

EQUAL EXCHANGE

2015

Annual  
Report







*Virgilio de Leon,  
a member of Finca Triunfo  
Verde in Chiapas, Mexico.*

## Our Mission

To build long-term trade partnerships that are economically just and environmentally sound, to foster mutually beneficial relationships between farmers and consumers and to demonstrate, through our success, the contribution of worker co-operatives and Fair Trade to a more equitable, democratic and sustainable world.

### SALES BY PRODUCT CATEGORY 2015



**\$40.1 M**  
COFFEE



**\$1.8 M**  
TEA



**\$4.1 M**  
FOOD &  
SNACKS

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**\$64.5 M**  
TOTAL



**\$12.1 M**  
CHOCOLATE &  
COCOA



**\$5.4 M**  
BANANAS &  
AVOCADOS



**\$1 M**  
OTHER



FROM THE OFFICE OF  
THE EXECUTIVE DIRECTORS

# Victories, Setbacks

*By Rink Dickinson & Rob Everts, Co-Executive Directors*

In 2015, Equal Exchange continued to grapple with the dynamics that have led to the mainstreaming of Fair Trade to the point that the term has lost most of its meaning to consumers, as well as the ongoing marginalization of alternative trade organizations (ATOs) in the North and producer organizations in the South.

On the system-wide level we integrated with our sister ATOs, Equal Exchange (U.K.) and La Siembra (Canada), as part of our response to preserve and rebuild Fair Trade organizations in the North. This follows our rescue of Oké USA, our produce organization, in 2008.

In June 2015, we hosted a summit of all four organizations to get to know each other on an organizational and human level, and to increase our odds of adapting and changing in the market environment. The year ended with mixed results for our four connected organizations. For every victory, or partial victory, there was a corresponding setback. We are engaged with this challenge in each of the organizations.

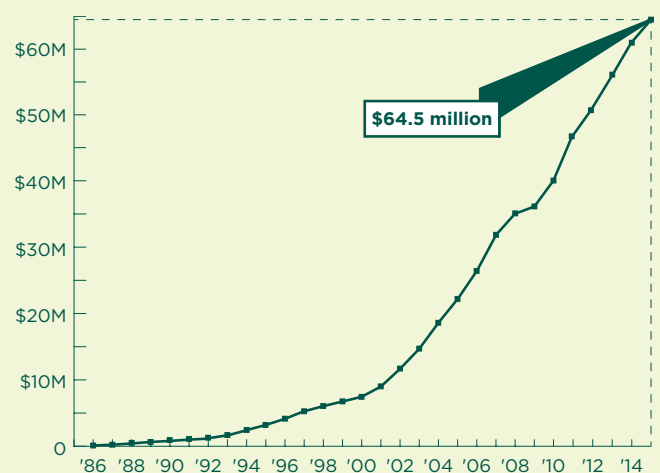
For Equal Exchange U.S., 2015 was also challenging. After a slow start of the year, particularly in chocolate, we ended the year with modest growth. Overall our sales grew by 5.6 percent over 2014. Chocolate limped to a one percent growth rate, but a tremendous amount of work has gone on in 2015 that should ensure chocolate continues to grow for us in the next period. Coffee grew at a rate of 4.6 percent, which is a strong accomplishment. Nuts grew by over 20 percent in sales dollars and have become an important category for us over the last



few years. Tea continued to solidify as a small, but solid, category and grew 4.7 percent during 2015.

The ongoing challenge is to build functional supply chains in coffee, tea, chocolate, nuts and produce so that we can both support small farmers and their movements in their own countries, and give consumers a chance to support real alternatives when shopping.

## SALES GROWTH 1986-2015





## A New Look for Our Boston Café

By Kelsie Evans, Boston Café Manager

*The Boston café debuted a new look in September, emphasizing a connection to farmers and sustainable practices.*

This year, we updated our Boston café. After seven years, it was not only time for a fresh coat of paint, but a chance to step back and rethink our space and goals. Equal Exchange cafés serve an important role in our supply chain—representing the care and craftsmanship demonstrated at each stage in that supply chain, from sourcing to roasting to cupping, to serving the customer. Located in a bustling neighborhood, our Boston café has the opportunity to engage with regulars and new customers alike around the Equal Exchange mission, and our space now does a better job of telling that story.

A mountainside mural transports customers to coffee farms, a new sourcing map shares updates from the field, new signage about our composting station concretely demonstrates the positive impact of our sustainability efforts, and new food labels connect customers to the local businesses with which we partner for delicious pastries and other menu items. Overall, the space is lighter and brighter, with the focus on key elements of our impact and mission, so that we can better connect coffee drinkers to farmers, and make every step of our coffee supply chain visible.

## Combating Climate Change from the Ground Up

By Carly Kadlec, Green Coffee Buyer

Small-scale farmers in producer countries disproportionately feel the effects of climate change. One of the ways we are addressing the impact of climate change is through the Coffee Farmer Resilience Initiative, a project primarily organized by our friends at Root Capital to provide grant funds to farmer organizations to combat coffee leaf rust, develop Climate Smart Agriculture, and promote resilience. Equal Exchange has donated more than \$100,000 to this fund since 2014, and it has been matched dollar for dollar by USAID. Our five coffee farmer partners currently involved have invested the funds into renovating acreage, investing in

infrastructure for organic input management, and expanding technical assistance.

