

QUARTERLY RETURN 118 • WINTER 2020/21

HOPE FOR A BETTER FUTURE

LONG TERM IMPACT

Each year, we produce a set of longitudinal case studies. Using research carried out over a number of months, the studies follow the customer journey over several years.

DATES FOR THE DIARY

Due to continuing Covid-19 restrictions, our AGM will take place online this year. We hope that you will be able to join us on Friday 12 March.

SOCIAL ACCOUNTS

Our externally audited Social Accounts, detail our social, economic and environmental impact.

[SHARED-INTEREST.COM](https://www.shared-interest.com)



WELCOME TO YOUR FIRST NEWSLETTER OF 2021. FOLLOWING SEVERAL CHALLENGING MONTHS AND A VERY DIFFERENT FESTIVE PERIOD, WE FEEL THAT THIS NEW YEAR IS ONE OF HOPE FOR A BETTER FUTURE.

The response to our Christmas card has been extremely positive and as the team continues to work remotely, it has been heartwarming to receive messages of encouragement from many of you. Thanks to your loyal support, this year, communities in 51 countries across the world will continue to benefit from our finance.

As always, this Winter edition of QR is packed full of achievements from the last year, as well as new things to come. The middle pages contain a pullout version of our Annual Review, as well as a summary of our Social Accounts. You can find the full versions of both documents on our website. Also inside is a snapshot of the stories gathered as part of our annual process to examine the long-term impact of our lending. Featured this year are Capucas, a coffee co-operative in Honduras, where communities have suffered the devastating effects of two hurricanes, and we revisit COCAGI, a coffee growers' co-operative located in Rwanda. As the pandemic continues to affect supply chains, we caught up with two of our UK buyer customers - Freeman Trading, who import coffee mainly from Peru, and well known Fairtrade brand,

Liberation Nuts. This issue also includes an update from Candela, and how they are supporting brazil nut gatherers in the Peruvian rainforest.

Lastly, we want to remind you of the opportunity to share in our AGM voting process, which is detailed in your enclosed letter. For those members receiving their mailings digitally, you can vote online within our secure member portal. Our AGM will take place online this year, and there is more information inside about this process. We were delighted that so many of you joined us at our virtual member events in November and hope to see more familiar faces in March. It is a shame that we remain unable to meet in person but thanks to technology, we can connect in other ways. If you need further assistance in accessing our online events, or wish to manage your Share Account online, our membership team is happy to help you on [0191 233 9132](tel:01912339132) or at membership@shared-interest.com.

Until next time,



Patricia Alexander
Managing Director



Front Cover Image: Esmiker de la Peña Huanuere poses for a portrait while holding a Brazil nut tree plant on his concession in the Peruvian Amazon

OUR AGM IS GOING ONLINE

Due to continuing Covid-19 restrictions, our AGM will take place online this year. We hope that you will be able to join us on Friday 12 March at 10am. Along with the formal AGM, you will have the opportunity to participate in a number of update sessions in the afternoon, where our colleagues from Africa, Latin America, and the UK will join us.

The AGM agenda and resolutions are detailed in the enclosed AGM booklet. As in previous years, you have the choice to vote within the secure member portal or return the voting card in the Freepost envelope enclosed. Once you vote and register to attend, we will send you joining instructions. If you have any questions please contact our Membership Team on [0191 233 9102](tel:01912339102) or at membership@shared-interest.com.

SUPPORTER EVENTS

Thank you to everyone who joined us for our first online supporter event in November last year. Due to high demand, we divided the day into two sessions and were delighted to welcome 250 members across both. As well as hearing from our Managing Director and Finance Director, members of the Board, and Regional Managers in Africa, Latin America, and the UK were on hand to answer any questions. The Q&A session was just as lively and informative as our in-person events and we received very positive feedback from attendees.

We continue to monitor developments with Covid-19 and the majority of the nation remains in restricted zones as this newsletter goes to print. The wellbeing of our supporters and colleagues will always be our priority and we will only meet in person when it is safe to do so. For this reason, our usual calendar of supporter events across the UK are not currently scheduled to take place. However, this does not mean that we cannot connect with one another. We are now making plans to bring you a series of online supporter events. This will give us the opportunity to hear your thoughts and views, as well as keeping you up to date with the impact of your investment. Further details will be included in your Spring edition of QR.

Please note: All photographs included in this newsletter were taken before the restrictions imposed due to Covid-19

One of the really positive things in our current situation is to see the way in which the Society has been able to provide additional support to customers through the Livelihood Security Fund and other helpful measures.

At our last Council meeting, it was also very good to hear details of the substantial efforts made by customer co-operatives themselves to give emergency help and assistance to their members. The impact of business closures here in the UK, is clearly felt, but there are huge ripples along the supply chain. If the grower cannot move their stock because of lockdowns, transport restrictions or port congestion, what impact does that have on their earnings? If we do not drink coffee in our various coffee shops, that reduces demand. In the face of reduced or cancelled orders, what happens to the price? The impact of market changes here is magnified in supplier communities, and at the same time they are dealing with the effects of climate change.

Another great positive was the number of members who joined for the virtual members meeting on 17th November. With so many members taking the opportunity to hear of the Society's progress and to receive updates from not just the UK team but also the overseas team, this was well worthwhile. Hopefully, this will lead to wider member engagement. It is also evident that the Society's message still very much resonates with members as the Share Capital has continued to grow during the year. Members' voices are important and for our part, Council will do its part through our meetings (the last two held virtually), in acknowledging the splendid work of the office teams and encourage them in the Society's mission.

From a personal point of view, the need to make more coffee at home continues to highlight the choices we all make about the products we purchase on a daily basis. There has been a lot written recently about the move to 'shop local', although shopping fairly is at least an equal partner in this re-think of our collective buying habits. Perhaps time spent in lockdown thinking means we will have more campaigning enthusiasm stored up for next year and be more daring about encouraging others to open an account.

Martin Canning
Council Moderator
(Retiring March 2021)



LONG TERM IMPACT

Each year, we produce a set of longitudinal case studies. Using research carried out over a number of months, the studies follow the customer journey over several years. This helps us understand the impact of Shared Interest finance. Here, we reveal the benefits Rwandan co-operative, COCAGI, has brought to its wider community, and share insight into Capucas, a Honduran coffee co-operative, based in an area that has recently suffered the effects of two hurricanes.

