

# Intelligentsia Direct Trade™

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## **Intelligentsia Direct Trade™ – Statement of Principles**

1. Intelligentsia is committed to offering our customers only the highest-quality coffee.
2. To offer the highest-quality coffees, we actively collaborate in their creation. Thus, we work closely with those who have the greatest impact on quality – the growers themselves.
3. We believe it is real human effort that is the most critical factor in quality coffee, and that the growers who do the best work should get the best price; we do not believe in coffee subsidies.
4. We believe that the coffee farmer who grows an award-winning cup is an artisan and should be given individual recognition.
5. We believe that great coffee is inherently produced by sustainable methods. We only work with growers who think long and hard about economic, social, and environmental conditions of their farms and communities.
6. We seek to deliver the highest possible return to growers and require our importers, exporters, cooperatives and farmers to agree upon the financial distribution prior to harvest and act transparently in the execution of distribution, allowing us to monitor the committed delivery price to the farmers.
7. We believe that our goals are more effectively accomplished when the number of individual and organizations between the farmer and Intelligentsia are minimized.
8. We believe that our company is uniquely positioned to realize the goals of the Intelligentsia Direct Trade™ Relationship.



### **Intelligentsia Direct Trade™ – Criteria**

1. Coffee quality must be exceptional.
2. The verifiable price to the grower or the local coop, not simply the exporter, must be at least 25% above the Fair Trade price.
3. The grower must be committed to healthy environmental practices.
4. The grower must be committed to sustainable social practices.
5. Intelligentsia representatives must visit the farm or cooperative village at least once per harvest season, understanding that we will most often visit three times per year: pre-harvest to craft strategy, during the harvest to monitor quality, and post-harvest to review and celebrate the successes.
6. All the trade participants must be open to transparent disclosure of financial deliveries back to the individual farmers.



## **Intelligentsia Direct Trade™**

### **I. Why Intelligentsia Direct Trade™?**

Our buying philosophy is not very complicated. We believe in coffee quality and have made a commitment to our customers to offer only top-shelf Specialty Coffees that speak for themselves in the cup. We believe that to get such coffees we need to work closely with actual producers, not just importers or exporters, so that we can *build* great coffees from the beginning. Repeatedly buying great coffees is more development work than simple discovery. Most importantly, we know that to accomplish our goal of having the world's best coffees the whole process has to be sustainable, from beginning to end. The coffee farmer who grows an award-winning cup is an artisan, and should be regarded as such. To produce excellence costs more at nearly every stage in the trade process, but most importantly at the farm level, as the creation of quality coffee must begin here. We believe human effort is the most critical factor in quality coffee and that the growers who do the best work should get the best price and individual recognition.

Since we work so closely with growers and have such strict standards for taste and expression in our coffees, we need a specific model tailored to fit just right. We expect every partner at origin to be committed to furthering social, economic, and environmental sustainability in the communities in which they work. We also expect them to actively push cup quality upwards and believe that every year should yield definite and measurable progress towards these goals. Great things do not stand still. After 10 years of working intimately with our coffees and the people who grow them, we feel confident that we understand how to make it all happen. Of course there is always much to learn, and our Intelligentsia Direct Trade™ model is built to be dynamic so that it can adapt to meet the changing needs and realities of all of our growing partners.

