



2012 Sustainability Report

HERITAGE • QUALITY • SOCIETY • ENVIRONMENT • INNOVATION



Drinking coffee and tea is a rich experience that evokes an emotion. This connection is more far-reaching than wrapped around a cup. To produce sets of hands work carefully. And as a socially responsible company, we ensure that each of those hands of our partners continue to thrive.

HOW WE'RE TAKING ACTION



4,685 miles is the average distance coffee travels from the plant to your coffee cup.¹

Learn more about coffee's complex journey



67% of coffee farmers are unable to adequately nourish their families for 3-8 months of the year.²

Learn how our gender equality initiatives bring more stability to farming families

ritual – a deeply personal emotional connection. But reaching than two palms produce that cup, over thirty along our supply chain. In business, it's our job to make sure every hand is valued, so that all thrive.



25 million farming families worldwide rely on coffee production for their livelihoods.³

Learn how we invest in our growers' farms, communities, and lives



99.7% of Arabica growing areas will become unsuitable for coffee plants as temperatures continue to rise.⁴

See what we're doing to help protect fragile coffee ecosystems



ROOTED IN SUSTAINABILITY

Sustainability is not something you can claim in a day or casually put your stamp on. It takes patience, commitment, and an openness to change. That's why we look beyond the hype, ignore the buzz, and forget the trendiness of it all. While we may have called sustainability something else many years ago, it has always been more than a surface-level pursuit. In fact, it's at the very roots of who we are.

For over 100 years, our guiding principles have remained the same. So while we often talk about "going back to our roots," perhaps it's more accurate to say that we're digging deeper into them. After all, they've been nourishing our company from the start, and they give our current sustainability efforts true context and purpose as we work each day to be the ethical, responsible company our founders envisioned.

As a business that survived the Great Depression with the mantra "use it up, wear it out, make do, or do without," we're guided by a history of frugality that yields genuine sustainability today. We aim to strike a balance between

refurbishing everything we can, from delivery trucks to brewing equipment, while investing in modernization – because we know that our economic sustainability depends upon it. We also believe that sustainability extends to the Farmer Brothers family of employees, all of whom are growing this business right alongside us. Because our employees deserve nothing less.

As we continue to grow, we're looking to preserve the simple tenets of sustainability that have always connected us to something bigger: our people, our communities, and our planet. And we're setting rigorous goals for the future, using our 2012 sustainability scorecard as a baseline. It's a journey, and we're not there yet. But by leaning on the practices of the past, we can deepen our roots, strengthen our global coffee communities, and continue to flourish.

Michael Keown

Farmer Brothers President and CEO

Farmer Brothers' Principles

1

Cherish the act of service and
listen to the unique challenges that
our customers experience in their
channels and specific regions

2

Have pride in providing high-quality
products and services while always
seeking out innovative technologies

3

Provide custom sales, marketing,
and service programs to help meet
each customer's unique needs

4

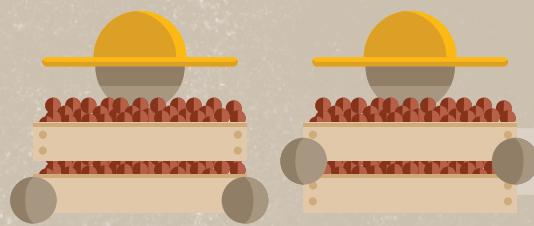
Maintain the highest standards
of corporate responsibility and
ethical business practices

5

Treat our employees as a
Farmer Brothers family

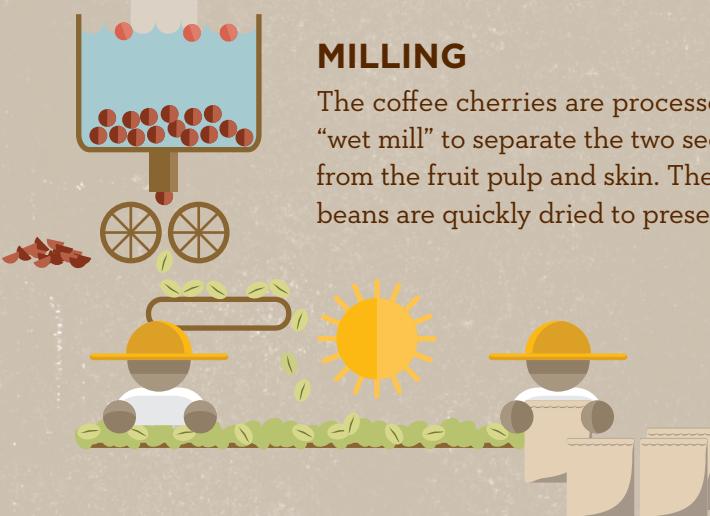
Coffee's Complex Journey

A quality cup of coffee depends on the commitment of an interconnected, global value chain – from farmers to traders to roasters to baristas.



