

Transparency Report 2023



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This is our second year summarizing our responsible business efforts in an annual transparency report.

Coffee has a high and negative impact on livelihoods and the environment. Millions of coffee farmers live below the extreme poverty line, and 60% of coffee species are facing risk of extinction.¹²

When I learned about the state of our industry mid way into my barista career, I became obsessed with exploring alternative and better business models. Our company purpose has always been to contribute meaningfully to a more equitable and sustainable industry. We aim to do this through the design (and continuous redesign!) of our own value chain, but also through making responsibly-sourced coffee more accessible and inclusive: (Product development, choice of our retail locations, doorstep delivery of our subscription service, who we depict in our marketing etc.)

Transparency has always been a key company value and to us, is foundational for responsible business.

Thank you for taking the time to read :).

Chrissy Durcak
Founder, Dispatch Coffee

UN SDG Goals ¹

We see the UN SDG goals are our chosen lens to anchor our responsible business priorities and sustainability investments.

We work towards four SDG goals that relate to our value chain and business, and where we know the coffee sector has an opportunity for significant impact.





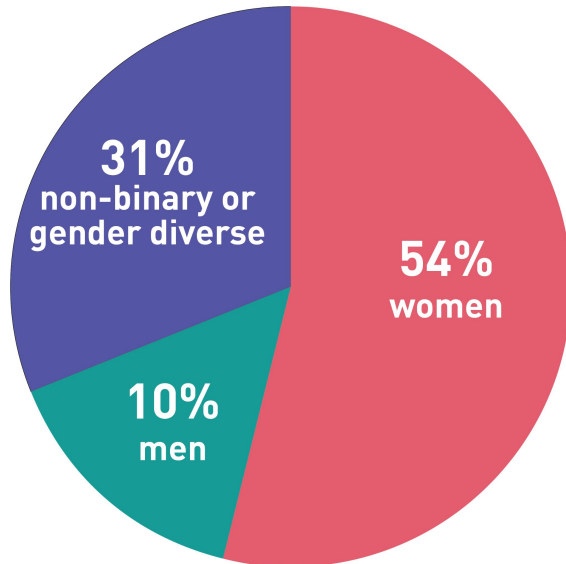
In 2023, we reached our largest team size! We are 40 today across departments, here are a few of our team members from our Toronto café location

Our workplace

Though we are a corporate structure, as a social purpose business, we are worker focused and collectivist in spirit. We aim to create a work environment that is supportive, inclusive, and transparent. We strive to compensate fairly as informed by the living income benchmarks in the regions that we operate. We believe in building capacity and do not require baristas to have previously worked in specialty coffee to work in our cafes. We operate as a women-led management team.

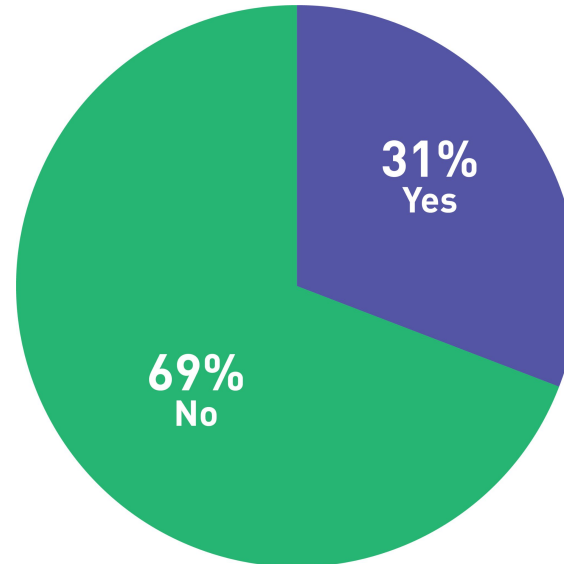
This is the first year we collected demographic information from our team. These are important dimensions of identity that will inform our equity, diversity and inclusion frameworks in future. *The survey results represent 37% of our workforce who participated in the survey.