We hope to continue this work, as it directly addresses threats to productivity and provides material support for farmer organizations. The most exciting work so far in this project has been the expansion of microorganisms and advanced biofertilizers within our supply chain. Comon Yaj Noptic and Finca Triunfo Verde co-ops in Mexico have started to reproduce microorganisms and use them both as fertilizers at seedling nurseries and out on farms.





# Celebrating 20 Years in Colombia

By Beth Ann Caspersen, Coffee Quality Manager

What were you doing in 1995? For us, it was the start of our relationship with ASPROCAFE Ingruma in Caldas, Colombia. A lot has happened over the last two decades: indigenous land rights disputes, the appearance of coffee leaf rust (or *la roya*), heavy rains, massive farm renovations, and more. The physical environment is changing, and yet, in 2015 we saw one of the strongest Colombian coffee harvests in five years. As we reflect on our 20-year relationship with our Colombian partners, let's celebrate what a longterm relationship really means.

The 1980s "Juan Valdez" ad campaign put forth by the Colombian Coffee Federation, an influential force in Colombia, brought the name of Colombian coffee to the forefront of U.S. consumers' minds. The conventional coffee industry is strong in Colombia, and the Colombian Coffee Federation has led the way, emphasizing quantity, encouraging farmers to use synthetic fertilizers, and providing farmers with high-yield hybrid coffee varieties to increase production and dominance.

So, why produce organic coffee? Organic agriculture does often require more work than conventional farming. But when you talk to farmers from the ASPROCAFE Ingruma co-op about why they produce organic, it comes down to caring for the environment and protecting the earth for future generations.

At Equal Exchange, we want to support this movement. We were the first importer to bring certified organic coffee from Colombia into the U.S., and the road has been difficult. Over the years we have supported ASPROCAFE Ingruma on a variety of projects to increase organic productivity and improve quality. In 2007 and 2008, we held coffee cupping competitions for all of the farmers in the organic program as a way to communicate our needs as buyers and articulate the quality of each farmer's coffee. In 2010, we provided a \$25,000 grant to the co-op through our charitable contributions process to build an organic fertilizer plant. We sponsored

two of the co-op's coffee cuppers to come to the U.S. in 2011 as part of our annual coffee quality seminar, and again in 2013, to learn about the U.S. market for specialty coffee and to spend time cupping with our Quality Control team.

But, the effects of climate change and the appearance of *la roya* took its toll. Farming is already hard work, and the ease of chemical inputs, along with a national support program for conventional agriculture, encouraged many farmers' exit from the organic program. Organic agriculture has historically meant low input = low output = low income. This does not help farmers to get ahead, and thus the coffee farmers in the organic movement needed to adjust, change, and become more technical. How could we support this?

ASPROCAFE Ingruma annually organizes a day of workshops for the farmers, and in 2015, Equal Exchange was invited to participate. Each day we traveled to a coffee farm and presented information to promote organic agriculture, and provide technical information about quality and productivity. Our team consisted of Carly Kadlec and myself from Equal Exchange, along with Fredy Pérez Zelaya, an organic coffee farmer from COMSA co-op in Honduras. Over the course of three days, we went to three different farming communities to give four coffee seminars each day, and trained over 160 farmers.

This dedication to education and training has been worth the effort on multiple levels. The farmers have spent years renovating and replanting their farms, and report that they are seeing an increase in productivity. And, the coffee is tasting better than ever! For over 20 years we have built something pretty special with our Colombian partners, sharing information along the way, and continuing to push forward with organic farming despite challenges brought on by climate change. We look forward to continuing to grow together over the next decade.

*Coffee Quality Manager  
Beth Ann Caspersen  
and Green Coffee Buyer  
Carly Kadlec leading a  
workshop for members of  
ASPROCAFE Ingruma in  
Colombia.*

# Northwest Chocolate Festival

In October, members of our Chocolate and Portland Sales teams and two colleagues traveled to Seattle for the Northwest Chocolate Festival. Besides handing out chocolate samples over the two days, Grant Projects Coordinator Cristina Liberati, together with Elizabeth Burgos from CONACADO in the Dominican Republic, and David Contreras from ACOPAGRO in Peru, gave a presentation highlighting the work that we have done together as part of the USAID Co-operative Development Program.

At the Chocolate Makers UnConference, held just prior to the festival, the team also presented the Cacao Tasting Form that has been developed with the co-ops and the Peruvian National Cacao Judges to spur industry conversation and action toward a common and inclusive language of quality.



*Equal Exchange's Portland office representing at the Northwest Chocolate Festival.*



*CONACADO Agricultural Technician Ramón Mosquera and Equal Exchange Grant Projects Coordinator Cristina Liberati at a CONACADO cacao nursery.*

## Co-op Spotlight: CONACADO

### Participant in the USAID Co-operative Development Program

*By Cristina Liberati, Grant Projects Coordinator*

In 2010, CONACADO co-op in the Dominican Republic launched a model farm project with the support of Equal Exchange through the USAID Co-operative Development Program (CDP). The project has co-financed 10 model farms and dozens of farmer field trainings. So far, 142 farmers have replicated the model through a combination of strategic pruning, fertilization, and replanting of cacao trees. The technical team at CONACADO, with the guidance of D.R. Project Coordinator Jaime Gomez, identified select genotypes of cacao that would improve upon the quality and productivity of the older trees. The model farm average yield has already tripled from 3.57 quintals per hectare to 11.58 quintals per hectare.

