



ANNUAL CACAO SOURCING  
TRANSPARENCY REPORT

September 2012



**Passenger ferry that Alex Whitmore, Taza Chocolate Sourcing Director, used to cross the Sapecho River to visit remote cacao-growing communities in the Alto Beni region in Bolivia.**

*Photo by Alex Whitmore*



## We believe both farmer and chocolate maker should share the reward of making a great product.

Before we can make delicious stone ground chocolate, we need to source superior cacao beans. We couldn't do what we do best without cacao farmer partners who do what they do best: grow exceptional organic cacao. That is why we are committed to maintaining direct relationships with our cacao farmers and compensating them fairly for the high quality cacao they produce. We're also committed to partnering only with cacao farmers who respect the rights of workers and the environment.

Direct Trade has been a key component of the Taza mission since we began making chocolate in 2006. In 2010, we developed the Taza Chocolate Direct Trade Certified Cacao program, which ensures our trade practices are third-party verified, to further establish our commitment to our cacao farming partners and customers.

### TAZA CHOCOLATE'S FIVE DIRECT TRADE PRINCIPLES

*Taza Chocolate maintains a Direct Trade relationship with every cacao grower from whom we source our cacao beans. The five principles of the Direct Trade relationship are:*

1. We work exclusively with USDA Certified Organic cacao farms that practice sustainable agriculture.
2. We pay a premium of at least 500 US dollars per metric ton above the New York International Commodities Exchange (NY ICE) price on the date of invoice directly to cacao farmers.
3. We physically visit each cacao farmer or cacao farmer cooperative at least once a year to build long-term, sustainable relationships.
4. We only buy cacao from farmers and farmer cooperatives that ensure fair and humane work practices.
5. We never purchase cacao from farmers or farmer cooperatives that engage in child or slave labor.

### THIRD PARTY CERTIFICATION

*The following claims are verified annually by Quality Certification Services (QCS), a USDA-accredited organic certifier based in Gainesville, Florida.*

Claim 1:

#### **Direct Relationships With Cacao Producers**

We visit our cacao producers at least once per year. Our direct relationships with our cacao producers are measured by consistent visits to our cacao producing communities.

Claim 2:

#### **Price Premium Paid To Cacao Producers**

We pay a premium of at least 500 US dollars per metric ton above the NY ICE price for cacao beans.

Claim 3:

#### **Purchase Of High Quality Cacao Beans**

We source only the highest quality cacao beans (95 percent fermentation rates or more and dried to 7 percent moisture or less).



**Alex Whitmore and Francisco Poma Cruz,**  
**president of the CIAAB Cooperative, signing**  
**the Taza Chocolate Direct Trade Agreement**  
*Photo by Nicholas Valverde*

## YEAR IN REVIEW

2012 has brought great change in the world of cacao. Production is way up after last year's drought-induced shortages, and that means prices are down. This has challenged Taza Chocolate to reflect on our Direct Trade model and consider how we can continue to improve it.

Earlier this year, abundant supplies caused the commodities exchange prices for cacao to dip below the Fair Trade price floor for the first time in years. These unprecedented low prices make ethical trade programs for sourcing more important than ever for farmers. We have also seen the futures market become detached from the reality of the actuals market, driven primarily by speculation among hedge funds. This type of speculation is not always driven by what is happening with cocoa production and demand in the real world and has changed the dynamic of the cocoa trade substantially.

As we reflect on our Direct Trade model, we hope to improve this system designed to stimulate production of high-quality cacao and to create a fair, direct system for trade between fine producers and specialty manufacturers. Over the past year we have encountered lows in the market that we have not seen, leading us to think about setting a price floor for Direct Trade, organic, high-quality cacao.

What we have found is a price floor, like the one used in the Fair Trade system, is critical for economic sustainability in the Direct Trade model. However, that price floor is much higher than the floor for the Fair Trade model. We are setting the bar high for other ethical trade programs by establishing our Direct Trade price floor at \$2,800 per metric ton, inclusive of the Direct Trade premium of at least US\$500 per metric ton above the New York International Commodities Exchange price. The Fair Trade USA price floor is \$2,000 per metric ton. The substantially higher Direct Trade price floor reflects the quality of the cacao expected under this model as well as the amount of extra work required to achieve that particular quality.


