

FAIRCHAIN ROASTING

FAIRCHAIN EPISODE 1, THE SAGA BEGINS.





'I am location manager at the farm, what means that I need to tell farmers and slashers how to do their work. Sometimes they don't listen to me, but since they get more money they are at least a bit more motivated to listen to my orders.'

Mensistu (27 years) - side manager farm

Every cool photograph in our report – you'll recognize them when you see them – is the work of Dutch photographer and artist Jan Hoek (1984). In the spring of 2016, Jan traveled to Ethiopia with his camera and a bit of help from a local fixer and the ladies and gents from Moyee. In a few weeks' time, he set out to capture some of the key FairChain players. In the spirit of radical transparency, we'd like to note that we had absolutely no influence, positive or negative, on Jan's work. Jan shot what Jan wanted to shoot, and the resulting images are the work of his great imagination. Please take the time to read his captions, as well as marvel at his snapshots; only then will you be as impressed and amused as we are.



by Jan Hoek

INTRODUCTION

FairChain is all about sharing the value that is created fairly amongst all stakeholders in a production chain. Although this guiding principle counts for both local and global value chains, we started with the biggest and fairest of them all: the global coffee chain. Our aim is to help the people who grow our coffee to enjoy a bigger chunk of the €4 we spend on our double shot cappuccinos. It probably doesn't come as a surprise that all that profit stays in the West. FairChain aims to change all that.

The FairChain Foundation teamed up with a brave set of revolutionaries, seasoned entrepreneurs and industry experts to create Moyee, world's First FairChain coffee com-

pany. Episode 1 of the FairChain saga was all about setting up a world-class roastery churning out beautiful roasted Arabica beans in Addis Ababa, the capital of Ethiopia tripling this countries earning potential. After four years of shouting, manifestoing and investing (big time), Moyee FairChain Coffee is very much for real, and they are only getting started. The FairChain Foundation is currently involved in many similar project stimulating others to follow suit and keep Moyee motivated to stay ahead of the game and lead by example.

In this report we want to share the low-down of what we consider Episode 1 of the FairChain saga. An inclusive FairChain Roasting business model that contributes to

“Consider it an invitation to help us improve”

THE ANNEX

solving the problems of an unfair distribution of wealth between coffee growing and consuming countries. This report is a collage of graphics, images and statistics, both promising and disappointing, addressing the problem, the solution and the moonshots determined by Moyee coffee. We hope it will address all your questions and convince you to jump on board and start your own FairChain Coffee company. We are there to help you! To make it nice to read, we've even included a few personal snapshots of key players in the coffee trade.

Enjoy the read! Revolt!

Join FairChain Revolution!

This document is a summary of the impact report we helped Moyee Coffee with. Creating an Impact Report is serious business. The methodology we used for our statistics is based on the global standards for measuring impact, namely those which are used by McKinsey, EY, Natural Capital Coalition, Center for Social Impact and World Business Council for Sustainable Development. Taking the best of each, we created our own impact framework. The stats seem simple enough, but the task to pinpoint exact numbers was tedious and time-consuming. No, we're not complaining, transparency is definitely part of our game. For the die-hards, we've created an extensive Annex that walks you through the nitty-gritty of this report. The thing is, our Annex is 28 pages long. Instead of printing it in tiny letters, we've set the Annex online for easy download. Oh yeah, we're saving a tree or two in the process. Download our Impact Report Annex on their website impact.moyeecoffee.com

HERE'S THE TOP 5 GREATEST HITS OF FAIRCHAIN EPISODE 1:

#1 MOYEE CELEBRATED – BIG TIME – ITS FIRST ROAST

Moyee celebrated their very first batch of FairChain coffee in style with a big bash in Amsterdam. This was a serious, serious step in their revolution. Turning all their talk into real action, proving that their Ethiopian roaster are capable of roasting freakin' awesome coffee.



#3 MOYEE UNVEILED MR. PROBAT, THEIR 500 KILO-AN-HOUR-ROASTER IN ADDIS ABABA

Moyee unveiled the biggest baddest 500 kilo-an-hour roaster in Africa. Originating in Germany, this truly iconic machine is now running full steam. This is a serious, serious step towards scaling up their revolution.



#4 A MAJOR B2B DEAL WITH MAAS INTERNATIONAL

We're ready to boom on the B2B market thanks to our partnership with one of Holland's most authoritative coffee vendors: Maas. Together we're going to bring our FairChain revolution to the big boys – hospitals, universities, corporate NL.

#2 MOYEE WAS NAMED HOLLAND'S MOST INNOVATIVE COMPANY



Another trophy for Moyee HQ: the Dutch Chamber of Commerce named them one of Holland's top 4 innovative companies in 2015.

#5 MOYEE BECAME ETHIOPIA'S FIRST ISO CERTIFIED ROASTING FACILITY!

Moyee's Ethiopia roaster got ISO certified! ISO is the foundation for Moyee becoming a more reliable and more efficient worldwide roaster.



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Our goal is to turn the coffee world on its head by making it fairer. This brutally honest report shows you how we are doing.

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Moyee team Ethiopia & NL thanks for your contributions!

