

Company number: 06959165  
Charity number: 1133218

# Producers Direct

Report and financial statements  
For the year ended 31 December 2022

## **Producers Direct**

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#### **For the year ended 31 December 2022**

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## Producers Direct

### Reference and administrative information

For the year ended 31 December 2022

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**Company number** 06959165

**Charity number** 1133218

**Registered office and operational address** International House,  
45-55 Commercial Street  
E1 6BD, UK

**Country of registration** England & Wales

**Country of incorporation** United Kingdom

**Previous Names** Producers Direct legally changed its name from Cafédirect Producers' Foundation in December 2017.

**Trustees** Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows:

Lebi Gabriel Hudson	Chair (Resigned: 12 <sup>th</sup> September 2023)
Christèle Delbe	Vice Chair
Pauline Boit	(Resigned: 12 <sup>th</sup> September 2023)
Lenin Tocto Minga	(Resigned: 12 <sup>th</sup> September 2023)
Penny Newman	(Resigned: 18 <sup>th</sup> February 2022)
Anthony Wainaina	
Wendy Chamberlin	(Appointed: 12 <sup>th</sup> September 2023)
Michael Montalvan Tineo	(Appointed: 12 <sup>th</sup> September 2023)
Jamie Anderson	(Appointed: 12 <sup>th</sup> September 2023)

**Key management personnel** Claire Rhodes Chief Executive Officer

**Bankers** Triodos Bank  
Deanery Road  
Bristol  
BS1 5AS

Barclays Bank  
Leicester  
LE87 2BB

**Solicitors** Bates Wells  
2-6 Cannon Street  
London  
EC4M 6YH

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Weil Gotshal & Manges  
110 Getter Lane  
London  
EC4M 6YH

**Auditor**

Sayer Vincent LLP  
Chartered Accountants and Statutory Auditor  
Invicta House  
108-114 Golden Lane  
LONDON  
EC1Y 0TL

## **Producers Direct**

### **Trustees' annual report**

#### **For the year ended 31 December 2022**

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The Trustees present their report and the audited financial statements for the year ended 31 December 2022.

Reference and administrative information set out on pages 1 & 2 forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice - Accounting and Reporting by Charities: SORP applicable to charities preparing their accounts in accordance with FRS 102.

## **Objectives and activities**

### **Purposes and aims**

Producers Direct is a UK-registered charity, established in 2009, that works with smallholder farmer organisations in Africa and Latin America. Producers Direct's objects, as outlined in its Articles of Association are to:

- Prevent and relieve poverty particularly in disadvantaged communities in developing countries;
- Advance or assist in advancing education; and
- Promote sustainable development by:
  - The preservation, conservation and the protection of the environment and the prudent use of natural resources;
  - The promotion of sustainable means of achieving economic growth and regeneration.

Throughout 2022, Producers Direct has operated in accordance with its vision, mission and strategic objectives. These are stated as follows:

Producers Direct's vision is of thriving smallholder communities, where each smallholder can realise their own vision. Producers Direct's mission is to work with smallholders in Latin America and Africa to develop innovative solutions to the challenges they face (within the context of their farming and business practices).

Producers Direct's Strategic Objectives are to:

1. Pioneer innovative, effective programmes that strengthen producers' capacity, education and resilience.
2. Ensure Producers Direct is truly producer-led in governance and in its overall model.
3. Mobilise diverse resources to achieve sustainability for producer partners and for Producers Direct.

## Approach and Model

Producers Direct was founded in 2009 to be an organisation led by smallholder farmers, for smallholder farmers. The majority of the 600 million farms in the world are small. Farms of less than 1 hectare account for 70% of all farms but operate only 7% of all agricultural land. While smallholders play an essential role in global food security and nutrition, these same smallholder farmers typically live on under \$2 a day and are themselves often affected by food insecurity and malnutrition. Changing climatic conditions continue to exacerbate these challenges for both smallholder farmers and global food systems. Current market systems do not incentivise the management of climate resilient food systems and agricultural landscapes. With food shocks related to extreme weather events becoming increasingly frequent, smallholders are facing the double burden of increasing productivity and resilience without receiving the information and tools needed for it. Typically, smallholders face and confront climate risks with minimal access to external data. While smallholders are one of the most vulnerable groups to climate change, their central role in global food systems uniquely positions them to be key leaders / actors in fighting in - and in the future management of sustainable food systems.

Within this context, there are four major, interconnected problems that Producers Direct's model and 2021-2025 Strategy is seeking to address:

**1. Farmer-owned Food Value Chains:** The world is not on track to reach the UN Sustainable Development Goal (SDG) 2. Food systems are broken and unsustainable. Smallholders currently have limited power in food value chains. Most smallholders work independently, capturing minimal value for their crops at market with limited support to achieve the increased on-farm productivity and reductions in post-harvest loss required to strengthen food security, resilience and incomes. To meet expected global demand for food as the world's population grows, more effectively investing in and leveraging the knowledge, skills and resources of the world's smallholders is becoming increasingly critical.

**2. Women's Empowerment:** Globally, women comprise over 50% of the agricultural labour force and produce nearly 80% of the food consumed in the developing world. Yet, female smallholders earn far less than men and have limited access to credit. For example, in Kenya, women smallholders access less than 1% of available agricultural credit. Further challenges, including lower financial and digital literacy levels, and restricted mobility exacerbating lack of access to training and markets, drives further marginalisation of women smallholders within food value chains.

**3. Youth Agripreneurs:** Youth populations are rising rapidly. Over 50% of the world's population is under 30. In the next decade, 1 billion youth will enter the job market. 600 million of them will not find jobs. We are on the brink of facing a massive youth unemployment crisis. While Africa's rapidly transforming economies are driving increasing urban opportunities for off-farm employment, farming remains the single largest employer of rural youth. Yet rural youth face many hurdles earning a livelihood from farming. Unfortunately, most young people do not see farming as a viable livelihood. A key gap remains investing in a critical mass of skilled young Africans with access to finance and know-how to drive productivity growth in farming and related value chains. Youth typically do not perceive agriculture as a remunerative or prestigious profession. Until youth see more inspiring, profitable examples of youth-led agri-enterprise within rural areas, current trends in urban migration will continue. Key barriers not only include a lack of access to training and skills, capital and financial services, and market access (FAO, 2021) - but also a lack of awareness of the opportunities and services that do exist to support them.

**4. Data in the Hands of Farmers:** Farmers often do not have access to the data and information they need to make informed on-farm decisions, protect our planet and strengthen their resilience - including to changing climatic conditions. 99% of farmers in our network either keep no records at all, or paper-based records at best. Traditional smallholder data collection methods remain costly, and are often designed to primarily benefit stakeholders working with farmers - rather than the farmers themselves. The lack of access to smallholder farmer data prevents financial institutions from quantifying risk and offering them affordable financial services - particularly for female farmers and youth agripreneurs. When farmers are not using data insights to support their on-farm decision making, this can further exacerbate barriers to on-farm improvement, including optimising costs of production, and overall on-farm productivity, diversification and performance - all of which significantly contribute to farm profitability and ultimately farmer incomes.

To address these challenges, Producers Direct's four 2021-2025 Strategic Goals are:

- 1. Farmer- Owned Value Chains:** Increase incomes by 120% for at least 295,000 smallholder farmers by end-2025 as a result of supporting smallholder farmers to diversify their on-farm production, aggregate their surplus crops, and collectively sell these crops into local and national markets.
- 2. Women's Empowerment:** Support 147,476 women smallholders to bundle their crops and sell them collectively into local and national markets. Key metrics include percentage increase in incomes, and percentage of farmers who are successfully diversifying and managing multiple on-farm enterprises, ensuring farmers are not dependent on a single crop for food security and income. We consider this a measure of resilience.
- 3. Youth Agripreneurs:** Strengthen youth leadership in sustainable agri-food systems, including supporting 117,238 youth leaders to take leadership in food value chains by either launching their own agri-enterprises and/or playing lead roles in supply chain logistics and sales.
- 4. Data in the hands of farmers:** Empower 1.7m smallholder farmers to access and adopt digital technologies, from basic SMS to pioneering technologies such as AI and Blockchain - in order to support farmers to apply these digital tools to enhance their on-farm profitability, resilience and incomes. Key metrics include the percentage of farmers who have access to information needed to make more informed on-farm decisions.

Producers Direct delivers support services to smallholder farmers across Africa and Latin America. Producers Direct's peer-to-peer model places producer leadership at the centre of our programme delivery, governance and strategy. We aim to enhance farmer livelihoods by: 1.) Improving farming productivity and incomes; 2.) Strengthening farm- and livelihood- resilience to changing climates; and 3.) Driving farmer ownership and leadership in food value chains. Producers Direct's farmer-led model blends in-person services with cutting edge digital tools, developed through farmer-centred design. Our model comprises the following four inter-linked components:

**1. Farmer-led Training and Information Services:** In partnership with smallholder producer organisations, Producers Direct runs a peer-to-peer training model that offers farmers: 1) Access to a network of trained Farmer Promoters and 2) Relevant and affordable in-person training on demonstration sites/farms, where farmers can learn and trial innovative farming practices. In-person training is supported by multimedia digital tools to support the digitisation of training and

information services to process, including through SMS, WhatsApp and radio. Farmer-led training services focus on the following areas:

- Good Agricultural Practices;
- Crop Diversification and Agri-enterprise development to support income diversification and enhance resilience against climate change and economic shocks;
- Crop Quality and Productivity Improvement;
- Environmental Sustainability, including Climate Change Adaptation and Climate Smart Practices;
- Digital and Financial Literacy.

**2. Market Access:** Smallholder farmers also face the challenge of accessing markets for their products. To support market access, Producers Direct has been undertaking the following activities:

- Supporting the development of digital tools that enable farmers to work cooperatively to: Increase market visibility and accessibility; Trace products and payments; Improve access and links to buyers. We are developing the functionality of our digital tool, FarmDirect, so smallholders can form 'digital cooperatives' to bundle their crops and increase their negotiating power with upstream buyers, capturing a higher value for their crops. This work includes a focus on supporting women smallholders to enhance their incomes by collectively bundling and selling any surplus of the food security crops they are growing for household consumption.
- Supporting youth leaders within farming communities to take leadership on managing post-harvest logistics and supporting the structuring of currently unstructured value chains. Youth are supporting farmers to aggregate and negotiate better prices for a range of diversification crops they might be growing on their farm, such as honey, avocado, pineapple and banana, and therefore increasing farmers' access to untapped markets and buyers.
- Trialling the sale of branded Producers Direct products into urban markets in countries where Producers Direct is located, starting with the trial of honey sales in Kenya and Peru. The long-term goal for Producers Direct's product sales is to enable farmers to take leadership within food value chains, capture a higher percentage of the final market value for their product and have access to more reliable market opportunities for their range of products within food value chains.

