



CONTACT US

Please do feel free to make direct contact with us simply choose a suitable channel:

For trade enquiries: jason@zombocoffee.com

For technical enquiries: andy@zombocoffee.com

For general enquiries: info@zombocoffee.com

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SOURCING AND SUSTAINABILITY

2020



ZOMBO
COFFEE
PARTNERS

WELCOME

Welcome indeed. What a year it's been. And it's not over, the end is not even in sight. In Uganda we've been luckier than most. At the time of writing (November 2020) we've had fewer than 150 confirmed COVID-19 deaths. Cases are on the increase here but even so it seems that we are escaping the worst of the pandemic. Long may that continue, and our hearts go out to everyone less fortunate.

At Zombo Coffee Partners we've been lucky in other ways too. **This Side Up**, our original buying partner, stuck with us through thick and thin, and we gained two new buying partners. **This Side Up** increased its order from 38 bags in 2019 to 190 bags in 2020. Its customers include Roast Factory, Wakuli Coffee and Gosling Coffee, among others; heartfelt thanks to Lennart, Mathieu, Maarten, Bas, Stefan, Yorick, Yasha, Bonnie and Dick. **OLAM Specialty Europe** came in for the first time this year with 39 bags and paid the highest price of the year for 9 bags of "natural" coffee from Ndhew microstation. In response, our partner farmers are producing far more natural coffee in the current season. Thanks so much to Phil, Ross, Bertie, Howard and the team. A special mention goes to **Havana Coffee Works**, who bought 451 bags of our "Zombo Classic" fully-washed coffee from a standing start in a single season. After Havana's initial order of 151 bags, that second contract for 300 bags actually saved us. Lockdown was worldwide. Specialty coffee outlets were shut up tight. We faced the very real possibility of having

to sell the coffee as a standard bulk commodity instead of the high-quality craft product it is. New York was stuck at a dollar. No-one in the world seemed to be buying coffee till Havana decided to help us. So, very grateful thanks to Geoff, Joe, Kalpesh, Lee and the team.

And thank you most of all to our **farmers**, our producer partners, without which nothing would be possible. Bless us all.

This year we welcome a new team member, **Phiona**, who will be responsible for developing our retail range, and for overseeing our organic conversion programme that started in September 2020. Exciting!

From now on each year we will ask one of our buyers to say something about why they buy from us, and about their general take on things coffee. This year we're asking our very first buyer, **Lennart Clerkx** of This Side Up in Amsterdam. We are honoured to have Lennart as a customer, friend and mentor. He's one of the most radical and important thinkers and actors in the specialty coffee world today.

We hope you enjoy the report, and even more important, that you enjoy our coffee!

Best wishes and stay safe please.

Aggrey, Jason, Andy & Phiona



REMARKS BY LENNART CLERKX OF THIS SIDE UP



At This Side Up we first encountered Zombo Coffee Partners in August 2018. It was immediately clear that our thoughts are aligned about much-needed equality in partnering with farmer groups, and Andy's experience in the field has proved itself if only in the upgraded quality in the green beans from this harvest (2020-2021) compared to the last. Any snippet of knowledge we or our customers need about any of the microstations and the farmers involved, we know we will receive it quickly and concisely when dealing with Aggrey, Jason and Andy. They have shown themselves to be one of our most proactive producer partners when it comes to creating content, special lots and even investment schemes for specific customers, showing that Zombo is becoming an excellent link between client wishes and the realities on the ground. We need heroes in the field whose mission is to help farmers bridge this often insurmountable knowledge gap and help them gain access to the opportunities that one would expect from an equal partner farmer.

This Side Up can be quite an exigent customer. We've made several out-of-the-ordinary demands on Zombo, such as asking them to act as a trade facilitator for other Ugandan coffee farmers, making complicated post-harvest blends, and even asking them to extend trade finance to roasters. The most important is that they always kept us up to speed with current developments, and coming out of these trials and tribulations together has ended up making us even closer as partners and friends.

