

COLLECTIVE BEAN

ANNUAL COFFEE
TRANSPARENCY
REPORT
2022

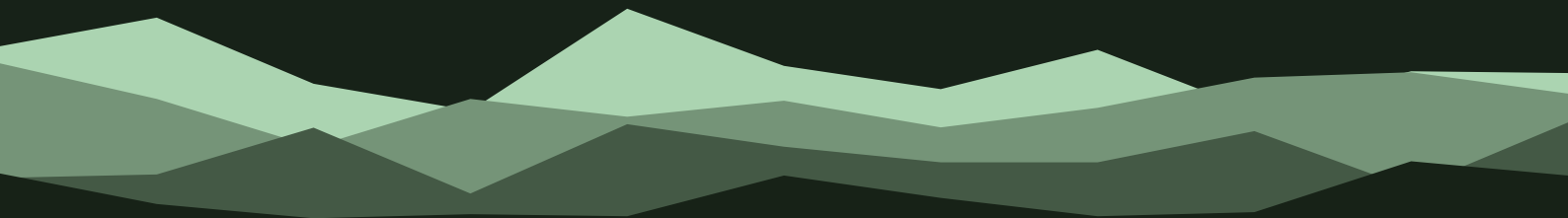


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Letter from the Founder

Back in 2016, when I started on this project, I envisioned the coffee and cacao business as an ideal fusion of my engineering education and my social vocation. It seemed like an opportunity to create a job for myself but also help farmers in their exporting challenges. Little did I know that I would find myself composing this letter seven years down the line.

Everything has changed on these years. What initially began as a side project has evolved into a formal company with two offices, a stellar team, and a network of 10 producers. We now conduct export operations in six different countries. The initial years of learning were marred by the COVID-19 pandemic, followed closely by an economic crisis. Through it all, our mission has remained unwavering: to construct supply chains that empower farmers to take the lead, relying on us solely for logistical support. To fulfill this aspiration, specialty coffee and fine flavor aroma where the best option, traceability & transparency were non-negotiable aspects.

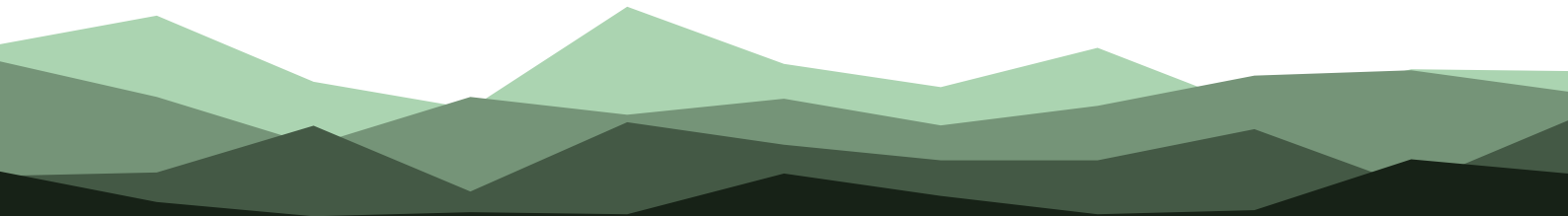
Our journey has exposed the profound complexity underlying the simple "bean to cup" slogan. There exists a pressing need for transformative change to ensure the survival of coffee farmers, coffee beans and all related business.

Presenting our inaugural transparency report is a significant milestone for us. represents a deep effort on our team to share information and present some questions about the actual coffee trading system. Moreover, this report underscores our resolute commitment to effecting the necessary change. From our standpoint as exporters, we undertake the multitude of small daily actions that collectively drive us towards our goals.

Thank you for investing your time in reading and engaging with our mission.



Cynthia Landeo Puyen
Chief Executive Officer



2022 Highlights

Coffee Price Boom in Perú

Coffee in Peru is purchased mainly in parchment at farm gate. In 2022 72.84% of the country export was for conventional coffee, 24.09% for certified coffee and 3.07% for specialty, thus prices are strongly correlated with C market moves which pushed prices up to double (on average) for all coffees. This represented a challenge for exporters and an opportunity for farmers. Many exporters struggled economically at the end of the year to find real profit while producers had the chance to actually make some profit.