In 2015, the National Cocoa Commission of the Dominican Republic developed a project to produce and distribute two million grafted seedlings, using the same genotypes recommended by CONACADO's technical team, based on the success of the CDP project. This initiative's funding would come from a one cent per kilo contribution from the companies that export cacao. While that doesn't sound like much, the D.R. exported 69 thousand tons of cacao last year. This translates to a potential fund of U.S. \$625,000 per year. In well-deserved recognition of their efforts, the CONACADO technical team has also been asked by the National Cocoa Commission to provide their expertise to support their seedling initiative.





# Building Hope in the DRC, One Cup at a Time

*By Beth Ann Caspersen, Coffee Quality Manager*

Spectacular growing conditions that include fertile soil, high altitudes, and heirloom varieties of Arabica coffee are some of the many reasons that coffee from the Democratic Republic of Congo (DRC) should be out of this world. However, it has been held back by horrific rates of violence, poor infrastructure, and challenges getting to market.

It has been a difficult journey for the coffee growers in the Eastern DRC, but there is a budding coffee movement. Growers are hungry for information about the quality of their coffee and are searching for ways to bring it to market. In June, I was invited to be the head judge for the first-ever coffee competition in the country, called *Saveur du Kivu*. It was a collaborative event with Eastern Congo Initiative, On the Ground, Twin Trading, and Catholic Relief Services that was held in concert with Run Across Congo. (Seven days, seven marathons, nine women runners!)

I arrived to find less than ideal conditions in the coffee cupping lab: no electricity or running water and a variety of workers still painting a building that would serve as cupping headquarters for 10 international coffee buyers, in less than four days. To say I was nervous is an understatement. I worked tirelessly with a diverse group of roasters, cuppers and NGOs to get everything ready, and enlisted my friend and colleague Dunia Moises Muhindo from our farmer partners at SOPACDI co-op to help me roast and prepare the samples. We were determined to make it work and the spirit of cooperativism carried us through.

The event was one of the most professionally challenging and satisfying projects I have ever been involved in, and I am so happy to have been a part of it. When we handed out awards for the winning coffees, I was overwhelmed with emotion and thrilled to watch the look on all of the producers' faces during

the awards ceremony. Our partners at SOPACDI won third place! There were so many amazing connections made throughout the process and it laid the foundation for great things to come. I believe that it was really the start of something big; opening up the coffee industry to a world of possibility and a reinvigorated sector that deserves to be recognized as one of the most amazing coffee origins on the planet.

Having spent the last five years working on the Congo Coffee Project, sales of which support the Panzi Hospital in the DRC, I am deeply invested in our work

in the DRC and this was no exception. Bringing buyers and farmers together is one of the many aspects of what makes Equal Exchange true to our mission. I was there to demonstrate our success in working with farmers in the DRC that produce exceptional coffee and help to show other buyers the amazing potential of this historically war-torn country. It might sound crazy to show all of your competition what you are doing, but that's what we do. By building the coffee economy in DRC through unity, collaboration and transparency, we will empower small coffee farmers and we will have a fighting chance for peace.



*Coffee Quality Manager Beth Ann Caspersen, far left, celebrates the success of *Saveur du Kivu* with the cupping judges and organizers that made it all possible.*

## AWARENESS BUILDING THROUGH COFFEE

Since 2011, Equal Exchange has raised over \$60,000 through the Congo Coffee Project to support survivors of sexual violence at the Panzi Hospital in the DRC. Through this effort, Equal Exchange has worked with numerous organizations to tell the story of the DRC to the world, to encourage peace in the Congo, and to contribute to economic empowerment through the purchase and sale of our Congolese coffee. We believe it is our duty to educate, participate in industry events, and stand up for the voices that need to be heard.

Learn more:

<http://equalexchange.coop/congo-coffee-project>





# PLANTING SEEDS FOR COFFEE'S FUTURE

*By Carly Kadlec, Green Coffee Buyer*

This has been a challenging and inspiring year for us in the realm of coffee purchasing. With the ongoing Coffee Leaf Rust crisis, a strong El Niño phenomenon, and bellwether countries feeling significant impacts from climate change, the outlook for organic coffee production is filled with intense pressures.

Perhaps for just this reason, 2015 has also been a year of incredible innovation and knowledge-sharing. Among the 28 coffee-producing organizations that form the foundation of our coffee supply chain, there are some outstanding examples of the type of work that we hope will ensure the future of organic coffee.

## A FOCUS ON SOIL

The United Nations declared 2015 as the International Year of Soils, and we have focused on expanding the use of regenerative soil practices across our supply chain. One effective and low-cost strategy is the use of microorganisms; microorganisms are beneficial bacteria that essentially digest organic material and liberate nutrients for more efficient plant use. Through farmer-to-farmer exchanges, field-based learning experiences, and the use of microorganisms, farmers are working on restoring a healthy microbiology and structure to their soil.

