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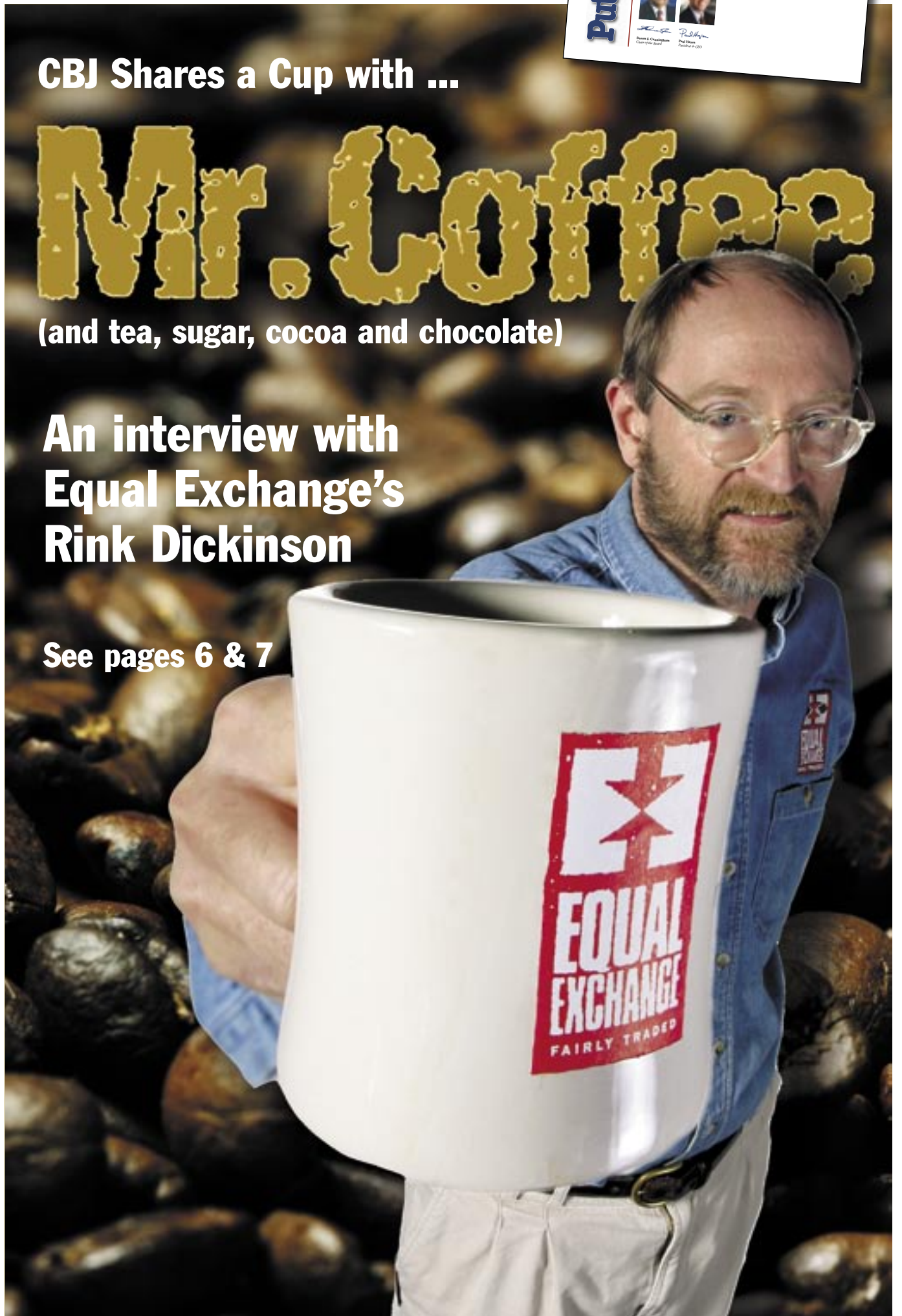
CBJ Shares a Cup with ...

Mr. Coffee

(and tea, sugar, cocoa and chocolate)

**An interview with
Equal Exchange's
Rink Dickinson**

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CBJ Shares a Cup with Mr. Coffee, Rink Dickinson

Editor's Note: Rink Dickinson is co-executive director of Equal Exchange, one of the largest worker-owned cooperatives in the United States and the country's leading Fair Trade food and beverage brand. Dickinson answered questions from Cooperative Business Journal's Tim McGowan in March.

