

Let's  
be

**F R A N K !**

we need

**SOURCING &  
SUSTAINABILITY  
TRANSPARENCY  
TR2018**





## WHAT IS THIS REPORT?



Welcome to our 2017 Transparency Report. We've been publishing this report since 2009—making changes each year to push ourselves on what we're reporting and to provide that information in a way that's meaningful and digestible. This year is no exception.

We've been thinking especially hard over the last year about partnerships. Who do we want to partner with? What makes people want to partner with us? How do we work to become a better partner? These questions play out not only in our sourcing, but on our customer side, as well, and there are a lot of parallels between those two aspects of Counter Culture's business.

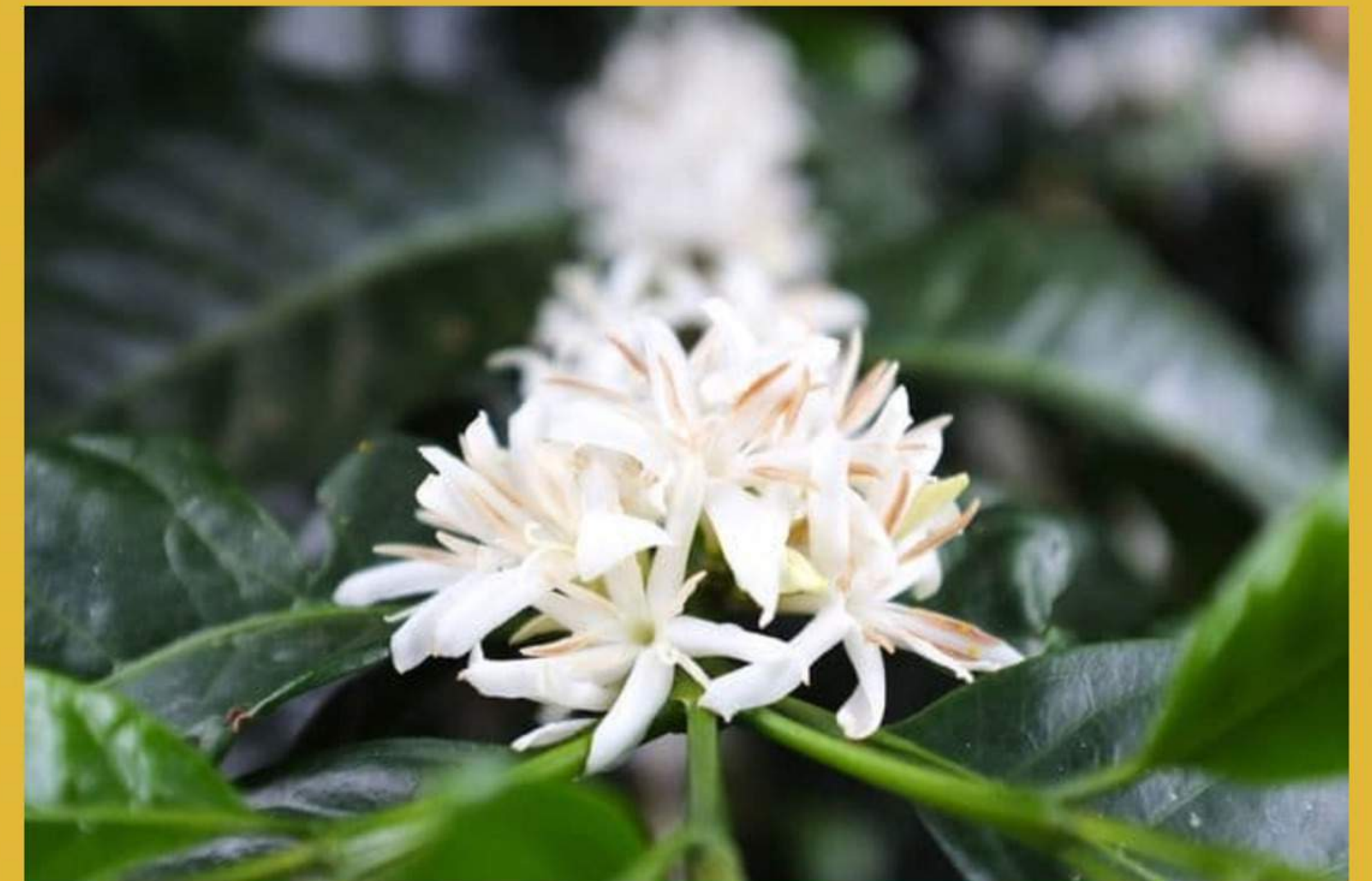
For the past few years, we've tried presenting all of our information in one report, offering an overview of the company over the past year, as well as our carbon footprint, coffee sourcing information, and progress towards sustainability goals. In order to keep the report an approachable length, we weren't able to go into much depth about a lot of the interesting things we were working on. To fix that, we decided to focus our transparency report solely on our sourcing and sustainability efforts and move the other information into a separate, end-of-year report. Both reports still reflect the value we place on partnerships, and we are now able to share more information about our efforts on both ends of the supply chain.

## WHY TRANSPARENCY?

One thing that will never change about these reports is their core purpose: to hold ourselves accountable to our beliefs, to build trust with our partners and customers by sharing real data, and to promote transparency in the coffee industry.

