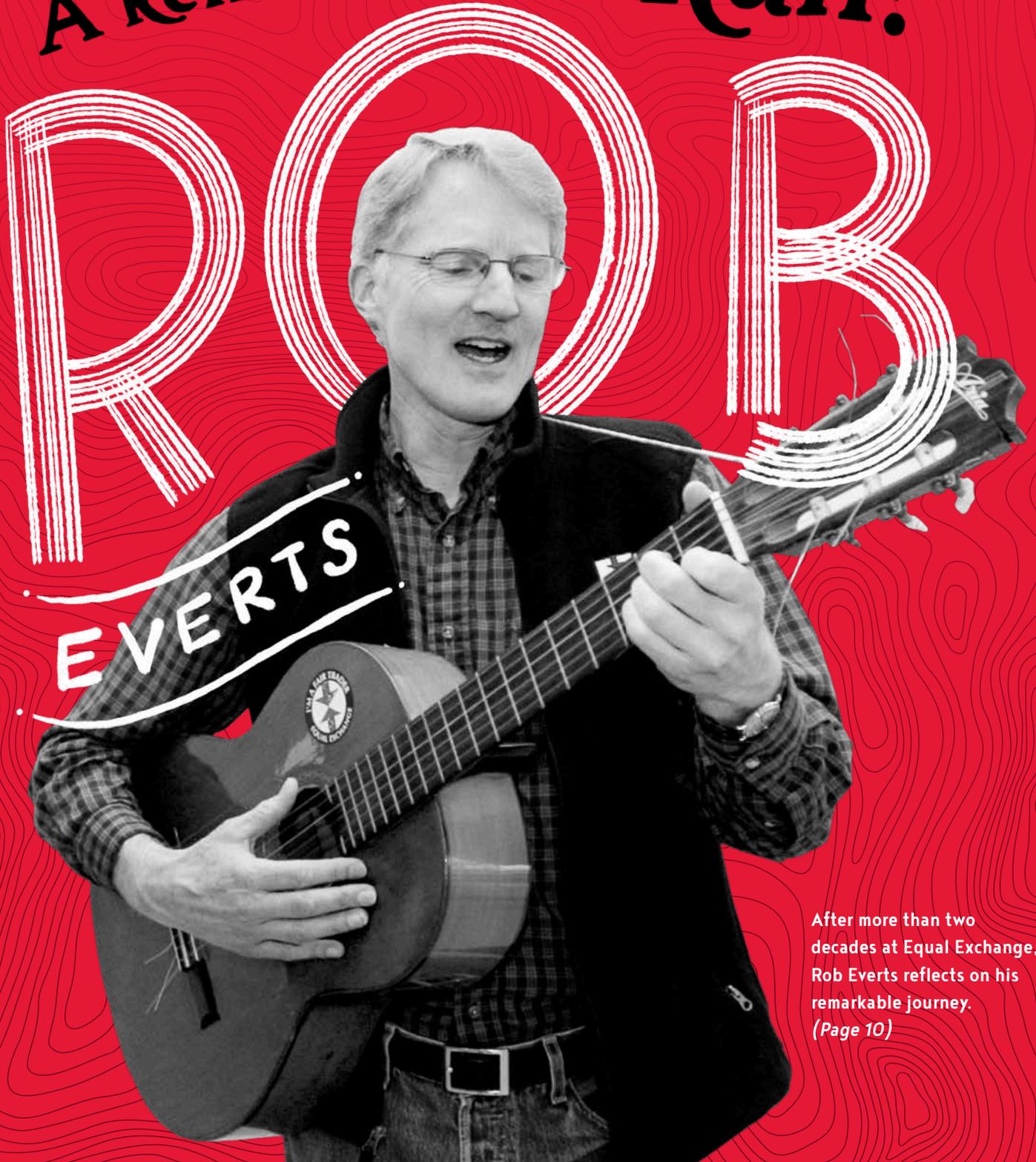


EQUAL EXCHANGE

2019 ANNUAL REPORT

A Remarkable Run!



After more than two decades at Equal Exchange, Rob Everts reflects on his remarkable journey. (Page 10)



2019
Sales by Category

SALES growth

1986-2019

\$80.9M

Total Sales 2019

\$1.3 M Other (café, equipment, etc.)

\$1.6 M EE UK Products

\$2.9 M

Tea

\$5.6 M

Food & Snacks

\$13.5 M

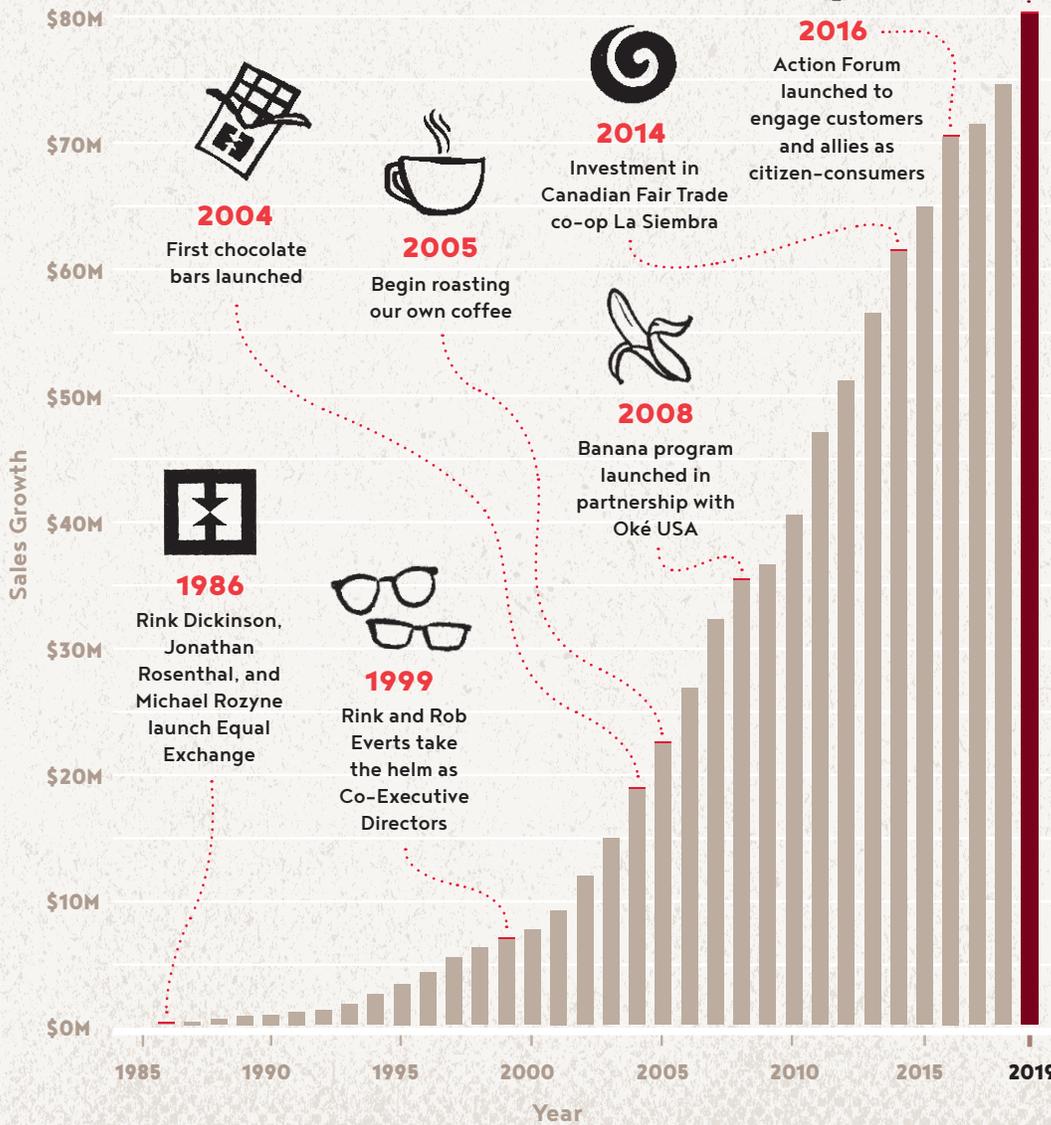
Oké Bananas & Avocados

\$14.5 M

Chocolate & Cocoa

\$41.6 M

Coffee



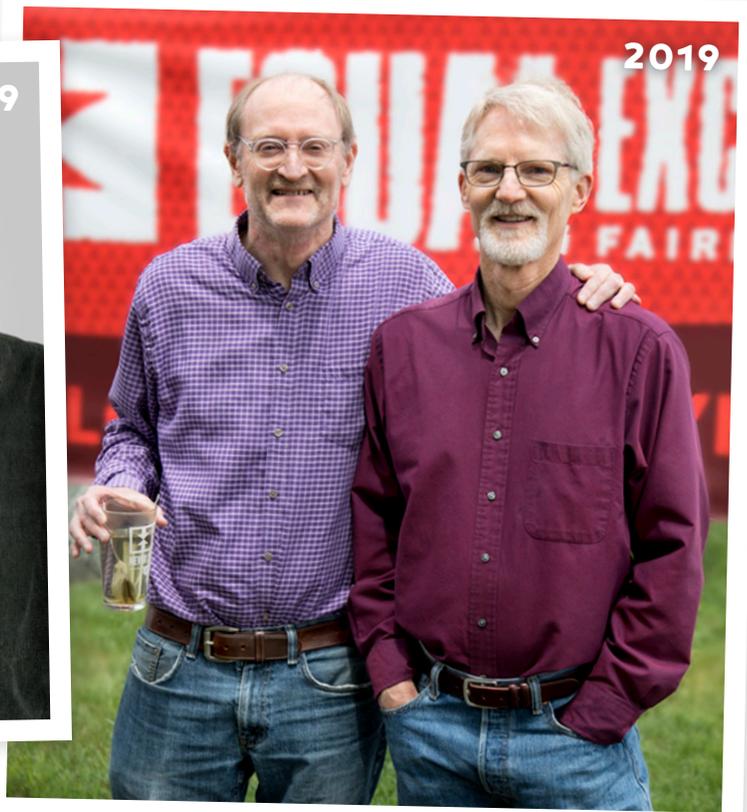
OUR MISSION

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 cooperatives and fair trade to a more equitable, democratic and sustainable world.





