

**REGIONAL TRADE FACILITATION PROGRAMME
FOR SOUTHERN AFRICA
Period 2 Final report 3 (Jun - Nov 2006)**

*Capturing value for smallholder nut producers in Southern Africa,
through Fairtrade nut market access*

2006 to 2007



Submitted by:

twin  **twin trading ltd**



Submitted on:
December 20th 2006

Twin & Twin Trading
Third Floor
1 Curtain Road
London
EC2A 3LT
0044 (0) 20 7375 1221
email: info@twin.org.uk
www.twin.org.uk

PERIOD 2 PROGRESS REPORT 3

“Capturing value for smallholder nut producers in Southern Africa, through Fairtrade nut market access” RTFP project.

Introduction

This third and final Progress Report for period provides an update on activities which have been implemented for each output between October and November 2006 but also covers activities for the full period June and November 2006. The report also provides information on activities which have not been implemented as planned and provides information on problems encountered or anticipated for activities in the balance of the period. It provides background to the Period 3 activities which will be highlighted in a separate proposal document.

The activities reported on relate to the following outputs:

- Output 1:** To increase market awareness of and trading opportunities for the Fairtrade nut producers
- Output 2:** Capacity building to develop and implement supply chain and quality management systems
- Output 3:** To increase the participation of smallholder nut producers in the value chain
- Output 4:** To increase the number of Southern African Fairtrade nut producers with access to markets

Following the Twin board decision on 18th July 2006 to start a new fair-trade nut marketing company with a producer stake at its core further work has been carried out to prepare the plan for external investors. The working title for this new business is the Ethical Nut Company (ENC). From the 1st of August 2006 the operational functions of the ENC have been incubated at Twin. This incubation period has enabled Twin to further develop the marketing opportunities including two new products that have been launched with Tesco. This period has also seen a significant piece of work with Twin’s legal and financial advisors on the establishing the ENC as a Community Interest Company. This ground breaking work promises to deliver the ENC as the first Fairtrade Community Interest Company (a new legal company structure in the UK from July 05). Not only will the company have producer ownership at its core but it also opens up new opportunities for investment from high net worth individuals into “mission based companies” through charitable trusts. This new model will enable charitable trusts to invest into for profit community focused businesses, albeit with restrictions on their capital. This extends the opportunity for ethical investment over and above gifting to charitable activities.

Progress against Inception report activity Period 2 workplan

Period 2 workplan activities Aug-Sept	Actions implemented between Jun & Sept 06	Actions implemented between Oct & Nov 06	Actions under review
Output 1 activities To increase market awareness of and trading opportunities for the Fairtrade nut producers			
<ul style="list-style-type: none"> Follow up June field visits by Ecologic and R Kettlewell to update Ikuru on Fairtrade market opportunities and assess finance requirements and quality and quantity of groundnut and cashew supply for potential customers. 	<ul style="list-style-type: none"> Ecologic - agreed to provide the first tranche of financing for Ikuru cashew crop purchases from Oct 06. 	<ul style="list-style-type: none"> The processor inspection was carried out by R Kettlewell and K Gaskell Work in progress was identified for the processor to complete prior to the processing of the Twin cashews Ikuru finalised release of pre-finance from Ecologic Finance 	<ul style="list-style-type: none"> A follow up visit to review progress on the processors action is planned for the first week of Jan 2007 by R Kettlewell and will be paid for by CLUSA's Global Development Alliance project. Further release of Ecologic Finance per-finance will be monitored
<ul style="list-style-type: none"> Secure contracts for groundnuts from both MASFA and IKURU. 	<ul style="list-style-type: none"> First 3 containers of FT groundnuts were shipped by Ikuru in Sept 06 	<ul style="list-style-type: none"> The first Fairtrade organic groundnut container was shipped by Ikuru in October with the fourth conventional Fairtrade groundnut container. 	<ul style="list-style-type: none"> The containers to be shipped from NASFAM have been delayed to January 07. A review of this situation will take place during a visit in the second half of January 07.
<ul style="list-style-type: none"> R Kettlewell to re-visit MASFA, Ikuru and SNV mid July 06 to assess cashew export facilities, to review progress on peanut exports from Ikuru and MASFA. 	<ul style="list-style-type: none"> R Kettlewell visit completed in mid August timed to coincide with preparations for the first groundnut shipment and to review the cashew processing options. 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> The first Fairtrade cashew container is on schedule for shipment end of Jan / early Feb 07.

