

Skylark coffee

2022 Transparency and Sustainability Report (charity no. 1142607, OCB Initiatives)

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Why Skylark exists

In a world awash with ethical claims, the coffee supply chain is still inherently exploitative and colonial. Within that supply chain, the roasting step is by far the most profitable and powerful. We can't change the nature of the industry (yet), so we decided the most productive thing we could do is open a roastery ourselves, set it up as a registered charity, and give 100 percent of the proceeds to fight injustice — nothing hidden, no catch.

We're starting our third year at Skylark, and this is our full report on what we're doing to reimagine the business through transformative global agriculture and delicious coffee. After a combined 30 years in the industry for the two of us (plus two more years doing postgraduate research), we continue to hone our vision into a model — a theory of change — with a set of 7 goals for who we want to be. We know we're not there yet and we don't think our ideas are perfect. Still, we're trying to develop not just the most ethical roastery around but the most ethical possible, with the best coffee possible. The strongest ethics are communally held, in our view, so the input of farmers, importers, staff, customers, and industry colleagues is just as important as our own. Do take this seriously and send feedback or suggestions to micah@skylark.coffee.

Why focus on coffee?

Why are we taking this so seriously? Here's why coffee matters: Anyone working in global poverty and development can tell you that agriculture is the key to raising living standards in the developing world since most of these cultures are agrarian. In countries that grow coffee, this is typically their biggest agricultural export, making it a vital source of income and foreign currency for development. Coffee is the [second most valuable](#) soft commodity in terms of total traded value on the New York Stock Exchange. Therefore, coffee is a key crop in the key sector for developing better livelihoods for some of the poorest people in the world. So why doesn't it raise more people out of poverty? This is the [coffee paradox](#). The issue isn't that these countries/coffee farmers don't generate enough value through their crops. The issue is that the Global North steals it from them.

What's the problem with coffee as a vehicle for change?

You see, commodities are designed to be exploitative. They're mostly grown in less developed countries, then exported to developed countries at prices that keep producers barely alive. It's essentially a colonial, capitalist model where we keep producers economically enslaved to us while stock traders and processors in the developed world (i.e. roasters) reap huge profit margins.

Think that's dark? This poverty for producers is actually *by design*. Coffee, like all commodities, is an example of the well-known Dependency Theory, meaning the price for commodities will consistently decrease in real terms (inflation-adjusted) over time

in order to maintain an inherent level of poverty among producers of that commodity. This has been especially the case for coffee in comparison to other commodities. [The price for coffee in real terms has decreased by an average of 0.9 percent per year over the past two hundred years.](#) This is basically local wealth being extracted from producing countries for the benefit of roasters and commodity brokers — it's pure economic colonialism. The truth is, coffee only grows natively in Ethiopia. Almost everywhere else, the [origins of coffee production](#) involved colonizers forcing native populations to grow the commodity, often uprooting local crops and creating conditions for chattel or wage slavery. And it's gotten worse; the share of money that goes to the producing countries (mostly farmers) has decreased from 30 percent in 1991 to [just 10 percent today.](#)