### **II. What is Intelligentsia Direct Trade™?**

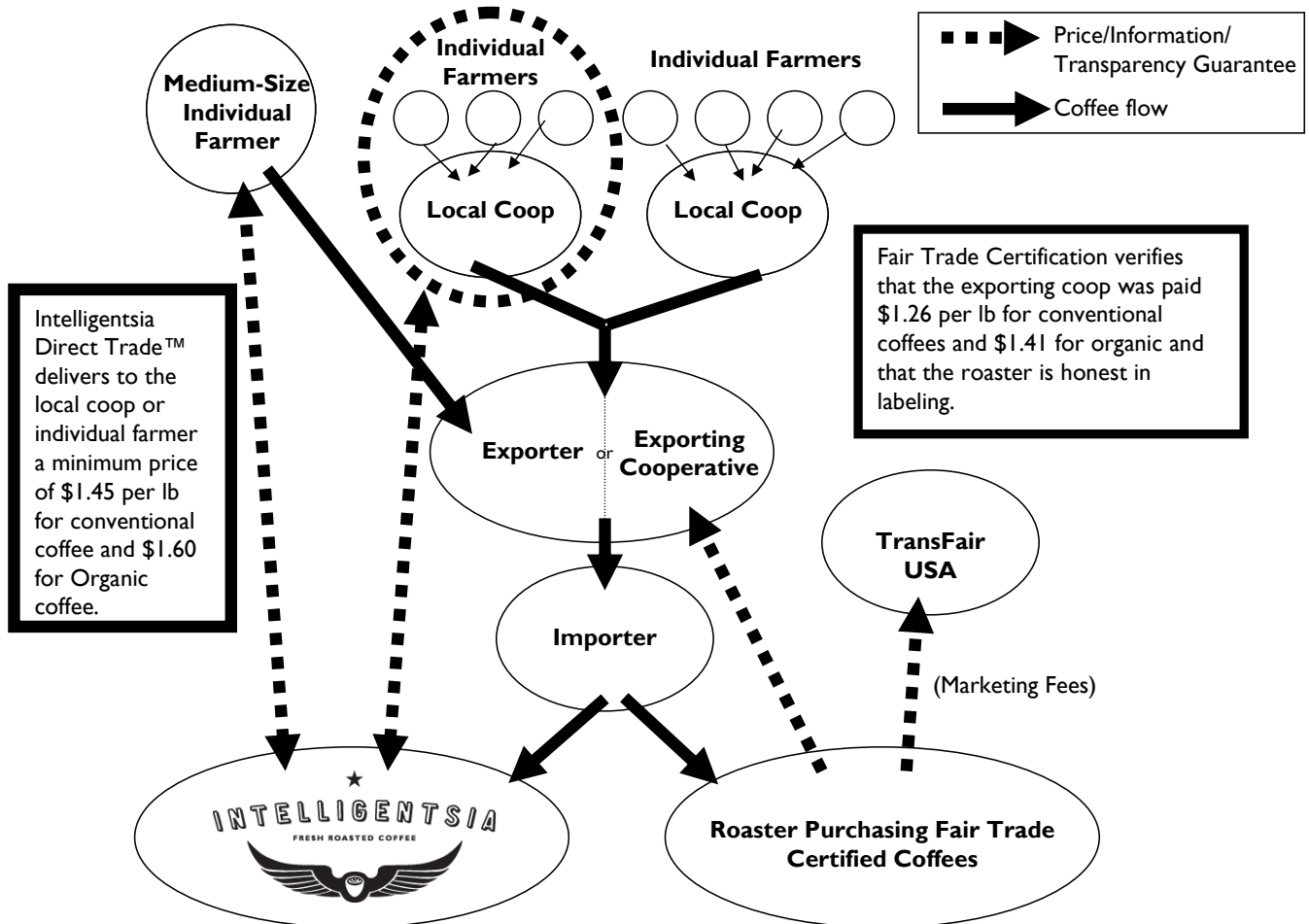
For a coffee to be considered Intelligentsia Direct Trade™, there must be a true and tangible relationship between the growers of the coffee and Intelligentsia. A couple of emails and a phone call just won't cut it. These are coffees that require the direct involvement of our tasting experts and are defined by a mutual investment of energy and the idea of creating strategies together as partners in the pursuit of better quality, better return, and long-term viability. We usually visit every farmer or cooperative at least three times per year: before harvest to plan, during the harvest to monitor quality, and after harvest to recap and celebrate the successes.



In every Intelligentsia Direct Trade™ relationship the money chain is transparent. We treat prices to the grower, to the mill, to the exporter, and to the importer as separate things, and everyone knows where the money goes. There are no hidden costs.

