ANNUAL REPORT

2010

a focus on quality
CQI’s mission is to work internationally to improve the quality of coffee and the lives of the people who produce it. While Arabica growers have begun to thrive in a rising market, their Robusta counterparts have not enjoyed this same prosperity. Inherent in CQI’s mission is to improve the quality of ALL coffee, and CQI has started to address the structural issues that affect Robusta producers and the quality of their products.

During the past three years there has been a growing price disparity between Arabica and Robusta coffees. In November of 2007, the average ICO indicator price for Other Mild Arabica coffees was $1.31, while the same indicator price for Robusta coffees stood at $0.92, a differential of $0.39. In November of 2010, the average ICO indicator price for Other Mild Arabica coffee had risen to $2.33, a gain of $1.01, but the same indicator price of Robusta coffees remained at $0.92, showing no gain at all and increasing the differential to $1.41, three and a half times higher.
This increase in price differentials between Arabica and Robusta coffees during the past three years strongly demonstrates the long term success of the “specialty coffee movement” in differentiating coffee in the mind of the consumer, which has given the Arabica growers a tremendous push toward sustainable economic viability. The unintended consequence of the success of this effort has left the Robusta producers “in the lurch,” a vulnerable and unsupportable position exemplified by the growing disparity in price levels between Arabica and Robusta coffees.

To address this issue CQI would like to establish bona fide standards for “Fine Robusta Coffees” to meet the marketplace requirements for this category of coffee. This will build quality awareness among all Robusta producers and lead to the establishment of a reliable supply chain for high quality Robusta coffees. Overcoming the old traditions and prejudices that have curtailed the development of the quality side of the Robusta coffee market is an enormous challenge for CQI. But the stakes are high, with the livelihoods of more than 50 million Robusta coffee growers hanging in the balance. It is time to get started, and tackling the quality issues inherent in the harvesting and processing of Robusta coffees is the very first step.
It’s no surprise that the main topic of discussion is world coffee prices; more specifically, the C market. Naturally, these discussions tend to be much different at origin than in consuming countries as there is much excitement about the opportunity that lies ahead for coffee producing regions, which is certainly something to celebrate. But with coffee prices at a 34-year high, and with economists predicting that prices will continue to rise over the next three years, a lot of us are asking the question, “What is the future of high quality coffee?”

The industry continues to address issues such as “los meses flacos” (off season) and pre-harvest financing, and the current state (and near future) seems like the ideal moment to make significant advancements to address them. Increased access to capital (via higher prices) creates an incredible window for producers; it provides the opportunity to invest in better farm management practices, apply more sound financial principles to their business, and explore new markets. For us as an industry, we should do everything we can to support this process for sustained growth and increased standards of living.

CQI is looking critically at our current programs, specifically the Q Coffee System, and is planning to make appropriate adjustments in the upcoming year. Some of our advancements to date include an enhanced database that connects sellers and buyers of Q Coffee® in real time. CQI is also exploring a revised certification opportunity, where we would be able to more effectively utilize our 1,200+ Q Graders and make our system more user-friendly. We are even working with our Q Graders around the world to recalibrate and retest those whose licenses have expired. Putting all these components in place, our new database allows us to more efficiently promote specialty coffees based on our common language of quality.

Lastly, we are leading the way in developing new standards and protocols for Fine Robustas, as we believe there is an opportunity for these producers to provide an increasingly better quality product and raise the overall value for this often underappreciated product. CQI sees the upcoming years as a growing opportunity for the specialty coffee industry and as a way of harnessing our ability to sustain high quality coffees and improve livelihoods for producers worldwide. We would like to applaud the industry’s ongoing efforts to maintain and increase quality over the years, and we look forward to ongoing collaboration and addressing the challenges of the market in the near future.
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OUR FOCUS ON QUALITY

The Q Coffee System
Create the infrastructure and systems to identify and separate high quality coffees at origin, utilizing Q Graders and In-Country Partners

