

ANNUAL REPORT 2000



Connecting _____ to small farmers
(your name here)

DIRECTORS' VIEW



2000 BOARD OF DIRECTORS

Worker Owner Directors

Clark Arrington, Chair

Erbin Crowell

Tom Hanlon-Wilde

Jessie Myszka

Mark Souza

Mark Sweet

Outside Directors

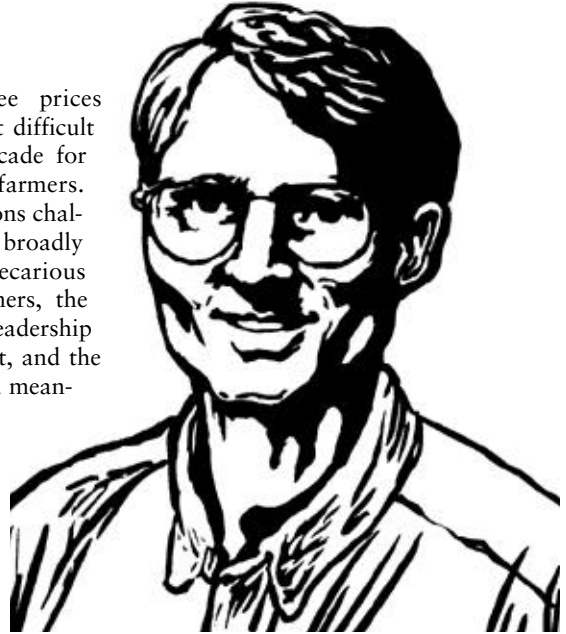
Bob Burke

Jean Mason

Michael Rozyne

BY ROB EVERTS & RINK DICKINSON

Persistent low coffee prices made 2000 the most difficult year in nearly a decade for small-scale coffee farmers. These difficult market conditions challenged us to think deeply and broadly about sustainability: the precarious status of our producer partners, the nature of Equal Exchange's leadership in a growing fair trade market, and the need to engage consumers in a meaningful and ongoing dialogue. The critical role of consumer understanding and commitment to fair trade is the theme of this unorthodox annual report.




Rob Everts

engage

**consumers in a
meaningful and ongoing dialogue**

This past year, loyal existing accounts together with hundreds of new retailers and churches participating in fair trade yielded a 14% growth in sales (\$7.18 million) and a year-end profit of \$211,010 before taxes. Strong efforts in the northwest increased our presence (to an unprecedented level) there at the epicenter of the specialty coffee industry. We purchased 1.65 million pounds of coffee from 17 producer groups in ten countries. Internally, staff training and system upgrades gave us increased confidence in our ability to analyze critical data. We grew to 39 employees, 25 of whom are worker-owners – an all-time high.

As we look ahead to deepening our worker-ownership culture, our relationships with producer partners, and our unique role in a growing movement to build more equitable trade relationships, we thank you our numerous stakeholders for your passion and confidence in our work. 

FOUNDER'S VIEW

BY RINK DICKINSON



discovering
the truth:
consumers have
significant power


Rink Dickinson

When Michael, Jonathan, and I created Equal Exchange in 1986, we were motivated by the belief that people are good and, if given the choice, want to make the world a better place. With virtually no role models to guide us, we sought to establish an alternative to the traditional model of international trade. We wanted to ensure better incomes and economic independence for producers while providing consumers with information and access to fairly traded products.

This vision has at times been challenged by a prevailing sense of pessimism and powerlessness during the past 20 years. As citizens and consumers, people often feel they have little power when it comes to protecting the environment, supporting local businesses, or defending workers' rights. When the subject turns to international trade, the ability to effect positive change feels even further out of reach.

Fortunately, more and more Americans today are questioning the source of and conditions under which their food and other products are produced. They are discovering the truth that as consumers we do have significant power. The situation may well be difficult – or even grim, as it usually is for peasant coffee farmers – but there are solutions. Although the market has become more consolidated and centralized it is in some respects more responsive to consumers than ever. As described later in this report, Equal Exchange supporters have launched innovative efforts to build demand for and access to fair trade coffee.

The Equal Exchange network has grown dramatically over the past five years. Our network now includes 254 citizen investors who have put capital into our consumer-producer exchange. It includes 60,000 individuals who read *Java Jive* and 500,000 consumers who drink our coffee and tea each week.

We have taken several major steps in building this network, which stretches from Alaska to Florida and from Peru to Tanzania. Our success depends on further strengthening our consumer-producer exchange through more investors, more consumers, more activists, more worker owners, and more producers. We need to highlight the Equal Exchange network as an effective choice that makes the world a better place. We must continue to use our consumer power intelligently and effectively. If we do we will be able to create alliances that transform the marketplace to respond better to the needs of producers and consumers. 