Coffee Co-operative of Gichoma (COCAGI) is a coffee growers' co-operative located in the Gishoma district of western Rwanda. They started out as an association of coffee producers in 2002, in the same year the Rwandan National Coffee Strategy was launched to promote the production of high quality specialty coffee. Two years later, they formally registered as a co-operative and the Government supported them to establish a coffee washing station.

COCAGI's sales volume increased by almost 30,000kg the following year, after Shared Interest provided COCAGI with their first Commercial Export Credit (COEC) facility. This resulted in the cash flow needed to pay producers promptly for their coffee cherries. This improvement in payment provision attracted more producers to the co-operative.

When they officially became a co-operative, COCAGI struggled to access credit facilities to maintain their operations.

Just two years later, COCAGI were able to support farmers living in areas identified by the Government as high risk (due to them being prone to landslide or flooding etc.), to relocate.

They established a housing fund, which helped 67 families to construct new houses in the safer zones. That same year, following the launch of a Government campaign to eliminate houses with a thatched roof, COCAGI supported 30 producers to roof their houses with iron sheets. The co-operative went on to establish a fund to supply households with electricity.

"OUR ENCOUNTER WITH SHARED INTEREST IN 2009 BROUGHT A COMPLETE TURNAROUND IN THE FORTUNES OF COCAGI."

COCAGI General Manager,
Pastor HABIMANA Japhet



COCAGI Coffee Farmer, NZABANDORA Manasse, explains how the co-operative has helped meet the needs of his household.

He is a single parent and a father of nine children. He has over 50 years' experience in coffee production and owns 300 coffee trees.

Before joining COCAGI, Manasse lived with his children in a wooden structure with no electricity. He owned 100 trees and was processing his coffee manually, selling it at low prices to local buyers.

He borrowed from local moneylenders at high interest rates, to finance the education of his children and pay for healthcare but sadly, three of his children dropped out of school. However, thanks to COCAGI's Educational Fund, he was able to cover the education of his six other children. Manasse has also constructed a new house, with a water and electricity supply.

"THANKS TO COCAGI AND THEIR FINANCIAL PARTNERS, I HAVE BEEN ABLE TO FUND THE EDUCATION OF MY CHILDREN. A FEW YEARS BACK, I DID NOT HAVE ANY MEANS TO DO SO, RESULTING IN THREE OF MY CHILDREN DROPPING OUT OF SCHOOL. TODAY, MY INCOME HAS IMPROVED AND I CAN PROVIDE ALL FOOD ITEMS FOR THE CONSUMPTION OF MY HOUSEHOLD."

COCAGI coffee farmer,
NZABANDORA Manasse



Image Above: COCAGI coffee farmer Bernard Nyirimana and Jeremy Torz, Vice Director of Union Hand Roasted Coffee



CAPUCAS

Co-operative Cafetalera Capucas Limitada (Capucas) was formed by a group of 55 farmers, who wanted to grow good quality coffee and create a better quality of life for people living in the region. The co-operative is named Capucas after the community in which it was founded.

Despite several years of suffering low international coffee prices, Capucas is one of the few co-operatives in Honduras to maintain a high level of Fairtrade exports, and they have a reputation for creating a significant social impact.

We began our relationship with the co-operative in 2015, when we approved a Commercial Export Credit (COEC) facility, which meant that Capucas could support farmers on the run up to harvest time. Capucas now have 33 employees (33% women) and work with 919 farmers (23% women).

By paying farmers in advance, Capucas enables them to care for their crop, and maintain their farms. Without pre-finance, farmers struggled to prepare their land, leading to reduced yields, below the quality expected by buyers. Their only option was to sell their coffee to 'coyotes' - local middlemen who offer a low price and sell the goods on for their own gain.

Capucas General Manager, Omar Rodriguez said: "We have had cases before of producers saying they cannot deliver the typical production volume because no pre-finance was provided."

Capucas has also received finance from other social lenders and our research shows that this has been influential in local banks changing their approach to providing finance. In fact, in 2016, local banks began to finance coffee co-operatives more extensively.

Omar continued: "This is also another indirect benefit of the contribution of Shared Interest and other social lenders - making the local banking system more open and competitive."

The Capucas community has also benefitted from the co-operative's Fairtrade Premium over the years. In 2010, they paid for the construction of the first community medical centre in partnership with the local university, Universidad Nacional, who provided the specialist knowledge to design the building. This project has since expanded to include dental care, with further plans to build a maternity ward.

More recently, Capucas launched the Virtual University, which provides further education to the more rural region of Honduras. The University is open to all community members, and offers a range of courses including microfinance and coffee business



management. Capucas also supports the community primary school, paying a teacher's salary, as well as scholarships for 18 primary school students.

Furthermore, Capucas is situated in the largest area of Central America to be certified as Bird Friendly, with 4,000 hectares designated as a renewable tree plantation. This certification guarantees that every bean is produced organically and under high-quality shade. Capucas also produces coffee under this certification.

For over a decade, Capucas has carried out reforestation activities, planting over a million timber trees in the region, and has supported farmers to diversify into organic fertiliser production, beekeeping, and growing lemongrass.

Omar concluded: "The support of social lenders throughout the last five years has helped Honduran coffee farmers to increase their production, productivity, quality, and exports, and now the recognition of our coffee is far better. In addition, the income to rural areas has also increased, improving livelihoods in rural areas such as Capucas. Without the component of the pre-harvest finance, all this will not have been possible."

Over 20 years ago, Capucas launched a women's project supporting the wives of producers to establish a small roasted coffee business. As the project grew, other women from the community joined the initiative. To mitigate the effects of climate change, Capucas also established a peer-to-peer learning programme on good agronomical practices, with the aim of reducing soil erosion and water consumption, as well as increasing biodiversity and shade in the farms through the planting of trees.

Capucas coffee farmer, Jose Francisco lives with his wife, less than 1km from Capucas' main facility.

We interviewed Jose in September 2020. He told us he has three small farms, which produce honey, coffee, and lemongrass which he sells to Capucas. He also grows avocados, oranges, and lemons for household consumption.

Jose has been a coffee farmer for 30 years and has received various types of support from Capucas, to increase the productivity of his farms. He used the first loan to build a sundryer and the second loan to improve the infrastructure of his wet mill. He also told us the loans have helped convert his farm to organic, as well as improving the sustainability of his farm.