Identified gender:

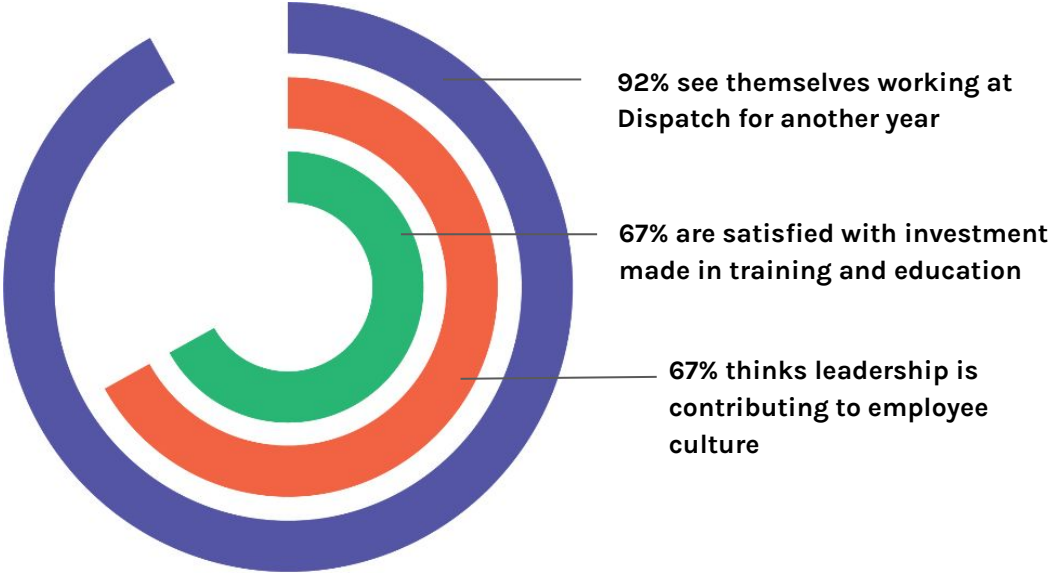
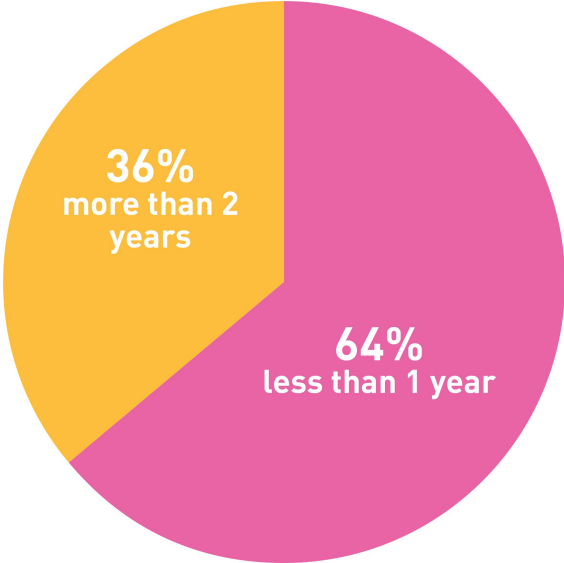


Identified as a racialized* group:

*We use "racialized persons" instead of "race" to acknowledge the social construct and impact of racialization in Canada.



Length of time with Dispatch:



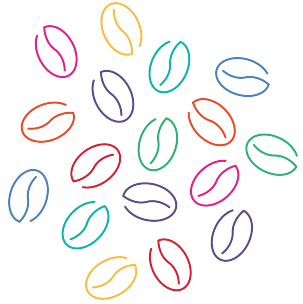


Denia and Reiniel Ramirez, single producers from Comayagua, Honduras. Reiniel's coffee has been featured on our menu for three years. This relationship was facilitated by our importers Semilla Coffee.

Our responsible purchasing criteria

Responsible buying to us goes beyond a catch phrase like “direct trade” or third party certification “fair trade”, because there is no one-size-fits all farm structure, supply chain structure and compensation structure that would address the challenges that small-scale farmers face. Here are some guiding tenets for how we buy:

- We buy from small-scale farmers or groups who are often on the fringes of producing specialty-grade coffee and have not yet earned access to the higher-premium prices of specialty buyers.
- We buy from historically underrepresented growing regions (Burundi, Rwanda, Myanmar) than what is commercially available where purchasing specialty coffee has the opportunity to drive a large impact within a community or GDP.
- We buy from importers that are social-enterprises with farmer empowerment missions who help small-scale farmers in rural developing regions access market, improve quality, invest in farm or processing infrastructure that will unlock better income, and advocate for farmer profitability. We only partner with importers and exporters who provide full transparency and traceability.
- We pay more than Fair Trade minimums, and seek to surpass the cost of production in a given region (research on this subject is limited). Despite moving green coffee compensation structures into a far more equitable direction, Fair Trade minimums do not guarantee full traceability in price transfer to farmer (farmgate price), and do not guarantee a price paid atop a cost of production.
- We contract over a third of our coffee from women owned farms, in order to reduce gender inequality that is pervasive in producing communities. Women lack access to capital, information and influential / management roles at all levels of the value chain.



28

coffees contracted from 12 unique countries.

We favour buying coffee from regions where smallholder farmers have higher barriers to access the specialty market.



46%

Of contracts from women-driven supply chains

We strive to increase gender equity in coffee growing communities by support women-led businesses which we define as women-owned farms, co-ops with majority women management, or women-led businesses at the last stage of export (washing station or exporter).



38, 000

Kilograms of green coffee roasted YTD
(or the same weight as a fire truck)

We purchase year after year from many producing partners, this helps mitigate risk needed to invest in their operations.



65%

Of contracts from repeat relationship coffees

We define a repeat relationship coffee as one that appears on our menu each year during its particular season. Committing our volumes before the harvest season through our importers and to the producer is one tangible way to reduce unpredictability for producers who often rely on one pay for their crop each year.



Isabela Marcos Gaspar, a single producer from Huehuetenango Guatemala who we have been purchasing coffee from for four six years. This relationship was facilitated by our importers Atlas Coffee.

How much do we pay for coffee?

The subject of “ethical” coffee pricing is inherently very complicated.

Despite high prices FOB (the exporter price) being a differentiator for specialty coffee buyers, this not an indicator of farmer profitability - that is because cost structures vary so widely - yield of a farm, whether the farmer processes their own coffee or must rely on intermediaries, etc.

Today, we look at two benchmarks as **indicators of a sustainable price** that we pay for coffee. 1. Our price paid FOB for coffee against known FOB price benchmarks, and 2. our Farmgate price against well-researched costs to produce a pound of coffee.

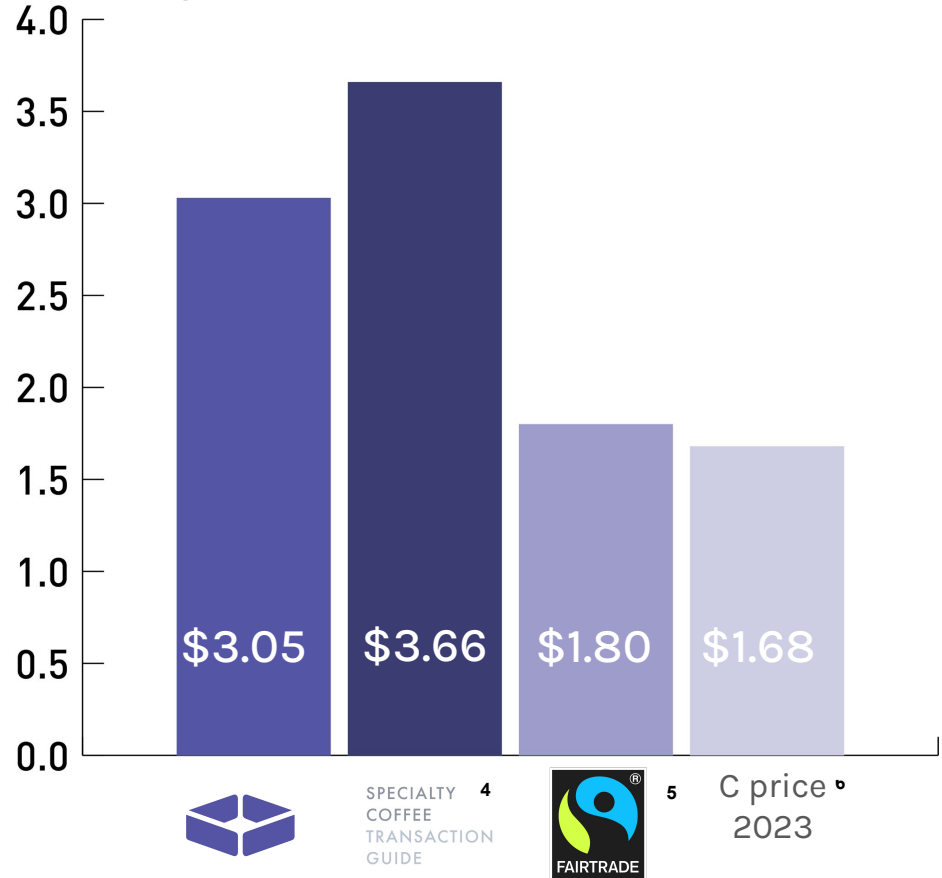
We will not buy coffee if traceability to key transaction points in the value chain (FOB) and Farmgate cannot be provided. In some supply chain structures where Farmgate data is not captured, it is because traceability beyond the exporter or mill may just not be possible due to either the sheer number of smallholder farmers receiving pay from the mill, or lack of bookkeeping knowledge and infrastructure. It is our hope to achieve farmgate prices for 100% of our coffees. In 2023 we increased farmgate price traceability to **75%** of contracted coffees, versus 2022 where we had traceability to this transaction point for **48%** of contracts.