HARVESTING

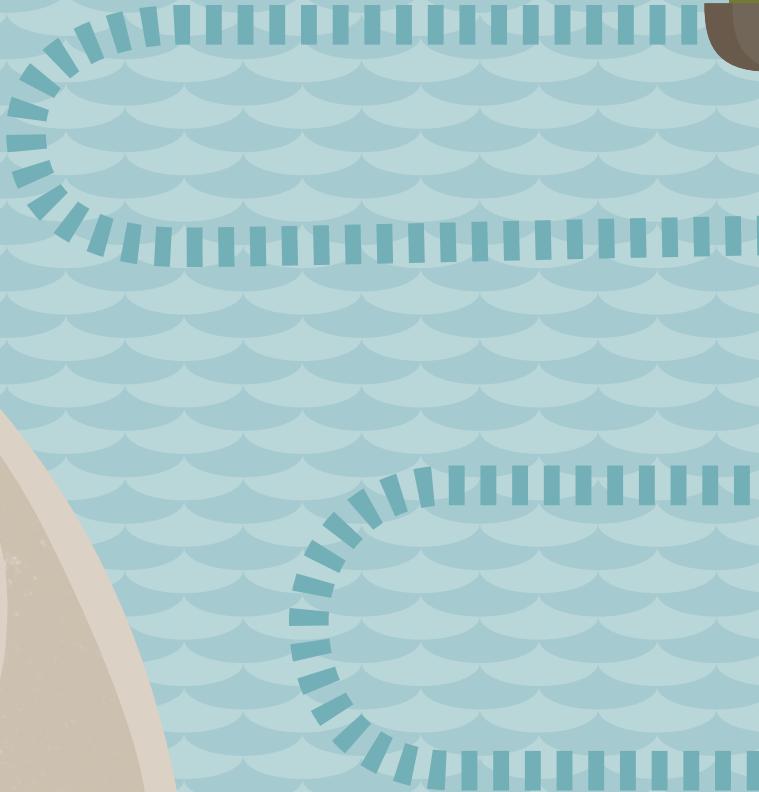
Coffee is grown in mountainous regions near the equator. When ripe, the coffee “cherries” are harvested carefully and transported within a few hours to a nearby mill for processing.



MILLING

The coffee cherries are processed in a “wet mill” to separate the two seeds inside from the fruit pulp and skin. The wet coffee beans are quickly dried to preserve them.

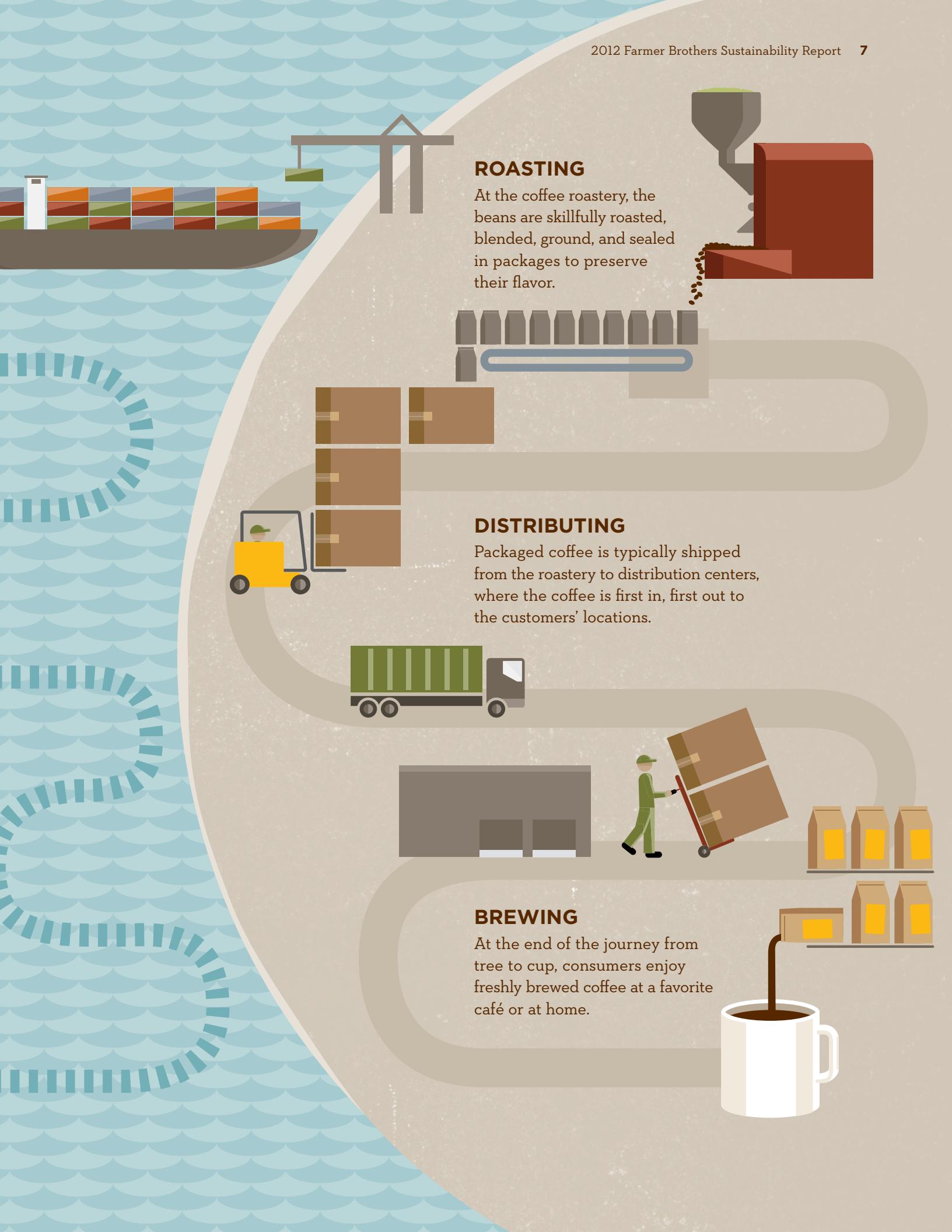
When the beans are ready for exporting, they're moved for further processing in a “dry mill” and then bagged and containerized for shipment.