Left: Equal Exchange Co-Executive Directors Rob Everts and Rink Dickinson in 1999. Right: Rink and Rob in 2019.



FROM THE OFFICE *of the* EXECUTIVE DIRECTORS

A Season of Change

By Rink Dickinson, Co-Executive Director

This was a year of organizational change. We dove deep into staff restructuring, overhauling sales, and product work. In order to get closer to customers in a consolidating market, we merged our two eastern Massachusetts warehouses into one.

Throughout many months of 2019, Rob Everts and I spent a great deal of our time envisioning what our new teams would look like when Rob retired at the end of the year. On the management level, that meant interviewing, selecting, and orienting the new vice-presidents who would work closely with me in leading Equal Exchange. The hiring committee of Rob, Wells Neal—Director of Equal Exchange West—and myself had the invigorating experience of learning from a group of inspiring and powerful individuals who decided to enter into the hiring process. We selected four folks for these roles: Deepak Khandelwal, Leif Rawson-Ahern, Lynsey Miller, and Todd Caspersen. Rob's commitment to such a long transitional process reflected his deep respect for Equal Exchange and for the entire Equal Exchange community.

On the sales and customer level, I'm very proud of what we accomplished in 2019. Coffee sales grew by 1%, with bulk coffee being down 6% but packaged coffee being up 11%. Chocolate was up 13%, with three new chocolate bars all getting reasonable placement. The bad news was that Whole

Foods made a decision in the summer to eliminate all of our 80 gram chocolate bars, which will result in a similar magnitude of sales loss in that sector in 2020. Tea had an outstanding year, with growth of 23%, while nuts and fruits grew 4%. All of this reflects great sales, customer service, and operational effort by our committed worker-owners.

By early 2019, it was clear that we had to either extend our lease on our Canton, Massachusetts warehouse at a much higher rate, get a different secondary warehouse, or re-consolidate all eastern Massachusetts operations into our headquarters in West Bridgewater. We chose—we believe correctly—to put all our activities back into our headquarters. November and December were challenging, as everything changed and had to be rebuilt at the height of the busy food season. But we pulled it together due to our operational teams working under really difficult conditions to continue taking care of customers and getting orders out the door.

As we look forward to 2020, everything feels slightly different. But I believe that the changes were positive and are leading us in the right direction.

Rink Dickinson



Left to right: Citizen-consumers Mo Valko, Dan Ridgway, and Roux Nolan, with Equal Exchange Organizer Danielle Robidoux at the 2019 Summit.

ORGANIZING

Building Our Alternative Network

By the Citizen-Consumer Organizing Team

It has been about four years since we began this organizing work at Equal Exchange. It all started with a few nebulous job postings and a strong team with a powerful vision. Equal Exchange has a vision to build a community of consumers who are deeply involved in alternative trade. We want to bring down the walls between us and our supporters, and we think of ourselves as one large community working toward a better world. This organizing work both feels familiar, yet is an important new direction for Equal Exchange. We have come a long way since we started sowing the seeds for this work and we have a long and exciting path ahead, with this year being our most exciting year yet.

In 2019, we launched two solidarity campaigns. One was called Behind the Barcodes in collaboration with Oxfam America. This was a campaign in which Oxfam held the top six retail supermarkets accountable for human rights violations that occur along their supply chains. Many of the members of this citizen-consumer community contacted their local

stores and made noise. The other campaign we worked on was supporting a bill alongside the Organization for Competitive Markets (OCM) to endorse the Food and Agribusiness Merger Moratorium and Antitrust Review Act of 2019. Since starting this organizing work we have had five in-district meetings in Vermont, Wisconsin, Minnesota, and Ohio. Over 1,000 members contacted their representatives to request their support for this bill. This year was the first year we flexed our political muscles and many of you were a part of that journey and pioneered this direction with us as co-organizers. Having these shared goals and campaigns has helped our community become stronger and more connected.

In 2019 we held our 3rd annual Summit in which we invited our entire community of citizen-consumers, worker-owners and farmer partners for three days of shared learning, community, and celebration. We had our best Summit yet. We maxed out our venue space and had an incredible and charismatic keynote speaker: Santiago Paz Lopez, the export manager

CONGO COFFEE PROJECT REPORT

An Evolving Partnership with Panzi

We created the Congo Coffee Project in 2011 to support survivors of sexual violence treated at the Panzi Hospital and support small-scale coffee farmers in the Democratic Republic of Congo. Since inception, the project has raised more than \$100,000 for Panzi, with that funding being dedicated to vocational training at the Maison Dorcas aftercare center, and, more recently, to support infrastructure development at the Panzi Bulenga clinic, which serves the local community where our partners farm, to build a water tank and a laboratory for the clinic. Project founder, Equal Exchange Quality Manager Beth Ann Caspersen, visited in September 2019 to witness the foundation being laid for the new building. She spent time with clinic director, Musa Moïse Bwema, along with members of the coffee cooperative SOPACDI and the local community to discuss the important free services available to men and women of all ages who have survived sexual violence.

Equal Exchange is proud to partner with Panzi Foundation, and each year, our partnership grows and evolves. We are especially thankful to all of the consumers who buy the coffee and tell the story. 2019 was our biggest fundraising year yet, with the project earning more than \$17,000. The needs are high but the contribution is significant. During Beth Ann's visit Dr. Bwema remarked: "this is a meaningful contribution that allows us to grow and offer services we could not offer before. Thank you."

*-Beth Ann Caspersen,
Coffee Quality Control Manager*



Dr. Bwema proudly holding a bag of Equal Exchange's Congo Coffee.

from Norandino Cooperative in the Piura region of Peru. We had guest presenters from our two solidarity campaigns, food co-op allies and interfaith partnerships. We discussed topics ranging from the plight of US farmers to the challenges of building an Alternative Trade Organization (ATO) that could be successful for years to come. We also put forth a governance path for citizen-consumers to take part in Equal Exchange's governance structure. The process was deeply inspiring, as several citizen-consumers stepped up to run for the board, nominated their peers to run, and spoke from the heart about why they want to serve on the Equal Exchange board. The governance process ended with the group electing their first board designate (pending a worker-owner vote). This Summit was a significant landmark for the citizen-consumer community and this event will continue to grow for years to come.

This year, our organizing team traveled to 11 states and did a total of 26 events. We piloted monthly member meetings in which we engaged in active projects alongside membership. This year we have gotten to know so many of our supporters on such a deep level. We are building a group of like-minded individuals that are starting to make ripples, which one day will become waves.



Want to be a part of this community? Check us out at equalexchange.coop/apply



Member Aisha chatting about the problems with our enormously consolidated food system at the Equal Exchange table in Farm Aid 2019's Homegrown Village.

Fair Coffee Prices: A Breakdown

By Kimberly Coburn, Green Coffee Buyer



Team members from Cesmach, Comon Yaj Noptic, Finca Triunfo Verde, and Equal Exchange visit the El Triunfo Biosphere Reserve. El Triunfo is an incredibly important and biodiverse mix of tropical and cloud forest in the Sierra Madre de Chiapas mountain range that surrounds these co-ops and their producer members.

This year, prices have been an important topic of conversation in the coffee industry. From the decade-low prices of \$.89 cents/lb last May, to a year-end average of \$1.01/lb, price volatility and its effect on producer partners has been on everyone’s mind.

A piece of our mission is to ensure that small-scale farmers can thrive, and as such, Equal Exchange is committed to paying above-market prices (with our current minimum being \$2.20/lb) for the specialty coffee we buy. Because we pay higher prices, the co-ops we source from are able to pay their co-op members a sustainable price while also providing margin for the organizations to invest back into their operations.