**3. Farmer-led Data Services:** Smallholder farmers typically have extremely limited access to data to enhance their farm's performance or respond to the impacts of changing climatic conditions on their farm's performance. The livelihood impacts that Producers Direct is targeting to achieve through smallholders having improved data access include: Optimised profitability across multiple on-farm enterprises to support household income improvement; Insights into optimal harvest times maximising yields; Managing a range of profitable enterprises that collectively reduce vulnerability to climatic shocks; Yield prediction data that helps to de-risk on-farm investment; and enhanced access to financial services as a result of having improved on-farm performance records:

- Producers Direct's digital platform, FarmDirect, supports farmers to access to the following data, empowering them to make smarter, more informed decisions:
  - Profit & Loss: Gain insights into profit and loss across multiple farm enterprises.



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- Yield Predictions: Access yield predictions for current and future seasons under varying climate change scenarios.
  - Mobile Marketplace: Digitally bundle crops, sell products and track payments through a mobile marketplace managed by local youth.
  - Loan Payments: Track loan repayments, create a digital record and access increased financing from external lenders.
- Additionally, Producers Direct is developing and testing Croppie through a farmer-led process, in partnership with the International Centre for Tropical Agriculture (CIAT) and Ideo.org. Croppie provides AI-generated yield estimates to smallholder coffee farmers, paired with tailored agronomic and financial tips, in order to strengthen farmers' ability to reduce risk and protect incomes. Our goal is to understand how these yield predictions, combined with digitised tips, can firstly support the farmer to optimise on-farm and financial / cost management during the season, and secondly look ahead to planning for future seasons - recognising that farmers will increasingly need forward-looking insights to plan for anticipated impacts of changing climatic conditions on crop yields and farm performance.

**4. Access to Finance:** A key barrier to farmers trialling techniques that they have learnt about during in-person and digital training is their lack of access to the finance that may be required to trial the techniques. For example, funds to trial new fertilising techniques, including to support organic farming, or to develop a new micro-enterprise that increases household incomes, such as fish farming or beekeeping. To support smallholder farmers to overcome this barrier, Producers Direct is partnering with smallholder producer organisations to offer micro-loans to farmers, supporting them with access to the funds they need to make on-farm investments. This is particularly vital for women and youth within smallholder communities, who face disproportionately high barriers accessing finance. To address this, we are increasingly targeting loans to support young people and women who typically cannot access financial services or credit. We also support farmers accessing loans to track their profits, loss, repayments, and product volumes, building a credit history so they can access increased credit in the future.

The Trustees review the aims, objectives and activities of the charity each year. This report looks at what the charity has achieved and the outcomes of its work in the reporting period. The Trustees report the success of each key activity and the benefits the charity has brought to those groups of people that it is set up to help. The review also helps the Trustees ensure the charity's aims, objectives and activities remain focused on its stated purposes.

The Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning its future activities. In particular, the Trustees consider how planned activities will contribute to the aims and objectives that have been set.

In order to enhance the public benefits realised, Producers Direct seeks to:

1. Engage and work with a broad range of individuals and community groups within smallholder farming communities in which activities are undertaken. This includes:
  - a. Through a farmer-led training model, smallholder farmers are trained as trainers, who then share and replicate their knowledge with a broad range of smallholder farmers within their community and neighbouring communities.

- b. By engaging with groups within farming communities who may typically be marginalised from traditional farming cooperative structures. For example, our investment in strong networks of women and youth leaders within farming communities.
2. Ensure that information and educational materials produced through Producers Direct's activities are widely distributed through existing networks of smallholder producers, as well as Producers Direct's development partners who work at national and international levels.
3. Developing programmes that will engage and support a broad range of smallholder farmers and producers beyond the smallholder producer organisations who partner with Producers Direct. Producers Direct's digital training and information services have a wide reach across digital channels, including SMS and WhatsApp. During the global pandemic Covid-19 Health and Safety materials have been disseminated to over 1.1 million smallholder farmers across East Africa and Latin America.

## Activities and services delivered during 2022

All Producers Direct's charitable activities focus on improving the livelihoods and resilience of smallholder producers, and are undertaken to further Producers Direct's charitable purposes for the public benefit. Overall, Producers Direct's activities directly reached 126,731 smallholders and young people during 2022 and, cumulatively, 1,293,576 smallholders and young people since Producers Direct was established in 2009. East Africa programme activities were delivered by Producers Direct's East Africa Programme team, based in Nairobi, in partnership with East Africa-based producer organisations in Kenya, Tanzania and Uganda. 2022 East Africa programme expenditure totalled £1,132,371, with donors including MercyCorps AgriFin, Innovate UK and the German Development Agency, GIZ, FairForward programme. In Latin America, programme expenditure totalled £519,429 - funded by Pret a Manger, the World Food Programme Innovation Accelerator, the German Development Agency (GIZ) i4Ag programme. Funding from Bayer AG supported programme activities across both Peru and East Africa.

2022 activities and services delivered included:

### 1. Farmer-led Training and Information Services

Overall, 3,365 smallholder farmers directly participated in 2022 in-person training activities - 1,375 across East Africa and 1,990 in Peru. In-person training delivered during 2022 included:

- **Honey (East Africa and Peru):** 709 beekeepers participated in hive and honey quality management training across East Africa and Peru during 2022. In East Africa, trainer-of-the-trainer materials on hive management were developed and rolled out by Farmer Promoters, with continued support and training to 400 Beekeepers across Kenya, Uganda and Tanzania who originally participated in 2021 honey training activities. This included 380 of the 400 beekeepers trained on hive management, and 100 of the 400 also trained on post-harvest & honey quality management. In Peru, an additional 309 smallholders were trained in beekeeping. Training included on how to manage on-farm records for their hives, empowering farmers to track the performance of their hives - as well as overall on-farm productivity and profitability.
- **Food Security (East Africa and Peru):** Work continued to develop printed and digital versions of food security crop training materials, to support programme activities in both

Peru and East Africa. Materials developed included kitchen garden crops, as well as bananas and avocados, in a variety of formats including training manuals for farmer promoters, visual guides for farmers, WhatsApp for Business content and tips to be shared by SMS. Across East Africa, 975 farmers were trained on banana and avocado management. In Peru, 1,422 female farmers were supported with information materials and training on kitchen garden management to support food crop production.

- **Youth Agripreneurs (Peru):** In partnership with Pret a Manger and Cenfrocafe, work continued to develop training modules and materials to support youth entrepreneurs from smallholder coffee communities in Peru, with thematic areas including good practices in coffee farming; post-harvest coffee quality management and marketing; farm management, enterprise and leadership development. Throughout 2022, a cohort of 75 youth leaders undertook a 12-month MBA-style training programme, undertaking each of these thematic training modules through a combination of in-person and digitally convened training sessions, paired with on-farm learning experiences.

## **2. Market Access**

During 2022, market access programme activities continued to grow across East Africa and Peru, through branded and unbranded product sales into local and national markets - with a focus on horticultural crop and honey value chains:

- Branded honey sales continued throughout the year in the Kenyan market, with end-2022 results included listings in over 120 Kenyan retail outlets; 7,669 kg of honey sold; and revenue from branded Kenyan honey sales of £26,786. In Peru, the testing of branded honey sales - which commenced in December 2021, was successfully completed in mid-2022, with 3,871kg honey purchased from 111 smallholder beekeepers across Peru in late 2022, for sale during 2023.
- Sales of unbranded horticultural crops through FarmDirect grew across both East Africa and Peru during 2022, with a continued focus on supporting smallholder farmers to bundle surplus food security crops they are growing, including fruits and vegetables, and selling them in local markets. Logistics associated with identifying buyers and sourcing products from farmers is being supported by a network of youth agents. By end-2022, 2,716 farmers across East Africa (1,432) and Peru (1,284) were registered on FarmDirect, with total volume sales of ~35,000 kg during the year.

## **3. Farmer-led Data Services (Latin America and East Africa)**

With support from the German Development Agency (GIZ) and IDB Lab, Croppie development was a significant 2022 focus. 977 smallholders across Peru and Colombia participated in Croppie testing activities, including receiving a yield prediction and associated agronomic tips. 2022 activities included:

- Working with CIAT and TECNiCAFE to develop and test an AI-algorithm that will generate a coffee yield prediction at the start of the season, with the AI being trained using smart phone photos taken by farmers of their coffee farm.
- Working with Ideo.org and farmer design groups to develop and test the first prototype of the Croppie app, enabling farmers to receive an AI-generated prediction of their coffee yields.

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- Working with CIAT and local agronomists in both Peru and Colombia, to develop and test actionable agronomic tips, to support farmers with on-farm decision making based on the yield predictions they receive.
- Initial planning work to scale Croppie testing activities to smallholder farmers in Uganda, in partnership with GIZ FairForward, CIAT and M-Omulimisa.

In parallel, activities continued to support smallholders manage their on-farm records across diverse on-farm enterprises, including honey and horticultural crops, with youth leaders responsible for digitising paper-based records and sharing back of insights to farmers, supporting farmers with farm performance monitoring.

#### 4. Access to Finance:

During 2022, Producers Direct continued managing the Phase 2 ROTA loans originally disbursed in late 2021. 2021 loans were provided to beekeepers to invest in their honey enterprises. Instead of the financing being provided in cash, Producers Direct pre-purchased 1,000 hives, which were then distributed as loans to 69 beekeepers across Uganda and Tanzania. ROTA loan recipients have a 12-month grace period, with a subsequent loan repayment plan structured over 4 years, with an interest rate of 8%. Producer partner organisations supporting the administration and management of the loans to individual farmers will receive a 1% Management Fee of the collective value of loans distributed to the farmers they are supporting. At the end of 2022, the total value of ROTA loans disbursed across East Africa was £55,702.

