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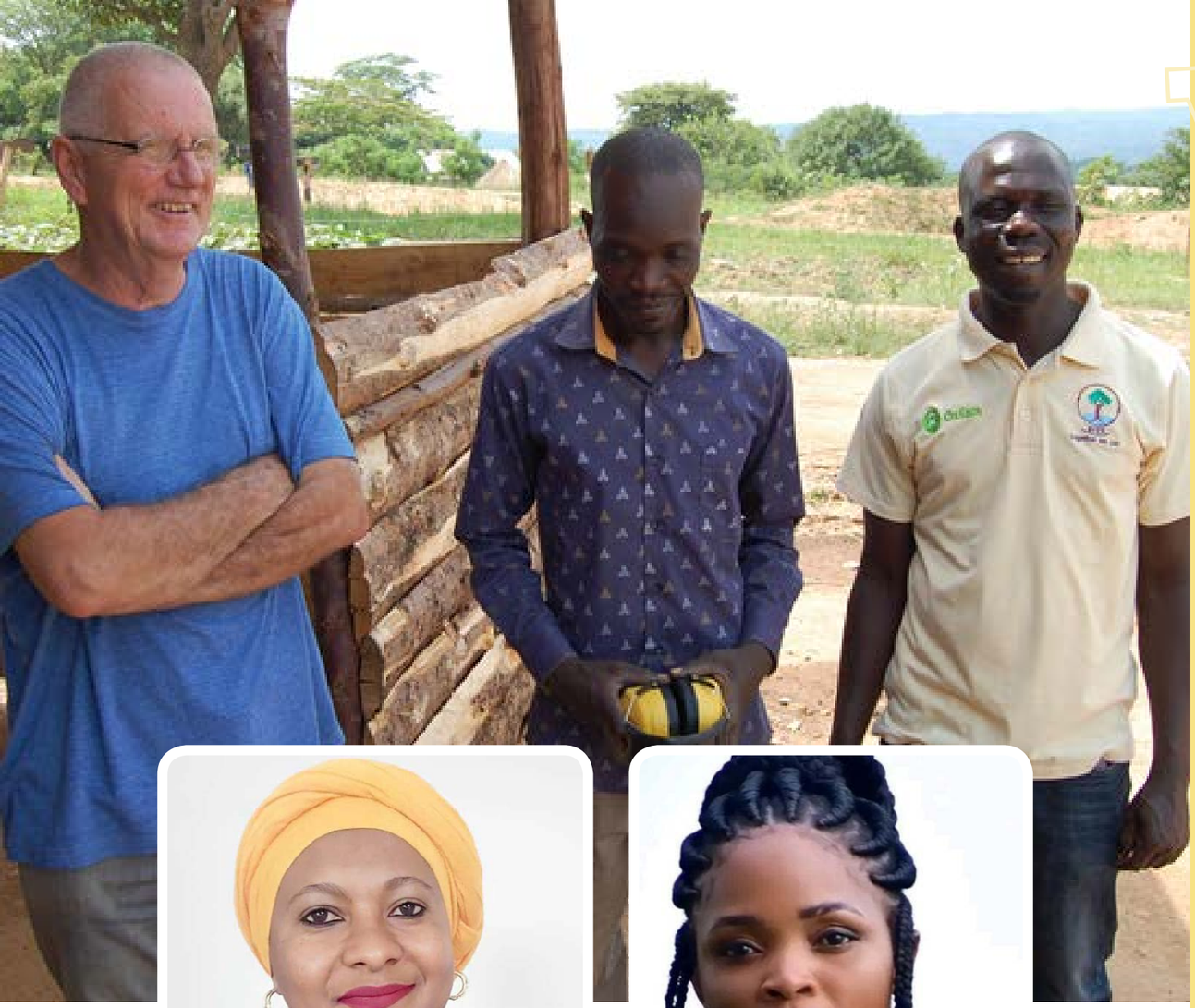
2022

ZOMBO COFFEE PARTNERS

SOURCING AND SUSTAINABILITY



Welcome!