## IRRIGATION SYSTEMS

At Norandino co-op in northern Peru, the arid climate effectively limits healthy coffee growth and productivity. Pair the arid climate with a history of flood irrigation use in this region and you have the recipe for nutrient-poor soils with insufficient moisture for healthy plant growth. Through our partnership with the USAID Co-operative







*Top left: Don Teofilo Lopez, a member of Norandino in Peru, shows off the coffee seedlings in his nursery, to be transplanted in 2016.*

*Top right: A new greenhouse installed at Comon Yaj Noptic in Mexico, with capacity for 64,000 coffee seedlings.*

*Bottom left: Equal Exchange Green Coffee Buyer Carly Kadlec harvests microorganisms with Fredy Pérez Zelaya, manager of productivity and the experimental farm at COMSA in Honduras, during a joint visit to farms in Riosucio, Colombia.*

*Bottom right: Kadlec cupping with the trainees in the Norandino cupping lab, including the young folks who will serve as quality monitors in their respective communities.*

Development Program, we have directly supported the installation of irrigation systems for farmers at Norandino. The results are evident and inspiring.

### FARMER-TO-FARMER TRAINING MODELS

Knowledge sharing across our supply chain has become an important priority to stimulate the spread of effective organic practices and new technology. Through sponsoring international travel and farmer-led trainings, we see the impact of farmer-to-farmer relationships and the ever-expanding network of knowledge in our ‘ecosystem.’

### VARIETY TESTING FOR QUALITY AND PRODUCTIVITY

In light of Coffee Leaf Rust’s severe impact on older Arabica varieties of the coffee species, farmer organizations have begun to identify naturally resilient coffee cultivars in their members’ farms. Through field-based observation and validation, co-ops are selecting the cultivars most suitable for their regions. This type of locally led experimentation is important to identify the most productive cultivars that maintain high quality and to ensure a future availability of coffee seed to farmers.

### INCORPORATING THE NEXT GENERATION

Figuring out where and how the millennial farmer and professional fit into the world of coffee-growing is a top

priority for our producer partners. At Norandino in Peru, a training program in quality control prepares children of members to be field-based quality monitors to provide employment and ensure high-quality raw material. At Manos Campesinas in Guatemala, young growers work as community-based trainers to promote best practices and provide advice on measuring cost of production.

We spend a significant part of the year on the road visiting producer partners to discuss quality and contracts. However, the most important and exciting part of visiting producer partners is learning from farmers and co-op staff about the innovative things happening in the field. By serving as a connector between the innovators and farmer-entrepreneurs in our supply chain, we are trying to ensure a future where organic coffee doesn’t just exist, it thrives.





# Growth in Produce Sector

By Jessica Jones-Hughes, Vice President of Oké USA

In banana-avocado land, 2015 was a year of growth and transition. Oké USA's banana volumes have grown continuously for the past three years, and 2015 growth was big: Oké sold two million more individual Equal Exchange branded bananas than

in 2014. That means consumers enjoyed 15.6 million Equal Exchange bananas, grown organically by small-scale farmers, in 2015!

While avocado sales saw a slight increase in sales volume, they also increased in profitability. When the Oké team launched an avocado program in 2013, our goal was to transform avocado trade and share a story that was not yet being told. In our second avocado season, we transitioned from break-even to our first slightly profitable avocado season—a major feat in the produce industry, which is notorious for slim margins and fierce competition.

In 2015, Oké also said farewell to two co-workers and welcomed three new members to the team: Brooke Werley, Mildred Alvarado and Ravdeep Jaidka. In the male-dominated produce industry, Oké continues to stand out as an organization led and staffed solely by women. We are eager to see what a fully trained five-person staff will take on in 2016.

## GO BEYOND THE SEAL

The Oké USA team met innovative filmmakers Leah Varjacques and Katherine Nagasawa during the making of their web documentary about the banana business. The documentary is an independent project, but the filmmakers are teaming up with Oké USA and

Equal Exchange to get the word out about the banana industry and the difference Fair Trade bananas make. It highlights Oké USA, Equal Exchange, and AsoGuabo, Oké USA's banana partner for the past 10 years.



Watch now at  
[BEYONDTHESEAL.COM](http://BEYONDTHESEAL.COM)



*Karunawathi D.G., a SOFA tea and spice farmer and president of the local SOFA society chapter. She is posing with a black pepper plant, which Equal Exchange uses in our Organic Chai and Organic Rooibos Chai spice blends.*

## A Growing Small Farmer Tea Movement in Sri Lanka

By Leif Rawson-Ahern, Tea Supply Chain Developer

In December, we visited our tea partners at Bio Foods and the Small Organic Farmers' Association (SOFA) in Sri Lanka. We spent the week visiting farms, tasting teas, touring factories, and talking about the state of the tea industry with our partners. Small-scale farmers and organic

agriculture are incredibly rare in the plantation-dominated tea industry, making Bio Foods and SOFA leaders in the movement of small farmer tea.

During our visit, we were reminded of the profound contrast between the large conventional tea plantations that are typical of the industry and the small tea gardens of the farmers we work with. Unlike the large, clear-cut, monoculture plantations that cover the Sri Lankan countryside, SOFA farmers have diversified polyculture gardens nestled harmoniously within the rainforest. With the support of Bio Foods and SOFA, many of the tea farmers are

diversifying into spices like ginger, turmeric, vanilla, black pepper, and lemongrass, in addition to tea. This diversification provides both economic and environmental resilience at the farm level.