TRAVELING

Containers of coffee beans are transported from the dry mill to a nearby seaport, loaded on a ship, and carried to a port of entry in the consuming country. Beans move from port by rail or truck to the warehouse of the coffee roastery.





SEED

Social
Environmental
Economic
Development

Farmer Brothers is more than a coffee, tea, and spice wholesaler. We take an innovative approach to every point in the supply chain—from relationships with suppliers, to material sourcing, product distribution, and waste disposition. And at each step, we examine the challenges so we can make a difference. In our decisions, we're guided by our principles and we're committed to social, environmental, and economic development. We strive each day to do more with less, and to do it as a team.

SEED is not a project or an initiative or an effort. It's a mantra. It's deep in the roots of our business and woven into each job function within our company. It is our triple-bottom line, and it honors the human capital, environmental capital, and financial capital needed to create a sustainable business. And a better world.



**SOCIAL**

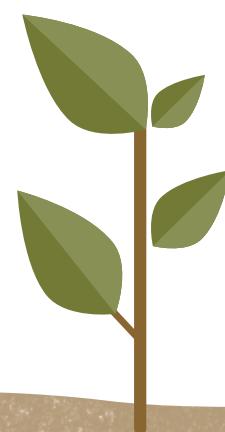
We promote fair, safe, and healthful environments within the company, our local communities, and globally for our supplier partners.

**ECONOMIC**

Long-term viability is dependent on supply chain stability, continuous improvement, risk mitigation, cost management, market expansion, and innovation.

**ENVIRONMENTAL**

With the goal of leaving the planet better than we found it, we aspire to minimize our impact by reducing emissions, shifting our waste ratio, and managing material inputs.



Social Development

We've always treated our employees like family, and this guiding principle extends to the farmers who grow our coffee, too. They've committed themselves fully to the quality of the coffee they produce for us. And with our direct trade program, we've invested equally in the quality of their lives—from the health of their families to the strength of their communities.

BRINGING GENDER EQUALITY TO RURAL FARMERS

Money is always tight for Nicaraguan farmers during the months between harvests—when they have no income from their crops but many expenses to maintain their farms. Men typically have access to microloans to make it through these “lean months,” but women, who lack formal education and land rights, are often excluded from these opportunities. Although their work is vital to the rural economy, a male-dominated culture has overwhelmingly discounted their contributions.

We're working to break down these traditional barriers. Partnering with Mercy Corps and the Aldea Global cooperative, we've created

a microloan program tailored specifically to rural female coffee farmers in Nicaragua. With loans ranging between \$100 and \$200, women can purchase the supplies, tools, and machinery they need to manage their coffee plots.

