

CELEBRATING

30  
YEARS

FOOD, FARMER

and WORKER

JUSTICE

EQUAL EXCHANGE • 2016 ANNUAL REPORT



## SALES by PRODUCT CATEGORY

**\$42.7 M**

COFFEE

**\$13.4 M**

CHOCOLATE & COCOA

**\$2.2 M**

TEA

**\$7.4 M**

BANANAS & AVOCADOS

**\$3.4 M**

FOOD & SNACKS

+ \$1.0 M, OTHER

**\$70.1 M**

TOTAL

Joselinda Manueles of COMSA in Honduras explains how she uses a solar powered water pump to irrigate her family's farm. In addition to her innovative technological improvements, she roasts, bags and markets her own line of coffee, Café Joselinda. She is also featured in our "Women in Coffee" short film—see more on p. 9.

**FRONT COVER** In July, grant projects staff Cristina Liberati and Julia Baumgartner visited the members of Hato Mayor, part of CONACADO, to observe a Community Strengthening Workshop that was supported with our USAID Co-operative Development Program. The group defined its mission, vision and values. They also created an action plan to make improvements in their community.

## 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.



# 30 Years In, the Movement Continues to Build

By Rink Dickinson & Rob Everts, Co-Executive Directors

May 1, 1986.

The day U.S. customs released our first container of coffee, “forbidden coffee” from Sandinista Nicaragua. It was the starting point of this journey now 30 years on. Ronald Reagan was president. Cold War mindsets prevailed. “Free trade” had yet to firmly enter the political discourse, let alone our incipient efforts to challenge that unjust model by injecting the concept of fairness.

We have arguably achieved more than the three founders could have imagined 30 years ago. Small-scale farmers have a seat at the table in the specialty coffee industry. More of their co-operatives control more early processing steps than ever before. And while we have made initial inroads in other commodities such as cacao, tea, bananas and cashews, our impact has been less dramatic with those supply chains.

In this 30-year period, hundreds of thousands of Americans have supported our worker co-op and our brand. Food co-ops and faith congregations have made these products available to consumers. Investors have financed us on terms that work for everyone involved. And we have grown. From first year sales of \$112,000, we closed 2016 with revenues of \$70.1 million. It was an exceptionally strong year, seeing growth of 8.6 percent, and after charitable contributions and worker-owner patronage disbursements, we realized net income of \$3.1 million.

Most encouraging growth areas were packaged coffee, tea and chocolate chips, along with an increasingly promising addition to the fresh fruit line: organic avocados from PRAGOR co-operative in Michoacan, Mexico. We are very proud of the work by Oké USA, our banana and avocado team, to build these supply chains against enormous odds. Read more about their work on p. 8.

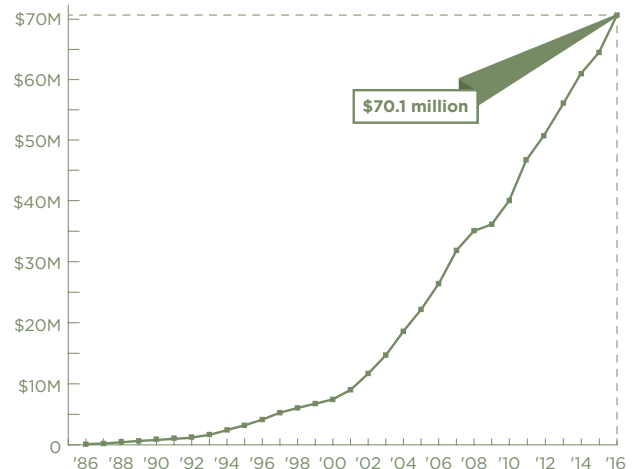
But against that success lies a more challenging path forward than anything we have seen in the past 10 years. As you will read on p. 10, market forces, climate change and increased corporate control over the food system have combined to make the next mountain even steeper. You will read about our new initiative to engage *citizen-consumers* through our newly launched Equal Exchange Action Forum. We hope you will join us by applying to be a member, and help shape what we become in the next 30 years.

Thank you for being with us.



Equal Exchange Co-Executive Directors Rob Everts, left, and Rink Dickinson.

SALES GROWTH 1986–2016



# 30

## YEARS

### EQUAL EXCHANGE



U.S. customs officials release the first shipment of Nicaraguan coffee from the Port of Boston, and Equal Exchange is born.

Office of Foreign Assets Control in the U.S. Department of Treasury issues a reinterpretation of the Nicaragua embargo that threatens to make importing Café Nica illegal.

MAY 1  
1986

1987

1988

Equal Exchange launches our second product, Samusala Tea, the first to be directly imported from producers.

Organic Peruvian, Equal Exchange's first organic product, quickly becomes our top seller.

COFFEE PRICES HIT LOWEST PRICE IN 100 YEARS: \$0.42/LB.

SALES BREAK  
\$10M

2001

Equal Exchange launches baking cocoa. Farmer co-op makes first investment in Equal Exchange. Equal Exchange helps provide \$1 million in pre-harvest credit for producers.

Equal Exchange purchases new building in West Bridgewater, Mass.

Equal Exchange builds the largest worker-owned coffee roasting operation in the U.S.

2003

2002

Equal Exchange introduces hot cocoa mix, the first U.S. cocoa product to carry the Fair Trade Certified™ seal, and to use Fair Trade Certified™ sugar.

The Congo Coffee Project is launched in collaboration with the Panzi Foundation.

2004

Equal Exchange introduces three organic, Fair Trade chocolate bars and the first Fair Trade Certified™ sugar on the U.S. market.

2005

Equal Exchange adds three new chocolate bars and three new teas. Fundraising pilot project introduced to schools.

Equal Exchange brings Fair Trade home with a new line of nuts and berries from U.S. farmers.

2011

2006

Equal Exchange celebrates our 20th anniversary!

2010

Equal Exchange redesigns our coffee package and expanded tea line.

2007

Equal Exchange installs a new roaster in West Bridgewater, Mass., tripling our coffee roasting capacity.

2009

Equal Exchange moves our Hood River, Ore. office to Portland.

2008

Equal Exchange opens a new café in Boston, and launches Equal Exchange bananas in partnership with Oké USA.

Equal Exchange opens a new office in Minnesota.



# Chocolate Program Continues to Grow, Build Supply Chains for Cacao Farmers

By Dary Goodrich, Chocolate Products Manager

It's both inspiring and exciting to be celebrating the 30 year anniversary of Equal Exchange. Of course, the driving force over Equal Exchange's lifespan has been coffee, through which we have been successful in creating true systemic change—impacting farmers, consumers and the industry alike. In comparison, Equal Exchange chocolate is a bit like the little sibling—we are still learning, growing, and working hard to become as well developed and impactful as the coffee program.


Still, for a teenager (14 years old to be exact), the chocolate program has made great strides since its early days. With the launch of our first cocoa product in 2002—in collaboration with our Canadian sister organization, La Siembra—the chocolate program has grown from one hot cocoa mix that supported three farmer co-operatives to 30 different chocolate products supporting over 20 farmer co-ops last year.

In a tough chocolate market with small bean-to-bar makers entering and consolidation at the highest levels of the industry, our loyal customers helped us to grow the program 11 percent in 2016, totaling nearly \$13.5 million in revenue. Chocolate now represents over 20 percent of Equal Exchange's sales. In 2016, we used over 850 metric tons of

cacao beans and sugar from small farmer co-operatives, and more than 40 percent of these raw materials were processed at origin through farmer-owned production facilities. Not bad for the little sibling, right?

