

Farmer Brothers®



2014

Direct Trade
Transparency
Report

Six Direct Trade Principles

Coffee Quality

Work closely with producers to create a definition of quality and draft a plan for continuous improvement.



Tiered Pricing

Provide alternative options to conventional supply chain. Pay above-market pricing, which can mitigate impact in down cycles. Agreed-upon pricing covers costs of production, the quality differential, and increases as cup score improves.

Supply Chain Transparency

Track and audit all economic transactions in the coffee value chain for fairness and accountability. Price negotiations are open and visible between the producer and roaster.



Farm and Regional Stability

Provide long-term partnerships to producing communities, which typically lead to economic stability and the opportunity for improved quality of life.

Consumer Education

Connect consumers to the direct trade producers through stories of coffee origins, sustainability, and high-quality coffee.

Sustainable Practices

Share sustainability best practices across producer communities and demonstrate link to higher-quality coffee. Then, document progress in annual audit.



Direct Trade Peru San Ignacio



Country: Peru

Province: San Ignacio

Municipality: San Ignacio

Producers: El Huabo and Ricardo Palma, Cenfrocafe Cooperative

Varietals: Red Caturra, Yellow Caturra, Bourbon, Mondo Novo, Typica, Pache, Catimor

Altitude: 1500 – 2000 meters

This was a transformative year for Cenfrocafe. The membership has grown to 2,226 producers—more than ever before. At the co-op level, Cenfrocafe has expanded the services that they offer in response to the large increase in membership. They have initiated a taskforce on education. It trains high school graduates, who will not go to college, in specific coffee-related techniques—such as cupping, milling, grading, and technical assistance—to provide them with a career path within the coffee sector. They have also initiated a preventative primary care health program that provides outreach to co-op members. Within this group, there is a women's healthcare taskforce, which is supported by the U.S.-based NGO "Cultivando la Salud." Additionally, there also has been a focus on including women and the formation of a women's council, which strategizes on issues of equality in this region of Peru as well as within the cooperative.

In 2014, productivity per hectare was up among members of Cenfrocafe, which they attribute to better fertilization in response to the roya crisis of 2012 and 2013, as well as increased renovation of farms that were affected by roya. At the member level, there also has been more focused training, commitment to the cooperative, and a better economic standing, which allows them to focus on their crop. The region of San Ignacio has been

growing in importance as a production hub for Cenfrocafe. There now are five technicians on staff, who visit farms and deliver technical assistance, roya recovery advice, and news about the market. They also have done regional research into the best organic fungicides and aim to train 50 young ambassadors to distribute information to the farmers regarding best practices, soil analysis, and co-op values. They are building a cupping lab at the purchase point and plan to have a full-time cupper on staff to analyze coffees before they get to the mill in the community of Jaen.

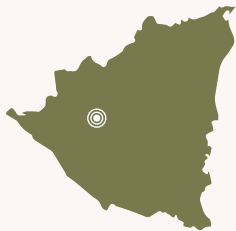
Finally, in 2014, a new warehouse was completed for Cenfrocafe, which is impeccably maintained. The warehouse is exclusively for organic coffees, and some coffees are separated further by additional certifications. The intake process has been modernized. When taking a sample of coffee for receipt from a farmer, the Cenfrocafe employee can now input this information directly into a database and issue a teller note for a check to be received. Not only is this much more efficient than how it was done in the past, it also allows data lookups and transparency receipts to be generated at the push of a button. The system is very impressive and the quality of the information that we received with our deliveries last year was beneficial.

**As of the time of reporting, Farmer Brothers has discontinued its relationship with Cenfrocafe. We are actively pursuing new buying relationships in the region.*



Direct Trade Nicaragua

Las Mercedes



Country: Nicaragua

Province: Jinotega

Municipality: Jinotega

Producers: Las Mercedes Group, Aldea Global Cooperative

Varietals: Caturra, Bourbon, Catuai

Altitude: 1380 – 1600 meters

Aldea Global had a difficult start to their harvest because their prices were impacted by the lowest C-market prices in years. Fortunately, for Aldea Global, both the in-country differentials and the C-market spiked unexpectedly towards the end of their harvest, allowing them to sell the remaining 20% of their crop at higher prices. In the end, they still came out about even, and the late-season market spike meant that farmers will be able to pay back their loans.

Aldea Global was busy in 2014. They increased their exported containers from 69 containers (35 from members) to over 85 (44 from members). This increase was the result of several things: a better harvest, new members, and the positive results from financing renovation on members' farms over the past several years.

