

FAIRCHAIN ACTIVITIES ANNUAL REPORT 2017

Aster & Ejigu (23 and 27 years) – farmers



CONTENT

1	INTRODUCTION	4
2	ACTIVITIES	6
3	FINANCIAL REPORT & ORGANISATION	13
4	STAKEHOLDERS, FINANCERS & PARTNERS	15

VISION

FairChain Foundation (ANBI). The foundation aims to: develop, implement and promote and monitoring the application of the Fair Chain principles as well as the acquisition and management of (financial) resources for the benefit of this and furthermore all that is or can be useful to this goals.

'In today's world, multinationals sell premium products, with colossal profits, made from valuable commodities, extracted at low prices in developing countries. Big companies have over the last centuries established a power imbalance, leaving nearly no room for developing countries to grow their economies, even though their land hosts many valuable goods, like coffee, cocoa and tea. Development aid has for a long time tried to compensate for the lack of profit in developing countries, trying to bridge the gap created by unfair trade. However, we are convinced the new economy brings an opportunity for all kinds of inclusive business models, which combine entrepreneurial competitiveness with social impact. This means businesses move far beyond corporate social responsibility and towards corporate shared value. And we look beyond development aid towards social entrepreneurship. We choose Trade over Aid.'

MISSION

We believe in disrupting conventional value chains, to turn all types of business in social enterprises. They can create an inclusive business model, leaving more value in the developing country of product origin. By creating more value and paying fair prices to producers in these countries, social enterprises can truly shift the balance in value chains.

I INTRO

" In 2013 we launched our first FairChain coffee project in Ethiopia. Since then, we've unveiled similar FairChain initiatives with Kenyan, Rwandan and Colombian coffee companies. What we discovered while interacting with these coffee companies is how dire the situation is for their most important stakeholders: the smallholder farmers."

Mark Kauw, program director

Mesfun (20) & Branu (18) - farmer and slasher



FairChain is all about sharing the value that is created fairly amongst all stakeholders in a production chain. Although this guiding principle counts for both local and global value chains, we started with the biggest and unfairer of them all: the global coffee chain.

Episode 1 of the FairChain saga was all about setting up a world-class roastery churning out beautiful roasted Arabica beans in Addis Ababa, the capital of Ethiopia tripling this country's earning potential.

This year we started Episode 2 of the FairChain saga, focussed on the lives of small holder farmers.

Together with the German Government (Giz/Sequa) we started a training program that is embedded in a theory of change leading to a living income for smallholders farmers.

"FairChain Farming means farmers and workers earn living incomes and wages by managing profitable farms and getting involved in value added activities, in order to improve livelihoods and communities."

Enjoy the read! Revolt!
Join FairChain Revolution!
Guido van Staveren van Dijk
FairChain Founder

I INTRO

The FairChain Principles

There are three underlining principles driving FairChain. If you have to summarize what we do to your boss, all you have to do is remember these 11 words.

1. Creating shared value

FairChain is single-minded in its purpose: to create shared value with the countries where the majority of the world's raw commodities originate from. Not just a little bit of sharing – our aim is an even 50/50 split between producers in developing economies and consumers in the West. But just tiny shifts towards that goal will radically – and positively – alter the world as we know it.

2. Trade over Aid

Trade is not going to replace government aid overnight. But that doesn't mean it's impossible. Take Ethiopia, it has enough premium coffee beans to be a well-off nation with enviable quality of life. If we could shift some of the value-adding activities – such as roasting and packaging – back to Ethiopia, we would exponentially increase the country's earning capacity

3. Compete on Quality, not Poverty

Too often quality is seen as a first world word, while poverty something reserved for developing worlds. FairChain is built around the idea of competing on quality, not poverty. The way we do that is by transforming how we think of bulk commodities. Not as anonymous and emotionless items, but as diversified quality products



Our farmer Theory of change focuses on living income. Remember President Clinton when he said: “It’s the economy, stupid?” Well, farmers can’t enjoy a high quality of life if they don’t produce enough food to earn a decent wage.

What is a living income?

“A living income means the net income a household would need to earn to enable all members of the household to afford a decent standard of living. Elements of a decent standard of living thereby include: food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events.”