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OUR ORIGIN

OUR ORIGIN

FROM FAIRTRADE TO FAIRCHAIN

In 2013, Moyee FairChain Coffee crashed into the mainstream, thanks to a provocative press release announcing that Fairtrade Coffee would henceforth be known as FairChain Coffee. To their surprise, the press release took off. Much to Moyee's chagrin, Max Havelaar, celebrating its 25th anniversary, was not too pleased. We quickly apologized and pulled the plug from our cheeky microsite, all under the careful watch of their lawyers. However, the point was made. 25 years of Max Havelaar/Fairtrade has worked wonders on raising awareness about inequality in the coffee sector, but has done strikingly little to

improve local economies. More to the point, it offers individual farmers a tiny extra, but presents no real solution to local economies and their long-term economic well-being.

How is that possible? Two words: Big Coffee. Over the last three decades, the global coffee chain has become dominated by a handful of Big Coffee companies that are exploiting it for serious profit. Their business model is simple: "buy green beans on the cheap, export them as quickly as possible to the West where they are processed, roasted and sold at obscene profits." The result is that 85% of the proceeds end up in the West, leaving just 15%

behind in coffee-growing countries¹.

FairChain is not against Max Havelaar or Fairtrade, but we take it a giant step further (We are, however, against the unequal value sharing of Big Coffee). FairChain is a radical principle that aims to balance the scales. Our goal is to create a 50/50 balance between the coffee producers (them) and the coffee drinkers (us). It's a pretty hard-core ambition, we know and we've spent a lot of time kicking, screaming and shouting to get FairChain on your social radar. We hope Episode 2 FairChain Farm business plan will inspire you to join our FairChain movement and make every sip count! <

FAIRCHAIN COFFEE IN 20 SECONDS FLAT

In 2013, a brash, young and ambitious dreamer of a coffee brand – Moyee – enters the market. Unafraid to grandstand with catchy phrases like "Trade over Aid" or "Why give? Let's buy!", Moyee distinguishes itself by ignoring all the 'industry' rules. As if out of nowhere, Moyee and its FairChain principle suddenly appear in the financial dailies, talk shows and radical forums. The message is simple: Roast and package Ethiopian coffee in Ethiopia instead of in the West and you triple its revenue 'overnight' – from \$800 million² today to \$2.4 billion³.

FAIRCHAIN'S 3 DRIVING PRINCIPLES

1. CREATING SHARED VALUE

It's the first sentence in this report: FairChain is all about sharing the value created in production chains fairly. In coffee this means sharing more of the value created in producing countries with producing countries. By this we mean a 50/50 split – 50% for them, 50% for us. FairChain is about them AND us. We believe that reorganizing value chains should also benefit you as consumer. In this case through freaking good coffee at a very competitive price.

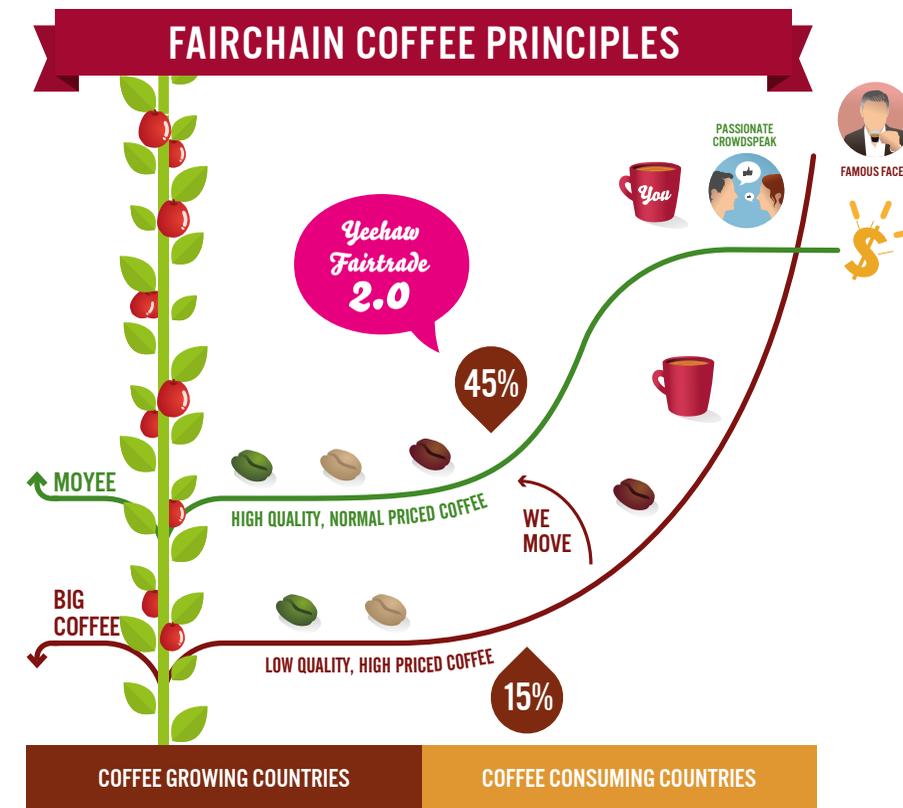
2. COMPETE ON QUALITY, NOT POVERTY

The FairChain revolution is also a revolution on quality. We want to turn the system on its head and create a coffee chain that competes on quality and not on poverty (as it does now). Because coffee farmers earn more money when we all – *you, your*