<ul style="list-style-type: none"> • A joint visit by R Kettlewell and Kate Gaskell in August/September 06 in preparation for the October 06 cashew buying season and to advise on European market requirements. 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Visit to Ikuru by R Kettlewell and K Gaskell took place in Nov 06 to audit Ikuru's cashew processing facilities to underpin contracts for a minimum of 70mt. On the basis of draft contracts and a letter of intent from Twin Ecologic Finance released the first two tranches of pre-finance for Ikuru to purchase the raw cashew.. 	<ul style="list-style-type: none"> •
<ul style="list-style-type: none"> • Producer partners to visit Twin in September 06 in preparation for Christmas sales and launch of nut brand. 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • The CEO of NASFAM visited Twin in November to meet the Tesco buyers re: the launch of two new cashew and peanut products into Tesco in November 2006. • The head of GAPI who are board members for Ikuru visited London and met Twin – publicity material was generated in preparation for the Launch of cashew in the Tesco's Fairtrade cashew product 	<ul style="list-style-type: none"> • In January 07 Alex Sero (CLUSA manager of the GDA project) to meet Twin. In preparation for a joint meeting between NASFAM and Ikuru at the end of January 07.
<ul style="list-style-type: none"> • Communications aiming to 	<ul style="list-style-type: none"> • Twin details submitted to ethical 	<ul style="list-style-type: none"> • Good progress was 	<ul style="list-style-type: none"> • Further work is required to

<p>increase the awareness of Fairtrade nuts and the farmers that produce them.</p>	<p>directories</p> <ul style="list-style-type: none"> • Consultation with stakeholders and brand consultants on brand proposition • Listing of Fairtrade nuts in Fairtrade Foundation newsletter "Fair Comment". • Times – BodyandSoul article on use of co-op peanuts as a perfect picnic nibble. • Cooperative News August edition - Full Page feature of MASFA farmer Judith Harry whose peanuts are supplied to the Co-op • News Tonight with Trevor Macdonald programme on Fairtrade featured the Brazil nut Tesco pack as an example alongside Café Direct products 	<p>made by the creative agents to develop the key proposition and nut company values to underpin the marketing brief in Oct / Nov 06</p> <ul style="list-style-type: none"> • Southern African producer partners were unable to join the Latin American and Indian producer partners in Turin. The outcome of the Turin meeting were discussed with NASFAM CEO during his visit to London on November 2006 and with the Ikuru board during K Gaskell's November 06 visit. 	<p>develop the brand proposition is planned for January 07.</p> <ul style="list-style-type: none"> • Further meetings are planned between the Southern African partners and other regional partners in the lead up to Fairtrade fortnight. A meeting between NASFAM and Ikuru is scheduled for January 07, followed by a meeting of regional representatives in London during the week of 19th February 2007. These meetings will develop the proposition for the International Producer Co-op and its stake within the new nut company.
<ul style="list-style-type: none"> • Launch peanut butter with one ATO and extend the range of own label Fairtrade nut products. 	<ul style="list-style-type: none"> • Ethiquable have listing of Fairtrade nuts into French supermarkets including peanuts sourced solely from MASFA Malawi. • A special promotional 20gm peanut product was developed for GEPA, Germany. 	<ul style="list-style-type: none"> • 2 new products were launched with Tescos in Nov 06. A 150gm cashew and 250gm peanut and raisin mix. Cashews will be from India and Mozambique, Peanuts will include products sourced from Malawi and Mozambique and raisins from South Africa. 	<ul style="list-style-type: none"> •