Despite this success, chocolate is a composite product that necessitates more complex supply chains than coffee. So, our chocolate team continuously seeks new ways to shorten the chain, creating a closer connection between the farmers and the people who love the delicious products made from their cocoa, in order to meet the high standards for transparency and relationships that we strive for in our work.

We have found some great family-owned manufacturing partners that have played a role in our success, but we aim to always be as direct as our coffee supply chains. The chocolate program continues to advance and take small steps to get closer to our ideal so that by the time Equal Exchange's chocolate program is 30 years old, we will have not just changed the lives of the people who grow, manufacture and enjoy our chocolate, we will have changed the system itself—just like our pioneering work with Fair Trade coffee has done.



USAID Grant Coordinator Cristina Liberati and Tony Keyner Sanchez Macedo, a field technician from Oro Verde co-op in Peru, admiring the beautiful cacao pods on the farm that belongs to the Amasifuen Sangama family.

# Co-op Spotlight: Norandino Co-op, Peru

Participant in the USAID Co-operative Development Program



The coffee quality control team at Norandino co-op in northern Peru preparing a coffee cupping session. This process helps them to select samples for particular clients and provide feedback to members on how to improve the quality of their beans.

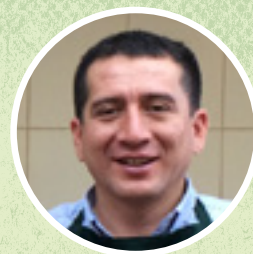
As part of the the USAID Co-operative Development Program (CDP) project, we embarked on a long and interesting journey to certify the coffee laboratory at Norandino coffee co-op in Piura, Peru, as an education and training space. The laboratory is part of the processing plant for Norandino, which processes coffee for eight different co-ops in northern Peru and is part of the overall CDP project. The objective to certifying the lab by the Specialty Coffee Association (SCA) is to provide the member co-ops and greater coffee community with a place in which to hold certified classes from the SCA and the prestigious Q training and exam from the Coffee Quality Institute. The Norandino laboratory was officially certified in September as an SCA Campus—a four-year certification—with a two-year check point to ensure that the lab is still in compliance. Being a certified Campus means that the lab can offer various classes.

Norandino is the first small farmer owned coffee co-op to have a certified lab in all of Peru and at the time of this report, it is believed that it is the only one of its kind in all of South America. It is a great accomplishment and it took a lot of time, energy and coffee expertise to have achieved this status. Equal Exchange Coffee Quality Manager Beth Ann Caspersen worked closely with Juan Rodolfo Cruz Garcia, the Norandino coffee quality manager, to ensure that the specifications for inspection were met and to source and import the necessary equipment for a certified Campus lab.

Norandino hopes that this lab will provide a space to train children of co-operative members to become highly skilled cuppers able to compete at an international level. These efforts were also recognized by the Ministry of Agriculture when a group from 15 different embassies came to visit the lab from around the world in October.

## Q&A

Cristina Liberati,  
USAID Grant  
Coordinator at  
Equal Exchange,  
talks with Juan



Rodolfo (Rodo) Cruz García, Quality  
Manager at Norandino Co-op.

**CRISTINA: What's your role at Norandino and how did you get your start?**

**RODO:** I have been working at Norandino since 1990. My father is a member and I started working at the co-op as a Warehouse Assistant. From there I held jobs as security guard, I cleaned the offices and, starting in 2000, I began helping in the lab.

**CRISTINA: What is the relationship between Norandino and Equal Exchange?**

**RODO:** Of the 14 clients that we have, Equal Exchange is the most important. They care about the farmers, the employees, and they are more like family than a client. Before we began collaborating on the USAID CDP project, we already worked together on quality training. With the project we have reached new milestones. Farmers now have new tools, such as irrigation systems, which will benefit them for their whole lives.

**CRISTINA: Where did the idea to create an SCA-Certified Laboratory at Norandino come from?**

**RODO:** We can thank Beth Ann [Caspersen, Equal Exchange Coffee Quality Manager] and Equal Exchange for this idea, to certify the first SCA laboratory in Peru, and perhaps in Latin America, that is owned by small producers. This is a historic moment for Norandino. It will function like a school, and provide jobs and job training for the sons and daughters of producers. There is a lot of demand now for quality evaluation skills. When the Minister of Agriculture visited us in October, our General Manager spoke to him of our world-class certified lab. This is helping our co-operative grow more every year.

—Translated by Cristina Liberati

# The Ups and Downs of Cashew Farming

By Phyllis Robinson, Education & Campaigns Manager/  
Central American Cashew Supply Chain Coordinator

Our cashew partner in El Salvador, APRAINORES, is a small group of farmers that has been consistently smacked by difficulties, from impacts of climate change to a general manager of the co-op who left them hundreds of thousands of dollars in debt that they are continuing to pay off over two decades later.

At the beginning of 2016, things were looking up for APRAINORES, partly due to Equal Exchange's contribution of \$50,000 (\$25,000 directly from us and \$25,000 from food co-op purchases through the Grow Together Fund). For the first time, APRAINORES was able to offer Equal Exchange two containers—twice the usual amount—and Ethiquitable in France was going to get one container as well. Things were looking good.

Then the ocean tides swept up on the island of Montecristo higher than ever before, as the tides are beginning to do in coastal areas all around the world. APRAINORES lost approximately 50 acres (out of a total of about 370 acres) of cashew trees. While this was a loss in cashew volume for the co-op, it also meant the three or four farmers whose land was affected lost their income not just for this year, but for the foreseeable future. Once the soil is salinated, the trees die, and there is no point in replanting.

Next the entire production cycle was off. As is also happening to farmers everywhere, in the case of APRAINORES—and all of Central America—in 2015, they experienced a drought when there should have been rain, and then just as the trees were flowering (which produces the cashew fruit), sweeping rains washed most of the flowers off the trees and rotted the fruits that were already coming forth.

A cashew scarcity caused the price of cashews on the local market to skyrocket as the middlemen, or *coyotes*, went wild offering high prices for anything they could get their hands on. APRAINORES let us know that they might not have any cashews for us to buy. The meager quantity could fetch a higher price unprocessed (in the shell) on the local market than they could get exporting to us or to Europe. In addition, it did not seem to make sense to keep the plant open for the few weeks necessary to process and export whatever they had, and they did not want to choose between us and Ethiquitable, nor did it make sense to sell half a container to each of us.

I went down to visit APRAINORES in May 2016. They were really struggling with what to do. Nearly 100 women depend on the processing plant for their livelihoods. Closing the plant would leave all those women without work or a way



An APRAINORES farmer with a young cashew tree.

to feed their families, would demotivate the farmers, and send a worrisome signal to buyers and the financial entities that had lent them money for the harvest season.

After much discussion and considerable wrangling to weigh out the pros and cons of each scenario, we were all finally able to work out an arrangement. Equal Exchange would receive one container of cashews in mid-November 2016, and the plant would stay open to process them. The co-op received higher than usual prices and the women kept their jobs.

