

ALGRANO'S IMPACT REPORT

FIRST EDITION



WHAT'S INSIDE

GETTING TECHNICAL...

Algrano's impact comes from our business model itself. We've commissioned this Impact Report to help us better understand what that really looks like.

We've structured it according to our Theory of Change framework to show our impact journey; outlining inputs, outputs and outcomes.

I. INTRODUCTION: WE BUILT A MARKETPLACE FOR GREEN COFFEE.

Why we wrote an impact report and why we think you should read it.

We've always been ambitious. More than making direct trade easy, we wanted to **"balance the power dynamics in the supply chain for a prosperous industry"**.

This goal is really big and hard to measure. After eight years, we can finally report on the impact of our good intentions and actions.

Impact reports are something that big corporations publish to offset the negative effects of their operations. We, on the other hand, have baked impact into the core of our operations.

There are three things at the heart of our mission. Direct market access for producers. Meaningful relationships between growers and roasters. And building the infrastructure needed to support this supply chain.

But missions suffer from what many impact reports suffer from. They focus on good intentions or inputs. You may often read reports that say things like "We've put (insert large sum of money) to better smallholder lives" etc.

Good intentions are merely starting points. What you really want to know about a company is how these inputs change things. And whether these changes have an impact that lives up to their intentions.

We wrote Algrano's first impact report with this in mind. This is a considered look at where we are today. We also defined an impact strategy for the upcoming years based on our learnings.

The report confirms assumptions, validates our model and brings some surprising highlights. But it also shows what needs to improve. For us, good is not good enough if it can be better.

So we'll keep learning and fine-tuning, tracking the same numbers to measure our



progress and results. We commit to holding ourselves to account and not sugarcoating things.

We've learned a great deal doing this and came up with a million ideas already. We hope you'll find this thought-provoking too.

There's an expression in Spanish which means "Let's get to the point". So without any more ado, vamos al grano.



PRODUCERS ON ALGRANO

received a differential of
US\$14.5 million above the
c-price since 2015.



In the last three years, the prices
set by producers on Algrano
have been **twice as stable** as
on the futures market.



60% of Verified Sellers are
more profitable overall
thanks to the platform.

70% feel more **positive** about
their future in coffee.

HIGHLIGHTS

77%
of the volume traded on the
platform in 2022 was from
ongoing relationships.



76%
of all Verified Sellers
are **micro or**
small enterprises.



PRODUCERS
have received an average
of **US\$3.90/kg** above the
c-price since 2015. *

* This was calculated based on the total number of
contracts, not weighed by volume.

2. PROBLEM STATEMENT: OLD TROUBLES, A NEW WAY FORWARD

How we understand the issues in the supply chain.

Trading Coffee in 2023

We live in 2023 but cup score is still no guarantee that a coffee producer will get a quality premium. Without market access, many producers end up selling great quality coffee as commodity which doesn't recognise its value.

Even in Brazil, where the average farm is economically viable, most producers end up selling coffee locally at commodity prices and many get stuck in the red.

And with certified producers, there is a big disparity between the potential and actual sales value: 75% is sold as conventional beans at commodity prices¹.

Producers go through all the work to certify their coffee Fairtrade, Rainforest Alliance, Organic, UTZ... And three out of four buyers don't see the point in paying for it.

We would like to believe specialty is different. But is it? Even when farmers have a good

harvest it's hard to be profitable year on year. This is completely unsustainable.

Producers are still largely absent from the sales process. With few opportunities to sell their coffees based on quality, or infrastructure to maintain commercial relationships, they don't have a seat at the table.

As the SCA suggested in its *Price Crisis Response Initiative Summary of Work*, a "new way forward" for the specialty coffee sector requires "identifying economic models that distribute value more equitably"².

Algrano's direct market access is one such model. It helps producers find buyers that reward their quality and improve their earnings from coffee.

¹ Panhuysen, S. and Pierrot, J. Coffee Barometer (2020): <https://nivos.org/assets/2021/01/Coffee-Barometer-2020.pdf>

² Specialty Coffee Association (2019). Price Crisis Response Initiative Summary of Work December 2019. shorturl.at/dqwb2



IMPORTANT DEFINITIONS

We use many terms to talk about the people who grow and sell coffee. To avoid confusion, this is what we mean:

- **Seller:** Any origin user who manages their sales on the platform. Sellers must be verified by Algrano to make offers.
- **Farmer or Grower:** The person that actually produces the coffee at their farm/plot.
- **Smallholder:** We adopt Fairtrade's definition of a producer who relies mainly on family labour to manage and operate a family-owned farm.
- **Producer:** A farmer or processor responsible for the final product (green coffee ready to export).
- **Aggregator:** A cooperative, washing station, mill or exporter that buys coffee from farmers. Sometimes they also have their own farms. On Algrano, most aggregators are small cooperatives representing smallholders.

Powered by Entrepreneurs

We regard "sellers" on Algrano as businesses who drive progress and economic growth in their local communities. And like independent roasteries in Europe, innovation is spearheaded by small actors.

Producers on Algrano are micro, small and medium sized enterprises that represent themselves and often other farmers.

These can be smallholders, with less than one hectare of coffee and diverse sources of income, or bigger farms of 3, 10 or even 100 hectares.

