



# Building Alternatives Amid Crisis

annual report 2001

INGRUMA Coffee Cooperative  
Rio Sucio, Colombia



annual report 2001

## **Building Alternatives Amid Crisis**

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# Directors' Report

by Rink Dickinson and Rob Everts

January 2001

Mark Sweet, Kristin Howard, and Rosario Castellon lead trip with eight clients to Oaxaca, Mexico.

Equal Exchange receives \$30,000 loan from the Sinsinawa Dominican Sisters

Two-day marketing retreat sets strategies for new sectors

An exodus of historic proportion from the coffee growing region of Matagalpa, Nicaragua; thousands of small producers abandoning their plots in Chiapas, Mexico; and desperate coffee farmers in Peru turning away from coffee and toward cultivation of coca. The “persistent low coffee prices” we cited on this page last year reached catastrophic proportions in 2001. Against this backdrop, how did Equal Exchange fare in fulfilling its mission to build relationships with and markets for our farmer cooperative partners?

Although depressed coffee prices did not spur most specialty roasters to pass on the savings to consumers, downward price pressure did contribute to a lower rate of growth for Equal Exchange in 2001. Sales of \$7.7 million represented growth of 7.3%; pre-tax profits were \$185,000. On the 1.76 million pounds of green beans we purchased from our trading partners, we paid an unprecedented \$960,000 in above-market fair trade premiums. For a business of our size, this is a nearly incomprehensible figure, and would be reflected in the bottom line of conventional companies. For producers, it provided at least a modicum of stability and hope—two vital incentives to investing in coffee quality improvements and in projects to build their communities.

While acknowledging the reality of downward price pressure, we believe that within these difficult market conditions lies opportunity for Equal Exchange. After re-examining strategic growth assumptions, with slight shifts in resource allocation we expect stronger sales next year, most

## engage consumers in a deeper understanding of fair trade

noticeably among our Interfaith partners. Also, as we collaborate more deeply with the other leading fair trade organizations in the United States, we believe these relationships with suppliers of handicrafts and clothing will help to expand markets for our farmer partners. These are but two examples of our “building alternatives amid crisis,” and both provide enormous opportunities to engage consumers in a deeper understanding of fair trade.

2001 was a milestone year for Equal Exchange in another regard as well: we celebrated our fifteenth anniversary. We took stock in what we have accomplished as a community of workers, farmer partners, investors, and customers. We are particularly grateful to the consumer food co-ops throughout the country that have sustained our sales and exposed hundreds of





thousands of consumers to our fair trade mission. Also this year we opened a new regional office in Madison, Wisconsin, and the number of worker-owners grew to thirty-two.

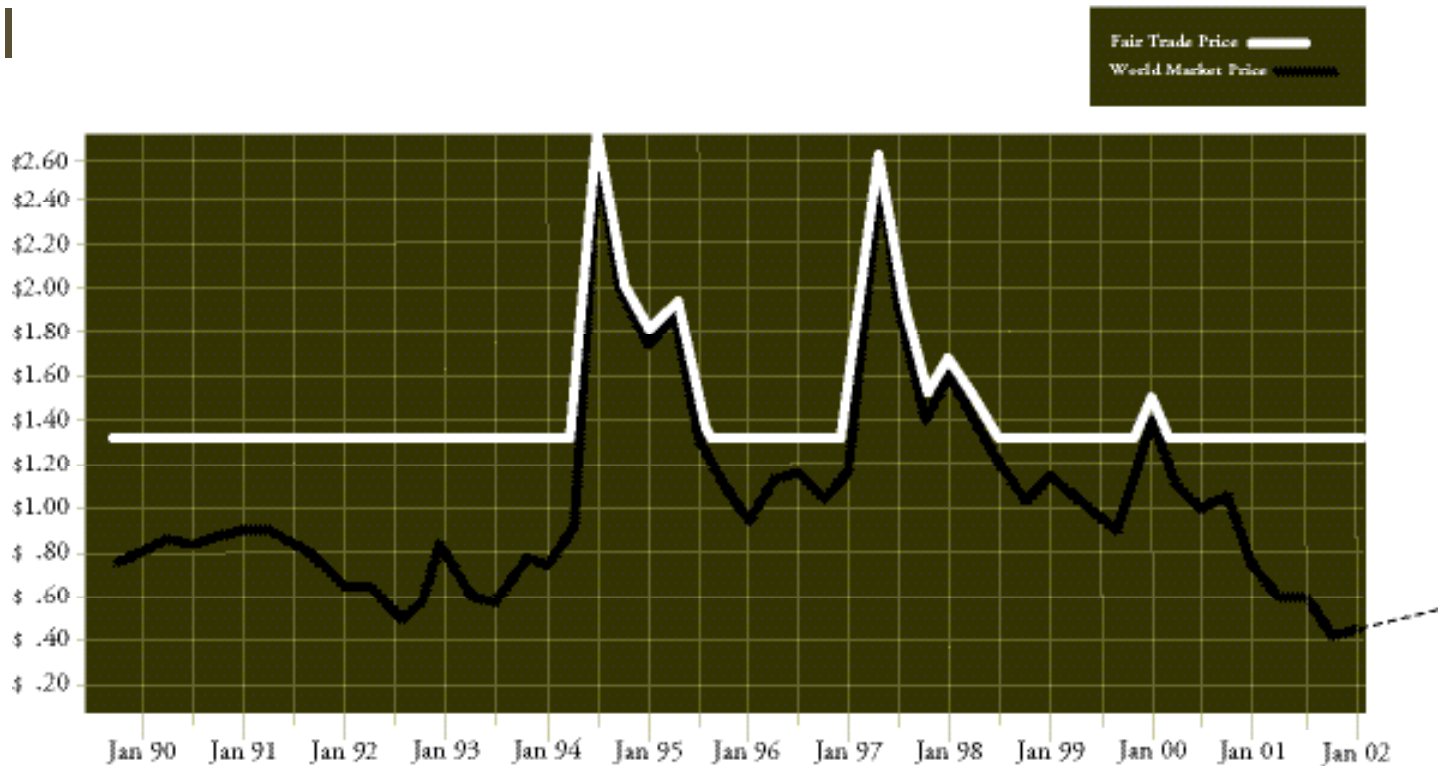
Although it is impossible to forecast what Equal Exchange will look like in another fifteen years—farmers as co-owners? consumers as members? new product divisions?—we know it will be far different from today. If the coffee market has structurally shifted to a “permanent” low price, as some have suggested, might we lead a campaign to restore an international coffee agreement, which would enable more producers to survive? In any of these endeavors, we hope to engage all of our stakeholders in building meaningful and equitable relationships between consumers and producers. ■

