

# TRANSPARENCY UPDATE

2015

The goal of this report is two-fold: one is to share FOB (free on board) prices of the coffees we buy each year. The second is to start to break down those prices to understand where the money goes within that FOB pricing structure.

How much money is allocated to milling?

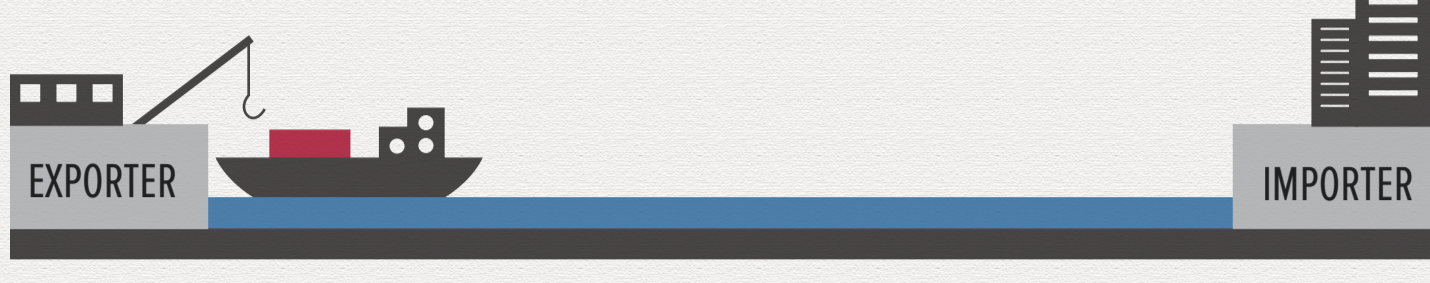
How about any export fees and taxes (dependent on the country)? What % goes to the producer themselves?

What sort of challenges are there with in-country logistics? How does that affect pricing?

## FREE ON BOARD

FOB means "Free on Board". This acronym represents the price paid for coffee to the point of export when it is ready to be loaded onto a ship at port. This price includes everything up until this point: farming, processing, milling and preparation for export.

FOB does not include shipping on an ocean vessel, importation costs, and over land trucking fees. This means the price to a roaster like ourselves will be significantly higher than the FOB price.



## THE DIFFICULTIES

All coffee is bought and sold in USD. It is common, however, that the producer is paid in their own currency. This means, ensuring accuracy in exchange rates is vital to accuracy in this exercise. For example if a producer is paid in Colombian Pesos, and is paid on a certain date, we would need to know that date in order to accurately translate that to USD. This is why we have chosen to use percentages in the pie charts below.

Initially we attempted to make a chart using weighted averages and put all of our coffees in aggregate to get a general sense of how (in our supply chain) the FOB price breaks down. We ran into some issues with different taxes and specific things to any given country.



We ultimately decided to feature 3 separate examples from Colombia, Honduras, and Kenya. We will continually update these charts as we dig deeper into our supply chains with each coffee we work with. Gathering all this information isn't easy, but we feel it is worthwhile to get a better sense of where we stand as a coffee roaster, and act as a way to assess how we can continually strive for accountability within our sourcing program.

## COLOMBIA Weighted average FOB \$3.22 / lb USD



68%

Price paid to farmer



32%

Margin from exporter

THIS INCLUDES:

In country transport of coffee, quality assurance, milling and packaging, post mill logistics and loading into a container.

## HONDURAS Weighted average FOB \$4.00 / lb USD



86%

Price paid to farmer



14%

Margin from exporter

THIS INCLUDES:

In country transport of coffee, quality assurance, milling and packaging, post mill logistics and loading into a container.

## KENYA Weighted average FOB \$4.27 / lb USD



94%

Price paid to co-op/estate



6%

Margin from exporter and marketing agent

In the case of a cooperative, the price paid to farmer/estate includes a margin for the cooperative to allocate towards maintenance. This fee % is highly dependent on the quantity and quality of coffee the factory is producing.

For example, last year's Gachatha paid out farmers a short while after harvest ended and retained 5% for operating costs. This fee can swing as much as 20% depending on prices paid for coffee and yield.

The farmers choose their board, and the cooperative holds the growers license and pulping license on behalf of the farmers due to legal requirements of the country.