MSMES

An enterprise is any for-profit business that produces goods or services. The World Bank's³ definition based on number of employees is widely accepted:

CATEGORY	EMPLOYEES
Micro	1 to 9
Small	10 to 49
Medium	51-249

3 United Nations (2020). Micro-, Small and Medium-sized Enterprises (MSMEs) and their role in achieving the Sustainable Development Goals (SDGs). <https://sdgs.un.org/publications/micro-small-and-medium-sized-enterprises-msmes-and-their-role-achieving-sustainable>

3. THEORY OF CHANGE: FROM MARKET ACCESS TO PROSPERITY

Our solution for the coffee industry.

On chapter two, we talked about key problems faced by coffee producers:

- Lack of direct access to markets that reward quality through better prices.
- A marginal role in sales with little control of where their coffee ends up.
- Outdated infrastructure to build and maintain commercial relationships.

In this chapter, we'll share our solution. Our vision for a prosperous industry focuses on three elements: **market access, better prices and long term relationships**. These are the building blocks of a prosperous supply chain.

If traditional trade implies that coffee ownership changes hands many times from farm to cup, our alternative is that intermediaries become service providers.

Algrano is a one stop shop for direct sourcing. **We provide market access and promote meaningful direct relationships with roasters**, delivered through our online platform and easy operational infrastructure.

We are making direct trade accessible to micro, small and medium sized businesses at both ends of the supply chain. Now, anyone can sell or source coffee directly without needing to fill a container.

This model meaningfully contributes to several United Nations' Sustainable Development Goals.



GOAL 1 No Poverty

By increasing the value producers earn for coffee, promoting price stability and consistency via buyer-supplier relationships.



GOAL 8 Decent Work and Economic Growth

By facilitating the trade of differentiated and high-value coffees and creating opportunities for further differentiation.



GOAL 9 Industry, Innovation and Infrastructure

Through operational infrastructure and services in logistics that are accessible to producers regardless of size.

THE ROAD TO ECONOMIC PROSPERITY

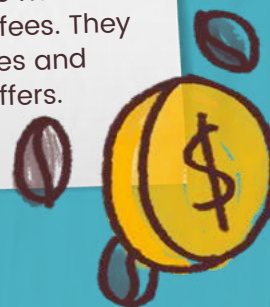
1. CHANGING THE OWNERSHIP MODEL

Middlemen give up coffee ownership and price speculation. Instead, intermediaries provide services and operational infrastructure to support independent trade between roasters and producers.



3. PRODUCER-LED PRICING

Producers capture more value for their coffees. They set their own prices and make their own offers.



5. MEANINGFUL DIRECT RELATIONSHIPS

Transactions build into relationships. Producers get better prices year after year. Roasters get consistent supply at predictable prices.



2. SUPPLY + DEMAND DISCOVERY SERVICES

Through Algrano, producers have a direct route to market and can discover new buyers. Roasters find coffees they want and producer partners they can trust. Third-party verification assures both ends of the supply chain. Information flows both ways.



4. MODERN INFRASTRUCTURE + EFFICIENCY

Sharing space in the shipping container and order automation create efficiencies which allows the model to scale to more buyers and sellers.

6. PRODUCER PROFITABILITY

In the long term, relationships create price stability and security to producers. Coffee production becomes more economically sustainable. New generations are motivated to work in coffee.



4. INPUTS + OUTPUTS: BEHIND THE SCREENS

*Who's it for;
supply and demand.*

This chapter is about what goes into the marketplace, and what comes out at the other end. You'll see who are the users, how they use the platform (messages, sample orders) and how their activities translate into outputs (contracts).

Who Uses the Platform

- **Buyers:** Algrano started with only six buying roasters from Germany and Switzerland. Today, roasters from 28 countries buy coffee from producers through Algrano.
- **Sellers:** We only onboard independent businesses and now have farmers, cooperatives and exporters from 20 countries trading on the platform.

➔ **From Just One Bag:** While exporting coffees through Algrano is a more attractive proposition for many producers because of the higher price and long term, direct relationships, there are other financial considerations.

Many producers can't afford to export because they don't get paid until after the shipment. This is particularly challenging for smaller sellers or producers with low financial reserves.

Encouragingly, smaller sellers are developing strategies to overcome this barrier – such as first selling lower quality coffee locally to help with cashflow ahead of the export revenue.

We're seeing that 35% of producers on Algrano identify as micro-enterprises.



SHARED VISION

As businesses build meaningful direct relationships, they often identify value adding projects that go beyond trade.

Many roasters who buy coffee through the platform collaborate with producers on projects of mutual interest – for example to improve quality, go organic or reduce carbon emissions.

KAFFEEMACHER X APAS

Kaffeemacher buys **40%** of their green coffee from APAS, a cooperative in Brazil. They started with two bags and now have different lots from APAS on espresso and filter. To tackle carbon emissions, the roastery decided to sell only organic coffee. But APAS produces mainly conventionals. Kaffeemacher committed to buying the coop's transition coffee with a premium and APAS expanded their to-be-certified organic area. **The roastery is already paying nearly double the price of conventional coffee, helping APAS to further invest in organic transition.**



WAKULI X CAFESMO

In 2021, **Wakuli** partnered with the **Cafesmo cooperative in Honduras** to improve the quality of the coffee produced by the 27 farmers of the El Pinal community. Wakuli and Cafesmo believe that, if their coffee can go from 83 to 85+ points, **farmers can attract more buyers and better prices**. The coffee company part funded, partially covering the costs of a fermentation workshop with specialist Lucia Solis.



Image by Wakuli



Image by Wakuli



Image by Cafesmo



Image by Cafesmo

COOP X COSAGUAL

Coop is one of Switzerland's largest retail companies. In 2019, it started looking for a new coffee supplier to bring smallholder specialty coffee to supermarket shelves. Coop partnered with Cosagual, Honduras, and invested in a polytunnel to multiply the output of Cosagual's specialty. Coop has purchased Cosagual coffee since 2020 **at a price well above the Fairtrade Organic minimum price**.