Guido van Staveren van dijk
President
FairChain Foundation

Mark Kauw
Program Director
FairChain Foundation
Amsterdam, 31 April 2017

2 ACTIVITIES & REACH

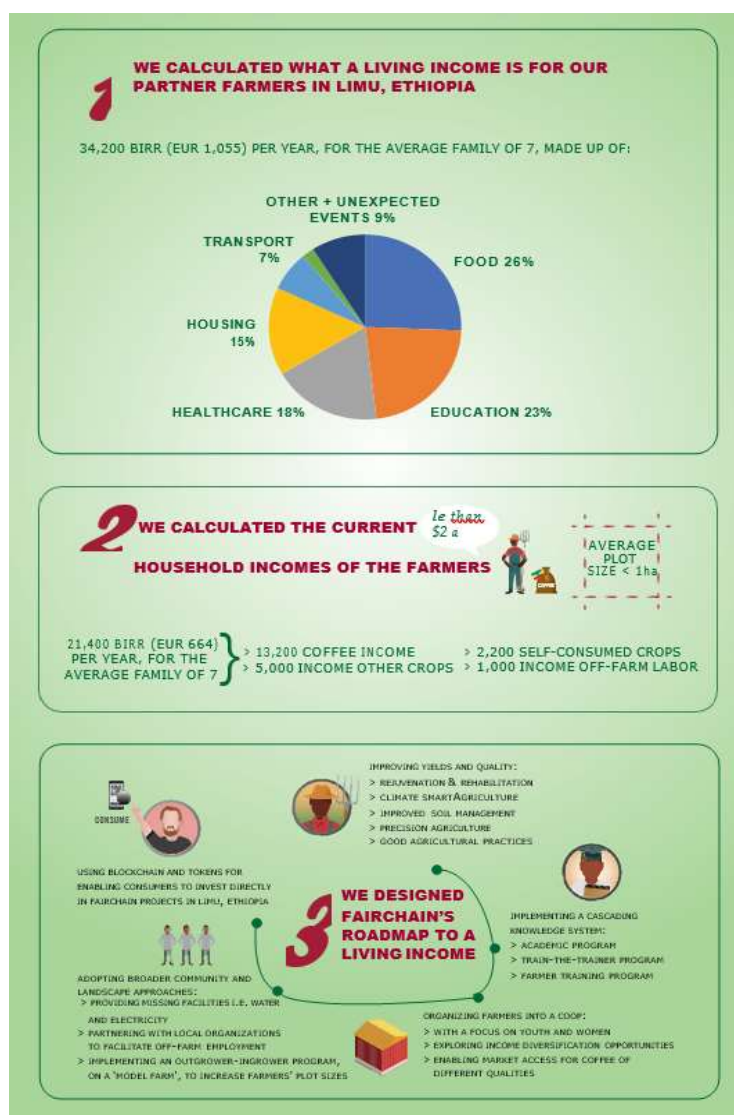
21 ToC

In 2017 we developed a new theory of change that adds on the one we have about economic impact and focusses on smallholder farmers.

“FairChain has real – and realistic – impact goals. To convince our partners of the value of what we do, we have developed a theory of change with three key cause-effect relationships driving our FairChain Farming program. The three cause-effect relationships involve knowledge and efficiency, Blockchain technology and improved agricultural practices. These are just three examples, but they each show how specific outputs can lead to our outcome of choice: a living income for smallholder farmers.”

22 New Projects

This year’s focus was on the GIZ/Sequa project we run (see annual report 2016). These activities have led to the development of a FairChain Farming program and a first use of blockchain technology.



Next to this we have started projects with other companies that showed interest in adopting the FairChain principles.