SOFA has also started offering microloans to farmers for additional income-generating activities. We had the pleasure of spending time with SOFA tea and spice farmer Karunawathi D.G. Karunawathi is the president of her local SOFA society chapter and served as secretary of SOFA for many years. She recently received a microloan to add native ornamental plants to her garden to sell locally.

SOFA began in 1998 with 189 farmer members and today the membership has grown to more than 2,600 farmers organized into 51 local chapters. Over the years, this model has flourished into a network of more than 8,600 small-scale growers under the Bio Foods umbrella with the addition of two new producer groups. It is incredibly inspiring to see this small farmer democratic model taking root.



# Finance Without Compromise

By Daniel Fireside, Capital Coordinator

This was a seminal year for Equal Exchange's capital model.

On the equity side, we completed a \$4.1 million preferred stock offering, the largest ever for a worker cooperative in North America. We ended the year with over \$16 million in total preferred stock from over 500 investors. This amount includes over \$1.5 million from the worker-owners of Equal Exchange from deferred patronage. We've put these funds to work to buy more products from small-farmer co-operatives at Fair Trade terms and prices.

We've also moved all of our borrowing from conventional banks to social mission lenders. We've partnered with Eastern Bank (a mutual) for our main banking and for our innovative Equal Exchange CD

program. We've also developed strong borrowing partnerships with the National Cooperative Bank, RSF Social Finance, and our oldest lending partner, the Cooperative Fund of New England (see investor spotlight below), as well as other committed individuals and institutions.

We've clearly shown that cooperative enterprises can raise growth capital without undermining their democratic structure. A growing number of other co-ops across the country are copying our capital model with great success. By working cooperatively, not just with what we buy and sell, but in how we finance our business, we're helping transform our economy from the inside out.

## INVESTOR SPOTLIGHT

# The Cooperative Fund of New England

By Daniel Fireside, Capital Coordinator and CFNE Board Member

The Cooperative Fund of New England (CFNE) was founded in 1975 by co-op activists and social investors to provide financial and technical assistance to food cooperatives. Since then, the organization has expanded its focus, offering development loans and technical assistance to a wide range of co-ops and nonprofit groups that share CFNE's vision of equality, justice, and social responsibility. CFNE provided Equal Exchange with our very first loan in 1986. Today, CFNE is an Equal Exchange investor in our preferred stock program, and is also one of our largest unsecured lenders.

For nearly 30 years Equal Exchange and CFNE have practiced shared goals of solidarity and reciprocity. CFNE has provided cutting-edge finance products to borrowers in New England and is currently helping to share its experience nationally with other lenders interested in making loans to worker cooperatives.

"We are so incredibly proud of the partnership between Equal Exchange and the Cooperative Fund," said Rebecca Dunn, Executive Director of CFNE and a member of the Co-op Hall of Fame. "Equal Exchange has provided board members, matching grants, and loans to CFNE and its Cooperative Capital Fund.

That support has also helped us to lend over \$42 million to almost 800 borrowers in New England. Loan repayment to CFNE exceeds 99 percent while no investor has ever lost a penny. We look forward to a continued mutually supportive relationship with Equal Exchange for many years ahead."





## WORKER-OWNER REPORT

# Growing Our Co-op

By Sarah Hrisak, Worker-Owner Coordinator & Lead Roaster

It's been another year of growth for our co-op. We ended 2015 with 114 worker-owners, adding 19 members over the year; most are part of our Production team in West Bridgewater, MA, and our Sales team in Portland, OR. Their jobs could not be more different—one group makes the coffee, the other sells it—but as owners they enjoy the same rights and responsibilities.

Each member gets the opportunity to run for and elect our Board of Directors and Worker-Owner Coordinator (that's me!). They also have the right to amend and vote on changes to our bylaws. When we come to meetings as worker-owners, we get the

chance to step out of our “worker” shoes and think strategically about the organization and co-op, as owners. This year, in this role, we've been thinking a lot about how changes in compensation would affect our business, how we can better live our guiding principle of sustainability, and how we can continue to grow our business and maintain our authenticity as advocates of small-scale farmer cooperatives.

At most companies, I don't think you'd see the Production team getting together with the Sales team to talk about strategies for developing market share for small farmers. But at Equal Exchange, we all own it, together.

## BOARD REPORT

# Looking Ahead

By L.J. Taylor, Board of Directors Chair & Sales Manager

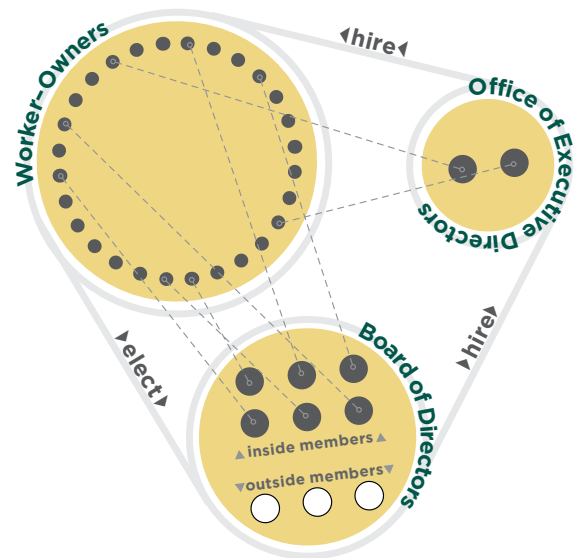
As we approach our 30 year anniversary, one can find it hard not to simply look back and appreciate all we have done. Instead, the Board of Directors has chosen to look forward toward duplicating our feats and the needs that endeavor will precipitate.