## February 2001

Earthquake in El Salvador destroys houses and crops of trading partners; Equal Exchange responds with special donation drive with Café Salvador

## March 2001

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



# Equal Exchange in a Changing Fair Trade Marketplace

by Erbin Crowell  
Chair, Equal Exchange Board of Directors

Over the past few years, Equal Exchange has seen one of its most cherished dreams come true: against all odds, fair trade has begun to enter the mainstream. The last year has seen our model be taken seriously by the press, held up as an effective tool in the struggle against poverty in the developing world, and taken on—albeit in a limited manner—by corporations many times our size.

What, then, should be our role as a fair trade organization in an increasingly competitive market?

As we continue to grow, Equal Exchange has the opportunity to carry our movement even further by maintaining a high standard for what fair trade means and what it can accomplish. Having demonstrated that a company can be profitable while treating its suppliers fairly, we must take on the task of upholding the integrity of fair trade as more than a marketing opportunity. Through our success and the growing involvement of consumers, we can spur deeper participation by competitors while insisting that fair trade need not be limited to one percent, five percent, or even 50% of a company's purchases.

This past year was an important opportunity to share our message. Just as awareness has begun to grow in the U.S., we have witnessed a devastating collapse in the world coffee market. Because we at Equal Exchange are committed to fair trade on all of our coffees, in 2001 we were able to provide our suppliers with more than \$960,000 in above-market premiums—premiums whose benefits are outlined elsewhere in this report. At the same time, we remained profitable and provided reasonable returns to our investors.

## maintaining a high standard for what fair trade means and what it can accomplish

Equal Exchange is also unique in that we have taken to heart the principles of fair trade by applying them to our own structure as a company. Wherever we enter the marketplace we are advocates for increased economic democracy, fairness, employee ownership and participation—especially here in the north where, it may be argued, it is needed most.

We have much to be proud of, and many stakeholders to thank for their role in our success. At the same time, we should not rest on our accomplishments. As we chart our course for the future, we should always be setting our goals higher, envisioning a world where fair trade is the norm and not the exception. ■



### 2001 Board of Directors

#### Worker-Owner Directors

Clark Arrington,  
replaced by Delilah Pigott in Dec, 2001

Erbin Crowell,  
replaced Clark as Chair on May 1, 2001

Tom Hanlon-Wilde

Jessie Myszka

Mark Souza

Mark Sweet

#### Outside Directors

Jerry Cordé

Jean Mason

Sue Meehan



## April 2001

Felipe Ortiz, Vice President of CEPCO in Oaxaca, Mexico, is hosted by Alicia Leinberger in Madison, WI

Presentation on cooperatives and fair trade in Twin Cities hosted by Kristin Howard and Rosario Castellón

Interfaith Program introduces "Organic Fellowship Blend," a shade grown, certified organic coffee

## May 2001

Keith Olcott (internal organic certification guru) attends the first annual Organic Expo in Austin, TX

The Presbyterian Coffee Project is launched with an historic visit by Gabriel Ulomi and Tobias Masaki of Kilimanjaro Native Cooperative Union in Tanzania to the Presbyterian Church headquarters in Louisville, KY and Equal Exchange in Canton, MA

# Fair Trade Relationships

## Give Hope... and Income

by Rosario Castellón

Coffee is the principal source of income for millions of peasant farmers in Latin America, Asia, and Africa. Currently, coffee farmers are living through the worst crisis of the past thirty years as a result of low international prices. It is reported in Chiapas, Mexico and Caranavi, Bolivia that prices have dropped by 70%, which results in a price far below the cost of production. This story is repeated in rural communities throughout the coffee-producing world. Daily newspaper reports confirm the profound social consequences of this coffee crisis: unemployed coffee laborers die of hunger in Nicaragua while hundreds of children are at risk of malnutrition; 500 families emigrate weekly from Chiapas; six coffee workers from Veracruz, Mexico die while crossing the Arizona desert trying to enter the United States; owners of medium-sized farms in Guatemala begin to pay their harvest workers in beans instead of in cash.

