

Remembering Reggie Hostovsky

She was one of the few people who spontaneously dropped by the Equal Exchange warehouse to say hello. And though shareholder Reggie Hostovsky was not fond of coffee, she was passionate about life and about her political and environmental convictions; one of which was the work of Equal Exchange.



Reggie was my aunt, my mother's sister. She was a voracious reader—her guest bathroom was stocked with the kind of magazines I pray my dentist would subscribe to. Her world was large: she traveled to Europe frequently and spoke several languages. Her late husband, Egon Hostovsky, was a Czech novelist, and Reggie was part of a subculture of expatriate Czech literary artists in North America.

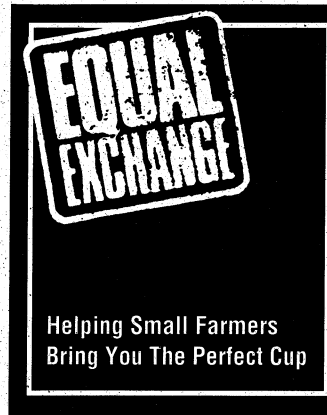
Reggie was an activist for Amnesty International. She supported and participated in numerous environmental and

consumer rights organizations. She was devoted to organically-grown vegetables, which was about all you could expect to be served at her table. She was a weaver, a talented writer and storyteller, and a marvelously alive and fun person to be with.

When I approached Reggie in 1984 to become a shareholder of Equal Exchange, she didn't need a hard sell. The human values expressed in our business plan were in sync with the values she lived every day. She became one of our founding shareholders, and later loaned Equal Exchange an additional portion of her personal savings to finance new inventory and growth. She was one of the few shareholders the entire staff knew.

Reggie died unexpectedly of a bacterial infection on January 27, 1993. She was 63. We will miss her very, very much.

—Michael Rozyne



The Equal Exchange, Inc.

1992 Annual Report

The Short of It

Growth in terms of dollars and cents was healthy, though not chaotic; we added 12 percent in terms of gross sales (\$1,152,172 in 1992 over \$1,039,812 in 1991) and increased profits (after taxes) from \$38,578 to \$49,890. But 1992 will be remembered most for two historic changes.

(1) We restructured management. EE's three founders have managed the company collectively since our inception in 1985. In 1992, we opted for a hierarchical management structure. We retain a strong commitment to employee participation in decisionmaking. However, we believe the new structure is better for

Equal Exchange because it will provide more security and clearer leadership for employees. At the management level, defining roles and responsibility more clearly has led to greater individual accountability and recognition.

(2) We began an historic collaboration with Oxfam America and Neighbor to Neighbor to import coffee directly from cooperatives in El Salvador (see article in 1992 mid-annual report). The campaign is reaching out to colleges nationwide to make Cafe Salvador *the* campus coffee. To find out if your *alma mater* was one of the first to come on board, see page 2.

The Greening of Juan Valdez: A Whole New Can of Worms

Well, the first thing every farmer wants to do is show you his or her worms—earthworms, that is. Now, I happen to be the kind of person who runs screaming in the opposite direction whenever I encounter a creature with multiple legs—or in the case of the worms, leg-free—but hey, I'm a guest. So I hide behind my camera and obligingly take pictures.

Earthworms are, in fact, one of the secrets of organic agriculture. These guys are incredible. Let them loose in a mound of coffee pulp, mix in some chicken manure and kitchen scraps, moisten the mess with waste water from the coffee fermentation process, and the worms will turn it into a gourmet delight for the coffee trees.

Colombia is a very vertical country. The mountains are so steep that farmers

have to cut terraces in the grass so the cows can stand and graze. There is something growing at every level—legumes, corn and flowers on the ground, coffee trees and sugar cane at mid-level, and shade and fruit trees towering over all. If you keep your eyes peeled, you can spot bright green and yellow birds flitting from tree to tree.

For the first time, I really *got* why organic coffee farming is so fabulous. It enhances nature instead of trying to "beat" it. It is not organic by default. It requires a tremendous amount of planning and labor to maintain good coffee yields and control pests and weeds without pouring chemicals and pesticides into the earth. By using low-cost, appropriate technology—like earthworms—

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(617) 344-7227

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I recently accompanied Equal Exchange Marketing Director Michael Rozyne on his third trip to Colombia, where, at least in the region we visited, the Americano who speaks Spanish muy bien except for his lousy grammar is a very popular guy. Here are a few observations from the trip.

—Myrna Greenfield.

Reemergence of Hope in Nicaragua

These are not hopeful times in Nicaragua. For the average peasant farmer, marketing opportunities are slim or nonexistent, violence has returned to the countryside, and life has been reduced to a struggle for survival.