With support from IDB Lab, Producers Direct also initiated the testing of ROTA loans for beekeepers in Peru. At the end of 2022, the total value of ROTA loans disbursed to support beekeepers across Peru was £3,446 - with plans to expand ROTA testing in Peru during 2023 with support from IDB Lab.

## Achievements and performance during 2022

During 2021, Producers Direct's activities directly reached **126,451** smallholder farmers and their families. Since 2009, cumulatively, **1.37 million** smallholder farmers and their families have benefited from Producers Direct's activities. Looking ahead to 2025, we are committed to reaching 1.7 million smallholders, with a focus on improving smallholder incomes and livelihoods; strengthening their resilience to rapidly changing climates; and driving farmer leadership in food value chains.

2022 generated our most compelling evidence of impact, as evidenced by the Randomized Controlled Trial (RCT) we conducted in Uganda with a cohort of farmers. FarmDirect data (marketplace, farmers' records), baseline and end-line surveys, and focus groups complement findings from the RCT.

*Income Increase:* The RCT conducted in Uganda evidenced farmers' incomes increased by \$190 over 7 months for smallholders selling via FarmDirect, resulting in a 50% increase in income in under a year. This data complements historical evidence generated by Producers Direct of an up to 100% income increase for smallholders diversifying and accessing markets.

*Improved Market Access:* Farmers who sold surplus produce via FarmDirect during 2022 sold 50% more than smallholders in the Control group. Further, farmers selling via FarmDirect sold at fairer prices. Our data illustrated that the average price of bananas during this period was \$3.45/bunch. For farmers selling bananas through FarmDirect, they were paid \$4.07/bunch, demonstrating

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farmers who sold via FarmDirect earned 18% more than their peers, proving our model increased market access and the share of profits for smallholders. 100% of farmers said FarmDirect increased their market access opportunities. Further, 100% of farmers said FarmDirect was easier to access markets than usual.

*Business Case for FarmDirect:* The 2022 Randomised Control trial evidences the viability of the future FarmDirect business model. We've confirmed a clear product-market fit for FarmDirect, with 77% of buyers using FarmDirect more than once (and most using it monthly), demonstrating high user satisfaction amongst buyers. Businesses and buyers surveyed shared that FarmDirect is their preferred source of fresh produce. We are also testing willingness to pay by end users and other buyers / stakeholders. In East Africa, we have charged the buyer and seller sufficient margin to support the costs of on-the-ground operations eventually. Although sales need to grow further, we have demonstrated users are willing to pay through margin.

*Increased Productivity:* Ugandan farmers who accessed FarmDirect during 2022 increased their on-farm productivity by 82% compared to the control group cohort participating in the RCT. The farmers who increased their productivity also 1) produced more surplus than their peers, 2) sold more than their peers, and 3) wasted less (food loss) than their peers. There is a strong correlation between farmers who increased productivity and those who increased incomes.

*Food Loss/Wastage:* Ugandan farmers who accessed FarmDirect in 2022 and sold surplus produce wasted 44% less post-harvest (compared to the control cohort participating in the RCT), demonstrating the positive impact of strengthening access to data and markets on food loss.

Other non-programmatic achievements during 2022 included:

- February 2022: Producers Direct was shortlisted as a Finalist for the Milken-Motsepe Prize in AgriTech for our work with FarmDirect. The Milken-Motsepe Prize focused on accelerating progress towards Sustainable Development Goals (SDGs) 1 and 2: no poverty and zero hunger, through a global competition recognising innovative solutions to increase economic value to farmers.
- September 2022: Producers Direct secured 501c3 non-profit status for Producers Direct Inc., the US non-stock company registered in 2021 to support US-based fundraising and Producers Direct having a presence in the US.
- November 2022: Producers Direct completed the purchase of Wefarm assets, following Wefarm going into administration in August 2022. Wefarm assets acquired from Wefarm Administrators, Kroll Advisory Ltd. Assets included the SMS- and online technology platform, associated database, and Wefarm brand, for the value of £7,000 plus VAT.

## External factors affecting achievement

Producers Direct works principally with smallholder producer organisations located in East Africa and Latin America. Working with these vulnerable producer organisations can affect capacity to deliver on partnership agreements according to defined timelines and targets.

Smallholder farmers represent one of the most vulnerable groups to climate change, with changing climatic conditions continuing to exacerbate the challenges faced by smallholder farmers. Climate-related challenges include vulnerability to natural disasters, prolonged droughts and associated detrimental impacts of these changing climatic conditions on crop production.

Current market systems typically do not incentivise the management of climate resilient food systems and agricultural landscapes. With food shocks related to extreme weather events becoming increasingly frequent, smallholders are facing the double burden of increasing productivity and resilience without receiving the information and tools needed for it. Typically, smallholders face and confront climate risks with minimal access to external data.

## Beneficiaries of our services

Primary beneficiaries of Producers Direct's work are smallholder farmers located across East Africa and Latin America. To deliver our activities and impact, we work with a network of 38 smallholder-owned producer organisations across Latin America and East Africa. Smallholder farmers across Producers Direct network are diverse in geography, crops and resources. On average, the smallholder farmers we work with earn less than \$2 per day and sustain their families on 1.2 hectares (3 acres). Farmers are managing diverse farming systems, including cash, non-cash and subsistence crops. Principal crops include grains, fruits, vegetables, honey, tea, coffee, and cocoa. The average age of our farmers is 60, on average they have 5 dependents and 94% are affected by climate change. On average, 16% of the farmers we work with own a smartphone, and 17% have internet access. Only 48% have a bank account. From our recent survey data, 89% of farmers who responded reported access to finance being a key challenge, and 59% reported market access as an additional challenge - showcasing the importance of our investment in linking farmers to markets. Currently, 82% of the farmers in our network growing food security crops are not yet aggregating these crops for sale at local markets - demonstrating the opportunities our work to support market access via FarmDirect can bring to the smallholder farmers within our network.

We particularly focus our resources on reaching women and youth. For over a decade, we have made significant investments in promoting female farmer leadership across our network and empowering female smallholders to play central roles in the design and delivery of our programme activities, both in-person and digitally. Furthermore, we continue to invest in supporting youth to take up leadership roles within smallholder communities and in the delivery of Producers Direct's services.

## Organisations we work with

In addition to our work with smallholder-owned producer organisations, Producers Direct also continues to work with a number of other organisations at international, regional and national levels to support programme implementation. During 2022, strategic partners supporting programme delivery included the World Food Programme (WFP) Innovation Accelerator, MercyCorps AgriFin, International Centre for Tropical Agriculture (CIAT), Ideo.org and Busara Centre for Behavioural Economics.

## Financial review

As shown in Producers Direct's Financial Statements, 2022 income totalled £1,555,208 with funds brought forward from 2021 totalling £846,815. 2022 expenditure totalled £1,721,781. During 2022, Producers Direct's principal funding sources included grants and donations from private foundations, inter-governmental organisations and public limited companies.

Producers Direct ended the year with a total fund balance of £680,242, of which £377,034 was restricted funds and £302,208 was unrestricted funds.

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#### **Policies for making social or programme-related investments**

Overall, Producers Direct does not make social or programme related investments and therefore does not have a policy on this. To-date, Producers Direct's establishment of Wefarm in 2015 has represented a one-off investment that was undertaken because Producers Direct's Trustees felt this was the best option for enabling Wefarm to continue delivering the mission of Producers Direct and where the greatest social impact could be achieved by Wefarm.

#### **Investment policy and performance**

Beyond interest received on current accounts and fixed term deposit savings accounts, Producers Direct does not hold any long-term investments. Previously, through until end-2021, Producers Direct's shareholding in Wefarm represented Producers Direct's only investment.

#### **Grant making policies**

Producers Direct does not openly invite applications for grants and therefore does not have a grant making policy.

#### **Loans**

In 2020, Producers Direct secured two 5-year loans to support cash flow management and to invest in testing branded honey sales in East Africa. These were:

- *CAF Venturesome*: £50,000 debt finance (6% interest, 5-year repayment terms) secured to support the development and testing of Producers Direct branded honey sales in East Africa. The CAF Venturesome loan balance at the end of 2022 was £29,090.
- *UK Government Bounce Back Loan*: A £50,000 loan (2.5% interest after the first 12 months, 5-year repayment terms) was secured in June 2020 to support cash flow management. The Bounce Back loan balance at the end of 2022 was £34,967.

#### **Voluntary help and gifts in kind**

Throughout 2022, Producers Direct benefited from *pro bono* support from legal firm, Weil, Gotshal & Manges. The value of these *pro bono* legal services included within the 2022 Accounts is £131,287, with legal advice provided during 2022 on options for Producers Direct's legal restructure and Producers Direct's purchase of selected Wefarm assets.

Producers Direct was also grateful for the in-kind contributions of smallholder farmers and key staff at the smallholder producer organisations who work with Producers Direct, who invested significant time without financial compensation in order to support the delivery of Producers Direct programme activities during 2022.

#### **Principal risks and uncertainties**

Producers Direct manages a risk register, which identifies major risks and ranks them in terms of their potential impact and likelihood. Trustees review major risks and their rankings quarterly, in order to satisfy themselves that adequate systems and procedures are in place to manage the risks identified. Where appropriate, risks are covered by insurance. From Producers Direct's perspective, major risks are those which may have a significant impact on its:

- Operational performance;
- Financial sustainability, including income stability and security;
- Achievement of the charity's aims and objectives;
- Meeting the expectation of beneficiaries, partners and donors.

Key risk management procedures in place include:

- Ongoing review and management of the Risk Register by the Trustees and Senior Team, detailing and ranking major organisational risks and mitigating actions where possible.
- Quarterly tracking and reviewing of major risks identified.
- Clear articulation of organisational policies and processes for delegating authority and control.
- Income targets for fundraising activities.
- Ongoing management of the organisation's unrestricted funds, including its reserve fund.

## Reserves policy and going concern

Producers Direct's Reserve Policy focuses on holding sufficient unrestricted reserves to cover at least six months of essential operational costs during a period of unforeseen difficulty. In this context, Trustees consider essential operational costs to include: Core team members across the UK, East Africa and Latin America; IT costs to support effective remote working; and any outstanding contractual commitments to donors and/or service providers.

