requests from overseas are unable to be fulfilled because of inadequate sources of capital here. Demand for our lending is often oversubscribed, as applications outstrip the ability to supply capital.

It is good to see that our early 2019 Rule changes mean flexibility in the currencies in which people can invest (with US Dollars and Euros now acceptable) and that the age at which young people can open accounts has come down. These alone will not clear the blockage in the pipeline however – more liquidity still is needed to ensure we have sufficient funds to lend.

The biggest potential for de-blocking the pipeline lies instead with current investors putting more funds into their own accounts when feasible, or getting friends and family to open accounts, so that sums available for investment increase. We continue to be the only social lender willing to finance almost three-quarters of smaller, more vulnerable groups and co-operatives in our Latin America and Sub-Saharan Africa portfolio. As members, we all have our small part to play in assisting the Society get closer to its goal.

Stephen Thomas
Member of Council

Swahili basket weaver in Senegal.



A SWAHILI SHARING SPIRIT

Founded over two decades ago in Oregon by Leslie Mittelberg, Swahili Imports – trading as Swahili African Modern – partners with African artisans to sell their fair trade goods in stores around the world.

Leslie had previously lived in Kenyan capital Nairobi, and fell in love with the East African crafts sold at its vibrant city markets. This gave her the inspiration to begin the company name with 'Swahili', after the people whose artistry is at its core. She subsequently returned home to Oregon with a handful of handwoven, traditional tote bags called sisal kiondos and so began the start of a blossoming relationship between talented artisans and a forward-thinking social entrepreneur.

In 2011, Swahili Imports approached Shared Interest as their business was expanding quickly, and they needed finance to meet this growth. Since then, the organisation has widened its export partnership network from one group of weavers in Kenya, to artisans in nations across Africa, working primarily with women in remote communities.

Leslie says: "Crafting handmade products provides a particularly vital employment option for rural African women. The backbone of the family, they cook, clean, garden, care for the extended family and often shoulder the burden of paying school fees.

"Creating products from home around daily responsibilities empowers rural women as earners, while working together on orders brings communities together and highlights the power of teamwork."

Now based back in Oregon, Leslie frequently returns to Africa to meet new artists and introduce fresh design concepts to those living in rural communities. Subsequently, Swahili Imports now works with people in 15 African countries.

Leslie adds: "We feel that by following the Fair Trade Principles, we offer our partners across Africa the means to build stronger homes and communities by their own design. Each of Africa's 54 nations offers a unique array of beautiful crafting traditions, so we're always excited to begin working in a new country."

With the majority of sales made to the wholesale market, the organisation also sells directly to consumers from their retail website, and Oregon and Las Vegas stores. To complement their handcraft range, they recently began selling Justea, a Fairtrade organic tea, alongside a range of sauces and spices named Ukuva iAfrica, which combined, make up 10% of their product mix.

"We are dedicated to African artisans. Their skill, determination and sharing spirit form the backbone of the company's operations."

Leslie Mittelberg

Leslie continues: "Because we handle the intricacies and complications of moving products across oceans, artisans can focus on their creative work."



Swahili basket weaver in Senegal.

CASE STUDY: BASKETS OF SENEGAL

In 2007, Leslie was invited to join several other US buyers on a tour of Senegal, a nation Swahili Imports had not yet visited.

Leslie spent a week in and around Senegal's capital city, Dakar, visiting craft markets and artisan groups. However, one item hooked her: beautiful Wolof laundry hampers and baskets woven from locally sourced cattail stalks (a tall marsh plant).

Before leaving Senegal, Leslie placed an order of over 1500 hampers, table baskets, and trivets woven by 100 women in six different villages.

In many rural villages, the men of the family work in major cities, or abroad, to earn money for the family. Often, this income alone is not enough to fully meet the family's needs. Subsequently, Wolof women weave baskets, and sell them to pay for food, clothing, and education. They take great pride in using traditional skills to support their family in this way.

Leslie said: "After 17 years of work in Africa, our main indicators of success are the welcoming smiles of producers able to afford health care for their families, secure all their children an education and buy their own homes and farms."

To read more about Swahili Imports, visit www.swahilimodern.com



PAYING THE PRICE – COCOA IN AFRICA

If you bite into a bar of chocolate today, it is highly likely that the cocoa beans used to make it were grown in West Africa. This is because over two-thirds of chocolate consumed worldwide includes beans from this region.

However, far from being a lucrative choice of livelihood, cocoa farmers remain at the mercy of an industry that has an eye on price, and is a slave to margin. Coupled with this, cocoa prices have slumped by 30% to hit a ten-year low, leaving many farmers existing on far less than the living wage.

The Fairtrade Foundation launched a new campaign on the theme of the living wage to coincide with this year's Fairtrade Fortnight. They state that in Ghana and Côte d'Ivoire, a typical farmer, working outside fair trade, lives on around 75p per day. That is below the World Bank's extreme poverty line of about £1.40 per day.