In order to learn more from a different vantage point, we asked one of our long-term partners in Mexico, Finca Triunfo

Verde (FTV), to share the historical prices they have paid to the 500 farmers in their cooperative for the past five years. The table and graph below share the information we learned through our exchange.

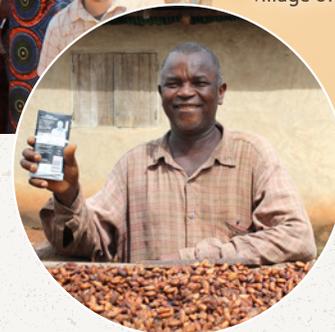
Cooperatives provide essential services to their members such as access to credit and agronomic technical assistance, and cooperatives like FTV also are better positioned to negotiate with buyers (like Equal Exchange) for higher prices. While we include historical prices from both cooperatives (FTV and Equal Exchange) below, keep in mind that these data points only reflect a piece of our involvement. Producer cooperatives like FTV also have access to preharvest financing and project work such as the USAID Cooperative Development Program (see page 8 to learn more).

IMPACT OF EQUAL EXCHANGE PRICING THROUGH THE LENS OF FINCA TRIUNFO VERDE





Meaghan Holmes (front row far left) and Dary Goodrich (front row far right) with members of the Scoops Ikpa cooperative after a meeting in the village of Anonoè.



Komi Awoesso, a member of the Scoops Procab cooperative and the farmer featured on the back of Equal Exchange's new Total Eclipse 92% chocolate bar.

CHOCOLATE

Now Sourcing Fairly from West Africa

By Dary Goodrich, Chocolate Products Manager

After several challenging years facing major headwinds in the chocolate market, I am thrilled to share the news that in 2019, we grew our chocolate program once again! And this growth was not just in revenue, but in a few more meaningful ways as well.

One of the most meaningful changes for our program in 2019 was our first-ever purchase of cocoa from West Africa through new relationships with two cooperatives, Scoops Procab and Scoops IKPA, in Togo. Since the launch of our chocolate program in 2002, Equal Exchange has exclusively purchased cocoa beans from farmer cooperatives in Latin America, yet roughly 70% of the world's cocoa comes from West Africa, mainly the Ivory Coast and Ghana. There, intractable issues of poverty, inequality, child labor (there are still about 2 million children working in hazardous conditions in these two countries) and deforestation remain. These problems stem from the entrenched structures and power imbalances of the conventional chocolate system. It is a major step for us to begin sourcing from West Africa in a way that aligns with our mission and values. We are in the early days of these new relationships, but after a visit to Togo in October, we are confident that we are working with partners focused on building a powerful alternative for small-scale farmers based on fair trade principles, organic production and traceability.

Along with growing our cocoa bean origins, we expanded our chocolate line in 2019 with the launch of three new chocolate bars, including our Total Eclipse 92% chocolate bar where you can enjoy chocolate made with beans from Scoops Procab and Scoops IKPA. With the launch of our new bars, and a lot of hard work from our Sales teams to share our story and products across the US, we grew the revenue of our chocolate program in 2019 by 10% from \$13.3 million to \$14.6 million. This meant more volume purchased from farmer cooperatives at prices on average 28% higher than the average cocoa commodity price in 2019.

THREE NEW BARS



Organic Dark Chocolate with Whole Almond & Sea Salt:

Almonds and sea salt are a winning combination – especially when they're both sourced from cooperatives! The whole almonds in this bar come from a co-op in Spain. The salt comes from a co-op in France, where it's been harvested from the same marsh since the Iron Age.



Organic Chocolate with Coconut Milk & Coconut Palm Sugar:

This bar has the lighter feel of milk chocolate, but it's free from dairy ingredients. The organic coconut milk and flakes come from partners in Sri Lanka. And it's sweetened with organic Indonesian coconut sugar derived from nectar that comes from the flowers of the plant.



Organic Total Eclipse Dark Chocolate 92%:

Intensely dark but approachable, this 92% chocolate bar featuring beans from Togo is smooth and chocolate forward, with hints of nutty flavor.

A YEAR OF unconventional GROWTH

By Emily Gove, Oké USA Sales Strategist

Entering its 13th year in operation, Oké continues to push the produce world for transparency, democracy, and fairness. The past five years have shown record growth for Oké, and 2019 was no exception, as sales soared by 36%, thanks to a growing team and new partnerships. This translates not only to major changes at the sales and personnel levels, but also to substantial impact at the producer level. New sales have enabled Oké to broaden and strengthen relationships with producer partners, and to continue to pioneer a radical alternative to the conventional produce industry.



Ravdeep Jaidka (left) and Meghan Bodo (right) with PROFOSMI avocado farmer Alfredo in front of the co-op's beekeeping project.

Equal Exchange avocados – 80,000 pounds a week!

With the introduction of a new small farmer avocado co-op in Mexico, Oké saw a dramatic increase in avocado supply. This has led to the development of partnership programs at a distributor level, and creative marketing and merchandising at the store level. 2019 marks the second year of Oké's "Game Day, Play Fair" promo, in which stores engage in friendly coop-etition and build big, creative displays leading up to game day and the culmination of the football season. One distributor's sales grew by about 80% in January, catalyzed by their launch of the display contest and promotion. The largest display of the year was at Willy St Co-op in Madison, WI, during Co-op & Fair Trade Month in October—a display that broke records as The World's Largest Fair Trade Produce Display!

In Mexico, Oké now has partnerships with three farmer groups: PROFOSMI, Pragor, and VICS. Pragor was the first avocado co-op to organize in the region of Michoacan, and has been a partner with Oké since the launch of the Equal Exchange avocado program in 2013. PROFOSMI, founded last year, has helped to lengthen Oké's import season from Mexico and increase the amount of organic and fair trade avocados available on the market.

Equal Exchange bananas – a new coast and a click away

Since its inception in 2006, Oké has sought to open the West Coast for small farmer bananas. Low-priced, readily available competition, made possible by logistical proximity and large-scale banana monocultures in Mexico, had made fruit from Ecuador and Peru a hard sell. In January 2019, Earl's Organics, a distributor in San Francisco and a committed Equal Exchange avocado customer, officially launched an Equal Exchange banana program. Through their partnership, Earl's and Oké are establishing a high quality brand presence, and are building a cooperative food system in which the price of bananas supports the livelihoods of everyone in the supply chain.

On the East Coast, Oké has partnered with New York City-based FreshDirect, an online grocer that has revolutionized food shopping and delivery. Through its website and delivery network, FreshDirect is able to offer home grocery delivery to online shoppers, emphasizing both convenience to the shopper and social and environmental sustainability in the products it offers.

AVOCADO SNAPSHOT

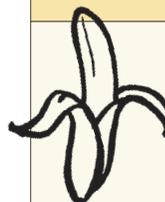


6,125,006
avocados sold in 2019

\$4,407,739
to farmer cooperatives

4 PRODUCER GROUPS:
PROFOSMI, Mexico
Pragor, Mexico
VICS, Mexico
La Grama, Peru

BANANA SNAPSHOT



32,055,440
bananas sold in 2019

\$5,844,982
to farmer cooperatives

3 PRODUCER GROUPS:
APOQ, Peru
CEPIBO, Peru
El Guabo, Ecuador



Oké staff members Jessica Jones-Hughes, Ravdeep Jaidka, and Angelica Hicks visit a farm with Roberto Ordoñez (left), an agronomist at AsoGuabo banana co-op in Ecuador. East Coast co-op retailers and distributors were also in attendance.

