

The case for fair trade and FAIRMADE as an optimal way to alleviate poverty

Author: Jamie MacAlister

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Note: This article contains extracts from Jamie's article in Faith-in-Business Magazine (04-22) and extracts from recent emails written by Don Larson, Founder/CEO of Sunshine Nut Co, Mozambique

Introduction. For the last two plus years, I have been importing retail-packed roasted and flavoured cashews nuts from a company in Mozambique who are pioneering a new model for bringing prosperity and alleviating poverty in one of the poorest and most troubled countries in the world. That company is called Sunshine Nut Co, started by a US couple, Don and Terri Larson in 2010. Don was previously a senior manager at Hershey Chocolate in USA, and saw how little the cocoa bean farmers in Africa were benefiting from the prosperous global trade in chocolate products – and decided he would start a business to try and change that.

Now we are promoting the products of other members of the FAIRMADE group in Africa, companies with a similar model, manufacturing finished products in countries which normally only supply raw materials. As we partner in the UK with a retailer with a history connected with the origins of the fair trade movement, we believe we may be moving into a new phase of business, helping to alleviate poverty by value-adding activity in the poorest continent, Africa.



The Sunshine Nut Co story. A Gallup poll released in June 2015 determined that what everyone wants in the world is a good job. Yet how does one achieve this when there are no jobs to be had? The government of Mozambique states that 80% of Mozambican families are employed in agriculture. Yet 99.9% of agricultural activity consists of subsistence farming. Therefore, one can deduce that the unemployment rate in Mozambique is extremely high. A major issue facing villages is the exodus of their youth as they leave and go to the capital city of Maputo looking for employment. Yet even in the capital city, few jobs are to be found, so most of these youth end up on the streets involved in criminal activity.

Sunshine Nut Co was set up to provide employment and self-sustaining income to the people of Mozambique. Since they began production in 2014, the 30 employees at the Sunshine Nut factory have provided employment for hundreds of workers in the de-shelling factories from which they purchase our raw cashews. This in turn has provided for tens of thousands of farming families who have sold their harvests to provide for the processing needs of Sunshine Nut Co.

Their goal is to employ Mozambicans and uplift them and their families to better living conditions both now and in their futures by providing employment. Except for the Larson family, the entire staff at Sunshine Nut Co is Mozambican. Don Larson states that Sunshine Nut Co is more than a work place for our employees; it is a family environment that permeates everything they do. It is a B Corp certified factory and operates with the highest level of food safety certification (FSSC22000), while also reinvesting 90% of distributed profits back into community programmes

The Sunshine Nut project consists of a cashew farm and village factory in each community. The project transforms subsistence farmers into entrepreneurs through cash crop farming. Each family in the village is given 2 hectares (in the community's name), water wells, cashew tree saplings, and lots of education. Staff members are there, on the farms, guiding and educating the families. The village factory allows the families to shell their own cashew harvest. Each family plants and cares for 476 trees on their 2-hectare plots to create an annual income of nearly \$5,000 per family after they shell and sell the raw cashews. Previously the average income for a subsistence farmer was \$33 per year, so the impact this project will have on these communities is profound. Imagine the changes that will occur in these communities. In the past, the collective sales of their cashews brought only \$5,000 per year into their village. Now their harvests will bring in \$700,000 per year through the sale of Sunshine Nut Co cashews around the world. Sunshine plans on being in these villages, working alongside these families for generations.

There are currently 500 families participating in the Gaza and Cabo Delgado projects. Another project is starting in Nampula Province where another 150 families will be Sunshine Village Project partners. As the project spreads to new villages in the coming years, the impact on these families, their communities, and the Mozambican economy will grow.

The vision of Project Sunshine was developed in 2009 while Don Larson was still living in the USA based largely on his past experiences. Then eleven years of planning and preparation while living full time in Mozambique, including the input from leading experts (farming, cooperatives, climate change, waste conservation, government policy, legal understanding and land rights, change management enablement).

The challenging relationship between Africa and aid. This situation in Mozambique is replicated across Africa, which remains the poorest continent in income per person, while many of the poorer nations in Asia and South America have upped their game. Unlike the other continents, Africa is characterised by a fast growing young population, very high unemployment and a high dependence on aid.

Purely charitable activity, or aid, is often not the most effective way of realising social impact or alleviating poverty. Kim Tan and Brian Griffiths in their booklet Social Impact Investing [1] argue this persuasively. They show an inverse correlation between aid as a % of GDP and the growth in GDP per capita. They also note that 90% of jobs in poor countries are created by the private sector. And that the Asian success stories in transforming economies (that have largely eluded African economies) have largely been through supporting enterprise and foreign direct investment.

This certainly resonates with my experience having lived and worked in Uganda, that aid has not been the most effective way of tackling poverty. At Clarke International University I was involved in setting up the business and technology faculty. It had a vision to develop very practical skills, to help the country trade much more effectively in the international marketplace. Aid, which often funds suppliers to Africa from developed countries, is connected with an inability for African businesses to develop and create jobs and skills, as it creates both a dependency mindset amongst Africans and can undermine competitiveness of African businesses.

Ghana's president, John Dramani Mahama, told the United Nations General Assembly (UNGA) in 2016 [2] that Africa is a continent that needs fair trade and not the usual aid and development assistance. While young Africans are highly entrepreneurial, many fail and seek to emigrate because they can no longer

compete with the aid-supported product dumped on African markets annually, or the adverse business environment they have to face.

