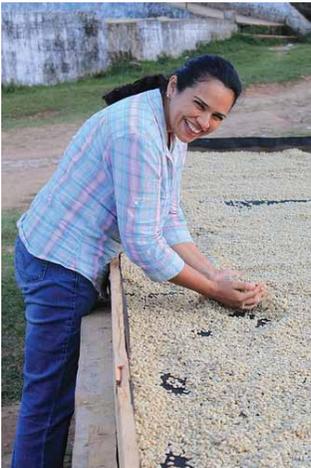


DIRECT TRADE

TRANSPARENCY REPORT 2011

THIS MARKS OUR THIRD ANNUAL TRANSPARENCY REPORT, and every year it seems more valuable than the year before. Often, when asked about Counter Culture Direct Trade Certification (CCDTC), we end up effusing over the importance of transparency and describing it as the umbrella for everything else we use – from quality to communication to price – to measure the strength of our relationships. In 2011, we both added new dimensions to existing relationships by supporting different kinds of experimentation and also added a few brand new offerings to our lineup of certified coffees.



FINCA EL PUENTE, LOS CIPRESES, AND DULCE NOMBRE DE JESUS

Producer: Moises Herrera and Marysabel Caballero

If we had to choose a single coffee from 2011 to demonstrate the advantages of buying coffee based on long-term relationships, that coffee would be Moisés and Marysabel's Los Cipreses. There was nothing surprising about the coffee's bright, juicy flavors – these growers had proven their expertise at creating cup quality before we even met them – but Los Cipreses possessed those flavors and something brand new: organic certification! After five years discussing CCC's belief in organic agriculture and our limited ability to buy conventional, chemically-farmed coffee, Moises and Marysabel surprised us with the news that they had secretly been managing one of our favorite areas of their farm, Los Cipreses, organically for three years and would be able to sell us organic coffee beginning in 2011. The experiment succeeded all around – from its popularity among coffee drinkers to the alternative growing techniques, like composting – and we're eagerly anticipating the return of Los Cipreses in 2012.

We received another pleasant surprise this year from Finca El Puente in the form of a microlot processed slightly differently than most of the farm's and region's coffee. Based on his interest in the processing styles of East Africa, Moisés built a tank at the family's wet mill where coffee soaks in water between the washing and drying stages of the process and used the tank for a few small, experimental lots of coffee which exceeded all of our expectations: their amazing brightness and clarity outshone the otherwise-awesome Finca El Puente lots and has given us good reason to recommend this practice to other growers interested in improving their cup quality with a relatively low investment needed to do it.

FINCA MAURITANIA, FINCA KILIMANJARO, FINCA LOS ALPES, AND FINCA TANZANIA

Producer: Aida Batlle

It was the best of years, it was the worst of years. Those who tasted the small lots of coffee from Aida's four farms that CCC purchased through Grounds for Health's annual auction know that the cup quality of the 2011 harvest matched our always-high expectations. Unfortunately, due to circumstances beyond anyone's control and to logistical difficulties in shipping, the majority of

Aida's coffee did not reach us until late October. (We usually expect it in June or July.) By the time it arrived, Finca Mauritania's coffee had lost some of its luster. While still a sweet and balanced coffee, lovers of Finca Mauritania couldn't help but feel a little bit sad, knowing what this coffee could have been. Thankfully, long-term relationships breed patience and perseverance, and we know that last year was an exception.

I would be remiss if I wrote an annual report on Aida's coffees without mentioning her ongoing experimentation, which in 2011 included trials of fermentation styles typical to Kenya, Ethiopia, and Burundi, and also fermentation with the addition of yeast strains like: malolactic, Brettanomyces, and Bordeaux. These controlled experiments are invaluable in that they afford us all the opportunity to identify flavors characteristic to different coffee-processing techniques and approach a more standard definition for "best practices."

FINCA NUEVA ARMENIA, GROTTO, AND GEMELOS

Producers: Jorge and Javier Recinos

On our annual visit to Finca Nueva Armenia in February, we learned that the Recinos brothers had recently introduced an interesting twist to their traditional coffee-processing methods by adding a post-wash soaking period of 24 hours to all of the coffee from the microlot-producing areas of Gemelos and Grotto. Over the preceding year, we had begun to suspect that this technique would lead to better cup quality and had undertaken intentional experiments with coffee from Finca Mauritania and Finca El Puente, but we were surprised to find that Jorge and Javier had encountered it on their own based on the recommendation of an agronomist who had learned that it was a practice of the old days that had mostly been forgotten. Gemelos and Grotto tasted better than ever, and Jorge and Javier committed to expanding the process to include more coffee in future years.