While the Fair Trade model works very well for commodity-grade or low-grade products, it is less suitable for the premium and value-added markets. The Direct Trade model creates incentives for quality production and de-commodifies our food production by putting a face to the product and creating direct, personal, and sustainable relationships between producers and consumers. We think this model will persevere over the long run by returning us to the roots of how trade should be.

As we look toward the future, we must be thankful to all who paved the way to get to where we are today, and that includes the Fair Trade movement, the organic food movement, and all of the producer organizations, cooperatives, and food manufacturers who helped support these substantial efforts. Taza is proud to be part of this evolution and hopes to further the growth of a good, clean, and fair food system.

Sincerely,



Alex Whitmore  
Taza Chocolate Co-founder & Sourcing Director

A map of Latin America is overlaid on a background of cacao beans on a wooden surface. The map is outlined in a dark brown color. Four specific locations are highlighted with white stars and connected to text labels by dashed white lines. The labels are: 'MAYA MOUNTAIN CACAO Belize' (pointing to a star in Belize), 'LA COOPERATIVA RED GUACONEJO Dominican Republic' (pointing to two stars in the Dominican Republic), 'FINCA ELVESIA Dominican Republic' (pointing to a star in the Dominican Republic), and 'CENTRAL INTEGRAL AGROECOLOGICA DE ALTO BENI (CIAAB) Bolivia' (pointing to a star in Bolivia).

LA COOPERATIVA  
RED GUACONEJO  
Dominican Republic

MAYA MOUNTAIN CACAO  
Belize

FINCA ELVESIA  
Dominican Republic

CENTRAL INTEGRAL  
AGROECOLOGICA DE ALTO BENI (CIAAB)  
Bolivia

## WHERE WE FIND CACAO

Cacao pods grow directly from the trunk and branches of the Theobroma Cacao tree, which grows only in the Cocoa Belt, the tropical climate zone ranging from 20 degrees north to 20 degrees south of the equator.

During the harvest, farmers cut the pods from the trees and collect them in piles, where they are cracked open and the beans and fruit removed.

This mass of beans and fruit is packed in large wooden boxes to ferment for up to 7 days. The beans are then spread out to dry on large wooden decks. Drying can take up to 8 days.

The dried, fermented beans are then shipped to the Taza Chocolate Factory.



**Cut testing fermented cacao in Bolivia. The pink and light purple beans are underfermented. Cut tests are used to evaluate quality during annual visits to cacao farms and cooperatives**

*Photo by Alex Whitmore*



**A member farmer delivers cacao to the La Red Cooperative**

*Photo by Michael Piazza*



## LA COOPERATIVA RED GUACONEJO

Country: **Republica Dominicana**

Provincia: **María Trinidad Sánchez**

Municipality: **El Factor**

Area: **Reserva Científica Loma Guaconejo**

Fermentary Location: Lat. **19.293363**, Long. **-69.904128**

Average Rainfall: **52.44 inches**

Average Temperature: **79.39 °F**

We're proud to be celebrating our fifth year working with the La Red Guaconejo Cooperative. This makes our relationship almost as old as Taza Chocolate. Since we began working together, much has changed for their business and ours. As Taza has grown, so has La Red. Taza co-founder Larry Slotnick made our first exploratory trip to the Dominican Republic in 2007, and bought 15 sacks of beans. This year, we've imported three full containers—75 tons total—of La Red's excellent quality organic cacao. That accounts for 37% of the total cacao we sourced for the year.

In September 2011, we celebrated this long-standing sourcing relationship in a very special way—by flying four members of the La Red cooperative to Boston to visit the Taza Chocolate Factory. With assistance from Root Capital, Hilario Rosario Quezada, Angel Librado Sánchez Pérez, Juan del Rosario, and Miguel Arcangel Peña spent four days checking out our manufacturing facility, talking with Taza customers at our Factory Store, eating barbeque and dancing the merengue with the Taza team, and taking in a Red Sox game. It was deeply gratifying to provide this rare opportunity for cacao growers to connect in person with chocolate makers and chocolate eaters, and bring all the partners on the bean-to-bar journey together.