Under current 3-year cash flow projections, 6 months of essential operational costs are budgeted at £195,000 - with this budget covering core operational and programme staff across UK, East Africa and Peru, associated operational costs and loan repayments due. At the end of 2022, the balance of Producers Direct's unrestricted cash and assets totalled £303,208. During 2022, Producers Direct will continue work to enhance its unrestricted cash reserves through the following strategies:

- Careful management of Producers Direct's unrestricted fund balance.
- Targeting opportunities to secure funding from Impact Investors, whose funding tends to be less restricted than other grant-based donor funds.
- Continued testing of opportunities to generate earned income through Producers Direct's activities, including the sale of Producers Direct branded products into local and national markets where smallholder partner organisations are located.
- Targeting earned income through service provision contracts with organisations working with smallholders.

At the end of 2022, Trustees assessed Producers Direct as a Going Concern on the following basis:

- A review of internal management information, including a budget and cash flow forecast through at least December 2024 - with planned scenarios in the event that fundraising income is significantly lower than plan.
- An analysis of external factors and risks, as outlined and managed through Producers Direct's Risk Register.
- Producers Direct holds sufficient unrestricted cash reserves to cover at least six months of essential operational costs to enable operations to continue during a period of unforeseen difficulty.



## Fundraising

During 2022, Producer Direct's fundraising activities principally consisted of applications to national and international donors for grants to support programme and organisational development. Fundraising activities are principally undertaken internally by grant writers who are employed by Producers Direct.

As part of our commitment to best practice, Producers Direct adheres to the standards set by the Fundraising Regulator (England, Wales and Northern Ireland), and the UK Chartered Institute of Fundraising. During 2022, there were no instances of non-compliance with the requirements of the fundraising code of practice and no complaints have been received by the charity regarding fundraising activities.

The aim of Producers Direct's fundraising expenditure on grant writers is to enhance Producers Direct's annual restricted and unrestricted income for 2022/2023 and future periods in order to sustain and grow programme activities in East Africa and Latin America and support organisational growth. As a result of this annual expenditure on fundraising, Producers Direct received and benefited from funding from the following key donors and social lenders during 2022:

### East Africa

- **Innovate UK Agritech 9:** £22,059 received during 2022 of the total £55,117 secured for Producers Direct, sub-granted from Climate Edge, over 24 months from August 2020 to support the expansion of the initial soil kit testing work undertaken in 2019, and trial low-cost advisory services to support soil quality management.
- **GIZ (German Development Agency) FairForward:** £95,378 received during 2022, of a total grant of £313,760 (353,808.42 Euros) secured over 18 months from October 2022 to March 2024 to support the expansion of Croppie development and testing to smallholder coffee farmers in Uganda, in partnership with the International Centre for Tropical Agriculture Centre (CIAT) and M-Omulimisa

### Latin America

- **GIZ (German Development Agency) i4Ag:** £397,325 received during 2022, of a total grant of £621,155 (700,445 Euros) from the GIZ *Fund for the Promotion of Innovation in Agriculture* (i4AG) from October 2021 for 24 months to support expanded development and testing of Croppie - our digital tool focussed on data-driven yield predictions for smallholders in Peru and Colombia.
- **IDB Lab - the innovation laboratory of the Inter-American Development Bank:** £280,182 (/342,756 USD) received during 2022, of a total 1,000,000 USD secured from IDB Lab over 36 Months from January 2022 for work in Peru to support the development of climate-resilient landscapes, working with 10 smallholder cooperatives to develop the data, training, financial and market access services required to manage climate-resilient farms and landscapes.
- **Pret a Manger Coffee Fund:** £125,000 secured for expenditure during 2022/23 to strengthen youth leadership within coffee value chains, in partnership with the producer coffee cooperative Cenfrocafe in Peru.

## Producers Direct

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#### For the year ended 31 December 2022

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- **World Food Programme (WFP) Innovation Accelerator:** £20,310 (\$US 31,492) of a total of \$US 63,000 secured for expenditure during 2021/2022 to continue working in partnership with WFP Peru to test Producers Direct's 'Digital Cooperative' concept and its potential to support women smallholders in Las Lomas, Peru, to aggregate and collectively sell their surplus food crops to enhance their incomes.

#### International

- **Bayer AG:** £255,646 (300,000 Euros) donation from Bayer for expenditure in 2022/23 to support further testing and scaling of FarmDirect - Producers Direct's 'Digital Cooperative' platform, and its potential to support women smallholders in both Peru and Uganda to aggregate and collectively sell their surplus food crops to enhance their incomes.

#### Unrestricted Income

- **Dovetail Impact Foundation:** Producers Direct received an unrestricted donation of \$US 76,466 from the Dovetail Impact Foundation, and an additional \$16,000 to support work with the brand consultancy Mighty Ally.
- **Cafédirect plc:** Producers Direct received an annual donation of £100,000 during 2022 from Cafédirect plc, in accordance with Producer Direct's multi-year Donation Agreement with Cafédirect plc.
- **Milken-Motsepe:** Producers Direct received a prize of \$US10,000 as a 2022 Milken-Motsepe AgriTech Prize finalist.

## Plans for the future

### Future Programme Focus Areas

The focus of Producers Direct's 2021 - 2025 Strategy is to deliver public benefits to smallholder farming communities across Africa and Latin America, with the overarching impacts of:

- Enhancing farmer livelihoods and incomes;
- Enhancing resilience, including resilience to changing climatic conditions and economic shocks;
- Investing in building farmer leadership.

Key aspects of Producers Direct's 2021-2025 Strategy and model include:

- Farmer leadership and expertise central to design and delivery of all interventions.
- Blending of peer-to-peer in-person and digital services to enhance adoption rates and maximise impact on the livelihoods of smallholder farmers.
- Co-financing model leveraging Producers Direct's investment in farmer-led programming through co-financing and payments from smallholder farmers.

Producers Direct's 5-year strategy aims to transform food systems while enhancing resilience for 1.7m farming households, increasing incomes by up to 100% and promoting leadership and inclusion of all farmers, including reaching 50% women and 40% youth. We will continue to blend in-person and digital services, designed and delivered by farmers for farmers. The key focus areas of our 2021-2025 strategy are as follows:

*Training and Digital Information Services:* We are aiming to provide access to farmer-led training and digital services for 1.7 million smallholder farmers by 2025. All training is farmer-friendly, ensuring farmers can access, utilise and readily adopt what they've learned. In-person training will be led by a network of Farmer Promoters who will lead training on demonstration sites. Training will focus on the crops we will be selling into local and national markets, ensuring a cohort of 295,000 farmers has access to knowledge needed to improve productivity and quality, catalysing improved incomes, strengthened climate resilience and increased food and nutrition security. In parallel, we will accelerate our move to digital, ensuring 1.7M farmers have access to cutting-edge, farmer friendly training materials online and offline. FarmDirect will provide farmer-friendly digital training so farmers can learn new skills remotely. Digital training will provide information on micro-enterprise diversification, food security, Covid-19 health and safety, and climate resilience.

*Farmer-led Data Services:* We will increasingly expand the data services that FarmDirect offers to smallholder farmers, enabling farmers to analyse productivity and profit/loss across multiple enterprises and to manage climate change risks. Through FarmDirect, we will aim for farmers to have access to the following data, empowering them to make smarter, more informed decisions:

- **Profit & Loss:** Gain insights into profit and loss across multiple farm enterprises, supporting farmers to manage more than one on farm enterprise successfully, strengthening climate resilience by decreasing dependence on a single cash crop.
- **Yield Predictions:** Access yield predictions for current and future seasons, which is becoming increasingly important as we continue to face rapidly changing climates and erratic, extreme weather events.
- **Mobile Marketplace:** Digitally bundle crops, sell products and track payments through a mobile marketplace managed by local youth.
- **Loan Payments:** Track loan repayments, create a digital record and access increased financing from external lenders.

*Access to Finance:* We will provide smallholders who qualify with access to loans, incentivising co-investment from farmers and partner farming cooperatives. We will focus our loans on farmers who plan to sell value-added products into national markets, ensuring farmers have access to initial start-up costs needed to invest in their farms and sell their crops and products. The majority of our loans will be earmarked for young people and women who typically cannot access financial services or credit. We will support farmers accessing loans to track their profits, loss, repayments, and product volumes, building a credit history so they can access increased credit in the future.

*Access to Markets:* We will drive market access for smallholders. Aggregated volumes of crops and value-added products will empower smallholders to increase their bargaining power in, and ownership of, food systems. 295,000 smallholders will sell their products into local and national markets, increasing incomes by up to 120%. Smallholders will bundle crops using our pioneering digital tool, FarmDirect. In parallel, we will test and scale the sale of Producers Direct branded products into domestic markets across East Africa and Latin America, supporting farmers to capture a higher value for their crops. Transport logistics will be managed by networks of youth. We aim for smallholder farmers to play stronger leadership roles within food systems in order to drive sustainable, resilient food value chains.

## Producers Direct

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#### Future funding

Funds secured to support 2023 programme activities and operations to-date include:

#### Restricted Income: International

- **Bayer AG:** Continued expenditure of the 2022-2023 funding of 300,000 Euros secured from Bayer AG in 2022 to expand the testing of FarmDirect, and associated 'Digital Cooperatives' concept with smallholders in Peru and Uganda - with particular emphasis on supporting female smallholder farmers.

#### Restricted Income: East Africa

- **GIZ (German Development Agency) FairForward:** £163,475 (184,344 Euros) secured during 2023, of a total grant of £313,760 (353,808.42 Euros) secured over 18 months from October 2022 to March 2024 to support the expansion of Croppie development and testing to smallholder coffee farmers in Uganda, in partnership with the International Centre for Tropical Agriculture Centre (CIAT) and M-Omulimisa.
- **African Plant Nutrition Institute (APNI),** with support from the OCP Foundation: \$US 87,640 secured for 2023 expenditure of a total sub-grant of \$321,050 over three-years from APNI to support smallholder farmers in Uganda diversify their farming, including through apiculture and horticultural crops, and enhance climate-smart approaches to coffee farming.