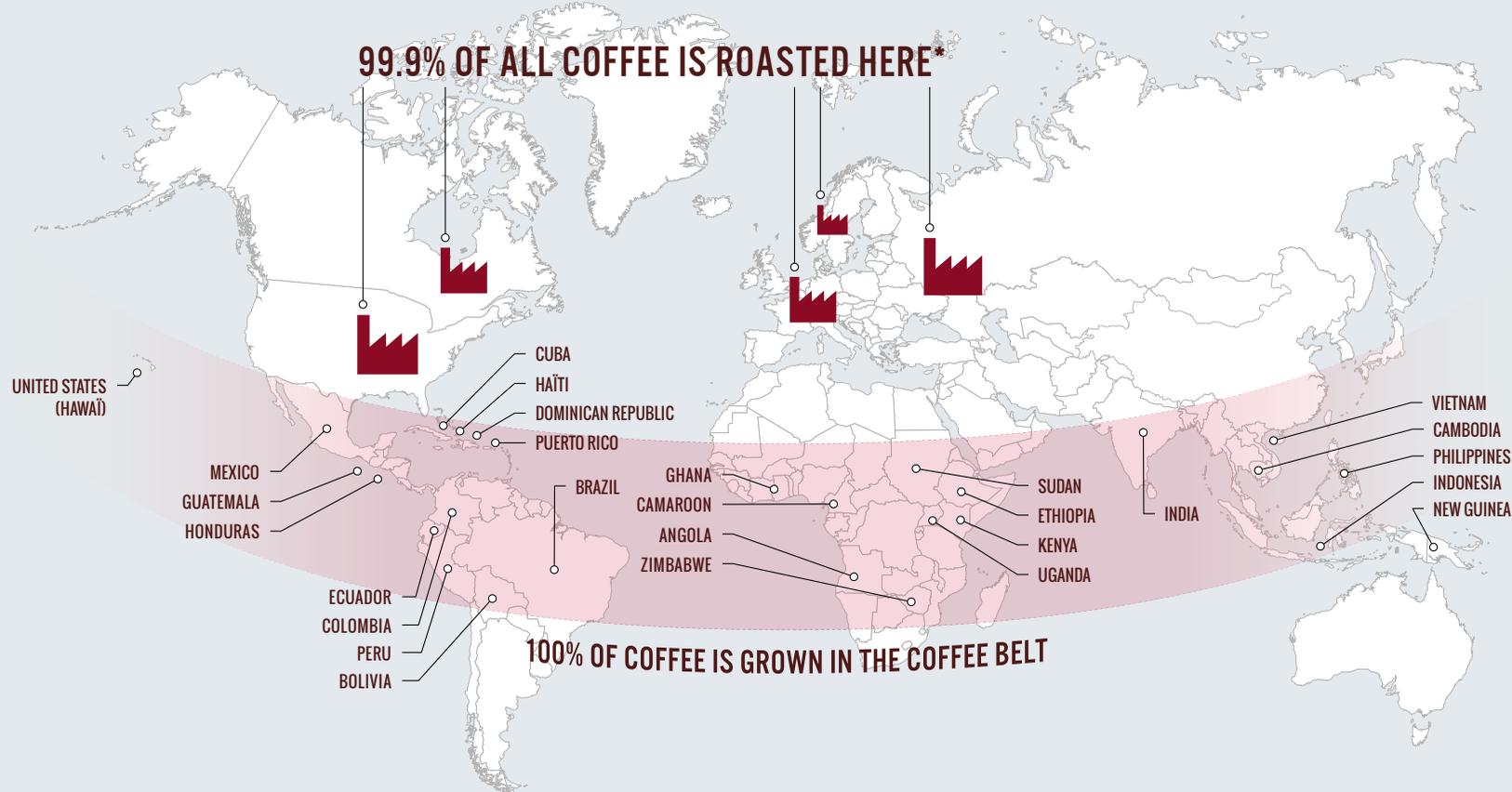
grandma, your former girlfriend in Berlin – drink their very best beans. FairChain is not about charity – we want you to pay for the quality. The positive impact you get for free! Later on you will learn how we use the 20% FairChain premium as a mechanism to reach that goal.

3. TRADE OVER AID

It's naïve to think we can replace aid with trade overnight, but the fact is, we want to put coffee-producing countries like Ethiopia in a position to help themselves. It's their coffee, after all. By roasting and packaging in country of origin, we exponentially increase their earning capacity and reduce and hopefully one day eliminate their need for aid. FairChain is about creating inclusive business models that put impact in the core of their business practices. Some call us romantic we call ourselves social capitalist. <



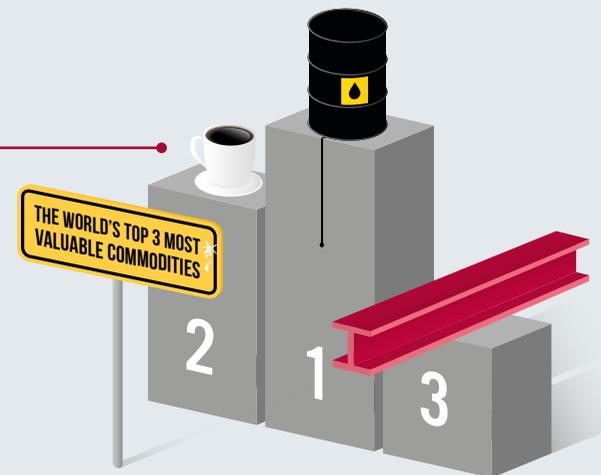
THE GREAT DIVIDE BETWEEN GROWING AND ROASTING



* TO BE PRECISE: 99.9% OF ALL COFFEE WE CONSUME IN THE WESTERN WORLD IS ROASTED HERE.