We chose three major themes to do this work, and I believe that it showed just how dynamic our governance has become.

**1. Worker-owner compensation** – at Equal Exchange we attract a wide range of talent. How do we balance the needs of our business while retaining, developing and compensating that talent in order to make us stronger in the future?

**2. Working more closely with the worker-owner body** – the Board of Directors are elected representatives of the worker-owner body. While we have unique perspectives on various issues, how do we continue to make decisions that honor the opinions and views of an ever-growing group of worker-owners?

**3. Our organizational vision** – at its most macro level, our vision is meant to embody why we all do what we do each and every day. Does the current vision inspire us to our highest utility? Should we re-commit to the words that we wrote down years ago?



It is true, we have accomplished so much, but from my perspective as Board Chair, I am pumped for what is to come and working with the worker-owners and Executive Directors to get it done.

## 2015 BOARD OF DIRECTORS

### Inside Directors:

Aaron Dawson	Hilary Johnson
Hope Kolly	Greta Merrick
Jim Feldmann	L.J. Taylor

### Outside Directors:

Jeff Heinen	Jason Wiener
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*Equal Exchange Café Manager Kelsie Evans with Reed, a regular at the Boston location. Read about the café's updated look on p. 2.*

## FINANCE REPORT

# Challenges and Successes

*By Brian Albert, Director of Finance*

This was a year with bittersweet moments for the Finance and Administration team. While we were happy for the three folks who retired toward the end of the year, they took with them nearly 40 years of Equal Exchange experience and institutional knowledge, and more than 100 years of work experience. Having lost 30 percent of the team has created some obvious challenges, but their departure has also created opportunities. The remaining team members have rallied, and we have strategically added folks who are showing signs that they will soon grow and fill the spaces created by the retirees.

This dynamic feels like a microcosm of what we as an organization faced in the year as well. Having gotten off to a relatively slow start in terms of revenues generated, we remained committed to paying the premiums on the products purchased from our farmer partners while competing in a more competitive marketplace. As with the relatively smaller Finance team, the wider organization was able to tighten our collective belts, redouble our efforts, and generate revenues through the remainder of the year that resulted in an increase of five percent over last year, achieving profitability within our targeted range.

INCOME STATEMENT	2015	2014	2013
<b>Total Sales</b>	<b>\$64,505,000</b>	<b>\$61,084,000</b>	<b>\$56,141,000</b>
Cost of Sales (coffee/tea/chocolate, roasting, packaging, shipping)	\$47,280,000	\$43,753,000	\$38,803,000
Operating Expenses (marketing, sales, administration, education)	\$15,391,000	\$14,762,000	\$14,310,000
Other Expenses (primarily interest on loans)	\$521,000	\$383,000	\$378,000
<b>Total Costs</b>	<b>\$63,192,000</b>	<b>\$58,898,000</b>	<b>\$53,491,000</b>
<b>Net Income Before Taxes</b>	<b>\$1,313,000</b>	<b>\$2,186,000</b>	<b>\$2,650,000</b>
Taxes	\$658,000	\$1,001,000	\$1,108,000
Shareholder Dividends	\$677,000	\$690,000	\$554,000
<b>Annual Retained Earnings (reinvested in the business)</b>	<b>(\$22,000)</b>	<b>\$495,000</b>	<b>\$988,000</b>



**Equal Exchange, Inc. and Subsidiary** Audited Consolidated Financial Statements and Supplementary Information  
Years Ended December 31, 2015 and 2014.

EQUAL EXCHANGE, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 1,289,502	\$ 878,753
Accounts Receivable	4,603,589	4,049,055
Inventory	18,725,929	20,220,632
Prepaid Expenses and Other	1,433,519	1,102,341
Prepaid Corporate Income Taxes	140,342	73,205
Deferred Income Taxes	<u>165,566</u>	<u>144,918</u>
	26,358,447	26,468,904
PROPERTY AND EQUIPMENT, NET	6,268,907	6,156,951
OTHER ASSETS:		
Intangible Assets, Net	38,576	42,904
Investments	389,132	521,907
Notes Receivable	<u>300,000</u>	<u>400,000</u>
	<u>727,708</u>	<u>964,811</u>
	\$ <u>33,355,062</u>	\$ <u>33,590,666</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Notes Payable – Lines of Credit	\$ 1,787,374	\$ 2,946,336
Current Portion of Long-Term Debt	1,436,615	156,556
Accounts Payable and Accrued Expenses	3,031,175	3,904,919
Patronage Rebates Payable	<u>181,008</u>	<u>500,286</u>
	6,436,172	7,508,097
LONG-TERM LIABILITIES:		
Long-Term Debt, Net of Current Portion	3,021,180	3,846,795
Deferred Income Taxes	<u>1,119,000</u>	<u>1,239,000</u>
	4,140,180	5,085,795
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY	168,719	170,235
STOCKHOLDERS' EQUITY:		
Preferred Stock, \$1 Par Value; 9,999,500 Shares Authorized; Issued and Outstanding, 604,216 Shares in 2015 and 539,446 Shares in 2014	16,615,995	14,834,776
Common Stock, \$1 Par Value; 500 Shares Authorized, Issued and Outstanding, 132 Shares in 2015 and 123 Shares in 2014	411,673	376,748
Less: Common Stock Subscriptions Receivable	(84,318)	(73,449)
Retained Earnings	<u>5,666,641</u>	<u>5,688,464</u>
	<u>22,609,991</u>	<u>20,826,539</u>
	\$ <u>33,355,062</u>	\$ <u>33,590,666</u>