CHAIR'S VIEW

BY CLARK ARRINGTON

The year 2000 was another extraordinary year for Equal Exchange. We grew as a business and matured as a social change organization. Our organizational growth is most exemplified by the development of our governing bodies, and again they rose to the occasion, successfully addressing the challenges presented to them.

At the board level, we finalized an executive leadership review process, and the new team of Rob and Rink received all-around high marks for their leadership skills and management decisions. For the first time we negotiated a contract with our executives, defining expectations and accountability. The board developed and approved the budgeting process along with refining our strategic planning process and sharpening measures of success for the organization. These measures addressed profitability, innovation, growth and influence in the fair trade coffee market, premiums and credit paid to farmer partners, and the recruitment and retention of mission-driven staff. Equally as important, we continued to activate our committees as forums for leadership development and complex problem solving. As a result we now have a comprehensive personnel policy, more clarity on how to integrate non-Canton based staff into our worker-owner body, and an aggressive strategy to help new employees develop into responsible worker-owners.

On the capital raising front, we attracted 48 new investors who invested \$153,153 in Class B preferred shares. Although the dollar total did not meet our expectations, we continue to attract a diverse group of people eager to support Equal Exchange's mission and economic model. Against a backdrop

**declaring
dividends to
our shareholders
for the 12th
consecutive
year**



of dramatic decline among both conventional and high-tech stocks, we declared dividends of five percent to our shareholders for the twelfth consecutive year. Ten percent of profits were again given out in charitable contributions with the majority going to our sister organization, Red Tomato.

As I make plans to relinquish my position as Chair, I realize how deeply I am going to miss serving in this capacity with Equal Exchange. It was a position and title that became a part of my identity. However, it is time for me to move on; I will take with me great memories of this democratic and humanistic community of the highest order. I am indeed grateful for having had the opportunity to serve. 🇺🇸

JANUARY

*7th Annual Client Tour
(visit to UCIRI, in
Oaxaca, Mexico)*

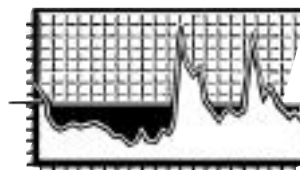


*Started direct sales and
service to Canada*

*Equal Exchange receives
Business Ethics Award for
stakeholder relations*

*Tea shipped from
port in Calcutta*

*Coffee market starts
its downward spiral*



STAFF VIEW

BY MICAH STEINHILB




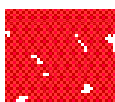
coffee
can be a
powerful
force
for change

Several students and I began a campaign to educate the campus community about fair trade and the power we have as consumers. In the process we learned a lot, created a broad base of support among students, faculty, staff, and administrators, and succeeded in getting the University to offer Equal Exchange coffee in one of the dining halls. It was during my work as a campus activist that I learned about Equal Exchange's Interfaith Program.

What finally led me across the country was the Interfaith Program's unique approach to joining faith and fair trade. People of faith often gather for fellowship around a pot of coffee. Churches and synagogues are also active in providing relief aid and development assistance in their communities and throughout the world in many of the countries where coffee is grown.

Yet how often do we consider that the coffee we share at fellowship can also be a powerful force for change in these same communities?

In 2000, more than 1,500 places of worship purchased more than 41 tons of fairly traded coffee and tea through the Interfaith Program – 39% more than in 1999. Together with partners such as Lutheran World Relief and the American Friends Service Committee we continued to find new ways for faith communities to support small coffee farmers. Churches held fundraisers and fair trade holiday bazaars. One church – St. Paul's Lutheran Church in Glenside, PA – even held a Baroque music concert featuring J.S. Bach's "Coffee Cantata;" the event raised more than \$3,000 for producer cooperatives in Guatemala, Nicaragua, and Tanzania! During this past year the Interfaith Program also grew to three employees with the addition of Jill Wenke in July. Together with Program Coordinator Erbin Crowell, we are all looking forward to even greater opportunities for building faith and fair trade in 2001. 

 Why would anyone want to drive 3,000 miles? When I graduated from Pacific Lutheran University last May, I considered taking a job only a few miles from my home in Tacoma, WA. Instead, I chose to work with Equal Exchange's Interfaith Program in Canton, MA – more than 3,000 miles away. As a student I learned about Equal Exchange's unique approach to trade through my coursework in international development. Many of my classes focused on the grave obstacles of poverty and injustice facing people in the developing world, but few of them offered the kind of innovative alternative advocated by Equal Exchange for the past 15 years.