Equal Exchange produce is unconventional

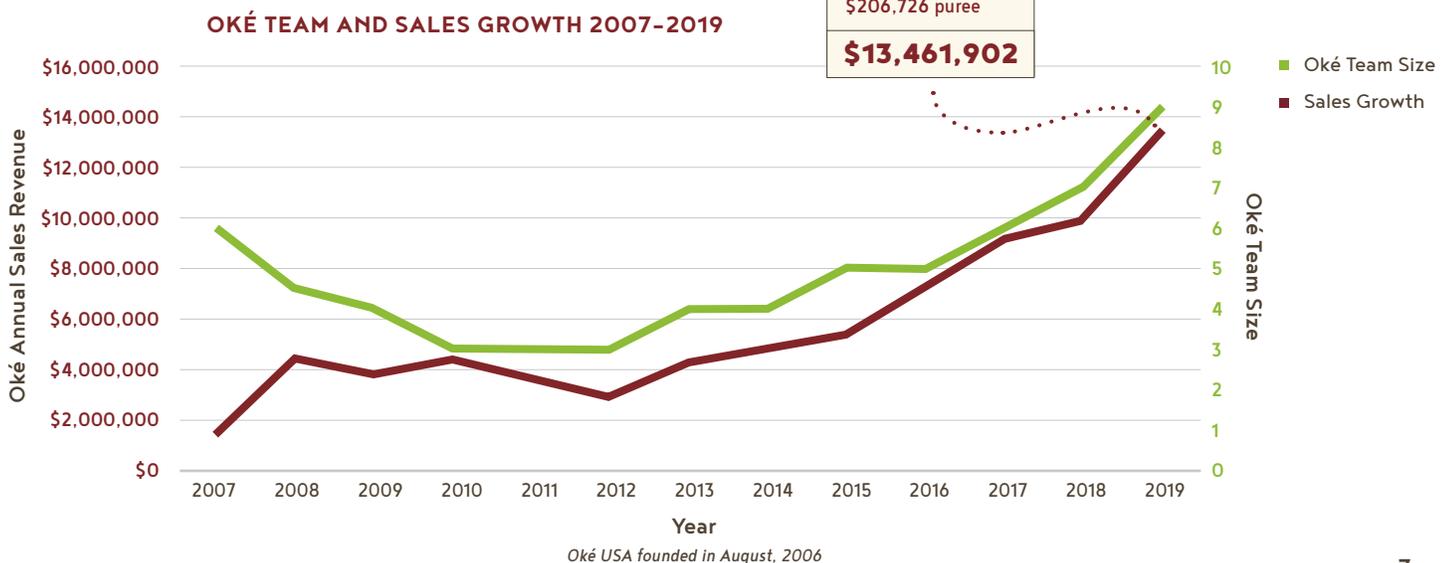
Oké’s new marketing theme, “unconventional,” launched at stores nationally as an effort to engage with customers creatively and encourage critical thinking about the unconventional nature of Equal Exchange fresh produce at a store level. The Oké team celebrated this theme through marketing and creative projects. In March 2019, Oké launched a call to all stakeholders for submissions to *The Banana Zine*, a collection of artistic and political works about bananas and the food industry. The completed Banana Zine offered an engaging, cooperative angle on a product that is often taken for granted on store shelves. The Oké team shared our unconventional nature through features in prominent news articles such as *The New Economy’s* piece on the impact of the low price of bananas and *The Guardian’s* article on the realities of the avocado industry. On the road, Oké team members attended produce trade shows and visited co-ops across the US. Oké and Equal Exchange co-hosted *The UnConvention*, a meeting of the minds in the Twin Cities, which brought together staff from different departments at several local food cooperatives to address inequities in the coffee and banana industries, and discuss ways that consumer co-ops can strengthen each other in an increasingly consolidated food system. 2019 was a fruitful year for Equal Exchange produce, and Oké is looking forward to 2020!



The Oké USA/Equal Exchange produce team grew to new heights, ending the year with nine full-time employees—Front row (left to right): Johanna Contreras Manito, Emily Gove, Monica Foss. Back row (left to right): Nicole Vitello, Angelica Hicks, Ravdeep Jaidka, Jessica Jones-Hughes, Alyssa Melendez, Brooke Werley.

Check out the *Banana Zine*, a collection of works about bananas and the food industry.

equalexchange.coop/produce-materials





CDP Partners from 8 different cooperatives participate in a hands-on organic composting workshop with Sol & Café in Jaén, Peru.

USAID

Supporting Farmer Co-op Innovation through USAID

Through the Cooperative Development Program, Equal Exchange awarded \$4 million to support partner cooperatives' agricultural activities in Latin America

By Julia Baumgartner, CDP Manager

In 2018, Equal Exchange was awarded USAID-funded Cooperative Development Program (CDP) grant to support small-scale farmers in many of our supply chains. Working in four countries, with nine co-op partners, the overall objective is to support agricultural cooperatives as they develop an innovative culture of problem solving and improve their ability to provide valuable services for members and their communities. We believe that higher-performing cooperative businesses will contribute to a healthier and more sustainable cooperative ecosystem for all.

Through a strategy of locally-led development, the CDP began the design process in 2019 with a series of workshops with partner cooperatives, which provided a space to evaluate each unique context, including the challenges and opportunities. From there, representatives at each cooperative designed innovative activities to strengthen their own businesses. These resulting programs were as diverse as the contexts in which these organizations operate. Equal Exchange was able to fund \$527,458 directly to the cooperatives so they could implement these activities in 2019.

A unique aspect of the project is the ability to leverage the long-term purchasing relationships that Equal Exchange maintains with partner cooperatives. Despite challenges such as climate change, the high cost of inputs, strict international market regulations and lack of resources to experiment, these extra resources allow cooperatives to take risks they otherwise might not be able to in their day-to-day work. Our long-term purchasing relationships fostered a deep sense of trust and enabled a streamlined implementation of activities.

And when we leave the creativity to the cooperatives to come up with their own ideas, their priorities are no surprise:

solutions to climate change and improvements to gender equity, youth participation, and quality. Across co-op partners, these are the most common activities we are working on together:

- Soil analysis and compost production
- Strengthening technical assistance programs
- Diversification of products
- Creative strategies for including youth in cooperatives
- Co-op to Co-op learning
- Food safety
- Post-harvest processing and cupping training
- Gender equity training

CO-OP PARTNERS		
COUNTRY	SUPPLY CHAIN	PARTNER
MEXICO	Coffee	Comon Yaj Noptic CESMACH Finca Triunfo Verde
	Avocado	<i>Performed market analysis with various producers</i>
GUATEMALA	Coffee	Manos Campesinas
PERU	Coffee	San Fernando Sol & Café
	Cacao	Norandino
	Banana	Cepibo
PARAGUAY	Sugar cane	Manduvira



Daniela Flores, CDP Regional Coordinator in Mexico and Leslie Rosales, Gender Equity consultant for the CDP at a workshop in Jaén, Peru.

Gender Equity is a cross-cutting theme to all of our work within the CDP: from our own team to activity design and farmer participation. Leslie Rosales, a full-time gender consultant, is on board as we work with cooperatives to propose activities to improve women’s access to resources and their participation. We have found that women make up an average of 20% of total membership, yet occupy less than 1% of decision-making roles at cooperatives. Similarly, women’s participation in cooperative trainings is very limited (and currently not even measured). Thus, the CDP program will focus on creating the conditions necessary for women to participate fully in their organizations’ activities. And that starts with a basic understanding of what gender equity is and what it is not.

Together with cooperatives, this work entails demystifying terms related to gender, analyzing gender stereotypes and women’s roles in the different segments of the supply chain and their contribution in both productive and reproductive activities. Given tools, the cooperatives have begun to design activities to raise awareness and create policies and proposals that systematically guarantee gender equity as part of cooperative work. Although we are only beginning, we are excited to see how this work develops in the coming years.

Inter-cooperative learning is also relevant to our gender and youth integration plan, where we are working to foster leadership for women members to make change within their own organizations. By creating a network of cooperatives across Latin America, we are able to facilitate cooperative-to-cooperative exchanges to share learning, challenges and best practices, and to create new spaces for dialogue. Despite the diversity in size, crops, geography, and markets, the cooperative model is one that is relevant to all

EQUAL EXCHANGE GIVING

Small Farmer Fund 2019

Equal Exchange partners with a vibrant network of faith-based relief, development, and human rights organizations. In 2019, Equal Exchange generated \$59,714 for our partners through our Small Farmer Fund.

American Friends Service Committee	\$1,065
Baptist Peace Fellowship of North America	\$685
Church of the Brethren	\$822
Catholic Relief Services	\$20,873
Disciples of Christ	\$1,111
Episcopal Relief and Development	\$1,903
Jewish Fair Trade Project	\$921
Mennonite Central Committee	\$1,994
Presbyterian Church (USA)	\$9,476
United Church of Christ	\$4,346
United Methodist Committee on Relief	\$8,308
Unitarian Universalist Service Committee	\$8,210

Learn more at:
equalexchange.coop/ee-and-you/congregations

Charitable Contributions 2019

Fair World Project (FWP)	\$18K
Interreligious Task Force of Cleveland	\$8K
Organization for Competitive Markets	\$15K
Red Tomato Inc	\$15K
RSF Social Finance (for our Donor Advised Fund)	\$82K
Ten Thousand Villages	\$18K
Franklin County (MA) Community Development Corporation	\$15K
Charles Sherrod Community Development Corp	\$15K

To learn more about our Donor Advised Fund and make a contribution, visit:
equalexchange.coop/donor-advised-fund/give

nine organizations and these exchanges have proven to generate new ideas—and friendships.

At Equal Exchange, we strongly believe in the cooperative model. Through our participation in the CDP, we are able to advance this model. Our hope is to contribute to the sustainability of cooperative businesses across the globe and support communities on the journey to self reliance.

CHALLENGING convention

Reflections on 23 years at Equal Exchange
from Co-Executive Director Rob Everts



What a remarkable run. What a fortunate opportunity to live my values every day for twenty-three years. And what a bold experiment in challenging convention Equal Exchange remains as it enters its 34th year.

On December 31st, I stepped down from my role as Co-President and Co-Executive Director, which I held for the past twenty years. That is a story in itself: where else in the business or non-profit world can you find co-directors who have endured successfully this long? What a pleasure and what a learning experience it has been working this closely with Rink over this period. How many organization founders could figure out a way to share executive leadership in this way?