1. KAFFEE KOOPERATIVE

<https://kaffee-kooperative.de/fairchain-bewegung/>

PROJECT PARTNER: MUSASA DUKUNDEKAWA KAFFEE KOOPERATIVENSER KAFFEE WIRD VON CIRCA 1.500 KAFFEEBÄUERINNEN UND -BAUERN PRODUZIERT, DIE SICH IN DER MUSASA DUKUNDEKAWA KAFFEE-KOOPERATIVE ORGANISIERT HABEN. DIE KOOPERATIVE GRÜNDETE SICH IM JAHR 2000, SECHS JAHRE NACH DEM ENDE DES BÜRGERKRIEGS UND VÖLKERMORDS, UM HOCHQUALITATIVEN KAFFEE IN KLEINBÄUERLICHER WEISE ZU PRODUZIEREN. DIE GUTEN NATÜRLICHEN BEDINGUNGEN MIT FRUCHTBAREM BODEN UND AUSGEGLICHENEM KLIMA, GEPAART MIT DEM HOHEN QUALITÄTSANSPRUCH DER KOOPERATIVE RESULTIERT IN EINEM SPITZENKAFFEE.

SHORT DESCRIPTION OF THE PROJECT SUPPORT IN THE IMPLEMENTATION OF THE FAIRCHAIN PRINCIPLES WITH THEIR PARTNER IN RUANDA.

FUNDING SOURCE: SUPPORT IS LIMITED AS THE PARTNER IS NOT GENERATING ENOUGH INCOME YET. THE FAIRCHAIN FOUNDATION WILL USE 5000€ OF ITS OWN RESERVES TO HELP THE COMPANY IN 2017 ON THE LEVEL OF EXPLAINING THE PRINCIPLES AND ORGANIZE WORKSHOP. IN 2018 WE HOPE TO GENERATE ENOUGH FUNDING TO HELP THE LOCAL PARTNER IN RUANDA SETTING UP ITS ACTIVITIES IN COMPLIANCE WITH THE FC PRINCIPLES

2. AFRICAN COFFEE ROASTER LTD

<http://africancoffee-roasters.com/>

PROJECT PARTNER: ACR IN 2015 COOP DENMARK DECIDED TO BUILD A COFFEE ROASTING FACILITY IN KENYA. THE IDEA WAS TO SHORTEN THE SUPPLY CHAIN FROM COFFEE SUPPLIERS TO COFFEE CONSUMERS. IN JANUARY 2016, AFRICAN COFFEE ROASTERS EPZ LIMITED WAS BORN ITS GOALS ARE TO BUILD A COFFEE ROASTING FACILITY IN KENYA, OWNED BY COFFEE COOPERATIVES AND TO PRODUCE SHELF READY PRODUCTS FOR EUROPEAN CONSUMERS DIRECTLY IN THE COUNTRY OF ORIGIN THEREBY CREATING JOBS AND BOOSTING EARNINGS TO IMPLEMENT AN ELECTRONIC TRACEABILITY PLATFORM SPANNING FROM COFFEE FARMER TO COFFEE CONSUMER

SHORT DESCRIPTION OF THE PROJECT THE FAIRCHAIN FOUNDATION IS ASKED TO ADVISE ON HOW TO SET UP THE ORGANISATION, ITS RELATIONSHIP WITH FARMERS AND DEVELOP A MARKET ACCESS STRATEGY FOR ITS VALUE ADDED PRODUCTS OUTSIDE ITS OWN RETAIL CHANNEL. AIM IS TO INTRODUCE THEIR PRODUCTS UNDER THE FAIRCHAIN LABEL IN 2018.

FUNDING SOURCE: EACH ORGANISATION BEARS ITS OWN COST DURING THE ANALYSIS PHASE. TRAVEL COST WILL BE COVERED BY ACR. IN 2018 WE HOPE TO GENERATE ENOUGH FUNDING TO HELP THE LOCAL PARTNER IN KENIA SETTING UP ITS ACTIVITIES IN COMPLIANCE WITH THE FC PRINCIPLES. AS OF 2019 ACR IS EXPECTED TO BECOME A NET CONTRIBUTOR TO THE FOUNDATION IN THE NETHERLANDS

3. AMOR PERFECTO

<https://www.cafeamorperfecto.com>

<https://www.cbi.eu/projects/specialty-roasted-coffee-colombia/>

PROJECT PARTNER: AMOR PERFECTO : IS A COLOMBIAN COFFEE ROASTING FACILITY, THAT PRODUCES COFFEE FOR THE LOCAL MARKET, BUT IS INTERESTED IN EXPORTING COFFEE ON A LARGE SCALE. AMOR PERFECTO HAS THE MISSION TO INCREASE THE LOCAL KNOWLEDGE ON QUALITY COFFEE, TO INCREASE ITS COUNTRY'S VALUE ADD. THE GREEN COFFEE BEANS ARE PURCHASED FROM LOCAL COOPERATIVES AND BOUGHT AT A PREMIUM PRICE. **PROJECT SUPPORT:** CBI DEDICATES ITSELVES TO SUPPORTING PRIVATE COMPANIES IN DEVELOPING COUNTRIES TO EXPORT TO EUROPE. SPECIFICALLY WITH COLOMBIA CBI HAS A PROGRAM TO PROMOTE LOCALLY ROASTED COFFEE FOR EXPORT.