FEBRUARY

Equal Exchange receives annual White Dove Award from Rochester office on Latin America (ROCLA)

Equal Exchange starts accepting credit card purchases

Equal Exchange exhibits at the Natural Products Expo West in Anaheim, CA

MARCH

Marketing develops and launches new advertising campaign


Tea shipment arrives in Equal Exchange warehouse



First tea buds of the season begin to emerge on bushes (first flush begins)

INVESTOR VIEW

BY AKUA LIZLI HOPE

 The proposition was irresistible – to combine delighting my palate with pleasing my sense of social duty. I happened upon Equal Exchange while sipping a cup of exquisitely delicious coffee and reading *Java Jive* in the tiny town of Corning, New York. For a child who thrilled to a teaspoon of her grandparents' Blue Mountain coffee in a mug of milk, sipped at the back of their grocery store in Harlem, Equal Exchange is compelling.


All four of my grandparents migrated from the Caribbean to New York City in the teens and early 1920s. So working hard to create a better life and issues of fair trade and fair wages are all near and dear to me. I was moved to consider becoming an investor, putting my money where my mouth was, joining stomach and conscience. I was gratified to learn about a further opportunity to participate beyond ordering and drinking Equal Exchange coffees.

I had served as a group founder, trainer, and volunteer leader with Amnesty International for a number of years. I now welcome the chance to extend my commitment to making a more-just world to the economic realm. The holder of an M.B.A., I wish I had conceived such a healing way to apply those skills. The success of this endeavor is wonderful but the idea alone, the daring of the many good-souled and strong-constituted people who put the idea forward, is so affirming.

I've learned a lot from Equal Exchange and have been inspired by it. I am grateful for the hard work and vision that makes participation – both buying and investing – such a clear matter of course for those like me.

**extending the
commitment to
make a more
just world**

For Equal Exchange remediates dire circumstances, creates balance, and provides hope by modeling a better relationship between provider and consumer. A vegetarian for 28 years now, I have become more thoughtful and rigorous about energy use and recycling. I have embarked on a new journey – I've just concluded 23 years of corporate life to focus fully on my writing (poetry and prose) and art (sculptures in glass and hand-made paper).

I thank the growers and Equal Exchange for the joy they give. I am grateful that I have been invited to participate. 



APRIL

Peruvian farmer Arnaldo Neira visits Equal Exchange accounts and conducts radio interviews in northern California

Rosario leads workshop at Specialty Coffee Association of America

Tom Hanlon Wilde (West coast Sales Manager) elected to the BOD of Equal Exchange



Interfaith Program and LWR conduct a survey of churches in the LWR Coffee Project

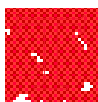
MAY

The Boston Globe prints glowing article on the Interfaith Coffee Program entitled, "Coffee Cooperative Offers Churches a Brew of Social Activism"

Launch "Tanzanian Jubilee", a new 8oz product linking fair trade and the campaign for debt reduction

FARMER'S VIEW

BY SANTIAGO PAZ

 The Central Piurana de Cafetaleros (CEPICAFE) is an umbrella organization for 30 peasant coffee cooperatives in northern Peru. Our 1,200 members have small farms ranging in size from half a hectare to two hectares (0.85 – 3.4 acres). Compared with the primary coffee growing regions in Peru, Piura is a marginalized area and average yields are low. Consequently, the average annual income for families is only \$400-\$500.

In 1997, our first year exporting coffee, CEPICAFE members produced one and a half containers (57,000 lbs) of coffee and sold it all to the fair trade market. Fair trade organizations opened doors to the international market and gave us confidence in our ability to export. Building on this initial success, we grew and exported eight containers in 1998, 20 in 1999 and 32 in 2000—30% of which went to fair trade buyers. Currently, CEPICAFE ranks twenty-sixth among coffee exporting organizations in Peru and produces 25% of the coffee grown in the Piura region.

The above-market premiums earned from fair trade have enabled our members to invest in improving their farms and acquiring small machinery, all of which helps to improve coffee quality. In addition, this added income allows us to fix up our homes, cover medical expenses, and provide an education for our children.

Now our members no longer think about emigrating to the cities; they think in a distinctly different manner. Coffee cultivation is now a viable way to make a living, something they can dedicate themselves to. Piura is a beautiful place to live, and with better conditions brought about through organization and fair trade, CEPICAFE members are able to work toward a better life. We know it is difficult to achieve a high standard of living; we only seek a life with a little more dignity.

At current world coffee prices, even these modest ambitions can seem overwhelming. The market prices we receive don't come close to meeting the costs of production. Currently, coffee prices are so low that the cost of producing coffee is three times the selling price. This illustrates that market mechanisms are not working. The most vulnerable people in the entire chain of production, those hurt the most, are the small producers.