These microloans are just the first step in gender equalization efforts in rural Nicaragua. We're also encouraging women to become involved in leadership opportunities, so they'll begin to see that they have an important role to play in society, as well as an inalienable right to be involved in all aspects of farming, business, and community processes.



Women around the world have much less control than men over land and money.



Aldea Global is supporting female farmers with microloans to purchase supplies, tools, and machinery.



Microloans are awarded during the months when there is no income from crops, and can be repaid after coffee is sold from the harvest.

CULTIVATING LONG-TERM RELATIONSHIPS WITH GROWERS

When we first met Don Primitivo Morran Herrera, proprietor of the Finca San Francisco coffee farm, we also met his newborn granddaughter Gabriella. As she rocked from a hammock in the center of the finca, we talked coffee with Primitivo and six other farmers from the Aldea Global cooperative. We wanted to work directly with them in pursuit of a mutually beneficial goal—the best quality coffee, produced sustainably, at a price well above fair trade. But for Nicaraguan farmers who've been misled by global roasters in the past, trust isn't given freely. It must be earned.

For the next three years, we worked closely with Primitivo and the Aldea Global farmers to develop a direct trade relationship that wasn't just about purchasing coffee, but also about caring for the coffee growers. Together, we've created a fully transparent pricing system that pays above-fair-trade wages to farmers, along with additional premiums to those who produce exceptionally high-quality coffee.

The farmers have re-invested these premiums to develop innovative organic agriculture techniques on their farms, provide fresh drinking water for their families, and conserve their region's lush, natural forests. In turn, the Aldea Global Cooperative has invested in regional food security and farmer microloan programs. Of course, we've benefitted, too. We're now able to purchase the finest shade-grown coffee from more than 1,700 farmers in the region. What's more, we're on a first-name basis with Gabriella—now a healthful, chatty toddler, who greets us with a smile every time we visit.





Environmental and Economic Development

As we work toward a sustainable world, we're focused on biodiversity to protect the plant species critical to our business. We're on high alert for energy efficiencies that can reduce the footprint of our operations. And we're determined to strike the right balance between reusing equipment and modernizing it. It's all part of our mission to create a more environmentally responsible company, and an altogether healthier planet.

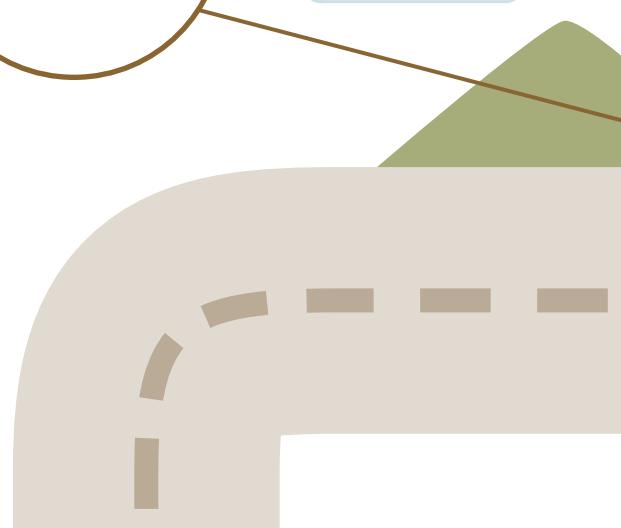
KEEPING BREWERS OUT OF LANDFILLS

It's our goal to ultimately become a zero-waste-to-landfill company, and one way we're working to accomplish this is by refurbishing our equipment. We start with only the highest-quality coffee and tea brewers, and when their parts eventually wear out, we recondition them rather than trashing them. Through this process, we've found that most brewers can be refurbished three times. This helps us manage costs so that customers get much greater value – and the landfill gets much less waste.

7%
FUEL SAVINGS
PER YEAR

HYBRID
ELECTRIC-DIESEL
APUs FOR SLEEPER
BERTHS

INNOVATIVE
TRAILER SKIRTS



MODERNIZING TRUCKS FOR THE LONG HAUL

Imagine an aerodynamic tractor-trailer equipped with the kind of side fairings seen on high-performance racecars. It's not the delivery truck of the future. It's the type of green innovation we're bringing to our fleet right now, in the form of sleek trailer skirts that reduce drag and improve gas mileage.

We've made less visible improvements, too. Under the hood of every tractor, you'll find a Certified Clean Idle engine that virtually eliminates carbon exhaust. And to make truck idling a thing of the past, we've also installed hybrid electric-diesel Auxiliary Power Units (APUs) for our trucks' sleeper berths, so drivers can get a good night's rest without running their engines.