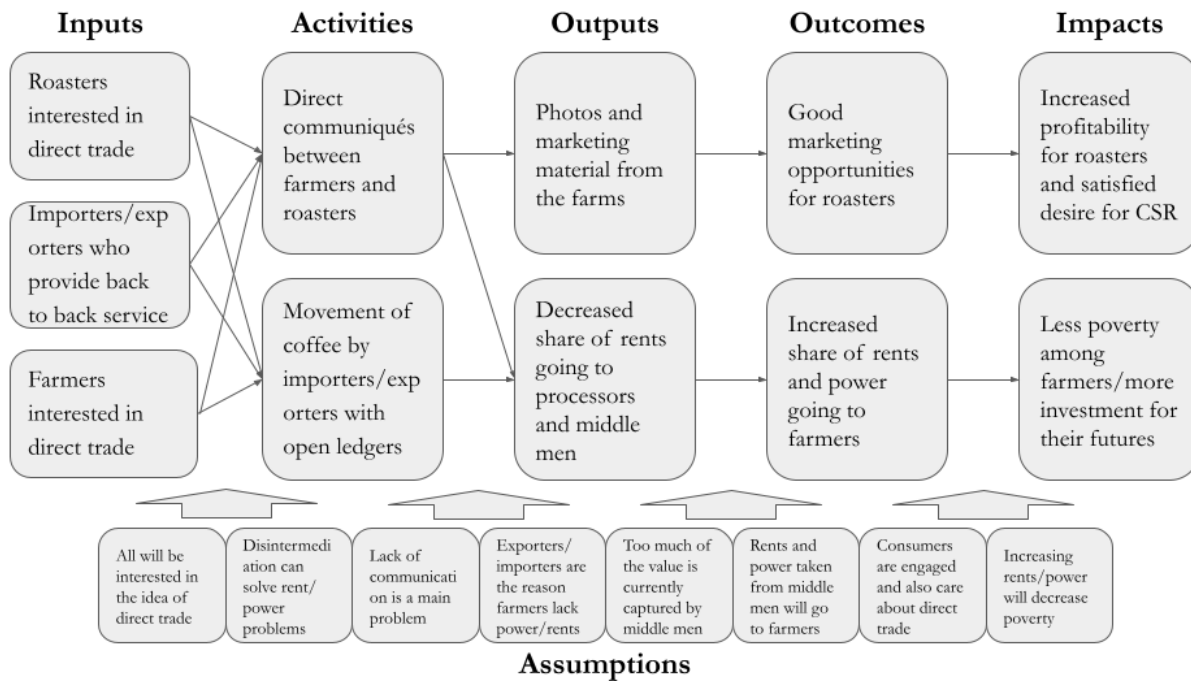
The proposed solutions so far, and why we disagree with them

Why not Fair Trade?

We think that the specialty industry has correctly identified that Fair Trade isn't really all that fair for coffee. The Fair Trade-certified price for coffee is tied to the NYSE price for coffee and often is below the cost of production for small, environmentally friendly farmers. This doesn't seem particularly fair to us. Additionally, only the larger and more wealthy farmers can actually afford the process of obtaining a Fair Trade certification, so it often doesn't help those most in need. We think Fair Trade has some good elements, but until it fixes these fundamental problems, we'll keep buying non-certified coffees while paying 2-3 times the Fair Trade price.

What about Direct Trade?

We think that direct trade was a good, honest attempt for specialty roasters to go further than Fair Trade, however, we think it's based on incorrect ideas of the sources of injustice in coffee. Fundamentally, direct trade as currently constructed isn't actually working to help farmers so much as it's a marketing buzzword to increase profits for roasters. To explain why we believe this, we first need to show you how direct trade is **supposed** to work. Here's how we'd define the common theory of change for most specialty coffee roasters:



This theory of change misdiagnoses both the problems and the solutions in some key ways. Here are the realities we see that disagree with some of the assumptions in a direct trade model:

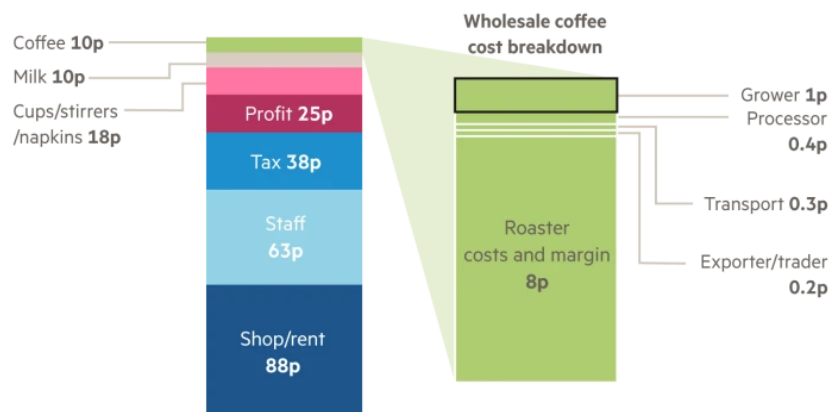
1. The “middle-man” isn’t the problem (at least not in the way people think). Farmers generally don’t have an issue with exporters and importers making a fair margin for the services they provide (see below). Roasters often use lots of disparaging language about cutting out “middle men” in their marketing, even while *all* roasters use importers/exporters. This blaming the middleman is covering up for fact number 2.
2. [Roasters control most of the profits \(per kilo\)](#), and have almost *all* of the power in the supply chain. See the graphs below.
3. Specialty roasters often behave less ethically towards farmers than commercial roasters... this is nuanced and varies wildly. We’ll be writing more on this subject in a future blog post.
4. Just like every other capitalist set of companies, [roasters are terrible at self-governance of sustainability standards](#). Whether this is through lack of time, lack of knowledge, fragmentation, or corporate greed... Any industry or company that claims to be regulating its own ethics (without full transparency) is [usually negatively affecting](#) the outcomes for that supply chain. New roaster in-house sustainability standards will likely fail because they aren’t correctly identifying roaster profit margins and outsized power as the issue.

As is often the case when we diagnose a problem, we fail to look in the mirror — “we,” in this case, being specialty coffee people and roasters in particular. Now, we should make clear that there are hundreds of specialty roasters worldwide who are doing genuinely great things and doing their best within the models above. There are plenty of good people running roasteries who try to pay a fair price for their coffee and are transparent about it. There are also other roasteries with interesting, innovative models and a good understanding of their place in the value chain. The point isn’t to disparage everyone with a broad brush but to add to the community of research pointing toward what we believe to be the actual systemic problems in the industry.

There are also a depressing number of specialty coffee roasters who sell coffee branded with ethical claims while using the profits to fund extravagant offices, state-of-the-art machines, fat salaries for owners, and fancy company cars. We’d like to suggest that isn’t the most ethical distribution of resources when coffee farmers and workers in less developed countries are struggling to meet the cost of production and sustain their families, and cafes and baristas struggle to survive. In our years working within coffee supply chains, we’ve talked to hundreds of coffee farmers and they generally feel that exporters and importers (those moving coffee around the world) are making a fair margin for the services they provide. What really upsets coffee producers we know is NOT the middle man — instead, it’s the roasters who buy their crops for £6 per kilo and then set a retail price at £32 while making ethical claims to justify that margin. **In a nutshell, we’re saying that it’s necessary for roasters to pay a fair and transparent price for their green coffee, but it’s not sufficient for social change.**

Farmers get a fraction of the money you spend on your morning coffee

Cost breakdown for a £2.50 cup*



* May not add up to total due to rounding

Sources: Allegra Strategies; International Trade Centre; FT calculations

© FT

Just check out how much of the “coffee” margin goes to the roasters!

Redistributive Trade: How is Skylark's model different?