SHORT DESCRIPTION OF THE PROJECT THE FAIRCHAIN FOUNDATION HAS PARTICIPATED IN WORKGROUPS SESSIONS AND TRADE FAIRS ORGANIZED BY CBI ORGANIZED FOR MULTIPLE ORGANIZATIONS FROM COLOMBIA. WHEREAS THE CBI HAS SUPPORTED THE COMPANIES WITH MARKET INFORMATION, THE FAIRCHAIN FOUNDATION POSSESSES THE KNOWLEDGE ABOUT WESTERN TASTE ASPECTS AND QUALITY AND LOGISTICS REQUIREMENTS FOR EUROPE. THE FAIRCHAIN FOUNDATION IS ASKED TO SUPPORT AMOR PERFECTO WITH THESE ASPECTS.

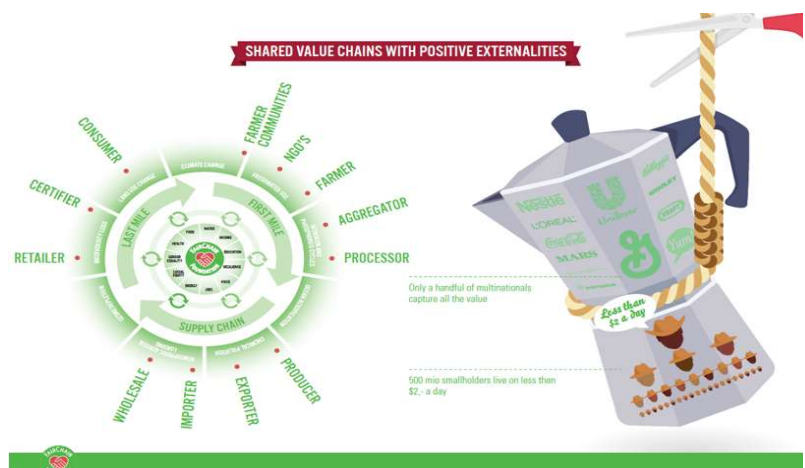
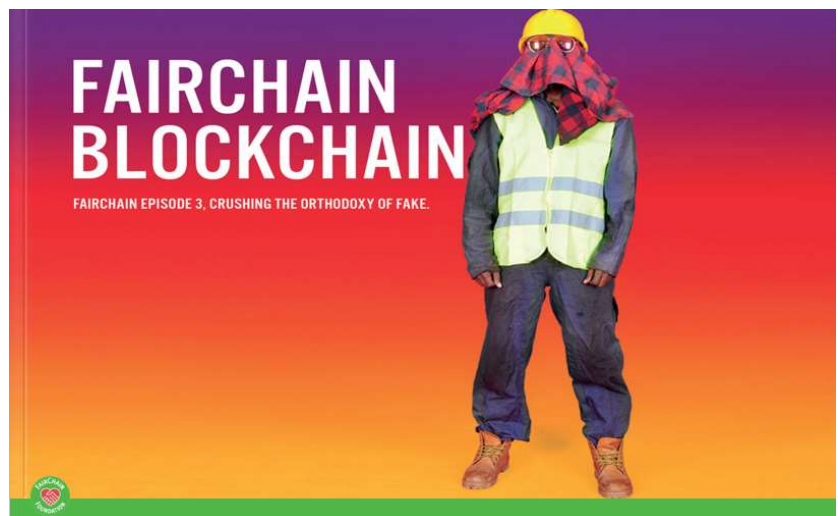
FUNDING SOURCE: EACH ORGANISATION BEARS ITS OWN COST DURING THE ANALYSIS PHASE. TRAVEL COST WILL BE COVERED BY AMOR PERFECTO. IN 2018 WE HOPE TO GENERATE ENOUGH FUNDING TO HELP THE LOCAL PARTNER IN COLOMBIA SETTING UP ITS ACTIVITIES IN COMPLIANCE WITH THE FC PRINCIPLES. AS OF 2019 AMOR PERFECTO IS EXPECTED TO BECOME A NET CONTRIBUTOR TO THE FOUNDATION IN THE NETHERLANDS.