The farmers of APRAINORES are located along the southern tip of the Lempa River, in an area known as Bajo Lempa. The river has two hydroelectric dams and every year the government's energy company, CEL, decides when to open the flood gates and release water. Almost every year for decades, when CEL does this, the communities alongside the river are flooded. Homes and crops are routinely destroyed, and people are displaced, or worse yet, drowned in the flooding, as they try to find shelter in area churches.

CEL, who has long been seen as the "enemy of the people" and a target of many social justice organizing efforts, has decided to invest \$3 million over three years in a strategy to plant cacao and cashew trees on the banks of the river throughout the Bajo Lempa in an attempt to restore the banks and mitigate against flooding in the future.





APRAINORES General Manager Alex Flores stands with a flooded cashew farm.

APRAINORES, through its years of selling to Alternative Trade Organizations in Europe, and Equal Exchange in the U.S, is one of the only organized cashew co-ops in the area, which is heavily saturated with cashew growers. As such, they were asked by CEL to implement the project and to provide technical assistance to increase organic cashew production. The co-op members are extremely excited by this; their leadership and organic expertise is finally being recognized. They planted 100 new acres of land and will be adding 50 new members to their current base of 65. In 2017, they plan to plant another 100-200 acres and to eventually incorporate another 100 farmers into their roster. Current farmers have also received additional trees and organic matter for fertilizers.

The money they received from Equal Exchange and the Grow Together Fund was used to hire technical assistance and to plant 5,000 grafted trees in nurseries, which are now being given to the farmers. (CEL pays for the actual work of planting and maintenance of the farms.)

“Finally, we are able to do something different,” said APRAINORES General Manager Alex Flores, who has stood by this co-op through the hardest of times. He wanted me to pass along his thanks to Equal Exchange and our customers for our support, our ideas, and our trust in them. He emphasized how important that has been and how excited APRAINORES members are for this next chapter in their development.

## TEA

# Deepening Partnerships in Tea

By Leif Rawson-Ahern, Tea Supply Chain Coordinator

Our small farmer tea program saw a year of growth and deepening partnerships in 2016. Tea sales increased more than 20 percent after a relatively stagnant year in 2015. This growth in sales has allowed us to develop our program in several exciting and impactful ways.

We established a new chamomile partnership with SEKEM, a leader in sustainable agriculture and community development for more than 40 years.

SEKEM is located to the northeast of Cairo, Egypt, and has achieved incredible economic and community prosperity despite the inhospitable desert environment surrounding them. We look forward to deepening this new trade partnership in the years ahead.

In September, we had a wonderful visit from our longtime partner, Gautam Mohan of Tea Promoters of India (TPI). Part of Gautam’s visit included a trip to Cleveland where we shared more about our partnership and TPI’s transformative work in the tea industry with members of our new Equal Exchange Action Forum and some of our longtime store accounts in



Gautam Mohan of Tea Promoters of India, left, with Leif Rawson-Ahern, Tea Supply Chain Coordinator, at an Action Forum event in Cleveland, Ohio.

the area. Equal Exchange and TPI have worked together since 1998, and our partnership continues to mature.

One exciting area of collaboration with TPI has been tea bush replanting at the Potong Tea Garden in Darjeeling. Potong was once a colonial plantation but is now collectively run by 343 farmer members. While Equal Exchange and TPI have been collaborating on replanting at Potong for several years, we were proud to contribute another round of funding to purchase a truck to help Potong build their capacity at the farm level.

# Growth for Bananas and Avocados

By Nicole Vitello, Oké USA President

Alongside Equal Exchange celebrating 30 years as an Alternative Trade Organization, Oké USA celebrated a decade in the Fair Trade banana business. Oké has come a long way in 10 years, and 2016 was quite a year to celebrate.

Our Fair Trade avocado revenue nipped at the heels of Fair Trade banana revenue even though banana volumes outweigh avocado volumes by 5:1. Mexico is the second biggest trading partner to the United States. Mexican Fair Trade produce offerings are a growing sector of the produce department and avocados are the fastest growing produce item. This gives Oké a wide platform to talk about the Equal Exchange brand of Fair Trade. All from small farmers. All organized into co-ops. All trading directly and fairly. It's still very radical for this industry.

Oké is proud to have delivered an almost year-round Equal Exchange avocado program in 2016 that resulted in \$2.2 million going back to farmer co-ops, plus \$80,000 in Fair Trade social premiums. In total, Oké sold \$7.4 million of Fair Trade bananas and avocados, giving us \$2.5 million growth over 2015. That's 15 million individual bananas, and three million avocados—triple the volume of avocados over 2015. But we are only a small part of an \$8.1 billion global Fair Trade industry. So it looks like we have room to grow.

## 10 Years of Impact



**133,858,292**

Bananas sold



**2,386,579**

Avocados sold



Amount Paid to  
**FARMERS:**



**\$19,025,787**

## ON THE ROAD: CELEBRATING 10 YEARS of OKÉ



**PHILADELPHIA, PA:** Oké USA partnered with Gravy Studio to transform the documentary-web series “Beyond the Seal” into an interactive exhibit complete with tropical plants and chirping birds. Screens played excerpts from the film, showing the realities of the banana industry in Ecuador and how Equal Exchange is an alternative for farmers and consumers. Truckers, distributors, produce managers, investors, students, family, and friends all came to celebrate the fact that one small company in cooperation with thousands of organized small farmers could start a banana revolution.



**MINNEAPOLIS, MN:** The Oké USA banana program launched in the Twin Cities back in 2006. Ten years later, Oké rolled out the red carpet in Minnesota for Mariana Cobos, a banana farmer and proud member of AsoGuabo co-op in Ecuador. Mariana brought her brand of farmer justice directly to students, produce professionals, food co-op members, local farmers and even a former Minnesota Secretary of State! The highlights were seeing Mariana's face light up when she saw bananas from her farm in the ripening rooms and on store shelves, and the immediate connection between Mariana and Josh and Sally Reinitz during a visit to their small farm in East Henderson.

# Cooperation in Quality: Coffee Varietals

By Beth Ann Caspersen, Coffee Quality Manager



Equal Exchange Coffee Quality Manager Beth Ann Caspersen (center) with Angelica Arroyave Cordoba (right) of ASPROCAFE Ingruma in Colombia, and Juan Rodolfo Cruz Garcia (left), of Norandino in Peru.

Over the years, our annual Cooperation in Quality coffee seminar has taken many forms—from cupping and roasting classes in Bolivia to coffee preparation at our roastery in Massachusetts—but the goal remains the same: to connect with cuppers and continue to build a common sensory vocabulary. In 2016, we had the pleasure of hosting two coffee cuppers: Juan Rodolfo Cruz Garcia from Norandino in Piura, Peru, and Angelica Arroyave Cordoba from ASPROCAFE Ingruma in Caldas, Colombia, to exchange ideas in our coffee lab and present information from their respective countries about the role of specific Arabica coffee varietals in their coffee-growing communities at the biannual Mid-Atlantic North-East Coffee Conference (MANE).

There are thousands of coffee varieties within the Arabica species of coffee. Much like tomatoes, there are heirloom varieties and hybrids, each with a different taste and heavily influenced by the climate, soil, altitude, and the processing that the coffee underwent. Angelica and Rodo talked with Equal Exchange staff and MANE attendees about their experiences as cuppers, and how the origin of these specific varietals impact the flavor in the cup. Our Quality Control team at Equal Exchange roasted the coffees and together we tasted the coffees with the attendees. It was an open format tasting that highlighted the complexity of the subject and the reality in the field.