SOURCE: INTERNATIONAL COFFEE ORGANIZATION

COFFEE RINGS IT AT NUMBER TWO



IN DOLLAR VALUE, COFFEE IS KING

87 BILLION
GOLD

90 BILLION
COFFEE

Every single coffee bean on the planet comes from countries along the equator, in the so-called Coffee Belt. 90% of those countries rely on development aid. Pretty sad, eh?

Coffee is literally more valuable than gold, but all the profit is exported away

Coffee is a serious global cash crop. In fact, it's the second most valuable export product for developing countries (oil, my friends, is first)⁴. Which is to say, coffee is literally more valuable than gold⁵. The key to tapping into this wealth is roasting, and the majority of roasting is done by Western companies far removed from the Coffee Belt. <

In the last 25 years, 5 ginormous multinationals have hijacked the coffee chain, creating a huge economic imbalance between coffee producing and consuming countries

Big Coffee thrives on squeezing the margins out of coffee-producing countries. The price of a cappuccino has exploded in the last few years, but coffee producers have seen none of that extra value. Actually, it's worse than that. They're earning less now than ever before – just 15% of the total value ends up in their hands. It used to be 47% of the value⁶.

Moyee did a bit of investigative research of our own and discovered that more than 50% of green bean export is dominated by 3 major multinationals in particular⁷. We lear-

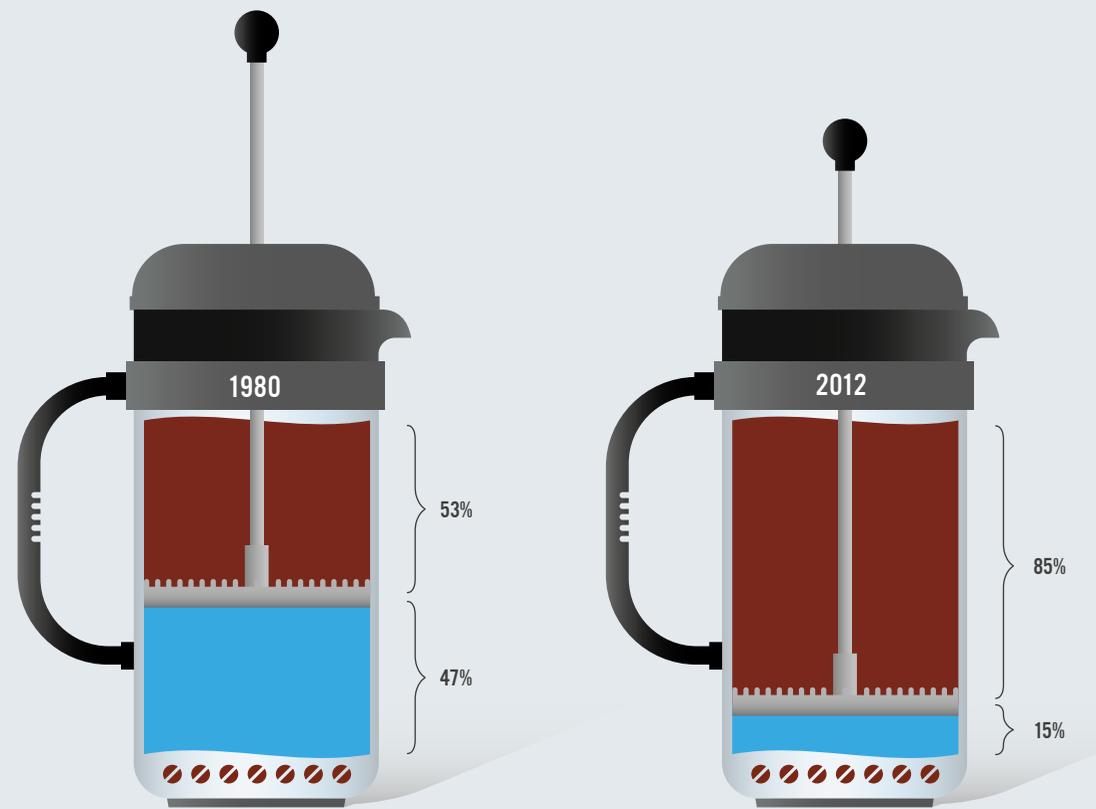
ned that 5 multinationals roast 70% of the world's coffee⁸. This coffee oligarchy is so big and powerful that producing countries like Ethiopia have absolutely no influence on pricing or direct access to international markets. Our aim is to break that oligarchy, but we need your help.

**FROM BAD TO
DRAMATICALLY WORSE**

In the last 25 years, while us Westerners have been shelling out for our €4 cappuccinos, things for coffee-growing countries

have gotten pretty ugly. Offsetting all improvements in farming and bean quality is the fact that Big Coffee is robbing these countries of every opportunity to make more money. Roasting, distribution, streamlining operations, innovation — none of this happens in the global Coffee Belt. Today, a whopping 98% of all the added value and profit goes directly into the pockets of Big Coffee. FairChain may be the last chance to make things fair again, because they were fair – *or at least fairer* – 25 years ago. So please don't say it can't be done... <

BIG COFFEE WANTS MORE MORE MORE OF THE VALUE



Squeezing out value-adding activities in coffee producing countries

- VALUE ADDED IN COFFEE CONSUMING COUNTRIES (AKA THE WEST)
- VALUE ADDED IN COFFEE PRODUCING COUNTRIES (AKA AFRICA)

SOURCE: S. PONTE, THE LATTE REVOLUTION, 2001.



