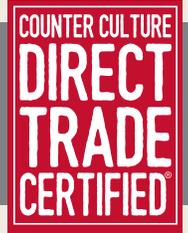


COUNTER CULTURE DIRECT TRADE CERTIFICATION TRANSPARENCY REPORT 2010



With another year of great coffee and relationships under our belts, we are pleased to present our second annual transparency report. We can't overstate the importance of transparency, which is simultaneously a starting point, a destination, and a journey. Adherence to this core value has brought us this far and continues to inspire us to innovate and improve upon everything we do. We published our first transparency report in 2009 and we have kept the same format for 2010: a paragraph summary of each of our Counter Culture Direct Trade Certified (CCDTC) coffees provides insight into the progress, triumphs, and shortcomings of 2010; and a table at the end of the document supplements the relationship-specific information with statistics.



Although certification is defined by metrics, our business is anything but static; 2010 brought change – most of it positive – for Counter Culture Coffee and the producers of the coffee we purchase. Our Coffee Department spent more time on the road this year than ever in the quest to improve coffee quality in the cup, quality of life for producers, and quality of relationships with growers. The importance of good communication became clearer than ever in the final months of the year as we watched coffee prices skyrocket and faced new challenges, and we are confident that the strength of our relationships will help make 2011 our best year yet.

21ST DE SEPTIEMBRE AND DECAF 21ST DE SEPTIEMBRE

PRODUCER: SOCIEDAD COOPERATIVA 21 DE SEPTIEMBRE

Patience is essential in relationships – business as well as personal – because progress often happens in fits and starts, and when you least expect it. This cooperative has tested our patience in past years, but forever optimistic, Counter Culture Coffee and the 21st began 2010 with two goals: first, to staff and begin using their cupping lab to separate coffee from different communities; and second, to continue providing



the sort of outreach and education to the 940 members of the cooperative that would help each one to increase productivity. Kim Elena spent a week in Mexico in April cupping coffees from different towns for this year's regular and decaffeinated lots, and then visited communities like Zaragoza that have consistently produced the organization's best-tasting coffees. Competition for coffee in this area has heated up with particular ferocity this year, with multi-national buyers and at least one new small-farmer cooperative moving in on the 21st's territory. In August, Counter Culture collaborated with the co-op on an exciting project to help communicate the value of the cooperative and of their relationship with us, to their geographically isolated members through a comic book written by a co-op director and illustrated by an artist in the co-op's home town of Putla, Oaxaca. [View the comic on our flickr.com site.](#)

CAFÉ SAN RAMÓN

PRODUCERS: FINCA ESPERANZA VERDE, JAVIER MARTINEZ, LEOPOLDO DUARTE

Because direct trade emphasizes the importance of personal relationships and open communication between coffee producer and coffee buyer, it's easy to forget the rest of the supply chain. From the outside, the chain may seem to include intermediaries (or worse yet, middle men) whose services are difficult to define, but our experience with Café San Ramón in 2010 serves as a perfect reminder of why we need strong relationships at every stage.

The three growers whose coffee comprised the 2010 lot of Café San Ramón picked and processed their coffee with the same attention to detail as always and Counter Culture Coffee awarded high scores to the pre-ship sample (which, you might recall, is the score that determines coffee's eligibility for CCDTC) when we tasted it in March. After frustrating experiences in 2009 with the exporter of this coffee, we collectively decided to pursue a different route in 2010 in hopes of making the process run more efficiently. That idea failed, for though the coffee was ready to leave Nicaragua in March, a series of logistical errors and a breakdown in communication between the importer and exporter resulted in the coffee remaining in a hot warehouse until August, a full five months after it was harvested and made ready to ship. Upon arrival to the US in September, the coffee had deteriorated in flavor to a point at which we did not feel comfortable selling it as Café San Ramón. The growers still received the contracted price per pound, which we set based on the (high) pre-shipment score, and the producer-buyer relationship will continue in 2011 as in past years, this time with an indescribably thorough review of exporters and protection of our coffee at the top of our list.