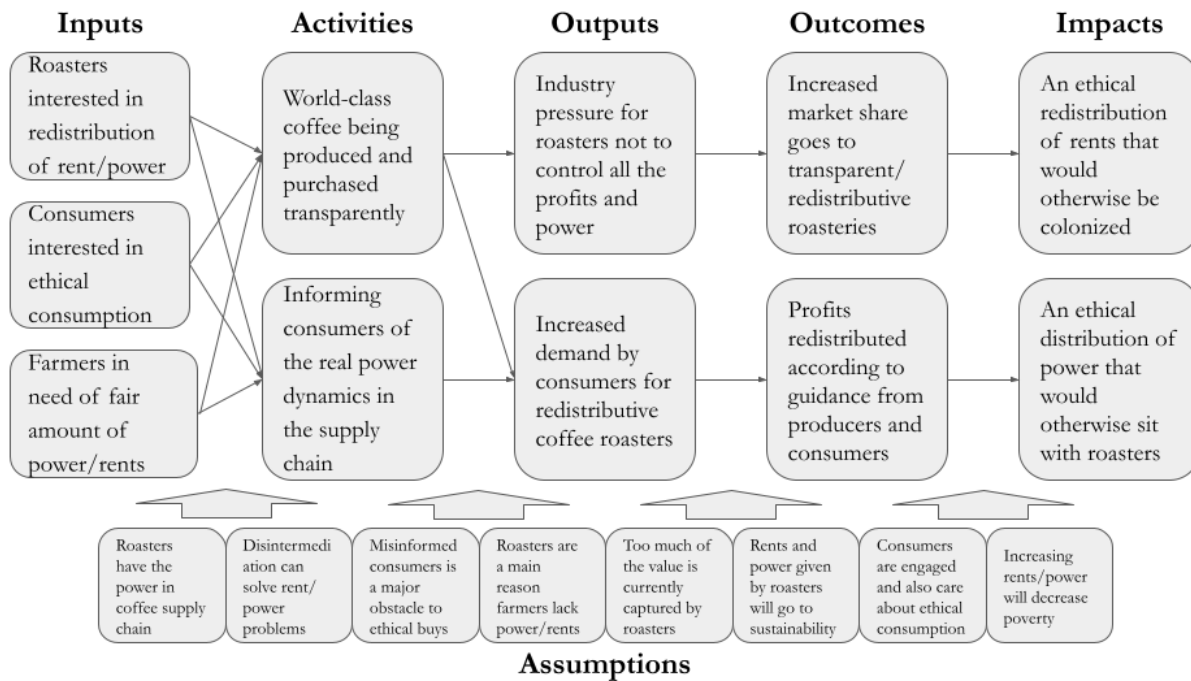
Since we don't agree with the general industry theories of change, we feel it's incumbent on us to provide our contrasting ideas. We're tentatively calling this model Redistributive Trade, although we're still open to suggestions on both name and model. This is based on our own findings through years in the supply chain, but also on the academic research of others; particularly Janina Grabs, Thomas Dietz, and Stefano Ponte.

A redistributive trade model definitely doesn't offer the catchiest slogan. This is more complex than TOMS shoes, for example, who simply tell you that when you buy a pair of shoes they give away a pair of shoes. Job done. Our "sales pitch" as we go to sell coffee is a bit more complicated, but the truth is that complex problems require complex solutions. Usually, when you're sold an over-simplified solution it's because there's something to hide. We're not trying to optimise our pitch but to develop a research-calibrated model for lasting and significant change.

Here are our 7 goals for Skylark:

1. Pay coffee farmers a price that *they identify* as fair and sustainable, and verify that they treat workers/the environment well. Yes, that price might make us (much) less profitable.
2. Pay our employees well enough to live lives they value. Treat them well and reward them when the project does well. **No one** in the project makes enough to get rich (you can verify this since we publish our salaries).
3. All profits go to support our partner charity projects financially, and in a transparent way. The top priority is supporting unemployed and marginalized people through Pro Baristas. Then, we donate to external charity projects, both in Sussex and in producing countries. The money doesn't belong to us as the roaster — we're merely stewards.
4. Remain a registered non-profit. Continue to publish all of our finances so anyone can verify we're doing what we claim.
5. Gradually cede more 'voting rights' to our customers, staff, and most importantly to our long-term coffee farmer partners.
6. Grow to a size that allows us to buy coffee at an impactful level — generally a shipping container (or 17 tonnes) from each country where we work is the key point where we can exert more influence on the process.
7. Build pressure on our industry colleagues to move from direct trade to redistributive trade — or suggest and execute even better models [integrating power analysis, poverty, gender](#) and [environmental](#) concerns.