FACES OF FAIRCHAIN - KEBEDE CHANE

"As a developing country, we face huge challenges. Access to foreign currency is crucial for us to be able to pay for the things we need. Coffee export is Ethiopia's number 1 source of foreign currency. Value adding activities are key to the sector's development, and will bring us not only

more income, but also more consistent income as the market for roasted beans is much less volatile than the one for green beans. Just imagine, Ethiopian farmers being able to predict the price of their product and their earnings each year! With this predictability, they can go to a bank

with a business plan and we as a government could more confidently invest in public services, because we'd have predictable and consistent cash flow. Currently, we are at the mercy of suits on Wall Street who are manipulating the prices of the coffee we rely on, but have no influence over." <

"Global coffee prices are fixed by Wall Street bankers, not hard-working growers. The bankers don't like FairChain one single bit, which means you should"



THE RADICAL FLUCTUATIONS IN THE GLOBAL COFFEE MARKET



SOURCE: INTERNATIONAL COFFEE ORGANIZATION,
'PRICES PAID TO GROWERS IN EXPORTING COUNTRIES'

COFFEE
STORE

UTZ
CERTIFIED

UTZ CERTIFIED
WASHED COFFEE
STORE

*Just try to build a
future in a
market this volatile*

According to the International Coffee Organization, the average price paid to an Ethiopian coffee grower between 2004 and 2013 was \$1.76/kg. However, that price fluctuated greatly from year to year. In 2011, for example, it jumped to \$3.21/kg, but then dropped to \$2.27/kg in 2012 and even farther in 2013 to \$1.68/kg. With so much fluctuation in the green bean price, it's impossible for coffee farmers and governments to invest in their futures. <

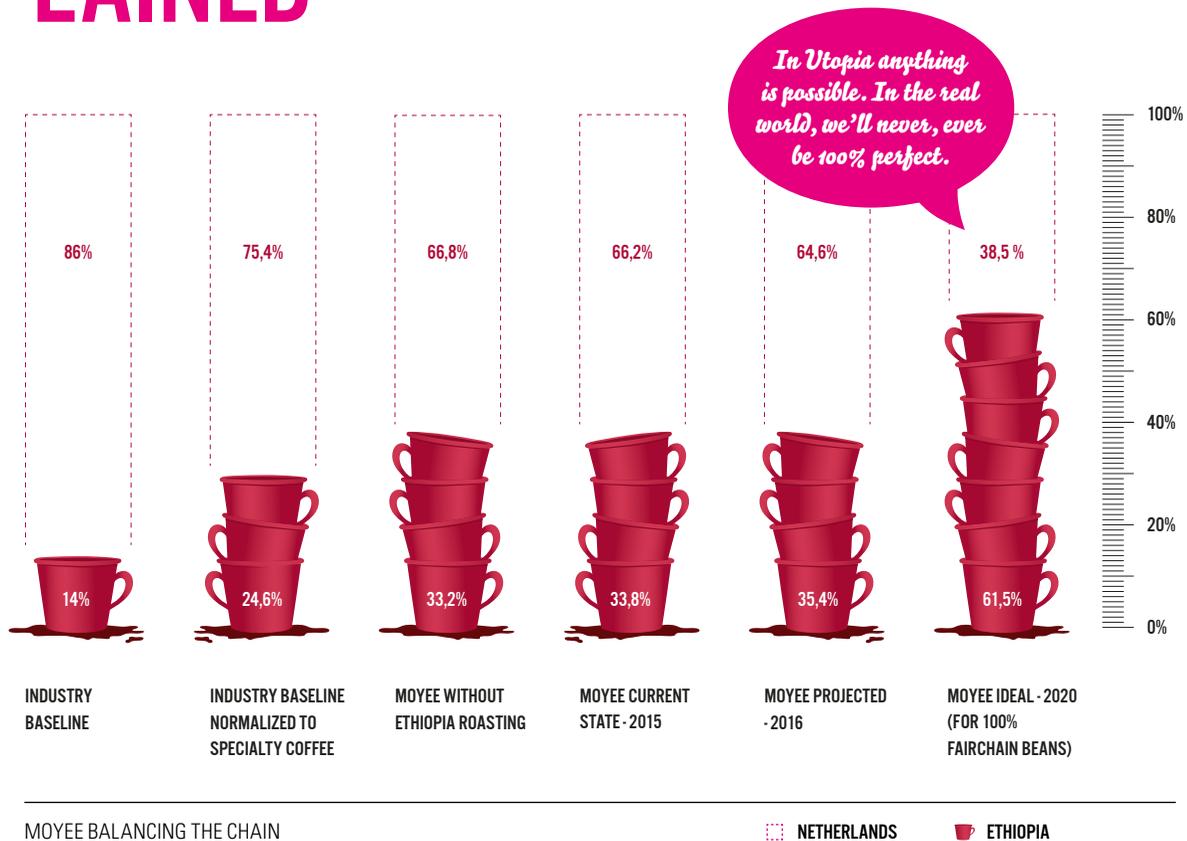
While the price of green beans fluctuates enormously along the Coffee Belt, in the West, the price for roasted beans has increased steadily over the last 20 years

OUR ORIGIN

IMPACT EXPLAINED

THE IMPORTANCE OF ROASTING LOCALLY

Traditionally, 15% of the value of your cup of coffee stays in the coffee-producing country. The goal of FairChain is to create a perfectly equal split in the value: 50% for them, 50% for us. Right now, we are at a 32/68 split – as in, 32% of the value of every cup of Moyee Coffee stays in the coffee-producing country. That’s more than 2x what Big Coffee companies leave behind, by the way. However, we know we can achieve even more. By figuring out a way to process absolutely everything in Ethiopia, for example, we can raise the split even higher to 46/54 – that is, 46% for Ethiopia. Last but not least, we aim to work with Ethiopian freighters, tilting the scales even further towards the ultimate 50/50 split. <



