

MASIENDA

SOURCING REPORT
2023



SALUDOS,

This past year, 2023, has been one of growth and change for Masienda amidst a swirl of economic, environmental, and geopolitical forces. On our homefront, Mexico’s president, Andrés Manuel López Obrador (AMLO), has taken a stance to protect Mexico’s corn market by proposing a ban on the importation of US-grown GMO grain for human consumption (i.e. tortillas and masa), while allowing it for animal feed – for now. In addition to the decree on GMO imports, AMLO implemented temporary 50% export tariffs on any Mexican-grown white corn. Suffice it to say, it was a roller coaster of a year for corn, and the volatility is expected to continue.

With corn imports and exports generating more conversation than ever in our industry and the media, we are inspired to further assess our role and examine the strength of our first-of-its-kind supply chain. For context, Masienda is currently responsible for purchasing less than 0.5% of Mexico’s corn exports (noted as \$181 million in 2022), and this, to be sure, is an even smaller fraction of the total amount of corn cultivated nationwide. Nevertheless, we believe we can be a leader in our actions, demonstrating a path to growth that prioritizes stability and equity.

Without further ado, we present to you our 2023 Sourcing Report. Thank you for being here and being curious. Without your support and the growing interest in the humble – though exquisite – corn tortilla, we wouldn’t be able to continue doing the job we so love to do. Take a look, get familiar, and feel free to reference our archive of reports dating back to 2019. If you have any questions, please don’t hesitate to reach out to our team at info@masienda.com.