Coffee farms have been operating at a loss for the past two years. With the current cost of production for coffee averaging \$0.75 per pound, \$0.30 above the international selling price of around \$0.45 per pound for green beans, it is conceivable that this situation will continue for months or even years to come. As an alternative to the prevailing market, fair trade pays a minimum price of \$1.26 per pound for conventional (non-organic) coffee, and \$1.41 per pound for organic coffee. Cooperatives such as CECOCAFEN and COSATIN in Nicaragua, CEPICAFE in Peru, ALTOSAJAMA in Bolivia, and EL PINAL and LAS COLINAS in El Salvador proclaim that thanks to fair trade, specifically their relationship with Equal Exchange, the members of their cooperatives are in a better position than other coffee producers. Selling their coffee

## living the worst crisis of the past thirty years

to fair trade importers like Equal Exchange allows them not only to cover their production costs, but also to cover the cost of their basic needs such as food, health, and education for their families. The UCIRI cooperative in Oaxaca, Mexico has established its own collective public transportation system and launched technical education centers for young people in the community. While producers outside of the fair trade market are denied financing by private and state banks, the cooperatives with whom Equal Exchange works receive access to affordable credit months before harvesting, allowing them to carry out their production plans.

Producers who sell under fair trade terms often have increased technical knowledge, helping them to make better commercial and production decisions. Fair trade producers are working toward self-sustainability by diversifying their production. They have also improved their diets, contributed to the diversity of plants and animals through the use of shade crops, processed their coffee to sell domestically, and opted for organic production. Producing sustainable and ecologically sound products for both consumers and producers has helped to improve farmers' financial stability and diversification. FIECH, in Chiapas, Mexico, produces flowers and organic vegetables, in addition to coffee, to sell locally. It also owns community savings and loan banks. COSATIN in Boaco, Nicaragua exports organic honey and has specialized health clinics. UCA Mirafior in

Esteli, Nicaragua, located in a nature reserve, has eco-tourism projects and cultivates all of its products organically. They have also constructed a new vocational technical institute where last year the first secondary-school students of farmer families graduated as organic agriculture technicians. COOCAFE in Costa Rica has sponsored reforestation projects and also has an education project for members and their children.

Where central governments too often ignore the needs of rural communities, fair trade relationships have often enabled cooperatives to provide essential services. Producer co-ops have addressed social problems related to education, health, and housing, through the construction of schools, health centers, and community centers, along with repair of roads



and potable water projects. Farmers involved with fair trade have more often been able to pay off their debts with private banks. Without fair trade it would have been difficult for producers to rebuild after Hurricane Mitch in Central America, or repair the damage done by last year's earthquake in El Salvador. Likewise for the reconstruction of damages in Peru, owing to La Niña. In all of these cases, the governments have not attended to the needs of the populations affected by these natural disasters.

Equal Exchange represents hope and tangible opportunity for thousands of small producers who for years have been at a disadvantage in relation to large plantation owners. Now they are able to sell their products directly, which helps them to confront the international coffee crisis. Fair trade is a model for achieving sustainability for millions of producers and their families around the world. ■

**Translated from Spanish by Cara Ross**

## Assuring Quality Through Fair Trade

by Beth Ann Milardo

direct access to some of the highest quality coffees in the world

As an integral part of our mission, Equal Exchange shares crucial information on market trends with our producer partners. For example, we communicate the growing demand for organic coffee when farmer cooperatives are considering converting to organic cultivation. Likewise, we work extensively with them on improvements in quality, one of the keys to their long-term viability in a competitive marketplace.

As a fair trade importer, Equal Exchange has direct access to some of the highest quality coffees in the world by building mutually beneficial relationships. We pay a fair price for their coffee and the farmers provide us with the quality we need.

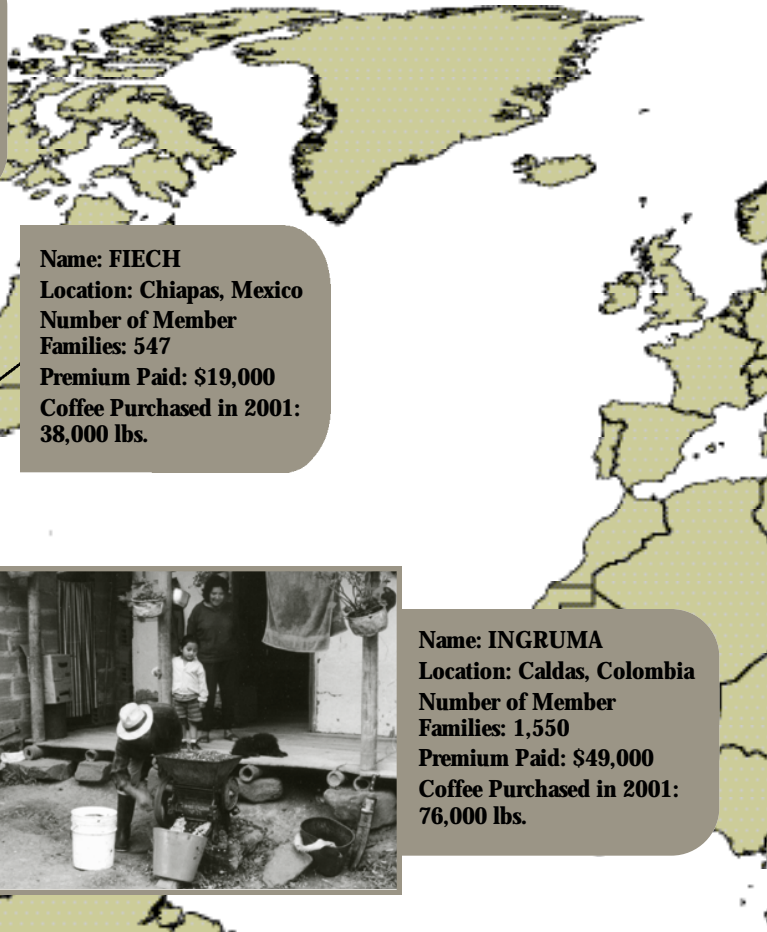
Each year we contract with our producer partners for the amount of coffee we wish to buy. The quality control department receives a sample of the new crop and evaluates it through a series of strict quality controls based on those of the Specialty Coffee Association of America. In order to maintain and improve

quality, we provide farmers with the results of our evaluation. If the coffee does not meet our standards, we must reject it and request another sample. This information provides farmers with valuable information about their crop and ways to improve their coffee in the future. ■