This focus on eco-friendly trucking has rubbed off on our drivers, too. They're committed to energy efficiency, and they're modeling this behavior for their peers. With their energetic participation, it's easier for a large company like ours to collectively do the right thing—and to green our fleet a whole lot faster.

~50K

GALLONS OF FUEL SAVED
PER YEAR
WHICH IS EQUIVALENT TO

96 VEHICLES
1,075 OIL BARRELS
69 HOMES



CLEAN IDLE
ENGINES



PROTECTING FRAGILE COFFEE ECOSYSTEMS

It's 89 degrees on a spring day in Ethiopia, and World Coffee Research scientists are touring a semi-forest coffee plantation that shows visible signs of stress. The leaves on the Arabica plants are wilting and spotted with disease. Some of them are falling off altogether. This year, the farm will yield less coffee than ever before. In twenty years, it could be gone altogether.

As global temperatures continue to rise, lower-altitude farms like this one will become increasingly unsuitable for coffee production. The Arabica varietal used for specialty coffee operates within a narrow band of environmental conditions. Move up one degree, and taste is affected. Move up two degrees, and production is affected. And a three-degree temperature change can kill off a plant for good.⁴

We can do something about this. As founding members and committed supporters of World Coffee Research, we're monitoring the effects of climate change on coffee growth, identifying the optimal geographies and climates for each coffee varietal, and providing the ecological and technical training that farmers need to protect their crops and their livelihoods. Together, we're safeguarding the future of our coffee supply chain, and helping to sustain some of the world's most fragile and vital ecosystems.





Partnerships



COFFEE KIDS

For more than two decades, we've supported Coffee Kids, an organization with a multi-dimensional approach to looking out for youth in coffee-growing communities. Through education, health care, economic diversification, food security and capacity building, Coffee Kids helps to ensure that another generation will be successful coffee farmers.

GROUND FOR HEALTH

In coffee-growing communities, cervical cancer often goes undetected, even though a simple test can lead to prevention. In the spirit of promoting the well being of our supply chain partners, from 2011-2012 Farmer Brothers supported Grounds for Health with a sole mission to establish cervical cancer prevention and pre-cancer treatment services in rural areas.

SAN CARLOS AND TALNIQUE SCHOOLS

For the past three years, through a pre-competitive collaboration with Gaviña & Sons and the ECOM Foundation, Farmer Brothers created a partnership with two schools in isolated coffee communities in the La Libertad department of El Salvador. This project provided libraries, a community learning center, training for computer literacy, and access to the Internet.

Scorecard

GOALS

2012 BASELINE RESULTS

Reduce CO ₂ emissions	55,625	METRIC TONS	
Reduce fuel consumption	13,412,748	LITERS	
Reduce electricity consumption	20,152,256	KWH (after offsets)	
Purchase renewable energy equivalent to 100% of electricity used in roasteries	2,619,000	KWH (approximately 16%)	
Reduce water consumption	7,537,524	LITERS	
Increase percentage of sustainable coffee	9%	SUSTAINABLE COFFEE	
Shift waste ratio toward zero waste to landfill	2% COMPOST	25% RECYCLING	73% LANDFILL
Increase percentage of sustainable packaging	23% FINISHED PACKAGING	61% SHIPPING PACKAGING	
Invest in supply chain stability and food security in communities where our customers, employees, businesses, and suppliers live	\$1,206,933	TOTAL CASH AND IN-KIND	

Farmer Brothers utilizes START (sustainability tracking and reporting tool) to generate our sustainability scorecard. Developed by the Specialty Coffee Association of America to track performance using coffee-specific indicators, it is a comprehensive platform that tracks our social and environmental impact and allows us to index against the rest of the coffee industry. The calculations follow the Greenhouse Gas Protocol—Level Gold international standard. Calendar year 2012 will serve as our baseline year.



We design every process and detail of our business to deliver the best quality coffee to our customers. This requires the highest standards every step of the way – from selecting the beans, to roasting, to packaging for freshness, to presentation and brewing. In the years to come, we'll continue to link quality and sustainability at each point in the supply chain, and we'll provide supporting metrics that demonstrate our progress.

1. Organic Linker Food Mile Calculator
www.organiclinker.com/food-miles-info.cfm?fm=coffee
2. CIAT (International Center for Tropical Agriculture), Cali, Colombia, 2007
3. Rainforest Alliance, Vision for Sustainability, 2012
4. Kew Royal Botanical Gardens, SCAA Symposium, 2013

Given Farmer Brothers' size and complex supply chain, gathering data poses a significant logistical challenge. We are gradually rolling out information systems that enable us to be more thorough and exacting each reporting year. Assumptions and estimates of data have been used in some circumstances to create a baseline report.

Farmer Brothers®