We support our farmer partners as they work to understand the changing coffee landscape, the impacts of climate change, and we encourage them to be experimental. Cooperation in Quality is ultimately about learning and sharing—between our teams, across countries and continents—and at the end of the day, it is a work in progress. Sometimes there are no answers—just more questions. But you have to keep an open dialogue and strive to learn, together.

## SHORT FILM: “WOMEN IN COFFEE”

In early 2016, together with our friends at The Perennial Plate, we created a short documentary about women leaders across the Equal Exchange coffee supply chain. From farmer to barista, the film profiles five inspiring women who are paving the way in the coffee industry, while also showing the journey coffee takes to get to your cup. “Women in Coffee” offers a perfect opportunity to spark community discussions around Fair Trade, gender empowerment, and relationships across food supply chains.



**WATCH IT AT:**

[equalexchange.coop/women-in-coffee](http://equalexchange.coop/women-in-coffee)

# EQUAL EXCHANGE ACTION FORUM

**SMALL FARMERS + EQUAL EXCHANGE + YOU**

*By Frankie Pondolph & Danielle Robidoux, Action Forum Organizers*

Our vision is of a vibrant community of *citizen-consumers*, working together to deepen our collective understanding of food and trade issues. As we reflect on the last 30 years, we are both proud of what we have accomplished and deeply concerned about the future of our food system. Since day one, Equal Exchange's mission has been to bridge the gap between consumers in the North and farmers in the Global South. We have always valued the relationships between our worker-owners, farmer partners, and our supporters.

**“Consumers have the potential to hold all of the power, if we organize, become diligent in our efforts, and become truly informed voters and active in spearheading the changes we want to see.”**

*—Edith Stacey-Huber,  
Action Forum Member*

PEOPLE

OVER PROFIT



It is through this commitment to educate that people have begun to understand the realities of small farmer producers in the Global South and the hard work that goes into building ethical supply chains. We have told the story of small farmers, but neglected a large piece of our supply chain: U.S. consumers. Today, more than ever, as consumers we are disorganized and disconnected. We are overwhelmed by marketing, certifications, and logos.

To start the process of deeper engagement, in late 2016 we launched a new initiative called the Equal Exchange Action Forum. Our hope is to create a culture to engage our supporters, not as consumers but as citizen-consumers, as free thinking and political beings. We wish to serve as a vehicle of empowerment and to facilitate the organization of a food system owned by its people, not corporations. As part of this effort, we will more openly and regularly share our successes and failures from the last 30 years. We want to invite supporters into our Equal Exchange community, not just our supply chain as a consumer. We want to be deliberate in the creation of a true democratic food system that includes real participation from all of us.

In 2016, the Action Forum built a starting membership that spans three different time zones. Our team of Organizers traveled to Boston, Mass., Cleveland, Ohio, Madison, Wisc., and Ann Arbor, Mich. to hold in-person events. We met community organizers, teachers, activists, professors, farmers, pastors, investors and students who showed up and started to grapple with the concept of a people's food system. We held webinars and virtual meetings, with our Co-Executive Directors Rink Dickinson and Rob Everts. We also launched our online platform, a members-only space for people to connect with each other around food issues, stay up-to-date on physical and virtual events, participate in discussion forums, and have access to members-only content.

This is only the beginning. We are inspired to move forward on this path of building a democratic food system. We know that together, with our collective ideas, commitment and passion, we can build a just food system that works for small farmers, for consumers and for generations to come.

**LEFT** Rocio Motato Suárez, the coordinator of ASPROCAFE Ingruma Co-op in Colombia, shows a bracelet made in an indigenous Colombian style.

**CIRCLE** An Action Forum gathering in Cleveland, Ohio.

# WE NEED YOU!



We are looking for committed individuals who are looking to engage deeper with us around food justice. We have created a simple application with three different paths to join the Equal Exchange Action Forum. It only takes one, but you may qualify via one, two or even all three:

SUPPORTER/  
ACTIVIST

DRINKER/  
EATER OF EQUAL  
EXCHANGE  
PRODUCTS

FINANCIAL  
STAKEHOLDER

## HOW TO JOIN:

Go to  
[equalexchange.coop/  
action-forum](http://equalexchange.coop/action-forum)

In order to build an alternative to the conventional economic system we need citizen involvement to succeed. Not just as consumers, but as...

### CITIZEN-CONSUMERS:

global citizens fighting for



FOOD  
JUSTICE



DEMOCRACY



THE  
EARTH

# Expanding Capital for Farmers

By Carly Kadlec, Green Coffee Buyer

The coffee team closed out 2016 on a high note as we partnered with the Rudolf Steiner Foundation (RSF) in an effort to expand support to Fair Trade co-operatives and communities with RSF's Fair Trade Integrated Capital Fund.

In December, our partners at Comon Yaj Noptic, CESMACH, and Finca Triunfo Verde co-ops in Chiapas, Mexico, received nearly \$200,000 in low-interest loans and grant funds to support renovation and replanting efforts. The loans are available to farmer members of the three co-operatives for farmers to renovate one hectare of their coffee farms in the aftermath of coffee leaf rust. The concept of the Fair Trade Integrated Capital Fund is to continue to have these loan dollars work for farmers and their communities as a rotating fund. RSF is a pioneering social finance organization that prioritizes communities, agriculture, education, and ecological stewardship inspired by the ideas of Austrian philosopher and scientist, Rudolf Steiner.



The Technical Assistance team at Finca Triunfo Verde prepares biofertilizers for member farms.

## CELEBRATING 20 YEARS of INTERFAITH PARTNERSHIPS

2016 marked the 20-year milestone of the establishment of the Equal Exchange Interfaith Program. We are proud to partner with many relief groups and religious denominations to create a trade model that builds more justice and equality for small-scale farmers in the marketplace.

This year, Equal Exchange celebrates 20 years of partnership with Lutheran congregations across the U.S.; a 15-year partnership with the Presbyterian Church (USA) Hunger Program and its congregations; a 15-year partnership with the Unitarian Universalist Service Committee and its congregations; and a five-year partnership with the Baptist Peace Fellowship of North America and its congregations.

Equal Exchange started a new partnership with the Unitarian Universalist College of Social Justice in 2016 to promote interfaith delegations to small farmer co-operatives in Central America. These trips give participants the opportunity to learn about the lives of small-scale coffee farmers through visiting their communities, staying in their homes, and harvesting coffee. Participants see, firsthand, coffee trees that have been afflicted by coffee leaf rust and learn about other effects of climate change. The pilot trip for the new Equal Exchange/College of Social Justice partnership took place in May with a visit to PRODECOOP co-operatives in Nicaragua.