CBJ: Equal Exchange is the oldest and largest for-profit Fair Trade company in the United States. How does Fair Trade work?

Dickinson: Fair Trade tries to address much of what often goes wrong in the marketplace, and tries to put human relationships back into the picture. For example, it connects consumers and producers more directly. Via Fair Trade consumers are educated about where these products come from, and how they were sourced. It allows the consumer to say, "Somebody out there produced this item, and I want to make sure they're given a fair amount for their work." Fair Trade, when done right, should also serve the same function for the farmers, who too often don't know what becomes of their harvest. This is especially true in developing countries. It is tremendously powerful for the farmers when they learn how the market works. The other components of Fair Trade are better known. Farmers receive guaranteed above-market prices, access to affordable credit, more direct access to market, and stable long-term trade relationships. Fair Trade also *usually* centers on small-farmer cooperatives. Unfortunately that's changing and so at Equal Exchange we're trying to push back.

CBJ: What would *not* be considered Fair Trade?

Dickinson: Just buying and selling your products like any other commodity, in a faceless way, with no personal commitment or tie between buyer and seller. Even where Fair Trade is strongest, in the coffee sector, over 95 percent is still traded in this impersonal way.

CBJ: You and two other co-founders, Michael Rozyne and Jonathan Rosenthal, came up with the idea for Equal Exchange. How did this idea germinate?

Dickinson: We were working at a co-op distributor, called Northeast Co-op, which is no longer around. We were working with New England farmers and connecting them to consumer food co-ops. They might be lettuce, carrot, or tomato growers. We would buy direct from those farmers, pay them a higher-than-market price, sell to consumers, and pass on information about the farmers. Much of the Fair Trade model was there. But when Northeast sourced international items, like coffee, all that was missing, and the three of us wanted to try to do something about it.

CBJ: What made you decide to form your company as a worker co-op?

Dickinson: We actually debated that a lot. We saw Equal Exchange as a hybrid model. We were trying to take the best elements of a non-profit, a co-op and even a for-profit and combine them. We felt governance should be with the folks that did the work. That meant a worker-co-op. But those workers would also support a Fair Trade mission. The workers govern the organization and do so with the goal of connecting consumers and producers. So it really does have elements of all of those models.

CBI: Can you describe how ownership really works? Are there varying degrees of being vested? What if somebody leaves the co-op?

Dickinson: After you work here for a year, assuming we're happy with you, and you're happy to be here, the current worker-owners vote on whether to let you join the cooperative. If "yes," then you'll buy one share of Class A voting stock, which doesn't appreciate, and which is the only share you'll ever buy. It's a basic one-person/one share/one vote system. Currently a share costs \$3,000, and the price gets adjusted for inflation. You can pay all at once, or over four years. By becoming a "worker-owner" you step into your role in the governance of the co-op. You get to vote for the board of directors. You get to run for the board. You get to vote on changing the by-laws, and other big-picture issues. When we decided to move to where we are now, in West Bridgewater—that was a worker-owner decision. We felt that the co-op's physical location is so important, that the owners should decide. So, when we were out there looking at warehouses, there were 40 or 45 of us making site visits. That's part of what you get as an owner—high level governance power. You also get a share of patronage. Most of the profits, assuming there are profits, get reinvested in Equal Exchange for the future as retained earnings, also known as "the collective account." But a share also goes to the worker-owners. Historically 80 percent went back into the co-op, because of our Fair Trade, non-profit-like mission, and 20 percent went to the workers. But, just last month the worker-owners changed the by-laws to make it a 60-40 split.

CBI: So 60 percent goes into the co-op and 40 percent is disbursed?

Dickinson: Right. After we've paid our Class B shareholders, which we'll discuss later, and after we've paid taxes and so forth, then 40 percent goes to the worker-owners. Some, usually half, of that patronage you get immediately in a check and the rest goes into your "internal capital account" or ICA. So every year that we have a profit your ICA grows a little. And if we have a loss, the same formula runs in reverse and your portion of the loss is deducted from your ICA. Thankfully, we've made a profit for 17 of the last 18 years. When you leave Equal Exchange you have to sell your share of Class A stock back to the co-op, and you can then cash out your ICA.