Consolidation of network of producers

In 2022, we strengthened our coffee network, focusing on product development, clear communication through commercial materials, and transparent operation reporting. These efforts ensure our commitment to quality and sustainability is felt throughout our network. As we move forward, we're excited to build on this foundation and continue promoting responsible coffee practices.

Newly completed operations

In 2022 we managed to expand our operations to two new markets. Firstly, we've successfully exported green coffee to the UK, introducing these unique beans to a thriving market. Secondly, we've made four debut in the US, sending our first roasted coffee deliver.





What is transparency?

At Collective Bean we believe in transparency as the only possible way to do sustainable business. However, this entails a series of challenges, since the different actors in the chain are quite complex, they are separated both geographically and culturally, and many times they do not have a sense of responsibility for accurate and traceable information.

It is a magnanimous effort to carry out the processes with real data. We firmly believe in the power of these to reflect the true image of the situation of the small Peruvian coffee producers with whom we are proud to work.

Our Network

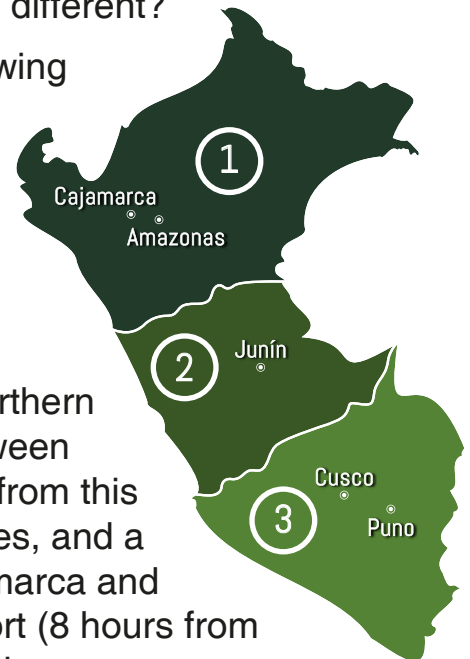
Our country, Peru, known for its rich cultural heritage and breathtaking landscapes, has diverse geography and unique microclimates create the perfect conditions for cultivating exceptional coffee beans. Our big challenge was to create a network to work with producers with totally different realities. How to fairly pay the growers if their logistics are such different?

For a better understanding we have grouped our following bases in three:

Coffee bases

1. Northern bases: Where Elevation Meets Complexity

Nestled in the northern reaches of the country, the Northern Region boasts high-altitude coffee farms situated between 1,200 to 2,000 meters above sea level. Coffee beans from this area usually exhibit vibrant acidity, delightful floral notes, and a diverse array of fruity flavors. We have bases in Cajamarca and Amazonas, which have access to a relative a close port (8 hours from Jaen, Cajamarca) in coastal city Piura, to export containers.

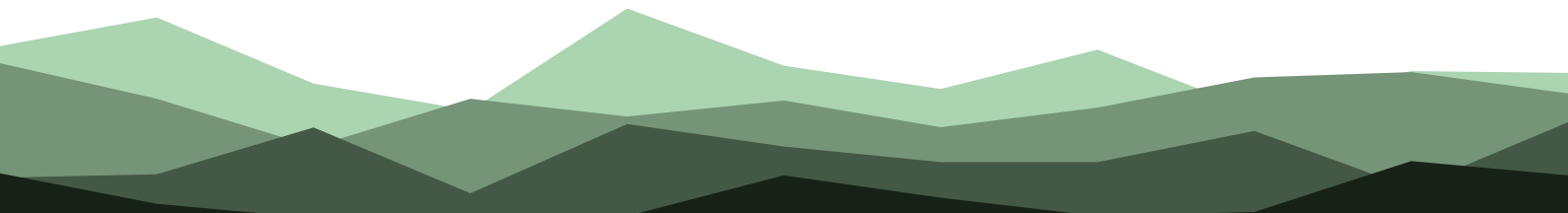


2. Central Bases: Balance and Consistence

Characterized by coffee farms that sit at elevations ranging from 1,000 to 1,800 meters above sea level . Coffees from the Central Bases exude balance and consistence. With medium acidity and cholaty and dried fruit notes, they present a pleasing experience for coffee enthusiasts. These bases also shared common ancestry with Ashaninka, Yanasha and Nomatsigenga pueblos. It's the most advanced zone in terms of logistics, Peru's biggest port (14 hours from Pichanaki, Junin) is in capital city Lima.