The news from our trading partners in the San Juan del Rio Coco region is somewhat brighter. On a recent trip to Nicaragua, EE Executive Director Jonathan Rosenthal and Purchaser Mark Souza visited coop organizer Paul Rice:

"San Juan del Rio Coco is the only region where coops are growing in Nicaragua. This is directly a result of the economic success of the coffee project. The extra price enables us to work. There still isn't money for extra food or clothes. But, once again, there's some hope for the future. The coops are starting to help out the community by funding things such as infant nutrition."

In September of 1992, the eleven coops involved in the project formed a Union of Cooperatives with the purpose of jointly marketing coffee. Seven new coops are expected to join in 1993.

The coffee was recently certified organic by the Organic Crop Improvement Association of North America (OCIA). This assures consumers that the coffee has been grown without chemical fertilizers or pesticides for a minimum of three years, and that a plan for using organic inputs is in the works. However, the coop's organic farming program is still in the early stages of implementation. The coop leadership is working to overcome the environmental threat posed by improper management of coffee pulp and waste water from the coffee fermentation process.

In his report to the staff, Jonathan emphasized that "The Nicaraguan coffee coops have really blossomed into an exciting and promising project. Nevertheless, there's still a long way to go before things stabilize and the farmers fully control their exporting and marketing. Equal Exchange can be proud of its role as advisor, funder (through the coffee premium) and guinea pig for the export process."

Cafe Salvador Gets the First Degree

The Cafe Salvador program matriculated in January, 1993, brewing its way through the snow-covered campus of Macalester College in St. Paul, Minnesota. Macalester distinguished itself as the first college in the country to officially adopt Cafe Salvador as the campus coffee.

Not far behind, Wheaton College in Norton, Mass. signed on in March, with the cooperation of the Marriott Dining Service. Wheaton alumnus Mark Sweet, now an Equal Exchange employee, led the sales campaign from start to finish.

Sweet is a salesperson, hired in October 1992, specializing in local restaurants and institutions.

The Cafe Salvador campaign received a burst of new energy when Hilary Abell, the talented New York regional organizer for Neighbor to Neighbor signed on as a half-time salesperson/organizer for the project. Joining Hilary, also in part-time status, will be Joel Elvery of the Chicago Neighbor to Neighbor office. Abell and Elvery are based in their regional offices, but are working closely with the marketing staff of Equal Exchange.

The campaign is specifically targeting college campuses in 1993 hoping to confer coffee on at least five other institutions before the year lets out.

Equal Exchange, Inc. Balance Sheet

	12/31/92	12/31/91
ASSETS		
CURRENT ASSETS		
Cash	\$84,189	\$95,902
Accounts Receivable, Trade	\$106,267	\$90,574
Inventory	\$469,148	\$381,126
Prepaid expenses	\$11,839	\$10,876
TOTAL CURRENT ASSETS	\$671,443	\$578,478
PROPERTY & EQUIPMENT		
Equipment	\$76,859	\$40,627
Leasehold improvements	\$9,041	\$3,291
TOTAL	\$85,900	\$43,918
Less Accum. Depreciation	(\$30,375)	(\$13,441)
PROPERTY & EQUIPMENT—NET	\$55,525	\$30,477
OTHER ASSETS		
Organizational Expenses (NET)	\$14,543	\$14,874
Other Assets	\$3,578	\$4,620
TOTAL OTHER ASSETS	\$18,121	\$19,494
TOTAL ASSETS	\$745,089	\$628,449
LIABILITIES & EQUITY		
CURRENT LIABILITIES		
Notes Payable	\$131,119	\$146,418
Current Portion of Long-term Debt	\$27,693	\$30,337
Accounts Payable	\$83,123	\$69,091
Federal & State Income Tax Payable	\$11,168	\$10,527
Accrued Expenses	\$5,187	\$4,785
Patronage Rebate Payable	\$8,906	\$6,064
TOTAL CURRENT LIABILITIES	\$267,196	\$267,222
LONG-TERM LIABILITIES		
Long-term Debt	\$195,196	\$148,239
TOTAL LONG-TERM LIABILITIES	\$195,196	\$148,239
TOTAL LIABILITIES	\$462,392	\$415,461
EQUITY		
Worker Membership Shares	\$10,000	\$8,000
Preferred Shares	\$203,217	\$175,867
Donated Capital	\$1,209	\$1,209
Stock Subscribed	\$0	\$0
Dividends Payable	\$0	\$0
Retained Earnings	\$68,271	\$27,912
TOTAL EQUITY	\$282,697	\$212,988
TOTAL LIABILITIES & EQUITY	\$745,089	\$628,449