Back in the Dominican Republic, the cacao harvest this year has been strong following last year's droughts and low productivity. This bumper crop has been great for the producing communities, though it has lowered the prices substantially. La Red expects to process around 90 metric tons of cacao this season, their all-time high.

When Taza co-founder Alex Whitmore and chocolate maker Lucia Austria visited the co-op in April 2012, they saw a newly enlarged storage warehouse, additional drying capabilities, a cacao nursery full of seedlings, and a beautiful new fully-automated cacao bean cleaner and sorter. With these expanded facilities, La Red will soon be able to produce more than 150 tons per year of very high quality beans.

The cooperative now has the facilities it needs to grow, but needs to invest in additional staff. To increase participation among its 165 member farmers, La Red plans to hire a new professional administrator and two technical staff. They'll work to encourage more producers to sell their beans into the cooperative by providing support and services such as seedlings, trainings, and pruning work and also by offering micro-loans.

To help La Red achieve these growth goals, Taza is investing an additional premium in the price per ton paid to the cooperative for cacao—an extra \$420 per ton above our established \$500 per ton minimum premium. This premium, which went into effect in May of 2012, will help spur production volumes and continue to increase quality. It will also allow the cooperative to offer a more competitive price for the cacao they purchase in the local growing communities, and make a larger impact on the lives of cacao farmers in the Dominican Republic. Taza is proud to be a part of the success of La Red Guaconejo, and grateful for the contribution their growers have made, and continue to make, to our own success. We look forward to another great year of partnership in 2013.



Alex Whitmore, Joe Locandro and Marco Lee, the fermentary manager, at Finca Elvesia in 2011  
Photo by Samuel Ramon Lopez

## FINCA ELVESIA

Country: **Republica Dominicana**

Provincia: **Arroyo Arroyón**

Municipality: **El Valle**

Fermentary Location:

Lat. **18.967297**, Long. **-69.41617**

Average Rainfall: **52.44 inches**

Average Temperature: **79.39 °F**

With its stock of old-growth, fine-flavor Trinitario trees and excellent fermentation and drying facilities, this 100-hectare farm, run by Joe Locandro, produces some of the best cacao on the island. While Finca Elvesia itself can produce up to 100 tons of cacao per year, its fermenting and drying facility can turn out as much as 600 tons annually with the addition of cacao purchased from neighbor farms. Taza Chocolate purchased 100 tons of cacao from Finca Elvesia from October 2011 through September 2012, accounting for 50% of the total cacao sourced during that period.

Taza's sourcing relationship with Finca Elvesia began in 2009. Last year, drought led to production shortages which challenged this independently owned farm, but this year, plentiful rainfall coupled with rested trees has led to a bumper crop in the eastern part of the Dominican Republic.

Unlike most cacao producers, Joe's team hand sorts all its beans while fresh, removing stray pieces of pod and other debris before fermentation and drying. This care and attention at the farm level is a great boon to chocolate manufacturers like Taza. We receive more plump cacao beans and fewer "odds and ends," like clumps of dried pulp and twigs that we would otherwise have to remove ourselves before grinding. Hand sorting is time consuming, but it makes for unparalleled quality and creates loyal customers for the farm—like Taza Chocolate.

Many of Finca Elvesia's workers are Haitians that arrived in the aftermath of the 2010 earthquake. The farm provides good employment, as well as housing and food, for these migrant laborers. When Alex made his annual trip to the Dominican Republic in 2011, he had questions and concerns about the livelihoods of these workers. After talking with several staff members, he learned that they earn twice what they were able to earn in Haiti, and that the farm also provides needed services for them and their families. Some of the workers told him they wanted to build a new life in the Dominican Republic, while others said they hoped to save up enough to return to Haiti someday. He felt assured that their employment at Finca Elvesia was beneficial for them and the community.

Alex's most recent meeting with Joe and Samuel Ramon Lopez, Finca Elvesia's longtime farm manager, was in April 2012, in Santo Domingo, DR. While schedule conflict prevented visiting the farm, Alex was convinced all is well at Finca Elvesia, and that the ongoing employment of Haitian workers continues to provide a needed measure of relief in light of the still-desperate circumstances in Haiti.