Our average FOB price: \$3.05/lb

Here we compare our average FOB price from seventeen coffees launched this year against three FOB benchmarks: The Specialty Coffee Transaction Guide (we are thrilled to be one of 100+ thought-leading coffee companies donating pricing data since 2019!), Fair Trade Minimum price for Arabica Coffee, and the New York exchange "C-Price".

Note that the C-Price notoriously fails to cover costs to sustainably produce a pound of coffee. In 2022 the C hit an unprecedented high, but has generally hovered around the \$1.00 USD/LB range since the 1970's up until a few years ago. This low price has been at the heart of an endemic poverty crisis facing coffee farmers.

Dispatch FOB vs. Fair Trade Minimum (USD/lb)



SPECIALTY COFFEE TRANSACTION GUIDE 4



C price 2023 5

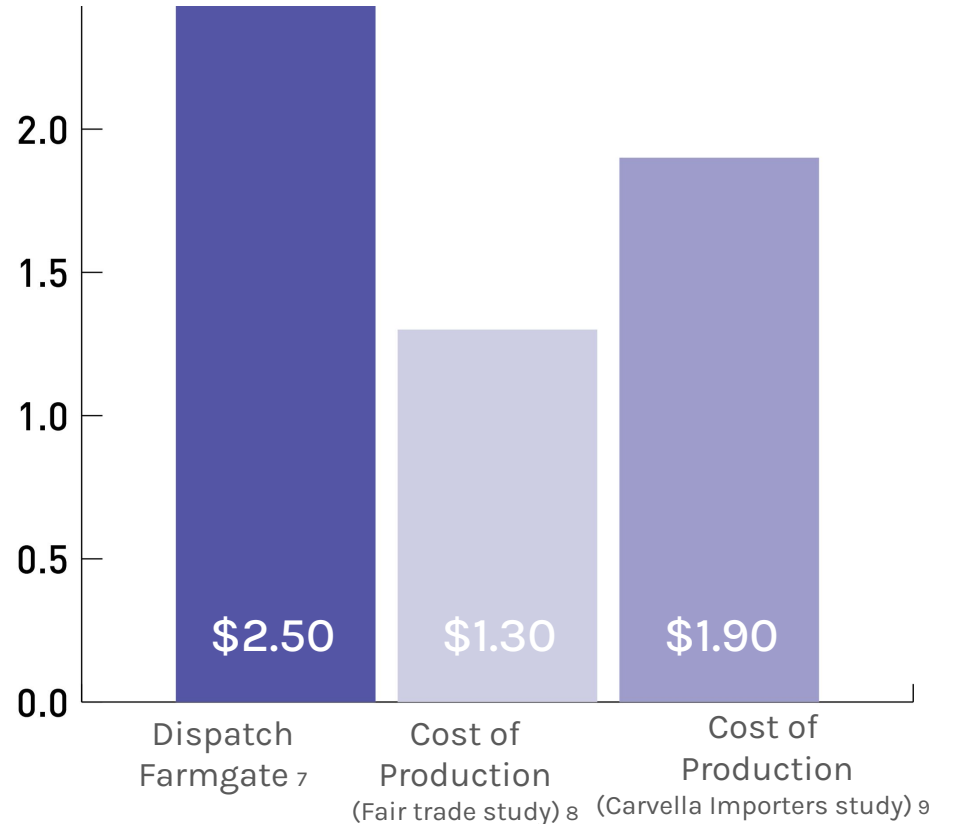
Our average Farmgate price was \$2.50

This year we accessed Farmgate price for 19 vs. 7 of our contracted coffees in 2022.

Studying available research and industry conversations on the subject, **farmgate price relative to the cost of production is one of the strongest indicators for a sustainable price paid for coffee.** If the farmgate price exceeds the cost to produce, we can assume that a farmer’s likelihood of profitability is greater.

It is important to note that 1) cost of production cited here was conducted before 2021 and likely subject to great inflation. 2) There are hidden costs not consistently incorporated in these cost of production studies such as unpaid family labour and household expenses, fixed expenses or farm renovation costs, so income from coffee alone, depending on the producer archetype, farm size, region and many other contexts, does not necessarily equal a “living income”.

Dispatch Farmgate Price vs. Cost of Production (USD/lb)