#### Restricted Income: Latin America

- **Pret a Manger Coffee Fund:** £100,000 confirmed for 2023 expenditure to strengthen youth leadership within coffee value chains, in partnership with the producer coffee cooperative Cenfrocafe in Peru.
- **GIZ (German Development Agency):** 98,675 of 700,445 Euros secured from the GIZ *Fund for the Promotion of Innovation in Agriculture* (i4Ag) from October 2021 for 24 months to support expanded development and testing of Croppie - our digital tool focussed on data-driven yield predictions for smallholders in Peru and Colombia.
- **IDB Lab:** \$451,505 (£348,785) of \$1,000,000 secured from IDB Lab - the innovation laboratory of the Inter-American Development Bank Group from January 2022 for three years to support a Peru-wide programme focused on 'Data Resilient Landscapes - focussed on working with Producer Direct's 10 producer partners in Peru, as well as non-producer partners including CIAT to design and implement the data, training, finance and market access services required to support climate resilience with Peruvian coffee landscapes.

#### Unrestricted Income

- Cafédirect plc: As per the Donation Agreement in place between Cafédirect and Producers Direct, an annual unrestricted donation of £100,000 from Cafédirect plc.

## **Producers Direct**

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#### **Additional 2023 priorities include:**

- **Appointment of new Producers Direct Trustees:** During 2022, six new Trustees were identified as candidates for 2023 appointment to the Producers Direct Board. New Trustee candidates include two new Peruvian smallholder producer representatives, and four non-producer Trustees based in Kenya, Sweden and the UK.
- **Governance and Legal Structure:** During 2023, Trustees and Management will continue work to review Producers Direct's current legal structure, including potential changes required to scale a successful product sales strategy in both East Africa and Latin America. This includes developing the business case for establishing a trading subsidiary of the charity and associated governance structures, and the future relationship between Producers Direct and its sole member, Cafédirect Producers Limited. Legal advice to support Trustees discussions will be sought throughout this process.
- **Producers Direct's branded Product Sales:** Producers Direct will continue testing and growing branded product sales in domestic markets where producer partners are located. This will include continued trials of branded honey sales into retail and HORECA (Hotels, Restaurants and Cafes) channels in Kenya, and into local markets in Peru.

## **Structure, governance and management**

### **Constitution**

Producers Direct is an international non-governmental, non-political, non-religious organisation. It was established as a UK private limited company limited by guarantee on 10th July 2009 (Company Number: 06959165) and was registered as a UK charity in December 2009 (Registered charity number: 1133218). The company was established under a Memorandum of Association (10th July 2009) that established its objectives and powers and is governed under its Articles of Association (10th July 2009). Producers Direct also holds local branch registrations in Kenya and Peru, and is the sole member of a non-stock company in the USA, Producers Direct Inc.

### **Trustees**

Producers Direct's Trustees are responsible for setting Producers Direct's strategy and are responsible in law for the running of Producers Direct. The Charity's sole Member, Cafédirect Producers Limited (CPL), is responsible for officially appointing Producers Direct Trustees. Prior to appointment by CPL, existing members of the Producers Direct Board of Trustees are responsible for confirming that new Trustees have the necessary skills and capacity to contribute to Producers Direct's governance, and organisational development.

Producers Direct's Articles of Association allows for a minimum of three Trustees to be appointed. As the charity's sole Member, CPL (as outlined in Producers Direct's Articles of Association) reviews the appointment of Producers Direct Trustees each year. A minimum of two Trustees will offer to retire by rotation each year. A retiring Trustee may be re-appointed by the Member. Trustees typically serve a maximum of two three-year terms.

All Trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in note 6 to the accounts. Producers Direct's Trustees are not paid and are not remunerated for their role. Typically, international travel expenses associated with Producers Direct Trustees attending Board meetings are reimbursed, including the international flights of Producers Direct Trustees travelling from Kenya, Uganda, Tanzania and

## **Producers Direct**

### **Trustees' annual report**

#### **For the year ended 31 December 2022**

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Peru. However, Producers Direct's Board meetings continued to be convened virtually rather than in-person throughout 2022. Subsequently, no travel expenses associated with Board meetings were incurred during 2022.

The Producers Direct Board of Trustees is responsible for approving Producers Direct's annual work plan, budget and long-term strategy development. The day-to-day management of Producers Direct is delegated to Producers Direct's CEO – Claire Rhodes, based on a strategy, annual work plan and budget approved by the Trustees. Claire Rhodes has served in this role since the establishment of Producers Direct (previously Cafédirect Producers' Foundation) in 2009.

Typically, Producers Direct's Board of Trustees meet at least quarterly, with the CEO reporting to the Trustees on activities undertaken in managing Producers Direct and providing updated financial reports that explain Producers Direct's financial position. During 2022, a total of 7 Board teleconferences were convened and update reports provided.

Producers Direct has a Board sub-committee established to support Procurement processes, composed of two staff and one trustee representative. During 2022, the Procurement Committee met 4 times. In previous years, a Board sub-committee has also been in-place to oversee matters concerning Producers Direct's shareholding in Wefarm. However, from 2020 - 2022, all matters pertaining to Wefarm were managed during the main Board meetings. During 2022, Lebi Hudson served as the Producers Direct Chair, with Christèle Delbe serving as Vice Chair. No further specific responsibilities have been appointed to each trustee.

During 2021, a process to identify and recruit new Producers Direct Trustees was undertaken. From January 2022, five new Trustees candidates joined Board meetings as invited guests. Two new Producer Trustee candidates from Latin America were identified, as a result of consultations undertaken in 2021 with Producers Direct's producer partners across the region. Other Trustee candidates not representing producers were identified on the basis of Producers Direct's current Board first identifying the skills and capacities required from new Trustees, and subsequently undertaking a selection process involving candidate interviews with Producers Direct's current Chair, Vice Chair and CEO. Board succession planning continued during 2022. Consequently, one additional Trustee candidate was identified and invited to join as an invited guest during Board meetings from September 2022.

Financial controls are determined by Producers Direct's financial procedures and procurement policies, which outline the level of authority of Producers Direct Trustees and the Producers Direct CEO over Producers Direct's financial procedures. Conflicts of Interest are managed in accordance with the Producers Direct's Articles of Association and Producers Direct's Conflict of Interest Policy. A Register of Trustees' and Senior Team members' Interests has been established and is updated annually.

### **Employees**

During 2022, Producers Direct employed 19.4 FTE staff across the UK, East Africa and Peru as follows:

**UK:** 2 full-time and 3 part-time UK-based staff members included:

- The CEO (1FTE), responsible for managing the day-to-day operations of Producers Direct, and Producers Direct's longer-term strategic development.

## Producers Direct

### Trustees' annual report

#### For the year ended 31 December 2022

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- Head of Fundraising and Partnerships (0.8FTE), responsible for leading Producers Direct's fundraising and partnership development activities - through until July 2022.
- Head of Information (0.8FTE), responsible for managing Producers Direct's communications with the general public, and Producers Direct's work to design a farmer-led data management system.
- Head of Business Development (0.7FTE), responsible for business development and financial modelling across Producers Direct's programme areas, particularly branded and unbranded product sales.
- Head of Digital Programmes (1FTE), responsible for Producers Direct's digital strategy and day-to-day management of Producers Direct's digital tools development, including FarmDirect and Croppie.

**Kenya:** Producers Direct maintained its local branch status in Kenya throughout 2022, with 13 full-time, Nairobi-based employees. Kenya-based senior team members included:

- The CFO (1FTE), responsible for strategic management for Producers Direct's finances overall (not solely Kenya), and the operational management of Producers Direct's local branch in Kenya.
- Head of Commercial (1FTE), responsible for leading on development and implementation of commercial plans for branded Producers Direct honey sales in Kenya - until August 2022.
- Africa Manager (1FTE), responsible for managing Producers Direct's programme activities across Producers Direct smallholder producer network in East Africa and managing annual work plans for each of the four East African Centres of Excellence.
- Honey Quality Manager (1FTE), responsible for Producers Direct's development and delivery of honey programme activities with producer partners in Kenya, Uganda and Tanzania, through to oversight of honey product development and quality management of branded honey products.

**Peru:** Producers Direct maintained its local branch status in Peru throughout 2022 with 3 full-time employees and part-time employees. Peru-based senior team members included:

- Peru Manager (1FTE), responsible for managing Producers Direct's programme activities across Producers Direct smallholder producer network in Peru, including 2022 work plan development and delivery.
- Peru Commercial Manager (1FTE), responsible for leading on development and implementation of commercial plans for branded Producers Direct honey sales in Peru and the testing of unbranded product sales through FarmDirect.

During 2022, Producers Direct contracted a range of support services, including user-centred design and financial management services, and support for the coordination of programme activities with smallholder producer organisations in Latin America. This included the services of one project coordinator in Haiti, until August 2022, to support the delivery of Producers Direct programmes in Latin America.

## Producers Direct

### Trustees' annual report

#### For the year ended 31 December 2022

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**USA:** Throughout 2022, Producers Direct's COO was employed through Producers Direct Inc., a US-registered non-stock company established by Producers Direct to support the growth of Producers Direct's operations and expansion of US-based fundraising opportunities for Producers Direct. The COO is responsible for strategic oversight and management of Producers Direct's impact, programmes and organisational development. *(Note - The COO was previously UK-based prior to transitioning to work for Producers Direct from the USA from 1st September 2021).*

#### Employee Remuneration

Producers Direct staff salaries are reviewed annually for all employees, in accordance with Producers Direct's Staff Salary Review policy. Staff salaries are structured within salary bands across different roles and levels of responsibility. Key considerations include: Employee's annual performance; level of responsibility, skill and knowledge required to carry out the role; comparable salary ranges in the geography and market in which the team member is working. The salary bands used to determine both current and new staff have been developed, and are benchmarked using a combination of publicly available compensation data and/or purchased datasets for equivalent roles (skill set / level of seniority), and are adjusted for cost of living variances across the countries where Producers Direct operations and teams are located. Salaries for new team members are benchmarked during the recruitment process. For the CEO, the Chair of Producers Direct is responsible for proposing the salary adjustment to the Producers Direct Board for consideration and approval, based on their review of the CEO's performance and salary benchmarking with non-profit organisations of similar size, scope and resources to Producers Direct. For all other Producers Direct staff, annual salary adjustments are based on annual performance reviews undertaken by Line Managers, with proposed salary adjustments falling within established salary bands. The CEO is then responsible for proposing the overall salary adjustment budget to the Producers Direct Board for approval.