This isn't just a model for ourselves and we don't think we've got this perfected. We'd like to humbly suggest that a model where roasters voluntarily give up profits and power is the only way to significantly reverse the capitalist/colonial model of coffee. In more academic language, here's what our model of Redistributive Trade looks like:



This may look complex at first glance, but the main difference here is that we don't think middlemen/importers/exporters are the main problem preventing social change and global development. Instead, we think colonialism, capitalism, and the excess profits and power captured by roasters are the main problems. This is backed up both by external data and by our own academic research. We can see from the graphic above that roasters capture 80 percent(!) of the value for the coffee that's in your cafe cup — much more than the “middlemen.” Some newer research indicates it's [as much as 90 percent](#).

And to confirm that roasters are the ones with outsized power as well as profits, we've also conducted formal interviews with people in the coffee industry to understand who they think has power. The table below shows that, of all the people interviewed for Micah's master's degree dissertation, 12 out of 19 think roasters have the most power. Four of the seven who disagreed were roasters themselves! These interviews aren't a huge dataset and aren't meant to be proof positive. However, when you combine them with the financial reality of roaster margins, plus our decades of experience working for importers/exporters, cafes, and roasters, we feel we can say with a high degree of confidence that the old adage of “follow the money” holds true and the people with the lion's share of the power are ... roasters.

What do industry people think?

Who has power according to you?

	Producers	Exporters	Importers	Roasters	Consumers
Producers		1		4	
Exporters			1	1	
Importers				4	1
Roasters			1		3
Cafe/public				3	

Total number interviewed: 19

In our view, this means roasters have the responsibility to create real and lasting social change instead of offloading blame onto middlemen and keeping profits for themselves. Remember, coffee is one of the most important vehicles for development and positive change in less developed countries, but we will have lost that opportunity if we keep all the money and power in the Global North.

So what has Skylark accomplished so far?

Skylark exists as a test case and proof of concept that roasters can run a good business with fair margins and still have plenty left over to redistribute for social change. We've only sold £250,000 in total so far over the course of two years, and here are the positive outcomes so far:

1. We've spent about £100,000 so far paying farmers sustainably for their coffee while buying coffees that are also sustainable.

Buying coffee at a fair and transparent price is the foundation. Our coffee has been bought so far at an industry-leading weighted average price of £9.03/kg. Using a weighted average means we're paying fair and high prices for our *main* blending coffees, not just the special single origins. [Quick note: We're using FOB prices for this report (exporter/importer fees included in the price) rather than farm gate prices (what the farmers are paid net). We're doing this mainly to protect farmer data privacy. Importers' fees are broadly similar across the industry, and in our experience farmers broadly find these fees to be fair. We think FOB prices are good indicators of an overall price paid for coffee.]

Here are some more highlights from this year: We're seeking to increasingly know farm-gate prices on our most important coffees, although we're going to be careful about publishing this info. Right now, we know farm gate pricing on more than half of our coffees (this is actually pretty hard to figure out!). We're also focusing on naturally processed coffees over washed coffees to conserve water in producing countries that are increasingly at risk of drought.

We're focusing on using innovative, ethical coffees for our *main* coffees, not just PR pieces or the occasional single origin slot. Here are some of our biggest recent sustainability wins:

- We bought a huge (for us) amount of coffee from smallholders in Mexico with Ensembles Coffee. They're growing coffee biodynamically in an impoverished part of Mexico, with tiny yields and sky-high prices. We bought it because we think what they're doing is critical for their ecosystem, and if we don't support their coffee now, coffee will cease to be grown where they are. This coffee definitely didn't make us a profit overall, but we still think buying it was the right decision!
- Our most-used coffee this year is a Brazilian natural coffee from Santa Rosa, a certified carbon-neutral farm. Also, Brazilian farm workers have a relatively high minimum wage, allaying some major concerns about worker abuse that exist elsewhere.
- Our main washed coffee last year was from a farm group (Renacer) who are working to restore the water table in their area of El Salvador through more environmentally friendly coffee planting and processing. This helped justify using a washed coffee for blending.
- Our main African coffee for this year is from a program Micah helped set up in Ethiopia to buy lower-grade Ethiopian coffees that exhibited good potential at a fair (much higher) price and then improve the sorting to clean it up for specialty use. Essentially, this rescues great coffee from the Nestles of this world and pays the farmers more!