A SNAPSHOT OF PLATFORM USERS

BUYERS



400

buying European roasters ¹

28
countries



Main countries:
Great Britain,
Switzerland, Germany,
Netherlands, France

SELLERS



203

Number of
Verified Sellers ²

20
countries



Seller per Continent:

- Latin America: **79.3%**
- Africa: **16.3%**
- Asia: **4.4%**

SELLER DISTRIBUTION ON ALGRANO

55.7%

of sellers on Algrano
are aggregators ³

44.3%

of sellers on Algrano
are farms ⁴



73.2%

of aggregators on Algrano
(mainly cooperatives and
some exporters) offer mostly
coffees from smallholders

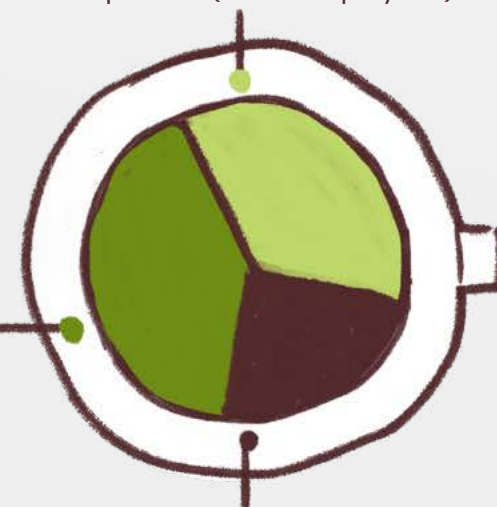


40.8%

of sellers on Algrano
are small enterprises
(10 to 49 employees)

35.2%

of sellers on Algrano are micro
enterprises ⁵ (1 to 9 employees)



23.9%

of sellers on Algrano are Medium
enterprises (50+ employees)

¹ Not all signed-up roasters are actively buying coffee on the platform.

² 110 sellers were active in 2022.

³ Aggregators include cooperatives, wet or dry mills, and exporters. On Algrano, most aggregators are cooperatives.

⁴ Farms include single farms and groups of farms.

⁵ Around 10% of the micro-enterprise farms also identify as smallholders.

What Happens on the Platform

Before a contract is signed, roasters and producers need a trusted channel to build relationships.

Algrano's marketplace allows producers & roasters to connect and interact. We also manage sample distribution, independent scoring by Q graders, QC and more.

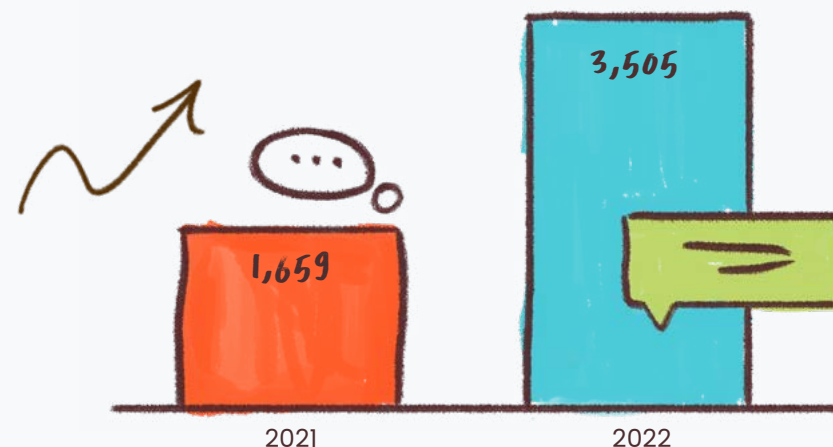
→ **Sample Distribution:** Before a lot goes live on Algrano, producers send us green samples. Usually around 2kg for each offer. We score the coffee and distribute the rest to roasters on behalf of the producer.

Last year, Algrano sent out 5,466 samples representing coffee from 110 producers. For every seven samples sent in 2022, one converted to a sale. We believe this is quite a standard rate, but would like to improve it so the limited sample material we receive generates even more sales for producers.

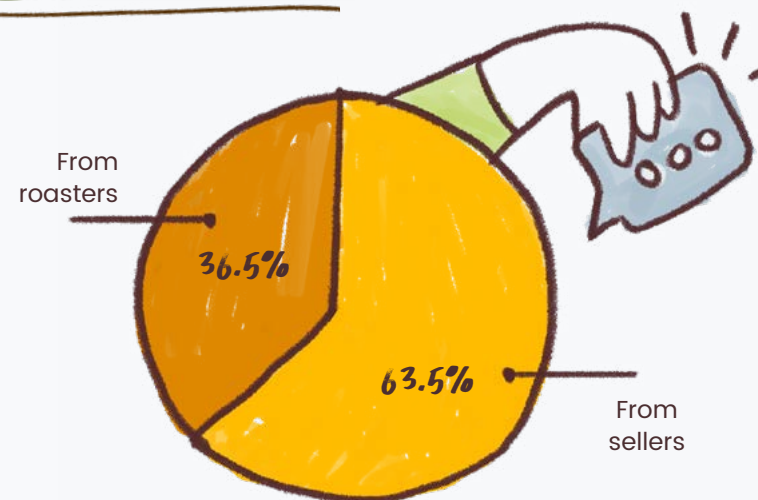
→ **Active Sellers:** In 2022, 3,500 messages were exchanged with roasters, more than twice as many as the year before.