Our vision is a real dedication to environmental, social, and fiscal sustainability. To us, "real" doesn't just mean that we tell people what we believe or only share things that are going well; "real" means that we use numbers to measure ourselves against those beliefs and that we share everything—good or bad. As an independently-owned, private company, this report is a big part of how we hold ourselves accountable to our partners and the public.

Our model, both on the sourcing and sales sides, is based on partnerships. Strong partnerships are based on trust—something that is built by working together, but also by sharing information. Transparency pushes honest conversations that can only happen when all parties are looking at the same information. The prices paid for coffee along the supply chain are a great example of why and how transparency is important for our industry, and we'll dig into that example in this report.





## WHO DO WE MEAN BY PARTNER



Our use of the word “partner” is intentional. We don’t like the emotional connotations that “relationship” implies—romanticizing coffee production makes it too easy to gloss over the sometimes difficult realities that people in the coffee supply chain face. We also don’t like the word “supplier.” Its connotations go too far in the other direction, implying that we’re impartial about who we buy coffee from as long as we can secure a supply.

To us, a partner is someone, whether that’s an individual, a company, or an organization, with whom we have or intend to have a long-term business partnership. We see farms, cooperatives, exporters, etc. as businesses, just like us.

The decision to source this way is based on the opportunities it offers: It allows us to develop lasting quality with producer partners instead of searching through hundreds of lots each year to cherry-pick the best. It also makes experimenting—with different varieties, different processing methods, etc.—much more accessible to both us and our partners. Our partners know that we will still buy their coffee if an experiment doesn’t have good results, and we both benefit from better coffee if the experiment goes well.

The decision to source through long-term partnerships also creates responsibilities: We need to communicate our intentions and expectations to our partners clearly, and we also need to invest in their longevity. The

“long-term” part of our partner definition means that, ultimately, we can only be successful if our partners are too.

These opportunities and responsibilities drive much of our work on the sourcing side, from pricing to funding sustainability projects to investing in research and development.





## HOW TO BE A GOOD PARTNER



The question we continue to ask ourselves is: How do we form the best partnerships? Part of that is based on finding the right potential partners to begin with. When exploring a new partnership, we're upfront about our intentions and expectations so that potential partners can evaluate whether or not we're the right fit for them. To form the best partnerships, we try to be the best partner ourselves. We do this by making sure we're doing our part to act responsibly, investing in our partners, and contributing towards the betterment of the coffee industry as a whole.