- Leads to product discovery for the entire supply chain
- Creates a common language of quality

The Significance of Q Certification
* A Q Certificate signifies that a coffee has met and passed the standards for green, roasted and cup quality, as defined by SCAA, designating it as specialty and a Q Coffee®
A detailed cup profile along with feedback

An independent certification of quality, following the SCAA standards

An instrument to communicate quality and negotiate price

Access to a network of interested buyers
FOCUSING ON QUALITY HAS GLOBAL SUCCESS

1,200 Q GRADERS WORLDWIDE
+ DOZENS OF COFFEE CORPS VOLUNTEERS
+ GRANT FUNDING IN 16 COUNTRIES =
A COMMON LANGUAGE FOR QUALITY THROUGHOUT THE SUPPLY CHAIN

OUR YEAR IN NUMBERS

1000 users on our new database
411 trained & licensed Q GRADERS
115 graded lots of coffee
25 coffee corps volunteers to projects worldwide
16 countries in which we work
N. AMERICA
Total Grant Funding: $45,560
Newly Licensed Q GRADERS: 90
  Canada (2)
  Puerto Rico (9)
  U.S. (41)
  Mexico (38)
*Grand Total: 210 Q GRADERS
Lbs Sold as Q Coffee®: 575,667

ASIA
Newly Licensed Q GRADERS: 171
  China (1)
  Japan (49)
  Korea (111)
  Taiwan (10)
*Grand Total: 270 Q GRADERS
Lbs Sold as Q Coffee®: 1,170,211

EUROPE
Newly Licensed Q GRADERS: 13
  Greece (1)
  Turkey (1)
  England (11)
*Grand Total: 23 Q GRADERS

C./S. AMERICA
Total Grant Funding: $322,440
Newly Licensed Q GRADERS: 120
  Brazil (36)
  Colombia (47)
  Costa Rica (18)
  Ecuador (3)
  Guatemala (1)
  Peru (15)
*Grand Total: 513 Q GRADERS

EAST AFRICA
Total Grant Funding: $770,000
First Robusta Graders: 8
Taste of Harvest Samples: 176
Newly Licensed Q GRADERS: 17
  Burundi (2)
  Ethiopia (6)
  Kenya (1)
  Malawi (1)
  Tanzania (4)
  Zambia (3)
*Grand Total: 196 Q GRADERS

INDONESIA/PNG/AUSTRALIA
Total Grant Funding: $20,000
*Grand Total: 46 Q GRADERS
FOCUSING ON QUALITY AND TECHNOLOGY

We recognized the need to make accessing new markets for sellers of Q Coffee® a reality. To this end, we have invested in the creation of a completely new, dynamic website and database. CQI has brought a social media approach to the new portal by providing users with an engaging platform to communicate about and find Q Coffee® in real time. With over 1,000 users in less than eight months*, the database is driving a new form of communication between buyers, sellers and other quality-driven stakeholders throughout the supply chain.

*Number reflects time of publication, March 2011
Market Linkages

Our Q Coffee System is designed to improve and enhance the traceability of coffee consumption at every level. It is not restricted to quality coffee, but also includes high-quality coffee beans and cocoa beans. This system tracks and profiles coffee beans from around the world and includes soy and other beans from three licensed Q Graders.

<table>
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<td>Aug 30th, 2015</td>
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<td>Brazil</td>
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Latest Members

Q Grader Certification Courses

- **Q Grader Exam / SCGA Advanced**
  - Location: Cafe Tal
  - Instruction: Tony Allen
  - Date: Feb 28

- **Q Grader Exam / SCGA Advanced**
  - Location: Just Cup Coffee Academy
  - Instruction: Nana Chai
  - Date: Mar 13

- **Q Grader Exam / SCGA Advanced**
  - Location: Just Cup Coffee Academy
  - Instruction: Mario Alago
  - Date: Mar 23