A direct channel encourages producers to be more active in the sale and to better understand their buyers. This is information flowing back to origin consistently for the first time.

YOU'VE GOT MAIL: Messages exchanged on Algrano



WHO'S TALKING: Active sellers driving the conversation



→ **Coffee Orders:** Roasters placed 787 orders in 2022 and sellers had an average of 7.2 each. Orders ranged from one to 1,120 sacks.

→ **Prices:** The money producers receive for their coffee is fundamental. Sellers set their own price for their coffees on the platform, and the FOB price reflects what the exporter receives.

The c-price is a standard benchmark in many companies' reports. We've also included comparison to Fairtrade minimum pricing in parts of this report as this is another common point of reference.

Based on the total volume traded in 2022, the average FOB price paid by roasters on the platform was US\$6.71/kg. That's 42% above the average c-price that year.

But averages can hide the full picture.

Even the 'best' producers typically have a range of qualities in their harvest, with high volumes of blenders (usually 80 to 84 points) as well as high scoring coffees (85+).

Similarly, roasters often need high volumes for blends, alongside their micro-lot coffees.

The lower end of specialty coffee sales drives higher volumes and, as a result, the average FOB price.

CANTA GALO COFFEE X **BELL LANE ROASTERS**

Heron Reger de Carvalho Junior owns Fazenda Santa Galo in Brazil. He used to commit 50% of his production in forward cash sales contracts.

When COVID hit, his brother sold part of the farm and Heron's production plunged. As a result, most of his coffee was committed at low prices. At the same time, his costs went up.

Heron had just started selling to Bell Lane Coffee Roasters in Ireland. **In 2021, the roastery went from a three-bag order of a limited edition micro-lot to a large volume, mixing an espresso blend and filter lots. This was vital to support the farm's financial viability.**

A true win win. Their relationship continues to grow, with better prices and even more volume in 2022!

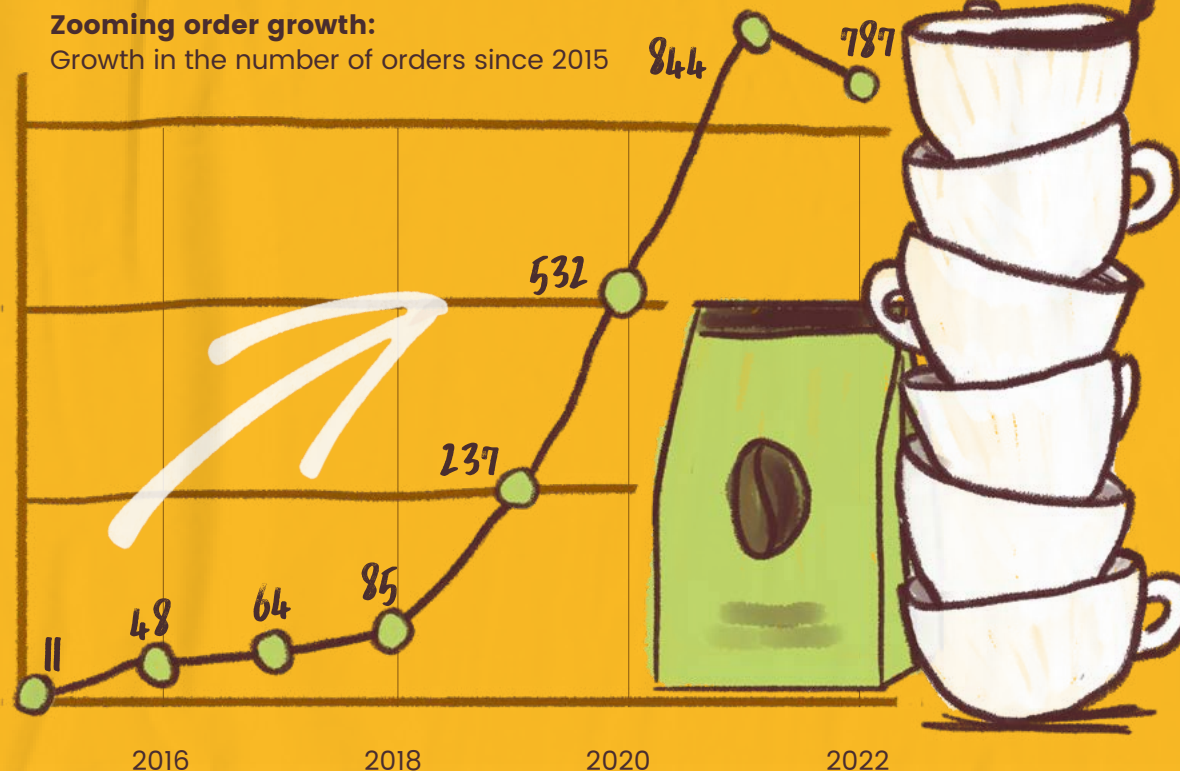


SUPPLY AND DEMAND

EVOLUTION OF ONLINE ORDERS

Zooming order growth:

Growth in the number of orders since 2015



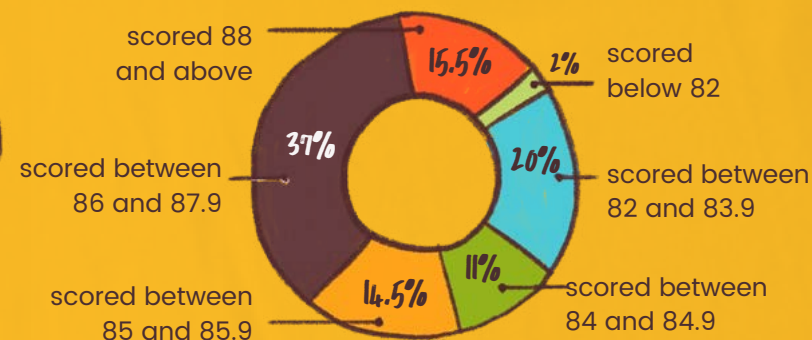
ORDERS BY CONTINENT IN 2022:



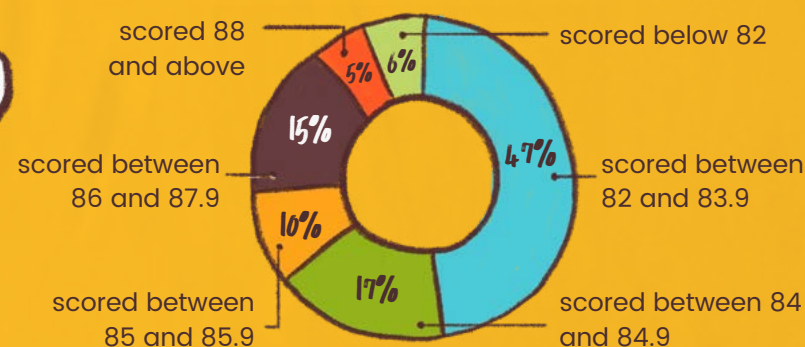
- Latin America: **65.4%**
- Africa: **33%**
- Asia: **1.7%**

IN 2022:

ORDER NUMBER BY QUALITY:



ORDER VOLUME BY QUALITY:



Producers can find market for a wide range of their coffees, from high-end micro-lots to large volume blends.

5. OUTCOMES + IMPACT: PROGRESS TO DATE

*Relationships, prices
and results that ripple.*

We've covered the importance of price and market access and our model goes beyond this. This chapter is about behaviour change from transactions to meaningful direct relationships.

There were just over 500 relationships on Algrano in 2022. 195 of these were "ongoing" – meaning the roasters and sellers had existing relationships for at least two seasons. The other 60% were new ones or one-offs.

Ongoing relationships are driving producer volumes on Algrano. In 2022, 77% of the volume of coffee traded was from ongoing relationships*.

This is huge. We track this metric closely, and since 2019, the volume this represents has increased by 50% and the number of producers and roasters in ongoing relationships has grown from 28 to 195.

* We define a relationship as a transaction between a roaster and a seller. Existing relationships refer to partners with repeated transactions in consecutive years.

These year on year sales provide roasters and producers more stability. There are also financial, operational and quality benefits. This is evidenced by the fact that almost 60% of the 195 ongoing relationships purchased equal or more coffee from that producer than in previous years.

As with price averages, percentages can also hide the full story. When we ignore volume and consider orders equally, the percentage of ongoing relationships drops to 40% of the total. So what's happening with the other 60%?

These represent a mix of first-time orders – where next year will have the chance to make it "ongoing", and one-off orders which are important to understand better.

There are multiple factors at play here, and we see the highest "churn" from small volume orders. These, we believe, are often for experimental lots where roasters look for variety, rather than consistency. But there is further potential to unlock here.



TWO WAYS TO SUCCESS

SANCOFFEE AND **GASHARU COFFEE**

Is success all about the length of relationships? Sellers can thrive both through ongoing partnerships and by attracting new buyers.

Take Sancoffee, a cooperative with a focus on consistent coffees for espresso and blends. With consistency and volume as a strategy, the coop grows slowly and organically. **More than 80% of the volume they trade on Algrano comes from ongoing relationships.**

Gasharu Coffee, an exporter in Rwanda, is a different case. The company earned roasters' attention with high-scoring experimental coffees. **In a couple of years, Gasharu got 66 buyers!** The exporter's volume is growing, yet less than 50% comes from ongoing relationships. This shows that investing in new buyers and retaining a proportion of them can also be part of a good long-term strategy.

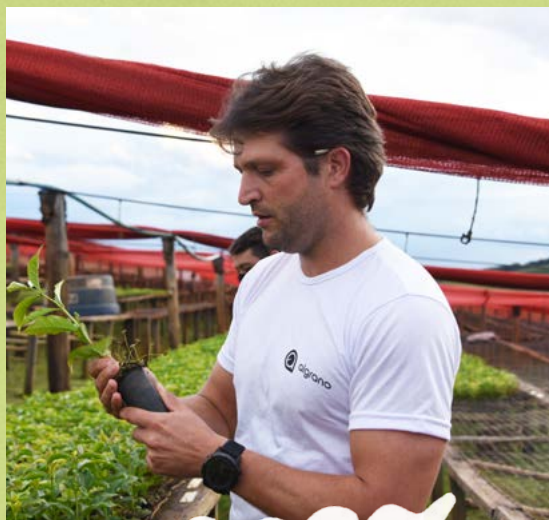
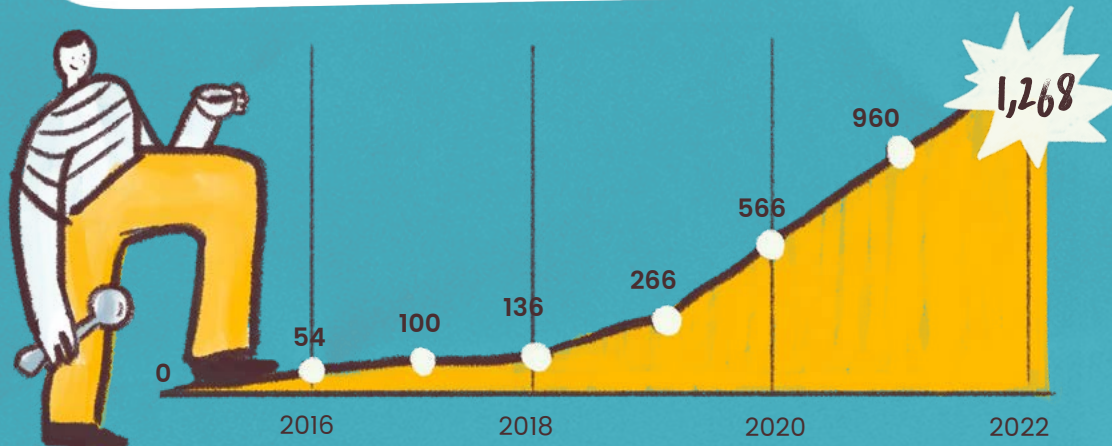