FACES OF FAIRCHAIN - AGEGNEHU AYALEW

“I was born in North Wolo, a small village in Ethiopia’s Amhara region where I had a government job with a small salary with little potential to grow. One day I saw an advertisement from Moyee; they wanted a roaster. I had absolutely no knowledge or experience with roasting, but I was

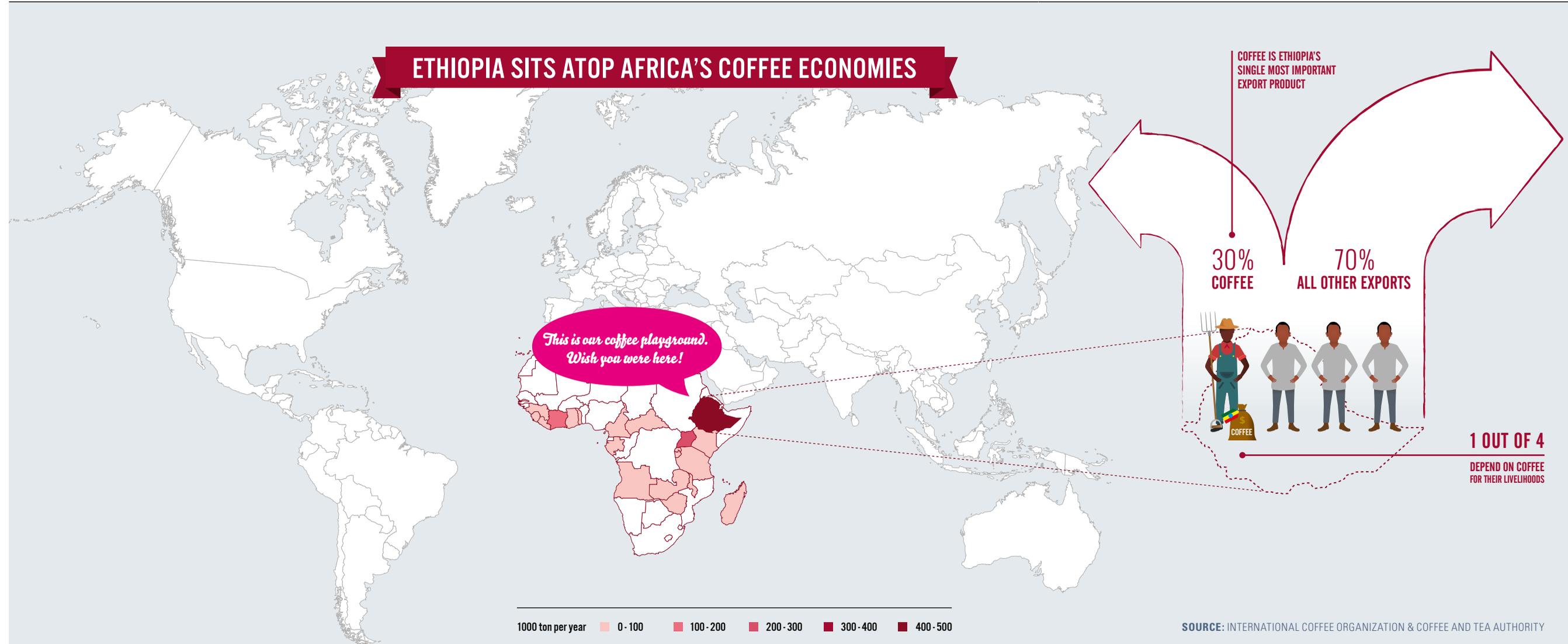
eager to learn, so I applied anyway. I got the job! Before I knew it, I was moving to the big city. I have learnt so much about coffee, things I never knew. Jose (Moyee head roaster) and Ashenafi (Moyee Quality Cupper) have taught me so much and given me the confidence to succeed in this very

important industry for Ethiopia. Although I am officially a roaster, Moyee is very much a start-up. So next to roasting, I do festivals for Moyee. We help each other; that’s what it is all about. What we’re doing is important, not only for coffee and for Ethiopia, but also for me personally.” <



“Willingness to learn is the key”