2 ACTIVITIES & REACH

23 Blockchain

Blockchain is an important enabler of value chain integration and optimization as it improves quality grading and farmer payment methods.

(activities). Blockchain technology makes both of these outputs instantly measurable. The ability to grade and pay coffee farmers for coffee cherries at washing stations is a radical improvement over existing systems, all made possibly by Blockchain. By reducing on-site transaction costs and recognizing higher quality beans, Blockchain arguably contributes to a living income for those farmers that use it.



2 ACTIVITIES & REACH

24 Publication

In 2017 we published a new theory of change that adds on the one we have created in episode 1 and focusses on smallholder farmers.

“FC farming means farmers and workers earn living incomes and wages by managing profitable farms and getting involved in value adding activities, in order to improve livelihoods and communities”.

Full copy can be downloaded on FairChain.org

25 Lectures & academic activities

01/01/2017	B.Amsterdam New Year's event	B.Amsterdam users and visitors
01/02/2017	Reset film night	Visitors of Reset film night
23/02/2017	Coffee Course Moyee	Moyee partners/customers/revolutionaries
15/03/2017	Legacy Academy Workshop	Legacy Academy Students
23/03/2017	Social Conference 2017	Social media experts
25/03/2017	Tilburg Universiteit	Master students sustainable entrepreneurship
30/03/2017	Masterclass FairChain	De Nederlandse School (docenten voor innovat
10/04/2017	Meet-up Lunch Social Impact Factory Utre	Members/users of SIF
10/04/2017	FairChain business models	HvA bedrijfskunde
13/04/2017	FairFood launch	FairFood partners
02/05/2017	SDG Masterclass	SDG professionals
08/05/2017	Roundtable on Living Wage in the Agri-foo	Living Wage experts
16/05/2017	Radicale Ketenvernieuwing	Supply Chain experts
26/05/2017	Thought for Food	TFF summit participants
29/05/2017	Sustainable Sourcing voor Bedrijven	Mauritshuis
01/06/2017	InHolland Circular Economy Day	Circular Economy professionals and InHolland s
02/06/2017	Social Enterprise Days	Social enterprises
12/06/2017	MKB Brandstof FairChain workshop	Employees MKB Brandstof
19/06/2017	VCA Community of Practice	CoP Participants
22/06/2017	Living Wage Lab	LWL participants
28/06/2017	Social Enterprise Ledenevent	SE NL leden
19/09/2017	NHTV Breda	Graduate students
01/11/2017	Purpose day	People interested in creating social impact
20/11/2017	Masterclass Jimma University	Jimma University students and researchers

FC publicatie





3 FINANCES & ORGANISATION

Results

In 2017, the income was € 204.252. The expenditures and activities take into account the use of the appropriated reserve from 2016. With this reserve, 2017 had a positive result of €4.606.

Finances

At the start of 2017 there was a reserve of € 5.000 and a designated reserve of € 44.136 for running the smallholder program. With the result of 2017 of € 353, there is an increased reserve of € 2,693 per 31,12,2017. Seen the size of the needed budget and the activities is substantial enough to invest in small pilot projects in Kenya and Colombia like planned.

Risk Management

The FairChain Foundation is a 100% project based organisation. Board is unpaid and staff is contracted on project basis. Budgets are managed by project owners and reported upon per quarter.

A system of triple signatures is implemented in which the project owner, the president of the board and an external finance manager all need to sign to approve last quarter budget and next budget forecast.

In 2017 we managed to generate more income than needed to cover budgeted cost giving the Foundation a very healthy position for 2018 in which if plans to engage in new projects and scale up existing projects.