In short, Zombo is not our exporter in Uganda, but the Ugandan arm of a vision that both This Side Up and Zombo are promoting throughout the coffee world. A company like theirs is a tribute to what we think is the future of development aid, i.e. to become the market connection that is usually only preached about. It is a privilege to have such talented "development entrepreneurs" as part of the TSU family.

Lennart Clerkx





OUR BUSINESS

We offer high quality arabica coffee and a pioneering African coffee business model, a unique hybrid of a private shareholder company in partnership with a group of smallholder coffee cooperatives.

What we do now

- We share our profits with the farmers who supply our coffee.
- We offer shares in the company to our partner farmers.
- We offer a high level of traceability and financial transparency to our buyers.
- We support our buyers with comprehensive information about our coffees, photos of farmers, the microstations in action, and daily life in the Alur Highlands.
- We train our farmers on production, harvesting, processing for quality and organic standards.

Our aspirations

- To pay a final price to the farmer which is significantly above the market every season.
- To achieve 25% equity ownership in our company by our partner farmers.
- To work with our partner farmers over the long term as they slowly transform their livelihoods.
- To work with our value-chain partners to break free of the C-price trap for coffee as a commodity.
- To help to make the Alur Highlands a known region for specialty arabica coffee in East Africa.



OUR FARMERS AND THEIR MICROSTATIONS

Coffee microstations, and the farmers who build, own, manage and supply cherry to them, are the beating heart of our business. They are our first partners, the key reason for our business to exist.

The coffee microstation is a farmer-owned business model which produces consistently high quality coffee at a very small scale. It is a miniature central coffee washing station that is within the means of a small group of farmers to construct and manage, with a minimum of external support. Its purpose is for smallholders by their investments and their work to increase the quality, consistency and selling price of their coffee, and thereby maximise their income and participate meaningfully in the coffee value chain.

Partner Microstation	Altitude		Members			Coffee	District
	Metres	Feet	Women	Men	Totals	Trees	
Ajere	1,590	5,217	20	65	85	39,515	Zombo
Ambe	1,480	4,856	93	180	273	82,446	Zombo
Ayaka	1,620	5,315	32	58	90	20,245	Zombo
Culamuk	1,370	4,495	63	48	111	36,980	Nebbi
Gonyobendo	1,495	4,905	51	103	154	46,508	Nebbi
Ndhew	1,445	4,741	41	75	116	53,739	Nebbi
Pamitu	1,641	5,384	39	46	85	24,940	Zombo
			339	575	914	304,373	



OUR COFFEES

We offer an increasing range of coffees, as we expand our microstations and begin on organic conversion.

- Named microstation fully-washed Screen 15+
- Named microstation fully-washed Screen 15+ Organic in conversion
- Named microstation natural Screen 15+
- Zombo Classic fully-washed Screen 15+ (sourced from the group of microstations)
- Zombo Classic fully-washed Screen 15+ Organic in conversion (from selected microstations)
- Zombo Classic Peaberry (typically 6-8% of our total production)
- Women's natural coffee Screen 15+ (either from named microstations or from the group)
- Culamuk microstation "Pacamara" fully-washed (Screen 16 to 20+, very small volumes)
- Ambe microstation yellow honey coffee Screen 15+
- Gonyobendo microstation white honey coffee Screen 15+



Producer	Ndheh Micromill
Country	Uganda
Region	Zombo
Number of cuppers	1
Average score	86.5
Score range	86.5 - 86.5
Fragrance/Aroma	8.25
Flavor	8.25
Acidity	6.0
Body	6.0
Aftertaste	7.75
Balance	6.25
Overall	8.0
Uniformity	10.0
Clean cup	10.0
Sweetness	10.0
Defects	0.0



mild



QUALITY

Despite the laudable efforts of SCA and the CQI to develop universal quality standards and to train Q-graders to give the same coffees a similar cup-score using the SCA system, we have found, through the experience of sending samples to scores of potential buyers each year, that cup quality remains quite subjective. In last year's S&S Report we published a table showing the same coffees cupped by different buyers, the scores varying by as much as 8 points. We expressed our bewilderment in that report. This year we are showing two sets of results only, both from companies who actually bought our coffee, This Side Up and Havana Coffee Works.