**Name:** UCIRI  
**Location:** Oaxaca, Mexico  
**Number of Member Families:** 2,236  
**Premium Paid:** \$80,940  
**Coffee Purchased in 2001:** 152,000 lbs.



**Name:** FIECH  
**Location:** Chiapas, Mexico  
**Number of Member Families:** 547  
**Premium Paid:** \$19,000  
**Coffee Purchased in 2001:** 38,000 lbs.

**Name:** Manos Campesinas  
**Location:** Quetzaltenago, Guatemala  
**Number of Member Families:** 1,073  
**Two visits by Equal Exchange worker-owners, staff, and customers**



**Name:** INGRUMA  
**Location:** Caldas, Colombia  
**Number of Member Families:** 1,550  
**Premium Paid:** \$49,000  
**Coffee Purchased in 2001:** 76,000 lbs.

**Name:** APECAFE  
**Location:** San Salvador, El Salvador  
**Number of Member Families:** 560  
**Premium Paid:** \$28,750  
**Coffee Purchased in 2001:** 76,000 lbs.

**Name:** CEPICAFE  
**Location:** Piura, Peru  
**Number of Member Families:** 1,402  
**Premium Paid:** \$102,200  
**Coffee Purchased in 2001:** 190,000 lbs.

**Name:** CECOCAFEN  
**Location:** Matagalpa, Nicaragua  
**Number of Member Families:** 1,200  
**Premium Paid:** \$46,560  
**Coffee Purchased in 2001:** 114,000 lbs.

**Name:** COOCAFE  
**Location:** Alajuela, Costa Rica  
**Number of Member Families:** 3,500  
**Premium Paid:** \$24,500  
**Coffee Purchased in 2001:** 38,000 lbs.



**Name:** Alto Sajama  
**Location:** Caranavi, Bolivia  
**Number of Member Families:** 35  
**Premium Paid:** \$55,600  
**Coffee Purchased in 2001:** 95,000 lbs.



# Our Trading Partners Around the World

As Equal Exchange has grown over the years, we have brought more Third World producers into our fair trade system. We now work with numerous producer organizations in Latin America, Africa, and Asia. Here we highlight several of these groups and the business we did with them in 2001.



**Name:** Samjukta Vikas  
**Location:** Darjeeling, India  
**Number of Member Families:** 218  
**Tea Purchased in 2001:** 69,000 Boxes



**Name:** KNCU  
**Location:** Kilimanjaro, Tanzania  
**Number of Member Families:** 80,000  
**Historic visit by KNCU leaders to Equal Exchange in Canton, MA.**

**Name:** Gayo Organic Coffee Farmers Association  
**Location:** Sumatra, Indonesia  
**Number of Member Families:** 2,000  
**Premium Paid:** \$61,550  
**Coffee Purchased in 2001:** 63,043 lbs.

In addition to those highlighted above—our trading partners include: COCLA – Quillabamba, Peru; ANTOFAGASTA – Caranavi, Bolivia; CEPCO – Oaxaca, Mexico; CIRSA – Chiapas, Mexico; ASOBAGRI – Hehuuetenango, Guatemala; FESACORA – San Salvador, El Salvador; PRODECOOP – Esteli, Nicaragua; COSATIN – Boaco, Nicaragua; Tea Promoters of India – Darjeeling, India.