Rolling hills in North Eastern Rwanda approaching a coffee farm during a sourcing visit in 2019

Environmental responsibility

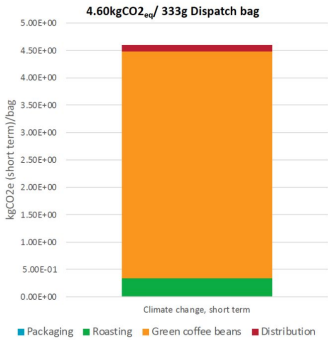
There are so many touchpoints in a coffee's path from farm to cup which makes coffee as a finished beverage **one of the most carbon intensive foods in the world.** ¹¹

We are committed to reducing our negative environmental impacts, and take an entire lifecycle lense to our efforts. On the next page we share a few areas of focus for the 2023 year.

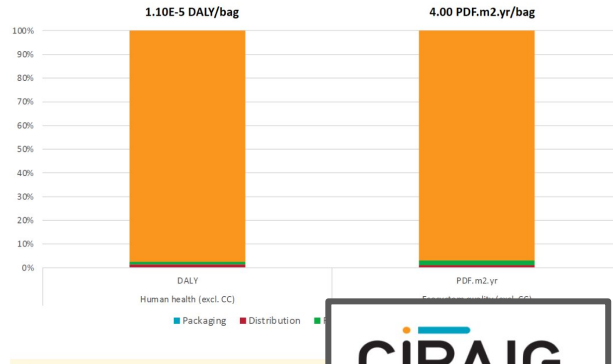
This year we invested in mapping the carbon footprint of our 333g retail bag of coffee beans.

Results : contribution analysis to damage and CC short-term – per stages (e-commerce, green coffee beans included)

E-COMMERCE
Climate change, short term: contribution analysis by process



Damage (climate change excl.): contribution analysis by process



→ Major contribution of green coffee beans



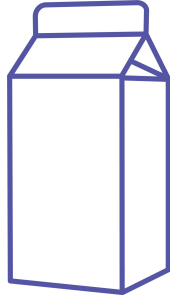
We started a lifecycle assessment with environmental scientists at CIRAIG research institute at UQAM University. This will allow us to measure the carbon footprint of one package of Dispatch coffee from farm to customer and identify hot-spots across our supply chain where there is opportunity to reduce our impact on the environment. This is an important step towards greater environmental accountability and impact reduction as a business.

We will publish our findings in 2024.



3205

Kilograms of coffee grounds composted



377

Cartons of oat milk redirected from landfill
Shifting using [DAM](#) milk



51,769

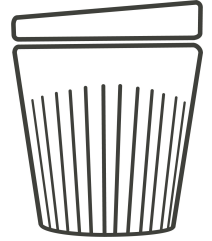
Biodegradable coffee bags redirected from long term landfill. Four years ago we transitioned to biodegradable packaging for our 333g retail coffee bags.



