We started Taza Chocolate in 2006 with a mission to make stone ground chocolate that is seriously good and fair for all. To make minimally processed chocolate that lets the complex flavors of cacao shout loud and proud, we need cacao that exceeds the quality of most Fair Trade beans.

The solution: we pioneered a new sourcing model—Taza Direct Trade. We forge direct relationships with cacao growers, visit them at least once a year, and pay them a premium above Fair Trade prices for the exceptional cacao they produce. This guarantees that we purchase only the best beans, and that the chocolate we craft from them is good for farmers, for us, and for you.

To ensure that our program is one that our grower partners, employees, and customers can trust, we decided to formalize our commitment to transparency. In 2010 we designed and launched Taza Chocolate Direct Trade Certified Cacao, a first-of-its-kind program in the chocolate industry. A third-party certifies each of our claims annually, and both farmer and chocolate maker share the reward of making a seriously good and fair chocolate.

**Direct Relationships**
We visit the cacao producers that we work with at least once per year.

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

**High Quality Cacao**
We source only the highest quality cacao beans (95% fermentation rates or more and dried to 7% moisture or less).

**2014 Impact**
- 331,607 lbs of chocolate enjoyed
- 999 farmers benefited
- 164.3 MT of beans purchased
- 264,100 hectares organic
- 4 countries visited

**Third Party Certification**
These three claims are verified annually by Quality Certification Services (QCS), a USDA-accredited organic certifier based in Gainesville, Florida.
YEAR IN REVIEW

This past year has been tumultuous for the cocoa industry. Price is a big part of the story, with the world market price for cocoa soaring by over $1,000 per metric ton during the 12 months ending August 2014. Growing demand in Asia and speculation in the broader agricultural commodities sector drove most of the increases.

This is great news for some cocoa farmers, especially those participating in our Direct Trade Program. With over 90% of global cocoa production coming from farmers with less than two hectares of land, price sustainability is a very big issue. But while higher prices can and should benefit farmers, unfortunately they do not always. Too often, any gains are confiscated by intermediaries. One of the primary goals of our Direct Trade Program is to help ensure that global price increases travel down the long dirt roads, reaching those who need them most—producers and their families.

It was also a year of tremendous growth for the craft chocolate-making industry. Dozens of new bean-to-bar chocolate makers opened their doors for business. This is exciting for a number of reasons. Not only will there be more demand for premium quality cocoa, but consumers will become more educated about how fine chocolate is made and where cacao comes from. Ideally, this will trigger a growth of interest in the cocoa sector, shed light on the challenges facing small scale cocoa producers, and lead to more long-term increases in cocoa prices.

One of the greatest opportunities in creating a more economically sustainable cocoa industry is creating transparency in the system of trade that connects small-holder cocoa farmers with manufacturers, the end users of the cocoa bean. In between the two frequently stand a series of intermediaries, brokers and export/import companies, all of whom take a share of the value given by the end user. With our Direct Trade Program, we can shorten that value chain, de-commodify cocoa, and create a transparent and high-value opportunity for the farmers we work with.

Since we began our Direct Trade program in 2007, we have slowly been making investments in projects at origin to support the transparency and the growth of specialty cocoa production in the countries where we work. These investments include fermentation and drying facilities, warehouses, and offices in Guatemala, Belize, and Bolivia, which allow us to improve the quality and quantity of beans for export and drive a more substantial impact. Our hope is that our efforts to create meaningful market access and introduce competition for quality cocoa into these geographies will increase and stabilize the price farmers fetch for their quality beans, by bringing a premium market to their farm gate and their families.

Sincerely,

Alex Whitmore
Taza Chocolate Co-founder & Managing Director

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THE NITTY GRITTY

Problem: Over 90% of global cocoa production is produced by farmers working less than 5 acres of land. At this scale, cocoa farming is economically unsustainable as a business at current price levels.

Solution: Help boost farm gate prices by driving competition in the market, bringing meaningful market access to the poorest regions, increasing consumer awareness by growing the craft chocolate sector, and creating transparent supply chains that connect the remote producers to the end user of the product more directly and openly.
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.