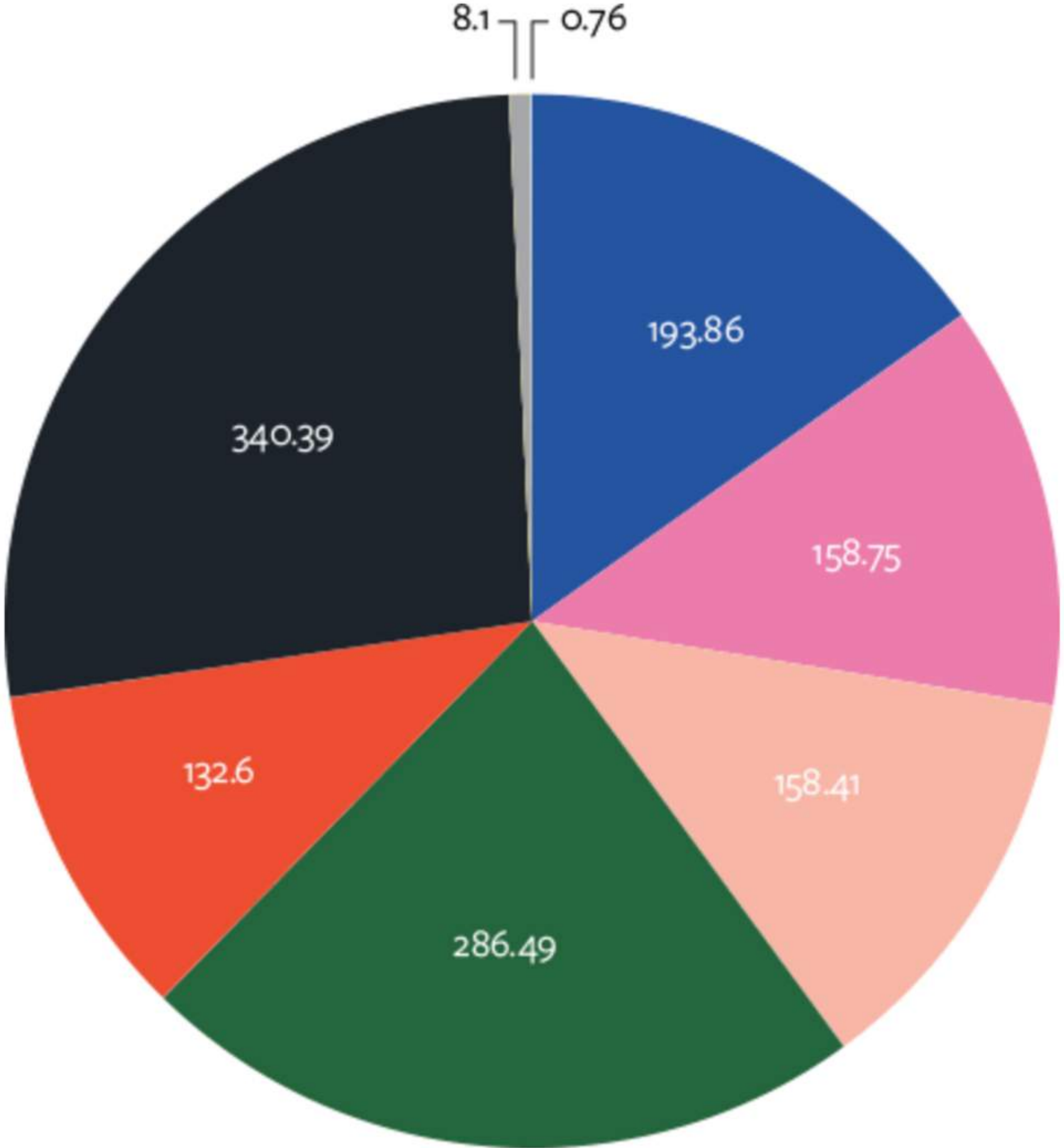
### 1. OUR OPERATIONS

First, we need to be responsible for our own operations. Climate change is having a big impact on coffee farmers globally, and generally not for the better. In order to maintain quality and productivity, farmers are working hard to put strategies into place that help them adapt to these changes and build resilience against future climatic disruptions. While we are contributing to these adaptation efforts, it's also important for us to do our part to address the greenhouse gas emissions that are causing this change. We've measured and offset our carbon footprint since 2010, striving to become more efficient as we add new locations and staff members each year. Here's a snapshot of our 2017 carbon footprint:





- 2017 CARBON FOOTPRINT -



2017 TOTAL EMISSIONS BY TYPE

- Electricity
- Heat
- Transporting People: Road
- Transporting People: Air Travel
- Staff Commuting
- Transporting Goods: UPS Shipping
- Garbage
- Paper





## - 2017 CARBON FOOTPRINT -



### **BIGGEST SOURCE**

Air travel continues to be our biggest source of greenhouse gas emissions. In 2017, we worked to open three new regions in the U.S.: Miami, Dallas, and Seattle. This meant our staff was traveling to those areas more frequently than our normal travel to existing Training Centers. We also spent a lot of time at origin last year and unfortunately, those long trips add up when it comes to carbon emissions.





## - 2017 CARBON FOOTPRINT -

### WIND ENERGY

We purchased 548,928 Kwh of wind energy in 2017. That's actually a little more than the energy we consumed in all of our locations last year, although electricity use is still only a portion of our carbon footprint. While we purchase offsets for our footprint, we also purchase these renewable energy credits because we want to support the renewable energy sector in the U.S.





## - 2017 CARBON FOOTPRINT -



### EFFICIENT GROWTH

Our overall carbon footprint increased between 2016 and 2017 by about 120 tons, partially due to better reporting in 2017. While that increase isn't ideal, our emissions per pound of coffee sold remained nearly the same despite selling about 120,000 more pounds in 2017. Our emissions per employee decreased slightly, even with the addition of 20 employees in 2017. A total reduction in emissions would be better, but we've made solid progress in making our operations more efficient as we continue to grow.





## - 2017 CARBON FOOTPRINT -



### MEASURING WASTE

We've been weighing our trash, recycling, and compost at most of our locations for a year now. The act of measuring alone has helped us reduce our trash output compared to 2016, although we still have a lot of work to do to reduce our waste footprint overall.





## - 2017 CARBON FOOTPRINT -



### CARBON OFFSETS

For the past few years, we've worked with a non-profit organization in Mexico called AMBIO to purchase carbon offsets through their agroforestry program. AMBIO works with coffee farmers in Chiapas, Mexico, to plant trees on their farms, creating systems that can capture up to 39 tons of carbon per hectare. The farmers not only get the benefits of shade-grown coffee, they also get paid for this carbon sequestration and can harvest products like fruit from these trees to sell as well.





## 2. OUR PARTNERS

We're in it for the long-haul, and that means our success and longevity are closely tied to that of our producer partners. On a day-to-day basis, we do our best to ensure that the coffee we buy is reaching its quality potential.

**Not only does that mean lots of tasting and evaluating coffees, it also means using what we learn from those evaluations and sharing it with our partners to improve the coffee in the future. Here are some of the ways we worked on coffee quality in 2017:**



### - QUALITY INITIATIVES -



#### UV RESEARCH

Part of our physical analysis of green coffee involves looking at the coffee under UV light. We've found that some coffees and even individual beans, fluoresce or glow, under UV light. Recording these observations and correlating them with cupping results have helped us better understand best practices for processing and storing green coffee. In many cases, this analysis can help us predict how long a coffee's quality will last. We've also been collaborating with food researchers to better understand what causes this fluorescence so that we can continue to refine our standards and procedures for physical analysis and provide more actionable and objective feedback to the farmers themselves.