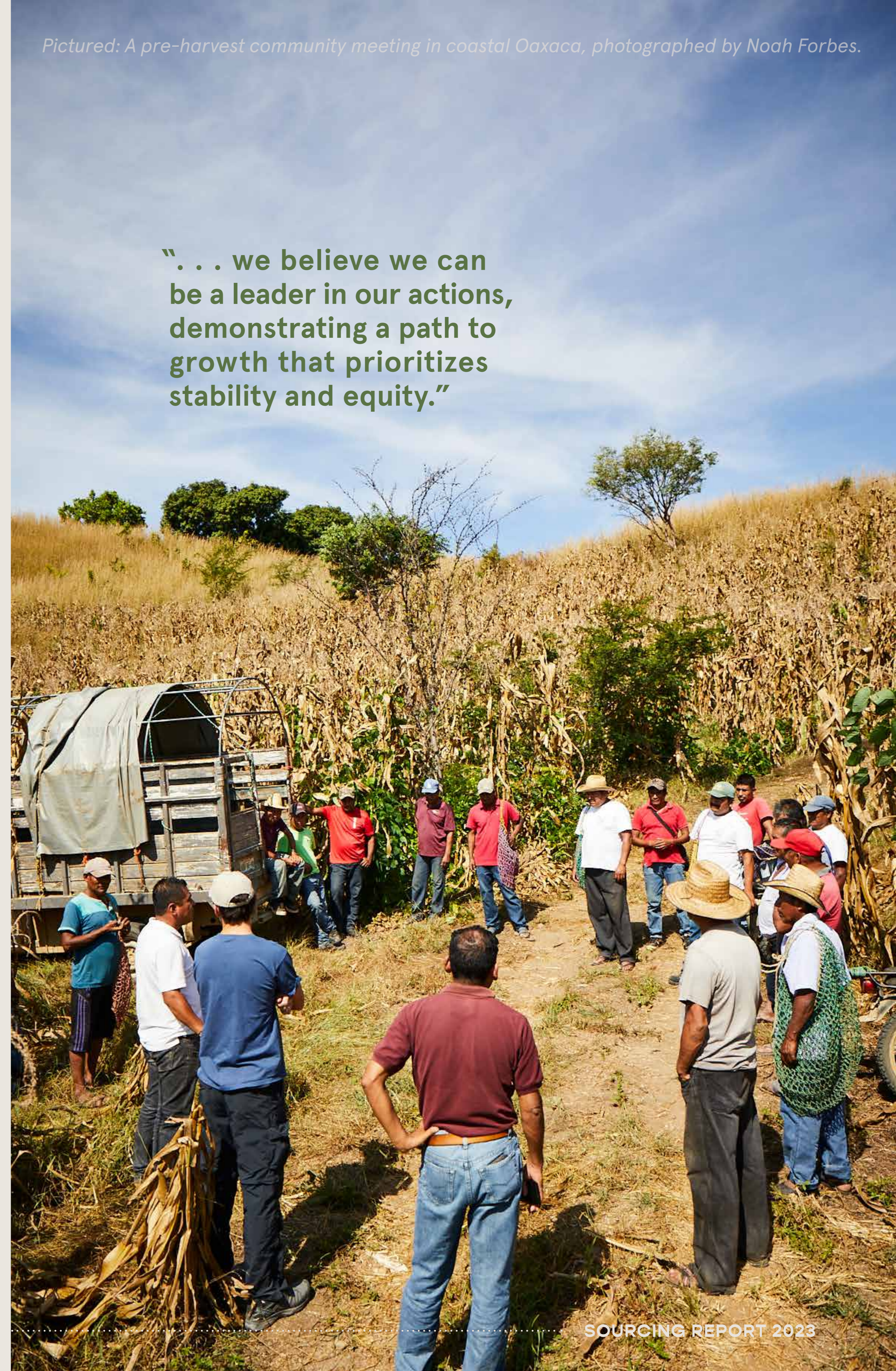


Jorge Gaviria
Founder & CEO



Danielle Dahlin
COO

“... we believe we can be a leader in our actions, demonstrating a path to growth that prioritizes stability and equity.”





NOTES FROM THE FIELD

IVÁN VÁSQUEZ CRUZ

SOURCING & OPERATIONS MANAGER, MEXICO

The work we've done in Mexico over the past nine years has been filled with learnings, as we've grown our supply chain and solidified our relationships with our farmer-partner communities. We've worked to help strengthen the market for heirloom corn and beans in each region, producing financial gain for farmers who traditionally only grew for household consumption, unable to find a market outside of their local community for their surplus harvest.

Each harvest cycle, we assess the market prices for heirloom corn in each region, and work closely with our farming partners to gauge availability, production inputs, infrastructure, and labor needs. Pricing has increased year over year due to increased quality, market demand, climate, and inflation.

Every year, the ability to solidify our relationships with each community of growers — many of which we've been working with for the full nine years — makes it all worthwhile. We've created a network of farmers who learn from and connect with each other through their appreciation of heirloom corn. We share resources, labor, and knowledge across communities, truly showing our dedication to the preservation of this ancient food, and that's what makes it easy to wake up every day.

I think I have the best job at Masienda because I get to visit all of our farmer partners year round. Our partner communities know us, appreciate us, and we have such a mutual respect for one another — we're all in it for the preservation of heirloom corn/maíz criollo. And for many of our farmers, knowing that their corn is being sent to the United States for consumption brings such joy. They're proud that people appreciate their hard work, and we're just as proud to be able to support them.

Iván Vásquez Cruz

Sourcing & Operations Manager, Mexico

OUR SOURCING VALUES

We believe that the best-tasting food is achieved through genuine hospitality, enriching context, and a relentless support of agricultural biodiversity, sustainability, and independent farmers. From the beginning, this has been the prism through which Masienda makes each and every sourcing decision. Read more about the values that shape our supply chain.

Pictured: Masienda partner growers at the end of harvest season in Tlaxcala.



1 PRESERVING COMMUNITY ACCESS TO HEIRLOOM CORN

This is why we only buy surplus inventory. Our pricing model is created so as not to destabilize local markets, which are fundamental to the social, economic, and nutritional well-being of these communities.

2 PAYING RETAIL PRICES UP FRONT

Guaranteeing advance payment limits a farmer's exposure to risk, freeing them to further invest in their next planting cycle and balance their interests accordingly. The risk is thereby transferred to Masienda, who holds the inventory until we are able to sell it (or not sell, in which case it may become a loss).

3 PROTECTING INTELLECTUAL PROPERTY

We work with farmers who have preserved and improved their corn through natural selection over hundreds of years. Our role is not to dictate what is grown, but rather to open up market opportunities for those who would otherwise lack options for their available surpluses.