—Susan Sklar, Interfaith Program Manager

## SUPPORTING FARMING COMMUNITIES through the SMALL FARMER FUND

Equal Exchange partners with a vibrant network of thousands of faith communities working to make a difference, together. Through our Community Sales program, we partner with faith-based relief, development, and human rights organizations, and work with communities of faith as they learn about and promote Fair Trade. In 2016, Equal Exchange generated \$95,400 for our Small Farmer Fund through our faith-based partnerships. Learn more: [equalexchange.coop/our-partners](http://equalexchange.coop/our-partners)

### SMALL FARMER FUNDS 2016

American Friends Service Committee **\$1,342**  
 Baptist Peace Fellowship of North America **\$777**  
 Church of the Brethren **\$924**  
 Catholic Relief Services **\$16,966**  
 Disciples of Christ **\$1,364**  
 Episcopal Relief and Development **\$1,594**  
 Jewish Fair Trade Project **\$844**  
 Lutheran World Relief **\$28,700**  
 Mennonite Central Committee **\$2,386**  
 Presbyterian Church (U.S.A.) **\$11,819**  
 United Church of Christ **\$5,814**  
 United Methodist Committee on Relief **\$12,067**  
 Unitarian Universalist Service Committee **\$10,810**

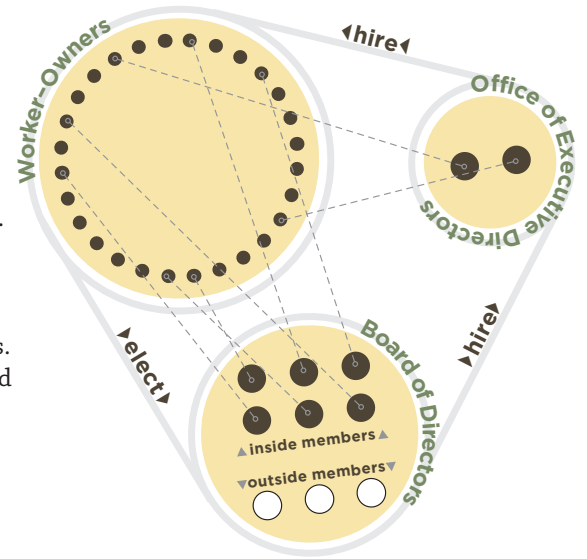
# Our Co-op Model

By Matt Parent, Accounting Clerk and Worker-Owner Coordinator

For me, one of the best parts about working at Equal Exchange is becoming a worker-owner. Our membership is what makes us unique, so I am excited to say that we voted in 18 new worker-owners in 2016, bringing us to 124. It is through everyone's dedication, as workers, that we were able to have such a great year. However, it is through their participation in the co-op, as owners, that we are able to envision and work toward a shared goal.

Each member is entitled to, and responsible for, purchasing one equal share. This gives us the right to amend and vote on our bylaws as well as to run for and elect our Board of Directors and Worker-Owner Coordinator (that's me). It also makes us eligible to receive a portion of each year's profits. In 2016, we examined our profit sharing model, and in the end, we confirmed that financial participation is an important part of being a worker-owner.

As we continue to grow, working all over the country in roles that vary greatly, we have increasingly had to learn how to maintain a sense of togetherness. So, it was a great opportunity for us all to get together this year for a first-ever retreat focused on our worker-owner body. (See below for more on that.) No matter what happens, it is encouraging to know that we are all in this together, and I'm looking forward to seeing what's next.



## FIRST-EVER CO-OP RETREAT

For two days in June, about 110 members of our co-op came together for the first-ever (and not the last), co-op initiated and led retreat. The goals of the retreat were simple: to bring all members of the co-op together in one physical location to encourage true cooperation, understanding and engagement with one another and to lay a solid foundation of communication and engagement for the next 30 years at Equal Exchange.

The challenges we face as a worker democracy have grown as we've become more spread out in offices across the country and as our jobs have become more specialized. With 125 members in three different time zones, even holding a meeting is a challenge. People from different places and backgrounds have varying views and desires, and we believe that it's essential for our democracy to maintain our connection to one another as humans first. This enables us to face challenging decisions together with shared respect, kindness and accountability.

—Sarah Hrisak, Lead Coffee Roaster and Former Worker-Owner Coordinator

# WORKER-OWNER *Voices*

Meet a few of our worker-owners from around the country.



## Alison Booth Gribas

**LOCATION:** Seattle, WA

**ROLE:** West Food Service Sales Representative

**PREVIOUS ROLES:** Interfaith Liaison, Interfaith Coordinator, Café Manager

**BECAME A WORKER-OWNER IN:** 2003

**I LOVE WORKING AT EQUAL EXCHANGE**

**BECAUSE...** it's an easy way to do good in the world! I also have good work-life balance. Our benefits are amazing, and I feel very supported as a new mom.

SEATTLE

PORTLAND

CHICAGO

GREENFIELD

WEST BRIDGEWATER



## Jessie Myszka

**LOCATION:** Portland, OR

**ROLE:** Co-Director of Operations

**PREVIOUS ROLES:** Farmer Representative, Sales Manager, Director of Distribution, Chair of the Board of Directors

**BECAME A WORKER-OWNER IN:** 1997

**I LOVE WORKING AT EQUAL EXCHANGE BECAUSE...** I love that our work, however banal the task, has the greater purpose of improving the quality of life—of farmers, customers, ourselves and our co-worker-owners. None of us are perfect, but I have found no other group of people with our combination of intention, energy, and skills.



## Thiago Valle

**LOCATION:** Portland, OR

**ROLE:** West Warehouse Manager

**PREVIOUS ROLES:** West Warehouse Supervisor

**BECAME A WORKER-OWNER IN:** 2014

**IN 30 YEARS I HOPE EQUAL EXCHANGE...** becomes a household name and its model is emulated by an ever-growing number of companies who believe in empowering their workers and being fair with their trade partners.



## Cali Reed

**LOCATION:** Greenfield, MA  
**ROLE:** Sales Representative  
**BECAME A WORKER-OWNER IN:** 2016

**I LOVE WORKING AT EQUAL EXCHANGE BECAUSE...** my job allows me to use my voice to speak up for the farmers, whose voices generally get lost in translation within conventional supply chains. As a worker-owner, I'm able to live out my entrepreneurial desires while simultaneously investing my time, energy, and money into the cooperative economy that I believe in.



## Anna Filiatreault

**LOCATION:** West Bridgewater, MA  
**ROLE:** Packaging Supervisor  
**STARTED AT EE:** 2016  
**WILL BECOME A WORKER-OWNER IN:** 2017

**I LOVE WORKING AT EQUAL EXCHANGE BECAUSE...** I love that it's a small business that's connected directly to small farmers without the layers I saw working in big companies. We get to know the farmers, not just the people we work with here.



## Meade Sparks

**LOCATION:** Chicago, IL  
**ROLE:** Sales Representative  
**PREVIOUS ROLES:** DSD/Sales Representative  
**BECAME A WORKER-OWNER IN:** 2015

**I LOVE WORKING AT EQUAL EXCHANGE BECAUSE...** I love working with people who genuinely care about the world we live in and want to be part of a positive change. I feel so lucky to work at Equal Exchange, and I have now had the opportunity to see our coffee supply chain firsthand in Guatemala.



## SKILL SHARING in CHIAPAS

In 2016, on a staff trip to Chiapas, Mexico, we included two full days of training for our partner co-ops in the areas of roasting and barista skills. Sarah Hrisak, our lead roaster, worked with four roasters from CESMACH and Finca Triunfo Verde (FTV) co-ops on the fundamentals of roasting and strategies for coffee quality standardization. Both co-ops roast coffee and sell it nationally to restaurants, hotels, and cafés in Mexico. Sarah was able to really connect with the roasters over both the mechanics and art of roasting.