#### **We see sustainability as a way to make these quality improvements last long-term.**

Growing coffee is an inherently risky undertaking—farmers are subject to a host of uncontrollable variables, like weather patterns and fluctuating market prices, that disrupt their yields and ultimately their ability to be profitable. If we want to continue to be able to buy great coffee from them each year, we need to invest in ways that mitigate these risks. In 2017, we granted over \$31,000 to producer partners for sustainability projects through our **Seeds program** and developed a **climate change workshop** for farmers. Here's what some of those initiatives looked like:



## 2. OUR PARTNERS

We're in it for the long-haul, and that means our success and longevity are closely tied to that of our producer partners. On a day-to-day basis, we do our best to ensure that the coffee we buy is reaching its quality potential.

**Not only does that mean lots of tasting and evaluating coffees, it also means using what we learn from those evaluations and sharing it with our partners to improve the coffee in the future. Here are some of the ways we worked on coffee quality in 2017:**



### - QUALITY INITIATIVES -



#### GETTING COFFEE FASTER

Last year we shifted the vast majority of our deliveries of green coffee from the port of New York to the port of Charleston, S.C., which is much closer to our main roastery in Durham, NC. Not only does this cut down on the transportation footprint of these coffees, it also means that our coffee moves from customs, to the port warehouse, and to our warehouse much faster. As an agricultural product, the quality of green coffee degrades over time so the faster we can move it, the better we can ensure that the work that went into that coffee at origin is represented in the roasted beans we ship out our door.

#### We see sustainability as a way to make these quality improvements last long-term.

Growing coffee is an inherently risky undertaking—farmers are subject to a host of uncontrollable variables, like weather patterns and fluctuating market prices, that disrupt their yields and ultimately their ability to be profitable. If we want to continue to be able to buy great coffee from them each year, we need to invest in ways that mitigate these risks. In 2017, we granted over \$31,000 to producer partners for sustainability projects through our **Seeds program** and developed a **climate change workshop** for farmers. Here's what some of those initiatives looked like:



## 2. OUR PARTNERS

We're in it for the long-haul, and that means our success and longevity are closely tied to that of our producer partners. On a day-to-day basis, we do our best to ensure that the coffee we buy is reaching its quality potential.

**Not only does that mean lots of tasting and evaluating coffees, it also means using what we learn from those evaluations and sharing it with our partners to improve the coffee in the future. Here are some of the ways we worked on coffee quality in 2017:**

### - QUALITY INITIATIVES -



#### QUALITY CONTROL

Our quality control team analyzed 1,976 samples in 2017, assessing the quality of each of our coffees at multiple points, from harvest to export to arrival and beyond. This analysis involves looking at the physical qualities of green coffee, such as color and moisture level, as well as roasting and cupping each sample to assess flavor characteristics and defects. All of this analysis gives us insight into the quality of a coffee, how long that quality will last, and how that quality can be improved—feedback that we track year-over-year and share with our producer partners.

#### **We see sustainability as a way to make these quality improvements last long-term.**

Growing coffee is an inherently risky undertaking—farmers are subject to a host of uncontrollable variables, like weather patterns and fluctuating market prices, that disrupt their yields and ultimately their ability to be profitable. If we want to continue to be able to buy great coffee from them each year, we need to invest in ways that mitigate these risks. In 2017, we granted over \$31,000 to producer partners for sustainability projects through our **Seeds program** and developed a **climate change workshop** for farmers. Here's what some of those initiatives looked like:



## 2. OUR PARTNERS

We're in it for the long-haul, and that means our success and longevity are closely tied to that of our producer partners. On a day-to-day basis, we do our best to ensure that the coffee we buy is reaching its quality potential.

**Not only does that mean lots of tasting and evaluating coffees, it also means using what we learn from those evaluations and sharing it with our partners to improve the coffee in the future. Here are some of the ways we worked on coffee quality in 2017:**

### - QUALITY INITIATIVES -



#### VARIETY TESTING

As part of [our work on coffee varieties](#), we've been sending samples from some of our producer partners to [World Coffee Research](#) for DNA testing. Verifying which varieties are growing on a farm helps farmers choose the best management practices for those trees and manage their exposure to diseases like coffee leaf rust. For example, one of the samples we sent from the Colbran's farm in Papua New Guinea wasn't the Arusha variety everyone thought it was—it turned out to be K7 from Kenya, a totally different variety.

#### **We see sustainability as a way to make these quality improvements last long-term.**

Growing coffee is an inherently risky undertaking—farmers are subject to a host of uncontrollable variables, like weather patterns and fluctuating market prices, that disrupt their yields and ultimately their ability to be profitable. If we want to continue to be able to buy great coffee from them each year, we need to invest in ways that mitigate these risks. In 2017, we granted over \$31,000 to producer partners for sustainability projects through our [Seeds program](#) and developed a [climate change workshop](#) for farmers. Here's what some of those initiatives looked like:



## - SEEDS PROJECTS -



### BUFCOFFEE

Our partners Bufcoffee in Rwanda also received a Seeds grant to build coffee tree nurseries. By building nurseries at each of their washing stations, Bufcoffee will be able to provide seedlings to 120 farmers in areas where it has been difficult to source local, affordable, and healthy young coffee plants. This will help producers increase production within three years and replace older/less healthy trees for free.



### COCAFELOL

The COCAFELOL cooperative received a Seeds grant to start a nursery for organic fruit cultivation. Most of the fruit for sale in the area is grown with chemical pesticides and herbicides. This project will give fruit seedlings to 200 members and provide training on organic production techniques so that they have access to organic fruit for consumption or to sell.