EQUAL EXCHANGE, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS  
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
NET SALES	\$ 64,505,331	\$ 61,083,820
COST OF SALES	<u>47,279,616</u>	<u>43,752,928</u>
GROSS PROFIT	17,225,715	17,330,892
OPERATING EXPENSES		
Bad Debt Expense	20,782	23,800
General and Administrative Expenses	<u>15,370,100</u>	<u>14,738,371</u>
	<u>15,390,882</u>	<u>14,762,171</u>
EARNINGS FROM OPERATIONS	1,834,833	2,568,721
OTHER INCOME AND (EXPENSES):		
Loss on Investment	(203,275)	
Interest Income	56,944	8,351
Interest Expense	<u>(372,007)</u>	<u>(382,484)</u>
	<u>(518,338)</u>	<u>(374,133)</u>
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	1,316,495	2,194,588
INCOME TAXES (CREDIT):		
Current:		
Federal	480,000	400,000
State	<u>318,461</u>	<u>265,000</u>
	798,461	665,000
Deferred:		
Federal	(100,648)	255,000
State	<u>(40,000)</u>	<u>81,000</u>
	<u>(140,648)</u>	<u>336,000</u>
	<u>657,813</u>	<u>1,001,000</u>
EARNINGS BEFORE MINORITY INTEREST	658,682	1,193,588
MINORITY INTEREST IN EARNINGS OF CONSOLIDATED SUBSIDIARY	<u>(3,084)</u>	<u>(8,514)</u>
NET EARNINGS	655,598	1,185,074
RETAINED EARNINGS, BEGINNING	5,688,464	5,193,417
PREFERRED STOCK DIVIDENDS PAID	<u>(677,421)</u>	<u>(690,027)</u>
RETAINED EARNINGS, ENDING	<u>\$5,666,641</u>	<u>\$5,688,464</u>



EQUAL EXCHANGE, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Earnings	\$ 655,598	\$ 1,185,074
Noncash Items Included in Net Earnings:		
Deferred Income Taxes (Credit)	(140,648)	336,000
Depreciation and Amortization	1,119,494	965,639
(Increase) Decrease in:		
Accounts Receivable	(554,534)	(494,447)
Inventory	1,494,703	(4,490,156)
Prepaid Expenses and Other	(331,178)	(208,073)
Prepaid Corporate Income Taxes	(67,137)	(73,205)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(873,744)	574,824
Corporate Income Taxes Payable		(421,459)
Patronage Rebates Payable	(319,278)	(181,439)
	983,276	(2,807,242)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to Property and Equipment	(1,227,122)	(1,139,724)
Increase in Intangible Assets		(39,229)
Increase in Investments, Net	132,775	(26,997)
(Increase) Decrease in Notes Receivable, Net	100,000	(396,770)
	(994,347)	(1,602,720)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Borrowings:		
Notes Payable - Lines of Credit	15,845,469	17,346,663
Long-Term Debt	610,000	2,230,000
Debt Reduction:		
Notes Payable - Lines of Credit	(17,004,431)	(16,013,998)
Long-Term Debt	(155,556)	(2,049,500)
Increase (Decrease) in Minority Interest	(1,516)	3,949
Proceeds From Common Stock Subscriptions	56,201	42,233
Proceeds From Issuance of Preferred Stock	1,630,360	2,975,393
Proceeds From Dividend Reinvestment in Preferred Stock	438,422	454,118
Redemption of Preferred Stock	(287,563)	(116,631)
Redemption of Common Stock	(32,145)	(22,510)
Preferred Stock Dividends Paid	(677,421)	(690,027)
	421,820	4,159,690
NET INCREASE (DECREASE) IN CASH	410,749	(250,272)
CASH - BEGINNING	878,753	1,129,025
CASH - ENDING	\$ 1,289,502	\$ 878,753

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2015	2014
Cash Paid During The Year For:		
Interest	\$ 379,187	\$ 390,163
Income Taxes	\$ 865,598	\$ 1,159,664

## In Memoriam

In the past year we lost two very special members of the Equal Exchange family.

**Hal Taussig** was one of the most humble and selfless people any of us has ever known. After several prior careers he founded a unique business called Untours and proceeded every year to donate 100 percent of profits to a related foundation. The foundation was an early and very meaningful investor in Equal Exchange at a time when many self-proclaimed socially responsible investors would not take a chance on us. Years later, the foundation also made an extremely significant and high-risk investment in our banana affiliate, Oké USA. It was, in part, the high risk that sparked Hal to comment at the time, "I feel better about this investment than any I've ever made."