Output 2 activities Capacity building to develop and implement supply chain and quality management systems			
<ul style="list-style-type: none"> Support MASFA's rapid aflatoxin testing system with a dedicated visit by Dr W Hancock in late June 06. 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Delays in the rapid aflatoxin laboratory in Malawi delayed shipments 	<ul style="list-style-type: none"> A Emmott & W Hancock will attend a strategic planning meeting with NASFAM in January at which point the management of the aflatoxin testing regime will be reviewed.
<ul style="list-style-type: none"> Hancock to develop workplan and training materials for periods 3 & 4. 	<ul style="list-style-type: none"> W Hancock provided training and worked with the NASFAM staff to identify critical control constraints – such as the facilities and services provided at the marketing access centres. NASFAM to explore potential small scale shelling equipment and to tighten up their laboratory handling of rapid aflatoxin tests. 	<ul style="list-style-type: none"> 	
<ul style="list-style-type: none"> A Emmott, A Del Valle to modify aflatoxin management in the supply chain to ensure access to the raw nut and mixed nut and fruit markets. 	<ul style="list-style-type: none"> K Gaskell visit to Handlesveem in response to customs aflatoxin testing regime. 	<ul style="list-style-type: none"> A Del Valle visited warehouse and processors in Holland with K Gaskell October 06. Customs and Dutch Food Health Authority will continue to test high % of Malawi peanuts until systems.....missing data 	<ul style="list-style-type: none">
<ul style="list-style-type: none"> D White, K Gaskell & A Emmott to build relationships with additional 	<ul style="list-style-type: none"> Agreement reached with Trigon to work in partnership with ENC to process and distribute, retailer own 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none">

nut processing providers in preparation for launch of branded products into the ATO and retail sector.	<p>label and ENC branded nuts.</p> <ul style="list-style-type: none"> • COMMARK funded a study of potential peanut processing partners in South Africa to support the development of more secure supply chains from Southern Africa. 		
<ul style="list-style-type: none"> • Visit service providers with customers to check quality of new product launches 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • NASFAM & Ikuru visited UK in November and December to coincide with Tesco launch of 2 new products. 	<ul style="list-style-type: none"> •
<p>Output 3 activities To increase the participation of smallholder nut producers in the value chain</p>			
<ul style="list-style-type: none"> • W Hancock to meet with NESMAC to assist with nursery developments and to assess the 2006 macadamia crop. 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • N Evans to visit Twin November re: EqualExchange Scottish Executive Macadamia project
<ul style="list-style-type: none"> • Producer partners to participate in deliberations on membership of Twin, the international Co-operative of Nut producers and the Nut Business, including the September 06 visit by representatives. 	<ul style="list-style-type: none"> • Detailed work on ENC business plan and financial projection carried out by D White in August & September • Legal advice obtained from Twin's lawyers on the use of the new Community Interest Company structure for the ENC 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Partners from Ikuru and NASFAM will travel to Turin as part of a consultation process with the network of nut producer partners from Latin America and India who will be part of the new Fairtrade nut business.
<ul style="list-style-type: none"> • Develop, research brand proposition for new Nut business to maximise the current interest in Fairtrade nuts 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •

<ul style="list-style-type: none"> • Undertake market research, develop designs and the branded product range. 	•	•	•
<ul style="list-style-type: none"> • Meetings with current and potential UK and European customers. 	•	•	•
<ul style="list-style-type: none"> • Prepare and submit presentation samples to prospective customers. 	•	•	•
<ul style="list-style-type: none"> • Carry out market research, develop new product ranges and customer relationship messages. 	•	•	•
<ul style="list-style-type: none"> • LIS to continue developing the pilot map based web interface for producers to be able to connect directly with the consumer 	•	•	•
<p>Output 4 activities To increase the number of Southern African Fairtrade nut producers with access to markets</p>			
<ul style="list-style-type: none"> • M Monsarrat meeting with Nick Evans (NESMAC - Malawi) and Bridget O'Conner (OPPAZ - Zambia) 	<ul style="list-style-type: none"> • Met R Kortbech Olsen (RKOrganics) to maintain contact with OPPAZ and to review potential export of organic groundnuts from Zambia. 	•	•
<ul style="list-style-type: none"> • K Gaskell to visit cashew producers in Tanzania • A Emmott to work with partners to develop a Fairtrade macadamia supply chain from Southern Africa 	•	•	<ul style="list-style-type: none"> • Focus on Mozambique cashew • Awaiting prices for trial container of macadamia from South Africa