Emily Stone, co-founder of Cacao Verapaz, evaluates cacao in Cahabon, Guatemala. Photo by Alex Whitmore

WHERE WE FIND CACAO

Cacao Verapaz
Guatemala

Maya Mountain Cacao
Belize

La Cooperativa Red Guaynabo
Dominican Republic

Alto Beni Cacao Company
Bolivia

Oko Caribe
Dominican Republic

Finca Elvesia
Belize
After working with La Red Guaconejo for over seven years, I am disappointed that for a second year in a row, we were unable to buy agreed upon volumes from this once promising cooperative. Taza pays La Red large premiums to support the growth of their organization and increase the professionalization of their team. It is disheartening to witness La Red struggle due to organizational challenges that hamper their ability to optimize the potential profits from their high quality cacao.

Like many farmer-run organizations in the cocoa sector, La Red Guaconejo faces significant challenges, one of which is the limited level of education and business experience among elected leaders. The Cooperative has struggled with fiscal mismanagement. Earnings from year to year were distributed entirely to members rather than used to build a cash reserve to help maintain a budget for paying workers and financing ongoing operations. They also have a poorly run producer loan program. This has contributed to diminished export volumes and a declining producer base. As a result, the organization ran out of money and was forced to shut down temporarily.

This past November, the cooperative’s farmers took a first step in reversing this trend. For the first time in five years, La Red held a general assembly of members. It was an important moment in the history of the Cooperative and resulted in an almost complete turnover of the Directiva—the leadership of the organization. A new president, Frank Batista, was installed with the hope that he could help return the group to growth and economic sustainability. I was unable to attend the general assembly, but I did visit and meet with the new leadership at La Red over a two day period in May 2014.

At the same time, a new US Peace Corp volunteer, Kaley Marino, arrived in a nearby community named El Factor. Her project is to support La Red in their renewed quest for economic sustainability. There have been several Peace Corps volunteers stationed with La Red before her; but none with as strong a background in the commodities trade. I am excited to work with Kaley and confident that she can help to drive growth at the Cooperative as well.

As a result of these changes, La Red was able to ship one small container of 14.7 metric tons to Taza this year. And, with the money from the sale of those beans, it seeks to be able to pay back debt and acquire pre-harvest financing for future shipments. Looking ahead, I am optimistic that over the coming year experienced and business-oriented staff will be brought on board to help rebuild the organization. We are working closely with the Cooperative to help them achieve this. I look forward to buying much more of their cacao in 2015.

The Nitty Gritty After another tough year for La Red Guaconejo, we hope that the election of a new cooperative President plus the support of a Peace Corp volunteer signal brighter days ahead.

LA COOPERATIVA RED GUACONEJO
Country: Republica Dominicana
Provincia: Maria Trinidad Sanchez
Municipality: El Factor
Area: Reserva Cientifica Loma Guaconejo
Number of Farmer Participants: 105
Number of Employees: 10
Hectares Certified Organic: 500

After another tough year for La Red Guaconejo, we hope that the election of a new cooperative President plus the support of a Peace Corp volunteer signal brighter days ahead.
Nestled among rolling hills, Finca Elvesia is a 120-hectare farm in the eastern Dominican Republic with some of the most exceptional and unique cacao genetics in the Republic. The farm was planted by a Swiss family at the turn of the last century and has produced cacao for various owners for over a hundred years, mostly for export to Europe.

Finca Elvesia is now a privately owned and operated farm with its own fermentation and drying facilities. By managing the entire farming, harvest and post-harvest process, farm manager Samuel Lopez can closely control quality. After cacao is harvested, the beans are removed from the pods, and the juices surrounding the beans need to drain for different amounts of time depending on the genetics and the climate in the region. At Finca Elvesia a full day of draining is required. Afterwards, the cacao is box fermented for a total of five days, with the first rotation after two days, the second after two more days and the final removal from the boxes after one more day. This unique process results in a different degree of fermentation compared to most other Dominican cacao, and retains some of the bitter notes in the beans. This characteristic is desired by many European chocolate makers. In fact, with few exceptions, Finca Elvesia had mostly sold beans into the European specialty market before we began working with the farm in 2010. Each year I have been impressed by the consistency and quality of Elvesia’s cacao, which has helped us make consistently excellent single origin Dominican chocolate.