—Rob Everts, Co-Executive Director



**Pat Dickinson** was a female industrial engineer when there were almost none, a graduate of Swarthmore College, an excellent painter, and mother to Derry, Torry, and me.

Mom was a rugged individualist and an early foodie. She created in the kitchen, and brought us all up to love and appreciate food and cooking. She fed us amazing meals every night after commuting and working. Her food passion didn't stop at the product level. I can still feel the embarrassment of my adolescent self in 1970 as she forced the produce clerks at our local A&P in the conservative town of Millville, NJ, to not just say that the lettuce had the UFW logo, but to physically show her the box. Over the years that embarrassment has mainly morphed to awe and pride.

—Rink Dickinson, Co-Executive Director



### PHOTO CREDITS

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WEST BRIDGEWATER, MA



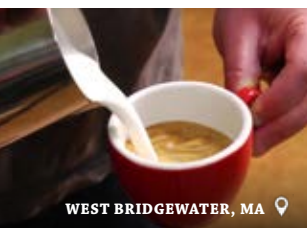
CANTON, MA



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WEST BRIDGEWATER, MA



WEST BRIDGEWATER, MA



CANTON, MA



SEATTLE, WA



BOSTON, MA



ST. PAUL, MN



PORTLAND, OR

## Who and Where We Are

Denise Abbott  
Brian Albert  
Jorge Alves De Pina  
Juvenal Alves  
Richard Anderson  
Hank Andre  
Richard Aronson  
Rafael Aviles  
Virginia Berman  
Philip Berry  
Renie Bithell  
Terry Boisclair  
Stephen Bolton  
Alison Booth Gribas  
Dominique Bourgeois  
Charlie Brandes  
Earnie Bruce  
Peter Buck  
Anna Canning  
Joao Cardoso  
Nick Carty  
Beth Ann Caspersen  
Todd Caspersen  
Jenica Caudill  
Andrew Cheever  
Ann Cherin  
Ashley Cheuk  
Megan Chisholm  
Marlon Cifuentes  
Dan Cobb  
River DeBellis Cook  
Dominic Cortese  
Zuleica Da Silva  
Rachel Dana  
Scott Davis  
Aaron Dawson  
Antonio Delgado  
Victor Depina

Rink Dickinson  
Domingos Do Rosario  
Maria F. Dos Reis  
Rick Doughty  
Andrew Driscoll  
Joe Driscoll  
Kelsie Evans  
Rob Everts  
Jim Feldmann  
Bernardo Fernandes  
Sara Fiore  
Daniel Fireside  
Laurie Foote  
Rebekah Forni  
Luke Fowler  
Jonathan Freedman  
Carlos Gomes  
Valdumiro Gomes  
Alfredo Goncalves  
Gary Goodman  
Dary Goodrich  
Tyler Hall  
Tom Hanlon-Wilde  
Gabrielle Heath  
Dave Hernandez  
Kevin Hollender  
Meaghan Holmes  
Sarah Hrisak  
Meghan Hubbs  
Meghan Huebner  
Jeanne Hunt  
Hilary Johnson  
Kevin Jones  
Marcus Jones  
Carly Kadlec  
Bethany Karbowski  
Suzanne Keleher  
William Knudson

Becca Koganer  
Hope Kolly  
Ashley Krant  
Wayne Kritzman  
Brendan Lee  
Cristina Liberati  
Peter Lynch  
Leah Madsen  
Darya Mattes  
Tim McGrail  
Ian McMillan  
Sharyn McWilliams  
Greta Merrick  
Ellen Mickle  
Lynsey Miller  
Gladys Minaya  
Cindy Mowry  
Mike Mowry  
Jessie Myszka  
Liane Nadeau  
Lincoln Neal  
T. Wells Neal  
Nicole Norman  
Rodney North  
James O'Donnell  
Ruthie Oland  
Keith Olcott  
Margaret O'Neill  
Marlene Ortins  
Matthew Parent  
Yania Peralta  
Karin Picarski  
Jennifer Pollard  
Frankie Pondolph  
Richard Poole  
Jennifer Pruess  
Leif Rawson-Ahern  
Cali Reed

Emily Reers  
Phyllis Robinson  
Carlos Rodriguez  
Jorge Rodrigues  
Hillary Rodriguez  
Dan Rony  
Cara Ross  
Lisa Russell  
Elton John Sanches  
Pedro Sanchez  
Adam Schaeffer  
Shawn Seebach  
Carlos Semedo  
Susan Shaw  
Rick Shepard  
Anne Sholar  
Edson Silva  
Betty Silveira  
Susan Sklar  
Alyssa Soares  
Mark S. Souza  
Meade Sparks  
Cody Squire  
Forrest Sutton  
L.J. Taylor  
Joaquim Teixeira  
Mario Teixeira  
Nakita Turner  
Thiago Valle  
Kat Vasconcellos  
Bryan Warchol  
Audrina Warren  
Kevin Whelan  
Hope Williams  
Mark Wohlgemuth  
Lilla Woodham  
Mark Young

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Seattle, WA  
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Front Cover: Equal Exchange Green Coffee Buyer Carly Kadlec, left, and Alejandrina Salas Altamirano, a coffee farmer and member of San Fernando Co-op, in Erapata, Peru.