FINCA EL PUENTE

PRODUCER: MOISES HERRERA AND MARYSABEL CABALLERO

This relationship's "building year" worked exactly as we hoped it would and happily, we got back on track in 2010. We not only purchased more and better coffee for a higher price, we did our goals one better by exploring new territory in our purchasing model. Since our first visit to their farm, we have understood that although Moisés and



Marysabel reserve their best coffee for their dedicated-to-quality roaster partners, they also produce more than just that top-quality coffee and sell it at lower expectations for lower prices. This year, we wondered, "What might happen if we could buy coffee with an 86-point-score expectation in addition to one with an 88-point-score expectation?" Could that benefit the grower, the relationship and our customers, all at the same time? How might we use that coffee differently? The coffee we bought from this experiment formed the basis of our much-hailed Espresso Apollo 1.0.

FINCA MAURITANIA AND FINCA KILIMANJARO

PRODUCER: AIDA BATLLE

We hope that long-time fans of Finca Mauritania – of which there are many – felt as blessed as we did in 2010 by the coffee from this extraordinary farm. Our Coffee Department felt that it was the best year so far and we know that Mauritania’s quality results from Aida Batlle’s fanatical attention to detail and involvement in every step of the process. Unfortunately, quality and volume are often inversely proportionate and this year, due to climatic conditions, the overall volume of coffee from Aida’s farms dipped significantly and gave her quite a fright. We agreed to augment the price we had negotiated before the harvest, which made perfect sense because we love the coffee and understand the conditions. And yet, price increases are always tricky for everyone, grower included, because success doesn’t



depend only on the grower and buyer, but also on the support of each one of our customers that buys Aida’s coffee – or any other coffee from a grower experiencing similar challenges – at that higher price. We had no trouble selling the coffee, I am happy to report, and we only wished we had had more of it to sell.

Finally, Aida made headlines in the barista community in October by signing up for Camp Pull-a-Shot, a retreat organized by the Barista Guild of America. Not only was she the only representative of a coffee-producing country to attend, she also passed her barista certification!

FINCA NUEVA ARMENIA

PRODUCERS: JORGE AND JAVIER RECINOS

It took writing a provision into our contract to achieve it, but in late April, we finally got one of the Recinos twins – Javier, this time – to Durham to visit our roastery and get to know some of our customers. When he arrived, Javier was bearing gifts, and good ones: samples of the farm’s first-ever microlots. We began talking about microlots on our first trip to the farm in 2007 and recognized that the most sensible place to begin was



by separating coffee from different geographic micro regions of the farm. Tasting and discussing the diverse flavors of the Gemelos (citrus), Grotto (berries), and Maragogipe (chocolate) microlots with Javier and our customers was one of the highlights of our year. In 2010, we also saw the project to plant native-species trees on and around Finca Nueva Armenia

come to fruition thanks to the \$9,000 we raised in our 2009 Holiday Blend promotion. We bought more coffee from this farm than ever in 2010, and it looks as though our shared success will allow us to purchase the farm's entire production in 2011.

FINCA PASHAPA

PRODUCERS: ROBERTO SALAZAR AND JORGE SALAZAR

Finca Pashapa's coffee did not qualify for certification this year because the pre-ship cupping score fell a point shy of the requisite 85-point minimum. We purchased the coffee nonetheless and our relationship is as strong as ever. Roberto, an exceptional cupper, knew even before we did that Pashapa's coffee did not taste as good in 2010 as it had the prior year, but he also knew that their methods had not changed. During ten years together, we expect occasional hiccups and we all trust that Pashapa's coffee will be back on course in 2011.