The farm also generates substantial social benefit by employing over 35 people during the harvest period, many of whom live on the farm or nearby. More than half of the staff are Haitian migrants who have traveled to the Dominican Republic to find work and send money back to their families in Haiti. Finca Elvesia is proud to provide migrant workers a secure income, and also support many of them in their quest to become Dominican citizens and landowners in their own right. Taza values the opportunity Elvesia provides to Haitian immigrants and hopes to see their impact grow in the coming years.

The Nitty Gritty Finca Elvesia delivers a consistent, high-quality supply of cacao while generating meaningful employment for several dozen Haitian immigrants.
Gualberto Acebey Torrejon and Adriano De Jesus Rodriguez, co-founders of ÖKO Caribe, have over 20 years of experience with Conacado, the largest organic cocoa cooperative in the world. They founded ÖKO Caribe in 2006 as a for-profit purchasing organization with the mission to produce premium cacao to boost farm gate prices and drive up the price farmers receive. When I first found out about their operation I was thrilled and impressed with how well their vision aligned with our own Direct Trade program.

With a lean team of 22 staff during the harvest period, the organization can process over 400 metric tons of world-class quality, USDA certified organic cacao. Utilizing a unique six-day fermentation style, and multiple distinct drying stages, ÖKO Caribe can offer up the best Dominican cacao in the Republic. During my visit this year I was able to meet with Adriano and Gualberto, tour the facility, and see a new fermentation building and recently added mechanical drying facilities to handle production during very rainy periods, when their solar dryers cannot dry the cacao efficiently.

ÖKO Caribe works with several farmer associations and pays them a premium for the high quality beans harvested in the communities that surround their Pimentel facility. Their goal is to develop long-term relationships with local producers characterized by loyalty and stability. These secure partnerships build a sustainable and fair economy for cocoa farmers in the region, and keep predatory creditors and low priced intermediaries at bay during vulnerable periods, such as in between harvests, or when the crop is flush and prices fall.

This year we purchased over fifty metric tons of beautiful, organic cacao from ÖKO Caribe, and we are excited to continue working with Adriano and Gualberto in the years ahead. With their partnership, we have been able to fill the gap that was left when La Red could not supply us with the volumes we needed to support our growing chocolate production.

The Nitty Gritty ÖKO Caribe’s long-term partnerships with local farmer associations continue to deliver high-quality cacao and economic sustainability in the Northeast region of the Dominican Republic.
Great progress has been made since I first visited southern Belize five years ago. In 2009, I arrived to find a declining cacao industry with limited market access and a fledgling cooperative unable to provide many services to member farmers. Since my partners and I started Maya Mountain Cacao (MMC) in 2010, our organization has become the largest exporter of cacao in Belize and has improved the economic well-being of 275 producers throughout cocoa farming communities in Toledo. MMC’s innovative social enterprise model has created a path for growth in the cacao farming industry which can both provide sustainable livelihoods and maintain the pristine ecosystems of southern Belize. Cacao harvest volumes are rising, due in part to MMC’s seedling projects and grafting programs, but also to an increase in the acreage dedicated to farming cacao, as interest in high quality Belizean beans swells among craft chocolate makers.

MMC’s 4th Annual Farmer Meeting was held this past March in Eldridgeville. The full support of the Belize government was expressed by the Minister of Agriculture and the Minister of Economic Development, who were both in attendance and spoke on the occasion. Over 400 community members attended the event, which was considered a huge success for what started as a small gathering four years ago. This kind of attendance is a big signal that farmers are beginning to take cacao farming more seriously as an economically meaningful industry for their communities.

Meanwhile, MMC has begun working on a new project at the Xibun River Farm which is north of Toledo in the Cayo region. This 400 acre cacao farm is home to a variety of excellent cacao genetics. MMC has recently secured long-term supply commitments from Xibun River Farm and is leasing their fermentation/drying facility. In collaboration with the present owner, MMC is working to rehabilitate the farm and generate local employment. New fermentation and drying capabilities have been added, and the first beans harvested from the farm were exported this year. It is our expectation that this farm will produce 100 tons per year once in full production approximately three years from now.