ETHIOPIA SITS ATOP AFRICA'S COFFEE ECONOMIES



SOURCE: INTERNATIONAL COFFEE ORGANIZATION & COFFEE AND TEA AUTHORITY

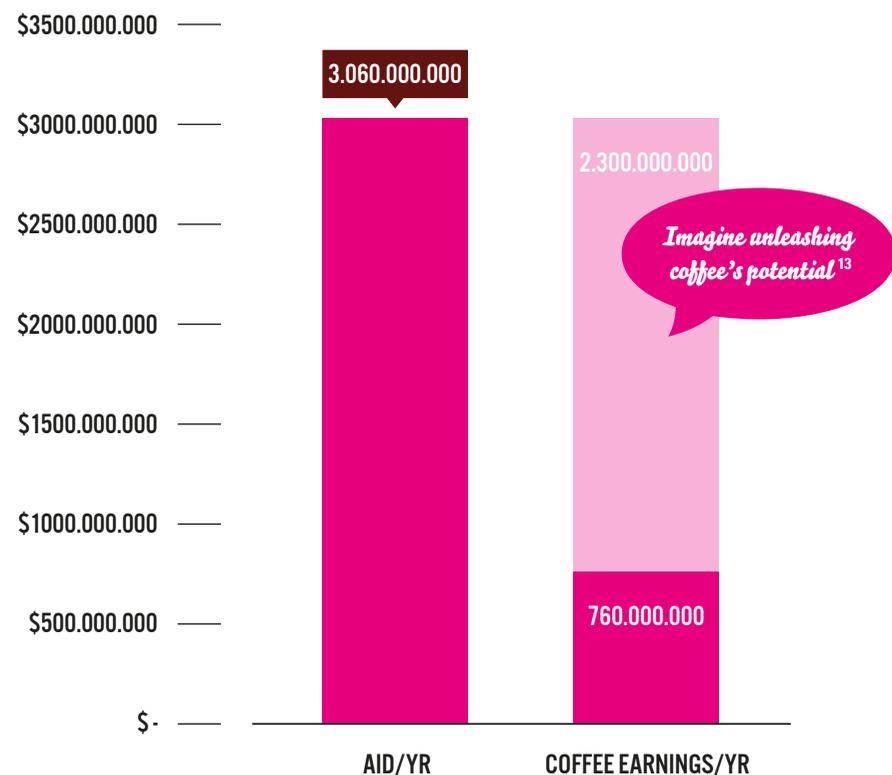
If you're going to start a coffee revolution, you might as well begin at its birthplace, right? That's Ethiopia. Every Arabica bean growing in the world today traces its DNA back to those very first coffee trees growing on the hillsides of Kaffa. Ethiopia is still Africa's number 1 coffee producer⁹. Coffee is absolutely crucial to the country's economy, with one in four Ethiopians (i.e. +/- 25 million people) relying on it for their livelihoods¹⁰. How's that going for Ethiopia? Well, the country receives approximately \$3 billion a year in development aid from wealthier nations¹¹, you know, countries like the ones we live in. Yep, Ethiopia is a very good place to kickstart a FairChain revolution, indeed! <

Today, 95% of Ethiopia's coffee is grown by farmers with less than 1.5 hectares of land

Trade over aid, my friends

Few countries receive more foreign aid than Ethiopia does. Between 2004 and 2013, Africa's coffee capital received a whopping \$30.6 billion in official development aid, making it the fourth largest recipient of aid in the world.¹² That's \$3 billion dollars each year, and it's increasing every year – all because we don't give them their fair share of the coffee cash. <