From our own experience, we know the important role that consumers play. We want to communicate that through active participation in fair trade you can help those of us in other parts of the world obtain a more viable income and standard of living.

life with a
little
more
dignity



JUNE

*Interfaith Program
participates in the
national gathering of
the Unitarian
Universalist
Association in
Nashville, TN*

*Racking installed in
Equal Exchange
warehouse*



*Red Tomato installs
large produce cooler in
Equal Exchange
warehouse*

*First annual Direct
Store Delivery day*

*Jonathan Rosenthal,
one of Equal Exchange's
original founders & an
inspiration to many in
the Fair Trade move-
ment, leaves to dream
new dreams*

While it is true that influencing the way world prices are set is beyond our control and appears impossible to change, there is something we can do. As producers and consumers we can establish more direct relationships with one another, breaking the traditional chain in the coffee production cycle. In the medium to long term, by working together we can ensure that a larger portion of the ultimate retail price reaches the producers, thereby changing the rules of the market and permitting small farmers to receive a just price for the coffee they produce.

As consumers and investors you have an important mission: to help create better living conditions in regions such as ours in northern Peru. This world will never be livable as long as peasant farmers have to choose between dying of hunger and making a living from illicit activities such as coca production. For this reason we believe that the potential for change rests in your hands, and this change can start with something as simple as drinking a cup of Equal Exchange coffee. **EE**

Translated by Rob Everts

STAFF'S VIEW

BY VIRGINIA BERMAN

EE Do you grow most of your food or sew your own clothes? If you answered no, you're not alone! In fact you're part of a large and powerful group of people: the U.S. consumer. In the organizing department of Equal Exchange we explore ways to harness the work of dispersed consumers. Hundreds of people across the country write us every month asking how they can get Equal Exchange into their town, their grocery store, or their favorite café. Organizing provides tools for consumers to make strategic choices and help to effect positive social change in their town, through coffee.

Equal Exchange's small-scale coffee partners in Latin America, Africa, and Asia have all organized themselves, often at great risk to their own lives. As a result, they opened new opportunities to sell coffee beans directly to the fair trade market, something most coffee farmers only dream of doing. U.S. consumers, on the other hand, are organizing to help make Equal Exchange coffee a household name. The following is an example of how consumer power can bring about change.

GRASSROOTS CONSUMER ACTION

Bring people together: In February of 1999 the Rochester Committee on Latin America (ROCLA) honored Equal

**citizens of the
supermarket:**



JULY

Erbin visits EE trading partner KNCU on LWR trip to Tanzania

Rink, Renie, and Kevin join Rosario on staff trip to Nicaragua



Rosario attends regional producer assembly in Nicaragua

AUGUST

Customer Service presents Equal Exchange's first customer service mission statement


Interfaith Program launches its Web store, allowing churches and congregations to order coffee and tea online at wholesale prices

Exchange with its annual White Dove Award. However, when ROCLA members looked for Equal Exchange coffee on their local supermarket shelves, it was nowhere to be found. In response, activists and shoppers in Rochester set out to change that and make Equal Exchange coffee more available. Many wrote letters and a local chain responded by stocking Equal Exchange coffee. ROCLA then pledged to double sales of Equal Exchange coffee in one year in Rochester and build awareness of the consumers' role in trade.

ROCHESTER ACTIVISTS SET OUT TO EDUCATE WITH ACTION

Activists in Rochester held house meetings, tabled with coffee and literature at events, and spoke at community meetings. Thousands of consumers learned about Equal Exchange and fair trade in their supermarket aisles, in the newspaper, and on TV. Even more importantly shoppers experienced their own power. Through grassroots organizing efforts they succeeded in bringing about a positive change. Sales in the Rochester area more than doubled. Similar successful dramas have played out in Canton, MA, Madison, WI, and Cleveland, OH.

bringing about a positive change

The Equal Exchange story is spreading into more towns and stores. And though Equal Exchange is not yet a household name in the U.S., more people are learning about fair trade and Equal Exchange's primary role as the first and largest fair trade coffee company in the United States. People are telling the Equal Exchange story to their friends and neighbors. We are happy to have provided the spark for this raging fire of new consumers – consumers that care! 



SEPTEMBER

Equal Exchange attends Natural Products Expo East in Baltimore, MD

First company van purchased and retro-fitted with a solar coffee brewer inside



New inventory tracking system created by Equal Exchange's marketing department

Java Jive #21 released (A tribute to Jonathan Rosenthal)

The annual Equal Exchange retreat takes place at Friendly Crossing in Harvard, MA

Transfair New England campaign launched

Equal Exchange featured on New England Cable News as National Fair Trade Coffee Leader

GROCCER'S VIEW

BY PATRICE JENNINGS

In January I had the opportunity to participate in a week-long tour of two Mexican coffee-producing cooperatives: CEPCO, the Oaxacan State Coffee Producers Network, and UCIRI, the Union of Indigenous Communities of the Isthmus Region. A group of 13 people – most of us managers from retail food cooperatives like GreenStar in the U.S – spent a week delving into the economics, politics and grueling hard work of coffee production in Mexico. The trip has had an emotional impact on me that I could never have imagined, in addition to changing the way I think about coffee and “fair trade”.