# Building The Alternatives: Equal Exchange Continues to Grow in 2001

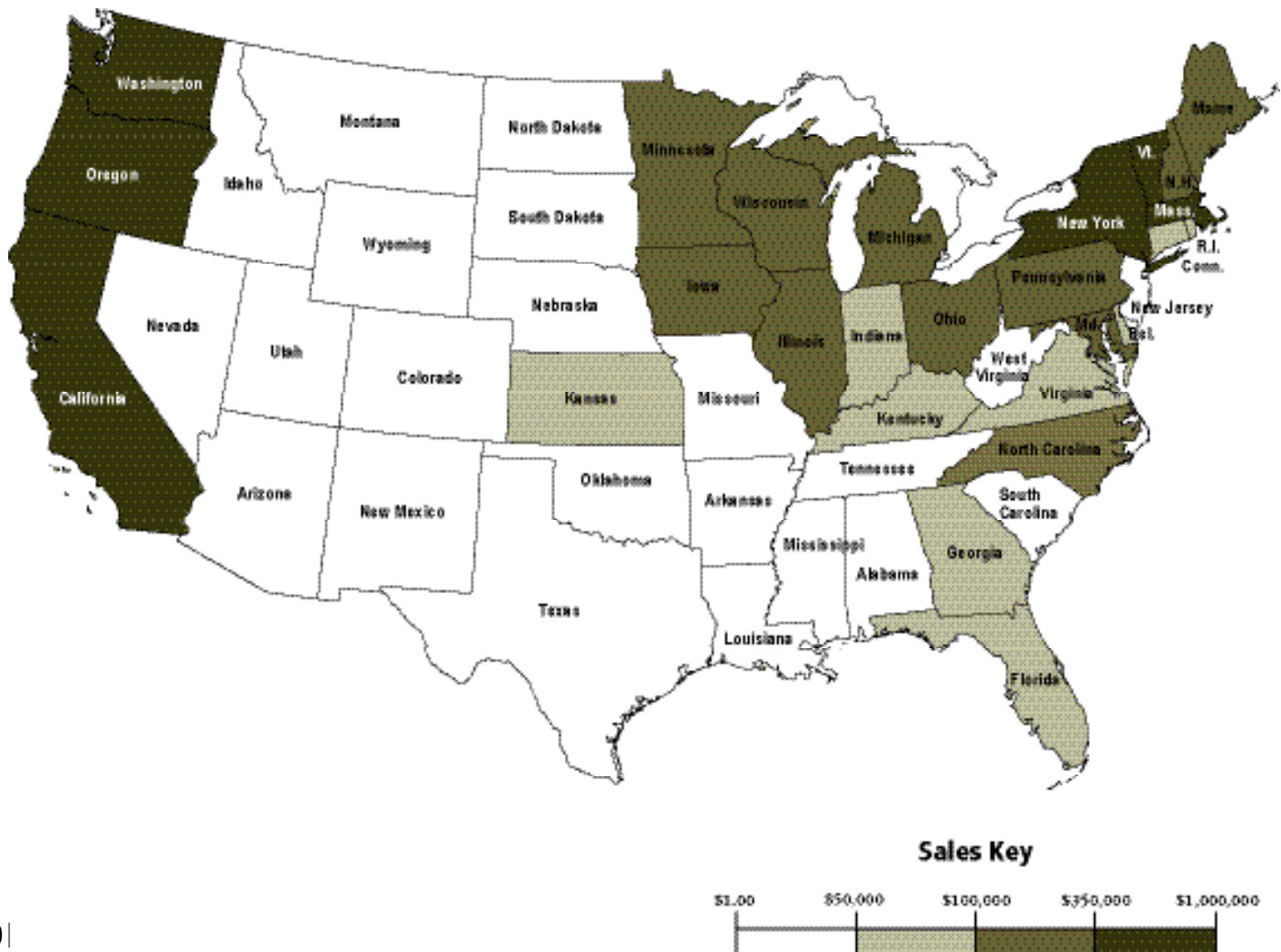
As the coffee crisis raged on in 2001, Equal Exchange continued to demonstrate that fair trade is a robust model for business success. Our sales revenues increased 7.3% over 2000, to \$7.7 million (see Chart 3). And we earned a \$185,000 in pre-tax profit, allowing our investors to share in our achievements. A major driver of sales growth in 2001 was our Interfaith Coffee Program, which allows faith based organizations across the country to put their values into action by participating in fair trade (see sidebar).

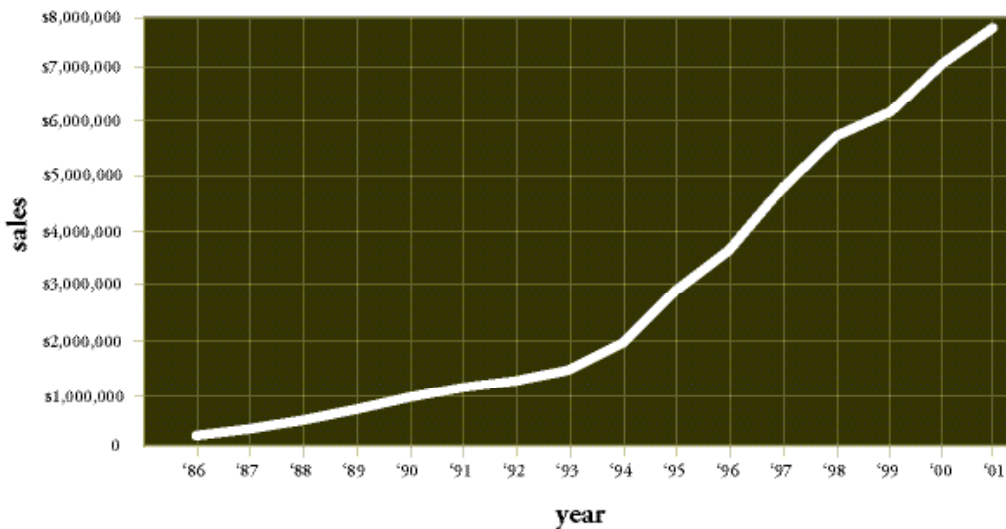
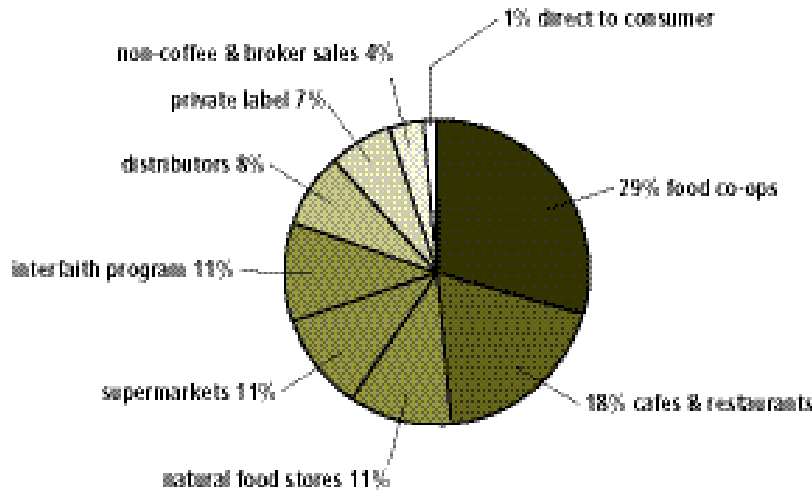
Other trends underscore our growing financial strength. Whereas Equal Exchange's sales were once concentrated in the Northeast, the establishment of our West Coast office in 1998 has dramatically increased sales in that region (see Chart 1 below). We expect similar success in the Midwest following the opening of our newest regional office in Madison, WI in the fall of 2001.

