



ANNUAL REPORT

1995

EQUAL EXCHANGE, INC.

JUNE, 1996

The Journey of Equal Exchange

by Jonathan Rosenthal, Executive Director

As we move into our tenth anniversary year, it is tempting to try to describe the past decade. If nothing else, Equal Exchange has been a journey. We've traveled thousands of miles on airplanes, buses, cars, boats, horses, mules, and on foot. We've had brushes with the Contras, the Sendero Luminoso, corrupt police and death squads. We've spent thousands of hours—and dollars—communicating with producers, allies and customers in North, South, and Central America, Africa, Asia and Europe.

And now, after ten years, we find that Equal Exchange has become a community of over 20 people in two locations selling over \$3 million dollars worth of coffee from 12 farmer cooperatives in 8 different countries. In spite of our early vision, we are not selling a full line of food products, but instead offer over 50 types of coffee.

How did the journey take us here? In 1985, after four years in the consumer cooperative movement and nearly as many years of conversation, Rink, Michael and myself took a plunge into the unknown and started a new organization. We debated every part of it, including the name Equal Exchange. With the insights learned from the coop world and beyond, we set out to build a new kind of cooperative food business: one that had direct input from producers, strong worker control and profits that were accountable to the mission of the organization.

Equal Exchange was launched when our first shipment of Nicaraguan coffee was finally released by Boston customs officials on May 1, 1986. We added Samusala Tea from the Sarvodaya Movement in Sri Lanka in 1987. By 1988, we began to market organic coffee from the Ashaninkas Association in Peru. Sales took off, we reached a profitable level of business—maintained ever since—and moved to larger quarters in 1990.

We continued to strengthen our trading policies and adopted the European Fair Trade pricing formula in 1991, guaranteeing farmers a minimum price for beans. Together with this price, we changed our distribution strategy and started selling directly to stores, which expanded our product line. In 1992, together with Oxfam American and Neighbor to Neighbor, we launched *Cafe Salvador*, our first collaborative campaign. The next milestone was in 1994,

when we published our most definitive manifesto to date: *Making Coffee Strong*. Finally, in 1995, we embarked upon a new process to build a shared organizational vision, opened a satellite office in Madison, Wisconsin, and moved our home office and warehouse to a much larger space in Canton, MA.

While these are many of the benchmarks of the past 10 years, the memories that are most vivid are all of the relationships we have established across the globe. Our dream of understanding and strengthening the interconnectedness of all us here on the planet has become more real as we have forged friendships and partnerships with farmers, academics, store owners, retail workers, coffee roasters, development workers, coffee traders and of course, our co-workers here at Equal Exchange.

Despite being told we couldn't combine our social values with viable business practices, we have done so. We have managed to expand our vision while growing the business and helping establish the validity of our model. Every day as we deepen our understanding of what's possible, we reach just a little bit further and continue this amazing journey. Thanks to all of our many supporters for being part of this sojourn. We could not have accomplished this without you.





Jean Mason

Jean K. Mason is a retired clinical psychologist who has resided in Cambridge, Massachusetts for over 50 years. She is also the founder of Harvest Housing Associates, a nonprofit, educational organization which encourages cooperative housing. Jean first invested in EE in 1986, and has remained an investor ever since. She was elected to the EE Board of Directors 1993.

"I learned about Equal Exchange over coffee, of course. Michael Rozyne came to my house to talk to my husband Ed and me about an infant company that would pay coffee growers a living wage, favored health care for farmers' families, and would be run as a democratic worker-cooperative. Although investing in EE was a risky venture in 1986, the mission of the company seemed significant enough to merit a financial pledge. Ten years later, the pipe dream is more of a reality than ever. As a business, EE is attempting to reshape capitalist premises in order to address the underserved. It is a socially responsible venture, seeking profit for a purpose—though not as a charity. Although EE still needs to do a lot more consciousness raising, it has succeeded in creating an alternative that flies in the face of the American, profit-driven model. The result of my initial investment in EE has been an enduring ten year friendship that continues to grow along with the company."

Wilbur Colom



Wilbur O. Colom is a senior partner in the Colom law firm, located in Columbus, Mississippi. He received his J.D. Degree from the Antioch School of Law, where he served on the Board of Governors. He was Columbus's first African American Municipal Judge. He is a long time activist in the Republican Party and ran as the Republican nominee for State Treasurer in 1987. His publications include, "The Trials of a Mississippi Lawyer," New York Times Magazine; and "Black Apathy in the GOP," Newsday, both in 1983.

"My former law partner and friend for decades, Clark Arrington [EE's Capital Coordinator], told me about Equal Exchange and invited me to invest. While I hope to make money, the decision was based upon a desire to support a worthy business and social venture—and hopefully not to lose any money. During the 1960's and 70's, I worked for activist organizations. Clark and I both came from a background of commitment to self-help and low income advocacy groups. We met while we were working for the Epes, Alabama based Federation of Southern Cooperatives. The EE investment is a financial extension of my sense of social responsibility. Now that I am a conservative, middle class, Southern lawyer, my activist leanings manifest themselves in my investment decisions."