I feel confident in the continued growth of MMC over the coming years, with production volumes projected to hit 40 MT in 2014 and 60 MT in 2016. The quality of cacao being produced in Belize is outstanding, and I am proud that Taza can play a pioneering role in growing the industry in this part of the world, while creating such a positive impact in the communities of our grower partners.
Workers at the Xibun River Farm in Cayo, Belize emptying cacao pods for fermentation.

Photo by Alex Whitmore

“In this last year, MMC’s work to connect local farmers to the international fine flavor cacao market has visibly contributed to development of a stronger, healthier cacao industry in Belize. Last year, MMC launched a nursery project with 80,000 selected seedlings, with the goal of grafting at least 25% of the trees. Last winter, MMC began a “Super Tree” survey of the Toledo district to identify trees showing above average pod yields in order to use better local genetics for seedlings. The seedlings were planted in four nurseries in Toledo. Over the course of the project, MMC trained 30+ local men and women in cacao nursery management and grafting, and then employed these individuals to execute the project. Grafters have reported that they are not only glad for the employment through this project, but also are grateful for the long-term benefit of technical training in this high-value agricultural skill.”

Taza owns 29.4% of Maya Mountain Cacao and purchased just over 12 MT out of 31 MT, or 39% of MMC cacao in the 2014 harvest period. We are proud of the positive impact we have had on the local community, as captured by MMC’s Maya Granit:

PRODUCER SPOTLIGHT
Developing cacao sources in Guatemala has been on our horizon since we began building our Maya Mountain Cacao operations in neighboring southern Belize. Emily Stone, the Director of Maya Mountain Cacao, and I were compelled by the opportunity to source quality cacao and the potential to make a real social and economic impact by providing greater market access for Guatemalan producers.

We focused our planning on the region of Alta Verapaz, specifically the Coban and Cahabon municipalities. In the Coban region there are three small producer groups (ASOSELNOR, ASODIRP, KAJBALPOM), which are organized together under an NGO called FundaLachua, and in Cahabon there is a producer association called ADIOESMAC. These groups are communities of cacao growers that have banded together to combat the presence of coyotes—rogue buyers who offer cash and usually low prices. Farmers are tempted to sell to coyotes because they need the money, but then are unable to access other buyers who pay higher prices for better quality cacao. By banding into associations, the farmers can work together to compile larger volumes, centrally ferment and dry for better quality, then demand higher prices as they control higher volumes of production in the region together.

In the fall of 2013, Taza and Maya Mountain Cacao jointly applied for and received a $200,000 Dutch government Private Sector Investment Program grant to advance our vision in Guatemala through the creation of Cacao Verapaz, which aims to support the development of these producer groups and connect them with premium buyers. This will create a more sustainable source of income for previously isolated producers.

In April 2014, fueled by the support of our grant resources, Emily and I traveled together to Guatemala to lay the foundation for our project. After an hour-long boat trip from Punta Gorda, Belize across the Bay of Honduras, we landed in the town of Livingston, Guatemala. From there, we traveled by riverboat on the Rio Dulce until we returned to land to catch a mini-bus bound for Lanquin, Alta Verapaz. The two day journey took us through the most beautiful parts of Guatemala cacao country. During our trip, we achieved all of our goals which included setting up our new company, Cacao Verapaz, establishing relationships with cacao producer groups in the region, and hiring an operations manager, Marlon Fernando.

As we visited each producer group, I was blown away by the quality and flavor of their cacao. Each group had excellent fermentation and drying facilities, and utilized them skillfully to create an outstanding product. It is rare to encounter a group on my first visit that is producing high quality cacao, especially if it does not already have an export market.

The producer groups of Alto Verapaz have high quality cacao that is ready for export to premium chocolate makers, and we are excited to facilitate this connection.