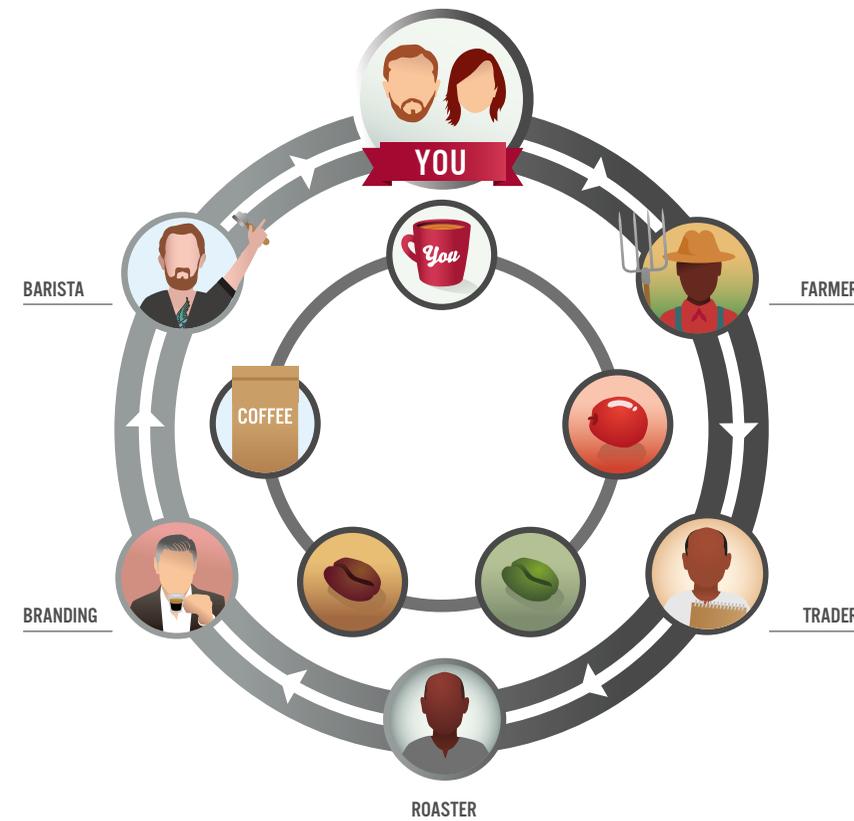
FOREIGN AID VS. COFFEE EARNINGS



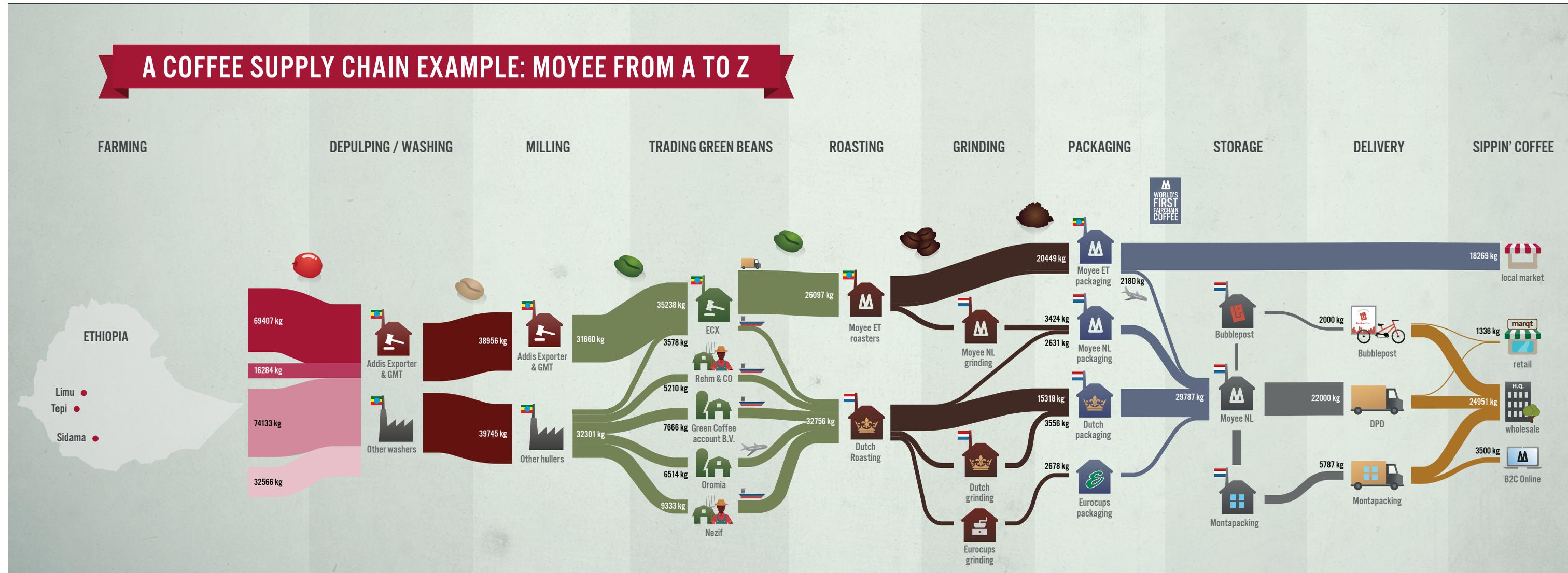
HOW DOES THE GLOBAL COFFEE CHAIN ACTUALLY WORK?

It's confusing, we know, but here's our attempt to simplify it to the essentials. A coffee bean begins life as a cherry growing on (in our case) wild forest-shaded plants attended to by farmers. These farmers contribute the most to the coffee chain, but receive the least. Once harvested, the beans are washed, cleaned and dried and become what we call green (unprocessed) beans. In their journey from highlands to harbors for export, various middlemen handle the green beans and take a small piece of the profit. The roasting and packaging of green beans takes place almost exclusively abroad, primarily because this is where the real value is created. This entire process was created and is dominated by a few Big Coffee multinationals, who have tweaked the system so they and they alone can make 'Big Bucks'. Moyee FairChain Coffee is an alternative to all that. By roasting in Ethiopia instead of exporting away green beans, more profit remains in the hands of the men and women who contribute greatest to the chain. Now that wasn't so difficult, was it? <

THE GLOBAL COFFEE CHAIN IN A NUTSHELL



A COFFEE SUPPLY CHAIN EXAMPLE: MOYEE FROM A TO Z



This is an example of the Moyee supply chain from the birth of the bean to the coffee in your cup. Every single stakeholder in this supply chain adds true value in some way, shape or form. The size of the streams flowing between each link indicates the volume of coffee flowing between them. For the sake of radical transparency, we've also revealed the sources of all Moyee's green bean suppliers (*you're welcome competition, just go ahead and pay them what they pay them!*). This is the 2016 situation. for an update check impact.moyeecoffee.com. <

FAIRCHAIN'S 3 AMBITIOUS MOONSHOTS

We hate to sound like school teachers, but there's no simpler way to say it: FairChain consists of three important parts: Economic, Social and Environmental. However, we've never made a secret that FairChain is most of all a radical economic principle. Admittedly, over the past years, Episode one was mainly focused on the Economic Moonshot

by supporting Moyee with realizing its FairChain roasting activities in Ethiopia. The economic good has overshadowed our social and environmental agenda. In Episode 2 the FairChain Foundation wants to focus on realizing yet another inclusive business model. A model that focuses on sharing more value with the poorest in the coffee chain, the smallholder farmers, and will address

some serious environmental dilemmas.

For a full insight in Moyee's impact report please go to impact.moyeecoffee.com. Please stay tuned and visit FairChain.org for more whitepapers and please reach out if we can help you with design and deploy your own inclusive FairChain business model. <

JOBS CREATED IN ETHIOPIA
In roasting facility

FAIRCHAIN EXPORT
in kg (52% of total coffee sales)

BRAND AWARENESS
cups of FairChain coffee consumed



ECONOMIC

% OF EMPLOYEES ABOVE MARKET CONFORM

WEALTH INDEX FARMERS
Score on global standard of living

PREMIUM PAID
Total amount (€) of FairChain premium



SOCIAL

CARBON FOOTPRINT
KG of CO² for 1kg coffee

SOIL FERTILITY
State of our farmers' soil

BIODIVERSITY LEVEL
GLOBIO score of our farmers



ENVIRONMENTAL



**TRY HARD,
FAIL HARD,
TRY HARDER.**