4 EMBRACING ENVIRONMENTAL SUSTAINABILITY

We do not source materials that are treated with pesticides, and we maintain chemical-free post-harvest handling practices.

5 INVESTING IN LOCAL COMMUNITIES

For us, impact goes beyond paying a premium price to farmers. We also hire and train teams in local communities to lead operations.

6 CREATING A KNOWLEDGE-SHARING CULTURE

We aim to create this culture amongst our partner suppliers in Mexico as well as our community of cooks and chefs in the United States and abroad as we work toward a common goal of preserving and celebrating the rich culture that surrounds heirloom corn and masa.

DEFINING OUR SUPPLY CHAIN

Words matter. At Masienda, we pay special attention to the vocabulary we use to describe our products and our process because not only does our word choice speak to the uniqueness and subtleties of our supply chain, but we believe language has a role in advancing the values we stand for: equity and transparency.



HEIRLOOM CORN

Heirloom corn comes from farmer-preserved seeds that have been hand selected for the best flavor and maintained for hundreds (even thousands) of years. It is 100% farmer owned and exists outside of the large-scale value chains that is often associated with the hybrid corn grown in the US.

COMMODITY CORN

Commodity field corn – that is, corn intended for trade – is grown for a variety of purposes, such as animal feed, ethanol, plastics and processed corn products like high fructose corn syrup. In the United States, commodity corn makes up approximately 98% of the total corn grown each year.

LANDRACE CORN

The terms ‘heirloom’ and ‘landrace’ are often used interchangeably, but landrace is a more specific designation that means a locally adapted, traditional variety of domesticated species that has developed over time to reflect its natural environment of origin.

FARM GATE

This term refers to the price of goods as if they were purchased directly from a farmer (“at the gate”) without added markup by processors, distributors, or retailers/wholesalers and excluding any separately incurred transport or delivery charges.

FARMING COMMUNITIES

We refer to our suppliers of heirloom corn as ‘farming communities’ because of the collective nature of their work and our sourcing method, which entails creating centralized points of aggregation. While many of our farmers are smallholder farmers who grow what they eat on plots of 10 hectares or less, some of our farmers grow on a slightly larger scale.

SUPPLIER PARTNER

The suppliers we work with to source specialty ingredients and/or fabricate artisan cookware are more than suppliers to us – they are our partners. If they win, we win and vice versa. They set the prices for their own goods, and we have a no-negotiation policy. We trust them to establish a pricing model that is beneficial to their business as we work together to create additional market opportunities for their goods.

VERTICALLY COORDINATED SUPPLY CHAIN

We have created and now manage a long, complex value chain that makes better masa possible. We work with growers to source premium ingredients, test, and safely process those ingredients and ultimately distribute them to the cooks who turn heirloom corn into masa. We use the word ‘coordinated’ as opposed to ‘integrated’ because we don’t own the farms, production facilities, and tortillerias that make up our supply chain.

HOW IT WORKS

Commodity vs. Masienda

When we got our start nearly ten years ago, the Mexican heirloom corn market was lacking in, if not completely devoid of, formal infrastructure, which was certainly not the case for commodities such as coffee and cacao. We have since established a new type of sourcing model for heirloom corn that helps preserve the long-term viability of farming this indispensable crop.

**See Defining Our Supply Chain on page 4 for a definition of Farm Gate*

	COMMODITY	MASIENDA
<p>Mean Price per Pound (Non-GMO Corn) The price Masienda pays to farmers, based on conversations with the producers themselves prior to the season's harvest. Yields and current market price are factors that play into these conversations. Commodity prices are determined by the Chicago Board of Trade (driven by market forces including supply and demand).</p>	~ \$0.13/lb - \$0.14/lb	\$0.37/lb - \$0.61/lb Farm Gate*
<p>Farmer Storage Risk Protection Buyer assumes the risks of storing corn over time (e.g. pests, aflatoxins, and other quality control issues).</p>	✘	✔
<p>Upfront Payment Immediate, in-full payment to farmers for large volumes (in contrast to purchasing smaller amounts more frequently, which can otherwise increase risk for farmer).</p>	✘	✔
<p>Traceable Lots Sourcing can be traced back/attributed to a specific farmer lot and/or harvest.</p>	✘	✔
<p>Reusable Seed Heirloom, farmer-owned, open-pollinated seed versus commodity, seed company-owned hybrid seed.</p>	✘	✔
<p>Average Product Risk Carry Average number of months inventory is held.</p>	3-6 months	Up to 15 months
<p>Pest Protection Chemical-free methods to ensure protection from damage prior to export/movement (at cost to buyer) including ultra-hermetic bags and manual cleaning (vs fumigation).</p>	✘	✔