Then later in the week, Andrew "Cheev" Cheever, a barista from our Boston café, led a training at the CESMACH café in Tuxtla Gutierrez. Cheev has worked at the Equal Exchange Café in Boston for four years and tapped into that experience to share best practices with the three baristas at the CESMACH café. Cheev led a fun training that focused heavily on collaboration and improving on the strengths the baristas have already developed.

One of the most exciting aspects of these trainings is that the roasting and café operations for CESMACH and FTV represent income diversification. In addition to supplying buyers like Equal Exchange with high quality, organic, specialty coffee, these co-operatives are also developing markets locally and throughout Mexico to sell coffee that they have roasted, thus creating a value-added product that generates local employment opportunities. This is meaningful and important because the co-operatives are creating a diversified business plan that does not solely rely on international buyers.

—*Carly Kadlec, Green Coffee Buyer*



Lead Coffee Roaster Sarah Hrisak talks roasting with Wilmar Sánchez of CESMACH co-op in Chiapas, Mexico.



A member of CIRSA co-op  
in Chiapas, Mexico.

## CAPITAL REPORT

# Not All Capital is Created Equal

By Daniel Fireside, Capital Coordinator

Equal Exchange's capital program continued to grow in exciting ways during 2016.

We now have over 560 investors with over \$16 million in Class B preferred stock. That amount includes over \$1.6 million from deferred patronage in our Internal Capital Account. Combined with more than \$400,000 in Class A common stock, the worker-owners of Equal Exchange have over \$2 million invested in the company. That's in addition to the individual investments that many worker-owners have made. (See our Featured Investor profile of Mark Souza on p. 17, for instance).

Many of our largest investors come from the world of co-operatives, from U.S. food co-ops, co-op loan funds, other worker co-operatives, and even some of our farmer co-operatives.

We also have over \$6 million in retained earnings. That represents the profits that the company has generated over the past 30 years that we haven't distributed as dividends or patronage, but instead invested back in the company to help it expand and thrive long after any of us are around.

Because we take ownership of the coffee and other goods when it suits the needs of the farmer co-ops, rather than our

business cycles, we've turned our inventory into a capital expense that needs constant affordable financing. Besides our investments and profits, we rely on loans to finance these purchases on Fair Trade terms. Instead of just finding a generic bank offering the lowest rate, we turn again to people and institutions that share our values. This includes RSF Social Finance, the Calvert Foundation, Eastern Bank, the Twin Pines Cooperative Foundation, religious groups, and, most recently, a group of 20 individuals who have directly loaned us over \$1.35 million in a recent debt offering.

This year we also launched a new program to open up cooperative finance even more broadly. The Calvert Foundation has created a Community Investment Note where individuals can deposit as little as \$20 into an interest-bearing account that the Calvert Foundation makes available to Equal Exchange to finance our inventory. You can learn more at [www.calvertfoundation.org/equal-exchange-action-forum](http://www.calvertfoundation.org/equal-exchange-action-forum)

Building a capital structure that fosters the same co-operative economy that we're creating with our products takes a lot of work and means we depend a great deal on others who share our values. But to us, that's a price worth paying.

# Looking to the Future

By LJ Taylor, Sales Manager and Former Board Chair

30 years doesn't come easy. So many bright ideas, long nights, brainstorming and hard struggles have gotten us to where we are today. As the Board of Directors, our piece of the puzzle is at a macro level. We are intended to support and cultivate a culture.

Sitting in review of 2016 and pondering the challenge of 2017, we will have two major questions.

- 1. How do we lead our organization in developing our new Vision Statement?** Vision Statements are intended to inform and inspire, push limits and demand prioritization. We will only be able to accomplish that kind of statement with the input of all parts of our governance.
- 2. What is our role in bonding together our sister organizations?** As we begin to explore what it means to more intentionally work together with these other Fair Trade organizations, we need to make sure we are doing our part.

## 2016 BOARD of DIRECTORS

### INSIDE DIRECTORS

Aaron Dawson	Hilary Johnson
Daniel Fireside	Greta Merrick
Becca Koganer	L.J. Taylor

### OUTSIDE DIRECTORS

Beth Badger	Jason Wiener
Dana Geffner	

I am extremely proud of our work, our co-executives and our co-op, as a whole. If we can continue to care, ask good questions, and lean on the elegance of our governance, the next 30 are going to be pretty amazing as well.

## INVESTOR SPOTLIGHT

# Meet Mark Souza: Investor and Worker-Owner

By Daniel Fireside, Capital Coordinator

Mark Souza has seen just about everything at Equal Exchange. Besides co-founder Rink Dickinson, Mark is the longest-tenured worker-owner still here. He started at the company in 1991, and was the second person to become a member of the co-operative after the original three founders (Rink, Jonathan Rosenthal, and Michael Rozyne), and the "Founding Mother," Myrna Greenfield. A self-described hippie who went to Vietnam, Mark previously worked in the vending machine business and as an executive in an international clothing company, not including nearly two decades as a producer in the Boston music scene.

A back injury laid Mark up on disability and the doctors didn't expect him to be able to work again. But he wasn't one to sit around. "My godfather put me to work on a fishing boat when I was eight years old," Mark said. "I was going to work no matter what." He spotted a classified ad that said, "Entrepreneur Wanted." The pay wasn't much, and he couldn't quite figure out how this crazy coffee company with its social mission for farmers was supposed to make money. But the people seemed nice and they kept calling him until he agreed to take the job. "It wasn't like I had a lot else going on," he said.

Mark was hired in sales. "Well, we were all in sales back then," he recalled. "Michael and I designed the bulk coffee bins. We kept going into stores and getting more business. We were always traveling—going where you had to go." Mark even came up with the name for the company's most popular coffee blend: Mind, Body and Soul.

Today, Mark's job description fills a couple of pages, and includes everything from landscaping to negotiating shipping rates. "I do the jobs that need to get done, but that nobody else wants to do," he said with a smile.

Mark first began purchasing Class B stock through payroll deductions, and eventually made larger purchases when the opportunities came up. Like all worker-owners he also has a portion of his patronage set aside in an Internal Capital Account that invests in the stock.

"The company has always been very successful in working for the farmers," Mark said. "If we can't improve their opportunities and their living conditions, we aren't being successful. We're doing what we said we would do, and we're doing it well."



# How Are We Doing?

Measures of Success are used to evaluate Equal Exchange on an annual basis, so we can track our organizational health and progress toward our goals. Management presents a progress report on the Measures of Success to the Board for discussion and evaluation at the first Board meeting of each calendar year. The measures themselves are reviewed biennially and can be amended by either the Board or worker-owners. Here are some excerpts from our 2016 Measures report:

This is one of the more notable figures in this year's Measures. The first half of 2016 continued the strong second half momentum from 2015 before it slowed and flattened out. But that strong run provided the base for this highly profitable year. We do not expect to see that kind of number again in 2017.

This is the ratio of the highest paid worker-owner to the lowest paid worker-owner at Equal Exchange. Patronage (the average from the last three years) is included in total compensation.