Zombo Coffee Partners Ltd 002UGA	Land Sample	
Date	11.9.20	
Cupper /Grader	JOE	
Cup Score	86.0%	
Moisture Reading/ Density	10.8%	1176.66
Water activity	NA	
Green color Gradient	Greenish	
Roasted Defect:# of quakers	-	
Flavour notes/comments:	sweet dark plum stewed fruit, pleasant low acidity, caramel nougat chocolate hint of melon	
Status:	Approved	

Ndheh and Ajere microstation landed samples - cupping results from This Side Up Coffee. Sorry it's hard to read. The scores are Ndheh fully-washed 86.5, Ajere fully-washed 86.

002UGA



Producer	Ajere Micromill
Country	Uganda
Region	Zombo
Number of cuppers	1
Average score	86.0
Score range	86.0 - 86.0
Fragrance/Aroma	8.0
Flavor	8.0
Acidity	7.75
Body	6.25
Aftertaste	8.0
Balance	8.0
Overall	8.0
Uniformity	10.0
Clean cup	10.0
Sweetness	10.0
Defects	0.0



vibrant soft deep lingering rounded syrupy smooth



Zombo Classic Lot 1 landed sample - cupping results from Havana Coffee Works.

We are biased of course, but it seems to us that these scores (86.5, 86 and 86) give a fair account of the quality of our coffees in 2019-20.

PAMITU C.G.C.S LTD	
MEMBERSHIP REGISTRATION STATUS 2019	
MALE	ADULT 109
FEMALE	60
TOTAL	169

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Cherry Purchase Day Sheet 2020							
Microstation: GONYOBENSO		Brought forward:					
Day	Date	Total Daily Kgs	Price/kg	Total Value	Cumulative kgs	Cumulative value	Paid ca
1	01/9/2020	251	1100	276100	251	276,100	2761
2	02/9/2020	1227	1100	1,349,700	1,478	1,625,800	1,349
3	03/9/2020	7208	1100	7,928,800	8,686	9,554,600	7,928
4	04/9/2020	8762	1100	9,638,200	17,448	19,192,800	9,638
5	05/9/2020	446	1100	490,600	17,894	19,683,400	4,906
2			1100	145,200	18,026	19,828,600	14,500
3			1100	1,573,500	18,169	19,985,900	1,573
51			1100	3,356,100	21,220	2,334,200	3,356
52			1100	4,237,200	25,072	2,757,9200	4,237
91			1100	7,360,100	31,763	3,493,9300	7,360
299			1100	5,828,900	37,062	4,076,8200	5,828
04			1100	4,244,400	41,466	4,561,2600	4,244
18			1100	2,879,800	44,084	4,849,2400	2,879
30			1100	4,653,000	48,314	5,314,5400	4,653
3			1100	7,494,300	55,127	6,063,9700	7,494
25			1100	4,207,500	58,952	6,484,7200	4,207
2			1100	5,194,200	63,674	7,004,1400	5,194
9			1100	6,576,900	69,653	7,661,8300	6,576
2			1100	5,082,000	70,115	7,712,6500	5,082
3			1100	3,389,000	70,423	7,746,5300	3,389

Buying Note No: 18077	Member Code: 050	Date: 27/09/2020	Member name: CHENARAC SIEMEN	Kgs cherry: 2kg	Price: 1200	Total to pay: 2400	Buying Officer name: [Signature]	Member sign: [Signature]
Buying Note No: 18078	Member Code: 049	Date: 27/09/2020	Member name: CHENARAC SIEMEN	Kgs cherry: 2kg	Price: 1200	Total to pay: 2400	Buying Officer name: [Signature]	Member sign: [Signature]
Buying Note No: 18079	Member Code: 040	Date: 27/09/2020	Member name: CHENARAC SIEMEN	Kgs cherry: 2kg	Price: 1200	Total to pay: 2400	Buying Officer name: [Signature]	Member sign: [Signature]
Buying Note No: 18075	Member Code: 041	Date: 27/09/2020	Member name: CHENARAC SIEMEN	Kgs cherry: 2kg	Price: 1200	Total to pay: 2400	Buying Officer name: [Signature]	Member sign: [Signature]
Buying Note No: 18080	Member Code: 031	Date: 27/09/2020	Member name: CHENARAC SIEMEN	Kgs cherry: 2kg	Price: 1200	Total to pay: 2400	Buying Officer name: [Signature]	Member sign: [Signature]