We had a busy year. Highlights included:

- *The highest coffee cherry prices ever paid to our farmer partners*
- *A major impact on the prices paid to all coffee farmers in our operational area*
- *The biggest volume of cherry ever from our farmer partners*
- *Starting to dry-process at Jukia Park coffee factory*
- *Constructing a coffee microstation at Jukia Park and starting to wet-process there*
- *Visits from our customers and friends from the Netherlands, Poland and elsewhere*
- *The start of a new project in Regenerative Agriculture, funded by the Dutch government*
- *Expanding existing microstations and constructing two new ones*
- *Better export prices for our coffees than ever before*

There were also setbacks of course, such as:

- *A lower outturn from cherry to green coffee compared to previous years*
- *A cancelled contract from a new buyer, due to quality and volume issues*

But we survived the setbacks, sold all our coffee and are looking forward to the 2023-24 season with anticipation!

All the best and thanks to everyone from Andy, Aggrey, Phiona, Bosco, Drinah and our partner microstations Ajere, Ambe, Ayaka, Ayanyunga, Culamuk, Gonyobendo, Leda, Mitapila, Ndhew and Pamitu.

The price we pay for coffee cherry impacts farmers all over the Alur Highlands, not just those we buy from

During the 2022 coffee season the New York price collapsed from a high of $2.41/lb in late August, just before the harvest, to a low of $1.60/lb in early November, mid-season, but the price for coffee cherry in Zombo stayed at the highest level ever. The average price we paid for fresh cherry was $0.63 per kg, equivalent to $2.16/lb for export coffee, at the average outturn and exchange rate. This is just for the raw material, before any transport, processing, export or overhead costs. This price was matched by our competitors.

Given the catastrophic drop in New York, the historically high price for fresh cherry is hard to understand. How can local coffee buyers afford to buy raw cherry at prices above what the international market is offering for export-quality green coffee delivered to the consumer country?

One reason is the value being added. Increasingly buyers are adding value by processing coffee in central processing stations and selling it as specialty coffee at prices above New York. This means they can afford to pay more to farmers.

But there's something else going on as well. We realised this when we stopped buying cherry. Normally we buy throughout the season, but in 2022 there was a bumper crop and the coffee came in quicker than expected. We had just enough cash to cover the contracts we'd signed with our customers, so when we'd bought that coffee we had to stop. The date we stopped buying was 9th November, still in peak harvest. The next day, the local price for coffee cherry throughout our operational area dropped by 28%, and stayed down from then until the end of the harvest in December.

The international market price had lost 33% of its value in a few weeks. But oddly, the local cherry price remained at the same level right until the day we stopped buying.

So, it began to look as though we were the ones keeping the local cherry price up. Our presence in the market paying a high price - we had fixed our contract prices in advance and could afford to pay – meant that everyone else had to match our price to get their coffee. If this is true then, small as we are, our impact is far wider than just our own farmers. It helps to improve the livelihoods of all 20,000 coffee farmers in the Alur Highlands.

Visits from friends

In May 2022 we had a long-awaited visit from This Side Up Coffee and **Wakuli Coffee**, our good friends and loyal customers since we started the business in 2018. **Lennart, Maarten** and **Kerissa** spent some days with us, together with **Meine**, (at that time with Dutch non-profit MVO, now at **Wakuli** Coffee). **Travelling** with them were Derrick from our old friends **Ankole Coffee Producers Cooperative Union**, Alec from **Coffee Quest** in NL and **Jim** from Brand Coffee Farm in **Mubende.** At the end of the visit we had a workshop with representatives from all the **microstations.** Many thanks to **Meine** and **Maarten** for their photos of the visit, showcased here. They were visiting as part of a scoping mission for a new project, Future-Proof Coffee Uganda. We describe the project elsewhere in the report.

We also had visits from **Bartek** and **Aga** of **Anfrawer** Coffee in Poznan, Poland, who bought coffee from us, and from **Renée** of Grounded Investment Company in South Africa.