Equal Exchange, Inc. Statement of Income

for the period ending 12/31/92

	1/1/92- 12/31/92	1/1/91- 12/31/91
SALES		
Consumers	\$11,352	\$15,775
Wholesalers	\$862,775	\$511,791
Distributors	\$238,004	\$447,508
Manufacturers	\$0	\$15,810
Miscellaneous	\$0	\$125
Freight Income	\$40,041	\$48,803
Total Gross Sales	\$1,152,172	\$1,039,812
Total Sales Discounts	(\$13,952)	(\$23,028)
Net Sales	\$1,138,220	\$1,016,784
Gross Profit on Sales	\$421,938	\$328,018
Gross Profit on Brokerage	\$2,945	\$5,436
Gross Profit	\$424,883	\$333,454
Total Operating Expenses	\$344,120	\$267,080
Income from Operations	\$80,763	\$66,374
Other Income/Expenses		
Interest Income	\$1,466	\$2,745
Misc Income	\$3,754	\$310
Total Other Income	\$5,220	\$3,055
Interest Expense	\$20,340	\$19,356
Total Other Expense	\$20,340	\$19,356
Income Before Taxes	\$65,643	\$50,073
Income Taxes	\$15,753	\$11,495
NET INCOME	\$49,890	\$38,578

Statement of Changes in Retained Earnings

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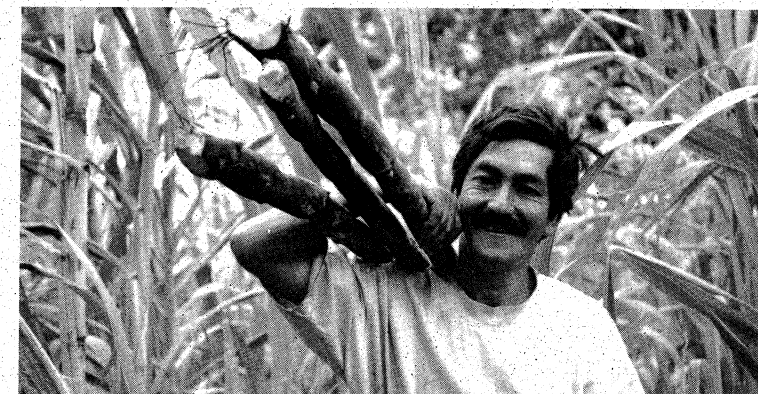
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A Whole New Can of Worms

(Continued from Page 1)

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Even with my limited Spanish, I could sense that the farmers share a spiritual as well as economic and environmental commitment to organic farming. Farmers all over the world are an endangered species. These Colombian farmers are trying to preserve, not only their environment, but a way of life. These soft-spoken, modest *campesinos* are the true heroes of the Colombian coffee industry, not the white-suited Juan Valdez in the commercials.



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My great hope is that I'll stop seeing worms every time I drink a cup of Colombian coffee.

Birth Announcement: NAATO, Chicago, July 7, 1993

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The annual conference covers a wide range of topics, from how to sell Third World handicrafts to the latest on the European ATO coffee scene. The decision to launch NAATO was made at last

year's San Francisco conference with steady input from Equal Exchange managers. It is expected that NAATO will take over running the annual ATO conference, and take leadership responsibility in areas such as international networking, training, and quality control.

For more information on this year's conference, contact: Marketplace, Handwork of India, 1461 Ashland Ave., Evanston, IL 60201, 708-328-4011.

Coffee Initiative Suspended

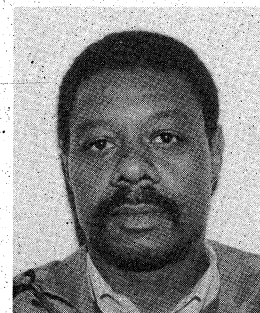
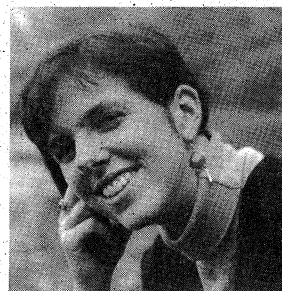
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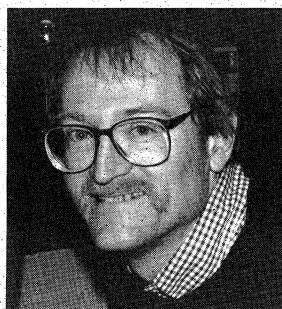
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CLARK ARRINGTON breaks the sound-barrier in his black Porsche about once a week, driving up to Stoughton from his home in Hartford, Conn. He began working as our Capital Coordinator in January, 1993, but has been an EE Board Member for several years. He is also our lawyer. He teaches business law at Manchester Community College outside Hartford and consults with employee-owned businesses around the country. He drinks about 4 or 5 cups of coffee a day—face it, with his schedule, he needs it! He is drawn to EE because our "philosophy isn't just a set of principles—it's actually carried out through what EE does and by the people who work here."