2. We've donated £11,000 to external charities so far.

We supported the Knepp Estate to host a youth fair and develop a rewilding corridor in our back yard of East Sussex. Read more about them and why we support them in our [blog post here](#).

We've supported the [Stumping Project](#) for 37 farmers in Ethiopia to stump their trees. This project is run by Technoserve in collaboration with Falcon Coffees in order to increase the possibility of sustainable livelihoods for coffee farmers in Ethiopia. If you don't know, coffee is a cherry that's grown on a shrub (a small tree). These trees produce more coffee when they're between 3 and 15 years old, and most of the coffee trees in Ethiopia are far older than that. If Ethiopian farmers can "stump" their trees (pruning them to just above ground level), their harvest can jump by up to three times in the ensuing years. However, they are often reluctant to do this since they'll

essentially lose 2 years of harvest. Our donation will help 37 farmers in Ethiopia defray some of that cost so that in 2-3 years' time their harvests can be greatly increased.

We've provided coffee seeds, support, and will be donating money for the [Assela library](#) project's new coffee farm. This coffee farm is growing beautiful varieties like Pink Bourbon and will be donating all of its proceeds to youth education in an important city just above Ethiopia's coffee heartland. We'll be writing more about this project in the coming months.

We paid the rent for 2 years for [In Her Hands](#) and [Making it Out](#), two wonderful CIC's who shared our stable yard in West Sussex and that focus on empowerment for women/non-binary people as well as job training for ex-convicts respectively.

3. We've designated about £8000 in coffee and support for Pro Baristas and its teaching cafe (projects under our charity umbrella).

Through Pro Baristas, we've trained thousands of people for well-paid coffee jobs, mostly at-risk and unemployed people and many with mental health issues. We trained over 300 people in 2022 alone, with loads of continuing support and work experience embedded in that training. We often provide this training for free and continue to support our trainees with free drop-ins, consultations, and job-seeking support in the weeks and months after they pass the course. Read more about Pro Baristas [here](#).

Our coffee compost and waste also go back into regenerative (both for the land and people) growing at [Rock Farm](#).

What are the hoped-for long-term outcomes, and where can we do better?

We need to grow to a scale where we can effect more industry change. We'd like to be talking more with farmers directly about their ideas for solutions, although right now we're too small to be worth the conversation time for most farmers. We know that, and we're not looking for photo-ops or marketing material so we mostly don't waste a farmer's time, though we do have quite a few historical relationships already. Long term, we want relationships that are mutually beneficial and where real conversations about ethics can happen. A large part of that will be giving our farmer partners decision-making power in where our profits go. We don't want to be sitting in the Global North on a pile of money and deciding paternalistically where all of our profits should go. Once there's enough profit to be worth our partner farmer's time, we want them to have a voice in deciding which of their local charities or initiatives Skylark supports.

We also want to improve our infrastructure to find out farm gate pricing, worker pay rates, and working conditions for all of our coffee farm partners. We have a head start

on this from Micah's days working as an importer, but this is a massive undertaking that will take lots of staff and time.

Finally and most importantly, we want to use our project as a proof of concept to create industry momentum toward transformational coffee. We honestly believe that all coffee roasting in the Global North should be redistributive. It's not actually our wealth! We have a responsibility as roasters to treat it as such.

Why should you trust that we're different?

We understand the skepticism, and we think it's right to be skeptical of ethical claims in a world where Shell and BP claim to be leaders in fighting climate change. We realize that even some registered non-profits like ours can sometimes exist mainly to enrich directors or house financial shenanigans. That's why we're not asking anyone to trust us; we're publishing our full financials (including salaries) below for anyone to see. We don't think you should believe anyone's claims to be ethical if they don't show you the numbers.