Everywhere we went, members were delighted to talk with us about their cooperative's current projects and plans. Every project that they showed us was designed to return real, immediate, and tangible benefits as rapidly as possible to the farmers who make up the cooperative.

We stopped in the pueblo of Nueva Esperanza, where we met with coffee farmers to talk about the roles that Equal Exchange and cooperatives play in their lives. We heard first hand about the ongoing survival struggle of the *campesino*, as well as the positive impact that UCIRI's programs, schools, and fair trade prices have had on their lives. Then we trekked high up into the mountains to spend the afternoon picking coffee. My group, self-dubbed the “high altitude pickers,” had the unforgettable experience of clinging onto the mountainside with one hand while we picked coffee cherries with the other. Trying not to tumble down the mountain



**changing
the way
consumers think
about coffee
and fair trade**

took more of my attention than picking, I have to confess. Later we learned that none of the *campesinos* wanted to sign the cooperative managers on as picking help. Good-naturedly they told us that we were too slow in climbing, too slow at picking, and did too much talking. One afternoon of hands-on coffee picking has certainly changed my appreciation for the beverage forever!

The group spent their nights in the homes of individual UCIRI members. In the house in which I stayed only the father and son spoke Spanish; the mother, aunts and sisters spoke only Mazateca, an indigenous language. My homestay companion, Anne Schultz, from Outpost Cooperative in Milwaukee, had brought along pictures of her cooperative and home. We paged quickly through our dictionary and tried to explain the

OCTOBER

Beth Ann Milardo joins Western Work Cooperative Conference Board of Directors

Virginia attends Peru-Ecuador border conference in Puyango, Ecuador


First Social Venture Network (SVN), Equal Exchange investor and coffee retail partnership launched with Jimmy Buffett's Margaritaville restaurants and offices



Highest sales month in Equal Exchange's History (shipped 13,610 cases) Mario, Bernardo, Isidro & Joao – take a bow!

St. Paul Lutheran Church in Glenside, PA, hosts a performance of J.S. Bach's "Coffee Cantata," raising over \$3,000 for small farmer cooperatives in Tanzania, Nicaragua, and Guatemala

photos to our gracious and patient hosts. We asked each other questions about our homes and lives and, despite the difficulty in translation, our desire to connect with each other as humans shone through. When our truck pulled away from Nueva Esperanza the next morning there were few dry eyes.

Throughout the whole trip I was impressed by how hard the cooperative members work to stay alive, how much they love the work that they do and the land that they live on, how grateful they are for the changes made in their lives, and how willing to share their stories, homes, and feelings with us. I returned to Ithaca with a greater vision than ever before of what a cooperative can do and be. 

*General Manager, GreenStar Coop
New York*

GOOD COFFEE, GOOD BUSINESS

More and more consumers are demanding to know where their groceries come from and what the working conditions of the people responsible for producing those items are. We are proud of our contribution to this shift in consumer perception and can say confidently that offering Equal Exchange coffee makes good business sense. Not only is it good business for Third World farmers, but it is good business for hundreds of cafés, cooperatives, and restaurants around the country.

Mission Statement and Guiding Principles

THE EQUAL EXCHANGE MISSION

“To build long-term trade partnerships that are economically just and environmentally sound, to foster mutually beneficial relations between farmers and consumers, and to demonstrate through our success the viability of worker-owned cooperatives and fair trade.”

OUR COMMITMENT

- To offer consumers the finest in gourmet, certified organic, and shade-grown coffees
- To always pay a fair price to the farmer, including a guaranteed minimum when market prices are low, and above-market premiums for quality and certified organic coffee
- To work directly with democratically run farming cooperatives – businesses that are owned and governed by and for the farmers – so that the benefits of trade actually reach the farmers and their communities
- To provide vital advance credit to farmers, which is normally unavailable or offered at prohibitive rates (Credit provides income between harvests and helps farmers to stay out of debt)
- To encourage ecologically sustainable farming practices that help build a long-term economic base for farmers while promoting community health and protecting the environment
- To develop long-term trade relations based on trust and respect

NOVEMBER

*Error tracking/analysis
initiative launched by
customer service team*

*West Coast sales top
\$1 million*

*Finance team member
Jeanne joins tea
committee*



DECEMBER

*Rink and Denise visit
England and Scotland to
see Shared Interest and
Equal Exchange Scotland*

*E-Cast (Bytes of Fair
Trade) online newsletter
launched by marketing
department*

*Equal Exchange closes
out the year shipping
126,931 cases of coffee
(1,269,310 lbs.)*

BY TOM HANLON-WILDE

The joy of a tax refund comes partly from knowing that it's your money – not a gift or lucky event – and partly from having the time to consider how best to use the money.