#### Appointment of Trustees

To recruit and appoint new Trustees, the Producers Direct management team reviews and shortlists potential candidates based on the key skills sought from the new Trustees and each candidate's potential suitability for the role. Existing Producers Direct Trustees are then responsible for reviewing the short-list of candidates and identifying top candidates to be interviewed by current Trustees. Trustees then recommend selected candidates to the sole member of Producers Direct, Cafédirect Producers Limited (CPL). As the sole member of Producers Direct, Cafédirect Producers Limited is responsible for the final appointment of new Trustees to the Producers Direct Board.

#### Trustee induction and training

When new Trustees are appointed to Producers Direct, they will be given an induction to Producers Direct and are given the information they need to fulfil their role, including information about their role as a Producers Direct Trustee and on charity law. Trustees are also encouraged and supported to attend external training available for new and existing Trustees on key responsibilities associated with serving as a Trustee of a UK Charity.



## Related parties and relationships with other organisations

Related parties include:

**Producers Direct Inc.:** Producers Direct Inc. is a US-registered non-stock company that was established by Producers Direct to support the growth of Producers Direct's operations and expansion of US-based fundraising opportunities for Producers Direct. In 2022, Producers Direct Inc. secured US 501c3 non-profit status. From September 2021, Producers Direct's COO has been US-based and is employed by Producers Direct Inc.

**Cafédirect Producers Limited (CPL):** CPL is the sole Member of Producers Direct. CPL is a limited company (Company Number 4804115) owned by the smallholder producer organisations who hold shares in Cafédirect plc. CPL activities focus on enhancing the role of producer organisations as shareholders in Cafédirect plc and advancing the role of producers in the governance of Cafédirect plc. There were no financial transactions between CPL and Producers Direct during 2022.

**Cafédirect Producers Trust:** The Cafédirect Producers Trust was established by a Trustee Deed dated 10th December 2003 to permit producer organisations who sell products to Cafédirect plc to hold shares in Cafédirect plc. CPL is one of the Trustees.

**Cafédirect plc:** Producers Direct is legally independent from Cafédirect plc. Cafédirect plc and Producers Direct have been linked through a Donation Agreement, dating from 28th September 2009, which outlines the terms under which Cafédirect plc makes an annual donation to Producers Direct to support producer programmes, and to strengthen Producers Direct's operational capacity. This donation agreement was extended for an additional 3-years from January 2020, and further extended through until end 2023. In 2022, the value of related party transactions between Cafédirect and Producers Direct was £100,000 - the 2022 annual donation from Cafédirect to Producers Direct.

**Wefarm Ltd (Closed August 2022):** Wefarm originated as a project of Producers Direct and operated as a Producers Direct project from 2010-2015. In January 2015, Wefarm was incorporated as a Private Company Limited by Shares. Until October 2020, Producers Direct was represented on the Wefarm Board and held the right to a Wefarm Board seat. In October 2020, Producers Direct sold 610,825 of its 800,000 shares in Wefarm at a price of £1.908 per share, enabling Producers Direct to realise £1,165,465 unrestricted funding from its investment in Wefarm. As part of this 2020 investment round, Producers Direct relinquished its rights to a Wefarm Board seat. By the end of 2021, Producers Direct's shareholding in Wefarm was less than 1%. In August 2022, Wefarm Ltd went into administration. As part of the administration process, Producers Direct purchased a number of Wefarm assets from Wefarm Administrators, Kroll Advisory Ltd. Assets acquired included the SMS- and online technology platform, associated database, and Wefarm brand. The value of this asset purchase, paid to Kroll Advisory Ltd in November 2022, was £7,000 plus VAT.

## Statement of responsibilities of the Trustees

The Trustees (who are also directors of Producers Direct for the purposes of company law) are responsible for preparing the Trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware.
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 December 2022 was 1, Cafédirect Producers Limited being the sole member of the charity (2021: 1). The trustees are members of the charity but this entitles them only to voting rights. The trustees have no beneficial interest in the charity.

**Producers Direct**

**Trustees' annual report**

**For the year ended 31 December 2022**

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## **Auditor**

Sayer Vincent LLP was appointed as the charitable company's auditor during the year and has expressed its willingness to continue in that capacity.

The Trustees' annual report has been approved by the Trustees on 12th September 2023 and signed on their behalf by

A handwritten signature in black ink, appearing to be 'Christèle Delbe', with a long horizontal line extending to the right.

**Christèle Delbe,**  
Trustee, Producers Direct

## Independent auditor's report

To the members of

**Producers Direct**

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### Opinion

We have audited the financial statements of Producers Direct (the 'charitable company') for the year ended 31 December 2022 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31 December 2022 and of its incoming resources and application of resources, including its income and expenditure for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Companies Act 2006

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Producers Direct's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

### Other Information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or

## Independent auditor's report

### To the members of

### Producers Direct

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otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The trustees' annual report has been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- The directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' annual report and from the requirement to prepare a strategic report.

## Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud are set out below.

### Capability of the audit in detecting irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We enquired of management, internal audit and the audit and risk committee, which included obtaining and reviewing supporting documentation, concerning the charity's policies and procedures relating to:
  - Identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;
  - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We inspected the minutes of meetings of those charged with governance.
- We obtained an understanding of the legal and regulatory framework that the charity operates in, focusing on those laws and regulations that had a material effect on the financial statements or that had a fundamental effect on the operations of the charity from our professional and sector experience.
- We communicated applicable laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit.
- We reviewed any reports made to regulators.
- We reviewed the financial statement disclosures and tested these to supporting documentation to assess compliance with applicable laws and regulations.
- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias and tested significant transactions that are unusual or those outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we

## Independent auditor's report

To the members of

**Producers Direct**

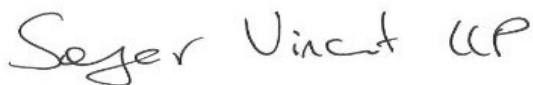
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will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Sayer Vincent LLP".

Noelia Serrano (Senior statutory auditor)

Date 19 September 2023

for and on behalf of Sayer Vincent LLP, Statutory Auditor  
Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

## Producers Direct

### Statement of financial activities (incorporating an income and expenditure account)

#### For the year ended 31 December 2022

		Unrestricted £	Restricted £	2022 Total £	Unrestricted £	Restricted £	2021 Total £
<b>Income from:</b>							
Donations and legacies	Note 2	331,460	-	<b>331,460</b>	223,002	-	223,002
Charitable activities							
Africa Programme	3	26,786	194,228	<b>221,014</b>	26,624	194,671	221,295
Latin America Programme	3	1,011	1,001,723	<b>1,002,734</b>	-	544,062	544,062
<b>Total income</b>		<b>359,257</b>	<b>1,195,951</b>	<b>1,555,208</b>	<b>249,626</b>	<b>738,733</b>	<b>988,359</b>
<b>Expenditure on:</b>							
Raising funds	4b	12,618	57,363	<b>69,981</b>	57,067	15,917	72,983
Charitable activities							
Africa Programme	4b	368,781	763,590	<b>1,132,371</b>	555,065	176,720	731,785
Latin America Programme	4b	127,659	391,770	<b>519,429</b>	115,410	169,099	284,509
<b>Total expenditure</b>		<b>509,058</b>	<b>1,212,723</b>	<b>1,721,781</b>	<b>727,542</b>	<b>361,736</b>	<b>1,089,277</b>
<b>Net expenditure before losses on investments</b>		<b>(149,801)</b>	<b>(16,772)</b>	<b>(166,573)</b>	<b>(477,916)</b>	<b>376,997</b>	<b>(100,918)</b>
Net losses on investments		-	-	-	(367,000)	-	(367,000)
<b>Net expenditure for the year</b>	5	<b>(149,801)</b>	<b>(16,772)</b>	<b>(166,573)</b>	<b>(844,916)</b>	<b>376,997</b>	<b>(467,918)</b>
<b>Net expenditure after transfers</b>		<b>(149,801)</b>	<b>(16,772)</b>	<b>(166,573)</b>	<b>(844,916)</b>	<b>376,997</b>	<b>(467,918)</b>
<b>Net movement in funds</b>		<b>(149,801)</b>	<b>(16,772)</b>	<b>(166,573)</b>	<b>(844,916)</b>	<b>376,997</b>	<b>(467,919)</b>
<b>Reconciliation of funds:</b>							
Total funds brought forward		453,009	393,806	<b>846,815</b>	1,297,925	16,809	1,314,734
<b>Total funds carried forward</b>		<b>303,208</b>	<b>377,034</b>	<b>680,242</b>	<b>453,009</b>	<b>393,806</b>	<b>846,815</b>

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 18a to the financial statements.



**Producers Direct****Balance sheet**

Company no. 06959165

**As at 31 December 2022**

	Note	2022 £	£	2021 £	£
<b>Fixed assets:</b>					
Tangible assets	10		18,099		5,374
Investments	11		-		-
			<u>18,099</u>		<u>5,374</u>
<b>Current assets:</b>					
Programme related investments	13	59,148		46,024	
Debtors	12	173,260		92,537	
Cash at bank and in hand		535,833		935,582	
		<u>768,240</u>		<u>1,074,144</u>	
<b>Liabilities:</b>					
Creditors: amounts falling due within one year	14	(80,419)		(166,950)	
<b>Net current assets</b>			<u>687,822</u>		<u>907,193</u>
Creditors: amounts falling due after one year	15	(25,679)		(65,752)	
<b>Total net assets</b>			<u><u>680,242</u></u>		<u><u>846,815</u></u>
<b>The funds of the charity:</b>					
Restricted income funds	18a		377,034		393,806
Unrestricted income funds:					
General funds		303,208		453,009	
		<u>303,208</u>		<u>453,009</u>	
Total unrestricted funds			<u>303,208</u>		<u>453,009</u>
<b>Total charity funds</b>			<u><u>680,242</u></u>		<u><u>846,815</u></u>

Approved by the trustees on 12th September 2023 and signed on their behalf by


Christèle Delbe  
Trustee, Producers Direct

Producers Direct

Statement of cash flows

For the year ended 31 December 2022

	Note	2022 £	£	2021 £	£
<b>Cash flows from operating activities</b>					
Net expenditure for the reporting period (as per the statement of financial activities)		(166,572)		(467,919)	
Depreciation charges		2,415		2,376	
Losses on investments		–		367,000	
(Increase) in debtors		(80,723)		(42,772)	
(Decrease)/increase in creditors		(86,531)		116,000	
<b>Net cash used in operating activities</b>			<b>(331,411)</b>		<b>(25,315)</b>
<b>Cash flows from investing activities:</b>					
Cash received on repayment of programme related		(13,124)		(46,024)	
Purchase of fixed assets		(15,140)		(4,621)	
<b>Net cash used in investing activities</b>			<b>(28,264)</b>		<b>(50,645)</b>
<b>Cash flows from financing activities:</b>					
Cash inflows from new borrowing		(40,073)		(18,448)	
<b>Net cash used in financing activities</b>			<b>(40,073)</b>		<b>(18,448)</b>
<b>Change in cash and cash equivalents in the year</b>			<b>(399,749)</b>		<b>(94,408)</b>
Cash and cash equivalents at the beginning of the year			<b>935,582</b>		<b>1,029,990</b>
<b>Cash and cash equivalents at the end of the year</b>			<b>535,833</b>		<b>935,582</b>

**1 Accounting policies**

**a) Statutory information**

Producers Direct is a charitable company limited by guarantee and is incorporated in England and Wales.