Pictured: Doña Catalina bringing her nixtamal to the molino, photographed by Noah Forbes.

IMPACT ANALYSIS SNAPSHOT



TOTAL INVESTMENT

Over the course of 2023, we proudly invested more than **\$2.5 million USD in supporting small-scale agriculture and family-owned businesses** in Mexico, nearly doubling last year's total annual investment.

AREA OF INVESTMENT	AMOUNT (USD)
Payments made to independent farmers	\$1,050,494
Payments made to artisans	\$1,317,428
Local community investment	\$212,037
TOTAL 2023 INVESTMENT	\$2,579,959

IMPACT ANALYSIS SNAPSHOT

HEIRLOOM CORN

HARVEST YEAR	TOTAL INVESTMENT (USD)	TOTAL TONNAGE (MT 2,200 LBS)	LANDRACES	LOCATIONS
2023	\$993,929	1,313 tons	Bolita, Cacahuazintle, Chalqueño, Cónico, Elotes Occidentales, Mushito, Olotillo, Jala, Tuxpeño, Xocoyul	Oaxaca, Michoacán, Estado de México, Chiapas, Tlaxcala, Nayarit
2022	\$658,989	1,033 tons	Bolita, Cacahuazintle, Chalqueño, Cónico, Mushito, Olotillo, Tuxpeño, Xocoyul	Oaxaca, Michoacán, Estado de México, Chiapas, Tlaxcala
2021	\$342,040	588 tons	Bolita, Chalqueño, Cónico, Olotillo, Chac Chob, Dzitbacal, Eh Hub, Naal Xoy, Nal Tel, Xnuk Naal, Xmejen Naal	Oaxaca, Estado de México, Tlaxcala, Yucatán
2020	\$349,628	617 tons	Bolita, Cacahuazintle, Chalqueño, Cónico, Mushito, Olotillo, Tuxpeño, Xocoyul, Naal Xoy, Xnuk Naal, San Pableño	Oaxaca, Michoacán, Estado de México, Chiapas, Tlaxcala, Yucatán
2019	\$88,432	133 tons	Bolita, Olotillo, Chalqueño, Cónico, Mushito	Oaxaca, Michoacán, Estado de México
2018	\$160,723	301 tons	Bolita, Olotillo, Chalqueño, Comiteco, Tuxpeño, Cónico, Mushito	Oaxaca, Michoacán, Estado de México
2017	\$347,468	657 tons	Bolita, Olotillo, Chalqueño, Comiteco, Tuxpeño, Cónico, Mushito	Oaxaca, Michoacán, Estado de México
2016	\$155,716	340 tons	Bolita, Olotillo, Cónico, Chalqueño, Tuxpeño, Comiteco	Oaxaca, Estado de México
2015	\$43,000	80 tons	Bolita, Cónico, Mushito, Tepecintle, Chalqueño, Tuxpeño, Olotillo, Comiteco, Zapalote Chico	Oaxaca, Michoacán, Estado de México
2014	\$21,778	39 tons	Bolita, Olotillo, Chalqueño, Comiteco, Mushito, Cónico	Oaxaca, Michoacán, Estado de México

MAPPING OUR GROWTH

When Masienda was founded in 2014, we began with a group of twelve farmers in one region: Oaxaca. Today, our network has expanded to more than 2,000 farmers and artisans across seven states.



MÁS MASA, POR FAVOR

One of the highlights of 2023 was the late-spring launch of our Heirloom Corn Masa Harina (both blue and white corn varieties) at Whole Foods Market locations nationwide, greatly expanding the accessibility of one of our most-loved and bestselling products.