46%

Ecom deliveries were distributed via net-zero methods

We define net-zero methods as pick-up in store option, bike delivery or our shipping partners who provide delivery via electric vehicle.



5100

Drinks served in reusable mugs.

Glossary

C-Price: Similar to a financial or stock market, the C-market is a global exchange for buying and selling (trading) green unroasted Arabica Coffee. The price is set based on global supply and demand principles: if there is more coffee in production and decreased demand, prices will drop, if there is decreasing supply, prices will rise. Regardless of its origin or supply chain structure, coffee sold and bought on this market is treated with an equal price as a raw material. Coffee on this market is traded in units of 37,500 kgs (or one shipping container of green unroasted coffee) The C-price is not the price a farmer earns for coffee directly, but that is included in the price. The C-price has become an industry benchmark for price to pay for coffee (It is not how we buy coffee at Dispatch). This is highly problematic when we consider that most smallholder farmers production costs fall below the Cprice.

On September 30th, the World Coffee Producers Forum (WCPF) sent an open letter to the CEOs of major coffee companies and stated, “Some may argue that ‘the market is the market and it does what it has to do’. For some products, that may be the case. However, in the case of coffee, where you have the livelihood of more than 25 million families at stake, many of which are facing a pauperization process that is taking them to a situation of misery, that is nothing short of inhumane.”

Coffee contract: an agreement between a buyer and seller. In the case of our business, a coffee contract is effected between us and our import partners, mostly based in the US.

Glossary

Farmgate: The closest equivalent to the price paid for coffee to the producer of the coffee.

Most of our world's coffee is produced on very small farms. Most of these farms are very remote, and the farmers do not earn their income from a buyer directly at their farm. Often, farmers must bring their coffee to centralized collection centers or mills where they are paid the local published farmgate price in their given geography or exchange point context.

FOB: Free-on-board. This is the price of a coffee at export which includes the exporter profit, and includes the price includes paid to a farmer. Typically the farmer will see 60-85% of the FOB price. The "C" market price is expressed in terms of FOB, as is the Fairtrade Labeling Organization's minimum price.

Relationship Coffee: A coffee that has been featured on our menu for more than one calendar year.

- 1: UN SDG Goals: <https://sdgs.un.org/goals>
- 2: <http://www.ico.org/documents/cy2017-18/icc-122-11e-gender-equality.pdf>
- 3: [Coffee Producers Demand Immediate Action Amidst Price Crisis, Daily Coffee News \(2019\)](#)
- 4: [Specialty coffee transaction guide price 2021](#). The Specialty Coffee Transaction guide seeks to provide benchmarks for alternative and more sustainable pricing models for coffee than the C-Price. It is a collaboration between researchers at Emory University and roasters and importers that publishes benchmarks for price paid for specialty coffee FOB across various dimensions: geography, lot size, quality score and other. (we are thrilled to be one of 100+ coffee companies donating pricing data since 2019!) We selected an FOB price benchmark from page 9 “FOB prices for specialty coffee 2020/2021”, section “median and 85-86 scoring coffees and 1000-3000 lb contract size.
- 5: [Fair Trade minimum price 2022](#)
- 6: [ICE “C price” 2022](#)
- 7: [The Cost of Financially Sustainable Coffee Production, Fair Trade and Cornell University \(2017\)](#)
- 8: [A Study on Costs of Production in Latin America, Caravella Coffee \(2019\)](#). We referenced cost of production per lb in Guatemala, on page 9
- 9: [The Cost Conundrum, SCA Magazine - Issue 11 \(2019\)](#) We referenced cost of production for Colombian coffee in the case study
- 10: <https://ourworldindata.org/environmental-impacts-of-food#the-carbon-footprint-of-eu-diets-where-do-emissions-come-from>
- 11: [Here is the carbon cost of your daily cup](#) “Weight for weight, coffee produced by the least sustainable means generates as much carbon dioxide as cheese and has a carbon footprint only half that of one of the worst offenders – beef. And that’s all before adding milk, which carries its own hefty environmental baggage.”
- 12: 60% of coffee plant species are at risk of extinction <https://www.science.org/doi/10.1126/sciadv.aav3473>



Until next year!

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