RINK DICKINSON is Senior Project Analyst/Senior Sales Representative and an EE "founding father." Before coming to Equal Exchange, he was a produce buyer at Northeast Cooperatives, rising daily with the roosters at 4 a.m. He still looks forward to the months when organic citrus fruits are in season. He is a committed coffee drinker, with a soft spot in his heart for one of our first products, Organic Peruvian French Roast. Rink grew up in Detroit and south Jersey and now lives in Providence, Rhode Island where he brews beer at home and is active in the Green Party. He holds a masters degree in urban planning from MIT and is EE's resident academic. He's also head coach of our warehouse basketball team.

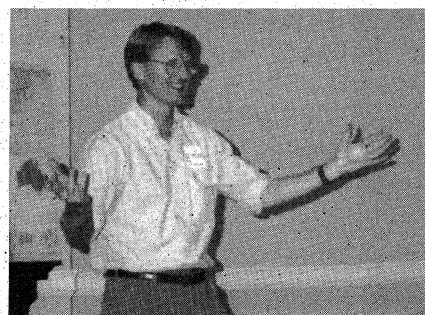


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Names and Faces

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are "working for empowerment in Central America by empowering people in the U.S." Joel was not a coffee drinker before he started working on the project, but he valiantly quoffs 1-2 cups of Cafe Salvador a day to "save face." Joel is an unconventional kind of guy; when asked for his favorite fruit, his first response was "tomatoes." But he was aware that most of us don't think of tomatoes as a fruit, so he admitted that he loves "a really good banana."



ROB EVERTS is the National Organizing Director at Neighbor to Neighbor and has been the part-time New England Cafe Salvador promoter since last September. Rob got his start in organizing with the United Farm Workers in California in the mid-70s and hasn't stopped since. He was one of the chief architects of the highly successful Folgers boycott. Although Rob was not much of a coffee drinker before he came to EE, someone gave him a cappuccino maker for Christmas and he hasn't been the same since.

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MYRNA GREENFIELD is EE's Communications Manager and, as Equal Exchange's first female employee, likes to call herself a "founding mother." She has been a vegetarian and a devoted food coop shopper for the past twenty years. She has worked for four different workers' cooperatives that went out of business and is impressed at how Equal Exchange is able to "respond to the market without sacrificing its ideals." Myrna writes screenplays and hopes that the farmers that she's met through Equal Exchange "will someday be appearing on screen at a major multiplex near you." She loves coffee but "can only handle about two half-cups a day" and "is into kiwis because they're tart and sweet at the same time and besides, they're so green."

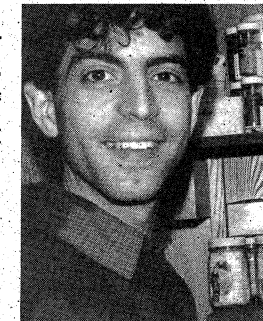


EE Sales Representative **CHARLOTTE MANN** is the only employee who actually lives in Stoughton, Mass, Equal Exchange world headquarters. She first heard about EE through the food cooperative buying club that she's belonged to since 1974 and "decided to come and find out what was going on." She attended a Displaced Homemakers program at Radcliffe and holds a Certificate of Advanced Studies in Management. Equal Exchange's efforts to "directly improve the conditions of coffee farmers" and "the people" drew her to the company. Charlotte drinks about three cups of coffee a day and favors our Organic Colombian French Roast; peaches are her favorite fruit.

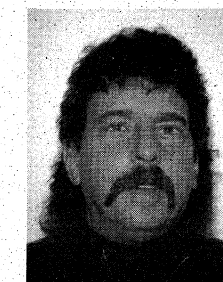
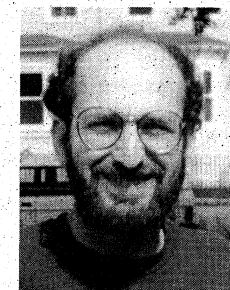


SUE OPIE, our mango-loving, bread-baking Warehouse Manager and Bookkeeper, has been at Equal Exchange for three years. She averages 1 1/2 cups of EE coffee a day; her current favorite is Organic Breakfast Blend Dark Roast. She comes from a family of teachers, artists and travelers in Texas, and worked and traveled in Taiwan, Malaysia and the Philippines for two years. The most important thing about working at EE for her? "The mission."

Equal Exchange Executive Director and co-founder **JONATHAN ROSENTHAL** is also our head chef and chief visionary. Although he is an excellent coffee cupper, he can't drink the stuff; he's allergic to practically everything except beans and rice. He was a purchaser at Northeast Cooperatives, where he hooked up with Michael and Rink. Jonathan is committed to making the connections between social responsibility, sustainable agriculture and alternative trade. It is the opportunity to address matters of the head, heart and soul together in the course of an average workday that bonds him to Equal Exchange. His vision for Equal Exchange includes developing a full line of alternative trade food products.