"THE PRE-HARVEST LOANS ARE IMPORTANT FOR ME SO I CAN COVER ALL THE EXPENSES DURING MONTHS WITH LIMITED INCOME. THE BIGGEST ACCOMPLISHMENT WAS DEFINITELY TO GAIN ALL THIS VALUABLE KNOWLEDGE AROUND COFFEE. KNOWING ABOUT ORGANIC FARMING, SUSTAINABILITY. HAVING THE CAPACITY OF LEAVING A SUSTAINABLE BUSINESS TO MY CHILDREN. SINCE 1999, I HAVE ALSO BEEN ABLE TO IMPROVE MY HOUSE CONDITIONS, ESPECIALLY THE FLOORING.

BUT A MORE IMPORTANT USE OF THE COFFEE INCOME WAS THE POSSIBILITY TO EDUCATE MY DAUGHTERS. THREE COMPLETED HIGH SCHOOL AND THE YOUNGEST IS ABOUT TO FINISH IT.

I SEE CAPUCAS AS MY HOME AND FAMILY. I CANNOT BE DISLOYAL TO THE CO-OPERATIVE BECAUSE I WOULD BE DISLOYAL TO ME, AND TO MY COMMUNITY."

Capucas coffee farmer, **Jose Francisco**

HURRICANES

Unfortunately, Honduras is one of the countries in Central America to be impacted by two hurricanes in one month. Hurricane Eta arrived in Nicaragua at the beginning of November, devastating Honduras and Guatemala on its path north. Less than two weeks later, Iota hit the region just 15 miles south of where Eta had hit. Marco Garcia, our Lending Manager for Central America, gave us an update on how Shared Interest customers have been affected, particularly Cooperativa Agrícola Cafetalera San Antonio Limitada, known as Coagricsal.

Marco said: "On 19th November, Coagricsal reported they had suffered significant damage to their main facility, including their coffee drying patios. Their warehouses were flooded, meaning that several bags of unprocessed coffee and cocoa beans, totalling 70 metric tons, were lost. However, their priority was urgent repair work to the impaired bridges and nearby roads, which provide crucial access to their site.

"At the end of November, the co-operative was finally able to resume production. Unfortunately, with the drying patios still needing restoration work, any wet milled coffee had to be placed into drying machines. This in itself caused a three-week delay at the start of the next coffee cycle.

"Meanwhile, the torrential rain brought by the almost back-to-back hurricanes caused deadly landslides, flash flooding and destruction in large areas of Central America. The main roads connecting the main coffee growing region with the port remain damaged. "The region of Corquin has been left completely cut off from

the ports, but apparently a connection will be established soon. Copan Ruinas, the most remote coffee region, is suffering constant power outbreaks. In Corquin, we have our customer Cafescor, and in Copan Ruinas Cafel. Other Shared Interest customers in Honduras have been able to continue their work.

"Nevertheless, repair work to the roads is reported to be slow. However, the Coffee Institute has stepped in, promising to fix them within a month, using coffee export reserves. This funding comes from the mandatory fees paid to the government each time coffee is exported. The money is used to support the coffee sector in various ways, including maintaining the roads in coffee production regions. As the coffee sector in Honduras is mainly made up of small farms, these funds prove vital in maintaining infrastructure to support them.

"Coagricsal has been able to ship its coffee but the total cost of the hurricane damage to their facilities and income is still being assessed. Sadly, some members of the co-operative became ill with flu, after being exposed to the relentless rainfall, and two members of the team contracted Covid-19. Thankfully, everyone involved is on the road to recovery."

As we write this, official figures suggest more than 150,000 people have been left homeless due to the damage caused by the two storms.

Marco concludes: "Tragically, for many people in Honduras, the impact caused by the storms will push them from poverty into extreme poverty."

SOCIAL ACCOUNTS

Each year we compile a set of externally audited Social Accounts, which detail our social, economic and environmental impact.

The full document is available to download on our website at:
WWW.SHARED-INTEREST.COM/IMPACT-REPORT

OUR MISSION

Our mission is to provide financial services and business support to make livelihoods and living standards better for people as they trade their way out of poverty.

We work collaboratively and innovatively with those who share our commitment to fair and just trade. With a community of investors, and the support of donors and volunteers, we seek to contribute to a world where justice is at the heart of trade finance.

OUR MEMBERS

We are able to achieve this impact because of the support of our loyal membership.

This year, we closed the year with 10,228 members. Investment increased significantly, with a closing Share Capital total of £46.1 million, a net increase of £3 million. This investment allowed Shared Interest to lend to 202 organisations across the globe, and thereby increased their access to finance to grow their business; generate more employment; and improve the lives of producers and their communities.

OUR LENDING

We lend in two ways: directly to fair trade producer groups (producer lending), and to fair trade wholesale or retail businesses (buyer lending).

Our portfolio is split into three regions; Africa, Latin America and Northern Hemisphere and Pacific Rim.



AFRICA

The agriculture sector employs about 70% of the population in most sub-Saharan African countries and accounts for 25% to 30% of GDP, yet the sector receives less than 5% of commercial bank lending (Council on Smallholder Agricultural Finance, State of the Sector Report 2019). Of the 174 producer groups in our lending portfolio, 91 are based in Africa (52%). This represents 307,001 producer individuals, including 112,413 women.

In West Africa, we continued to lend mainly to cocoa producers. A large proportion of the world's Fairtrade cocoa is produced in Côte d'Ivoire and payments totalling £4.8m were made to seven customers there.

NORTHERN HEMISPHERE AND PACIFIC RIM

This region consists mainly of buyer organisations based in North America and Europe with two producers in Asia, bringing the total number of customers in this region to 30. Shared Interest is one of the few social lenders to provide credit facilities to buyer organisations in the Northern Hemisphere.

This year, there were five lending applications for five products, including a handcraft producer in Mongolia. We

made 1,008 payments on behalf of buyer organisations to 155 organisations in 46 countries, totalling £14.4m.

The portfolio in this region is diverse; there is no predominant crop or product. Most customers are importers who sell a variety of products ranging from processed foods such as cookies and cereal bars, to jewellery, clothes and home décor.

LATIN AMERICA

According to a report from the Food and Agriculture Organization of the United Nations, Latin America and the Caribbean is a major food exporting region, responsible for 14% of the world's production of agricultural and fisheries products.