One of the early lessons I absorbed from Rink and his co-founders Jonathan Rosenthal and Michael Rozyne was their direct encouragement of mistakes and the unique richness of learning that comes from them. It is a part of the culture that I have tried to live and perpetuate throughout my years here. It is impossible to overstate the importance of many fundamental values the founders established and also of the role Rink's continuity has played in seeing these values really take root throughout this organization.

These reflections would be incomplete if I didn't speak to another element of the culture we have tried to build here: fun. We have always believed worker-owners should have a life outside work and that hard work and fun can co-exist. Speaking from personal experience, I have enjoyed singing at countless events—and inside stores—over these many years. How many businesses welcome that kind of activity from their leaders?



"It is the
PEOPLE
that make this
organization and
the change we
seek possible."

-Rob Everts



Clockwise from bottom left: Rob with the Citizen Consumer Organizing team at the 2019 Summit, picking coffee cherries in Nicaragua in 2007, playing music outside Hunger Mountain Coop in Montpelier, Vermont, visiting cacao farmers in Peru in 2012, and speaking at the 2019 Summit in Massachusetts.

Here are some numbers to quantify Equal Exchange's journey in my 23 years here. When I started in 1997, we were an organization with sales of under \$5 million and 20 worker-owners. Today, those numbers are \$80 million and 130, respectively. And with the exception of 1997, every year has been profitable.

In this period, we have grown our product line from coffee and an incipient line of teas. We now offer strong line-ups in coffee, tea, chocolate, bananas, avocados and various nuts and dried fruit, as well as olive oil and grains from the West Bank. The number of farmer co-ops we partner with has grown from 15 to 75. Our products can be found in thousands of stores and coffee shops around the country and thousands more religious congregations.

Difficult as it may be to highlight some of the more memorable moments over these years, here is a rambling riff of those that surely would make such a list: our 2006 trip to South Africa to learn about rooibos tea and meet the cooperatives producing it; our 20th anniversary events that same year here in our warehouse, with the incredible presence and participation of every meaningful constituency in our orbit; opening our first café in Boston on Causeway St. in 2008; the deep discussion around and ultimate approval by worker-owners that same year to invest \$400,000 in extremely high-risk capital to rescue Oké USA from going under; navigating the Great Recession and living to see another day; taking on the Palestinian olive oil business from visionary personal friend Tania Maxwell in 2011, our first trip to the West Bank, and ensuing efforts to bring to market additional

products from West Bank farmers; last summer's citizen consumer Summit and the beautiful expression of participatory democracy.

I will close by simply stating the obvious: it is the people here and with whom we interact every day that make this organization and the change we seek possible. I can't possibly do justice here to what I have learned and what it has meant to interact with our staff in all parts of the country and our sister alternative trade organizations around the world. Likewise, the humility and commitment of our farmer partners is an element that words alone cannot convey.

I know the road ahead will bring new and exceedingly difficult challenges. Especially in this period in which democracies around the world are under unprecedented duress, the daily effort to give meaning to democracy in our workplace takes on added importance. But I know that Equal Exchange has the tenacity and capacity to face these challenges head-on and succeed.

Thank you all for enabling me to play my small part in this audacious undertaking for so many years.

Rob Everts, Co-Executive Director

EE UK Champions Small Farmers and Continues to Grow

By Senga Gall, Operations Manager, EE UK

December 2019 marked the end of our second full year trading as a wholly owned subsidiary of Equal Exchange Inc. We continued to grow, finishing the year 7% up on turnover in 2018. Importantly, we also remained profitable.

Our growth was driven mainly by a 14% increase in coffee sales by volume, which was fantastic. As coffee makes up more than 50% of our sales, it's vital we continue to strengthen this category. Our Grown by Women blend has now become our best-selling coffee product.

In August we relaunched our Colombian single-origin coffee, sourcing beans from the women farmers of ANEI co-op in the Sierra Nevada range of Colombia. Sales Representative Josh Pitts had the privilege of visiting during November, when he spent time with the farmers, members of the indigenous Arhuaco people who are really progressing with their women's coffee program and the overall quality of their coffee.

Other categories also grew, but we are still struggling to make headway in chocolate. It's such a crowded category in the UK, with many organic and fair trade brands battling it out for restricted shelf space.

We continue to prioritize our key customers—hundreds of small, independent retailers and cafés—and to champion the role of small-scale farmers in our food system.

Researching alternatives to our unsustainable coffee packaging continued to take up time, but we have yet to rest on an acceptable solution. Brexit, too, has brought challenges and these will continue into 2020, mainly around currency and import/export regulations.



Josh Pitts in the Sierra Nevada de Santa Marta, processing coffee at the ANEI women-run cooperative in Colombia.

LA SIEMBRA

La Siembra Marks 20 Years

Kelly Storie, Executive Director, La Siembra Co-operative

In 2019, La Siembra Co-operative celebrated its 20th anniversary as a worker-owned Canadian cooperative, proud of the investments they have made to strengthen their business and promote international co-operation as a means to deliver on their fair trade commitments.

Over the last 20 years, La Siembra has purchased over \$41M CAD or 23,000 metric tons of fair trade and organic cacao and sugar, while advancing to small-scale farmer cooperatives \$1.6M CAD in fair trade premiums. In that time, they have sold 13 million chocolate bars under the Camino brand, which is enough bars to pave a chocolate *camino* from Boston to Ottawa and back again.



Starting from top row, left to right: La Siembra members Taylor Eby, Isabel Martins, Renato Sobrino, Josiane Paquet, Tom Hanlon-Wilde, Shannon Devine, Caitlin Beaton, Kelly Storie, Liam Paddock, Imran Kaderdina, Melanie Broguet, Rew MacCrimmon.



Left: Equal Exchange Espresso in Ballard, Seattle, Washington.
Right: Café workers Katrina Freitag, Russell Hardwick, and Jesse Fong.

Our Changing Café Landscape

By Leif Rawson-Ahern, Vice President and
Alison Booth Gribas, Café Manager & Food Service Specialist

2019 marked a year of change for Equal Exchange's café program. After nearly 11 years, our café in downtown Boston closed its doors for good on September 30th. This decade-long experience taught us a lot about the challenges and opportunities of retail. In an increasingly consolidated natural foods landscape, there is a lot to be said for creating our own retail space where we have control and can foster a more community-based retail environment, one that is in greater alignment with our alternative trade mission. In many ways, we achieved that at our Boston café. We had a wonderful and deeply dedicated base of customers, many of whom came in daily for years without fail. If you are one of those people—thank you! The Boston café served as the backdrop for the lives of our customers. Countless community meetings were held in the café, books were written, businesses and non-profit organizations were launched, life-long friendships formed, and several marriages can trace their origins back to the café. It has been an inspiration and an honor to be part of so many wonderful stories while moving more than 50 tons of coffee and hundreds of thousands of tea bags and chocolate bars for our small-scale farmer partners. On the other hand, the Boston café was never financially sustainable and consistently lost money year after year. We learned a lot through this experience and yet, we still have a lot to learn about

the viability of financially sustainable retail cafes within the greater Equal Exchange ecosystem.

While we were sad to say goodbye to the Boston café, 2019 also marked the beginning of two new café projects, both based in the Seattle area. In May, we opened Equal Exchange Espresso in partnership with Central Market. This cozy espresso bar kiosk is located in the bustling Central Market in Shoreline, WA, offering a full espresso, coffee, and tea menu as well as light breakfast fare. In November, we opened a 1,200 square foot Equal Exchange Espresso, in the Ballard neighborhood of Seattle. This “big café” offers full espresso, coffee, and tea service as well as an expanded food menu and a large community table for meetings and group gatherings. If you are in the Seattle area, come join our café community!

We know that cafés are hard work, but we also see incredible potential in the retail space for Equal Exchange. Through retail, we can engage more deeply with our growing community of citizen-consumers and continue to develop our network for alternative trade throughout the supply chain, from start to finish, in physical community spaces built on deep solidarity. These projects each come with risk, untold amounts of work, and—if we are lucky—financial sustainability at each location. Retail also offers the hope of a vibrant, community-based market for Equal Exchange.

Messages from the community in response to our Boston café closure.

I wrote my PhD dissertation here!
I just kept buying food & tipping well!
We will SO miss you - this was our
favorite, quality, socially-conscious
place and there will be a big hole without
you. Hopefully you will find an even
better home that treats you as you deserve
soon! Thank you! Melinda

Been going here since I was
about 6 and now I'm 17.
This was my meeting place
for me and my mom every
wednesday before vidya. I
basically grew up here. Will
miss it forever. ♥ Clara

I can't count the number of
meaningful conversations I've
had in this space. I have
also valued the friendships I
have made with the EE team
over the years. Oxfam will miss
you all very much! THANK YOU!
♥ Michael B. xo



OUR 10-YEAR Vision

There are sometimes moments when you can feel and name change. We found ourselves in one of those moments, recognizing significant shifts in our surroundings. We knew this offered an opportunity to re-focus accordingly. We saw value in taking stock and looking forward as an organization. We entered into a visioning process, with the goal of crafting a 10-year vision that would unite, inspire, and stretch us to enact our mission in ways that recognized our current context.