Taza Chocolate is proud to be a customer of this well-managed traditional Dominican *finca* for three years running. We look forward to continuing our relationship for many years to come.



**Elva Zuazo, Quality Control  
Manager at Invalsa Coffee, next to  
an old cacao tree on a farm in Bolivia**  
*Photo by Alex Whitmore*

## CENTRAL INTEGRAL AGROECOLOGICA DE ALTO BENI (CIAAB)

Country: **Bolivia**

Provincia: **Alto Bení**

Municipality: **Palos Blancos**

Fermentary Location: Lat. **-15.57758**, Long. **-67.248402**

Average Rainfall: **23.5 inches**

Average Temperature: **56.58 °F**

Our relationship with CIAAB (Central Integral Agroecologica de Alto Beni), now in its second year, continues to strengthen. Originally formed by a group of producers frustrated with low prices and a lack of effective leadership in the Bolivian cacao market, CIAAB's mission is to help support the marketing of the primary products of producers in the Alto Beni region: cacao, citrus, and bananas. Taza Co-founder Alex Whitmore visited the co-op in February 2012 to meet with grower members in their communities. Their numbers have grown significantly since Taza first began sourcing here, in March 2010.

Alex and Jorge Valverde of Invalsa Coffee, Taza's Bolivian sourcing partner, were eager for an update on the cooperative's production methods. After traveling from Boston to Palos Blancos and checking into the only hotel in town, the two were immediately met by the leadership of the CIAAB, and welcomed to their first meeting with local cacao growers. Over the next several days they visited many more producer members and their communities. The farmers proudly showed the results of their industrious work: clean, well-pruned cacao farms, judiciously planted at 2 x 2 or 3 x 3 meters between trees. The farmers are sophisticated with their choice of plant varieties, predominantly growing ICS hybrids and Bolivian Nacional, and they also set up their own seedling nurseries in preparation for planting new acreage or implementing grafting projects to rejuvenate parcels with older tree stock. These practices are quite advanced in a region that has yet to develop strong market demand, and had few support services available before the CIAAB was formed.

The sourcing partnership that Taza and Invalsa Coffee formed in 2010 has grown substantially. When Taza first explored sourcing cacao from Bolivia, we needed a regional partner to support and facilitate our efforts. Invalsa, which runs an excellent coffee export business out of La Paz, Bolivia, as well as a coffee shop in Salem, MA, proved to be a perfect fit. Invalsa Co-founder Jorge Valverde has garnered national recognition in Bolivia for being among the most ardent supporters of coffee farmer organization and quality augmentation. Taza hopes to work closely with Jorge and Invalsa on efforts to increase cacao quality as well. This year, we've started by training a new quality control person, Invalsa master cupper Elva Zuazo, who will utilize bean cut tests and liquor samples to check each bag of cacao as it is purchased, and compare samples we send her from our factory with those she analyzes in country.

From October 2011 through September 2012, the Taza/Invalsa partnership purchased 40 metric tons of CIAAB's cacao for export, of which Taza will purchase 20 metric tons—up from 2.6 metric tons during the same period last year. As this relationship continues to grow and volumes increase, we hope to help maintain high quality and support increased production by investing in a fermenting and drying facility in Palos Blancos. By working closely with the leadership at CIAAB, this goal could become a reality as soon as 2013. We look forward to helping this fledgling cooperative grow, and to tasting the fruits of all our efforts and theirs in this year's 87% Stone Ground Chocolate Bar, made exclusively with these special beans.



**Gabriel Pop, General Manager at Maya Mountain Cacao, proudly stands in their new drying house**  
*Photo by Alex Whitmore*

## MAYA MOUNTAIN CACAO, LTD.

Country: **Belize**

Provincia: **Toledo**

Municipality: **San Felipe**

Fermentary Location: Lat. **16.097905**, Long. **-88.927009**

Average Rainfall: **71.97 inches**

Average Temperature: **85.24 °F**

Taza first began to explore the possibility of sourcing cacao from Belize in March 2010. During co-founder Alex Whitmore's initial information-gathering visit, he found a small cooperative (the Toledo Cacao Growers' Association, or TCGA), but was unable to negotiate a sourcing relationship with them. The cooperative's leadership had committed to an exclusive relationship with chocolate juggernaut Cadbury, who had made some initial investments in the cooperative's infrastructure. Alex spoke with several member farmers and learned that they were interested in having a new buyer in the market to compete for their fine-flavor cacao. He became convinced that introducing competition into the Belize cacao market would be beneficial both to farmers and to the fine chocolate industry.