Joel Solomon

Joel Solomon resides part-time in Nashville, Tennessee and part-time in Vancouver, British Columbia. He is involved in the neighborhood scale commercial real estate rehab business and owns several coffee houses. He is a Managing Partner of the Renewal Partners Venture Fund, and Board Chair of the Hollyhock Holistic Learning Center in BC.

"I invested in Equal Exchange because I am committed to exploring every angle of investing from alternative options to the "maximum return" model that is crushing everything in its path. EE was appealing to me as an experiment, as a player in the ATO (Alternative Trade Organization) movement, and as a group of committed, trustworthy individuals. In the years since my original share purchase, I have become involved in numerous businesses that practice the "multiple bottom line" belief. EE always stands out as one of the most thorough and thoughtful of these spheres. Nowadays, my primary focus is in finding ways to encourage investment capital to become riskier, more political, and more astute, so that socially responsible businesses can flourish. Long term sustainability is far more interesting to me than the "quick hit." Business is a series of relationships that should be accountable to the community. Again, EE shines—as its very existence and mission is about the honest relationship."

Equal Exchange, Inc.

Balance Sheet

December 31, 1995 and 1994

	1995	1994
CURRENT ASSETS		
Cash	\$ 79,620	\$ 221,428
Accounts Receivable (net allowance of \$3,629 for doubtful accounts)	375,617	182,282
Inventory	570,607	400,793
Prepaid Expenses	7,424	10,974
TOTAL CURRENT ASSETS	1,033,268	815,477
PROPERTY & EQUIPMENT		
Furniture, fixtures and Equipment	198,306	183,062
Leasehold Improvements	37,488	9,041
TOTAL	235,794	192,103
Less Accum. Depreciation	89,432	108,435
NET PROPERTY & EQUIPMENT	146,362	83,668
OTHER ASSETS		
Organizational Costs (net of amortization of \$2,868 in 1995 and \$2,463 in 1994)	13,328	13,733
Lease Acquisition Costs (net of amortization of \$179 in 1995)	2,887	—
Deposits	4,520	1,471
TOTAL OTHER ASSETS	20,735	15,204
TOTAL ASSETS	\$ 1,200,365	\$ 914,349
CURRENT LIABILITIES		
Short-term Notes	58,000	23,000
Notes Payable to Shareholders	124,200	114,200
Current Portion of Long-Term Debt	42,710	79,954
Accounts Payable	83,714	34,820
Accrued Expenses	15,162	7,358
Patronage Rebates Payable	15,411	13,319
Income Taxes Payable	38,622	20,775
TOTAL CURRENT LIABILITIES	\$ 377,819	\$ 293,426
OTHER LIABILITIES		
Long-Term Debt (net of current portion)	332,392	280,702
Deferred Patronage Rebate	3,154	893
TOTAL OTHER LIABILITIES	335,546	281,595
TOTAL LIABILITIES	\$ 713,365	\$ 575,021
STOCKHOLDERS' EQUITY		
Preferred Stock	309,613	238,314
Common Stock	21,866	19,224
Common Stock Subscriptions Receivable	(8,796)	(7,705)
Retained Earnings	164,317	89,495
TOTAL STOCKHOLDERS' EQUITY	487,000	339,328
TOTAL LIABILITIES & EQUITY	\$ 1,200,365	\$ 914,349


An in-depth analysis of the 1995 Financial Statements is available upon request.

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In 1995, the Equal Exchange staff engaged in the challenging process of defining the mission and goals of the organization during several facilitated sessions. This is the first formal mission statement presented in an EE Annual Report.

Our Mission

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.

Guiding Principles

- Trade directly with democratically organized small farmer cooperatives;
- Provide producers with advance credit for crop production;
- Pay producers a guaranteed minimum price that provides a stable source of income as well as improved social services;
- Provide high quality food products;
- Support sustainable farming practices;
- Build a democratically-run cooperative workplace;
- Develop more environmentally sound business practices.

Current Staff:

Hilary Abell, Clark Arrington, Edward Brome, Cindy Carpenter, Erbin Crowell, Truc Dang, Rink Dickinson, Thomas Hanlon-Wilde, Jim Kofalt, Laura MacDonald, Charlotte Mann, Bruce McKinnon, Beth Milardo, Jessie Myszka, Rodney North, Leonard T. Powell, Jonathan Rosenthal, Michael Rozyne, Abdiel Santos, Susan Sklar, Mark Souza, Mark Sweet, Thuy Gia Truong, & Lisa Woodside.

Board of Directors:

Hilary Abell, Clark Arrington, Bob Burke, Rink Dickinson, Myrna S. Greenfield, Charlotte Mann ('95), Jean Mason, Michael Rozyne, Mark Sweet, & Lisa Woodside ('96).



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