Similar to a tax refund, coffee farmers look forward to their fair trade premiums at the end of the year.

Most farmers are paid a farm gate price for their crop, and that income is all they have to work with for the whole year. With luck, it will be enough to pay off debts, invest in tools and housing materials and – in a good year – buy a present or two for the kids. Most years, however, the price paid to coffee farmers is just enough to ensure that they will never get out of debt. Almost never does the price paid reflect the cost of the toil to grow, harvest, process, and transport the beans for your morning cup.

Fair trade breaks away from the conventional coffee trade by creating a reality for farmers that is not only alternative, but also more humane. At the time of delivery, each grower takes an advance at the prevailing local farm gate price for his or her coffee. Like other farmers he or she uses it to pay off debts and invest in necessities. However, because of support from Equal Exchange investors and consumers, we are able to offer a more equitable price to our farmers which includes a fair trade premium.

When consumers choose Equal Exchange, they ensure that a greater percentage of the money they pay at the checkout is sent to the farmer. Because Equal Exchange pays farmers a fair price up front, often the farmers are contemplating how to spend the premiums at the same time the consumers are at the store paying for the very coffee those farmers harvested weeks earlier. It is as if fair trade creates a surreal version of Western Union – money right from your checking account to the pockets of small farmers.


At the end of the season the farmer meets with his or her fellow cooperative members and together they determine how best to use the extra income from their sales to fair trade. In years like 2000, when the coffee price fell to one-half the fair trade price, this extra income provides a great resource for farmers.

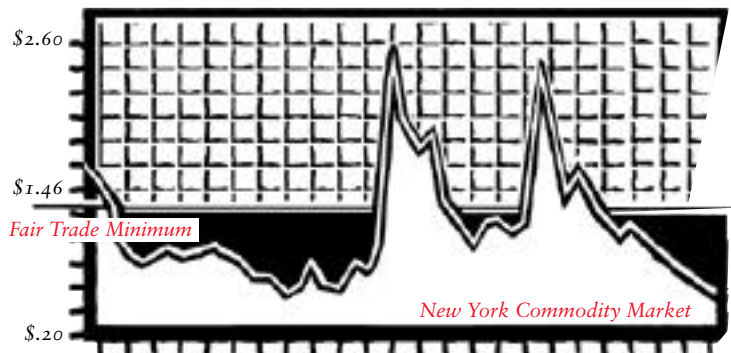
**creating a reality
that's alternative
and more
humane**



Much of this premium income will be saved in order to provide a source of credit for the next year's harvest. A large portion will be pooled for training programs in areas such as organic farming, cooperative development, and gender equity training. Many groups have created what is in effect a social security fund: if a farmer dies, the cooperative assures that his or her children do not go hungry. And finally, any remaining premiums are paid out in cash directly to farmers.

What a breath of fresh air is this second income! It gives families the opportunity to buy school uniforms and books for the kids, invest in chickens or a steer, make substantial home improvements, make improvement to their farms, or buy additional land.

In 2000, Equal Exchange paid \$435,000 in above-market fair trade premiums. As a result, all through the fall and winter of last year, farmers met to decide democratically the best way to use this income – that is rightfully theirs. What a great thing to contemplate over a cup of coffee. 



Supply and demand shape our world, always working toward equilibrium that serves both the supplier and the buyer – or that is what we have been taught to believe. Yet, although supply and demand can be successful, the evidence of its failures litters our history books. That is why laws, such as the minimum wage in the United States, exist. Unfortunately, producers in Third World countries don't have the same buffers protecting their basic human rights that we do. They are exposed to the raw forces of supply and demand, which care nothing for their survival. This is where fair trade comes in. Fair trade provides a minimum wage for Third World producers. In the graph above, you will notice a straight line crossing through the volatile New York Commodity Market price for coffee. The price set for fair trade is the minimum wage needed for sustainable living. The points where the graph dips below the fair trade minimum farmers are being pushed towards the brink of survival. Periodically, the price producers receive can fall to a level below the cost of production for years at a time. We have learned in the United States that basic market controls need to be implemented to protect the right to a humane lifestyle. All we need to do now is to apply these same principles abroad.

FINANCIALS

Throughout the year 2000, Equal Exchange continued to grow. We reduced our total debt by 50% as a result of various maturing loan funds and ended the year with a net income of over \$100,000. Although we lost several of our long-term investors in 2000, we were able to increase equity in the company with dividend reinvestment and additional stock sales. In addition, more funds became available throughout the year through operations and depletion of excess inventory. In the year to come we are preparing for the challenges of a prolonged decrease in the coffee market and the increased competition in fair trade coffee.