Over half of our overall lending (55%) supports producers in Latin America (512 producer groups and 52,038 producer individuals), and this year, payments made totalled £26.8m.

In line with the aim of diversifying products supported by our lending, we approved new facilities for mango, quinoa, and sugarcane producers, along with increasing existing facilities for coffee, honey and cocoa producers.

Brazil nut farmer, Eulogio Puma Checcore, gathers nuts in the Peruvian Amazon

CANDELA

You may remember Candela from previous QR issues, or from our 30th anniversary film. Shared Interest has a long history with the organisation, dating back to 2001. They approached us to enable them to pay their brazil nut farmers and meet their order demands. Since then, their business has gone from strength to strength and now employs over 250 workers.

We spoke to Candela President, Gastón Vizcarra and Founder, Guadalupe Lanao (Lupe) in December to hear about their year - how they have dealt with the pandemic and how they continue to support their gatherers amidst challenging times.

We were delighted to hear positive news from Gastón, that due to the remote location of the Candela farms, the impact of the pandemic has not been felt as hard as it had in busier towns and cities.

"FORTUNATELY THE CANDELA TEAM AND THEIR FAMILIES HAVE BEEN SAFE. WE HAVE HAD A FEW CASES OF COVID-19 BUT WITH NO FATAL CONSEQUENCES. ALSO, WE HAVE NOT RECEIVED BAD NEWS FROM THE GATHERERS AND FARMERS WE WORK WITH. AS WE ARE CONSIDERED PART OF THE FOOD SECTOR, WE WERE ABLE TO CONTINUE WORKING DURING THE INITIAL STAGE OF THE PANDEMIC. WE ONLY STOPPED FOR TWO WEEKS."

Candela President, Gastón Vizcarra

In terms of production, Covid-19 restrictions have had adverse effects. However, Candela moved rapidly to put measures in place, ensuring that the business could continue to operate efficiently and safely. Gastón continued: "Activities slowed

down and deliveries of the raw material were delayed. However, we maintained our agreements in volume and prices, so business was able to go on."

"WE HAVE ESTABLISHED VERY STRICT SANITARY PROTOCOLS IN OUR FACILITIES TO SECURE THE WELLBEING OF OUR WORKERS, AND WE ARE OVERJOYED WE HAVE BEEN ABLE TO KEEP THE FULL CANDELA WORKFORCE."

OUR SALES PROJECTIONS ARE THAT WE ARE GOING TO SELL AROUND 15% LESS THIS YEAR, AND WE THINK THAT THE GLOBAL MARKET WILL SUFFER DUE TO LACK OF MONEY AND JOBS. HOWEVER, THE SUPPORT WE HAVE BEHIND OUR BUSINESS WILL GET US THROUGH THESE CHALLENGES."

AS FOR THE FUTURE, WE TRULY HOPE THAT THE INTERNATIONAL MARKET WILL RECOVER IN 2021. WE HAVE OUR FAITH AND OPTIMISM VERY HIGH ON THE NEW GENERATIONS IN TERMS OF THEIR COMMITMENT TO A BETTER WORLD AND A HEALTHIER AND SUSTAINABLE PLANET."

Candela Founder, Lupe

You can watch our anniversary film featuring Gastón and Lupe on our website at www.shared-interest.com/gb/impact/films

Image Top: Esmiker de la Peña Huanuïre gathers brazil nuts from the rainforest in Peru

Image Bottom: Javier Torres Arimuya, right, and his nephew Yampier, left, cut brazil nuts in the Peruvian Amazon

ABOUT CANDELA

For almost 20 years, Candela Peru has used Shared Interest finance to sustain a precious relationship in the Peruvian Amazon. Founded in 1989, Candela's vision is to strengthen the value chains of Amazonian and Andean production by empowering rural producers to make sustainable use of their native ecosystems.

Castañeros are brazil nut gatherers, who live along the Madre de Dios River in the Peruvian rainforest. This area is known for having the greatest diversity of plant and animal species on earth.

Since 2001, Shared Interest has provided Candela with various types of loans to enable them to grow and sustain their business. All of these facilities have contributed to the growth and sustainability of the organisation and impacted positively on the livelihood of brazil nut producers and harvesters, their families and communities. Lupe said: "Shared Interest has played a fundamental role in the growth of Candela."

Odeon Cirilo Sanchez Cruz, a Candela representative, left, and Eulogio Puma Checcore, right, a brazil nut farmer, in the Peruvian Amazon

Women from the Shora community carry out quality control checks on the harvested coffee

WORKING BEYOND COVID-19

There is no doubt that in the latter part of 2020, Covid-19 caused substantial disruption to supply chains. In this article, we catch up with two Fairtrade buyer customers based in the UK, to explore how they have navigated challenges brought about by the pandemic. Freeman Trading is a UK coffee importer sourcing from mainly Peru, and Founder, Leon Woffenden tells us about their response to the lower demand for coffee over recent months. Meanwhile, Liberation - the UK's only farmer owned nut company - describe how their profits have increased.

FREEMAN TRADING

FREEMAN TRADING

Believing in fair and direct relationships with suppliers, Freeman Trading Founder Leon Woffenden began his career working on local market stalls in the UK. He describes himself as 'an extensive traveller who has since traded with communities as far afield as East Timor to Tibet'. Subsequently, he believes this connection with coffee farmers is the core of business success.

Putting fair trade and sustainability at the forefront, Freeman Trading works closely with Peruvian farmers. In collaboration with their customer, Easy Jose, and partner Kaffee Satipo, they have been working on a project to benefit the Mayni indigenous community in Junin, Peru. This year, they financed the growers to become both Fairtrade and Organic certified.

Although the pandemic has prevented Leon from visiting producer communities in person, he has continued to provide vital support. However, coupled with the diminishing demand for specialty coffee, travel and lockdown restrictions have also posed problems for the social entrepreneur. Leon told us how he had to adapt his business model quickly, to ensure the harvested coffee was not wasted.

"AFTER THE INITIAL TWO WEEKS OF LOCKDOWN, IT BECAME APPARENT THAT IT WAS NOT GOING TO END WELL FOR MY COMPANY BY SIMPLY WAITING FOR THE COFFEE SHOPS TO REOPEN. AS AN INDEPENDENT IMPORTER, WE SUPPLY SMALL COFFEE ROASTING COMPANIES WHO RELY ON COFFEE SHOP SALES."