3. Southern Bases: Closer to the sky

Heading south, the coffee farms of the Southern Region reveal a diverse topography, where elevations vary from 1700 to 2100 meters above sea level. The interplay of altitudes results in an intriguing flavor profiles and denser beans. The climate in this region can be an enigma, with some areas experiencing cooler temperatures and higher rainfall, while others enjoy a drier ambiance. Southern regions are the less developed in logistic terms, with no close port to export directly, which translate in higher costs.



Producer categories

It's important to note that the coffee sector in Peru is diverse, and the choice of being part of a cooperative or being an independent farmer can vary from region to region and even from farm to farm. Some farmers might opt for a hybrid approach, participating in a cooperative while maintaining some independent operations.

The decision to be part of a cooperative or operate independently depends on various factors, including the farmer's preferences, skills, product knowledge, available resources, and local circumstances.

1. Independent Producers

Independent farmers in the Peruvian coffee sector have their own individual farms and manage all aspects of coffee cultivation, harvesting, and processing on their own or with the help of their family members. They make decisions independently regarding farming practices, post-harvest processing, and marketing of their coffee. Independent farmers may face challenges in accessing financial resources and technical support compared to those in cooperatives. Also their volumens are smaller, so negotiating fair prices can be more challenging.

2. Grouped Producers

This refers to the practice of small-scale coffee farmers coming together to form cooperatives or associations. These cooperatives aim to pool their resources, share knowledge, and collectively market their coffee produced. But this model also faces challenges such as ensuring fair governance, managing resources effectively, and navigating the complexities of the global coffee market. However, the associativity model has proven to be an historic, essential and beneficial element in the Peruvian coffee sector.

Regardless of their choice, both cooperative members and independent farmers play crucial roles in the Peruvian coffee sector. They collectively contribute to the country's reputation for producing high-quality Arabica coffee and play a significant part in the economic and social fabric of their communities.



The Producers

To find responsible, interested, and committed producers is always a challenge. Since 2017 we have been working directly with producers in Peru, but in 2022 we improved our work and included new ones. After their first year baseline they are now in our Producers Network Program.

Independent producers

The following are small scale producers who work individually, within their family their specialty coffee. This doesn't mean they're not part of cooperative, many times they are!



Raul Flores
Finca La Productiva
San Ignacio, Cajamarca
Canada, US & UK
3 years working with us



Andres Torres
Finca Santa Teresa
Luya, Amazonas
CanadaUK
1 year working with us



Consuelo Rubio
Finca San Fracisco
Jaén, Cajamarca
UK
1 year working with us

Grouped producers

The following are small scale producers who work cooperatively or communally their specialty coffee.



Jorge Chavez
San Jose de Lourdes
Cajamarca
Canada, US & UK
2 year working with us



Sahuayaco
Santa Teresa
Cusco
UK
1 year working with us



El Diamante
San Jose de Lourdes
Cajamarca
Canada, US & UK
3 years working with us

Full season Cupping

For us cupping it's an indispensable practice that should be embraced throughout the year to actually create a consistency in the techniques producers are executing on farm. Our main goals with a year-round cupping are the following:

1. Define products

With some producers we modulate the post-harvest technique, testing how they can improve the profile of the coffee and what things do not work, thus defining their products. This is done before the full harvest season.

2. Monitor campaign

We make all possible evaluations during the harvest season to evaluate that field practices are taking place according to plan, thus preventing quality damage and applying corrective measures. We execute this even for lots that we are not going to buy, because it allows the producer to evaluate their performance in the field.