Image by Gasharu Coffee



THE EVOLUTION OF RELATIONSHIPS

RELATIONSHIPS CREATED SINCE ALGRANO'S LAUNCH



IN 2022:

77% OF ALL VOLUME

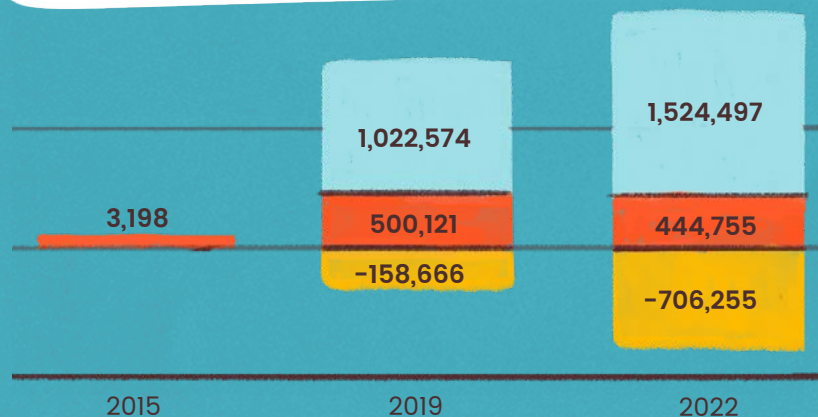
traded on Algrano came from ongoing relationships between roasters and producers. 33% of the volume came from new partnerships.

NEARLY 40%

of all relationships between producers and roasters are ongoing. Of these, 45% grew in volume. Around 60% of all partnerships are new.

Not all relationships continue. Producers could have sold 40% more volume if all 2021 partnerships carried into the new year.

RELATIONSHIPS GROWTH OVER TIME



- Churned relationships (by volume*)
- Existing relationships (by volume)
- New relationships (by volume)

* in tonnes of coffee.

SINCE 2019:



The volume traded in ongoing relationships grew **By 50%.**



7x GROWTH in ongoing relationships.



The number of **new relationships** doubled.

THIS SHOWS THAT RELATIONSHIPS ARE GROWING

and indicates that many roasters are in "discovery mode", shopping around for smaller lots.

Price Stability

A better price which is stable over time is synonymous with impact.

That's why we have analysed price stability across sales contracts on Algrano and compared it to the New York Coffee Exchange (ICE) futures price and the Fairtrade minimum price, two readily accessible (if incomplete) benchmarks.

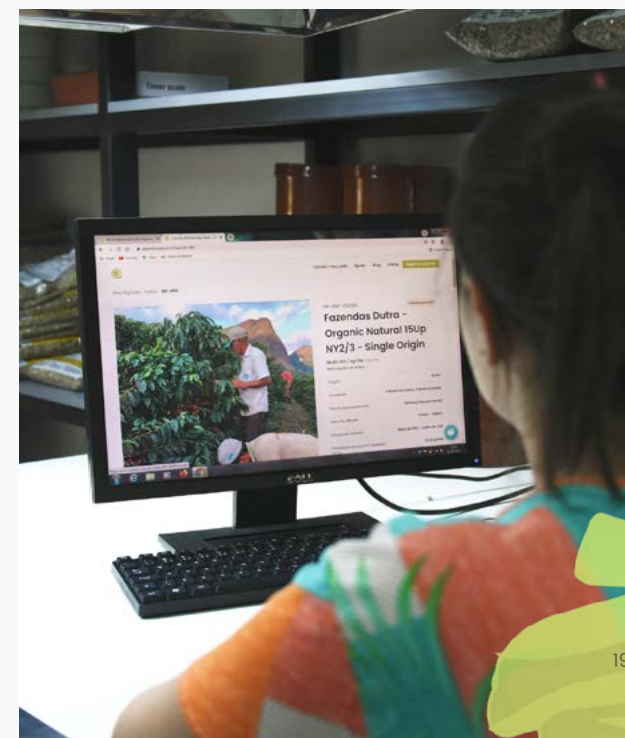
On average, platform prices were 42% higher than the futures price in 2022, despite commodity prices reaching a 10-year high.

Importantly, the variation of prices on Algrano was half of that of the c-price volatility.

Producers received above the c-price consistently. Since 2015, sellers have earned **US\$14.5 million** more on Algrano than they would have if they sold their coffee on the c-market.

Even if their coffees had been sold at the Fairtrade minimum price, they would still have earned nearly US\$10 million more.