Facing another year of financial hardship, government bodies in Côte d'Ivoire and Ghana threatened to stop their cocoa supply, should they not achieve a minimum price of 2,600 US Dollars per tonne. Following a number of negotiations, the two governments settled for a fixed price premium of 400 US Dollars above the predetermined Cocoa Futures contract price. The world benchmark for the global cocoa market, this price fluctuates on a daily basis. However, farmers growing Fairtrade cocoa will continue to be protected by the Fairtrade International Minimum Price of 2,400 US Dollars per metric tonne, so will never receive less than this at the point of export.

According to John Dossou, our Lending Manager for West Africa, there is still a great deal of uncertainty for farmers. He said: "Most of our producers in Ghana and Côte d'Ivoire have welcomed the good news. They hope that the fixed premium will be used to address the issues in cocoa farming communities in the region. However, some of them are sceptical about how much of the increase is actually going to affect the producer price."

It is expected that consumers may absorb the increase in price as opposed to the large multinationals, with predictions of a chocolate bar price rise as products hit the shelves. As the

increased market price has proved to have an impact on public consumption in the past, there may be consequences for farmers in the longer term. For example, in 2015, cocoa consumption slumped after the market price rose to 3,000 US Dollars per tonne. Sadly, it seems like a no-win situation for cocoa producers who currently only receive about 6% of the value of the global chocolate industry.

The Ghana Cocoa Board (Cocobod) and Côte d'Ivoire's Coffee and Cocoa Council joined forces and announced their minimum price for cocoa this Summer. The move comes two years after both regions agreed to set up a joint industry body called Ghana-Côte d'Ivoire Sustainable Cocoa Initiative to tackle issues such as pricing and cross-border smuggling. Originally viewed as rivals by the cocoa industry, the countries now work together to create a larger influence on world cocoa prices. Only time will tell if this latest move is sustainable. However, as detailed in the most recent Fairtrade Foundation Annual Report, 'strengthening producer organisations in West Africa continues to be a major focus.'

Unfortunately, an even more serious implication has arisen from the global chocolate industry. As people living in West Africa have very little choice of commodities to sell, deforestation is taking place on a grand scale as some farmers turn to illegal production to benefit from cocoa's growing demand. The spread of unlawful plantations has caused devastation as farmers move into national parks and protected areas to grow their crop.

Consequently, there is growing pressure on chocolate brands to be more transparent about their supply chain. As The Fairtrade Foundation state in their aforementioned report: "Both Aldi and Lidl have agreed with us to increase the use of Fairtrade cocoa in their confectionary lines."

Global campaigning organisation, Mighty Earth, conducted an in-depth global investigation into the link between cocoa and deforestation, and concluded that 'without action, Ghana stands to lose all remaining forests outside its national parks in the next decade.... In Côte d'Ivoire, only 200-400 elephants remain from an original population of hundreds of thousands.'

We spoke with Traore Sinan, the Chairperson of CAYAT, which is one of our largest cocoa producers in Côte d'Ivoire. We asked about the environmental challenges of their work. The co-operative holds yearly environmental training for their members, focused on climate change adaptation and mitigation. Traore explained that there are several classified forests in their region and CAYAT is working in partnership with the Ministry of Water and Forests to preserve these areas.

As consumers increasingly choose groceries produced with a conscience, there is some hope that positive changes lie ahead.

Over the past five years, sales of ethical food and drink have shot up by 43%.

(source: Mintel, May 2019.)

In fact, this year 100% Fairtrade brand, Divine Chocolate announced its highest ever sales; proof that chocolate lovers are gradually becoming more concerned with the social impact of the cocoa supply chain.



Cocoa in West Africa.

CASE STUDY: ASUNAFO



Asunafo producer in Ghana.



Asunafo's new office complex, which was built in 2018.

Asunafo is a fast-growing Ghanaian cocoa producer, despite many of the challenges faced by economic and environmental factors. They registered as a co-operative in 2011 with just over a thousand farmers.

Since then, they have grown to a membership of more than 6,500, over half of which are women. Farmers sell their dried beans in bulk to a local buyer licensed and accredited by a government-led body called Cocobod.

At the beginning of each season, Cocobod sets the price for cocoa beans so that farmers can benefit from a consistent income. The co-operative is based in one of the few African countries that has its cocoa price determined in this way.

A steady pricing structure provides some certainty in a sector where weather can dramatically affect cocoa yield times, with farmers having little control over their harvest period. A main crop is expected between October and December, and a lighter crop from April until June, with export dates following soon after. This means that

Asunafo is often under pressure to meet deadlines for shipping. To help with this uncertainty, Asunafo has looked for diversification opportunities for farmers. Along with exploring the growth of different crops, the co-operative created a second income stream by selling farming products. They came to Shared Interest for finance to support this side of their business.