The magical thing about visioning is that the process itself can change you. Our board of directors identified the need for a new vision. That jumpstarted a year-long process that included a committee, the Executive Directors, staff, and worker-owner body. The vision draft informed the debates and discussion, and those in turn re-informed the vision. The board approved the final vision, and the worker-owner body then ratified it. Through the vision work, we became more aligned.

Out of all the words and concepts of the vision, perhaps the most provocative takeaway is the call to action that to have power—the kind of power we want—we need to find the right ways not to collect power, but to share it.

*- Lynsey Miller, Vice President
LJ Taylor, Sales Manager
Becca Koganer, East Sales Director*



Part I: The Landscape

30+ years into our work, we find ourselves at a crossroads.

We have succeeded in many ways, building real trade partnerships, introducing amazing products, opening new authentic supply chains, and growing in revenue, worker-ownership, and impact on the US market.

We have formidable challenges ahead, primarily due to the facts that farmer control and influence remain far too similar to when we started, that power still sits squarely in the hands of large corporations, and that their success—and even their success in organic and fair trade products—threatens not just our future impact, but also the very base that we have built over 30+ years, the base upon which we stand as we look forward.

Current market trends are sobering. Many allied Alternative Trading Organizations (ATOs) have shrunk, have been in duress, and some have even closed their doors. This makes our work harder. Many core customers are facing similar hardships, and some key customers have closed their doors. This makes our work and the prospect for small farmer success harder. As the market shifts toward more online sales that are transactional instead of experiential, our story becomes harder to tell and to sell. A world without an Equal Exchange in it feels more possible than in the past.

The stakes are high and we are as committed as ever to making change in the lives of both farmers and consumers, and to changing power dynamics in the food system.

We believe that to succeed and to both hold onto our impact to date and to leverage it into more needed change, we must also make some fundamental changes ourselves.

What will remain:

Our mission statement and commitment to the core values that have been our guiding lights as an organization.

Our dedication to small farmer co-ops. While we have and will likely continue to consider products from other types of producers, any of those will be in service of us remaining profitable and competitive in order to deliver on our fundamental commitment to small-scale farmer co-ops. Just as the challenges to our work have changed and arguably intensified, farmer co-ops face shifting and intensifying challenges. Their challenges include climate change consequences, weakened or competing certification schemes, and ally ATO buyers going out of business or shrinking their purchases. Farmer co-ops need our solidarity as much as ever, and we will spark and build small farmer supply chains as well as add additional non-transactional activities to fuel impact even beyond our purchases.

What will change:

In this next 10-year period, we will:

- Be experimental, taking calculated risks that go outside of the work that we know and have done.
- Continue to seek revenue growth. This will necessitate both prioritizing our core small farmer supply chains while also introducing new supply chains. We will investigate additional types of producer group structures, we will investigate additional manufacturing ourselves, and we will investigate new approaches to distributing our products.
- While there may be periods of little or no growth, we will remain financially profitable and viable in periods of growth, plateau or decline.
- We will deepen existing partnerships and collaborations with other alternative trade allies that will be difficult but impactful, where together we can accomplish more than each of us as independent actors.
- We will invest in other organizations or seek influence in or control of other organizations when strategic and sound opportunities arise.
- We will rally and organize consumers to push for change in the food system.

Our vision is one of embracing the power that we have built and choosing over this next 10 years to share power with more partners, consumers and allies. We will ask more of ourselves in this work, and will ask more of our partners and allies.



REPORT FROM THE BOARD OF DIRECTORS

This last year was one of transition and change. As an organization, we prepared to go from an office of two co-executive directors to a single executive director. In June, the board appointed four vice presidents as officers as it prepared for Rob Everts to leave his place in our co-op after 20 years. He was an incredible leader who cannot be replaced. It was a surreal experience for us all to work together over the last year, feeling the impact of his coming departure. Transition of this magnitude represents more than just change. It brings a chance for new analysis, redefining relationships, and opportunity. How would the board work and meetings function in this new structure? How would the relationship change and in what ways would we need to adapt to better support our single executive director, Rink Dickinson? The establishment of a new Office of Vice Presidents was a meaningful shift for all of us, to which we continue to adapt. As we grow, we will get stronger. We're building our toolbox to support this growth.

For the past two years, the board has been working to fulfill its goal of crafting a 10-year vision for the organization. The vision is intended to be a tool that would help guide the organization, especially now in

this time of deep transition. This journey has led to the creation of a powerful document stating our intent for the future we want to build for ourselves and the world. We continue to further our mission of authentic fair trade in an ever-consolidating landscape rife with corporate control. Our main source of power is from within our organization: it is our democracy. As we look forward to the future, we seek to share who we are in this landscape, a worker-owned alternative trade organization. The vision was approved by the board, and went on to be approved by the worker-owner body to become officially adopted. We're very proud of the work we did last year. Looking forward, we hope that much of this work prepares us well for the types of decisions that might come in 2020.

- Becca Koganer, Board Chair

BOARD OF DIRECTORS 2018-2019

INSIDE		OUTSIDE
Beth Ann Caspersen	Sharyn McWilliams	Beth Badger
Daniel Fireside	Frankie Pondolph	Dana Geffner
Becca Koganer	Joaquim Teixeira	Kelly Storie



Part II: Our 10-Year Vision

It is May 1, 2028 and there's a raucous gathering at a Massachusetts farm, for EE's birthday celebration.

It's amazing to scan the crowd. Gathered are 400 people: 200 worker-owners, 40 producers, 40 accounts, 20 staff from our sister organizations and 100 citizen-consumers. We are a force to be reckoned with.

Together we represent the key players in an alternative food system that is still gaining momentum.

Farmer groups innovate in quality, organic production and in building community structures and influence. They are leaders in climate change analysis and action. While our trade practices are the backbone of our relationships, other off-shoot programs add dimension: delegations happen regularly, directly connecting farmers, Equal Exchange staff, customers and consumers; farmer exchanges help best practices flow across national borders; grant-funded projects build new resources from quality tools to processing structures. Our global network is stronger because we are more connected with each other.

Our production facilities turn even more raw ingredients into delicious products, while also bringing more manufacturing steps and positions to the co-op body. Once known for building alternative sourcing channels, we have gained experience and reputation for alternative manufacturing. Our products win awards and our methods are winning hearts. A small but growing trend has emerged as the step after Buy Local: "Buy With Integrity."

Our warehouses and offices hum with activity, connecting time zones, countries, and roles around our common purpose. Orders are taken and shipped, plans and programs are set and started, R&D thrives, guests visit to inspire and be inspired. We have hit our stride in being a switchboard for effective communication of philosophies, ideas and actions. What once was multi-nodal, or siloed work is now an integrated network of people pushing boundaries in multiple directions, while still remaining connected at the core and connected in strategy. Worker-owners contribute their skills and passion to their part of the whole, while also pushing the collective organization to new bounds of inclusion and accomplishment.

Allies and sister organizations provide more reach in sales, more breadth of products, and more problem solving in multiple markets. We have found successful examples of uniting our own collective purchasing power and market penetration to change the distribution landscape. We get to turn down business.

Citizen-consumers have risen up to challenge many old norms in the food system: secret corporate ownership, profits over people, and the feeling of powerlessness. This group has forced more transparency, less environmental impact, and more connections between the people who make products and those who use and enjoy them. A people's food system is more clearly in view than ever before.

Part III: How Do We Get From Here To There?

While we can't know the specific challenges and opportunities that will emerge in the next 10 years, we do know ourselves and our mission and can state guiding assumptions to serve as a touchstone for the decisions we'll make in the coming decade.

Do What Only We Do

While elements of our work will change, we will stay rooted in what makes us different. We see possibility—sometimes against all odds—and dare to bring life to that possibility. We do not simply follow a formula or checklist; rather we find potential and nurture it into reality. We will continue to pursue possibilities. We will not blindly pursue all possibilities, but rather those that fuel our mission, even if they are through ways that are new to us. We will embrace these core truths about our work as we consider newer ventures:

- We are about not just the products, but also about the people.
- We are about not just the what, but equally about the how and the why.

The impact and intention of our actions are what drive us; the impact and intention will continue to be the heart of our future decision-making.

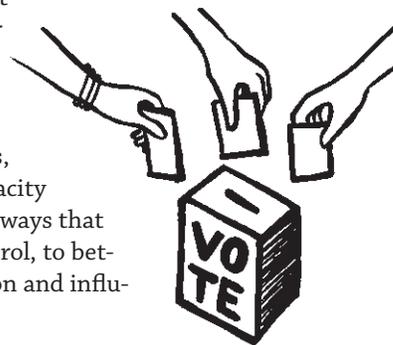


Balance Taking Control and Sharing Control

While we have always been a pioneer, we also need allies. To impact farmers and the bigger food system, we now need to engage our allies in new ways.