- **Q Grader Exam / SCGA Advanced**
  - Location: USSO LAB
  - Instruction: Nana Chai
  - Date: Mar 28

- **Q Grader Exam / SCGA Advanced**
  - Location: USSO LAB
  - Instruction: Mario Alago
  - Date: Apr 4

- **Q Grader Exam / SCGA Advanced**
  - Location: USSO LAB
  - Instruction: Nana Chai
  - Date: Apr 11
For three years now, Mexico has held a National Coffee Quality Contest, following the Q procedures and protocols. Using only certified Q Graders has dramatically helped increase credibility of the contest. For example, Guerrero growers, first trained with CQI support, have been winning state and national competitions the last three years. Some coops are marketing specialty naturals both in Mexico and the U.S., and a few of them also improved their roasting skills and are now selling high quality roasted coffee around Mexico.

The contest has allowed some "unknown" regions to achieve top marks, thus showcasing the producers that are really doing their homework in terms of quality.”

-Manuel Diaz

"Shortly after the first Q Graders were certified in Mexico, they formed the first cuppers' association in the country, the Specialty Cuppers Association. This is relevant because previous attempts to charter a cuppers association had failed, in part because there was not an official system to distinguish a cupper from a non-cupper. The Q Coffee System in Mexico has provided a means to certify cuppers' competencies internationally.”

-Mario Roberto Fernandez Alduenda
“Sustainable Harvest now has 14 Q Graders on staff, and one of these staff members is Gema Lopez. Gema's family lives in Putla, a coffee-growing town about six hours south of the city. Her mother is a coffee farmer whose co-op sells to Sustainable Harvest, and in 2009, she called us to ask if Gema might volunteer in the afternoons after school. While volunteering as a teenager, Gema learned how to sample roast, cup coffees, and analyze green coffee samples. About 6 months ago, Gema finished high school and is now part of the Sustainable Harvest team. Gema flew to Peru in October to participate in a Q Grader course in Lima, and she did excellently.

Having one more certified cupper to work with our producer partners is invaluable. As Gema travels in Mexico and Central America, she will teach consistency and quality to coffee farmers. Sustainable Harvest has five offices spread throughout the world and each office has a quality control lab responsible for guaranteeing our coffees' quality. Working with Q Graders provides a great base to synchronize our staff, as well as producers, on coffee quality standards.”

-Katie Gilmer, Sustainable Harvest
Each year, CQI supports Taste of Harvest competitions around East Africa; these competitions use locally certified Q Graders to evaluate the coffees. Coffees that pass the standards for specialty, based upon the SCAA standards and protocols, receive Q Certificates. This competition year Rwanda, Malawi, Zambia, Tanzania, Burundi, Uganda, Ethiopia and Kenya participated. Over 176 samples were received and many were Q Certified based on their cupping scores. Buyers from the U.S. use the competition to discover new coffees and establish new relationships.

“At the EAFCA Taste of Harvest event in Kampala I discovered a couple of outstanding coffees from the Florida estate and the Munama Estate in Zambia. These coffees were exceptionally bright, sweet and nuanced, and were a wonderful surprise for me. Atlas was able to purchase these coffees and sell them to high profile roasters in the US. Over the years I have discovered a number of gems at Taste of Harvest and I am sure we will continue to do so in the future.”

-Craig Holt, Atlas Coffee Importers
The continued success and scope of the Q Coffee System was readily apparent on a recent sourcing trip to Colombia. While traveling in a remote mountaintop region in the Sierra Madres, our buyer was amazed to find that a coop there had a Q Grader on staff to roast and prepare samples for his evaluation: incredible considering that this particular region was only discovered several years ago. The Q Coffee System has created a common vocabulary between buyers and sellers and has streamlined quality and price discovery for producers and consumers alike.