While we built our business on sourcing whole-kernel heirloom corn for chefs, restaurant professionals, and anyone eager to take on the hours-long process of nixtamalizing at home, we have grown our business in recent years through masa harina, which allows both home cooks and chefs to experience the satisfaction of making tortillas in just a matter of minutes.

While there are other retail brands of masa harina on the market, Masienda's is the only one made without any preservatives, from 100% nixtamalized non-GMO

corn grown by smallholder farmers in Mexico. It's made using a proprietary closed-loop process that preserves the corn's earthy flavor and aroma, and also gives the masa a uniquely light, workable texture. By expanding our presence in grocery stores around the United States, we're furthering our impact in Mexico, as we are able to purchase more heirloom corn from our growing partners. We continue to manage the full vertically coordinated supply chain, creating a value-added product for easier use, made and packaged in its country of origin.



PARTNER SPOTLIGHT

VICTORIA FRANCO LÓPEZ

COMAL DE BARRO
SANTA MARÍA MAGDALENA TILTEPEC,
OAXACA, MEXICO

Doña Victoria, the resident clay artisan for the Chatino indigenous community of Tliltepec, utilizes a centuries-old process to individually craft earthenware comales, the traditional disc-shaped griddles used to cook tortillas, typically over an open fire. Her work is a critical link in the preservation of masa traditions and the indigenous cultures of Mexico. We are proud to source limited numbers of these one-of-a-kind, handcrafted tools.

“I like the process and the result. It keeps me busy, and at the same time, I like it because it is part of my livelihood. When I am working with clay, I feel happy – my mind is at peace.”

VICTORIA FRANCO LÓPEZ
Clay Artisan, Oaxaca





PARTNER SPOTLIGHT

ARMANDO GUADARRAMA

CÓNICO AZUL, CÓNICO ROJO & CACAHUAZINTLE
JOCOTITLÁN, ESTADO DE MÉXICO

Follow the maíz azul. If you've been to La Marquesa, on the border of Estado de México and Mexico City, you may have experienced the vibrant blue tlacoyos and tortillas in abundance. La Marquesa sits just east of the city of Toluca, and opens up into the Toluca Valley, which has been a prolific farming community for centuries. It's in these fertile soils at the base of the Jocotitlán volcano, also known as Xocotépetl, where Armando Guadarrama pours his passion into his corn.

We have been purchasing corn from Armando since Masienda was founded in 2014, and Don Armando is a beloved partner as much for his high quality standards as for his infectious smile. In recent years, his son Moisés has joined him in the family business, and it has brought us much delight to see the transfer of the tradition of farming to the next generation. While Moisés is employed elsewhere in the agriculture industry for his "regular" job, he's drawn by his father's passion for corn and the increased market opportunity that they've experienced over the past nine years.

Though yield can easily vary year to year based on rains (as with most of our farmer partners, the Guadarrama family's parcels are rainfed), Armando says he will never stop farming, as long as his soil continues to produce.

"[Knowing there is an additional market for my corn] makes me feel more secure. We all benefit, both the people who consume the product and the people who help me produce it. Everyone here is a team."

ARMANDO GUADARRAMA

Partner Farmer, Estado de México



IMPACT SUMMARY

We call ourselves The Better Masa Company because our mission is just that simple: deliver masa that's better than anything our customers have ever tasted.

The way we source our corn – by aggregating surplus from an extensive network of smallholder farmers in Mexico – isn't easy, but we believe it's worth it. Genetic diversity and traditional farming practices produce a flavor and texture that just taste, well, better. And they happen to be better for the community and the planet, too.

As we wrap up 2023, we are heartened to know that more people are able to enjoy the taste of a true tortilla while helping preserve one of the world's most

important crops. Despite instability in the global economy and a particularly volatile year in the corn market, we were able to purchase more than 2.8 million pounds of corn (a record) and invest a total of more than \$2.5 million USD in small-scale agriculture and family-run businesses in Mexico.

While we cannot know exactly what's in store for 2024, we are proud to have built a resilient supply chain and assembled a world-class team to help write the next chapter.

With gratitude,
The Masienda Team



MASIENDA