Our Business Model

To understand the full impact of Equal Exchange, it is necessary to look at the overall model of fund allocation. Equal Exchange is building a new business model in which profits are accountable to a variety of stakeholders upholding our mission – not just to those controlling capital. Funds are distributed as follows:

Fair Prices: We negotiate prices directly with farmer organizations. We always pay farmer cooperatives a fair trade premium of at least \$0.05/lb. above the coffee market. When the market price is low, we pay a guaranteed minimum price of \$1.26/lb., even when the prices fall as low as \$0.48/lb., as happened in 1992. In the year 2000 we paid a total of \$435,000 in fair trade premiums to our producer partners. As part of our effort to support sustainable agriculture, we pay an organic premium of \$0.15/lb. plus a quality premium when appropriate.

Producer Credit: Equal Exchange shares risk with our farmer partners, paying up to 60% of the purchase price as credit as soon as contracts are signed prior to harvest. This credit is available up to ten months in advance and is provided directly to the farmer co-op, with Equal Exchange guaranteeing at least 25% of all advances.

Worker-Owner: Rebates Up to 20% of profits (or losses) are allocated to the members of Equal Exchange worker cooperative as patronage rebates.

Taxes: We pay corporate taxes on all profits except for patronage rebates paid to worker-owners.

Dividends: After taxes, we pay outside shareholders a dividend targeted at 5% in profitable years. For 1999, we paid our outside shareholders a dividend of 6.5%; this year it was 5%.

Retained Earnings: The remaining profits are retained by Equal Exchange to further the mission of fair trade. In the event that we dissolve the corporation, once all obligations are paid, the remaining funds or assets would be used to support other fair trade activity, such as training and other support for producer cooperatives.

Pay Ratio: In keeping with our commitment to economic fairness, the internal pay ratio from highest to lowest does not exceed 3:1 at Equal Exchange. This is an extremely equitable ratio compared with conventional business.

Profit Distributions	2000	1999
Net Operating Income	\$250,699	\$402,831
Charitable Contributions	(17,900)	(37,084)
Income Taxes	(89,000)	(130,000)
Shareholder Dividends	(63,954)	(32,211)
Worker Owner Rebate	(21,789)	(44,486)
Net Change to Retained Earnings	\$58,056	\$159,050

Balance Sheet

2000 STAFF

Denise T. Abbott
John Afonso
Clark R. Arrington
Jennifer Banister
Virginia Berman
Eliza Brown
Joao Cardoso
Todd Caspersen
Rosario Castellon
Rosanne Cedroni
Erbin L.S. Crowell III
Ethan Cruze
Rink J. Dickinson
Robert Everts
Bernardo Fernandes
Isidro Flores
Gary Goodman
Thomas Hanlon-Wilde
John Harper
Kevin Hollender
Bill Holt
Kristin Howard
Jeanne Hunt
Maria King
Charlotte Mann
Renie Marsh
Angela McDuff
Meghan McKay
Beth Ann Milardo
Jessie Myszka
Rodney S. North
Keith Olcott
Yvonne Parker
Julie Petot
Delilah Pigott
Linda Roberts
Jonathan Rosenthal
Lisa Russell
Mike Schade
Beth Sheaff
Ian Sitton
Mark S. Souza
Micah Steinhilb
Forrest Sutton
Mark C. Sweet
Mario Teixeira
Jill Wenke
Gwyn Witherspoon
Lilla Woodham

ASSETS

	2000	1999
CURRENT ASSETS:		
Cash	\$ 91,353	\$ 53,836
Accounts Receivable - Trade, Net of Allowance for Doubtful Accounts of \$44,797 in 2000 and \$56,582 in 1999	728,072	626,490
Inventories	1,971,951	2,294,790
Prepaid Expenses and Other Current Assets	38,455	24,142
Deferred Income Tax Benefit	35,000	37,000
TOTAL CURRENT ASSETS	2,864,831	3,036,258
PROPERTY AND EQUIPMENT, at Cost	703,256	611,773
Less: Accumulated Depreciation and Amortization	(443,685)	(368,128)
DEFERRED INCOME TAX BENEFIT	259,571	243,645
OTHER ASSETS	20,000	17,000
TOTAL ASSETS	\$ 3,160,226	\$ 3,313,567