Freeman Trading Founder, Leon Woffenden

"With 65 metric tonnes of green coffee sat on the floor, I needed to find alternative routes to market. With the new harvest already underway, my coffee on the floor would soon become past crop (once the new season arrives the old crop loses value and no longer trades at min world price, basically selling for a loss).

"Fortunately, all the coffee types we purchase are both Fairtrade and Organic certified. This would prove crucial in finding a good price as this coffee now carried a minimum price.

"With a good friend in the industry, we were introduced to a large supermarket supplier who as luck would have it, was short on Peruvian Fairtrade Organic coffee. In just one sale, we managed to sell 30% of our stock. This provided some vital financial security for the business going forward into the unknown. Throughout lockdown, our sales remained low but steady as customers ramped up their online delivery service."

Leon continued: "Sadly, the situation in Peru remained difficult, as although quicker than the UK to implement travel restrictions, they still suffered a huge amount of Covid-19 cases. This was largely due to socioeconomic factors, as most Peruvian households do not own a fridge for instance. This means that families are reliant on daily visits to local markets.

"Arguably, this was good for maintaining buoyancy in the local economy but the consequences of large volumes of people congregating in small crowded places unfortunately proved to be a huge source of transmission.

"Meanwhile, the coffee harvest was looming and labour was short on the ground as seasonal workers were still bound by travel restrictions. Rumours of shortages were driving up demand and with it, the internal market price.

"With speculation and uncertainty increasing for farmers, we began to see some of our producers selling their coffee in-country. We subsequently took the decision to purchase coffee directly from the producers via our partners Kaffee Satipo."

In 2018, Freeman Trading helped finance and establish the Kaffee Satipo co-operative in Peru, in order to manage their supply of coffee, which was sourced from indigenous communities rather than smallholder farmers.

Leon continued: "With our coffee supply chain pre-financed, we still had to secure a further 19 tons of additional coffee. This was undoubtedly a risk. However, having Kaffee Satipo on the ground at this point was crucial and mitigated the many risks involved. Through their involvement and our trading partners we achieved this."

Thinking ahead, Leon told us:

"WE HAVE SCALED BACK OUR PROJECTIONS AND PURCHASING IN LINE WITH CURRENT CONSUMER DEMAND. BATTENING DOWN THE HATCHES, WE ARE CONTENT TO SIT TIGHT WHILE THIS STORM BLOWS OVER. WE FEEL THAT 2021 MAY NOT BE THE YEAR TO BEGIN SPECULATING BUT HOPE TO BE BACK IN PERU BEFORE THE NEW SEASON STARTS IN JULY."

Freeman Trading Founder, Leon Woffenden

Easy Jose (mentioned in the article) were named as the Best Independent Coffee Brand by The Independent newspaper. They describe the coffee sourced from the Mayni community by Freeman Trading as 'simply bursting with a nutty aroma, and... love it or hate it almond and orange bursts of flavour. We loved.'

You can read the full story on The Independent's website by searching for '[best independent coffee brands 2020](#)'.



Top: Leon Woffenden with women from the Mayni community during coffee harvest

Bottom: Producer harvests coffee berries



Peanut farmer, Judith working for Liberation Nuts



LIBERATION NUTS

Amidst a challenging market, Liberation, the UK's only Fairtrade, farmer owned nut company, defied the odds to end the year with a profit. Securing an income for over 35,000 smallholder farmers, gatherers and their communities, this is quite an achievement.

As with most, it was business as usual for the company at the start of the year. Dan Binks, Interim Managing Director, told us how this included a site visit to peanut farms from the Del Campo co-operative in Nicaragua. Unfortunately, this turned out to be the only one made during the year.

The company had also pledged to move the Liberation own-brand nut selection to recyclable packaging. Dan described how they still managed to roll this out, despite suffering some Covid-19 related delays.

However, by mid-March, the office closed, all staff began working from home, and a Business Continuity Plan was put in place.

Dan continued: "The main concern identified was around the shipment of brazil nuts from Bolivia due to tight lockdown restrictions in the country. Some areas were badly hit by the pandemic, with estimates of over 500 people in gatherer communities losing their lives due to the virus. The factories were subsequently closed and many, who live in extremely remote areas on the outskirts of the Amazon rainforest, were unable to access essential supplies.

"Fortunately, AIRA - a small association of 58 gatherers in this region - had identified the most vulnerable families who needed urgent support. There were 38 in total; some took up to 10 hours to reach by land and water. The co-operative used their Fairtrade Premium and other allocated funds to buy and distribute basic supplies including rice, oil, soap and medicine.

"Back in the UK, we saw sales increase. As nuts have a long shelf life, it seems they were a popular choice for those stockpiling food.

"Whilst the business has operated completely remotely, there have been significant operational challenges across all our value chains. Despite this, we have managed to maintain supply levels to our two major customers, Sainsbury's and Tesco, and grow their two private label sales. This has only been made possible by our strong partnerships with our smallholder producer partners. Working on increased volumes with our major customers has enabled us to commit to further volumes with our co-operative partners in Bolivia and Kerala."

"SO, AS THIS DIFFICULT YEAR DRAWS TO A CLOSE, IT IS IMPORTANT FOR LIBERATION TO REFLECT ON THE RESILIENCE OF THE SMALLHOLDER FARMS AND THE IMPORTANCE OF SUPPORTING THE HEALTH AND WELLBEING OF THOSE AT THE VERY ROOT OF THE SUPPLY CHAIN."

LIBERATION HAS HIGH HOPES FOR 2021, INCLUDING A MOVE TOWARDS B-CORP CERTIFICATION AND CONTINUING TO BUILD EVER-STRONGER RELATIONSHIPS WITH PARTNERS AND FARMING CO-OPERATIVES."

Interim Managing Director, **Dan Binks**



Top: Salvador Ruiz Mendoza, Del Campo farmer harvesting peanuts



Bottom: FTAK member farmers who supply Fairtrade cashew nuts to Liberation



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.

HELP RAISE OUR PROFILE

Please follow us on social media and keep up to date with our activities and share our posts with friends.


 @SHAREDINTERESTSOCIETY

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 @SHAREDINTEREST

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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%.