Future-Proof Coffee Uganda - a regenerative agriculture project

This project is the brainchild of the Dutch non-profit MVO, who invited our buyer This Side Up to be a project partner, with Zombo Coffee as the Ugandan counterpart. TSU asked its own customer Wakuli Coffee to take its place in the project. The project is mostly funded by the Dutch government (FVO) but also partly by the Dutch and Ugandan partners. We are working with Wakuli Coffee as one of three pairings of Ugandan producer with Dutch roaster.

The project addresses three issues:

1. Underpayment of farmers for their coffee

2. Environmental degradation in the coffee lands

3. Gender inequity in coffee production

The initial phase of the project was a scoping study establishing baselines using econometric data and interviews to look at farmer income, satellite image analysis for soil and vegetation cover, forestry loss, and historic climate data for incidents of drought, high temperatures, flooding, etc. The findings of Phase One were sufficient to establish a case for a 3-year project to be undertaken. Particularly worrying were the recent history of forest loss and the incidence of droughts, which on average occur every two years with a severe drought every four years. The project was approved in early 2023, so had not started in the period covered by this report. We will report on project activities and interim results next year, in S&S 2023.

The major focus of the project will be on learning the technologies of Regenerative Agriculture. It would be naïve to expect a short project like this to have a genuinely transformative impact on the three areas of focus. These are deep-seated problems, some local (such as deforestation) but mostly global, such as climate change and the structure of the international coffee market. This fact will limit the effectiveness of such an intervention, just as it is preventing the world from acting in unison to tackle climate change.














So why is the project worth doing? From our perspective, it's about gaining knowledge about our local environment so that we can better adapt to changing conditions. Our farmers don't have enough knowledge, and neither do we. We need to try out a range of options for planting regimes, compost-making, soil moisture conservation, soil erosion control, managing stormwater runoff so that instead of carrying away topsoil it's conserved where it can benefit the coffee and food crops in the dry season, and so on. The long term aim is to increase the volume, quality and predictability of the coffee harvest, and the diversity of crops, to improve farmer livelihoods. We can't single-handedly transform the coffee landscape, but we can do something, so we must.

Jukia Park Coffee Factory and Microstation

We finished the new coffee store at Jukia Park and installed a Pinhalense microlot huller/grader, and began hulling, grading and handsorting coffee on 28th February 2022, and shipped in June. The following harvest (Sep to Dec 2022) we were able to begin dry-processing at the end of October, a full four months earlier than the previous season, and started to ship coffee in February 2023, a much better performance.

As well as the dry mill and coffee store at Jukia Park, we began constructing a processing station for fresh cherry, and buying from the coffee farmers around us. This is a new departure, which gives us direct control and allows us to experiment with processing methods in a systematic way.


Coffee experiments

We tried anaerobic fermentation for the first time and got some encouraging results. We produced several experimental lots, including cherry fermented in polybags and then pulped and fermented again; a somewhat funky coffee. Some cherry was fermented in 240-litre tanks under water, for 24, 36, 48, 60 and 72 hours; some with CIMA and ORO yeast, courtesy of Margaret at Lalcafé – for which much thanks. A fascinating process altogether, finding ways to bring out the hidden treasures of flavour in our coffees.

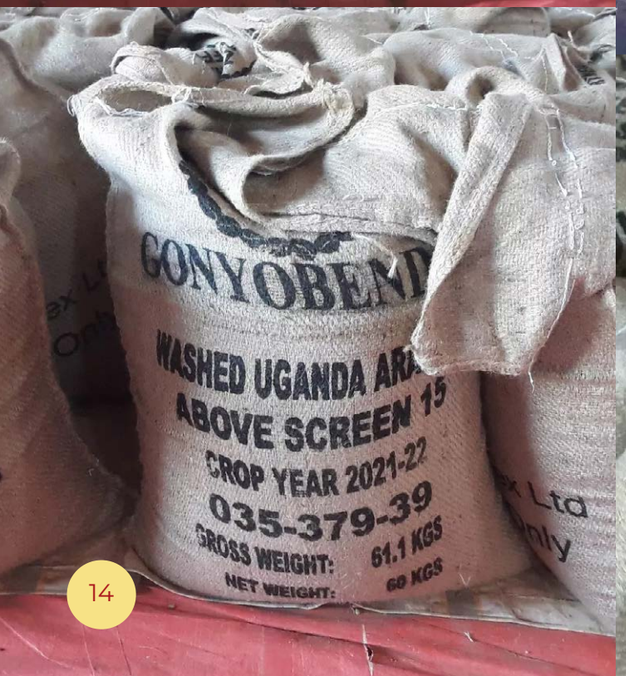
We also had an intern, Esther Van Mourik, a food technologist from an agricultural university in The Netherlands, whose task was to see if it is possible to produce a drinkable coffee from rejected unripe and half-ripe cherries. Not an easy task! She fermented the unripe cherries with sugar, bananas, lemons and oranges, and produced some interesting results. In general, the longer the fermentation period the more acceptable the coffee. Many thanks to our old friend Ghislaine Bongers for finding and briefing Esther, and to our consultant Q-Grader Clare Rwakatogoro, for assessing the results of Esther's work.