Alex decided to get involved. In June 2010, he made a personal investment to co-found a new rural economic development enterprise called Maya Mountain Cacao, Ltd. (MMC), with a mission to support sustainable agricultural production among cacao farmers in the Toledo district of Belize. MMC sources high-quality Belizean cacao to supply fine chocolate manufacturers in the US. The organization aims to empower farmers by offering them a choice of buyers, and to compete for their crops by offering better pricing and services than they had access to previously. Maya Mountain Cacao also built new local fermentation and drying facilities, allowing better quality control during crucial post-harvest bean processing.

Output from the MMC fermentary increased from 4 metric tons in 2011 to 22 metric tons in 2012, with even more growth expected for 2013. Taza Chocolate purchased 7 tons of MMC's cacao between October 2011 and September 2012 (3% of our total cacao sourced for the year), with the remainder purchased by other chocolate manufacturers. Since this new organization created competition with the Toledo Cacao Growers' Association for the existing cacao production in Southern Belize, Alex and the MMC team have witnessed increasing interest in cacao farming in local communities, and plantings have increased substantially over the past year. MMC is supporting this growth by financing a 25,000-tree seedling project to encourage farmers to replant and replace aging trees, as well as expand their farms. The MMC team is gratified by these positive developments, and excited to further its mission to create a new market and more sustainable livelihoods for cacao farmers in Belize.

Additionally, Taza and Cotton Tree Lodge, a local eco-lodge, host an annual Belize Chocolate Week program. Guests learn first-hand about this community of excellent cacao producers and meet with several to discuss what the Direct Trade sourcing model means to them. Attendees see the MMC operation in action, and spend a week with Alex and the MMC staff learning about cacao, farm production, fermenting, and chocolate making. Chocolate Week is also a crucial part of Taza's efforts to connect the team at our Somerville, MA factory with the cacao growers who provide the excellent raw materials used to craft chocolate every day. Each year, some lucky Taza team members join Alex on this Belize trip. In 2012, Factory Store Manager Amanda Mallen, Chocolate Guide Jonathan Curtiss, and Customer Service Associate Kelsey Nicolas made the journey to Cotton Tree Lodge to deepen their understanding of the bean-to-bar transformation, starting at the source. Upon returning home, Amanda wrote that she'd learned chocolate "is much more than a simple delight to be enjoyed daily. It is connected to everything: family, culture, community, the environment, the economy. Having an opportunity to follow chocolate to the beginning of the supply chain, it became more real to me than ever; that as chocolate-makers and consumers we interact with all of these things. The choices we make can have a profound impact on the social and economic realities of producing communities."

Info about the 2013 Taza Chocolate Week at Cotton Tree Lodge can be found at [tazachocolate.com](http://tazachocolate.com).



**Cacao beans, freshly removed from their pods, in transport to the Maya Mountain Cacao central fermentary**  
*Photo by Alex Whitmore*



## CACAO SOURCE INFORMATION

	LA RED GUACONEJO, DOMINICAN REPUBLIC	FINCA ELVESIA, DOMINICAN REPUBLIC	CIAAB, BOLIVIA	MAYA MOUNTAIN CACAO, BELIZE
<b>Purchased Since</b>	May 2007	January 2010	September 2010	July 2011
<b>Most Recent Visit</b>	April 2012	April 2012	February 2012	March 2012
<b>Visit Made By</b>	Alex Whitmore & Lucia Austria	Alex Whitmore & Lucia Austria*	Alex Whitmore	Alex Whitmore, Amanda Mallen & Jonathan Curtiss
<b>Most Recent Price Per Ton**</b>	\$3300	\$3100	\$4200	\$4200
<b>Tons Purchased past 12 months</b>	75	100	20	7
<b>Fermentation Rate Cut Test Score</b>	98%	97.5%	96%	95%

\* Alex and Lucia met with Joe Locandro, Finca Elvesia Farm Director, at his office in Santo Domingo, Dominican Republic. While their schedules did not allow for a farm visit, they were able to connect with Joe in country to discuss this year's operations.