The registered office address and principal place of business is: International House, 45–55 Commercial Street, E1 6BD, UK

**b) Basis of preparation**

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) – (Charities SORP FRS 102), The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

**c) Public benefit entity**

The charity meets the definition of a public benefit entity under FRS 102.

**d) Going concern**

The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern. This is based on Trustees undertaking a review of the following Going Concern Assessment Criteria: At the end of 2022, Trustees assessed Producers Direct as a Going Concern on the following basis: 1.) A review of internal management information, including a budget and cash flow forecast through until at least December 2024 – with planned scenarios in the event that fundraising income is significantly lower than plan; 2.) An analysis of external factors and risks, as outlined and managed through Producers Direct's Risk Register; 3.) Producers Direct currently holding sufficient unrestricted cash reserves to cover at least six months' of essential operational costs to enable operations to continued during a period of unforeseen difficulty.

Key judgments that the charity has made which have a significant effect on the accounts include: Recognition of income in accordance with the terms of the grants made to the charity, where income is granted to the charity over the period greater than one year, and is linked to performance within the project, there is some degree of judgment in assessing the stage of completion and hence the income recognised.

The trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

**e) Income**

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the charity that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

**f) Donations of gifts, services and facilities**

Donated professional services and donated facilities are recognised as income when the charity has control over the item or received the service, any conditions associated with the donation have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), volunteer time is not recognised so refer to the trustees' annual report for more information about their contribution.

**g) Interest receivable**

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Notes to the financial statements

For the year ended 31 December 2022

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1 Accounting policies (continued)

h) Fund accounting

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

i) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds relate to the costs incurred by the charity in inducing third parties to make voluntary contributions to it, as well as the cost of any activities with a fundraising purpose
- Expenditure on charitable activities includes the costs of delivering services undertaken to further the purposes of the charity and their associated support costs

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

j) Allocation of support costs

Resources expended are allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the following basis which are an estimate, based on staff time, of the amount attributable to each activity.

Where information about the aims, objectives and projects of the charity is provided to potential beneficiaries, the costs associated with this publicity are allocated to charitable expenditure.

Support and governance costs are re-allocated to each of the activities on the following basis which is an estimate, based on staff time, of the amount attributable to each activity

- |                           |     |
|---------------------------|-----|
| ▪ Africa Programme        | 69% |
| ▪ Latin America Programme | 31% |

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

k) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

l) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

- |                      |                       |
|----------------------|-----------------------|
| ▪ Computer equipment | 3 years straight line |
|----------------------|-----------------------|

m) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

n) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

o) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

## Notes to the financial statements

## For the year ended 31 December 2022

## 1 Accounting policies (continued)

## o) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

## p) Pensions

The charity operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the charity. The annual contributions payable are charged to the statement of financial activities.

## 2 Income from donations and legacies

	Unrestricted £	Restricted £	Total 2022 £	Unrestricted £	Restricted £	Total 2021 £
Donations	331,281	-	331,281	223,002	-	223,002
Bank Interest	179	-	179	-	-	-
	331,460	-	331,460	223,002	-	223,002

## 3 Income from charitable activities

	Unrestricted £	Restricted £	Total 2022 £	Unrestricted £	Restricted £	Total 2021 £
<b>East Africa Programme:</b>						
Bayer AG	-	76,694	76,694	-	-	-
UKAid	-	-	-	-	99,607	99,607
MercyCorps AgriFin	-	97	97	-	66,464	66,464
GIZ FairForward	-	95,378	95,378	-	-	-
Innovate UK	-	22,059	22,059	-	28,600	28,600
Honey Sales: East Africa	26,786	-	26,786	26,624	-	26,624
Sub-total for East Africa Programme	26,786	194,228	221,014	26,624	194,671	221,295
<b>Latin America Programme:</b>						
Bayer AG	-	178,952	178,952	-	235,443	235,443
GIZ i4Ag	-	397,325	397,325	-	139,211	139,211
CIAT	-	(46)	(46)	-	43,471	43,471
Pret a Manger	-	125,000	125,000	-	100,000	100,000
World Food Programme	-	20,310	20,310	-	25,937	25,937
Inter-American Development Bank – IDB Lab	-	280,182	280,182	-	-	-
Honey Sales : Peru	1,011	-	1,011	-	-	-
Sub-total for Latin America Programme	1,011	1,001,723	1,002,734	-	544,062	544,062
Total income from charitable activities	27,797	1,195,951	1,223,748	26,624	738,733	765,357

Producers Direct

Notes to the financial statements

For the year ended 31 December 2022

4a Analysis of expenditure (current year)

	Charitable activities					2022 Total £	2021 Total £
	Raising funds £	East Africa Programme £	Latin America Programme £	Governance costs £	Support costs £		
Staff costs (Note 6)	69,981	258,762	93,910	-	225,738	<b>648,391</b>	490,229
Direct programme expenditure	-	572,027	291,384	-	-	<b>863,411</b>	452,900
Office costs	-	11,282	971	87	51,289	<b>63,629</b>	79,440
Audit, legal and professional fees	-	-	-	10,105	136,246	<b>146,351</b>	66,708
	<b>69,981</b>	<b>842,071</b>	<b>386,265</b>	<b>10,192</b>	<b>413,272</b>	<b>1,721,781</b>	1,089,277
Support and governance costs	-	290,300	133,163	(10,192)	(413,272)	-	-
<b>Total expenditure 2022</b>	<b>69,981</b>	<b>1,132,371</b>	<b>519,429</b>	<b>-</b>	<b>-</b>	<b>1,721,781</b>	
Total expenditure 2021	72,983	731,785	284,509	-	-		1,089,277

Producers Direct

Notes to the financial statements

For the year ended 31 December 2022

4b Analysis of expenditure (previous year)

	Charitable activities					2021 Total £
	Raising funds £	East Africa Programme £	Latin America Programme £	Governance costs £	Support costs £	
Staff costs (Note 6)	72,983	212,395	26,146	-	178,705	490,229
Direct programme expenditure	-	241,011	160,939	-	50,950	452,900
Office costs	-	27,797	-	-	51,643	79,440
Audit, legal and professional fees	-	-	-	7,893	58,815	66,708
	<b>72,983</b>	<b>481,203</b>	<b>187,085</b>	<b>7,893</b>	<b>340,113</b>	<b>1,089,277</b>
Support and governance costs	-	250,584	97,424	(7,893)	(340,115)	-
<b>Total expenditure 2021</b>	<b>72,983</b>	<b>731,785</b>	<b>284,509</b>	<b>-</b>	<b>-</b>	<b>1,089,277</b>

**5 Net (expenditure)/income for the year**

This is stated after charging / (crediting):

	2022 £	2021 £
Depreciation	2,415	2,376
Auditor's remuneration (excluding VAT):		
Audit	8,300	7,250
Other services: GRP Project Audit during 2019	-	643
	<u>          </u>	<u>          </u>

**6 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel**

Staff costs were as follows:

	2022 £	2021 £
Salaries and wages	577,895	436,891
Social security costs	26,540	24,835
Employer's contribution to defined contribution pension schemes	43,956	28,503
	<u>648,391</u>	<u>490,229</u>

One employee earned more than £60,000 during the year (2021: 68,000) – the CEO (2022 Annual salary: £68,000).

The total employee benefits (including pension contributions and employer's national insurance) of the key management personnel were £82,687 (2021: £80,756).

The charity trustees were neither paid nor received any other benefits from employment with the charity in the year (2021: nil). No charity trustee received payment for professional or other services supplied to the charity (2021: nil).

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs totaling £0 (2021: £0), as a result of Board meetings continuing to be held virtually.

**7 Staff numbers**

The average number of employees (head count based on number of staff employed) during the year was 19.4 FTE, with a total headcount of 23 (2021: 16).

Staff are split across the activities of the charity as follows (headcount basis):

	2022 No.	2021 No.
Raising funds	3.0	1.1
East Africa Programmes	13.0	7.2
Latin America Programmes	4.0	3
Support	3.0	5.2
	<u>23.0</u>	<u>16.3</u>



**8 Related party transactions**

Aggregate donations from related parties were £100,000; (2021: £109,030.95).

Other transactions with related parties: Service Charge agreement paid from Producers Direct to Cafédirect: £0 (2021: £4,296). Producers Direct is connected to these related parties as follows:

Cafédirect plc: Cafédirect plc and Producers Direct have been linked through a Donation Agreement, dating from 28th September 2009, which outlines the terms under which Cafédirect plc makes an annual donation to Producers Direct to support producer programmes, and to strengthen Producers Direct's operational capacity.

**9 Taxation**

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

**10 Tangible fixed assets**

	Computer Equipment	
	2022	2021
	£	£
<b>Cost</b>		
At the start of the year	16,080	11,459
Additions in year	15,140	4,621
Disposals in year	-	-
At the end of the year	<u>31,220</u>	<u>16,080</u>
<b>Depreciation</b>		
At the start of the year	10,706	8,330
Charge for the year	2,415	2,376
Eliminated on disposal	-	-
At the end of the year	<u>13,121</u>	<u>10,706</u>
<b>Net book value</b>		
At the end of the year	<u>18,099</u>	<u>5,374</u>
At the start of the year	<u>5,374</u>	<u>3,129</u>

All of the above assets are used for charitable purposes.