### COMSA

The COMSA cooperative in Honduras is a leader in organic coffee farming, offering training to many farmers and cooperatives in the region as well as their own members. Last year, they received a Seeds grant to replant 320 hectares of pine forest in and around their members' farms to replace trees that were destroyed by a bark beetle epidemic. These 50,000 new trees will ensure the continued protection and preservation of the biodiversity on the farms.





### LA VOZ

We gave a Seeds grant to the La Voz cooperative in Guatemala to build a nursery for coffee trees. Many members of La Voz have trees that are older and declining in productivity as a result. With this nursery, the cooperative will be able to provide 30,000 seedlings to its members.



### CLIMATE CHANGE WORKSHOPS

Working with the Duke Nicholas School of the Environment and non-profit organization Twin, we developed a participatory workshop designed to help coffee farmers identify climate change adaptation solutions. After successful testing of the workshop with the La Prosperidad cooperative in Chirinos, Peru, and Finca Nueva Armenia in Guatemala, we turned all of the workshop materials into a toolkit so that others in the coffee industry can plan and facilitate workshops within their organizations and supply chains as well.



### KAZOZA N'IKAWA

In Burundi, the Kazoza N'ikawa cooperative continues to apply for innovative projects. After receiving Seeds grants for the past few years to improve organic farming practices, they were awarded a grant in 2017 to support women and young producers of Mpemba to become more financially independent by growing, maintaining, and selling crops. They will produce and sell vegetables, soy, and others food crops at the local Bujumbura market with the goal of being able to buy and own their own coffee farms, independent from adult men who have historically owned and controlled the land.



## CASE STUDY: KAMAVINDI



Kamavindi. When we give grants and facilitate workshops, our partners are the ones actually implementing the projects on their farms. Peter Mbatire, owner of the Kamavindi farm in Embu, Kenya, is a great example of a partner who's taken a huge amount of initiative on quality and sustainability projects. Since our partnership began four years ago, he's cut down on his use of chemical inputs, eliminating the use of herbicides all together. He is also using more manure to provide nutrients to his trees. Most recently, he has been keeping bees and teaching other members of Kushikamana, the group of farmers he leads, about the positive correlation between bees and coffee productivity. Peter is actively learning about quality practices after years of having very little access to this type of information. He's been working with agronomists and is currently writing an article about how to make quality improvements while gaining efficiencies on a coffee farm. Peter is also a great partner to work with on experimentation. At our request, he's testing out different fermentation times and methods for storing coffee to figure out which ones work best in his region.





### 3. PRICE TRANSPARENCY

When something is described as sustainable, it means that it should be able to continue indefinitely. While we often talk about environmental or social sustainability, ultimately no project, company, etc. will last if it isn't also financially sustainable. Until now, we've always reported the price we pay for coffee in terms of FOB, or Free on Board price. This is the price of the coffee when it gets on the boat to leave the country or area of origin to head to the country of consumption. **It's not a great metric because it's not the price we pay for coffee, which is higher, and it's not the price a farmer gets paid for that coffee, which is lower.** FOB has been, until recently, the industry standard way to report prices because it's 1) easy to obtain by looking at contract information and 2) a point that happens in all coffee supply chains. Aside from offering a common metric for the purposes of comparison however, it's not a very useful number for determining financial sustainability.



What we really want to know is whether each part of the supply chain is getting paid in proportion to the services they perform from us to the importer, exporter, cooperative, farmer, etc. If someone is getting paid less than the value of the services they perform, it's unlikely that they can and will continue to perform those services for that price indefinitely, creating an unsustainable supply chain.



It's a simple concept, but much harder to carry out in reality because every supply chain is different. In one, farmers might harvest and deliver whole, unprocessed coffee cherries while another farmer may harvest, depulp, ferment, wash, and dry their coffee before turning it in. Neither way is necessarily better, but the second farmer is performing more services than the first and, therefore, should get paid more money. However, if the second farmer is in Guatemala and there's a similar producer in Peru, that regional difference will impact prices as well. And those are just two examples of many that make tracking prices difficult.



Because price traceability is difficult, however, doesn't mean it's not valuable or worthwhile. Ultimately, knowing these prices helps us assess and address risk in our supply chains. For example, knowing this information can help us be aware of farmers who are not getting paid enough to cover their production costs. We can then think about how to make improvements to those supply chains to change that. Transparency plays a role here too: We can't make those improvements if everyone in that supply chain isn't willing to share their prices.