\*\* As of July 1, 2012



## ADJUNCT INGREDIENTS

Taza Chocolate Direct Trade is a certification that applies only to our cacao sourcing. As a small company with limited resources, we want to develop our sourcing program to focus on ingredients that have the most impact. Whenever possible, we like to source our non-cacao ingredients directly as well, but these ingredients are a very small percentage of the total ingredients we use and are most cost effective when purchased through indirect sources.

There are currently three ingredients that we source directly. Our cinnamon and vanilla come from Villa Vanilla, a sustainable organic spice farm in Costa Rica. The farm is managed by Henry Karczynski, a Chicago native and former Peace Corps volunteer with an extensive background in agricultural development. Henry has visited Taza to see and experience how we are using his products. Our almonds come from Big Tree Organic Farms, an organic farming cooperative in Turlock, California. All other adjunct ingredients are purchased through indirect sources.

Sugar has been a particularly difficult ingredient to source this year. Since sugar is a good material for ethanol production, oil prices and the demand for ethanol have impacted its international price. Costs have skyrocketed, with significant fluctuations from month to month. Our sources have changed more frequently as we seek out high-quality organic sugar at a price that is manageable for our company.

### Summary of Adjunct Ingredient Sources

*All Certified USDA Organic*

Ingredient	Source
<b>Cane Sugar</b>	Our sugar is evaporated cane juice from Brazil, and is purchased through Global Organics.
<b>Cinnamon &amp; Vanilla</b>	Villa Vanilla in Costa Rica.
<b>Coffee</b>	Counter Culture Coffee, based in North Carolina. We exclusively use their Direct Trade Certified coffee.
<b>Spices</b> (chipotle chili powder, ground ginger, & black pepper)	High Quality Organics in Reno, NV or Mountain Rose Herbs in Eugene, OR.
<b>Almonds</b>	Big Tree Organic Farms in Turlock, CA.
<b>Cashews</b>	Vietnam or the Ivory Coast, purchased through Olam and Bedemco, food distributors based in Summit, NJ and White Plains, NY, respectively.
<b>Hazelnuts</b>	Turkey, purchased through Marap, an organic food distributor based in Austria.
<b>Orange oil</b>	Made from domestic oranges, purchased from The Lebermuth Company, based in Indiana.
<b>Kosher Salt</b>	Siegel Egg, a distributor in Billerica, MA.
<b>Cocoa butter</b>	Peru and the Dominican Republic, purchased through Global Organics.





**Vanilla beans growing fresh on the vine (left);  
Farm worker shaves cinnamon  
at Villa Vanilla in Costa Rica**  
*Photos by Kathleen Fulton*



**Four members of the Taza team sample cacao fresh from the pod during their visit to Maya Mountain Cacao in Belize: (left to right) Alex Whitmore, Kelsey Nicolas, Amanda Mallen, & Jonathan Curtiss**

*Photo by Emily Stone*



**Taza Chocolate's Senior Shift Leader, Lucia Austria, holds a cacao seedling during her visit to La Cooperativa Red Guaconejo in the Dominican Republic**

*Photo by Alex Whitmore*



**Kellie Silsby, Purchasing Coordinator at Taza Chocolate and Angel Librado Sánchez Pérez, Controller at La Cooperativa Red Guaconejo, dance the merengue at a Taza staff barbecue in Somerville, Mass.**  
*Photo by Stephanie Larason*



**Juan del Rosario watches as Hilario Rosario Quezada, president of the La Red Guaconejo Cooperative, deposits chocolate made from their beans during their fall 2011 visit to the Taza Chocolate factory**

*Photo by Stephanie Larason*



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**Toribio Coc at the new  
Maya Mountain Cacao fermentary  
and drying facility in Belize.**

*Photo by Alex Whitmore*