3. Evaluation of exportable lots

We evaluate the lots to be exported during collection and preparation to ensure that there are no quality problems.

Every detail, every advice of the evaluation is shared with producers. These are our results from 2022:





The (complex) Chain

The global coffee chain, while key for distributing the beans around the world, grapples with intricate challenges that demand innovative solutions. From the farm to the cup, a series of obstacles make reporting results, comparing data, and predicting outcomes a formidable task for stakeholders involved. Why? Well, we present our biggest challenges on analyzing the complex chain.

1. Quality Variability Hindering Reporting:

The diverse array of coffee qualities is a defining characteristic of the sector but poses challenges for reporting and analysis. Coffee's quality is influenced by factors like altitude, soil, climate, and post-harvest processing methods. Each origin, variety, and crop season brings forth distinct flavor profiles and nuances, thus driving prices higher or lower, making it challenging to present standardized results.

This variability hampers straightforward comparisons and requires tailored approaches in reporting and data analysis.

2. Coffee's Transformations and Comparative Complexity:

Coffee undergoes significant transformations from its raw form to the final brewed beverage. The journey of coffee from farm to cup involves various stages, such as pulping, milling, and roasting. As a result, the numbers and metrics measured at different stages differ significantly, making direct comparisons complicated. For instance, after milling natural process coffee can lose up to 60% of its weight, becoming a wasteful coffee. This intricacy necessitates a comprehensive understanding of the coffee supply chain to accurately interpret and evaluate data.

3. Impact of External Factors:

The coffee sector is profoundly influenced by a web of external factors, spanning political, economic, and social spheres. Changes in governmental policies, trade agreements, and regulations can drastically affect coffee production, trade, and prices. Economic fluctuations, currency exchange rates, and global demand also contribute to market volatility, impacting coffee producers and businesses alike. Additionally, social factors, such as labor issues, consumer trends, and cultural preferences, shape the industry's trajectory. The interplay of these external influences adds unpredictability and complexity to decision-making processes and long-term planning.

Overcoming these challenges across the coffee supply chain was a real problem. Partnerships based on transparency, information sharing, and commitment to sustainable practices are key to present our following analysis. Emphasis on traceability and documentation at each stage of the supply chain enhance reporting accuracy and accountability.

While the challenges facing the coffee sector are undeniably complex, they present an opportunity for us to innovate, collaborate, and strengthen the industry's sustainability and social impact. Here we present our biggest attempt to standardized a very complicated supply chain.



Costs

Collection

We buy parchment coffee directly from the producers or a community collector. Depending on the skills of the producer, it can be collected on the farm or in a coffee city.



Costs included
Fertilization
Labor (pickers, weeding, depulpers)
Warehousing
Internal transport (stowage)

Milling

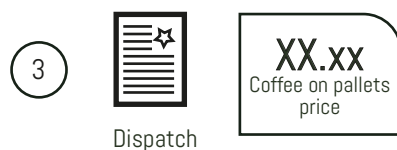
The second step of the transformation is hulling and classification. The yield will affect the price of coffee since the waste will be lost.



Costs included
Milling service
Sub products percentage
Packing (grain pro & jute bags)
Transport
Quality control
Producers program

Dispatch

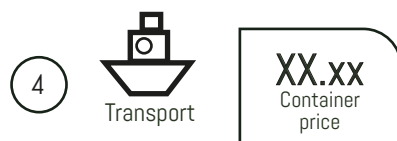
After consolidating all the different lots of coffee, it must be delivered to the port. These costs may be higher if the origin of the coffee is from the south coffee bases. Up to here the FOB Incoterm is considered



Cost included
Palletization
Primary zone transport
International trade documents
Taxes
Warehousing
Bank fee
CB's operation and admin costs

Transport

Finally, the coffee leaves Peru to reach the customers at their destination. CIF Incoterm considers cost up to here.