Buying Note No: 18073	Member Code: 021	Date: 27/09/2020	Member name: CHENARAC SIEMEN	Kgs cherry: 4kg	Price: 1200	Total to pay: 4800	Buying Officer name: [Signature]	Member sign: [Signature]
Buying Note No: 18074	Member Code: 022	Date: 27/09/2020	Member name: CHENARAC SIEMEN	Kgs cherry: 4kg	Price: 1200	Total to pay: 4800	Buying Officer name: [Signature]	Member sign: [Signature]
Buying Note No: 18076	Member Code: 023	Date: 27/09/2020	Member name: CHENARAC SIEMEN	Kgs cherry: 4kg	Price: 1200	Total to pay: 4800	Buying Officer name: [Signature]	Member sign: [Signature]
Buying Note No: 18077	Member Code: 024	Date: 27/09/2020	Member name: CHENARAC SIEMEN	Kgs cherry: 4kg	Price: 1200	Total to pay: 4800	Buying Officer name: [Signature]	Member sign: [Signature]
Buying Note No: 18078	Member Code: 025	Date: 27/09/2020	Member name: CHENARAC SIEMEN	Kgs cherry: 4kg	Price: 1200	Total to pay: 4800	Buying Officer name: [Signature]	Member sign: [Signature]

TRACEABILITY

Tracing back

The microstations keep meticulous records of their members and the coffee they deliver. For each day-lot, each microlot and each microstation we know which farmers delivered the coffee. At the moment we don't cup every day-lot from every microstation, they are bulked into delivery lots of 60-100 bags, each of which we sample, cup, label and store separately. Once our lab is established and we have a professional cupper we plan to cup day-lots and add more value to the very best coffees.

Tracing forward

We are interested in who roasts our coffee and who they sell it to. We offer our partners in consumer countries a full range of support on the coffee they have bought: information, photos, stories, interviews. We warmly welcome our buyers and their clients to visit us. Our farmers want to meet the people who buy their coffee, they want to know what people think of it, and they are delighted to compare their local roasted coffee with the retail and wholesale products roasters bring to show them.





