



## HAI

### The Challenge

Although over 40,000 farmers in Tanzania are organically certified, the country's limited production volumes and underdeveloped brand lead Tanzanian farmers to receive below-market prices for their cocoa. While organic cocoa prices have improved for Tanzanian farmers over the past few years, there is still a 38% gap between what they receive and the potential price they could obtain in international markets. Given the organic certification and unique flavor profile of Tanzanian cocoa, there is potential for Tanzanian farmers to receive higher prices for their product.



### The HAI Solution

#### HAI's MISSION

To offer international buyers a consistent supply of high-quality, organic Tanzanian cocoa at competitive prices by providing training and fair pricing to farmers.

Founded in 2007 by experienced professionals in the Tanzanian cocoa and export sectors, **HAI**, a cocoa trading company located on the border of Malawi in Kyela, Tanzania, is committed to improving cocoa quality and increasing the visibility of Tanzanian cocoa by securing



long-term, international buyers. HAI fulfills its mission by entering into contracts with international buyers, and connecting organic certified farmers to international markets through its supply chain management and quality control measures. After securing contracts, HAI facilitates the organic certification for the farmers and trains them in proper cultivation techniques. The company then buys and collects the cocoa from the farmers and transports it for export. The improved market links and cocoa quality, achieved through training and provision of equipment to farmers, allow HAI to obtain higher prices.

HAI differentiates itself from its competitors by developing enduring relationships with farmers and their communities, and works with partners such as **Root Capital** and **TechnoServe** to complement its support of cocoa farming communities. Root Capital, a nonprofit investment fund that provides capital, financial education, and market connections to small and growing businesses, will provide HAI with the capital it needs to make larger orders. TechnoServe, a nonprofit organization that provides entrepreneurial advice and access to capital and markets for businesses in developing



countries, is helping to build HAI's capacity by strengthening the company's financial planning and existing technical assistance programs. TechnoServe is supporting HAI's management to market their product, improve cocoa quality, raise the profile of Tanzanian cocoa, and secure long-term contracts with buyers.

## Partnership with GBF

As HAI grows, it will need capital equipment to fulfill larger orders. For example, HAI requires high-accuracy scales to weigh the cocoa at buying posts, moisture measurement machines to evaluate quality, and tarpaulins to effectively dry the cocoa. In order to support these needs, **Grassroots Business Fund** is co-investing

HAI helps its farmers combat against diseases and insects by providing them the necessary training and tools

with Root Capital to enable HAI to progressively realize its full production capacity by building its operations and establishing its reputation among international cocoa buyers. GBF is providing HAI with the longer term funds needed

HAI farmers and their family members (average 6) live on less than \$8 per day or less than \$2 per person.

to acquire the necessary tools to fulfill its current and future orders. GBF, in partnership with Root Capital, also provided a short-term working capital loan to HAI, which the company successfully repaid in December 2009.

## HAI's Performance and Impact

The company is committed to establishing enduring relationships with farmers by offering a price premium, by providing training and equipment to improve cocoa quality, and by taking a sustainable approach to cocoa farming.



These actions will increase farm-gate prices and ensure that cocoa trees are renewed sustainably.

As of 2009, HAI sourced cocoa from 2,763 registered organic farmers in which cocoa is their primary and sometimes only source of income in addition to employing 100 workers.

In a recent 2010 survey, 39% of HAI farmers use the income from cocoa to pay school fees for their children and/or medical costs.

HAI is growing rapidly, and has recently secured large new orders from existing customers and has engaged with new buyers indicating that the company has the potential to scale up its operations and increase its social impact significantly.

With demand for cocoa expected to increase in the coming years, HAI will be able to purchase more cocoa from its farmers and estimating to reach over 9,000 farmers by 2013. In addition to purchasing cocoa from additional farmers, HAI will be providing pruning shears to its farmers to increase each farmer's yield of cocoa.

In a social return on investment calculation it was determined that for every \$1 invested into HAI it generates \$11 of social economic impact to its rural farmers in Tanzania.

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| Basic Metrics                          | 2009    | 2010      | 2011      | 2012      | 2013      |
|--|---------|-----------|-----------|-----------|-----------|
| Expected number of cocoa farmers       | 2,763   | 5,045     | 5,802     | 7,542     | 9,051     |
| Tons of Cocoa expected to be purchased | 762,694 | 1,600,000 | 1,800,000 | 2,400,000 | 2,870,000 |