This differential has grown steadily over the past eight years despite the market price spike seen in 2021 and 2022.



ADDING VALUE

AVERAGE ALGRANO'S PRICES 2021

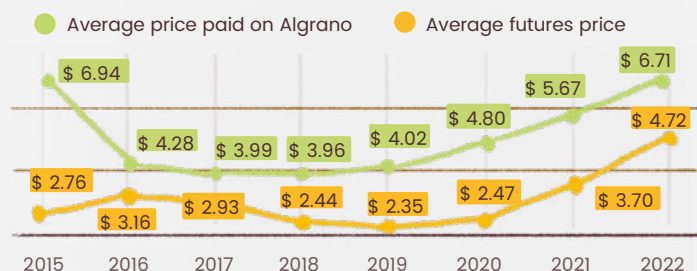


Average
c-price

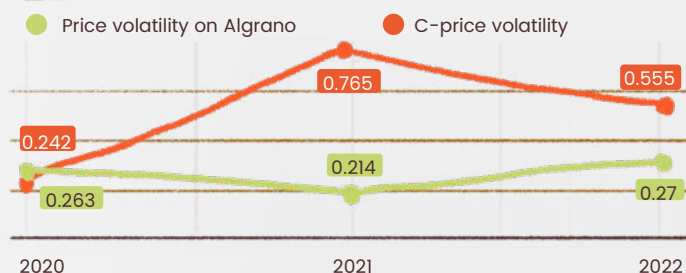


Average price/total
volume on Algrano

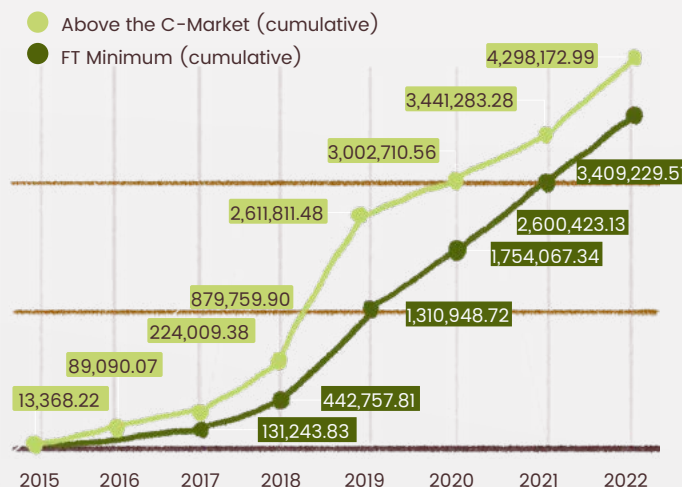
Algrano's prices vs futures prices (FOB in USD/kg)



Price Volatility On Algrano and C-Price Volatility



TOTAL VALUE PAID



PRODUCERS ON ALGRANO RECEIVED US\$14.5 MILLION

from roasters above the c-price since 2015. This is the equivalent of US\$9.7 million above the Fairtrade minimum price.



DON'T JUST TAKE OUR WORD FOR IT

We did a survey with Verified Sellers on our platform and this is what we've learnt.

Especially at the start, Algrano can be a small proportion of a producers' sales. They have other sales channels too – often exporters or local middlemen.

So one could argue that even if the sales through Algrano are high value, they may not have a significant impact on the sellers overall business. But is that the case?

To broaden our understanding of how the platform fits in the wider supply chain, we asked producers to evaluate the marketplace's impact on their profitability, resilience and optimism.

The results of our satisfaction survey were positive on all three fronts and similar between micro and small businesses and medium companies.

- **Profitability:** Almost 60% said that the platform makes their farm or business more profitable overall.
- **Resilience:** 56% of sellers agreed that their farm or business has become more resilient to market volatility thanks to their sales on Algrano.
- **Optimism:** Selling coffee to roasters on the platform makes nearly 69% of sellers feel more positive about their future in coffee.



FOUR LEVELS OF SELLER SATISFACTION

60% OF PRODUCERS SELLING COFFEE

on the platform have become more **profitable**.

THE KNOWLEDGE GAINED BY 66.2%

of producers on Algrano helps them **sell coffee** on the platform and through other channels.

69% OF PRODUCERS

on Algrano **feel more positive** about their future in coffee after selling coffee to roasters on the platform.