Thanks to Shared Interest investors, Asunafo can now purchase and provide the essential products required for their farming methods. Nana Sarpong, the chairperson from Asunafo said: "The loan from Shared Interest has allowed us to purchase the recommended farm inputs in bulk at a reduced price and made it available to our farmers at the right time of application."

Shared Interest West Africa Lending Manager, John Dossou, said: "We

began providing finance to Asunafo almost two years ago, when the President of their Union asked for a loan to support their agro-input business, which is expanding quickly. The Fairtrade Officer who provided a reference, described Asunafo as one of the largest and best-organised co-operatives in Ghana.

"However, Asunafo faces many challenges. As one of the biggest cocoa bean suppliers to Mondelez, they replaced their Fairtrade contract for one with Cocoa Life. Up until this point, they were able to undertake community projects using the Fairtrade Premium, which was 200 US Dollars per metric tonne of cocoa sold. Under the Cocoa Life certification, they have reported a reduction of 80 US Dollars, which has led Asunafo to seek financial support elsewhere.

"The good news is that Asunafo's production has increased significantly since they became a customer. This is quite an achievement, bearing in mind that cocoa yield has been falling over the past three years due to fungus disease."

Despite their reduction in Premium, the organisation has introduced several staff wellbeing initiatives. These include an office expansion to house a dispensary for the health needs of workers and a storeroom for farmers who have diversified into soap making.

John continued: "This is the result of Asunafo training 25 women in liquid and solid soap making, using leftover cocoa elements and shea butter. The soap is currently sold at the local market but plans are to expand this out to exhibitions to seek a better price. Some members have also diversified into coconut to sell during the rainy season. Asunafo distributed the seedlings to farmers, who will expect to see their first yield in 2021."

In addition, there is a savings and loan scheme, known as 'The Farmer's Bank', which has over 2,600 members. Asunafo has also constructed a new block of six classrooms for a local primary school, donated IT equipment to two further schools, and provided a water storage facility for Goaso Hospital. In 2018, they created a new office complex, which is rented out to Goaso District Assembly for additional income.

COCOA GROWN BY ASUNAFO FARMERS

Asunafo farmers harvest 100% Forastero cocoa, which is thought to be native to the Amazon basin.

The most commonly grown type of cocoa, Forastero, now accounts for 80% of the world's cocoa supply. What makes it so popular is that it is high-yielding, much hardier and less susceptible to diseases. Forastero cocoa has purple-coloured beans and is mainly used to give chocolate its full-bodied flavour.

The word means 'stranger' or 'outsider' in Spanish, and refers generally to the fact that its origin may not be local. Forastero cocoa is currently grown in Ghana, Nigeria, Côte d'Ivoire, New Guinea, Brazil, Central America, Sri Lanka, Malaysia and Indonesia.



QUALITY, NOT QUANTITY – COCOA IN LATIN AMERICA

Legend has it that chocolate originates from Mexico, where the Aztec emperor, Montezuma II relied on a daily dose to give him energy. It is thought that he enjoyed it as a bitter drink, influenced by his Mayan neighbours.

However, according to a report published last year by Nature, Ecology and Evolution (source: www.nature.com), evidence shows that the most diverse variance of cocoa is found in the upper Amazon region of South America, leading researchers to believe this is its true place of origin.

In an article by Confectionary News (*full source detailed below), figures published in August 2018 for the Cocoa Global Production Balance, show that Africa produces 76% of the world's cocoa, with 17% being grown in the Americas. As we explain in our feature on page 6, the majority of cocoa used in today's chocolate is derived from the West African areas of Ghana and Côte d'Ivoire. However, the article goes on to predict that the South American cocoa industry will grow dramatically over the next ten

years, stating: 'All that Latin America cocoa lacks is scale, but where it lacks in yield, it excels in new hi-tech production methods and a relatively young and vibrant workforce.' If this is true, it means that cocoa production will go full cycle to return to the place from which it originates.

In South America, Shared Interest works with 14 producer groups that trade cocoa. Paul Sablich, Regional Manager for Latin America, comments: "We provide finance for a wide variety of co-operative sizes. Some of them have recently started trading internationally, while others have longer experience."

What makes South American cocoa stand apart from the rest is the quality. Chocolate connoisseurs will often talk of the original taste of Peruvian chocolate in particular, and the region actually

supplies 80% of the global production of speciality cocoa (source: CAF, Development Bank of Latin America). According to the International Cocoa Organisation, 75% of cocoa exported from Peru is fine flavour cocoa beans. In fact, cocoa is the second most important agricultural product after coffee, in terms of people involved; it thus has a significant socio-economic impact. Last year, 62% of Shared Interest's total payments were made to support coffee and cocoa production, and lending facilities to cocoa organisations reached 21%.