The Microstations

Our ten microstation partners had a mixed year. Buying unripe or half-ripe cherries was an issue affecting cup quality, especially in the fully-washed coffees. The naturals seem less affected, perhaps because the cherry continues to ripen for a day or two as it starts to dry. For almost the first time we had an issue of delivery shortages, losing several tonnes of coffee between prefinancing fresh cherry at the microstation, and receiving dry coffee at the store. This problem was present at nine out of ten microstations, and is making us think very hard indeed about the way we do business with our microstation partners. We are looking forward to our annual Season Review and Planning to discuss, debate and hopefully resolve these issues collectively.

We estimate that during the coffee harvest and during dry-processing afterwards, the specialty coffee business that we do each year employs a minimum of 250 people. 150 of these work at the 10 microstations, and the other 100 are at Jukia Park, both permanent and casual workers, including the factory labourers and the women handsorters. Heartfelt thanks to all of you.

Partner	Altitude		Members			Coffee	District
microstation	metres	feet	Women	Men	Total	trees	
Ajere	1,590	5,217	32	105	**137**	39,515	Zombo
Ambe	1,480	4,856	93	179	**272**	82,446	Zombo
Ayaka	1,620	5,315	66	121	**187**	20,245	Zombo
Ayanyunga	1,572	5,158	50	150	**200**	52,000	Zombo
Culamuk	1,370	4,495	63	48	**111**	36,980	Nebbi
Gonyobendo	1,495	4,905	51	103	**154**	46,508	Nebbi
Jukia Park	1,250	4,101	6	41	**47**	18,808	Nebbi
Leda	1,506	4,941	49	60	**109**	43,884	Zombo
Mitapila	1,600	5,250	50	100	**150**	39,000	Zombo
Ndhew	1,445	4,741	40	74	**114**	53,739	Nebbi
Pamitu	1,641	5,384	99	138	**237**	24,940	Zombo
11			**599**	**1,119**	**1,718**	**458,065**	
Organic in conversion microstations in green			35%	65%	**267**	**41,642**	



Customers

This Side Up, our original and deeply valued customer, bought coffee from us again for the fourth year in a row.

Havana Coffee Works was our excellent customer for the third year running and contracted for the fourth year, but our friend Joe, Havana's master roaster, could not make it to visit us as planned, due to other commitments. We hope to welcome Joe and his colleagues in 2023. Havana plans to buy two containers from us in the coming season, which is truly great news.

In October we had a surprise visit by Bartek and Aga from Anfrawer Coffee in Poznan, Poland. We straightaway clicked with these two lovely people and the visit resulted in an order for triage, (the first time we've exported our hand-sorting rejects), and for some of the anaerobic-fermented naturals from Jukia Park.

We also sold triage to Fairchain Kenya, a Dutch-owned company in Athi River, our second new customer of the year. Our old friend Lydia, who is their roaster, initiated the contact.

The description of our coffee by This Side Up in Amsterdam.

Uganda

Uganda 2023 is in. Find fresh washed microstation lots in the shop and, after popular request, more naturals as they proved to be a great replacement for both funky and more standard Ethiopian naturals. This year's cup is generally bold and complex with interesting dark and tropical fruit tones.