**11 Fixed asset investments**

	2022	2021
	£	£
Cost at the start of the year	-	367,000
Disposals in year	-	-
Net loss on change in fair value	-	(367,000)
	<u>-</u>	<u>-</u>

At end-2020, Producers Direct's shareholding in Wefarm was valued as a fixed asset investment of £367,000. This shareholding in Wefarm represented Producers Direct's only fixed asset investment. Wefarm Ltd closed in August 2022. Producers Direct's net loss of £367,000 in fixed assets investments during 2021 is a consequence of Wefarm closing in August 2022 as a post-balance sheet event. At end-2021, Producers Direct's shareholding in Wefarm was devalued from £367,000 to £0. No further fixed asset investments were made during 2022.

Producers Direct

Notes to the financial statements

For the year ended 31 December 2022

12 Debtors

	2022 £	2021 £
Trade debtors	74,857	39,638
Prepayments and accrued income	98,403	52,899
	<u>173,260</u>	<u>92,537</u>

13 Programme related investments

	2022 £	2021 £
Fair value at the start of the year	46,024	–
Repayment of loans	13,124	46,024
<b>Fair value at the end of the year</b>	<u>59,148</u>	<u>46,024</u>

Investments comprise:

	2022 £	2021 £
<b>Loans</b>		
AnkoleCoffee Producers Co-operative Union (ACPCU)	18,752	12,497
Kayonza Growers Tea Factory	22,072	20,929
Rungwe and Busokelo Tea Co-operative Joint Enterprise (RBTC)	14,878	12,598
CAC La Prosperidad de Chirinos	2,154	–
CAC Bagua Grande	1,292	–
	<u>59,148</u>	<u>46,024</u>

During 2022, Producers Direct partnered with five smallholder producer organisations in Uganda (Ankole and Kayonza), Tanzania (RBTC) and Peru (CAC La Prosperidad de Chirinos and CAC Bagua Grande), and micro-finance institutions associated with each organisation, to enhance farmers' access micro-loans to support them take-up or strengthen on-farm beekeeping practices. Interest on loans is being charged below market rates in Uganda, Tanzania and Peru. Loans are being made to further the charity's objectives and not solely to generate a financial return.

14 Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	28,487	136,187
Taxation and social security	1,261	3,081
Loan payments due within a year	38,379	18,342
Accruals	12,292	9,340
	<u>80,419</u>	<u>166,950</u>

Producers Direct

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15 Non-Current Creditors: amounts falling due beyond one year

	2022 £	2021 £
UK Bounce Back Loan	15,761	35,802
CAF Venturesome Loan	9,918	29,950
	<u>25,679</u>	<u>65,752</u>

During 2020, Producers Direct secured two loans to support cash flow management and to invest in testing branded honey sales in East Africa. These were a CAF Venturesome loan for £50,000 of unsecured debt finance, on a 5 year repayment terms at an interest rate of 6% per annum, and a UK Government Bounce Back unsecured loan of £50,000 at a 2.5% per annum interest rate after the first 12 months on 5 year repayment terms.

16 Pension scheme

The charity operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the charity. The annual contributions payable are charged to the statement of financial activities.

17a Analysis of net assets between funds (current year)

	General unrestricted £	Restricted £	Total funds £
Tangible fixed assets	14,933	3,166	18,099
Net current assets	313,954	373,868	687,822
Long term liabilities	(25,679)	-	(25,679)
<b>Net assets at 31 Dec 2022</b>	<u><b>303,208</b></u>	<u><b>377,034</b></u>	<u><b>680,242</b></u>

17b Analysis of net assets between funds (prior year)

	General unrestricted £	Restricted £	Total funds £
Tangible fixed assets	-	5,374	5,374
Net current assets	572,309	334,884	907,193
Long term liabilities	(65,752)	-	(65,752)
<b>Net assets at 31 Dec 2021</b>	<u><b>506,557</b></u>	<u><b>340,258</b></u>	<u><b>846,815</b></u>

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18a Movements in funds (current year)

	At 1 January 2022	Income & gains	Expenditure & losses	Transfers	At 31 December 2022
	£	£	£	£	£
<b>Restricted funds:</b>	-	-	-	-	-
Africa – Innovate UK	(2,869)	22,058	(19,189)	-	-
Africa – MercyCorps AgriFin	13,829	98	(13,927)	-	-
Africa – GIZ FairForward	-	95,378	(72,052)	-	23,326
Africa and Latin America – Bayer AG	223,045	255,646	(410,101)	-	68,590
Latin America – GIZ i4Ag	118,206	397,325	(347,252)	-	168,279
Latin America – IDB Lab	-	280,136	(231,191)	-	48,945
Latin America – Pret a Manger	51,166	125,000	(107,174)	-	68,992
Latin America – World Food Programme	(9,570)	20,310	(11,837)	-	(1,097)
<b>Total restricted funds</b>	<b>393,806</b>	<b>1,195,951</b>	<b>(1,212,723)</b>	<b>-</b>	<b>377,034</b>
<b>Unrestricted funds:</b>					
<b>General funds</b>	<b>453,009</b>	<b>359,257</b>	<b>(509,058)</b>	<b>-</b>	<b>303,208</b>
<b>Total unrestricted funds</b>	<b>453,009</b>	<b>359,257</b>	<b>(509,058)</b>	<b>-</b>	<b>303,208</b>
<b>Total funds</b>	<b>846,815</b>	<b>1,555,208</b>	<b>(1,721,781)</b>	<b>-</b>	<b>680,242</b>

The narrative to explain the purpose of each fund is given at the foot of the note below.

18b Movements in funds (prior year)

	At 31 December 2020	Income & gains	Expenditure & losses	Transfers	At 31 December 2021
	£	£	£	£	£
<b>Restricted funds:</b>					
Africa – Innovate UK	-	28,600	(31,469)	-	(2,869)
Africa – UKAid	-	99,607	(99,607)	-	-
Africa – MercyCorps AgriFin	-	66,464	(52,635)	-	13,829
Africa and Latin America – Bayer AG	-	235,443	(12,398)	-	223,045
Latin America – GIZ	-	139,211	(21,005)	-	118,206
Latin America – CIAT	-	43,471	(43,471)	-	-
Latin America – Pret a Manger	16,809	100,000	(65,643)	-	51,166
Latin America – World Food Programme	-	25,937	(35,507)	-	(9,570)
Latin America – Producer Partners	-	-	-	-	-
<b>Total restricted funds</b>	<b>16,809</b>	<b>738,733</b>	<b>(361,736)</b>	<b>-</b>	<b>393,806</b>
<b>Unrestricted funds:</b>					
<b>General funds</b>	<b>1,297,925</b>	<b>249,626</b>	<b>(1,094,542)</b>	<b>-</b>	<b>453,009</b>
<b>Total unrestricted funds</b>	<b>1,297,925</b>	<b>249,626</b>	<b>(1,094,542)</b>	<b>-</b>	<b>453,009</b>
<b>Total funds</b>	<b>1,314,734</b>	<b>988,359</b>	<b>(1,456,278)</b>	<b>-</b>	<b>846,815</b>

### Purposes of restricted funds

**Africa – Innovate UK:** Funding from Innovate UK's Agritech 9 funding window over 24 months from August 2020, sub-granted from Climate Edge, to support the expansion of the initial soil kit testing work undertaken in 2019, and trial low-cost advisory services to support soil quality management, and from Innovate UK's Global Challenges Research Fund (GCRF), sub-granted from Climate Edge, to support the testing of software that enables producer organisations to more effectively provide digital advisory services to smallholders. The fund balance of –£2,869 at the start of 2022 is due to a pending payment from Innovate UK for activities undertaken in 2021 that was paid during 2022.

**Africa – Mercy Corps AgriFin / Starbucks Foundation:** £66,464 secured for 2021 expenditure to support the next phase of the Covid-19 information campaign that was undertaken during 2020, with focus on targeting updated Covid-19 health and safety materials to smallholder farmers across Kenya.

**Africa – GIZ FairForward:** 353,808.42 Euros secured over 18 months from October 2022 to March 2024 to support the expansion of Croppie development and testing to smallholder coffee farmers in Uganda, in partnership with the International Centre for Tropical Agriculture Centre (CIAT) and M-Omulimisa.

**Africa and Latin America: – Bayer AG:** A second donation of 300,000 Euros was secured from Bayer AG in 2022 Q4 to support further 2022/2023 testing and scaling of Producers Direct's 'Digital Cooperative' concept and its potential to support women smallholders in both Peru and Uganda to aggregate and collectively sell their surplus food crops to enhance their incomes.

**Latin America – CIAT:** In October 2020, Producers Direct was one of the 2020 CGIAR Inspire Challenge winners for our Croppie concept. The prize funds of £43,471 sub-granted from the International Centre for Tropical Agriculture Centre (CIAT) to Producers Direct supported activities from January – October 2021 in partnership with CIAT to design a digital tool that supports smallholders access yield prediction data for their crops – starting with coffee, and provide field-level data to enable continual improvement of the yield predictions generated by AI (Artificial Intelligence) and machine learning models.

**Latin America – GIZ (German Development Agency) i4Ag:** 700,445 Euros secured over 24 Months (2021 Q4 – 2023 Q3) to support the expansion of Croppie – our digital tool focused on data-driven yield predictions for smallholders in Peru and Colombia.

**Latin America – IDB Lab (The innovation laboratory of the Inter-American Development Bank):** 1,000,000 USD secured over 36 Months from January 2022 for work in Peru to support the development of climate-resilient landscapes, working with 10 smallholder cooperatives to develop the data, training, financial and market access services required to manage climate-resilient farms and landscapes.

**Latin America – World Food Programme (WFP) Innovation Accelerator:** 2020 and 2021 funding to test Producers Direct's 'Digital Cooperative' concept and its potential to support women smallholders in Las Lomas, Peru, to aggregate and collectively sell their surplus food crops to enhance their incomes. The fund balance of –£9,570 at the start of 2022 is due to programme activities running through into 2022, and a pending payment from WFP Innovation Accelerator for activities undertaken in 2021 expected in early 2022.

**Latin America – Pret a Manger Coffee Fund:** Funding to support Peruvian Partners, particularly Cenfrocafe, to implement a youth leadership training programme.

## 19 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1. There was one member at 31 December 2022, Cafédirect Producers Limited.