Farmer Brothers more than doubled our purchases of Nicaraguan direct trade coffee compared to last year's harvest, so there was a lot of coffee to evaluate this year. From the 26 farms we accepted as direct trade, there were some quality standouts. Overall, the quality is about two points higher than in previous years, but we saw more and more lots break the 84-point threshold. And, we found a total of five lots that scored over 85

points (one scored 87!). This is something that would have been pretty rare four years ago, and it is pleasing that these types of scores and cup profiles are becoming more commonplace in this region of Nicaragua. It makes it obvious that farmers have been investing in their land and their processing, even during difficult harvest years like this one.

Another thing worth noting is that there is much less organic coffee this year than in previous years. We believe this is because of two reasons. The first is that organic coffee was hardest hit by roya because there are very limited acceptable non-chemical fungicides that can prevent its spread, so organic coffee was both lower volume and lower quality. The second reason is that there are a growing number of farmers who have abandoned the organic program because they are seeing higher yields on non-organic farms. With lower yields, the increase in price was no longer worth it to them, so they decided to change their farming practices. We respect the farmers' decisions as long as they are not implementing practices on the farm that are against the United Nations Global Compact. While it is always nice to be able to present a farm as organic, it should also make sense for the producer to do so.

Direct Trade Nicaragua

Las Madres



Country: Nicaragua

Province: Jinotega

Municipality: Jinotega

Producers: Las Madres Group,
Aldea Global Cooperative

Varietals: Caturra, Bourbon, Catuai

Altitude: 1380 – 1600 meters

Direct Trade Nicaragua Las Madres directly supports female coffee farmers within the Aldea Global Cooperative. In rural communities in Nicaragua, gender imbalance is an ever-present issue. Aldea Global supports female coffee farmers who want to be independent and develop their own business acumen. Premiums from the Madres program coffees goes to support lawyers' fees to legally register land in women's names; gender awareness trainings for men and women in rural communities; development of women's businesses; and access to credit and loans for women, who cannot provide collateral for a traditional loan. There is still much work to be done regarding gender roles in the coffeelands, but Aldea Global is leading the pack in innovative cultural training to combat this issue.





Direct Trade El Salvador

Buena Vista



Country: El Salvador

Province: Ahuachapán

Municipality: Ahuachapán

Producers: Miguel Menendez Sr. and Family

Varietals: Bourbon, Pacamara, Geisha

Altitude: 1300 – 1900 meters

What a difference one year has made! Miguel's fierce battle against roya has finally shifted the state of the farm. He sprayed his plants every 40 days with a widely available treatment, as well as a copper sulfate spray that acts as a protective coat on the coffee trees' fragile leaves. Many parts of his farms have made full recoveries, with thick green leaves again draping the hillsides. Other trees are on the mend. The yellow stain of roya is visible on the top of the leaf, but none of the telltale bright orange fungus remains on the bottom of the leaves. The worst, it seems, may be over.

Miguel's coffees are cupping better than ever this year. The intense management of the farms through the leaf rust epidemic has really shown results, and the stress on the trees has helped to develop intense sugars in the coffee cherries. This—combined with excellent weather, early heavy rains, and a period of drought just long enough to stress the plants at the end of the ripening season—has produced a really spectacular coffee this year.

Even with the extreme measures that Miguel has taken, he is still seeing a 60% crop loss, exaggerated by a low-crop-yield year and roya, which he has not been able to completely eradicate. His bigger fear now, in the dry season that comes along with harvest,

is the threat of wildfires starting on his neighbors abandoned farms. Dry weather and an abundance of dead leaves and trees coupled with little fire control presents a high threat, which would be a disaster for his crop.

Direct trade funding was put to good use this year. Because last year was such a hard one with the financial investment involved in controlling roya, many of his long term projects were delayed. But Miguel still managed to build power lines all the way up to the house on Buena Vista, so Tomas, the farm manager, and his family can have electricity. Along the way of the power line extension, he also supplied electricity to a local church that is a meeting point of many of the families in this community. He has also invested in his nurseries and is seeding new varietals to prepare for the future of his farms. Next year, he plans to completely renovate higher elevations of the farms, heavily prune roya affected areas, plant new shade trees (Ingas and Gravileos), and continue to invest in heavy fertilization and the overall health of his farms.



Direct Trade Colombia

Rio Magdalena



Country: Colombia

Province: Huila

Municipality: Pitalito and Santa Maria

Producers: Cadefihuila Cooperative

Varietals: Typica, Caturra, Castillo, Colombia

Altitude: 1450 – 1830 meters

Direct Trade Colombia Rio Magdalena comes from a select group of farmers from the Palermo and Santa Maria groups of the Cadefihuila Cooperative. These farmers were selected for the dedication to quality and their investments into the cooperative and into their farms. This year, we purchased coffee from 23 farmers, who used the price premium to make investments into their farms, such as new washing canals, purchase of new land, remodeling of personal homes, sending children to secondary school and college, and renovating old coffee trees. Farmers in these regions have also been investing in planting new roya resistant varietals to protect their crop from the coffee leaf rust epidemic, which has been affecting the rest of the world. Each of these farmers was invited to a special ceremony where he or she was presented with a direct trade premium check.