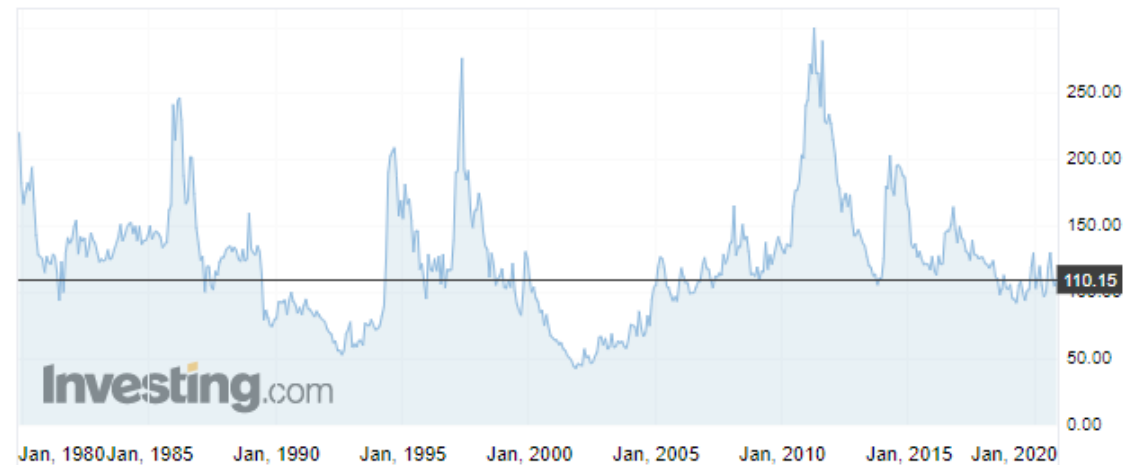
TRANSPARENCY

In 2018-19 we stayed ahead of the competition on price to the farmer, paying an average of about 20% more. In 2019-20 the local price paid to farmers for their coffee cherry suddenly jumped. It started 60% higher than in 2018, even though New York was actually lower at that moment than it had been the year before. Hard to explain. The much higher local price meant that we could not afford to outbid the competition, we would have run out of cash. And we feared a price war with competitors whose pockets are much deeper than ours. So we hung in there and paid the price, equivalent to USD 0.36 per kg of fresh cherry.

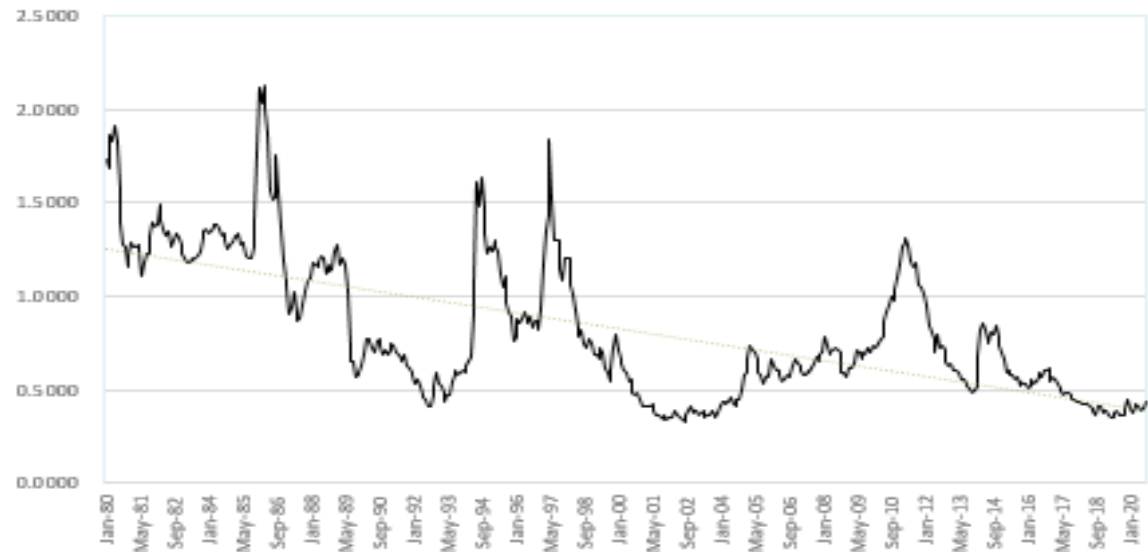
Part of our transparency promise is to share our annual business information with our farmers. We do this at a 2-day Review and Planning Workshop every year, with 5 representatives, including a minimum of two women, from each of our partner microstations. Another part of our promise is to share the profits we make on every profitable export lot with the farmers who helped us make those profits.

As we did in 2019, so again in 2020 we planned to share our profits with those microstations whose lots were sold above our breakeven. But in 2020 the level of rejects in the coffee was very high (average 11%) and this affected the profits we made on those export lots we sold at above breakeven. At the workshop the farmers agreed that 5% rejects in green coffee was a reasonable target, since there are multiple opportunities on the microstation to separate the rejects before the coffee is delivered. The cost of rejects above 5% should therefore be calculated and the losses made on the excess rejects (on transport, storage, milling, hand-sorting and selling locally at a very low price) set against the profit share. After doing this calculation only two microstations, Ndhew and Ajere, netted a profit. So we gave the farmers a choice. Either we pay the profit share to the two microstations as per our promise, and recover the losses made by the other microstations from next year's profit share, or we wipe the slate clean, absorb the overall losses on rejects (they were significantly higher than the overall profit share) and not pay a profit share to the two microstations that earned it. We left it to the farmers to decide and did not take part in the discussion. There was a long debate but in the end it was agreed to wipe the slate clean. Ndhew and Ajere very generously agreed to forego their profit share in 2020. This demonstrates that the partnership between Zombo Coffee Partners and the farmers we work with is something real. We hope that rejects will be much lower next year and that farmers will benefit from the profit share, as that is always our aim.