LIABILITIES

CURRENT LIABILITIES:		
Notes Payable - Lines of Credit	\$831,824	\$916,835
Notes Payable - Current	9,000	19,000
Notes Payable - Stockholders	9,600	29,600
Current Portion of Long-Term Debt	234,310	170,000
Accounts Payable - Trade	127,009	176,678
Accrued Expenses and Other Current Liabilities	29,985	95,604
Accrued Income Taxes Payable	-	34,014
Patronage Rebates Payable	35,794	35,333
TOTAL CURRENT LIABILITIES	1,277,522	1,477,064
LONG TERM DEBT, Less Current Portion	119,545	248,000
COMMITMENTS AND CONTINGENCIES	-	-
TOTAL LIABILITIES	1,397,067	1,725,064

STOCKHOLDERS' EQUITY

	2000	1999
Preferred Stock: Authorized 299,800 shares; Issued and Outstanding, 46,505 shares in 2000 and 42,701 shares in 1999	1,278,899	1,174,274
Common Stock: Authorized 200 shares; Issued and Outstanding 26 shares in 2000 and 25 shares in 1999	63,561	60,008
Less: Common Stock Subscriptions Receivable	(12,519)	(20,941)
Retained Earnings	433,218	375,162
TOTAL STOCKHOLDERS' EQUITY	1,763,159	1,588,503
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$3,160,226	\$3,313,567

INCOME STATEMENT

SALES	\$7,195,595	\$6,297,617
COST OF SALES	4,262,874	3,730,648
GROSS PROFIT	2,932,721	2,566,969
OPERATING EXPENSES	2,571,812	2,058,465
INCOME FROM OPERATIONS	360,909	508,504
OTHER (EXPENSE) INCOME:		
Interest Expense	(136,647)	(150,159)
Charitable Contributions Expense	(17,900)	(37,084)
Loss on Disposal of Equipment	(686)	-
Interest Income	5,334	-
	(149,899)	(187,243)
INCOME BEFORE INCOME TAXES	211,010	321,261
PROVISION (CREDIT) FOR INCOME TAXES:		
Current	90,000	146,000
Deferred	(1,000)	(16,000)
	89,000	130,000
NET INCOME	122,010	191,261
RETAINED EARNINGS, Beginning of Year	375,162	216,112
Less Preferred Stock Dividends	(63,954)	(32,211)
RETAINED EARNINGS, End of Year	\$433,218	\$375,162

Financial Supporters Include

Adrian Dominican Sisters

Cooperative Fund of New England

Partners for the Common Good 2000

School Sisters of St. Francis

Seton Enablement Fund

Sisters of Charity of the Incarnate Word

Sisters of Charity, Bronx, NY

Sisters of Charity of the Blessed Virgin Mary

Sisters of Mercy of the Holy Cross, Merrill, Wisconsin

Sisters of St. Francis, Philadelphia

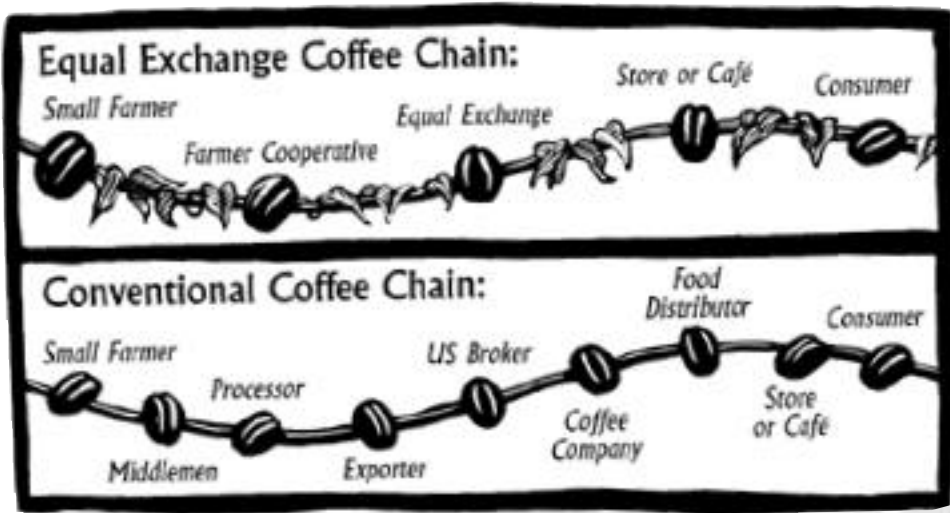
Sisters of St. Joseph, Boston

SSM International Finance

WELCA - Women of the Evangelical Lutheran Church in America

Society of Catholic Medical Mission Sisters, Philadelphia

...and our 254 individual shareholders.



EQUAL EXCHA
 251 Revere Street
 Canton, MA 020.
 781.830.0303
 www.equalexcha:
 Equal Exchange i

Printed by
 RED SUN PRESS
 Jamaica Plain, MA

Editor: Gary Goodman
 Artwork: Brian Reardon
 Proofreader: Gina Hahn
 Layout & Design: Rosanne Cedroni