MICHAEL ROZYNE is Director of Marketing and an EE co-founder. As a youngster, he was "into bugs." He studied biology at Bowdoin College and is the only one on the staff who really gets excited at the sight of an earthworm. He's spent his entire professional life trying to narrow the distance between consumers of specialty foods and the family farmers who grow and manufacture them. He lives on a homestead in southeastern Mass. with his partner and a growing collection of four-footed beasts. He eats a bowl of fresh fruit religiously every morning after his swim at the local Jewish Community Center; in fact, fruit *is* kind of a religion for Michael. He can be observed drinking half-sized cups of EE coffee throughout the day. Before he came to EE, he was the Marketing Manager at Northeast Coops.



MARK SOUZA started at EE as a Sales Representative two years ago and is now moving out of sales to become our Purchaser. Souza, as he is known around the office, used to survive on coffee, nicotine and donuts. He quit smoking recently and caffeine is now his major food group. He has a range of sales and management experience in the garment

and vending industries (including coffee), and most recently ran his own business as a music promoter. He traces his commitment to social justice to his childhood in a depressed neighborhood in New Bedford, Mass. and his experiences as a soldier in Vietnam. Now a resident of Westport, Mass., just over the border from Rhode Island, he logs an astounding 550 miles a week to get to Stoughton, but says he "feels good about coming to work" despite the drive.

Sales Representative **MARK SWEET** was raised on "apple pie, hot dogs and Red Sox games" in Concord, Mass., and started at Equal Exchange last September as a non-coffee drinker. Each day, he bravely "educates his palate." (Some people wouldn't consider drinking coffee for a living a sacrifice!) Mark spent the summer of 1990 doing research at coffee cooperatives in Kenya. He found out about Equal Exchange while still a student at Wheaton College in Norton, Mass., and kept bugging us until we hired him. Mark moonlights as a DJ at parties for young people.



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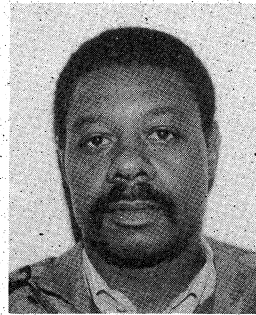
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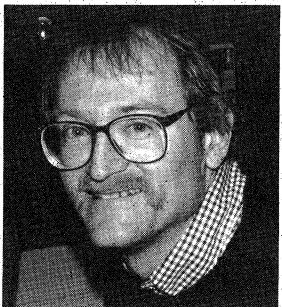
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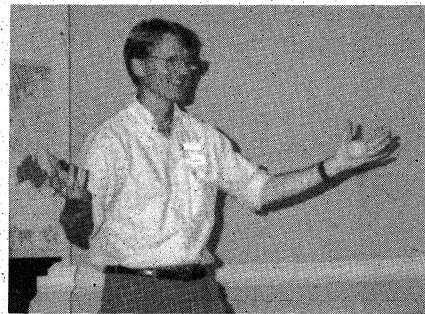


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Names and Faces

Been wondering who all those strange voices on the telephone belong to? Here's a guide to who's who at EE.

are "working for empowerment in Central America by empowering people in the U.S." Joel was not a coffee drinker before he started working on the project, but he valiantly quoffs 1-2 cups of Cafe Salvador a day to "save face." Joel is an unconventional kind of guy; when asked for his favorite fruit, his first response was "tomatoes." But he was aware that most of us don't think of tomatoes as a fruit, so he admitted that he loves "a really good banana."



ROB EVERTS is the National Organizing Director at Neighbor to Neighbor and has been the part-time New England Cafe Salvador promoter since last September. Rob got his start in organizing with the United Farm Workers in California in the mid-70s and hasn't stopped since. He was one of the chief architects of the highly successful Folgers boycott. Although Rob was not much of a coffee drinker before he came to EE, someone gave him a cappuccino maker for Christmas and he hasn't been the same since.

MYRNA GREENFIELD is EE's Communications Manager and, as Equal Exchange's first female employee, likes to call herself a "founding mother." She has been a vegetarian and a devoted food coop shopper for the past twenty years. She has worked for four different workers' cooperatives that went out of business and is impressed at how Equal Exchange is able to "respond to the market without sacrificing its ideals." Myrna writes screenplays and hopes that the farmers that she's met through Equal Exchange "will someday be appearing on screen at a major multiplex near you." She loves coffee but "can only handle about two half-cups a day" and "is into kiwis because they're tart and sweet at the same time and besides, they're so green."