BECAUSE WE CARE:





ANNUAL REVIEW SUMMARY 2020



There is no doubt that the pandemic has touched the lives of each one of us. Before I move on to our achievements, I want to say thank you to everyone who has helped us meet producer needs throughout this period of uncertainty. We stand together in solidarity to support communities in greater need than ourselves.

Of course, we must remember that six months of this financial year took place in a world before Covid-19; a year in which the Society lent funds to 174 producer groups, supporting 352,122 individuals, and also received the Queen's Award for Enterprise for the third time. It has also been a year of achievement for Shared Interest Foundation, as we delivered seven projects across six countries, working with farmers and beekeepers in Kenya, Uganda, Malawi, Ghana, Nicaragua, and Burkina Faso.

In direct response to the pandemic, we relaunched our Livelihood Security Fund to sustain businesses and support income levels, but most importantly, respond to basic needs. Shared Interest Society customer, Bukonzo Organic Farmers Co-operative Union (BOCU), became the first beneficiary, to provide food and shelter to 1,200 Ugandan farmers displaced by flooding.

As Shared Interest colleagues continue to work remotely, I commend their dedication to our mission. A mission that has led the Society to continue its aim of lending directly to producers, with 70% of finance reaching smallholder farmers and artisans. We are also grateful to our membership, who have enabled us to reach £46.1m in Share Capital. This increase of £3m in just 12 months is the highest annual rise seen for several years.

The team has been hugely encouraged by the support of our members, volunteers, and donors, as well as grant-giving bodies and trusts, who have enabled us to carry out this vital work. It demonstrates how, although unable to meet in recent months, we are united through our shared goals. Thank you for continuing to invest in a fairer world and helping us work towards building stronger communities across the globe.

Mary Coyle, Chair



SHAREDINTEREST

INVESTING IN A FAIRER WORLD

OUR MISSION

Our mission is to provide financial services and business support to make livelihoods and living standards better for people as they trade their way out of poverty.

We work collaboratively and innovatively with those who share our commitment to fair and just trade. With a community of investors and the support of donors and volunteers, we seek to contribute to a world where justice is at the heart of trade finance.

OUR INVESTORS

Our membership comprises 10,228 Share Accounts, 8,241 are held by individuals and 1,987 are held jointly or by groups, under 16s, or organisations. In total there are 11,879 individuals named on Share Accounts.

The average age of a member is 66, a reduction from 68 years in 2014. Our members remain loyal, holding a Share Account for an average of 14 years.

This year, we increased investment by £3m with a closing Share Capital total of £46.1m.

OUR VOLUNTEERS

Volunteers play an integral role in promoting Shared Interest, enabling us to raise awareness and support for our work.

There is no such thing as a typical volunteer at Shared Interest. However, all of our volunteers share our vision of a fairer world. This year, we have involved 92 volunteers across a variety of roles.

OUR LENDING

The need for our finance has become even more critical due to the disruption to trade caused by the pandemic. Although some farmers reported increased production in a period of adversity, the textile and handcraft sectors experienced many challenges. This included orders being postponed, particularly at the height of the pandemic, as the retail industry adapted to lockdown measures across the world.

Our portfolio saw sustained growth, both in variation of customers and the products our lending supports. However, the majority of our finance remained focussed on coffee and cocoa.

Our in-country presence remains vital in growing the local knowledge required to supply a large proportion of this finance to producers in remote communities.

Subsequently, 70% of our Share Capital reached those smallholder farmers and artisans, who are most in need. However, our relationship with buyers remained crucial in reaching producers in countries in which we are not able to operate directly.

In 2020, we lent funds to 174 producer groups comprising 352,122 farmers and artisans. Of these 35% are women and 8,516 are permanent employees.

In 2020
we lent
money to

174
producer
groups
representing
352,122
individuals
including
122,063
women



IN 2020 WE WON THE QUEEN'S AWARD FOR ENTERPRISE FOR THE THIRD YEAR

This year has brought Shared Interest a high amount of award success. In December 2019, our Managing Director, Patricia Alexander was named winner of the Global category for the North East Times Impact Awards. The Impact Awards highlight those people based in the UK, who have made an exceptional impact across five key areas: financial, global, regional, profile, and innovation.

In April, Shared Interest received the Queen's Award for Enterprise in the Sustainable Development category for the third time (previously recognised in 2008 and 2013.)

Just a month later, we were announced a NatWest SE100 Impact Management Champion and named as one of the Top 100 Social Enterprises in the UK. We were also shortlisted within the Enterprise Category of the Third Sector Awards and in the Money Category at the P.E.A (People, Environment, Achievement.) Awards.

Amidst these complicated times, this award confirms the need to continue our solidarity efforts towards those in need.

Marco Garcia,
Lending Manager for Central America

It is fantastic to receive the Queen's Award; a great recognition of how we enable people in the UK to share risk with farmer and handcraft groups in the developing world. The pandemic has further emphasised the differences in the global supply chain, making our work in remote communities more vital than ever.

Malcolm Curtis, Head of Lending

I am so proud to work for an organisation that has won this fantastic award three times.

Denise Sumner,
Executive Administrator

The award is a symbol of the hard work and dedication of every single person involved in the organisation. Being recognised in our 30th year makes this a very special privilege.

Patricia Alexander,
Managing Director

Winning the Queen's Award makes me feel proud to be part of Shared Interest and I am delighted the work we do is recognised.

Pam Hearne,
Finance Assistant

Winning the Queen's Award at this time shows how vital our work is, and we must celebrate our services being recognised in this way. Now, more than ever, we need to offer producers 'finance with a human face'.

John Dossou, Lending Manager for West Africa

For me, this award represents how we are achieving our mission to reach those most in need. The fact that we have received it three times also means that we are doing it consistently despite the various challenges we have faced over time.

Paul Sablich, Regional Manager for Latin America

Winning the award is a special honour, and highlights the amazing impact we have on people all around the world.

Mark Vassallo,
Systems Development Assistant

For me, this award is true greatness. Many of our regions are on full lockdown, with only businesses providing essential services being authorised to operate. It gives us some positive news in these challenging times.

Kennedy Mwasi,
Lending Officer for Africa

I am thrilled that Shared Interest has been awarded this prestigious award for a third time, and feel very proud to have been part of that.

Laura Carrick, Marketing and Communications Officer



...Congratulations to our amazing team and dedicated supporters!