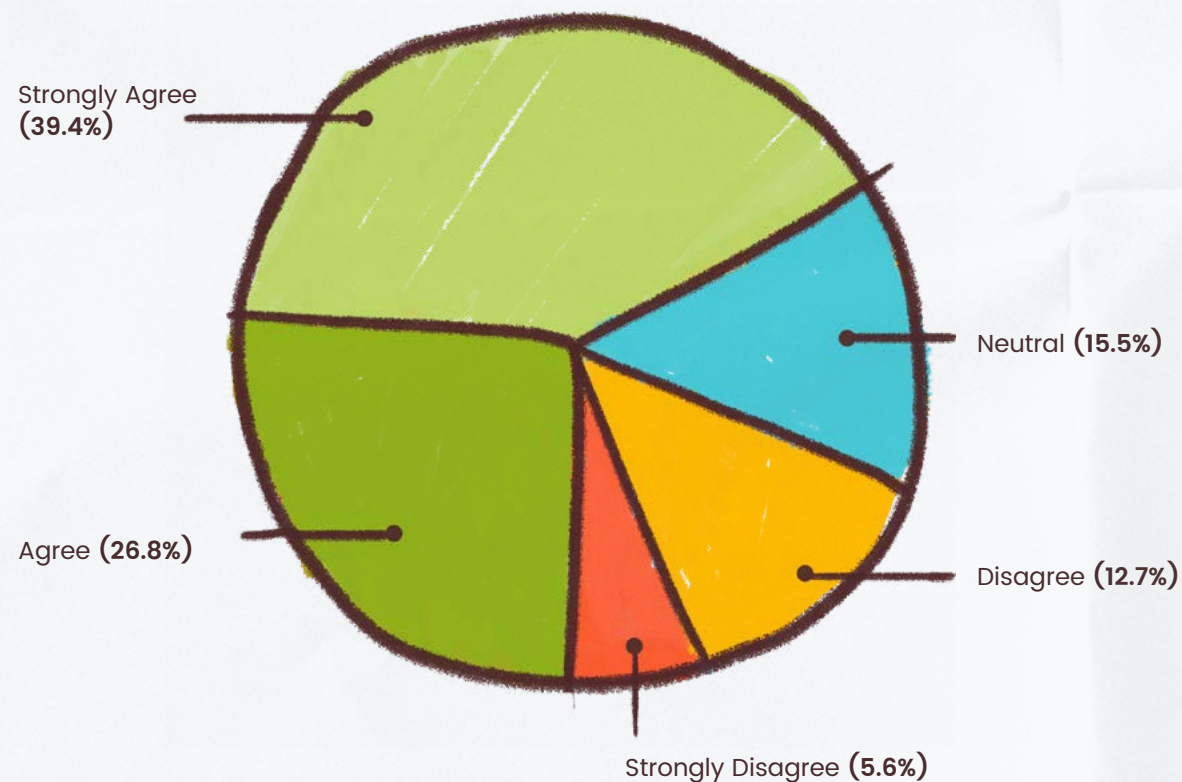
56% OF PRODUCERS

selling coffee on Algrano **have become more resilient** against supply chain instability.



KNOWLEDGE IS POWER:

How much do you agree with this sentence: "The knowledge I gained via Algrano about roasters and the European market helps me sell coffee on Algrano and beyond"?



In 2022, 32.4% of sellers sold more coffee to Europe through Algrano (nearly 40% including first-timers) than the year before. Another 35.2% maintained their volume.

Using the platform brought yet another benefit to producers. The knowledge they gained about roasters on Algrano helped 66% of them sell coffee through other channels.

6. LEARNINGS AND ACTION PLAN: WHAT'S NEXT

*What we've learnt from the data
and what we plan to do about it.*

Stepping back, it's awesome to see how our simple vision to change how coffee is traded has generated really meaningful impact for hundreds of producer businesses and roasters around the world.

These results are really encouraging. And they can get even better. Two of the biggest opportunities for greater impact are:

- To support relationships to develop year on year.
- To help producers sell more of their coffee through Algrano.

Learnings

1. **Large volume drives long term relationships.** As we've seen from the data, and the story featuring Kaffeemacher and APAS, there are win-win benefits for both producer and roaster from stability.
2. **Ongoing relationships are not the only path to growth.** Smaller purchases don't turn into partnerships as much as bigger ones. But many sellers seem to benefit from a hybrid sales strategy with a mix of new buyers and long-term partnerships.

3. **Algrano's marketplace can contribute more to the satisfaction of sellers.** Around 17% don't believe the platform made them more profitable. Another 25% were neutral. We want to reduce these numbers.
4. **Roughly 40% of sellers offer smallholder coffees.** But Algrano doesn't provide much visibility beyond the seller level. There is space for more traceability.
5. **Algrano must embrace environmental sustainability.** In 2022, 50% of the volume traded on the platform had a certification with environmental standards. But this type of impact is indirect, because producers do the heavy-lifting. We need to do more.
6. **Price benchmarks can go beyond the c-price.** We want to take quality into account and include farm gate prices to make even more meaningful comparisons



WHAT WE'LL DO NEXT

Based on our performance, we identified four key areas for improvement: relationship strength, seller profitability, traceability, and mitigation of carbon emissions.

We are committing to a three-year sustainability strategy. This will be tracked and results will be shared in yearly updates.

1 WE WILL MAKE RELATIONSHIPS STRONGER.

Objective: Grow the percentage of ongoing relationships from the current 40% to at least 60%. To get there, we will:

- Further develop features to turn the platform into a sales powerhouse for producers.
- Develop training for farmers and aggregators so they can make the most of the platform and relationships.

2 WE WILL IMPROVE SELLER SATISFACTION.

Objective: Increase the satisfaction and profitability of at least two-thirds of producers selling on Algrano. We will:

- Expand into a new buying market, developing a network of roasters in the United States in 2023.
- Track seller success and update our onboarding strategy to balance supply and demand according to the success of existing sellers.

3 WE WILL MAKE ALGRANO'S SUPPLY CHAIN EVEN MORE TRANSPARENT.

Objective: Bring visibility to the supply chains of aggregators and increase participation of smallholders. We will:

- Make the seller verification process more extensive and improve the visibility of key data points.
- Develop digital tools to pilot smallholder integration.
- We'll build price transparency beyond FOB.

4 WE WILL DEVELOP A STRATEGY AROUND DIRECT ENVIRONMENTAL SUSTAINABILITY.

Objective: Understand our carbon emissions and develop a long-term strategy. We will:

- Analyse the contributions of the company and our supply chain towards carbon emissions in 2023.
- Publish a strategy by the end of 2024.



www.algrano.com

Allmendstrasse 5, 8002 Zürich, Switzerland