## Engagement with Equal Exchange Brand

**177,667,634**

Total servings of coffee, tea, chocolate, cocoa, fresh fruit, and other Equal Exchange branded foods

**10%**

Growth in number of Equal Exchange branded servings over last year

## Business

**6.8%**

Profit (pre-tax & pre-patronage)

**3.8:1**

Wage solidarity pay ratio

## Small Farmers

### EQUAL EXCHANGE'S LEVERAGE

What has changed in country and in the market due to our presence

### EQUAL EXCHANGE'S CONTROL

Control/flexibility in sourcing and product development needed to compete in the market

### SUPPLY CHAIN

#### Coffee Farmer Supply Chain



From 2011 to 2014 we gave ourselves an A here. The phenomenal influence we had in this area triggered a sea change in the sense of responsibility that specialty coffee companies felt toward their farmer suppliers. However, we felt it was responsible in 2015 to downgrade to a B+. Despite our moving the vast majority of our purchases to SPP certification, we have not attracted industry followers. Fair Trade certification itself may be losing steam, Fair Trade USA offers a lower bar, and the industry may see no market gain from signing on to the SPP program.

**B+**

**A**

- Largest worker-owned roasting facility in the world
- 37 producer partnerships

#### Cacao & Sugar Farmer Supply Chain



As the largest independent company with a 100% Fair Trade chocolate line we believe that our success in this market has been a force in other companies going Fair Trade or expanding their Fair Trade offerings.

**(+)**

**(C)**

- Highly functional manufacturer relationship
- Improved control over ingredient sourcing

#### Tea Farmer Supply Chain



In the U.S. market our small farmer model is not understood even in our core accounts. Because of that other tea companies and brands feel no pressure to follow it. The fact that they can get plantation Fair Trade tea that is believed to be the same as the small farmer coffee Fair Trade model puts them under even less pressure.

**F**

**B**

- Buy directly from small farmers or through highly sympathetic processor partners unlike anyone else in the country
- Pack in the U.S.

#### Banana & Avocado Farmer Supply Chain



oké USA has led the way in U.S. Fair Trade banana market. Established Fair Trade banana programs where they weren't yet existing. However, also inspired market of large plantation or multinational "Fair Trade" certified fruit without small farmer control behind it.

**(+)**

**D+**

Raised this year from a D- thanks to the development of our relationship with PRAGOR and the subsequent volume of avocados sold.



**FINANCE REPORT**

# Navigating Growing Pains

*By Brian Albert, Director of Finance*

The year 2016 was one of the most challenging and most rewarding years since I have been with Equal Exchange. In each area that a challenge arose, the reward was not far behind. One of the main issues that we've encountered is the increasing complexity that is inherent in the level of growth that we have seen in that time, which is perhaps the favorite challenge for a financial officer to face!

My first year with Equal Exchange coincided with our 20th anniversary, in 2006, and one of my earliest memories of that time was the celebration upon reaching the milestone of \$20 million in revenues. Imagine how satisfying it felt for us to have ended 2016 at \$70.1 million during our 30th year.

All this growth has placed increasing demands on our internal systems, to the extent that in 2015 we began an implementation of a more robust Enterprise Resource

Planning (ERP) system. This was, by far, the biggest and most complex undertaking that we have ever faced as an organization. Throughout the inevitable ups and downs that go hand-in-hand with a project of this scale, the people involved have continually amazed and impressed me with their resourcefulness and ingenuity in grappling with the new system implementation, while juggling the responsibilities of their "day jobs" throughout 2016.

While the need to multitask for a significant number of people within the organization has stretched many folks to a point that might not be sustainable over the long term, we will have gone live on the new system by the time this report is published, and our prior systems will have proved adequate to have sustained us through the most profitable year in our history.

## INCOME STATEMENT

	2016	2015	2014
<b>TOTAL SALES</b>	<b>\$70,079,000</b>	<b>\$64,505,000</b>	<b>\$61,084,000</b>
Cost of Sales (coffee/tea/chocolate, roasting, packaging, shipping)	\$49,347,000	\$47,280,000	\$43,753,000
Operating Expenses (marketing, sales, administration, education)	\$17,093,000	\$15,391,000	\$14,762,000
Other Expenses (primarily interest on loans)	\$543,000	\$521,000	\$383,000
<b>TOTAL COSTS</b>	<b>\$66,983,000</b>	<b>\$63,192,000</b>	<b>\$58,898,000</b>
<b>NET INCOME BEFORE TAXES</b>	<b>\$3,096,000</b>	<b>\$1,313,000</b>	<b>\$2,186,000</b>
Taxes	\$1,572,000	\$658,000	\$1,001,000
Shareholder Dividends	\$823,000	\$677,000	\$690,000
<b>ANNUAL RETAINED EARNINGS</b> (reinvested in the business)	<b>\$701,000</b>	<b>(\$22,000)</b>	<b>\$495,000</b>

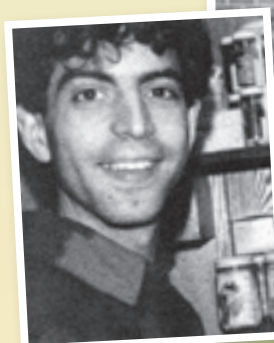
**Equal Exchange, Inc. and Subsidiary** Audited Consolidated Financial Statements and Supplementary Information  
 Years Ended December 31, 2016 and 2015.

**EQUAL EXCHANGE, INC. AND SUBSIDIARY  
 CONSOLIDATED BALANCE SHEETS  
 DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,449,213	\$ 1,289,502
Accounts Receivable, Net	5,451,801	4,603,589
Inventory	22,224,038	18,725,929
Prepaid Expenses and Other	1,372,836	1,433,519
Prepaid Corporate Income Taxes	-	140,342
Deferred Income Taxes	<u>159,866</u>	<u>165,566</u>
	30,657,754	26,358,447
<b>PROPERTY AND EQUIPMENT, NET</b>	5,688,004	6,268,907
<b>OTHER ASSETS:</b>		
Intangible Assets, Net	34,248	38,576
Investments	220,857	389,132
Notes Receivable	<u>335,000</u>	<u>300,000</u>
	<u>590,105</u>	<u>727,708</u>
	<u>\$ 36,935,863</u>	<u>\$ 33,355,062</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>CURRENT LIABILITIES:</b>		
Notes Payable - Lines of Credit	\$ 2,727,569	\$ 1,787,374
Current Portion of Long-Term Debt	408,722	1,436,615
Accounts Payable and Accrued Expenses	3,470,846	3,031,175
Corporate Income Taxes Payable	543,758	-
Patronage Rebates Payable	<u>971,677</u>	<u>181,008</u>
	8,122,572	6,436,172
<b>LONG-TERM LIABILITIES:</b>		
Long-Term Debt, Net of Current Portion	4,303,458	3,021,180
Deferred Income Taxes	<u>1,014,000</u>	<u>1,119,000</u>
	5,317,458	4,140,180
<b>MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY</b>	186,370	168,719
<b>STOCKHOLDERS' EQUITY:</b>		
<b>Preferred Stock, \$1 Par Value;</b> 9,999,500 Shares Authorized; Issued and Outstanding, 603,967 Shares in 2016 and 604,216 Shares in 2015	16,609,119	16,615,995
<b>Common Stock, \$1 Par Value;</b> 500 Shares Authorized, Issued and Outstanding, 137 Shares in 2016 and 132 Shares in 2015	429,286	411,673
Less: Subscriptions Receivable	(97,002)	(84,318)
<b>Retained Earnings</b>	<u>6,368,060</u>	<u>5,666,641</u>
	<u>23,309,463</u>	<u>22,609,991</u>
	<u>\$ 36,935,863</u>	<u>\$ 33,355,062</u>