TAKING CONTROL

We have invested in other fair trade organizations, with notable successful results. Those successes were born out of us taking risks on mission-compatible organizations that were failing. We opted not only to invest money, but also to require influence and control in their important structures including their staff and/or board. We will continue to take thoughtful risks on other allied organizations, investing money and capacity in these organizations in ways that allow us appropriate control, to better accomplish our mission and influence the food system.



SHARING CONTROL

Our recent activities and continued learning have helped to underscore one of our key differences: our democratic model. It is a brand differentiator that we have not highlighted enough. As other businesses and competitors have adopted, and sometimes better-marketed, some of our core attributes (organic, fair trade, impact-focused), we still clearly lead in offering a true alternative through our democratic structure. We believe that to achieve the next level of success, the answer is not only in communicating this difference better, but is also in opening our model to more participants in more ways. This could take a variety of forms and those forms will test our comfort levels to different degrees.

Examples could range from increasing the number of worker-owners to increasing the types of jobs and functions of our worker-owners to voluntarily sharing control with others who are not workers, through dedicated seats on our board or through other means. We have at times been critical that consumer co-op models have short-changed themselves by excluding workers. We are questioning whether our worker co-op model has short-changed itself by excluding consumers. In this next chapter of our work, our thoughtful risk-taking will not just focus on our external business decisions, but will also intentionally explore sharing control and ownership, again in the name of advancing the scale and impact of our mission.



We Represent the Vision

Our most valuable asset is our people. To succeed in our 10-year vision, we need to mobilize and develop our people. To build new ventures, we need to also value and nourish the foundation that already exists: successful product lines, operations, customer service. On top of maintaining what is already working well, we will need to foster leadership development within our ranks. New products, projects, and services will require expanded entrepreneurship. We will build our skills in risk-analysis and in risk-taking. It is often too easy to reject new ideas; we will consciously practice accepting new ideas. We will regularly consider the cost that comes along with not changing. We will come together at key moments to practice creative problem solving. We will build trust across teams and will bravely evaluate both our successes and our failures, to get better with each new step.

In Solidarity

Our vision centers around who we will be and what will guide us in our mission to change the food system for the good of small-scale farmers.

Our 10-year vision is an eyes-wide-open vision. Given the current context, we have goals that must and do pertain to ourselves, to farmer impact, and to the broader food system. We are necessarily intertwined, where we are stronger with other allies and authentic ATOs, customers, and farmer groups who are surviving and thriving. And that broader network is stronger with Equal Exchange surviving and thriving. It is with this accountability for ourselves and for those others for whom and with whom we do the work, that we will push all of our comfort zones for the right reasons!

WORKER-OWNER REPORT: DEMOCRACY AT WORK

You'd think that after three decades of being a worker cooperative, Equal Exchange would have workplace democracy all figured out. One thing we've learned repeatedly: democratic participation takes a lot of work. In that sense, 2019 was business as usual. With twice the number of meetings than scheduled—eight!—we put our governance capacity to the test and grappled with how to empower worker-owners while still operating at a pace required to survive in a rapidly changing marketplace. Within this context, our 130 worker-owners took a leap of faith and ratified a new 10-year vision for Equal Exchange that will challenge us to expand our democratic model and share control and ownership to advance the scale and impact of our mission. While we don't know exactly what that looks like or where it will take us, we do know that we are stronger together. That much we know for sure.

—Manju Gupta-Koley and Ann Cherin,
Worker-Owner Coordinators



How Beeswax and Rope Can Save Your Company's Soul

By Daniel Fireside, Capital Coordinator

Equal Exchange has seen many mission-driven businesses form, get big, and then sell out to faceless corporations—a Greek tragedy in three acts. The investors demand the sale or the founders get an offer too big to refuse. The mission never survives in the long term, and a few years afterward, most confess that the money wasn't worth it.

How has Equal Exchange avoided this fate for over three decades while growing into one of the most successful worker-owned cooperatives in the country? The clues lie in another kind of Greek story, that of the hero Odysseus. He wanted to hear the Sirens, whose glorious singing made men steer their ships onto the rocks. Odysseus ordered his crew to bind him to the mast of his ship and fill their own ears with beeswax. They couldn't hear his orders to crash them until the ship was out of danger.

Early on, the worker-owners of Equal Exchange recognized the dangers of sailing a company driven by social mission in cold capitalist waters. We added a clause to our bylaws that says that in the event of a sale, we wouldn't get to keep any of the money. All net proceeds would be donated to another alternative trading company.

Meanwhile, our innovative use of non-voting preferred stock has helped us to grow. We've raised over \$17 million in outside capital and millions more in loans. Our investors and lenders are happy to take a supporting role knowing that we've prevented ourselves from selling our company to the highest bidder.

Our "No Sell Out" clause and our cooperative capital model protect us from temptation and preserve our social mission. If others want to sail in the same dangerous waters without ending in tragedy, they would do well to follow our example.

Overcoming Challenges

By Peter Lynch, Director of Finance

We faced numerous challenges in 2019. Concerning our financials, consolidated sales hit \$80 million, up 7.8% from 2018. Equal Exchange's domestic sales grew 3.3% while Oké USA and EEUK had more significant growth at 36.4% and 6.9% respectively. The gross margin was consistent with the prior year and the net profit was slightly ahead 2.93% vs 2.76%. The balance sheet remains strong with a slight increase in green coffee inventory to replenish what was low at the end of 2018.

During 2019, we also had a number of operational changes. It started with my appointment as the Director of Finance early in the year and then the decision that we would move out of the Canton facility back to West Bridgewater in October. The move was a massive undertaking with a lot of moving parts, and coincided with the busiest time of the year. In the end, all went well, despite some bumps along the road. I appreciate everyone's flexibility and efforts in adapting. In the end, it feels good to be back.

INCOME STATEMENT	2019	2018	2017
TOTAL SALES	\$80,960,000	\$74,677,000	\$70,899,000
Cost of Sales (coffee/tea/chocolate, roasting, packaging, shipping)	\$58,847,000	\$54,137,000	\$51,805,000
Operating Expenses (marketing, sales, administration, education)	\$19,868,000	\$18,533,000	\$17,202,000
Other Expenses (primarily interest on loans)	\$267,000	\$293,000	\$484,000
TOTAL COSTS	\$78,982,000	\$72,963,000	\$69,491,000
NET INCOME BEFORE TAXES	\$1,978,000	\$1,714,000	\$1,408,000
Taxes	\$684,000	\$521,000	\$288,000
Shareholder Dividends	\$853,000	\$778,000	\$838,000
ANNUAL RETAINED EARNINGS (reinvested in the business)	\$470,000	\$465,000	\$282,000

FINANCE REPORT

Equal Exchange, Inc. and Subsidiaries Audited Consolidated Financial Statements and Supplementary Information
Years Ended December 31, 2019 and 2018.

EQUAL EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

EQUAL EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
CURRENT ASSETS:		
Cash	\$ 1,514,736	\$ 1,512,244
Accounts Receivable, Net	6,777,801	5,984,548
Inventory	23,584,690	20,275,773
Prepaid Expenses and Other	1,454,783	1,092,050
Prepaid Corporate Income Taxes	-	94,159
Deferred Income Taxes	220,000	115,000
	<u>33,552,010</u>	<u>29,073,774</u>
PROPERTY AND EQUIPMENT, NET	5,851,318	5,509,054
OTHER ASSETS:		
Intangible Assets, Net	3,611	4,016
Investments	307,680	342,680
Notes Receivable	<u>360,000</u>	<u>360,000</u>
	<u>671,291</u>	<u>706,696</u>
	<u>\$ 40,074,619</u>	<u>\$ 35,289,524</u>
Liabilities and Stockholders' Equity		
CURRENT LIABILITIES:		
Notes Payable – Lines of Credit	\$ 2,159,728	\$ 376,405
Current Portion of Long-Term Debt	1,641,700	676,590
Accounts Payable and Accrued Expenses	5,888,001	4,027,383
Corporate Income Taxes Payable	98,573	5,997
Patronage Rebates Payable	<u>375,467</u>	<u>222,627</u>
	10,163,469	5,309,002
LONG-TERM LIABILITIES:		
Long-Term Debt, Net of Current Portion, Net of Unamortized Debt Issuance Costs	3,586,167	4,733,390
Deferred Income Taxes	<u>957,000</u>	<u>690,000</u>
	4,543,167	5,423,390
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	135,148	118,831
STOCKHOLDERS' EQUITY:		
Preferred Stock , \$1 Par Value; 9,999,500 Shares Authorized; Issued and Outstanding, 629,382 Shares in 2019 and 616,794 Shares in 2018	17,308,010	16,961,845
Common Stock , \$1 Par Value; 500 Shares Authorized, Issued and Outstanding, 145 Shares in 2019 and 145 Shares in 2018	469,776	465,801
Less: Subscriptions Receivable	(76,095)	(82,921)
Retained Earnings	<u>7,532,054</u>	<u>7,114,692</u>
Accumulated Other Comprehensive Income	(910)	(21,116)
	<u>25,232,835</u>	<u>24,438,301</u>
	<u>\$ 40,074,619</u>	<u>\$ 35,289,524</u>