JAGONG

PRODUCERS: GAYO ORGANIC FARMER

COOPERATIVE, IHTIYERI KETI ARA (IKA)

When we launched Counter Culture Direct Trade Certification three years ago, we had just begun working with IKA and we could not have predicted that this coffee would shatter so many of our assumptions – from flavor to transparency – about Sumatran coffee. From what we have seen and heard, Jagong is unique in Sumatra insofar as the mill processes coffee in a centralized wet mill (as opposed to on individual farms), which allows for better quality control and a cleaner, brighter flavor profile than we have tasted from anywhere else on the giant island. This year, the cooperative obtained Fair Trade Certification, which enabled us to guarantee transparency to the producer where we had not been able to prove it before. As an aside, this is an important piece of the certification process that probably does not occur to most people – feeling like a cooperative is transparent and being able to prove it to an auditor are two very different things, and Fair Trade Certification is the most common way for a cooperative to prove accountability to every single member. With the help of co-op leader Irham Yunus and his young, quality-driven daughter Ina, not to mention exporter Syafrudin, we invested more energy than ever in Jagong. Working together, we also orchestrated the production of the first Sumatra microlot we have heard of or tasted: Atu Lintang. More extensive sorting and selection of the ripest coffee cherries resulted in a coffee that took Jagong’s well-articulated flavors to levels that even our most experienced customers and cuppers struggled to place into a Sumatran context.

KENYA SINGLE LOTS

PRODUCERS: N/A

We were thrilled to apply CCDTC to a coffee from Kenya in 2009. By many people’s estimation, direct trade in Kenya should be easy: our Kenya Single Lots receive higher cupping scores than any other coffee, we pay higher prices in Kenya than anywhere else, and we visit a myriad of farmer cooperative societies every year. So what’s the problem, you ask? What made Kenyan coffees challenging to certify and why don’t we have CCDTC coffees from Kenya this year? The key word, my friends, is TRANSPARENCY: that

commitment that drives our certification and keeps us true to everyone in our supply chains. We must be able to prove that growers have access to the Free On Board (FOB) price that Counter Culture pays for coffee. Most Kenyan cooperatives, despite the high prices they receive, cannot prove that transparency without Fair Trade Certification. So even though Kim Elena visited Thiriku in June, though we paid more than six dollars per pound for the coffee and scored it over ninety points, without a documentation of transparency to the grower from Thiriku, we could not apply Direct Trade Certification to the cooperative's coffee.



LA GOLONDRINA

PRODUCERS: ASOCIACIÓN DE PRODUCTORES DE CAFÉ ORGÁNICO DEL CAUCA (ORGÁNICA)

A sharp rise in the price of coffee on the world futures market has the whole coffee industry talking these days, but in Colombia the high market is old news. Since 2008, when the harvest came up short (again, caused by unusual climatic conditions) across Colombia, our partners at Orgánica persevered against low yields, high prices, and competition to continue supporting their members and getting great coffee to us. We succeeded in teaching our customers a new word, *mitaca*, or “second harvest,” as we introduced coffee from Orgánica's second, smaller yearly harvest and we signed Orgánica's first-ever fixed-price contract, which is a big demonstration of trust from a cooperative that faces many obstacles and much uncertainty. We know better than to take the future for granted anywhere, especially in Colombia, but we believe that if good, certified organic, small-producer coffee is possible in Colombia, that coffee will come from Ogánica.

We finished the year on a high note by donating a dollar per pound of the Holiday Blend we sold to soil-improvement projects on the farms that produce La Golondrina. Over the past two years, the leadership of the growers' association has worked closely with coffee-exporting company Virmax to build infrastructure – most notably vermicompost facilities – that will help insure stable productivity and a sustainable future

in coffee for each grower. Orgánica is thrilled by the nine thousand dollars raised by Counter Culture Coffee and our customers, and we can't wait to get more nutrients to the coffee plants and more coffee to La Golondrina's biggest fans in 2011.