Tracking prices at every point along each of our supply chains is a huge undertaking. We're starting with getting the farmgate price for each coffee as the first step in assessing risk—if we can't get the farmgate price from an exporter, that's not a good sign that farmers are getting paid fairly and/or that any changes are possible. For more information about this topic, see our [Colombia Case study](#). Here are some examples of how our price transparency tracking is playing out in our supply chains:



## - PRICE TRANSPARENCY EXAMPLES -



### MANOS CAMPESINAS

Manos Campesinas is an umbrella cooperative in Guatemala. The members of Manos are co-ops themselves who belong to Manos for the dry milling, exportation, technical assistance, and other services they provide. We currently buy from four of Manos's base co-ops, which customers see on our menu as coffees like Asumim and Sipacapa. In terms of price transparency, Manos is one of our least risky partnerships—they share everything with us, down to the price the base co-ops pay their farmers. This is 100% what we want from all of our partnerships in the future. Even for partners like Manos who want to share information, however, the process takes some time. It's not common for buyers to ask for this information from their supply chains and even the best-intentioned organizations often need time to put systems in place to collect and share this



### NARIÑO

At part of Catholic Relief Services Borderlands Project, we started buying coffees from four farmer associations in Nariño, Colombia in 2013. This supply chain has become a model for us in many ways, including price transparency. As detailed in our Colombia case study, we've spent the last two years digging into the prices in this supply chain with promising results. By making adjustments to our contract specifications, negotiating with the exporter, and just generally having conversations where all of the supply chain partners are willing to share price information and discuss options for change, we've been able to increase the prices paid to farmers.



### HUADQUIÑA

Huadquiña is a great example of just how complicated it can be to get farmgate prices. We had originally written here about the Huadquiña cooperative in southern Peru as an example of an organization that was not willing to share farmgate price information out of concern that doing so would lead to competition from other buyers in the area—competition that could offer a higher price per pound, but not the additional services that the group provides for its members. Upon reading this Report, another roaster that buys from Huadquiña reached out to them and verified that they are willing and able to share the prices they pay to farmers with their roaster customers. It turns out that they didn't trust the exporter we were working with and did not want to share this information with them, which got relayed to us as a blanket unwillingness to share. This was a great lesson for us going forward and also shows just how valuable it is to have trust along the entire supply chain.





### BUZIRAGUHINDWA

Buziraguhindwa is a washing station owned by Ramadhan Salum in Kayanza, Burundi. The washing station buying model—where farmers harvest coffee and bring intact coffee cherries to sell to a company—is relatively common in Burundi. For this supply chain we “know” how much Ramadhan pays farmers because he tells us. He also posts the price per pound of cherry at his washing station, which is common practice in the area. While we’ve talked to others who have independently verified Ramadhan’s prices, we don’t have any documentation to back up these numbers. While we feel confident in the numbers Ramadhan provides, having a documentation system for prices would lower the risk in this supply chain.



### KUSHIKAMANA

Kushikamana is a group of farmers in and around Embu, Kenya. **We talk a lot about this group** and for good reason—they are a model partner in many ways, from their dedication to improving quality to their willingness to share and discuss price information. Last year, we negotiated prices with each farmer directly, so there’s definitely no question as to how much farmers are getting paid. Kushikamana is also a good example of why farmgate price transparency shouldn’t be the one and only way to assess farmer profitability—although the per pound prices for these coffees are on the high end, these farmers also have high production costs, which means a high farmgate price doesn’t necessarily translate to a profit. In order to pay as high of a farmgate price as possible, we’ve taken steps like working with our exporting partner to change from vacuum sealing bags to storing in grainpro—a change that lowers the the cost of their services for Kushikamana.



## 4. OUR INDUSTRY

Working to be a better partner, while useful within our own supply chains, doesn't do much to solve many of the widespread issues that affect the coffee industry as a whole. Even if our producer partners are all doing well, those farmers and organizations still only represent a fraction of the people in their communities and a tiny fraction of coffee farmers globally. A thriving coffee industry is crucial for all of us in the long-run, which is why we devote time and energy to initiatives that contribute to the industry as a whole. Here's what those contributions looked like in 2017:

### - INDUSTRY CONTRIBUTIONS -



#### POTATO DEFECT RESEARCH

The potato defect, found in some East African coffees, has been an issue not only for us, but for the coffee industry as a whole. Knowing the defect is present in certain coffees limits the amount of coffee people are willing to buy and the price they're willing to pay for coffees that are otherwise delicious. We've been collecting and analyzing data to determine how to objectively test for the defect and are now working on sharing the results industry-wide through conferences and research papers. We've also been collaborating with scientists to figure out a way to detect the defect in coffee before it's roasted so that it can be sorted out. While we haven't yet found success with any of the imaging technologies we've tested so far, we're still hopeful that there's a solution out there.

### HOW GOOD OF A PARTNER ARE WE?

Saying that we aim to find good partners and be good partners is one thing—backing up those statements with real data is another. We're far from perfect, but we know we'll never get better if we're not sharing our information with our partners, the industry, and consumers. If we're truly being good partners, our purchasing data should reflect it. Here's a look at the key takeaways from the October 2016–September 2017 purchasing cycle:



## 4. OUR INDUSTRY

Working to be a better partner, while useful within our own supply chains, doesn't do much to solve many of the widespread issues that affect the coffee industry as a whole. Even if our producer partners are all doing well, those farmers and organizations still only represent a fraction of the people in their communities and a tiny fraction of coffee farmers globally. A thriving coffee industry is crucial for all of us in the long-run, which is why we devote time and energy to initiatives that contribute to the industry as a whole. Here's what those contributions looked like in 2017:

### - INDUSTRY CONTRIBUTIONS -



#### COALITION FOR COFFEE COMMUNITIES

While we'll continue to work on sustainability, we know that looking at one farm at a time, or even one cooperative at a time, isn't a large enough effort to address systemic issues that occur on a landscape-level scale. This is why we continue to work with the Coalition for Coffee Communities, a group of five coffee roasters, who also recognizes the need to access and work on sustainability issues at a larger scale. Last year, we completed a landscape assessment of the coffee growing region of Jinotega, Nicaragua, giving us all a much clearer picture of what's going on with regards to issues like deforestation, income levels, and water management in the region.