-Jamin Haddox, Café Imports

“The week I spent in Medellin in October 2010 training cuppers at Almacafe’s mill was extremely productive and inspiring. The three day program I presented was a “Pre-Q” course, designed to prepare coffee professionals for the rigorous five day Q Grader Exams. The participants represented many areas of the coffee industry in Colombia, from baristas and restaurant hospitality staff to professional cuppers and mill employees. I found the enthusiasm and attention of the students to be particularly inspirational, especially as many of them had only cupped coffee a few times before the course. The various components of the course were invaluable in familiarizing the students with the structure of the tests, allowing them to better prepare for the Q Grader Exam when it comes time. The amount of effort CQI has invested in developing coffee professionals in Colombia is impressive, and I’m excited to see how the industry continues to develop as a result.”

-Chris Davidson, Atlas Coffee Importers
IN-COUNTRY PARTNERS
Colombia | CaféCert
Costa Rica | SCACR
El Salvador | Consejo Salvadoreño del Café
Ethiopia | ECX
Guatemala | Anacafé
Honduras | ADECAFEH
Indonesia | SCAI
Japan | SCAJ
Kenya | KCTA
Malawi | CAMAL
Mexico | Amecafé
Nicaragua | ACEN
Peru | Café Peru
Rwanda | OCIR Café
Uganda | UCDA
United States | SCAA

AND MANY THANKS TO OUR 1,200+
Q GRADERS AROUND THE WORLD!

COFFEE CORPS VOLUNTEERS
Alf Kramer
Alvaro Rincon
Balaam Hinyula
Byron Holcolm
Chris Schooley
Chris Davidson
Cristina Garces
Claudia Gomez
Darrin Daniel
David Makin
Dennis Jackson
Ellie Matuszak
Eric Taylor
Gabe Boscana
Jay Caragay
Jeremy Raths
Jose Nicolas Velez
K.C. O’Keefe
Mario Fernandez
Mark Crawford
Peter Owiti
Rachel Peterson
Rocky Rhodes
Roukiat Delrue
Sonja Grant
Surendra Kotecha
Tracy Allen
Trish Rothgeb
Wendy DeJong
THE COFFEE QUALITY INSTITUTE
would like to thank our 2010 Annual Luncheon Sponsors

**GOLD**

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- Atlas Coffee Importers
- Bunn-O-Matic Corporation
- C. Dorman Ltd.
- Coffee Resources
- The Coffee Source
- Colombian Coffee Federation
- Deli-Cafe, S.A.
- Gloria Jean’s Coffees Int’l
- illy caffe North America, Inc
- Kanematsu Corporation
- Mercon Coffee
- Group Origin Companies
- Roasters Guild of America
- S&D Coffee Co., Inc.
- SCAA
- UCC Ueshima Coffee Co., Ltd.
- Volcafe Specialty

**SILVER**

- Ellen Jordan Reidy,
  America’s Food Technologies, Inc.

**BRONZE**

- “It is once again my great pleasure to be part of and witness the tremendous progress CQI has made and the profound impact at all levels of the coffee value chain. Most importantly, I see evidence in the faces of the people we touch—the overwhelming feeling of accomplishment from a young cupper learning new skills, the elation of a producer group earning a higher price for their quality efforts, and the palpable excitement of a roaster forging new ground with a bold statement of quality.”

- Ellen Jordan Reidy,
  America’s Food Technologies, Inc.
## SUPPORT & REVENUES

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<th>Amount</th>
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## EXPENSES

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<td>Administrative &amp; general expenses</td>
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<td><strong>TOTAL SUPPORT &amp; REVENUES</strong></td>
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## SUMMARY OF NET ASSETS

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<td>Net assets, ending</td>
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<tr>
<td><strong>INCREASE IN NET ASSETS</strong></td>
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MISSION

Working internationally to improve the quality of coffee and the lives of people who produce it.

www.coffeinstitute.org
www.facebook.com/coffeinstitute

CQI thanks America’s Food Technologies, Inc. (AMFOTEK®) for sponsoring this annual report. AMFOTEK specializes in coffee and tea based beverage product development and manufacturing.

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