The Nitty Gritty Working in collaboration with local organizations, we seek to connect remote Guatemalan cacao farmers with premium markets which will provide them more sustainable income.
Much has changed since Taza started doing business in the Alto Beni four years ago. On my visit this past June, I found the roads in the country have undergone substantial improvement thanks to a multi-national road improvement project to boost economic growth in the region. The cacao sector has evolved as well. The dominant buyer in the region, El Ceibo, is losing much of its financial support from European aid organizations, allowing more market-correct forces to take effect. This is good for the farmers there because it allows a new conversation to form about creating a sustainable future for cacao production in the region—one that is not dependent on international aid.

Over the past 15 years, producers throughout Alto Beni have received aid money and grants, often with unintended consequences. For example, agro-forestry projects have sought to maintain biodiversity and create varied income sources for producers. However, the theory of creating multiple income streams from different crops was undermined by the poor execution. Citrus was inter-cropped with cacao, leading to competition for resources between the two. Additionally, many farms were planted in an overcrowded way, creating the ideal environment for diseases that thrive in humid, shaded environments. This poor planning and implementation by the aid organizations, coupled with a very rainy summer and fall, led to devastating production losses in the region. Cacao producers are expecting a 60% production loss for this harvest season compared with last year.

In order to meet these and other challenges, the Alto Beni Cacao Company was formed in 2013 with a partnership between Taza Chocolate and Invalsa Coffee, a specialty coffee exporter in the region. Much like Maya Mountain Cacao, Alto Beni Cacao seeks to introduce a direct market, to purchase wet cacao, to control quality during the critical post-harvest fermentation and drying cycle, and ultimately to improve producer livelihoods by creating market access to premium prices. The good news is that this June the Alto Beni Cacao Company completed construction on a 500 metric ton capacity cocoa fermentation and drying facility in Sapecho, a hub of the productive cacao zone in the Alto Beni region.

We are also offering the best farm gate price ever to cocoa growers there at US$4,200 per metric ton. By buying wet cacao that has yet to be fermented, Alto Beni Cacao can ferment and dry the beans and manage quality. This frees farmers to focus on maintaining and clearing their lots, which reduces problems with disease and increases yields, resulting in higher total farm incomes. Last but not least, we have planted a 3 hectare clonal garden to grow genetic material for our seedling farms to help boost production of local varieties of cacao that have shown good levels of productivity and resistance to Monelia and other diseases.

Through the remainder of 2014, and hopefully well into the future, we will be processing wet cacao that we purchase from regional farmers, including members of the CIAAB association, from whom we previously bought fermented and dried cacao. We are supporting their organization by offering them a guaranteed price for the remainder of the year equivalent to the $4,200 metric ton that we are paying now.

We have made significant progress, and exciting works remains to be done. Through continued collaboration with the region’s producers, we see great potential to drive the industry forward. Higher yields coupled with improved quality resulting from our centralized facility have the potential to place Bolivia on the industry’s map, as a location where others will travel to buy fine flavor cocoa.

The Nitty Gritty The cacao sector in Bolivia’s Alto Beni region is undergoing exciting changes, creating opportunities for farmers to engage in more direct, profitable and sustainable trade.
# Cacao Source Information

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<th>Source Area</th>
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<th>Most Recent Visit</th>
<th>Visit Made By</th>
<th>Most Recent Price Per Ton</th>
<th>Tons Purchased Past 12 Months</th>
<th>Fermentation Rate</th>
<th>Cut Test Score</th>
<th>Percent of Total Cacao Purchased in the Past 12 Months</th>
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* Alex met with Joe Locandro, Finca Elvesia Sales Director, at his office in Santo Domingo, Dominican Republic. While their schedules did not allow for a farm visit, they were able to connect in country to discuss this year’s operations.

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Alex Whitmore in pursuit of the world’s best cacao in the Alto Beni, Bolivia.

Photo by Jorge Valverde.
Adalia Pop demonstrates traditional Mayan chocolate making in her kitchen in San Pedro Columbia, Belize. (front cover) Photo by Shane Kier

Well fermented Hispanola cacao drying at the OKO Caribe facility in Pimentel, Dominican Republic. Photo by Alex Whitmore