Also making headlines this year, CCC and the Recinos brothers signed a five-year, fixed-price contract for Finca Nueva Armenia's coffee, to begin in 2012. We have been buying this coffee since 2003, so five years might not seem like a big deal, but given the volatility of the coffee market, most growers hesitate to commit even one year in advance, much less five years and we are thrilled to have partners with the foresight and trust in us to request a five-year agreement.

FINCA PASHAPA

Producers: Roberto Salazar and Jorge Salazar

We reached the 10-year mark in our relationship with the Salazar family of Finca Pashapa in 2011 and launched our SEEDS program to support environmental and educational development in partner communities at origin this year, as well. The connection between the two is not immediately obvious, but Roberto Salazar unknowingly helped give form to SEEDS with a request he made two years ago for CCC's support in building a better school and community center in his hometown of Pashapa. At the time he asked, we did not have an organized way to contribute to projects like his that focused not on coffee-quality improvement but rather on social or environmental welfare (outside of our annual Holiday Blend, that is). While we knew that supporting the school would benefit our relationship, we wanted to avoid feeling like we were making a random donation to a grower we liked. So, we created SEEDS: a program with an application, criteria for funding, and protocols to give it structure. In the third quarter of 2011, Roberto applied for and received funding from CCC toward the construction of the community gathering space in Pashapa, which is finished, along with the school, at the time of this report! We are pleased to have this program as a tool for growers, co-ops that partner with Counter Culture, as well as non-governmental organizations whose work overlaps with ours.

JAGONG

Producers: Gayo Organic Farmer Cooperative, Ihtiyeri Ketu Ara (IKA)

After the success of the Atu Lintang microlot in 2011, we entered 2011 with high expectations for Jagong and the IKA cooperative that produces it. On the quality side, we aspired to implementing systems for better selection and drying, and from the relationship perspective we hoped to be able to engage more with co-op leaders Irham and Ina, as well as connect directly to cooperative members. After turmoil in the Sumatran coffee market pushed prices up (and has kept them up) even as prices elsewhere in the world fell, we revised our expectations and focused our collective energy on fulfilling our demand for this coffee with good, consistent, timely shipments. We were disappointed, if not surprised, that quality suffered as a result of market tumult, and we look to the future with (very cautious) optimism.

LA GOLONDRINA, GLORIA TEJADA MICROLOT, AND ARISMENDES VARGAS MICROLOT

Producers: Asociación de Productores de Café Orgánico del Cauca (Orgánica)

Following the outbreak of the leaf rust fungus in 2008 that severely curtailed coffee production across Colombia, the Orgánica cooperative survived two years of miserably low yields from their small farms and gave us reason to celebrate in 2011: higher volume and the best-tasting coffee we have ever received from them. We are excited, relieved, and proud that this group has regained its footing and we continue to believe that Orgánica is one of the most inspiring co-ops in the world: small-scale farmers committed to organic agriculture and old varieties in one of the countries least hospitable to these methods.

We have also seen a remarkable recurrence of microlots from specific co-op members, namely Arismendes Vargas and Gloria Tejada – whereas some groups of small growers cycle through microlot producers with individuals seeming unable to repeat their successes, Orgánica demonstrates that some growers figure out a formula and apply it each year to produce the same fantastic results.

VALLE DEL SANTUARIO AND LA FRONTERA

Producers: Cenfrocafe cooperative, including Unidos por el Progreso, Genios del Futuro, Familias del Futuro, Los Triunfadores, Gallito de las Rocas

We continue to point to our relationship with the Cenfrocafe cooperative of San Ignacio, Peru, and the members from the five communities of the Valle del Santuario, as our model for other, newer relationships. Cenfrocafe's stability, strength, and responsiveness to both growers and buyers has driven them to expand rapidly over the past few years, which we celebrate and encourage as long as we can count on the same focus on quality. This year, in hopes of setting ourselves on a clear course for the season, we visited the co-op in May, before the inevitable craziness and confusion of peak harvest in July and August. Our early visit allowed us to be more thoughtful and deliberate in our price discussion with the five communities of the valley and we assuaged many fears about the volatile market that has affected everyone over the past couple of seasons, but unfortunately it did nothing to guarantee timely shipments, as those don't begin until the harvest finishes. This year, due to the aforementioned growth of the cooperative, much

of our coffee from Cenfrocafe, including the shipment from Valle del Santuario, shipped so late that it tasted faded upon arrival. For next year, we will be working on those logistics as well as on building stronger relationships with Cenfrocafe's community-level cooperatives outside of the five aforementioned communities of the valley.