Everyone in the coffee chain has a well defined role, and without each link, the coffee could not make its journey to the consumer's cup. The grower produces the coffee with great attention to detail before, during, and immediately after the harvest. The miller cleans and sorts it by density, size, and color. The exporter is responsible for getting it loaded, ready for shipment and delivered to the port, and the importer brings the coffee to us. Our final job is to highlight the intrinsic quality of the coffee with careful roasting and preparation. When all of these people work in harmony and with full transparency, it is called "sustainable business." It fails when there is obscurity, lack of communication, and competing interests.

## Intelligentsia Direct Trade™ Vs. Certified Fair Trade





Lastly, it is important for the growers to understand our work in the same way we understand theirs. We regularly pay to bring growers to Chicago so that they can experience their own coffee in our stores, dialogue with the staff, and witness directly the pleasure our customers get from beans that they picked with their own hands.

We think that Intelligentsia Direct Trade™ is, in every way, the very definition of “relationship coffee” where everyone involved in the production of great coffees knows each other personally and benefits clearly. This is how exceptional coffees are born.

### **III. Q and A.**

*Q: How is Intelligentsia Direct Trade™ different than Certified Fair Trade?*

**A:** Certified Fair Trade is a certification that is owned by FLO International and licensed in the US by Transfair USA. It has been around for decades in Europe and is applied not only to coffee but also cocoa, sugar, bananas, and other commonly traded agricultural products. It is a one-size-fits-all ‘blanket’ certification designed to ensure that every product bearing its label is purchased at a base price that is above the cost of production for the farmer. Different products have different base prices. For example, the Fair Trade export price for coffee delivered to the exporting cooperative is \$1.26 per pound unroasted and \$1.41 for unroasted organic certified coffee. It is also a certification specific to democratically run cooperatives, and does not apply to private farms or private exporters.

Intelligentsia Direct Trade™ is the name for the Intelligentsia model we apply to our coffees. Every coffee bearing its label was purchased in full accordance with these principals:

- Quality must be exceptional.
- The price to the grower must be at least 25% above Fair Trade prices.
- The grower must be committed to healthy environmental practices.
- The grower must be committed to sustainable social practices.
- An Intelligentsia representative must visit the farm in person at least once per harvest season.
- All the trade participants must be open to transparent disclosure of financial deliveries back to the individual farmers.



*Q: How do we define “healthy environmental practices”?*

A: To us this means that the farmer is taking proactive measures to ensure the health of the ecosystem both on and around the farm. If the farm uses irrigation, are they recycling the water? What happens to the water used for de-pulping and fermentation? Is part of the farm being maintained as forest? If pesticide or herbicide is used at all, is it minimized and applied responsibly? These are the questions we ask. It is not dogmatic, as we recognize that there are different realities on different farms, but it is essential that every Intelligentsia Direct Trade™ farm is consciously following protocols that preserve the environment.

*Q: How do we define “sustainable social practices”?*

A: This can be distilled to a single essence—is everyone involved in the production of coffee on an Intelligentsia Direct Trade™ farm benefiting? Again, every farm is different. We work with small growers who may farm 2 hectares of coffee and do all the work themselves. We also work with farms that might employ 300 people during the year. What matters most is that there are good living conditions and the opportunity for measurable economic growth. We avoid trying to determine for the farmer what this really means and prefer to let them tell us if things are working. But there are some tangibles to look at. On a medium-sized or single farm we must know what the pickers are being paid, how that wage compares to both the legislated minimums and the average in the region, and whether the workers feel it is a good deal. Are there health services provided? Are there other community services such as education that are financed by earnings from the sale of coffee? On a small farm, the key question is whether or not the farmer is making a living from coffee and earning enough to invest in the health and education of the family. Is there economic progress? There is a big difference between subsistence and development.

*Q: Why does Intelligentsia choose not to pay for the marketing rights of certified Fair Trade coffee?*

A: We believe that the Fair Trade model is not really designed for a company like ours. It was created to try to balance trade inequities in the commodity business and to discourage traders of commercial or entry-level Specialty Coffee from under-paying and exploiting cooperatives. This was specifically designed to monitor the international financial transactions between the exporting cooperative and the importer. In recent years it has also been used to enforce labeling practices of roasters. Generally these are coffees that have historically been purchased



under conditions of extreme anonymity—no traceability, no accountability. We support its existence and believe that it has had a net-positive effect on coffee trade.