### HOW GOOD OF A PARTNER ARE WE?

Saying that we aim to find good partners and be good partners is one thing—backing up those statements with real data is another. We're far from perfect, but we know we'll never get better if we're not sharing our information with our partners, the industry, and consumers. If we're truly being good partners, our purchasing data should reflect it. Here's a look at the key takeaways from the October 2016–September 2017 purchasing cycle:



## 4. OUR INDUSTRY

Working to be a better partner, while useful within our own supply chains, doesn't do much to solve many of the widespread issues that affect the coffee industry as a whole. Even if our producer partners are all doing well, those farmers and organizations still only represent a fraction of the people in their communities and a tiny fraction of coffee farmers globally. A thriving coffee industry is crucial for all of us in the long-run, which is why we devote time and energy to initiatives that contribute to the industry as a whole. Here's what those contributions looked like in 2017:

### - INDUSTRY CONTRIBUTIONS -



#### SUSTAINABLE COFFEE CHALLENGE

If we truly want coffee to be a sustainable crop, we need to work together as an industry to implement large-scale changes. That's the premise behind the [Sustainable Coffee Challenge](#), a collaborative effort by companies, governments, NGOs, and research institutions to work together towards a common sustainability vision. We're an active contributor in the groups that work to improve labor practices and supply and those that support renovation and rehabilitation of coffee farms.

### HOW GOOD OF A PARTNER ARE WE?

Saying that we aim to find good partners and be good partners is one thing—backing up those statements with real data is another. We're far from perfect, but we know we'll never get better if we're not sharing our information with our partners, the industry, and consumers. If we're truly being good partners, our purchasing data should reflect it. Here's a look at the key takeaways from the October 2016–September 2017 purchasing cycle:



## 4. OUR INDUSTRY

Working to be a better partner, while useful within our own supply chains, doesn't do much to solve many of the widespread issues that affect the coffee industry as a whole. Even if our producer partners are all doing well, those farmers and organizations still only represent a fraction of the people in their communities and a tiny fraction of coffee farmers globally. A thriving coffee industry is crucial for all of us in the long-run, which is why we devote time and energy to initiatives that contribute to the industry as a whole. Here's what those contributions looked like in 2017:

### - INDUSTRY CONTRIBUTIONS -



#### COLLABORATION WITH WCR

Because we understand the importance of variety testing and development, as well as the global need for the renovation of coffee farms, we continue to work with and support [World Coffee Research](#). In addition to working with them on variety research in [Ethiopia](#) and Kenya, we donated over \$12,000 to WCR in 2017 to support their efforts.

### HOW GOOD OF A PARTNER ARE WE?

Saying that we aim to find good partners and be good partners is one thing—backing up those statements with real data is another. We're far from perfect, but we know we'll never get better if we're not sharing our information with our partners, the industry, and consumers. If we're truly being good partners, our purchasing data should reflect it. Here's a look at the key takeaways from the October 2016–September 2017 purchasing cycle:



## - KEY TAKEAWAYS -

### **PARTNERSHIPS**

This harvest cycle marks our 15th year buying Finca Pashapa from the Salazar Family in Honduras. As we grow, we're always looking to add new partners. We purchased coffee from 50 new partners in 2017, including farmers whose high-quality coffee lots were separated out from a partnership's main lot for the first time.

### **DEPTH OF PARTNERSHIPS**

In order to better reflect on our adherence to our Sourcing Philosophy, we've added a new calculation to analyze the "depth" of our partnerships. For this harvest cycle, 73.7 percent of the coffee we bought (by volume) came from partnerships that are doing lot separations specifically for Counter Culture. Instead of just buying the main lot or high-quality but low-volume lots from these partners, we're buying multiple types of lots. This practice allows us to increase our purchasing volume because these different lots give us more flexibility for where these coffees can be used in our products.

### **OUR MODEL**

We want to buy as much coffee as possible in accordance with our Sourcing Philosophy. In this harvest cycle, we bought 49 percent of our coffee by volume under our model. We also classified an additional 48 percent of our volume as "beginning" coffees we intend to continue buying with plans to transition them into our model—leaving only 3 percent as "spot" purchases.

### **FOB PRICE**

Our average weighted FOB this harvest was \$3.17/lb for all of our coffees and \$3.56/lb for the coffees we sold as single origin.

### **QUALITY SCORES**

Our cup quality scores ranged from 82 to 94, with the weighted average for all of our coffees at 85.6, and the weighted average for our coffees sold as single-origin selections at 86.5.





## THE FUTURE

We can always be a better partner. One of the areas we'll be working on over the next year are better feedback loops. We're working on better ways to get feedback on our roasted coffees from our staff and customers, as well as better ways to facilitate communication between ourselves and our supply chain partners. Like this report, it's always a work in progress, but the more information we share with our partners, the faster the progress.