This is the story of how a plan was conceived for an alternative investment organisation. One that has grown into a global provider of fair finance.

THE STORY OF SHARED INTEREST 1990-2020



1990

1991

1992

1996

1997

2004

2006

2007

2014

2019

2020

1990
£350,000
invested to
support
13 projects

MARK HAYES

A group of fair trade pioneers first came up with the concept of Shared Interest in 1986. Mark Hayes was working as an Investment Manager at 3i. His Finance Director told him: "You are trying to do the impossible, but good luck!"

Mark sadly passed away in December 2019 but his legacy lives on.

FIRST CUSTOMERS

Our first representatives started work in our Newcastle office, and Traidcraft, a fair trade buyer based in the North East of England, became Shared Interest's first customer.

1992
Our first
£1m
Share Capital

FIRST BIG INVESTMENT

In 1992, a loan of £85,000 was made to Traidcraft.



£10M SHARE CAPITAL ACHIEVED

Candela Peru, Brazil nut producers based in the Amazon Rainforest, became a customer.



NEW CUSTOMERS AND RELATIONSHIPS

Apicoop, a Fairtrade honey co-operative in Chile, became a customer.

We became members of the World Fair Trade Organisation (WFTO) formerly the International Federation of Alternative Traders (IFAT).



1998
Worldaware
Business Award,
for contributing to
viable economic
development

SHARED INTEREST FOUNDATION FOUNDED

Our charitable arm, Shared Interest Foundation, was set up to complement the work of the Society.



OVERSEAS PRESENCE

We established an overseas presence in Costa Rica and Kenya, which led the way to opening offices in Peru in 2009, and West Africa in 2012.



2008
Awarded the
Queen's Award
for Enterprise

CUSTOMER COLLABORATION

Three Shared Interest customers, Canaan Fair Trade, Zaytoun, and Equal Exchange Trading, run a joint venture to bring Palestinian olive oil to the UK for the first time.



2015
Awarded the title
of Most Ethical
Finance Institution
for commitment
to fair trade

£30M SHARE CAPITAL ACHIEVED

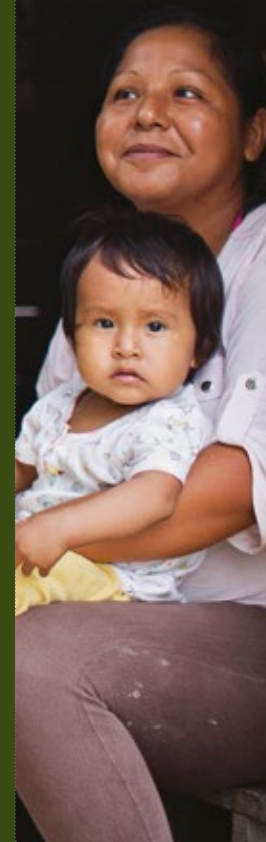
Shared Interest made a total of 2,712 payments to 400 organisations in 65 countries totalling £48m.



2019
We reach
10,000
Share Accounts

FROM STRENGTH TO STRENGTH

Shared Interest lent money to 174 producer groups, with 8,825 permanent employees and 396,973 farmers and artisans, including 141,052 women with a collective revenue of £751.2m.



2020
Awarded the
Queen's Award
for a third
time

£46 MILLION SHARE CAPITAL

10,228 members have invested £46.1million to enable us to support farmers and artisans across the globe.



SHARE CAPITAL GROWTH £m

45
40
35
30
25
20
15
10
5

THE STORY OF SHARED INTEREST 1990-2020



The 2019-20 financial year was challenging due to the global Covid-19 pandemic affecting the second-half of the period. In addition we lost two longer-term, large buyer customers (one changed its ownership and no longer needs our finance and the other closed). The average exchange rate of the US Dollar to the Pound Sterling during the year was 1.28 (last year 1.27). Together these led to a reduction in our principal lending income of £151k. After other income our total income decreased by £103k. The net amount lent to customers at the year-end was just under £30m.

We continued our main banking relationship with Santander UK plc providing us with the ability to borrow foreign currency, notably US Dollars and Euros, which we need to support producers and buyers. During the year we also successfully repeated the approach of converting a proportion of our Pound Sterling capital into these currencies for a fixed period of time and at an agreed exchange rate. This helped to manage volatility on the exchange rate for borrowing currency to carry out our lending, and reduced borrowing costs during the year. We also retained an active relationship with The Co-operative Bank, operating an account which is used by members to pay in their investments.

Operating costs for the Society would have been higher than last year, with one new post and some IT staff costs that had been temporarily capitalised as part of a large project, reverting to being charged in year. The change year-to-year is affected by a gain of £83k explained here last year. In the previous year operating costs included a charge of £83k which is a technical accounting adjustment (“mark-to-market”) related to the hedging of currency requirements for the 19/20 financial year. It was a notional rather than real loss in 2018/19 and has become a gain in the 2019/20 year.

The difficult financial conditions have led to an increased provision for bad debts and the final result is a loss of £82k once interest to members is factored in. This leaves the Society just outside the lower end of its targeted range of reserves (more details are available in the published annual statutory financial statements). The overall financial position of the Society nevertheless remains strong with another good year of growth in member capital of £3.0m. In addition to specific provisions against doubtful accounts which are cumulatively £8.5m, we have reserves from this and previous years’ surpluses, totalling almost £1.6m.

FINANCIAL OVERVIEW

	2018 £'000	2019 £'000	2020 £'000
STATEMENT OF 2020 COMPREHENSIVE INCOME			
Credit charges	3,264	3,513	3,362
Bank deposit interest	55	58	54
Other	125	63	115
Total	3,444	3,634	3,531
Finance Costs	(448)	(472)	(233)
Provision for doubtful debts	(793)	(857)	(1,166)
Operating costs	(1,985)	(2,193)	(2,131)
Corporation Tax	-	-	-
Profit before members’ interest and donation	218	112	1
Members’ interest	-	(73)	(83)
Donation	--	-	-
£/\$ Exchange rate at the year-end	1.30	1.23	1.29
BALANCE SHEET 2020			
Tangible fixed assets	161	158	118
Investments	121	128	123
Lent to customers	36,330	36,037	29,660
Cash and deposits	42,234	44,301	46,960
Debtors	128	107	64
Loans owed to the bank/overdrafts	(35,241)	(35,155)	(28,485)
Other creditors < 1 year	(506)	(514)	(373)
Other creditors > 1 year	(214)	(238)	(238)
Total	43,013	44,824	47,829
Capital	41,371	43,071	46,148
Proposed share interest	-	72	82
Proposed donation to Shared Interest Foundation	-	-	-
Profit and Loss	1,642	1,681	1,599
Total	43,013	44,824	47,829

The summary of the financial statements above is an extract of the full audited financial statements for the Society, which are available on request from the Company Secretary or can be downloaded from our website.
The majority of our lending and overseas payments are made in USD thus the exchange rate with Sterling has a significant impact on the figures.