According to Esperanza Dionisio, General Manager of CAC (Cooperativa Agraria Cafetalera) Pangoa located in Peru, there are various threats for the cocoa sourced from this region. She says: "The quality of our cocoa is based upon its native origin. However, there are initiatives to plant clone varieties of cocoa that can have higher yields, but where the quality is low. Thus, we promote growing Peruvian native organic cocoa to our farmers, and that is what our international buyers and chocolatiers seek."

*Source: Spotlight on South America from the World Cocoa Foundation Conference, looking at what Latin America has to offer in terms of cocoa production, quality, sustainability and diversity, confectionarynews.com/article/2018/10/23/spotlight-on-cocoa-production-in-latin-america

CASE STUDY: SATIPO

Established over 50 years ago, Satipo is a Peruvian co-operative with farmers producing Fairtrade coffee and cocoa.

Cocoa can be grown and shipped all year round, as opposed to coffee, which has a harvest season of March to August and export June to December. This means that the co-operative has an alternative source of income during Spring and Summer months, and cocoa makes up just under 20% of their business. Each year, most of the crop is sold for export to a Swiss company.

The co-operative approached Shared Interest for help in pre-financing their cocoa and coffee contracts. This means they are able to pay their farmers at harvest time, instead of waiting for their goods to be sold. With their Fairtrade Premium, they have been able to buy organic compost for their crop.

Satipo is driven by social impact, and has carried out a number of projects in the Peruvian Central Jungle, including reforestation, farm renovations, and implementation of water treatment systems with the support of local and overseas organisations. Despite the

challenging conditions for coffee farmers as they currently face low international prices, Satipo has seen member numbers almost treble in two years, from 100 to 270.

General Manager, Edison Chavez, has been with Satipo for six years and has seen the co-operative go through many changes. He said: "We now have a positive business rapport with two international buyers for our coffee and cocoa, after a poor performance in the 2016 harvest, where the crop failed to fulfil orders. Farmers are also happy as they are paid a higher price than if they were to sell locally.

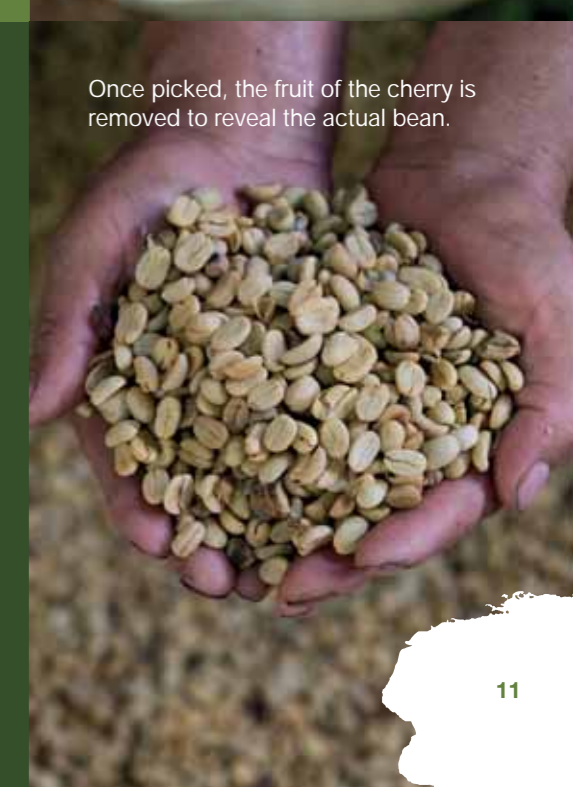
"Although the three types of coffee we grow are at risk from the coffee leaf rust disease known as Roya, it has not been a major issue since 2013. The year I joined Satipo, we were badly hit but thankfully things have improved since then. The main challenges facing the co-operative now and in the coming years are helping farmers understand and comply with organic standards, as well as generational replacement. This is due to current farmers retiring from the role and an increasing number of young people moving out of rural areas to find work."



Coffee trees in Latin America produce coffee cherries, which turn bright red when they are ripe.



Once picked, the fruit of the cherry is removed to reveal the actual bean.



ARABICA COFFEE TYPES GROWN BY SATIPO FARMERS

Catuai

A small plant with high-yielding power. The compact nature of Catuai allows it to be planted closely together, doubling the harvest potential.

Geisha

A tall plant with either green or bronze tips. This plant has exceptionally high quality when grown at high altitudes.

It is thought to originate from Ethiopia as early as the 1930s, which would explain the name as it grew in a region where a mountain is most commonly translated in English as Gesha.

Caturra

This plant is related to the better-known red Bourbon, displaying the same type of leaves and fruit, both red and yellow.



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:
Sun-dried cocoa beans at ACOPAGRO
processing plant in Juanjui, Peru.

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