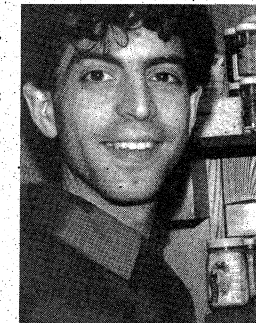


EE Sales Representative **CHARLOTTE MANN** is the only employee who actually lives in Stoughton, Mass, Equal Exchange world headquarters. She first heard about EE through the food cooperative buying club that she's belonged to since 1974 and "decided to come and find out what was going on." She attended a Displaced Homemakers program at Radcliffe and holds a Certificate of Advanced Studies in Management. Equal Exchange's efforts to "directly improve the conditions of coffee farmers" and "the people" drew her to the company. Charlotte drinks about three cups of coffee a day and favors our Organic Colombian French Roast; peaches are her favorite fruit.

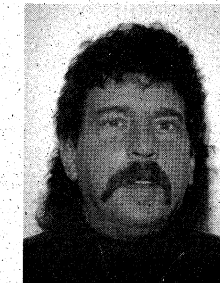
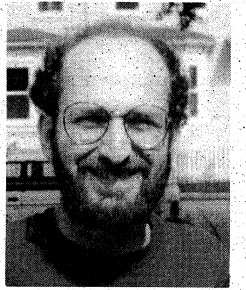


SUE OPIE, our mango-loving, bread-baking Warehouse Manager and Bookkeeper, has been at Equal Exchange for three years. She averages 1 1/2 cups of EE coffee a day; her current favorite is Organic Breakfast Blend Dark Roast. She comes from a family of teachers, artists and travelers in Texas, and worked and traveled in Taiwan, Malaysia and the Philippines for two years. The most important thing about working at EE for her? "The mission."

Equal Exchange Executive Director and co-founder **JONATHAN ROSENTHAL** is also our head chef and chief visionary. Although he is an excellent coffee cupper, he can't drink the stuff; he's allergic to practically everything except beans and rice. He was a purchaser at Northeast Cooperatives, where he hooked up with Michael and Rink. Jonathan is committed to making the connections between social responsibility, sustainable agriculture and alternative trade. It is the opportunity to address matters of the head, heart and soul together in the course of an average workday that bonds him to Equal Exchange. His vision for Equal Exchange includes developing a full line of alternative trade food products.



MICHAEL ROZYNE is Director of Marketing and an EE co-founder. As a youngster, he was "into bugs." He studied biology at Bowdoin College and is the only one on the staff who really gets excited at the sight of an earthworm. He's spent his entire professional life trying to narrow the distance between consumers of specialty foods and the family farmers who grow and manufacture them. He lives on a home-stead in southeastern Mass. with his partner and a growing collection of four-footed beasts. He eats a bowl of fresh fruit religiously every morning after his swim at the local Jewish Community Center; in fact, fruit *is* kind of a religion for Michael. He can be observed drinking half-sized cups of EE coffee throughout the day. Before he came to EE, he was the Marketing Manager at Northeast Coops.



MARK SOUZA started at EE as a Sales Representative two years ago and is now moving out of sales to become our Purchaser. Souza, as he is known around the office, used to survive on coffee, nicotine and donuts. He quit smoking recently and caffeine is now his major food group. He has a range of sales and management experience in the garment and vending industries (including coffee), and most recently ran his own business as a music promoter. He traces his commitment to social justice to his childhood in a depressed neighborhood in New Bedford, Mass. and his experiences as a soldier in Vietnam. Now a resident of Westport, Mass., just over the border from Rhode Island, he logs an astounding 550 miles a week to get to Stoughton, but says he "feels good about coming to work" despite the drive.

Sales Representative **MARK SWEET** was raised on "apple pie, hot dogs and Red Sox games" in Concord, Mass., and started at Equal Exchange last September as a non-coffee drinker. Each day, he bravely "educates his palate." (Some people wouldn't consider drinking coffee for a living a sacrifice!) Mark spent the summer of 1990 doing research at coffee cooperatives in Kenya. He found out about Equal Exchange while still a student at Wheaton College in Norton, Mass., and kept bugging us until we hired him. Mark moonlights as a DJ at parties for young people.