< A cocoa pod is split open to reveal cocoa beans in Mukono District, Uganda

SHAREDINTEREST
FOUNDATION

Shared Interest Foundation provides technical assistance and business support to small-scale producer groups in Africa and Latin America.

Over the past year, we delivered seven projects, which supported the development of new businesses, provided a vital income source to rural communities, and enabled existing businesses to become stronger, and more resilient, increasing income and improving the quality of life for farmers and artisans.

WHERE WE WORK

Sustainable solutions to poverty
MALAWI

In March 2020, we concluded our three-year project in Malawi, which was designed to improve the income of five tea and nut co-operatives.

The training and mentoring on good agricultural practices enabled the co-operatives to increase their production and sales.

East Africa Governance and Finance Training
KENYA AND UGANDA

This year we concluded our two-year project, to support 20 tea, coffee, cocoa and handcraft co-operatives in Uganda and Kenya. This project aimed to strengthen the governance and finance management skills of the co-operatives, to increase their sustainability and access to financial support.

Growing Fairer Futures
GHANA

In January 2020, we began supporting 50 young people to become cocoa farmers. After distributing farming tools and equipment, cocoa seedlings were planted,

along with plantain and maize seedlings. This will provide shade for cocoa trees and food for farmers’ families, with the surplus sold for additional income.

Although the project is ongoing, farmers have already recorded an improvement in their livelihoods.

Environmental sustainability
NICARAGUA

Supported by our Carbon Offset Fund, this project saw us work closely with a Nicaraguan coffee co-operative, to help farmers reduce their environmental impact.

Over the course of a year, 84 farmers learnt how to manage the wastewater created by coffee production. Farmers were also supplied with 3,000 tree seedlings to encourage reforestation.

Bees for Business
BURKINA FASO

In July and August 2020, we launched two new projects in Burkina Faso. In Sideradougou, we are supporting 75 women to become beekeepers.

In Dakaro, we are working with the beekeeping group we supported last year, to provide additional training to diversify into sesame farming.

Livelihood Security Fund
UGANDA

This year, we relaunched our Livelihood Security Fund to help producers meet their basic needs, and support income levels during and beyond the Covid-19 crisis.

The Fund enabled us to support Bukonzo Organic Farmers Co-operative Union (BOCU) based in Uganda in East Africa, providing food and shelter for 1,200 farmers displaced by flooding. Masereka Exavia, a coffee farmer for Bukonzo, said: “It relieved us from the hunger that we were facing.”

EAST AFRICA
GOVERNANCE AND
FINANCE TRAINING
PROJECT IMPACT:

70%

of co-operatives
reported an increase
in knowledge
of the roles and
responsibilities of
the board members

80%

developed an
organisational
strategic plan

90%

have new
organisational
policies including HR,
gender, finance and
risk management

FINANCIAL OVERVIEW

Shared Interest Foundation receives restricted fund grants from donor organisations, trusts and individuals, which enable us to deliver specific projects. Over the last eight years these funds account for almost half of our income, with the balance coming from the generous unrestricted fund donations by individuals, groups, trusts and legacies.

These donations are vital as they allow us to develop and grow new projects based on robust needs analysis. We would particularly like to thank the following for their donations in the 2019/20 year:

Allan and Nesta Ferguson Charitable Trust
Evan Cornish Foundation
Guernsey Overseas Aid Commission
Anonymous (from a Shared Interest Society member)

“This project will reduce rural-urban migration in these communities. It will expand production of cocoa beans and enhance cocoa sustainability in the cocoa value chain.”

DANIEL ADDO, GROWING FAIRER FUTURES
PROJECT CO-ORDINATOR

“With my increased income I have managed to construct a good house with an iron sheet roof, much better than it was before.”

HIMACUL MACADAMIA FARMER, MALAWI

INCOME AND EXPENDITURE

	Year ended 30 September 2019			Year ended 30 September 2020		
	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Donations & grants	134	9	143	219	130	349
Interest income	1	-	1	1	-	1
Total income	135	9	144	220	130	350
Cost of fundraising	13	-	13	13	-	13
Charitable activities	110	130	240	152	30	182
Governance costs	3	-	3	3	-	3
Total expenditure	126	130	256	168	30	198
Transfers between funds	-	-	-	-	-	-
Net surplus/(deficit)	9	(121)	(112)	52	100	152
Funds brought forward	158	128	286	167	7	174
Funds carried forward	167	7	174	219	107	326



LOOKING AHEAD

There is no doubt that the Society began its 30th year in a very different world to the one we leave behind. As we look forward, it is with hope for a better future. Our focus on lending directly to smallholder farmers and handcraft co-operatives will be even more crucial, as the impact of the pandemic and the continued threat of climate change grow more prevalent.

After completing its Strategic Review, Shared Interest Foundation set a direction for the next five years, which will respond to these increased challenges faced by developing world communities. Our charity will continue to broaden its reach by working with in-country partners, supporting farmers and co-operatives to build good agricultural practices and generate a sustainable source of income.

Along with the rest of the world, we have adapted certain elements of our work in response to Covid-19, increasing our online activities as in-person interaction became impossible. In order to expand our reach, we will continue to embrace this new technology, including virtual communication methods. This includes carrying out aspects of due diligence with customers digitally, working closely with networks on the ground, and developing our engagement techniques with supporters and partners here in the UK.

People are at the core of Shared Interest Society and Foundation – our supporters, our customers, our beneficiaries, and our team based across three continents. We look forward to working together, to not only build back better, but to build back stronger and fairer so that farmers and artisans across the globe can continue to provide for themselves and their families in 2021.

We look forward to reporting on our progress on all of this in our Annual Review 2021.

Please visit our website for further details

www.shared-interest.com/annualreview