In addition, we continue to diversify our customer base as more retailers wake up to consumer demand for fair trade coffee. Five years ago, food co-ops accounted for more than half of Equal Exchange's sales. While the co-ops are still our most loyal customers and claim a hefty portion of our sales, they are now joined by mainstream supermarkets, natural food stores, cafés, restaurants, religious groups, and others (see Chart 2). The result: our business is stronger and the message of fair trade reaches an ever-wider audience.

2001 Sales — Continental United States

Chart 1





**Interfaith Sales Growth**

Year	1997	1998	1999	2000	2001
Sales	\$ 10,000	\$ 260,000	\$ 389,000	\$ 540,000	\$ 808,219
Case Volume	418	3,874	4,853	8,200	12,888

# Interfaith Partnerships

by Erbin Crowell

In religious congregations across North America coffee is a vital part of community—an inviting and invigorating beverage that brings us together as friends and neighbors. But last year the cup of coffee shared in fellowship at thousands of places of worship took on an additional purpose as farmers faced the challenges of devastating earthquakes in El Salvador early last year and then plummeting world coffee prices in the fall. At coffee hours and holiday bazaars, in their local newspapers and at community events, activists shared the message of fair trade and the difference that we can make with our cup of coffee.

In 1997, Equal Exchange and Lutheran World Relief (LWR) launched the LWR Coffee Project, an initiative encouraging Lutheran parishes to use fairly traded coffee as a way of reaching out to communities in need. Following on the success of this model, Equal Exchange's Interfaith Program launched similar partnerships with the American Friends Service Committee (AFSC) and, this past summer, with the Presbyterian Church (USA) and the Unitarian Universalist Service Committee (UUSC). As of last year, over 3,500 places of worship of different denominations and faiths have participated in the program and its partnerships. Together, these communities purchased more than sixty tons of fairly traded coffee last year, making an enormous difference in the lives of small farmers at a critical time.

We are extremely grateful to the activists, congregations, organizational partners, and faith-based investors and lenders who have joined us in building this program joining faith and fair trade. ■

# Discussion of Financial Statements

by Denise Abbott

Although the low international coffee market continued to challenge our fair trade business model, 2001 was a successful year for Equal Exchange. Sales revenues increased 7.3% over 2000, to \$7.7 million. We ended the year with \$185,000 in pre-tax profit, equivalent to 2.4%. Moreover, as a direct result of our commitment to paying a fair price, we paid \$960,000 in fair trade premiums to our farmer partners, equivalent to 12% of gross sales. Continued support from our lenders and shareholders was vital in allowing us to do this.

Through our pre-harvest financing program, we also facilitated over \$632,000 in loans to our producer partners. Giving farmers access to affordable credit is an integral part of our fair trade mission. Still, due to continued growth in our coffee purchases, we neared our ceiling for such credit and are currently seeking to increase this capacity.

Equal Exchange also had a significant increase in cash over 2000, largely due to income from operating activities and low international coffee prices. In addition, we had a net gain of \$215,036 in equity from Preferred shareholders and new worker-owners, which increased our total equity to \$2,013,504.

Finally, the statements show a \$125,243 increase in property & equipment assets in 2001. This represents significant investments in information systems, which will allow us to better manage our operating costs in the future. ■

## June 2001

Jessie Myszka, Mark Sweet, Rink Dickinson, and Rodney North represent Equal Exchange at the Consumer Cooperative Management Association Annual Conference in Chicago

Fifteenth Anniversary celebration at Equal Exchange warehouse

West Coast store owners and managers harvest coffee in Cusco, Peru during visit to COCLA

East Ohio Conference of the United Methodist Church passes a resolution encouraging congregations to use Equal Exchange

Interfaith launches the UUSC Coffee Project in partnership with the Unitarian Universalist Service Committee.

## July 2001

Four college students participate in the first annual Fair Trade Summer Intern Program

## Our Business Model

To fully appreciate the uniqueness of Equal Exchange, take a closer look at our business model. Equal Exchange was created to serve the many different stakeholders who sustain our mission, not just the owners of capital. Unlike a conventional company, which subordinates all other interests to the imperative of “maximizing shareholder value,” we believe our business should be equally accountable to producers, employees, investors, customers, and the environment. Here are the components of our model:

**Fair prices to producers.** We buy directly from farmer cooperatives, cutting out the middlemen who exploit farmers' lack of market access. As a fair trade coffee buyer, we guarantee a minimum price of at least \$1.26 per pound, regardless of the international market price. When the market price rises above \$1.26, we pay five cents more than the market price. To encourage sustainable agriculture, we also pay a premium of fifteen cents per pound for organically grown coffee. Because of our commitment to paying a fair price, we paid a total of \$960,000 in above-market premiums to our farmer partners in 2001, when the international market price fell as low as \$0.42 per pound.