**EQUAL EXCHANGE, INC. AND SUBSIDIARY  
 CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>NET SALES</b>	\$ 70,079,497	\$ 64,505,331
<b>COST OF SALES</b>	49,347,201	47,279,616
<b>GROSS PROFIT</b>	20,732,296	17,225,715
<b>OPERATING EXPENSES</b>		
Bad Debt Expense	51,524	20,782
General and Administrative Expenses	<u>17,041,375</u>	<u>15,370,100</u>
	<u>17,092,899</u>	<u>15,390,882</u>
<b>EARNINGS FROM OPERATIONS</b>	3,639,397	1,834,833
<b>OTHER INCOME AND (EXPENSES):</b>		
Loss on Investment	(203,275)	(203,275)
Interest Income	81,494	56,944
Interest Expense	<u>(399,104)</u>	<u>(372,007)</u>
	<u>(520,885)</u>	<u>(518,338)</u>
<b>EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST</b>	3,118,512	1,316,495
<b>INCOME TAXES (CREDIT):</b>		
<b>Current:</b>		
Federal	1,190,000	480,000
State	<u>481,000</u>	<u>318,461</u>
	1,671,000	798,461
<b>Deferred:</b>		
Federal	(59,300)	(100,648)
State	<u>(40,000)</u>	<u>(40,000)</u>
	<u>(99,300)</u>	<u>(140,648)</u>
	<u>1,571,700</u>	<u>657,813</u>
<b>EARNINGS BEFORE MINORITY INTEREST</b>	1,546,812	658,682
<b>MINORITY INTEREST IN EARNINGS OF CONSOLIDATED SUBSIDIARY</b>	<u>(22,251)</u>	<u>(3,084)</u>
<b>NET EARNINGS</b>	1,524,561	655,598
<b>RETAINED EARNINGS, BEGINNING</b>	5,666,641	5,688,464
<b>PREFERRED STOCK DIVIDENDS PAID</b>	<u>(823,142)</u>	<u>(677,421)</u>
<b>RETAINED EARNINGS, ENDING</b>	<u>\$ 6,368,060</u>	<u>\$ 5,666,641</u>



# LOOKING BACK

## EQUAL EXCHANGE, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2016 AND 2015


	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
<b>NET EARNINGS</b>	\$ 1,524,561	\$ 655,598
Noncash Items Included in Net Earnings:		
Deferred Income Taxes (Credit)	(99,300)	(140,648)
Depreciation and Amortization	1,120,952	1,119,494
(Increase) Decrease in:		
Accounts Receivable	(848,212)	(554,534)
Inventory	(3,498,109)	1,494,703
Prepaid Expenses and Other	60,683	(331,178)
Prepaid Corporate Income Taxes	140,342	(67,137)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	439,671	(873,744)
Corporate Income Taxes Payable	543,758	-
Patronage Rebates Payable	<u>790,669</u>	<u>(319,278)</u>
	175,015	983,276
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to Property and Equipment	(535,721)	(1,227,122)
Decrease in Investments, Net	168,275	132,775
(Increase) Decrease in Notes Receivable, Net	<u>(35,000)</u>	<u>100,000</u>
	(402,446)	(994,347)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New Borrowings:		
Notes Payable - Lines of Credit	14,162,544	15,845,469
Long-Term Debt	1,650,000	610,000
Debt Reduction:		
Notes Payable - Lines of Credit	(13,222,349)	(17,004,431)
Long-Term Debt	(1,395,615)	(155,556)
Increase (Decrease) in Minority Interest	17,651	(1,516)
Proceeds From Common Stock Subscriptions	57,916	56,201
Proceeds From Issuance of Preferred Stock	84,795	1,630,360
Proceeds From Dividend Reinvestment in Preferred Stock	519,301	438,422
Redemption of Preferred Stock	(610,972)	(287,563)
Redemption of Common Stock	(52,987)	(32,145)
Preferred Stock Dividends Paid	<u>(823,142)</u>	<u>(677,421)</u>
	<u>387,142</u>	<u>421,820</u>
<b>NET INCREASE IN CASH</b>	159,711	410,749
<b>CASH - BEGINNING</b>	<u>1,289,502</u>	<u>878,753</u>
<b>CASH - ENDING</b>	<u>\$ 1,449,213</u>	<u>\$ 1,289,502</u>

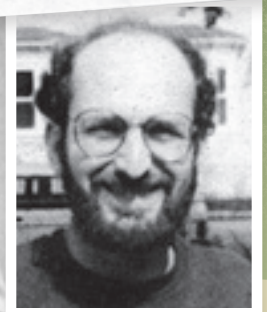
## Supplemental Disclosures of Cash Flow Information

	<u>2016</u>	<u>2015</u>
<b>CASH PAID DURING THE YEAR FOR:</b>		
Interest	\$ <u>408,868</u>	\$ <u>379,187</u>
Income Taxes	\$ <u>986,900</u>	\$ <u>865,598</u>

Staff at the Stoughton,  
Mass. office in 1993.



Yo  lo orgánico.  
UCIRI 90



Equal Exchange staff and Merling Preza (bottom), then-manager of PRODECOOP in Nicaragua, pictured from 1990-1999.

## PHOTO CREDITS

Cover Courtesy of Cristina Liberati; Inside cover Cristina Liberati; p. 1 Gary Goodman; p. 4 Courtesy of Cristina Liberati; p. 5 Cristina Liberati; p. 6-7 Cashews courtesy of Alex Flores; p. 7 Tea Left Jennifer Bakos, Right Danielle Robidou; p. 8 Left Katie Tackman, Right Ravdeep Jaidka; p. 9 Top Cristina Liberati, Side photos courtesy of Perennial Plate; p. 10 Carly Kadlec; p. 11 Danielle Robidou; p. 12 Carly Kadlec; p. 13 Ashley Symons; p. 15 Carly Kadlec; p. 16 Ashley Symons; p. 19 Carly Kadlec; p. 20-21 Equal Exchange archives; Back cover Ashley Symons.

The Equal Exchange 2016 Annual Report can be downloaded at:  
[equalexchange.coop/2016-annual-report](http://equalexchange.coop/2016-annual-report)

# WHO WE ARE



Denise T. Abbott  
 Brian Albert  
 Jorge Alves De Pina  
 Bruno Alves  
 Juvenal Alves  
 Rick Anderson  
 Rick Aronson  
 Rafael Aviles  
 Meridith Berman  
 Phil Berry  
 Renie Bithell  
 Terry Boisclair  
 Steve Bolton  
 Alison Booth Gribas  
 Dominique Bourgeois  
 Charlie Brandes  
 Kate Brattin  
 Earnie Bruce  
 Peter Buck  
 Joao Cardoso  
 Nick Carty  
 Beth Ann Caspersen  
 Todd Caspersen  
 Jenica Caudill  
 Cameron Chambers  
 Andrew Cheever  
 Ann Cherin  
 Megan Chisholm  
 Marlon Cifuentes  
 Dan Cobb  
 Elaine Comstock  
 River DeBellis Cook

Dominic Cortese  
 Zuleica Da Silva  
 Rachel Dana  
 Aaron Dawson  
 Victor Depina  
 Rink Dickinson  
 Stephanie DiMaggio  
 Domingos Do Rosario  
 Rick Doughty  
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