The case for adding value. The idea for African Kingdom started when I lived in Uganda between 2017 and 2019. I was there to set up a business school with a mission to provide practical business management skills to Ugandans, to help them run effective international businesses. I became convinced that the key to alleviating poverty was to maximise foreign income by exporting manufactured products, replacing aid funding and this replicating the model that has uplifted the economies of many Asian countries. Uganda for example has a large trade deficit and only approximately 20% of Uganda's exports are value-adding (ie manufactured items as opposed to raw materials) compared to a global trade average of 70%.

David Luke, in a London School of Economics blog in 2020 [3] argues that trade is central to development in Africa. With 17% of the world's population, Africa only accounts for about 3% of world trade. He attributes poor international trade performance to the fact that African economies are mainly dependent on producing and exporting low value products (and services), often subject to severe price fluctuation. This is fuelled by high trade costs/inefficient border processes and a lack of access to credit and finance.

Harvard Professor, Michael Porter [4], makes a persuasive case for why business and trade, when done responsibly, is best placed to solve social problems, because by making and re-investing profit, it can create the resources needed to really tackle these issues on a sustainable basis. By generating profit which can be re-invested to grow the business, and thus tackle more of the problem, it is not limited by the funds available that have been donated or granted to solve the problem, as is the case with charity.

In the case of Uganda, and much of sub-Saharan Africa, in which 70% to 80% of employment is in agriculture, I also came to the conclusion that the key is to leverage off the richness of the natural resources and to add value there. Uganda in particular, has a climate and soil combination which allows an amazing array of rich nutritious products to grow, of which the rest of the world only benefits from a small proportion. An increasingly unhealthy west could benefit from more of these products – but for many, it is not economic to export these products in raw form. So African Kingdom was formed to encourage the adding of value through processing and packing in Africa, and to promote and facilitate the export of those products, in the west, and starting in the United Kingdom.

The FAIRMADE Group is born. When I met Don Larson at Sunshine Nut Co, I met a kindred spirit who was already some way down the road in realising this value-add vision for Africa. So we signed an agreement to import and promote his cashews nuts in the UK, products which not only help to fulfil a social impact mission, but are also very high quality, because the processing is done so close to the farms in Mozambique, maintaining a freshness and crunchiness which is in stark contrast to most roasted cashew nuts which travel great distances, over significant amounts of time, before they are processed and finally packed.

We have now teamed up with others on a similar mission, now encapsulated as the FAIRMADE mission. Brett Beach, Founder/CEO of MIA Chocolate ("MIA stands for Made-in-Africa"), which produces chocolate in both Ghana and Madagascar, where Brett spent a number of years in a social impact role. Brett initiated the FAIRMADE Group (www.fairmadeisbetter.com), a group of companies who create more value and prosperity, by manufacturing finished products, in developing countries which historically have only exported raw agricultural produce. Sunshine Nut Co is a member of the FAIRMADE Group, as are other

companies which African Kingdom promote: Lovegrass Ethiopia who manufacture products based on teff, an ancient highly nutritious gluten-free grain grown in Ethiopia; and Black Mamba chilli sauces, grown, mixed and bottled in Eswatini (formerly Swaziland). And others will follow.

And our biggest online retail customer, We Are Fair Trade Ltd (www.wearefairtrade.com) is also embracing this concept. Its Founder and CEO, Mark Buchanan, was briefly connected to Traidcraft PLC, the pioneers of the fair trade movement in the UK. Mark has since developed We Are Fair Trade Ltd, which builds on the original mission of Traidcraft but with a more commercial focus. Mark himself produced a video (<https://youtu.be/4EKZci6KNAY>) to introduce the concept of FAIRMADE, while visiting us at our stand at the Farmshop and Deli Show at NEC in April.



“Trade not aid” is the rallying cry of businesses that seek to address social issues like poverty, a model which has been proven already. FAIRMADE now seeks to take this a step forward, recognising that it is not just trade, but trade in value-added products, which has the

potential to help transform the African continent into a prosperous one, truly benefiting more completely from the richness of both its natural and its human resources.

[1] Kim Tan and Brian Griffiths, Social Impact Investing: New Agenda in Fighting Poverty (Transformational Business Network 2016)

[2] John Dramani Mahama, President, Ghana at the United Nations General Assembly
<https://www.africanews.com/2016/09/22/africa-does-not-need-sympathy-or-aid-we-need-fair-trade-mahama-tells-un/>

[3] David Luke, Why Trade matters for African development (London School of Economics / African Trade Policy Centre, UN Economic Commission for Africa 2020)
<https://blogs.lse.ac.uk/businessreview/2020/08/25/why-trade-matters-for-african-development/>

[4] Michael Porter, Why business can be good at solving social problems (Harvard Business School). TED Talk June 2013.
<https://www.youtube.com/watch?v=0ilh5YYDR2o>

Jamie MacAlister is a Co-Founder of Kingdom Business Pioneers (www.kingdombusinesspioneers.com). He is a Professor of Practice and Executive Coach at Hult International Business School (Ashridge) and at the Refactory Academy, Clarke International University, Kampala, Uganda. He is also Founder and CEO of African Kingdom, www.africankingdom.co.uk, a social enterprise distributor promoting the FAIRMADE group of African food companies, who manufacture finished products in countries which normally only supply raw materials, cultivating thriving communities through job creation and valuable skill development.