**Credit for producers.** Equal Exchange shares risk with its farmer partners by arranging access to affordable credit. Producers may borrow up to 60% of the value of a coffee contract as much as ten months before delivering the coffee to Equal Exchange. This helps farmers get through the cash crunch in the months leading up to the harvest and avoid falling victim to predatory lenders.

**Reasonable returns for investors.** Our Preferred shareholders have the first claim on Equal Exchange's post-tax profits. When Equal Exchange makes a profit, shareholders earn an annual dividend, which historically has averaged around 5%. In 2001, our Preferred shareholders earned a 5% dividend.

**Employee-owners.** As an employee-owned cooperative, Equal Exchange allocates a share of profits (or losses) to its employee-owners. After shareholders have received a dividend, up to 20% of the remaining profits are distributed to the employee-owners. The other 80% is reinvested in the company.

**Pay ratio.** In keeping with our commitment to economic fairness, Equal Exchange has a maximum pay ratio of three to one, meaning that the highest-paid employee may not earn more than three times the pay of the lowest-paid employee. ■



# Financial Statements

## Balance Sheets

	DEC. 31, 2000	DEC. 31, 2001
<b>Assets</b>		
Current Assets:		
Cash .....	\$ 91,353	\$ <b>824,679</b>
Accounts Receivable — Trade, Net of Allowance for Doubtful Accounts of \$44,797 in 2000 and \$56,582 in 1999	728,072	<b>659,890</b>
Inventories .....	1,971,951	<b>1,942,905</b>
Prepaid Expenses and Other Current Assets .....	38,455	<b>34,202</b>
Deferred Income Tax Benefit .....	35,000	<b>46,500</b>
Total Current Assets	<u>2,864,831</u>	<u><b>3,508,176</b></u>
Property and Equipment, at Cost .....	703,256	<b>828,499</b>
Less: Accumulated Depreciation and Amortization .....	(443,685)	<b>(531,553)</b>
	<u>259,571</u>	<u><b>296,946</b></u>
Deferred Income Tax Benefit .....	20,000	<b>8,500</b>
Other Assets .....	15,824	<b>16,169</b>
	<u>\$ 3,160,226</u>	<u><b>\$ 3,829,791</b></u>
<b>Liabilities</b>		
Current Liabilities:		
Notes Payable - Lines of Credit .....	\$ 831,824	\$ <b>1,179,722</b>
Notes Payable - Current .....	9,000	<b>9,000</b>
Notes Payable - Stockholders .....	9,600	<b>9,600</b>
Current Portion of Long-Term Debt .....	234,310	<b>50,145</b>
Accounts Payable - Trade .....	127,009	<b>174,407</b>
Accrued Expenses and Other Current Liabilities .....	29,985	<b>54,729</b>
Accrued Income Taxes Payable .....	-	-
Patronage Rebates Payable .....	35,794	<b>34,284</b>
Total Current Liabilities .....	<u>1,277,522</u>	<u><b>1,511,887</b></u>
Long-Term Debt, Less Current Portion .....	119,545	<b>304,400</b>
Commitments and Contingencies .....	-	-
	<u>\$ 1,397,067</u>	<u><b>\$ 1,816,287</b></u>
<b>Stockholders' Equity</b>		
Preferred Stock: Authorized 299,800 shares; Issued and Outstanding, 54,282 shares in 2001 and 46,505 shares in 2000	1,278,899	<b>1,492,793</b>
Common Stock: Authorized 200 shares; Issued and Outstanding 33 shares in 2001 and 26 shares in 2000 .....	63,561	<b>84,469</b>
Less: Common Stock Subscriptions Receivable .....	(12,519)	<b>(32,286)</b>
Retained Earnings .....	433,218	<b>468,528</b>
Total Stockholders' Equity .....	<u>1,763,159</u>	<u><b>2,013,504</b></u>
Total Liabilities & Stockholders' Equity .....	<u>\$ 3,160,226</u>	<u><b>\$ 3,829,791</b></u>

## 2001 Financial Supporters:

Adrian Dominican Sisters  
 Cooperative Fund of New England  
 School Sisters of St. Francis  
 Seton Enablement Fund  
 Shared Interest Society, Ltd.  
 Sinsinawa Dominican Sisters  
 Sisters of Charity, Bronx, NY  
 Sisters of Charity of the Blessed  
 Virgin Mary  
 Sisters of Charity of the  
 Incarnate Word  
 Sisters of Mercy of the Holy Cross,  
 Merrill, Wisconsin  
 Sisters of St. Francis, Philadelphia  
 Sisters of St. Joseph, Boston  
 WELCA - Women of the Evangelical  
 Lutheran Church in America  
 Ursuline sisters of Tildonk  
 ...and our 285 shareholders.

## August 2001

Rob Everts and Jessie Myszka plus  
 two representatives from Kent State  
 University travel to Oaxaca, Mexico  
 to explore clothing made at UCIRI  
 co-op-owned factory

Sales to West Coast customers pass  
 the \$1 million mark

Clark Arrington, our Capital  
 Coordinator and Board Chair, leaves  
 to fulfill a long held dream by starting  
 a new career at the Open University  
 of Tanzania. Clark was one of the  
 earliest members of Equal Exchange  
 and was instrumental in creating  
 our co-op structure.

## September 2001

Our Solar Express-o Van travels to  
 farmers' markets, fairs and festivals  
 in Kentucky, Indiana and Michigan.