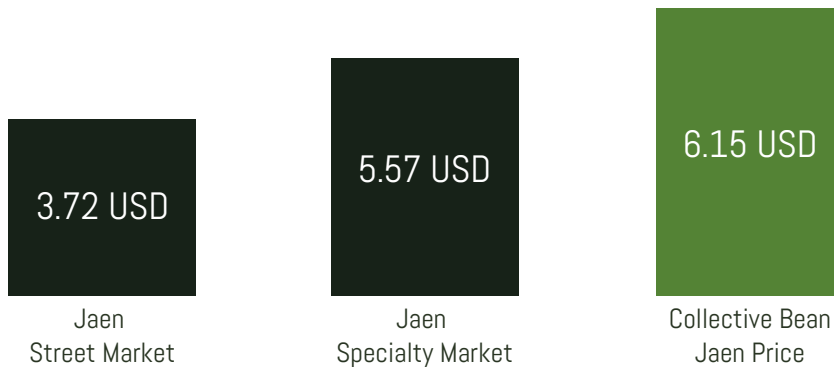


Costos Incluidos
International freight
Insurance
Financing
Stowage

Our prices

With costs already explained, we want to detailed the prices of our full operation. These are average prices for 2022. Street market prices are per kilo of parchment coffee. For each major zone we could disagregate the following prices.