With the expectation that on behalf of the board, accountant and donors the most important measures taken by FC in the field of risk management should be described in a document in the coming year an additional analysis will be made about what is needed. This document will become mid-2018 delivered.

Regarding strategy for disappointing revenues: FC Foundation is virtually completely dependent on external subsidies and funding. The diversity, the international scope, the fame and status of the FC approach, and the Innovativeness and the sensibility of the work make up for it possible to raise revenues, both nationally and internationally and both public as private.

FC Foundation however has limited reserves. It can happen that temporarily no continuity in financing exists. In this case FC can quickly be reduced to a minimal organization without overhead. The FC foundation works entirely on project basis without overhead costs.

The revenues for the running project in 2018 are covered for the coming year with income from Moyee and GIZ (DL). For new projects we anticipate support from RvO, Irish Aid, Self Help Africa, BPF , SGDP and Danida

3 FINANCES & ORGANISATION

Organisatie

- Mark Kauw- Program director
- Joost Groot - Farm management
- Killil Mesfin – Smallholder training manager
- Mesfin Tesfaye – Wetmill management
- Stefan Petrutio – Impact evaluator
- Killian Stokes - FairChain Ireland
- Hans Geldof – BlockChain project management

Bestuur

- Guido van Staveren, President
- Anne van Veen, secretary
- Arne Mosselman, treasury

Advisory Board

- Nicolas Aperghis - Aperghis & Co is an independent corporate finance firm with vast, international experience in the financial services sector that helps clients achieve a successful outcome for their M&A or capital markets transactions. Aperghis is a trusted advisor of the Ministry of Finance in the Netherlands.
- Piet Heemskerk -Ex CEO Heineken Afrika Piet graduated in 1971 in Food Science and Technology at Wageningen University. He spent his working life in the food and beverage industry, notably at the Heineken Beer company. Piet has extensive experience in production, supply chains, (bio)technology as well as management development
- Zegeye Asfaw - Zegeye Asfaw was Minister of Agriculture after the Revolution in 1974 and later Minister of Justice, until he was detained in 1980. He was a prisoner of conscience from 1980 to 1989 under the Dergue government headed by Lieutenant-Colonel Mengistu Haile-Mariam. After the overthrow of the Mengistu government in 1991, Zegeye Asfaw was appointed Minister of Agriculture in the Transitional Government, but left the government in 1992

Code Conduct

The FairChain foundation is in a transition phase to a more professional organization, which better fits the size and impact of its work. Where the work consisted of independent projects, there is the idea to engage in value adding activities together with the farmers in our FC farming program. This continuous business operations, requires a continuous organization. A local FC plc is envisioned

The board makes a development that fits this change and took the first steps in 2017 to implement a Governance Code for Conduct. The real implementation will take place in 2018. The current management model is therefore evaluated, and the first self-evaluation will take place. We will work on management profiles and a retirement schedule for the board effective in 2019. In 2018 we plan to increase to board of advisors and increase the team. In 2017 the board met twice. In addition, there have been a number of consultations.

The FC Foundation has an Advisory Council. This board does not meet in plenary session, but gives advice in bilateral contacts on the expertise area of the relevant member.

FairChain hold an ANBI status.

FairChain Foundation

Income & Cost 2017	2017	2017	2016
	Actuals	Budget	Actuals
	€	€	€
Income			
Private Donation	0	2.000	0
Company Donations	61.599	55.000	50.000
Other Non Profit contributions	156.374	85.000	100.000
Total Income	204.252	142.000	150.000
Cost			
FairChain programs	188.177	130.404	74.853
Coast associated with programs	188.177	130.404	74.853
Acquisition cost	3.500	5.000	0
Administrative	3.750	2.000	475
Total Cost	7.250	7.000	475
Net Financial Cost and Return	295	240	116
Net Total Cost and Return	8.530	4.356	74.556
General Reserve	11.000		
Earmarked Reserve	77.086		

4 PARTNERS & STAKEHOLDERS

Partners & stakeholders

- Djimma University
- Dedessa Wetmill
- Bext360
- Royal Institute of the Tropics
- Wageningen Universiteit
- Soil and More
- Stark Consultancy

Main Donors

- GIZ
- Google
- Moyee
- MEC
- RvO

Jonge palmbomen op de plantage
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