What can you do to help?

If you're reading this, we assume you're already buying Skylark coffee. Thank you. You're the reason we exist! Spread the word. Ask to see numbers. Inform others. If you get a chance, big us up to your local cafe for a guest slot! We get basically all of our sales through good word of mouth. Remember, coffee is one of the single most important products you consume from a global development perspective, so consume it thoughtfully and in a way that makes a difference. And if you have any questions or ideas, send them through!

Our full financials for 2022 are below.

Just like last year, we're publishing our full financials for 2022 so you can verify we're putting our money where our mouth is.

Our P and L for 2022:

Income

Rent and Enterprise

Equipment sales	19,580
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White label fees	4,593
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We wouldn't normally do white label (roasting for someone else), but we're doing this for a coffee farming family... We're roasting and packing their coffee to support farmer ownership of the lucrative business of roasting.

Coffee used by our projects Pro Baristas, Teaching Cafe	9,473
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Skylark In House Retail (our teaching cafe)	11,660
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Webshop sales and subscriptions	27,255
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Skylark Wholesale Income-For shop use	100,043
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Skylark Wholesale Income -For retail sales	21,774
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Total Rent and Enterprise	194,379
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Donations and Giving

Giving - Non Gift Aid Donations	12,000
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Donation received to help us move into new roasterie/buy packing equipment

Total Donations and Giving	12,000
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Total Income	206,379
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Cost of Sales

Trading Expenses

Trading Expenses - Direct Wages	15,558
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Packaging labour at Brighton living wage of 9.90GBP per hour

Trading Expenses - Equipment	24,196
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Equipment we bought to help our customers start up/expand

Trading Expenses - Green Coffee	72,430
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£9.03/kg average price paid for our green coffee

Trading Expenses - Packaging	4,173
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Most of this went to Kite Packaging, an employee owned cooperative company

Trading Expenses - Shipping	6,856
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Evri and Royal Mail, although we're moving to solely Royal Mail for 2023

Trading Expenses - Utilities	764
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Jefferson Gas, EE, Octopus Energy

Total Trading Expenses	123,977
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Total Cost of Sales	123,977
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Gross Profit	82,402
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Overheads

Salary Costs

Salaried employees	31,070
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Micah's salary at 26,500 per year, salesperson at 10.90 per hour for a few months

Employee Pension Payable	1,292
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Employer Pension Contributions	1,615
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Employer's NIC	3,340
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NIC Payable	3,021
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PAYE Payable	4,262
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Total Salary Costs	44,601
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All Other Overheads

Marketing	1,929
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This was mostly expenses for the Brighton Coffee Festival where we were the title sponsor

Project Equipment	7,832	We bought some packing equipment to help us with future volume!
Travel	734	Trains, buses, and fuel for our minibus
Banking/Transaction Fees	2,197	
Lease Payments	4,000	Paid to Wiston, who donate us the land for Rock Farm... Also covering the rent for two other charities. MIO and IHH
Professional Fees/Subscriptions	3,554	Roasting software, Webshop back end, and we paid 27Works to help us with some SEO work
Team Benefits	146	Some Christmas gifts for the staff and a couple of team lunches
Council Tax	1,671	Paid to Horsham District Council on our Stables site
Total All Other Overheads	22,063	
Total Overheads	66,664	

Donations Out

Voluntary contributions to outside charities	7,920	Donating to Knepp Wildland Foundation, The Stumping Project, Asella Coffee Farm/Library Project
Contribution to internal charities	7,818	Donated to help pay the bills for Pro Baristas and its training cafe, fund our parent charity's accounting team, and pay for our packaging/shipping space.

Total Donations to charity	15,738
Operating Profit	0

Sources:

If you'd like access to any of the full academic texts mentioned or linked above, give us a shout! We have them saved and are happy to share where copyright will allow.