We do not, however, buy commodity coffee; we buy boutique coffees of the very highest quality, and we travel and work very closely with the growers themselves. We spend days at a time with them, we sleep in their houses, and we are engaged in a continuous dialogue with them about how to grow together and benefit. Experience has shown us that we can achieve better results through our own efforts and attain a higher level of transparency than we could by simply purchasing Fair Trade coffees. Lastly, it is important to us that the producer gets maximum return for their work. Many of our coffees come from cooperatives that are Fair Trade certified, and we could easily make them Fair Trade coffees. If we did so, Intelligentsia would pay a commission to Fair Trade for the use of the Fair Trade logo. Our belief is that the money makes a bigger and more positive difference when it goes directly into the hand of the producer. Instead of buying the right to use a label we just give the money to the grower.

We will continue to buy coffee from Fair Trade certified cooperatives, but in these instances Intelligentsia is choosing not to pay for the marketing rights of Trans Fair and FLO.

*Q: What is the relationship of “organic” to these certifications?*

A: There is no relation at all. Fair Trade certification is completely different than Organic certification. We believe strongly in organic farming practices, and we are working each year to make more of our Intelligentsia Direct Trade™ coffees organic. Organic coffees carry an additional certification from either OCIA, BIOLATINA, QAI, or other NOP-approved organic certifying agency. We look forward to certifying an ever larger percentage of our coffees as both Intelligentsia Direct Trade™ and Organic.

*Q: How do we guarantee that our Intelligentsia Direct Trade™ coffees meet the criteria we’ve set out for them?*

We use our eyes, our ears, and our mouths. To see something for oneself is the most powerful validation. Geoff Watts, our coffee buyer, personally visits each grower, cooperative, or estate farm every year and spends time on the farm. He documents his trips with photos, talks to the pickers in the fields to make sure that they are receiving what they are promised and examines all the facilities on the farm. Once he is standing on a farm, it is easy to see whether there is shade, whether the pickers are being treated well, and whether the farm is



respecting its environment. Again, it's a matter of forming a true relationship with our producing partners. If something is not right, we fix it, the same way friends do. If we feel that any of the producers of our Intelligentsia Direct Trade™ coffees are not actively improving both quality and sustainability on their farms, we stop working with them. We maintain an ethical responsibility to ensure that things are working well for everyone involved at the farms, and this means not turning a blind eye to something that doesn't seem right. If there is a question to be asked, we will ask it.

*Q: How does the consumer know that we do what we say?*

The proof is in the cup. Quality is not an accidental thing, and does not happen without very careful attention to detail at every step of the way: from fertilization and pruning (farm husbandry) to picking (of ripe cherries only) to fermentation, drying, and sorting. All of this takes a lot of work, and does not happen when there is no tangible incentive or reward. Farmers that don't get paid well for their work don't do these things, and those who don't respect their land and the people who work on the farm face a constant uphill battle to produce quality. Rarely do they produce "Grand Cru" caliber coffees. There may be the occasional exception, but in 10 years of working intensively with coffee this premise has been proven true over and over and over again.

But if you still don't believe, ask the farmers themselves. They are here in Chicago many times throughout the year, visiting our stores and roasting facilities. Write to us and we'll advise you of the next time they will be around.

*Q: Which Intelligentsia Coffees are currently designated as Intelligentsia Direct Trade™?*

Currently all of the I-Marks (La Tortuga, El Cuervo, Flor Azul, La Perla de Oaxaca, Los Inmortales, Flecha Roja, Tres Santos and Cruz del Sur) are Intelligentsia Direct Trade™ coffees. In 2006 we will introduce Intelligentsia Direct Trade™ coffee from Rwanda, Tanzania, and Bolivia. Eventually we hope for all of our coffees to bear the label, but it is not simply a matter of purchasing the sticker. It takes time and lots of work, and so we are going country-by-country to make it happen. In the near future we plan to continue to develop several new Intelligentsia Direct Trade™ relationships, including some in East Africa and the Pacific.



**For further information on Intelligentsia Direct Trade™ Coffees, please contact:**

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