CINCO DE JUNIO AND DECAF CINCO DE JUNIO

Producers: Cooperativa de Servicios Múltiples Cinco de Junio Las Sabanas

Only a handful of CCC's relationships begin with a random coffee sample – most of the time, we have heard about a coffee-producing group or farm from importers or other buyers, or we have met a representative at some point before tasting coffee and we have some idea what to expect – but we knew almost nothing more about Cinco de Junio than that they had sent us a good sample before we made our first visit in the fall of 2009. We purchased coffee from the co-op in 2010 but not until 2011 did the cup quality meet the level required to stand on its own as a single-origin coffee (and a decaf). Although Cinco de Junio has a long history in Las Sabanas, in the past few years a new group of leaders has embraced quality as a focus and we have seen not only better coffee emerge from that focus, but also an experimental pulp-natural process coffee from select members of the co-op and a small-lot separation of Maragojipe-variety coffee that was one of the top-scoring, best surprises of 2011.

HARU

Producers: Yirgacheffe Coffee Farmer Cooperative Union (YCFCU)

Amid the changes wrought by the introduction of the Ethiopia Commodity Exchange as a trading platform for most of Ethiopia's coffee in 2009, cooperatives of small-scale growers have found a competitive advantage in being able to sell coffee directly to buyers where previously they had struggled to compete against private buyers offering higher prices to growers. We tasted extraordinary coffees from YCFCU that first year and since then we have pursued them vigorously – cupping coffees from and visiting as many of the co-operative's washing stations as we could while simultaneously trying to find a way to narrow our focus and build relationships with individual communities like Haru, Konga, and Idido. Haru has consistently topped the chart for quality among YCFCU's many delicious coffees and we were thrilled that in addition to the accolades we bestow upon it, Haru won a Good Food Award in 2011!

COFFEE NAME	LAST VISITED	VISIT MADE BY	FOB PRICE	CUPPING SCORES	PURCHASED SINCE
Finca Nueva Armenia, Gemelos, Grotto, and Abuelos microlots	2/2011	Kim Elena, Jeff	\$2.53 and \$3.10	86.5 to 88	2003
Finca El Puente, Los Cipreses, and Dulce Nombre de Jesus	3/2011	Tim	\$3.60 and \$3.00	88, 89, and 85.5	2005
Finca Pashapa	3/2011	Tim	\$3.00 and \$3.35	84 to 86	2002
Finca Mauritania, Finca Tanzania, Finca Kilimanjaro, microlots, and Aida's Grand Reserve	3/2011	Tim	\$2.58 to \$20.00	86 to 89, and 93	2004
Cinco de Junio, Pulp Natural, and Maragojipe microlots	1/2011	Kim Elena	\$3.54 and \$3.94	87, 86, and 88	2010
La Golondrina, Gloria Tejada, and Arismendes Vargas microlots	4/2011	Kim Elena	\$3.57 and \$4.76	87.5 and 91	2006
Valle del Santuario and La Frontera	5/2011	Kim Elena	\$3.13 and \$4.00	85 to 89	2007
Decaf Valle del Santuario and Decaf La Frontera	5/2011	Kim Elena	\$2.78 to \$3.50	85 to 86.5	2007
Jagong	1/2010	Peter	\$1.83 to \$3.63	83 to 86	2008
Haru	1/2011	Tim	\$3.05	92.5	2010

HOW TO READ THE 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.

LAST VISITED: 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: The Coffee and Producer Relations Departments collaborate to determine who should visit the coffee producer, depending on the needs of the relationship. Travelers in 2011 included Coffee Buyer and Sustainability Manager Kim Elena Ionescu, Coffee Buyer and Quality Manager Timothy Hill, Director of Coffee and Co-Owner Peter Giuliano, and Head Roaster Jeff McArthur.

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.

Please visit:

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COUNTERCULTURECOFFEE.COM
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*to see photos and maps and learn more
about our socially, fiscally, and
environmentally sustainable initiatives.*