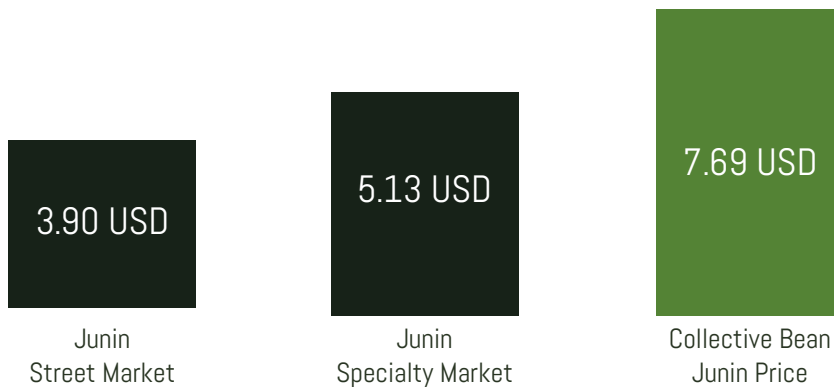
Jaen



Cusco

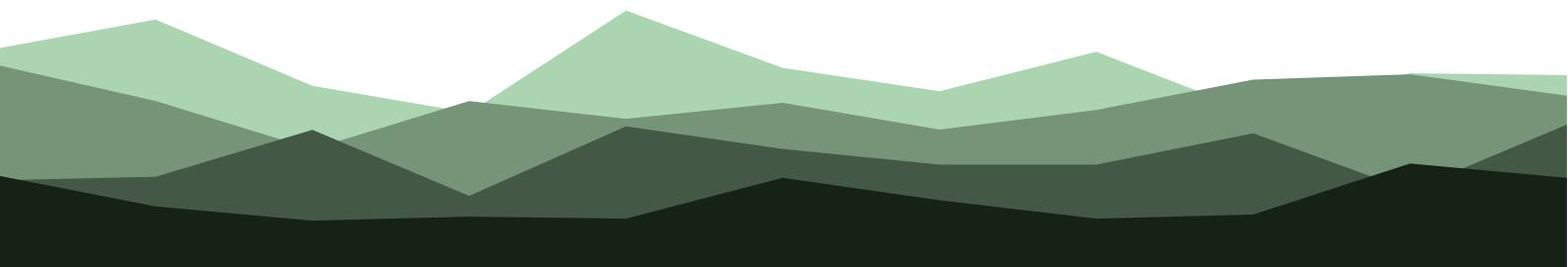


Junin



* SCA points between 84-85

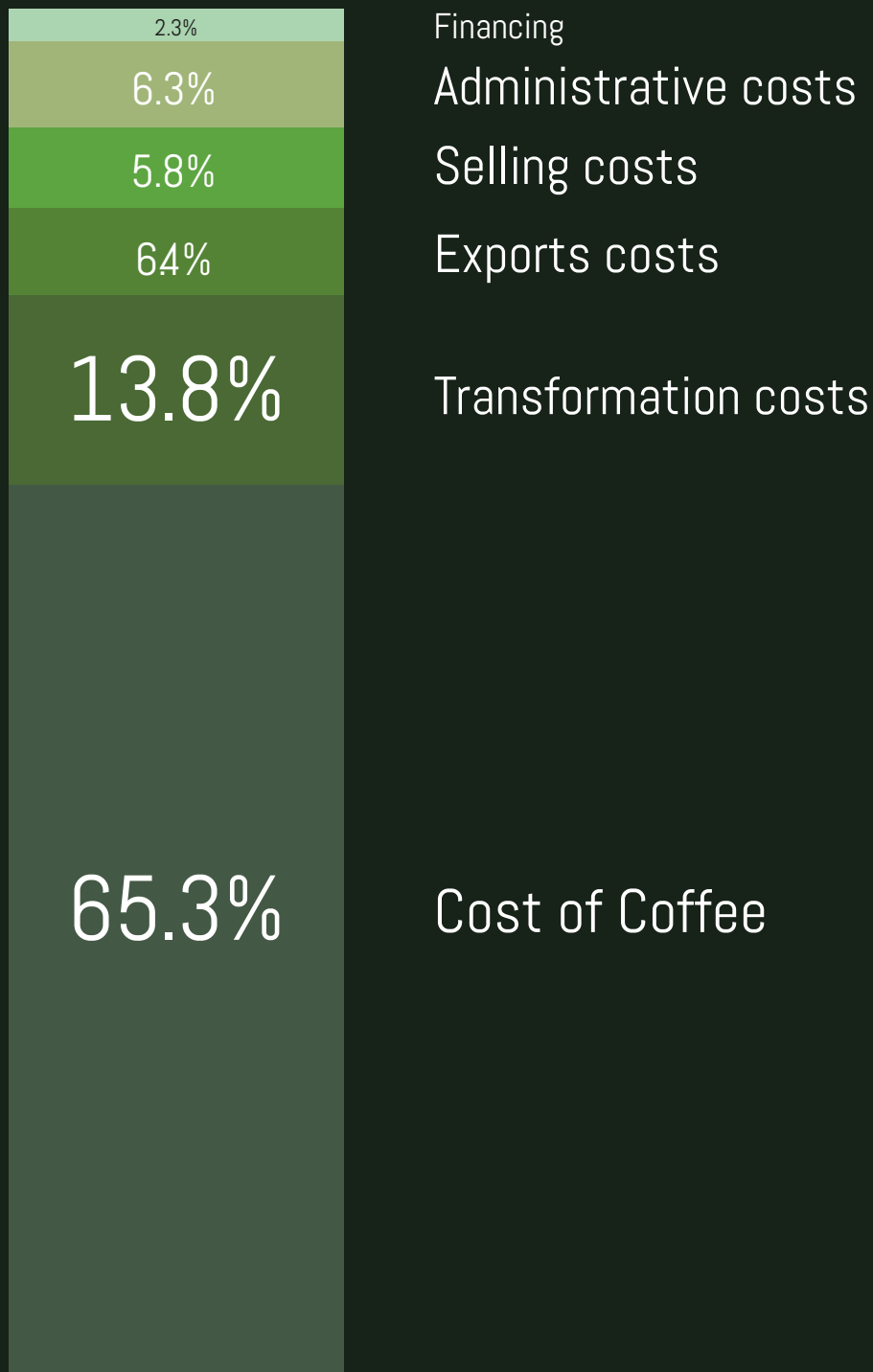
** Each major zone has different yields.



Income distribution

Fairness in coffee begins with acknowledging the tremendous efforts of coffee farmers, who toil relentlessly to produce exceptional beans. It extends to encompass everyone along the supply chain. Embracing a distribution percentage model, where income is shared proportionately, ensures that the rewards of coffee's success are equitably distributed among those who contribute to its excellence.

Our income distribution structure is still in process of reaching the optimum results. So far we are proudly sharing our current results.



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