	<u>2019</u>	<u>2018</u>
NET SALES	\$ 80,959,703	\$ 74,676,898
COST OF SALES	<u>58,846,524</u>	<u>54,136,547</u>
GROSS PROFIT	22,113,179	20,540,351
OPERATING EXPENSES:		
Bad Debt Expense	59,976	141,316
General and Administrative Expenses	<u>19,808,039</u>	<u>18,395,208</u>
	<u>19,868,015</u>	<u>18,536,524</u>
EARNINGS FROM OPERATIONS	2,245,164	2,003,827
OTHER INCOME (EXPENSES):		
Gain (Loss) on Investment	(16,433)	18,014
Interest Income	88,166	83,982
Interest Expense	<u>(338,745)</u>	<u>(393,757)</u>
	<u>(266,473)</u>	<u>(300,946)</u>
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	1,978,691	1,702,881
INCOME TAXES (CREDIT):		
Current:		
Federal	295,371	404,930
State	<u>226,629</u>	<u>250,000</u>
	522,000	654,930
Deferred:		
Federal	86,000	(94,134)
State	<u>76,000</u>	<u>(40,000)</u>
	<u>162,000</u>	<u>(134,134)</u>
	<u>684,000</u>	<u>520,796</u>
EARNINGS BEFORE MINORITY INTEREST	1,294,691	1,182,085
MINORITY INTEREST IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	<u>(23,223)</u>	<u>(11,257)</u>
NET EARNINGS	<u>\$ 1,271,468</u>	<u>\$ 1,170,828</u>

EQUAL EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
NET EARNINGS	\$ 1,271,468	\$ 1,170,828
Noncash Items Included in Net Earnings:		
Deferred Income Taxes (Credit)	162,000	(134,134)
Depreciation and Amortization	842,303	1,142,492
Interest Expense	3,921	3,923
(Increase) Decrease in:		
Accounts Receivable	(793,253)	1,775,822
Inventory	(3,308,917)	2,939,137
Prepaid Expenses and Other	(362,733)	178,352
Prepaid Corporate Income Taxes	94,159	542,234
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	1,860,618	177,167
Corporate Income Taxes Payable	92,576	177,167
Patronage Rebates Payable	<u>152,840</u>	<u>(18,719)</u>
	14,982	(7,772,765)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to Property and Equipment	(1,254,172)	(408,339)
Book Value of Property and Equipment Disposed, Net	70,010	-
(Increase) Decrease in Investments, Net	35,000	(80,069)
(Increase) Decrease in Notes Receivable, Net	<u>-</u>	<u>(75,000)</u>
	(1,149,162)	(563,408)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New Borrowings:		
Notes Payable - Lines of Credit	11,189,722	9,105,260
Long-Term Debt	200,000	250,000
Debt Reduction:		
Notes Payable - Lines of Credit	(9,406,399)	(14,971,948)
Long-Term Debt	(386,034)	(442,669)
Increase in Minority Interest	16,317	(76,609)
Proceeds From Common Stock Subscriptions	51,346	57,862
Proceeds From Issuance of Preferred Stock	105,608	113,437
Proceeds From Dividend Reinvestment in Preferred Stock	526,564	541,923
Redemption of Preferred Stock	(286,007)	(681,808)
Redemption of Common Stock	(40,545)	(44,365)
Preferred Stock Dividends Paid	<u>(853,196)</u>	<u>(777,579)</u>
	<u>1,136,672</u>	<u>(6,885,451)</u>
NET INCREASE (DECREASE) IN CASH	2,492	323,906
CASH - BEGINNING	<u>1,512,244</u>	<u>1,188,338</u>
CASH - ENDING	\$ <u>1,514,736</u>	\$ <u>1,512,244</u>

Supplemental Disclosures of Cash Flow Information

	<u>2019</u>	<u>2018</u>
CASH PAID DURING THE YEAR FOR:		
Interest	\$ <u>334,824</u>	\$ <u>389,834</u>
Income Taxes	\$ <u>184,821</u>	\$ <u>27,041</u>
Schedule of Noncash Investing Transactions:		
Investment Gain on Foreign Currency Translation	(910)	21,116



Left to right: Michael Rozyne, Daniel Fireside, Clark R. Arrington.

CAPITAL CORNER

Equal Exchange co-founder Michael Rozyne was the company's first Capital Coordinator, shaking the bushes for idealistic investors willing to risk their money in the hopes that the company's alternative trading model could flourish. When Clark Arrington, early advisor to the three co-founders and a lawyer by trade, was brought on board as the next Capital Coordinator, he helped make sure the program met legal muster. The model of no capital gains, limited targeted dividends, and no voting rights for investors has helped us grow for decades without ever being pressured to water down our mission or sell out. Daniel Fireside has been using Michael and Clark's playbook since he took over as Capital Coordinator in 2010. The three shared a moment at Rob's sendoff party.

PHOTO CREDITS

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The Equal Exchange 2019 Annual Report can be downloaded at: equalexchange.coop/2019-annual-report

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98133



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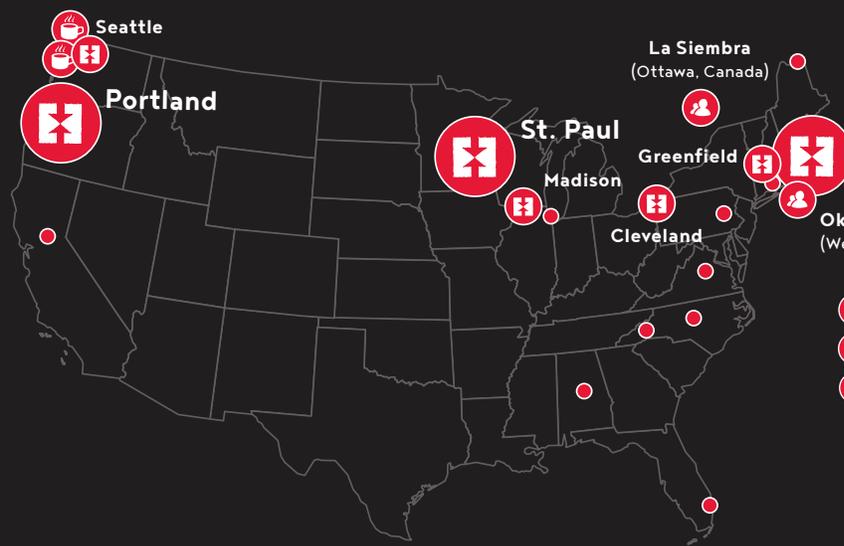


2019 Staff

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| Mark Allen | Kimberly Coburn | Valdumiro Gomes |
| Jorge Alves De Pina | Elaine Comstock | Alfredo Goncalves |
| Bruno Alves | River Cook | Gary Goodman |
| Juvenal Alves | Zuleica Da Silva | Dary Goodrich |
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| Terry Boisclair | Rick Doughty | Gabrielle Heath |
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| Ann Cherin | Laurie Foote | Daron Knight |
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| Megan Chisholm | Tony Franklin | Ashley Krant |
| Marlon Cifuentes | Katrina Freitag | Wayne Kritzman |
| Dan Cobb | Carlos Gomes | David Luna |

- | | |
|---------------------|--------------------|
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| Leah Madsen | Devonte Rosario |
| Aaron Martin | Cara Ross |
| Bethany K. McGinnis | Elton John Sanchez |
| Timothy McGrail | Pedro Sanchez |
| Ian McMillan | Adam Schaeffer |
| Paul McPhee | Shawn Seebach |
| Sharyn McWilliams | Carlos Semedo |
| Greta Merrick | Katie Sharp |
| Ellen Mickle | Faizon Shepard |
| Lynsey Miller | Patrick Shepard |
| Michael Mowry | Annie Sholar |
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| Liane Nadeau | Betty Silveira |
| Lincoln Neal | Marcelo Simoes |
| Wells Neal | Susan Sklar |
| Nanelle Newbom | Mark S. Souza |
| Nicole Norman | Cody Squire |
| Kimberly O'Donnell | Forrest Sutton |
| Keith Olcott | Jill Taylor |
| Erik Parr | L.J. Taylor |
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| Richard Poole | Kat Vasconcellos |
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| Jeffrey Purser | Rainey Warren |
| Leif Rawson-Ahern | Kevin Whelan |
| Jacqueline Rhone | Steven Whittaker |
| Danielle Robidoux | Jacob Williams |
| Carlos Rodrigues | Lilla Woodham |

Equal Exchangers, out and about! Pictured above, left to right: at the Canadian Health Food Association show in Vancouver, BC, West Bridgewater staff dressed for Halloween in the office, café managers at the new Equal Exchange Espresso in Shoreline, WA, and repping fair trade fruit at Organicology in Portland, OR.



Equal Exchange UK
(Sunderland, United Kingdom)

West Bridgewater

Oké USA
(West Bridgewater)

- Offices
- Sister Organizations
- Cafés
- Home Offices