Expressions of solidarity from our  
 farmer partners worldwide pour in  
 after the 9/11 attacks.

Coffee harvest finishing in  
 South America

## October 2001

Alicia Leinberger opens Midwest office of Equal Exchange in Madison, WI

Tom Hanlon-Wilde and his wife, Jen, adopt their first child, Harry, from Thailand

Rob Everts and Rink Dickinson are keynote speakers at fall conference of Vermont Businesses for Social Responsibility

Salesperson Lilla Woodham is the 7th employee to become an owner in our worker cooperative in 2001. This brings the total number of Equal Exchange worker-owners to 33, a new record

NW Texas Conference of the United Methodist Church passes resolution urging affiliated congregations to "use Equal Exchange whenever coffee is served."

Equal Exchange exhibits at Natural Products Expo East in Washington, D.C.

10/12/01—The world coffee market hits a new low of 44.6¢ per pound, one of the lowest prices seen in 100 years. The market continues to drop until December when it finally bottomed out at 41.5¢.

## November 2001

A Cafecito Story by Julia Alvarez published by Chelsea Green, in collaboration with Equal Exchange

## Income Statements

	DEC. 31, 2000	DEC. 31, 2001
Sales .....	\$ 7,195,595	\$ 7,721,042
Cost of Sales .....	4,262,874	4,688,046
Gross Profit .....	2,932,721	3,032,996
Operating Expenses .....	2,571,812	2,761,165
Income from Operations .....	360,909	271,831
Other (Expense) Income:		
Interest Expense .....	(136,647)	(107,860)
Charitable Contributions Expense .....	(17,900)	(18,476)
Loss on Disposal of Equipment .....	(686)	-
Interest Income .....	5,334	4,268
Other Income .....	-	3,007
	(149,899)	(119,061)
Income before income taxes .....	211,010	152,770
Provision (credit) for income taxes:		
Current .....	90,000	55,000
Deferred .....	(1,000)	-
	89,000	55,000
Net Income .....	122,010	97,770
Retained Earnings, Beginning of Year .....	375,162	433,218
Less Preferred Stock Dividends .....	(63,954)	(62,460)
Retained Earnings, End of Year .....	\$ 433,218	\$ 468,528

## Statements of Cash Flows

	DEC. 31, 2000	DEC. 31, 2001
Cash Flow from Operating Activities:		
Cash Received from Customers . . . . .	\$ 7,094,013	\$ 7,789,224
Cash Paid to Vendors and Employees . . . . .	(6,452,178)	(7,259,678)
Interest Paid . . . . .	(136,647)	(107,860)
Income Taxes (Paid) . . . . .	(182,247)	(19,153)
Interest Received . . . . .	5,334	4,268
Net Cash Provided by Operating Activities	<u>328,275</u>	<u>406,801</u>
Cash Flows from Investing Activities:		
Cash Paid for Purchase of Property and Equipment . . . . .	(168,509)	(174,639)
Cash Received from Sale of Property and Equipment . . . . .	4,261	-
Net Cash (Used For) Investing Activities . . . . .	<u>(164,248)</u>	<u>(174,639)</u>
Cash Flows from Financing Activities		
Proceeds from Sale of Preferred Stock . . . . .	212,520	235,246
Proceeds Received from New Long-Term Debt Borrowings . .	50,000	85,000
Proceeds Received from Dividend Reinvestment . . . . .	33,123	38,892
Proceeds Received from Common Stock Subscriptions Receivable	18,783	13,233
Net Cash Advances (Payments) Under Notes Payable — Lines of Credit . . . . .	(85,012)	347,898
Repayments of Notes Payable — Current . . . . .	(30,000)	-
Preferred Stock Dividends Paid . . . . .	(63,954)	(62,460)
Repayment of Current Portion of Long-Term Debt . . . . .	(114,145)	(84,310)
Cash Paid to Retire Preferred Stock . . . . .	(141,018)	(60,243)
Cash Paid to Retire Common Stock . . . . .	(6,807)	(12,092)
Net Cash Provided by (Used For) Financing Activities . .	<u>(126,510)</u>	<u>501,164</u>
Net Increase in Cash . . . . .	37,517	733,326
Cash, Beginning of Year . . . . .	53,836	91,353
Cash, End of Year . . . . .	<u>\$ 91,353</u>	<u>\$ 824,679</u>

### December 2001

Second Annual Direct Store Delivery Day at Canton headquarters

Equal Exchange receives a \$5,000 loan from the Ursuline Sisters of Tildonk

Interfaith featured in Seattle Times article entitled, "Houses of Worship Sing Praises of Coffee for a Cause". Article later picked up by the Associated Press and published across the country.



## Our Mission Statement

Equal Exchange's mission is 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 cooperatives and fair trade.

## 2001 Staff

Denise Abbott

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Maria King

Alicia Leinberger

Roxanne Magnuson

Charlotte Mann

Renie Marsh

Beth Ann Milardo

Jessie Myszka

Rodney North

Keith Olcott

Julie Petot

Lila Pigott

Greg Richards

Cara Ross

Lisa Russell

Beth Sheaff

Mark Souza

Micah Steinhilb

Forrest Sutton

Mark Sweet

Mario Jose Teixeira

Jill Wenke

Lilla Woodham

Annual Report Committee Dia Cheney, Marketing Director; Rob Everts, Co-Director;  
Gary Goodman, Marketing Coordinator; Jill Parker, Graphic Designer; Greg Richards, Investment Manager  
Front Cover Photo taken by Todd Caspersen