**EQUAL EXCHANGE, INC.
BALANCE SHEET**

	<u>6/30/92</u>	<u>12/31/91</u>
ASSETS		
CURRENT ASSETS		
Cash	\$61,677	\$95,902
Accounts Receivable, Trade	\$74,852	\$90,574
Inventory	\$443,699	\$381,126
Prepaid expenses	\$12,686	\$10,876
TOTAL CURRENT ASSETS	\$592,914	\$578,478
PROPERTY & EQUIPMENT		
Equipment	\$57,134	\$40,627
Leasehold improvements	\$3,291	\$3,291
TOTAL	\$60,425	\$43,918
Less Accum. Depreciation	(\$20,229)	(\$13,441)
PROPERTY & EQUIPMENT—NET	\$40,196	\$30,477
OTHER ASSETS		
Organizational Expenses (NET)	\$14,708	\$14,874
Other Assets	\$4,099	\$4,620
TOTAL OTHER ASSETS	\$18,807	\$19,494
TOTAL ASSETS	\$651,917	\$628,449
LIABILITIES & EQUITY		
CURRENT LIABILITIES		
Notes Payable	\$133,700	\$146,418
Current Portion of Long-term Debt	\$26,203	\$30,337
Accounts Payable	\$41,940	\$69,091
Federal & State Income Tax Payable	\$9,607	\$10,527
Accrued Expenses	\$4,685	\$4,785
Patronage Rebate Payable	\$6,064	\$6,064
TOTAL CURRENT LIABILITIES	\$222,199	\$267,222
LONG-TERM LIABILITIES		
Long-term Debt	\$169,720	\$148,239
TOTAL LONG-TERM LIABILITIES	\$169,720	\$148,239
TOTAL LIABILITIES	\$391,919	\$415,461
EQUITY		
Worker Membership Shares	\$8,000	\$8,000
Preferred Shares	\$195,667	\$175,867
Donated Capital	\$1,209	\$1,209
Stock Subscribed	\$0	\$0
Dividends Payable	\$0	\$0
Retained Earnings	\$27,911	(\$10,667)
Net Profit (Loss) YTD	\$27,211	\$38,579
TOTAL EQUITY	\$259,998	\$212,988
TOTAL LIABILITIES & EQUITY	\$651,917	\$628,449



Mid-Annual Report

The Short Of It

In an historic development initiative, Equal Exchange joined forces with Neighbor to Neighbor and Oxfam America to import high-quality coffee directly from democratic cooperatives in El Salvador. One of the exciting results of the new peace there, *Cafe Salvador* was introduced to the food coop marketplace in September (see "Introducing Cafe Salvador.") In other news, we've been through some internal changes at Equal Exchange: new jobs, new staff, and new offices (see "Facelift.")

On the quantitative side, we earned an after-tax profit of \$27,209 on gross sales of \$526,193 in the first half of the year. Our continued financial success enables us to proudly issue our shareholders a five percent dividend check for profits earned in fiscal year 1991.

Northern Espresso—
Rink Dickinson visits with Robo of Espresso, Inc., Equal Exchange's northernmost account, in Kenai, Alaska, south of Anchorage on the Kenai peninsula. Espresso, Inc. sells Equal Exchange coffee and dynamite cinnamon rolls from a refurbished school bus permanently stationed in a shopping mall parking lot.



Introducing Cafe Salvador

In an historic collaboration, Equal Exchange is working with Neighbor to Neighbor and Oxfam America to import coffee beans directly from a coalition of peasant farmers' cooperatives in El Salvador. This blend, known as *Cafe Salvador*, is an excellent full-bodied cup of coffee, with smooth acidity and a mild, sweet flavor.

Neighbor to Neighbor (NtoN) is a grassroots peace organization working to change U.S. policy in Central America. In an effort to pressure U.S. coffee companies to support the peace process in El Salvador, NtoN sponsored a successful boycott of Folgers Coffee and other supermarket brands using Salvadoran beans. Oxfam is an international development and disaster relief agency with a long history of support for equitable economic development in El Salvador and around the world.

In order for Cafe Salvador to play a role in maintaining the peace in El Salvador, we need to move a significant volume of coffee. By working with these two organizations, Equal Exchange will be able to bring alternative trade to a much broader group of consumers. With NtoN's assistance, we have already recruited many religious organizations to adopt Cafe Salvador. Oxfam is featuring Cafe Salvador in its mail order catalog and will be handling the majority of mail order fulfillment.



Teacher Miriam Elena Gomez and students at the Los Pinos Coop School in Santa Ana, El Salvador.

EQUAL EXCHANGE, INC. STATEMENT OF INCOME for the period ending 6/30/92

	<u>1/1/92- 6/30/92</u>	<u>1/1/91- 6/30/91</u>
SALES		
Consumers	\$5,998	\$8,280
Wholesalers	\$382,066	\$179,087
Distributors	\$119,519	\$199,864
Manufacturer	\$0	\$12,365
Miscellaneous	\$0	\$0
Freight Income	<u>\$18,610</u>	<u>\$20,941</u>
Total Gross Sales	\$526,193	\$420,537
Total Sales Discounts	<u>(\$7,111)</u>	<u>(\$12,363)</u>
Net Sales	\$519,082	\$408,174
Gross Profit on Sales	\$194,324	\$127,000
Gross Profit on Brokerage	\$977	\$90
Gross Profit	\$195,301	\$127,090
Total Operating Expenses	\$149,744	\$116,225
Income from Operations	\$45,557	\$10,865
Other Income/Expenses		
Interest Income	\$562	\$2,137
Misc Income	<u>\$1,611</u>	<u>\$2</u>
Total Other Income	\$2,173	\$2,139
Interest Expense	<u>\$10,302</u>	<u>\$8,946</u>
Total Other Expense	\$10,302	\$8,946
Income Before Taxes	\$37,428	\$4,058
Income Taxes	\$10,219	\$961
NET INCOME	\$27,209	\$3,097

coffees offer the best of both worlds. By blending in organically grown Peruvian coffee, we add a lovely smoothness to the rich, spicy taste of *Cafe Nica*. We are also offering Cafe Salvador in eight-ounce packages. All of our packaged coffees are now available in whole bean or drip grind.