## FAQS

### What About Certifications?

### What is Cupping

### Why FOB

### Coffee Seasonality

### Duplicate Coffees

### How are Coffees Listed

You may be wondering why we don't report on how much organic coffee we buy or how many of our coffees are fair trade certified. It's not because we don't see value in these certifications—organic certification signals good soil management practices and record keeping, for example. What we don't want to do is use certifications as the sole indicator for sustainability. Each of the certifications has strengths—positive environmental impacts for rainforest alliance certification or good social implications for fair trade certification—but no single certification comprehensively covers all aspects of farm-level sustainability. If we wanted to truly say that a farm was sustainable via certification, that coffee would have to carry multiple certifications—creating time and monetary responsibilities for that farmer that don't always make financial sense. We also learned an important lesson when we launched our Counter Culture Direct Trade third-party certification in 2008. When looking at multiple coffees together, as in this report, certification creates a line—implying that certified coffees are "good" and non-certified are "not good." Sustainability is never this black and white. It's quite possible that a farmer with a certified coffee is doing the bare minimum to obtain that certification while the farmer of the non-certified coffee is doing way more and has decided that official certification doesn't make financial sense for them. All of this being said, we're thinking about better ways to measure and incentivize sustainability at origin. As mentioned above, we're starting with financial sustainability by digging into farmgate pricing. This price transparency work will continue over the next year as we also explore our options for environmental and social indicators that will give us and our partners a comprehensive look at sustainability.



## FAQS

### What About Certifications?

### What is Cupping

### Why FOB

### Coffee Seasonality

### Duplicate Coffees

### How are Coffees Listed

Cupping is a methodology that people in the coffee industry use to evaluate coffee quality. Quality comes from the environment a coffee is grown in, the variety of the coffee tree, all the processing practices that have taken place, and the preservation of the attributes created by these elements. To “cup” a coffee is to evaluate and understand the quality of these aspects.

Our quality evaluation of any given coffee takes into consideration both the physical and sensory characteristics of that coffee green (unroasted) roasted. Looking at these characteristics in isolation, or in only green or roasted coffee, does not provide a complete picture of quality. We do not include the evaluation of the physical characteristics in this report because it’s a bit too technical to be of any value without a lot of contextualization.

We’re working on a final version of our Cupping Philosophy, but, in the meantime, to give you an idea of how we interpret the scores included in this report, we use the following scale when evaluating the sensory characteristics of a coffee:

97-100Near perfect to perfect

94-96Outstanding

90-93Excellent

87-89Very Good

85-86Good

83-84OK

80-82Marginal



## FAQS

**What About Certifications?**

**What is Cupping**

**Why FOB**

**Coffee Seasonality**

**Duplicate Coffees**

**How are Coffees Listed**

FOB stands for "Free On Board," and represents the price paid for a coffee at the point of export, when it is ready to be loaded onto a ship at port. FOB represents the price paid after farming, processing, milling, and preparation for export, but before overseas shipping, importation, and overland transport. The commodity market price for coffee is expressed in terms of FOB, as is the Fair Trade Organization's minimum price. It is the generally accepted measure to talk about coffee prices. This price can create some confusion, as it is neither the true price paid to the farmer nor the true price paid by the roaster, but instead represents a point somewhere in between. For a more in-depth explanation on price transparency, see this post.



## FAQS

### What About Certifications?

We've changed from reporting on the coffees we purchased within a calendar year to reporting on coffees we purchased during the two major harvest seasons in coffee: Northern and Southern hemisphere. This is much closer to how we think about our coffee-purchasing cycles, as we generally plan for what we're going to contract based on harvest seasons, not by month or year.

### What is Cupping

This is why within one particular data set on the map, October 2015 - March 2016 for example, you'll only find about half of our coffees. When you pair October 2015 - March 2016 with April 2016 - September 2016, you will get the full picture of the coffees we buy within a 12 month time period.

### Why FOB

### Coffee Seasonality

### Duplicate Coffees

### How are Coffees Listed



## FAQS

**What About Certifications?**

**What is Cupping**

**Why FOB**

**Coffee Seasonality**

**Duplicate Coffees**

**How are Coffees Listed**

There are a few reasons that some coffee names appear more than once in the data set, but it's mostly due to the data being based on contracts. Sometimes, we buy multiple containers of coffee from a co-op, for example, and each container is contracted separately. Other times, we happened to make a contract for a coffee twice in 2015, the opposite issue than what's explained in the "missing coffees" note.

Sometimes there are multiple entries for one relationship for a much cooler reason—they're separating out different lots based on farmer, geography, variety, etc., and we bought those lots, often at a higher price, in addition to their main lot. Finca El Puente is a great example. Achieving this degree of separation is an indication of a great partnership, and we hope to see more coffees heading in this direction in the future.



## FAQS

In this report, we try to be as accurate about the names of coffees as possible. In most cases, the names here are either names of farmers, farms, geographic locations, or co-ops. Sometimes there is a notation after a name like "A" or "Gr2." These notations mean different things in different partnerships, but generally refer to bean size, level of sorting, or quality.



**What About Certifications?**



**What is Cupping**



**Why FOB**



**Coffee Seasonality**



**Duplicate Coffees**

**How are Coffees Listed**