Direct Trade Tanzania

Kibo and Kikafu Estates



Country: Tanzania

Province: Kilimanjaro Region

Area: Masama Village

Producers: Konrad Legg and Family

Varietals: N-39 (Bourbon), KP-423, F-6 (Catimor), F-129 (Catimor), Caturra

Altitude: 1,100 meters

Due to extenuating international circumstances, we were not able to visit our Direct Trade Tanzania partners this year. Nevertheless, we were in contact with them throughout the growing season and communicated about coffee qualities and social investments being made on the farm.

Last year, the farm manager, Adam, decided that the main need for investment was to the workers' quarters located along the main road to Kibo Estate. These homes were weathered. Updates—such as renewed foundations, mosquito netting over the windows, roof replacement and repair, and repairs to the cement floors—were long overdue. Adam reviewed the budget and committed to renovating six two-family homes plus building two new latrines for the families that live there. These projects were completed in December, and our goal for next year is to renovate six more. The impact on these houses is dramatic and serves as a great way to attract and retain a quality labor force. The neighboring cities of Moshi and Arusha are expanding rapidly, and many workers are leaving the agronomic sector to pursue work in the cities. Because of this, it is difficult to attract enough pickers—even at very high prices—to ensure on-time, careful picking.



We were very impressed with the quality of the coffee this year. Konrad, the farm owner, decided to drastically reduce the area where he cultivates coffee, allowing him to concentrate his resources for coffee in a smaller area. Water is always a big problem in this area, and even with the new reservoirs that he built a couple of years ago, there is still not enough water for all of his farms. This year, we saw a large increase in bean size, a result of more water and fertilization, and were surprised by sweet notes of citrus that we hadn't found in years past. Overall, we are very happy with our relationship with Tudeley Estates.



Peru San Ignacio

Harvest: Summer 2014
FOB Price: \$2.83
Cupping Scores: 85
Most Recent Visit: October 2014
Visit made by: Molly & David
Region: San Ignacio
Kgs Purchased: 20,700

Peru Maxamiliano Garcia Abad Microlot

Harvest: Summer 2014
FOB Price: \$3.50
Cupping Scores: 87
Most Recent Visit: October 2014
Visit made by: Molly & David
Region: San Ignacio
Kgs Purchased: 345

Nicaragua Las Mercedes Lot A

Harvest: Winter 2013/2014
FOB Price: \$2.72
Cupping Scores: 85
Most Recent Visit: December 2014
Visit made by: Molly & Sarah
Region: Jinotega
Kgs Purchased: 13,766

Nicaragua Las Mercedes Lot B

Harvest: Winter 2013/2014
FOB Price: \$2.07
Cupping Scores: 83
Most Recent Visit: December 2014
Visit made by: Molly & Sarah
Region: Jinotega
Kgs Purchased: 24,046

Organic Nicaragua Las Mercedes Lot B

Harvest: Winter 2013/2014
FOB Price: \$2.38
Cupping Scores: 83
Most Recent Visit: December 2014
Visit made by: Molly & Sarah
Region: Jinotega
Kgs Purchased: 6,985

Nicaragua Las Madres

Harvest: Winter 2013/2014
FOB Price: \$1.87
Cupping Scores: 82
Most Recent Visit: December 2014
Visit made by: Molly & Sarah
Region: Jinotega
Kgs Purchased: 17,250

El Salvador Buena Vista

Harvest: Winter 2013/2014
FOB Price: \$2.00
Cupping Scores: 85.5
Most Recent Visit: January 2014
Visit made by: Molly & Chris
Region: Ahuachapan
Kgs Purchased: 20,684

El Salvador Pacamara Microlot

Harvest: Winter 2013/2014
FOB Price: \$5.90
Cupping Scores: 88
Most Recent Visit: January 2014
Visit made by: Molly & Chris
Region: Ahuachapan
Kgs Purchased: 345

Colombia Rio Magdalena

Harvest: Spring 2014
FOB Price: \$2.43
Cupping Scores: 85
Most Recent Visit: September 2013
Visit made by: Molly
Region: Huila
Kgs Purchased: 7,006

Tanzania Kibo & Kikafu Estates

Harvest: Fall 2014
FOB Price: \$2.40
Cupping Scores: 83
Most Recent Visit: October 2013
Visit made by: Molly
Region: Kilimanjaro
Kgs Purchased: 11,975