US Coffee C Futures ▲ 110.15 +1.05 (+0.96%)



This is the New York "C" arabica coffee price over the last 40 years as we are used to seeing it, expressed in cents per lb. We estimate from this graph that the average price is somewhere around \$1.25 per lb. The date of this chart is 13th Nov 2020 and the black line is the C-price on that day.



This chart uses composite data from the ICO, corrected for inflation. The US dollar today has only 27% of the purchasing power it had in 1980, and this chart shows the coffee price with that 73% loss in value incorporated.

WHAT DO WE MEAN BY “SUSTAINABILITY”?

The title of this report contains the word “sustainability”, a word used with increasing frequency and urgency by the specialty coffee industry in recent years, including us. But it’s rarely defined, because that’s very hard to do. The environmental aspects of sustainability are one side of the question. We are working on those through the microstation model that we helped to pioneer, and through organic conversion of 700 of our farmers, started in 2020. But from the perspective of a coffee-farming family the most immediate aspect is the economic one. To look at this, we need to consider the real value of what farmers get for their coffee, as well as the dollar price.

The peaks and troughs of the two charts opposite follow each other closely, but the charts give very different pictures. The first graph shows 2011 as the highest coffee price in 40 years. The second graph shows that the 2011 peak price had half the value it would have had in 1980. For most of the last 30 years the price of coffee has been less than a dollar, in 1980 purchasing power. For almost the whole of the last 22 years it has been less than 75 cents. For the last 3 years it’s been below 50 cents.

Let’s think about one of our farmers in Zombo, any farmer from the photos in this report. She

has perhaps 300 arabica trees. She harvests between one and two kgs of cherry per tree and, because we only have one harvest, that is her annual crop. Take an average of 1.5 kgs per tree. The local cherry price has varied between \$0.22 and \$0.36 per kg in the two years since we started buying. Take the higher figure. If our farmer sells 450 kgs at \$0.36 she will earn \$162 from her coffee. There are 365 days in the year so her average daily income from her only cash crop is \$0.44 in a good price year.

So what do we mean exactly when we talk about sustainability? If the average coffee price over the last 40 years was adjusted to match its 1980 purchasing power it would now be \$4.63 per lb (\$1.25/27%) for ordinary quality arabica coffee. That’s well above the price at which most specialty coffee is sold, even now. In 1980 terms New York is below \$0.50 today. Today’s coffee farmers consistently earn several times less than they earned 40 years ago.

We don’t have an answer to this conundrum. It’s not something one small company can meaningfully address on its own (except with its own farmers, where it can try). But if progress is to be made globally, we must work together and involve everyone, including our final customers, the world’s coffee



drinkers. The specialty coffee industry has a responsibility to look the truth in the face, but have we fully woken up yet to the scale of the

problem we face when we talk about economic sustainability, from the perspective of the farmer?

OUR PARTNERS AND PROJECTS

This Side Up, Wakuli Coffee, Roast Factory, Gosling Coffee, Havana Coffee Works, Olam Specialty Europe

Rabo Foundation, Progreso Foundation

Agency for Community Empowerment

Uganda Coffee Development Authority

Our projects

Organic certification project (2020-2023)

Jukia Hill Coffee Dry-Mill, Cupping Lab & Roastery (2020-23)

Farmer 25% equity project (2020-28)

ZCP Roast & Ground retail product Uganda (2021)

Water access at Culamuk, Ndhew and Pamitu microstations (2020)

C-Price Freedom project (2020-2025)

In collaboration with

Progreso Foundation

Looking for supporters

Looking for supporters

Looking for supporters

Embassy of Ireland

This Side Up