

Newsletter 7

December 2018

Dear shareholders and friends of Kampani,

Please find a new update below!

Deal in Honduras – not implemented

A few months ago Kampani's IC gave its final approval for a deal with a coffee cooperative in Honduras. As is standard practice we required the cooperative to check with a local lawyer whether the draft contract was compliant with Honduran law. In that context the cooperative also sought the advice of a national umbrella organisation representing the coffee cooperatives.

Without going into the details, the position of the umbrella organisation made moving forward impossible. We tried to save the deal and knew we could count on the help of our partners such as Rikolto and Alterfin in this effort. In the end however, the coffee cooperative determined that it would be unwise to push any further.

This was a major disappointment for all concerned. It would have been a beautiful deal.

On the bright side, the pipeline is healthy. Three deals are in the due diligence phase, and several others are going through pre-selection.

Deal in Burundi – an empowered cooperative

To recall briefly, HORAMAMA COFFEE DRY MILL was set up in January 2016 by the Fairtrade certified Burundian coffee exporter COCOCA, a union of smallholder cooperatives, to hull and store coffee beans – an activity which up to that point was outsourced to third parties. To this end and with the support of Kampani, Horamama acquired an existing hulling plant in Ntarambo in the northern part of Burundi (area of Kayanza/Ngozi).

Enthusiasm for and satisfaction with the acquisition of the factory among the members, staff and Board remains enormous. COCOCA is now good for some 12% of the national coffee production. We can claim with some confidence that there is a causal link between Kampani's investment and involvement on the one hand and COCOCA's stronger position in the value chain on the other hand. In this sense, Kampani has made a significant contribution towards empowering thousands of Burundi coffee producers.

The rapid volume growth – which has *tripled* since the acquisition of the factory – is challenging to absorb:

- For different base cooperatives this concerns insufficient warehouse capacity and/or drying tables, frequent equipment failures due to intensive use, ...)
- For Horamama still insufficient warehouse capacity despite finishing construction of a large warehouse and the processing capacity is also being expanded with a second processing line.
- At the level of COCOCA having to secure buyers for these much larger volumes requires further strengthening of the commercial team.

Quite apart from the physical infrastructure, the farmer movement also continues to need institutional strengthening and capacity building. Significant steps were taken over the past year (hiring a new deputy for COCOCA, hiring a new CEO for Horamama), but the pace of the growth leaves them forever playing catch-up. Combined with the political situation in the country and the impact of the embargo, this deal remains one of the riskier ones in our portfolio.



Picture 1: installation of the second processing line, acquired second hand in Uganda.

Construction completed in Guatemala and Kenya

For our two deals in Guatemala and Kenya, the construction phase is completed. Coincidentally, both will start running the Kampani-financed plants in the coming weeks. Fingers crossed!

In Guatemala it involves FECCEG. This is a second-level (its members are cooperatives themselves) cooperative in the north-east of Guatemala that works with indigenous communities in coffee, honey, and cocoa production. With Kampani's investment, it is expanding into the production of organic panela (whole brown sugar). The construction of another three panela plants in other parts of the country are already in the planning stage. This illustrates how FECCEG is constantly looking for opportunities to spread its impact to ever more producers in ever more parts of the country.



Pictures 2 and 3: the panela plant in Caterina, San Marcos, ready for use.

No. Locales	Nombre de beneficiarias	No. De DPI	Mandarina	Naranja	Valencia	Guayaba	Chirimoya	Anona	Chico Zapote	FIRMA
1	Lucia Schom Cuc	2081457700705	3	3	3	3	3	3	3	
2	Maria Chox Tahay	7813342590705	3	3	3	3	3	3	3	
3	Catarina Tahay Tahay	1730068250705	3	3	3	3	3	3	3	
4	Maria Guarchaj Teoc	1847996570705	3	3	3	3	3	3	3	
5	Antonio Mas y Mas De Guarchaj	7861875640705	3	3	3	3	3	3	3	
6	Gladis Hlanet Canil Sazo	1724544840705	3	3	3	3	3	3	3	
7	Elia Guarchaj/Guarchaj De Mas	1744846660705	3	3	3	3	3	3	3	
8	Iyma Tambriz Carac	2286452150705	3	3	3	3	3	3	3	
9	Maria Del Rosario Canil Sazo	1793167377017	3	3	3	3	3	3	3	

Picture 4: literacy rates not high in communities FECCEG serves. On this sign-up sheet, only 4 out of 9 could write their own name

In Kenya, our investment involves an SME known as Vert, which specializes in the sourcing, grading, packing and export of fresh vegetables such as French beans, snow peas, baby corn and baby carrots. Thanks in part to Kampani's investment, it is diversifying to the production of mango and passion fruit pulp.

In previous newsletters, I reported on the progress during the construction phase. This has now been finished, albeit with an eight month delay, and the move to the new location is now complete. All the staff have re-located, and the mango pulp business line is currently being tested and the machinery calibrated. 2019 will be an exciting year for Vert!



Picture 5: at the occasion of the official opening of the new plant.

Hannelore Beerlandt joined Kampani's Board

The Board has co-opted Hannelore Beerlandt as its newest member. Having had an international career combining research, academia and consultancy, Hannelore is now CEO of AgriCord, an international alliance of 14 agri-agencies, mandated by farmers' organisations from Europe, Brazil, Azia, Canada and Senegal to support their peers in developing countries. Hannelore is also chair of Enabel, the official Belgian development agency, and she continues to give guest lectures at the K.U.Leuven. Welcome, Hannelore!

Wouter Vandersypen

Executive Director, Kampani NV

PS: If you would rather not receive this newsletter, just let me know.

Kampani is a social impact investment fund that aims to unlock the potential of entrepreneurial farming in Africa, Asia and Latin America. Kampani is a pioneering way to fight poverty and promote development. It provides growth capital investments to poor, but entrepreneurial, farming families organised in producer organisations.