With our new design, they'll make great holiday gifts! A pricelist and order form are enclosed for your convenience.



Cafe Salvador is available in eight-ounce packages of whole bean or drip grind coffee, as well in whole bean, five-pound bags. It is also available in two-ounce premeasured "pillow-packs," suitable for standard coffee-makers. We urge you to add Cafe Salvador to your Equal Exchange menu.

Facelift

An introspective summer led the founders of Equal Exchange to transform management from a collective structure to an individually-based one. Jonathan Rosenthal assumes the role of Executive Director. Michael Rozyne is Director of Marketing. Rink Dickinson is Director of the Coffee Initiative (formerly known as the Fair Trade Initiative), our effort to develop a bi-national program (U.S. and Canadian) to take alternative trade public, so to speak.

Myrna Greenfield was promoted to Communications Manager, in charge of all publications and consumer research. Mark Souza was promoted to Customer Service Manager. In addition he has become our Purchaser, responsible for coffee buying and quality control. Sue Oppie, Warehouse Manager, has taken over primary bookkeeping responsibilities.

New to the Equal Exchange staff are Rob Everts, on loan half-time from Neighbor to Neighbor to promote the introduction of Cafe Salvador, and Charlotte Mann and Mark Sweet, two new salespeople, to promote our entire line in the greater Northeast region.

The loud pounding and sawing you hear in the background as you read this report is due to the construction of new offices in our Stoughton warehouse. We're doubling the size of the office space here to give our new employees room to shout.

As the presidential candidates echo the need for change *ad nauseam*, we at Equal Exchange take solace in knowing three positive things relevant to these election times:

1. We're making lots of change happen out there in the coffee economy, and inside here in our own organization;
2. We're adding jobs to the economy; and
3. We're still speaking as directly to the issues as we know how.

(If elected, the only thing we'll serve is coffee.)

Coffee Initiative Update



Equal Exchange is investing significant resources into building a trademark that will signify that coffee farmers are receiving a fair price and are farming in an environmentally responsible manner. In August, Equal Exchange, Bridgehead (OXFAM-Canada), Oxfam America and Pueblo to People signed papers to constitute the working group of the Coffee Initiative. Since then, COO-CAFE, our trading partner in Costa Rica, has formally joined the working group.

The focus this fall is twofold: to build a coalition of environmental, religious, consumer and development groups that will join and endorse the Coffee Initiative, and to raise funds for an expanded campaign in 1993. During 1992, we will expand the coalition, set criteria, and recruit marketing expertise. In mid-1994, we will formally launch the Coffee Initiative. Any contacts you have for either fundraising or expanding the coalition would be quite useful, and should be directed to Rink, care of Equal Exchange.

Alternative Trade Makes the News

The Ninth Annual Alternative Trade Conference was bursting with the energy of a movement whose time has come. Over 150 alternative traders—including producers, ATOs and retail stores—gathered to share ideas, contacts and concerns. The conference, the second organized by Pueblo to People (the previous seven were organized by Friends of the Earth in Ft. Wayne, Indiana), was held at the University of San Francisco on June 27 and 28.

Media interest in the conference ran high. The *San Francisco Chronicle* and *San Francisco Examiner* both published stories on the front pages of their business sections. The *Examiner* article featured Equal Exchange. Reporters from *Time*, American Public Radio and the *San Jose Mercury News* also attended the conference.

Conferencegoers agreed to form a trade association, the North American Alternative Trade Organization, to be formally incorporated at the 1993 ATO conference. Next year's conference is tentatively set for Chicago.

Newsbriefs

- Our new pamphlet is enclosed.
- If you'd like to receive our consumer newsletter, *Java Live*, on a regular basis, just drop us a line. Otherwise, we will respect your right to a clutter-free mailbox and continue to write you just twice a year with our Annual and Mid-Annual Reports.
- In mid-November, the *Cafe Nica* packaged coffee line will be replaced by our new line of house blends: Organic Breakfast Blend, Organic Dark Roast, and Organic Decaf (Swiss Water Processed). Still based on organically-grown Nicaraguan coffee, our new packaged