VALLE DEL SANTUARIO

PRODUCERS: UNIDOS POR EL PROGRESO, GENIOS DEL FUTURO, FAMILIAS DEL FUTURO, LOS TRIUNFADORES, GALLITO DE LAS ROCAS

Among the myriad of objectives and goals we have is the dream of finding a cooperative like Cenfrocafe, the entity responsible for bringing Valle del Santuario to Counter Culture Coffee, in every country and region where we work worldwide. Relationships are hard and each one is different, but this one seems to continue to improve each year. 2010 was the fourth year of our selective, hands-on relationship with the five communities of the valley of the sanctuary and the quality of the coffee from these seventy-five growers proved as good as ever. As our trust in Cenfrocafe has grown, we have begun to taste and buy coffee from other communities around San Ignacio and, happily, we have found delicious coffee from other micro-regions, as well. In addition to benefiting our business, higher volumes also benefit Cenfrocafe and make us a better customer for their business. When we sit down to negotiate with the leadership of Cenfrocafe, we strategize about how to sell more, and better, coffee together and our relationship feels as collaborative as our relationships with our coffee-shop customers. These coffees and our relationship with this cooperative represent the future – Counter Culture Coffee Direct Trade 2.0 – and we are thrilled to recognize that with Valle del Santuario, we're making progress not just in a single coffee relationship but in redefining what a coffee relationship can be.



HOW TO READ THE FOLLOWING TABLE:

COFFEE NAME: The name of the farm, small-farmer cooperative, or in some cases, a name developed in conjunction with the farmer or cooperative to represent the coffee.

MOST RECENT VISIT: Part of our commitment to Direct Trade is frequent, personal visits by Counter Culture staff, in addition to constant contact via email, telephone, and teleconference. The intention of personal visits may be to arrange business for the following year, address problems or successes from the previous year, or simply to deepen personal relationships and understanding between Counter Culture Coffee and coffee farmers worldwide.

VISIT MADE BY: We determine who should visit the coffee producer, depending on the needs of the relationship. Travelers in 2010 included Sustainability and Producer Relations Manager Kim Elena Bull-ock, Head Roaster Timothy Hill, and Director of Coffee and co-owner Peter Giuliano.

FOB PRICE: FOB stands for “Free On Board,” and represents the price paid for a coffee at the point of export, when it is ready to be loaded onto a ship at port. The most common way to express price paid for coffee, FOB represents the price paid after farming, processing, milling, and preparation for export, but before overseas shipping, importation, and overland transport. The New York “C” market price is expressed in terms of FOB, as is the Fairtrade Labeling Organization’s minimum price. This price can create some confusion, as the price paid by the roaster for “landed” (i.e. imported) coffee will be significantly higher than the FOB price.

CUPPING SCORES: We cup each coffee constantly for quality control purposes: during the harvest, before export, upon import, and throughout the year. The cupping score represented here is the cupping score at point of export, just as the FOB price is the price at point of export, and it is therefore only a snapshot of the coffee’s true quality and taste value.

PURCHASED SINCE: Our goal is to build long-term, durable, mutually beneficial relationships with our producer partners. The duration of these relationships is a good indication of their sustainability.

COFFEE NAME	MOST RECENT VISIT	VISIT MADE BY	FOB PRICE	CUPPING SCORES	PURCHASED SINCE
21 st de Septiembre	April, 2010	Kim Elena	1.99	88	2006
Decaf 21 st de Septiembre	April, 2010	Kim Elena	1.94	85	2006
Finca Nueva Armenia Gemelos, Groto, and Maragojipe Microlots	November, 2009	Peter	1.98 2.23	85.5 to 92	2003
Finca El Puente	November, 2010	Kim Elena	2.15	89	2005
Finca Pashapa El Lechero Microlot	November, 2010	Kim Elena	1.8 2.2	84.5 86.5	2002
Finca Mauritania and Process Microlots Finca Kilimanjaro and Process Microlots Aida's Grand Reserve	December, 2010	Kim Elena	3.00 to 3.82 5.00 to 5.40 20	85 to 92	2004
Café San Ramon Finca Esperanza Verde	December, 2010	Kim Elena	2.15	87	2002
La Golondrina La Golondrina Microlots	May, 2010	Kim Elena	2.70 & 3.00 4	86 to 91	2006
Valle del Santuario Alarcon and Carhuachinchay Microlot	August, 2010	Kim Elena	1.85 & 2.20 3.23	88 90	2007
Decaf Valle del Santuario	August, 2010	Kim Elena	2.2	87	2007
Jagong Atu Lintang Microlot	January, 2010	Peter	1.60 to 1.85	85.5 90	2008
Kenya Single Lots	June, 2010	Kim Elena	N/A	N/A	N/A