## FOB PRICES

2014 - 2015

COFFEE NAME	COUNTRY	PRODUCER	REGION	LAST VISITED	FOB PRICE / LB
Aroresa	Ethiopia	730 small holder farmers	Sidama	November 1, 2014	\$3.60
Biftu Gudina	Ethiopia		Agaro	November 1, 2014	\$3.10
Gelana Abaya	Ethiopia	750 small holder farmers	Gedeo, Yirgacheffe	November 1, 2014	\$3.60
Hunda Oli	Ethiopia		Agaro	November 1, 2014	\$3.30
Jimate	Ethiopia		Limu Kossa	November 1, 2014	\$2.95
Kecho Tirtira	Ethiopia	350 small holder farmers	Limu Kossa	November 1, 2014	\$2.95
Tencho	Ethiopia	411 small holder farmers	Limu Kossa	November 1, 2014	\$2.95
Welinso	Ethiopia	636 small holder farmers	Limu Kossa	November 1, 2014	\$2.95
Alto Refugio	Guatemala	Juan Francisco Pira	Atitlan	January 1, 2015	\$3.20
Anexo Terrazas	Guatemala	Renardo Ovalle	La Libertad, Huehuetenango	March 1, 2015	\$3.75
Esperanza - Mirador	Guatemala	Aurelio Villatoro	La Libertad, Huehuetenango	March 1, 2015	\$4.00
Esperanza - Other lot	Guatemala	Aurelio Villatoro	La Libertad, Huehuetenango	March 1, 2015	\$3.75
La Bolsa Ventana Grande	Guatemala	Renardo Ovalle	La Libertad, Huehuetenango	March 1, 2015	\$3.75
Retana	Guatemala	Fernando Cofiño	Antigua	January + March 2015	\$3.40
San José Poaquil	Guatemala	4 small holder grower families	Chaltenango	January + March 2015	\$2.80
San Juan	Guatemala	Eduardo Figueroa & Luis Pedro Zelaya	Antigua	January + March 2015	\$3.40
El Olvido	Colombia	Angela Argote	Pitalito, Huila	Upcoming June 2015	\$3.38
El Recuerdo	Colombia	Carlos Guamanga	Pitalito, Huila	Upcoming June 2015	\$3.38
José Toro	Colombia	José Toro	Águila, Valle Del Cauca	Upcoming June 2015	\$3.13
La Paz	Colombia	Carolina Castelblanco	Chachagui, Nariño	Upcoming June 2015	\$3.13
La Peña	Colombia	Noe Bermeo	Salado Blanco, Huila	Upcoming June 2015	\$3.13
Luis Morales	Colombia	Luis Morales	Yacuanquer, Nariño	Upcoming June 2015	\$3.13
Miraflores	Colombia	Omar Viveros	Pitalito, Huila	Upcoming June 2015	\$3.38
El Ocotillo	Honduras	Natividad Benitez	El Cielito	March/April 2015	\$4.25
La Bendicion	Honduras	Ramon Rodriguez	El Cedral	March/April 2015	\$4.00
La Colmena	Honduras	Angel Arturo Paz	Las Flores	March/April 2015	\$4.00
La Maravilla	Honduras	Juan Evangelista Pacamara	Las Flores	March/April 2015	\$4.00
Martir Fernandez	Honduras	Martir Fernandez	Las Flores	March/April 2015	\$3.75
Miguel Enamorado	Honduras	Miguel Enamorado	El Cedral	March/April 2015	\$4.00
Miraflores	Honduras	Juan Contreras	Marcala	March/April 2015	\$2.60
Piedras Amarillas	Honduras	Elio Diaz	El Cedral & Los Andes	March/April 2015	\$4.00
Pearl Mountain Estate	India	The Patre Family	Western Ghat Mountains	-	\$2.40
Chorongji AB	Kenya	Various Smallholders		February 15, 2015	\$4.44
Karimikui AA	Kenya	Various Smallholders		February 15, 2015	\$3.86
Kigwandi AA	Kenya	Various Smallholders		February 1, 2015	\$4.64
Kigwandi PB	Kenya	Various Smallholders		February 1, 2015	\$3.57
Mburi AA	Kenya	Various Smallholders		February 1, 2015	\$4.45
Finca El Manzano	El Salvador	Emilio Lopez Diaz	Santa Ana	March 1, 2015	\$3.25

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PARALLEL

COFFEE ROASTERS

VANCOUVER