CBI: Let's take a look at co-ops in general. How do you view their growth? Where do you see the co-op movement going?

Dickinson: We see a need for much stronger links between co-ops, and probably a stronger understanding of what co-ops are here to do. Co-ops need to put out a stronger message to their members, and to society as a whole. It's also critical to have a model that's both innovative yet also consistent with co-op principles. We've tried to do that by combining worker-cooperation with Fair Trade and a commitment to both co-op suppliers and co-op customers. That is probably one of the things Equal Exchange has done best, but we still need to do it better. If innovations like that can happen, co-ops have a special role to play in society, and more people will understand why co-ops are needed.

CBI: You recently received an award, the WorldBlu award, for being one of the most democratic workplaces. Can you talk about that?

Dickinson: It was exciting to win that award. It clearly is a reflection of our choice to have worker co-op structure. The three of us who started Equal Exchange really knew very little about what we were getting into. We learned fast and made a tremendous amount of mistakes. It was our concept to have strong management and a strong entrepreneurial drive. In the first seven or eight years, it was difficult, but we set up a culture that encouraged risk-taking. I think that's one of the reasons we got that award. There are all kinds of ways that our workplace is vibrant. There's a lot of debate, there's a lot of discussion. There are a lot of ideas flying around.

CBI: Has NAFTA affected your business?

Dickinson: A lot of our trading partners were very, very concerned about it. If you look at places like Mexico, it's very clear that NAFTA and the changes that went along with it really hurt the rural economy. Small-scale farmers in southern

Mexico are much worse off economically than they were 10 or 15 years ago. And that's despite our success and despite Fair Trade becoming a very mainstream model. NAFTA was just one thing, along with other factors, that hit the rural Mexican economy hard. The impact is clear. For example, it's exacerbated immigration issues in the North. People aren't farming; they're fleeing the land and they're coming to the U.S. to look for work.



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CBI: Equal Exchange has a considerable faith-based following. For example, you have sold your products to 16,000 places of worship. How have you been able to grow this segment of your business?

Dickinson: We've grown it through partnerships with groups like Lutheran World Relief and United Methodist Committee on Relief that are based on shared principles. We show a real desire to live in a way that promotes markets, and small farmers, and justice at the same time. Our interfaith partners are saying to their respective communities, "Equal Exchange represents a model of how our churches and our members can get involved in international issues. This is because of Equal Exchange's mission, its cooperative structure, and its work with co-ops around the world." It's been extremely powerful for everyone involved.

CBI: How do you ensure that your farmers aren't using underage workers?

Dickinson: It's really done through the relationship with our farmer co-op partners. When their members hire labor on their small farms, we ask that they do it in a way that accepts our values and their values. But I will say, if you're a small-scale farmer living in the middle of Peru, probably your own kid is working on your land, just like they would have on the U.S. side 30 years ago.

CBI: Fair Trade coffee is the fastest growing segment of the U. S. specialty coffee market. Some estimates say it has doubled in the last two years. What do you attribute this to?

Dickinson: It's because there are businesses that actually want to do the right thing. They acknowledge that there are extreme problems in the coffee industry, and they realize that this is one thing that's pretty easy to do, where you can have some impact. Equal Exchange and people like us did the groundwork. For now it's still a very small part of the market, but it is growing extremely fast. What's interesting is if this trend will continue. It's easy for a coffee company to convert two percent of their volume to Fair Trade. But how many of them are going to go to 10, or 20, or 30 percent Fair Trade? To do that they will have to start spending real dollars.


CBI: You have been offering investment opportunities in Equal Exchange since the beginning. Most recently, you

teamed up with a Boston bank to offer a first-of-its-kind Equal Exchange Certificate of Deposit. Tell us about your investment opportunities.

Dickinson: It's one of the most important things Equal Exchange did. For co-ops, having some type of capital strategy is vital. From the beginning, we had a pretty innovative approach. We wanted worker control, we wanted this non-profit mission, and we wanted to rent capital from socially

responsible folks who wanted to see a Fair Trade organization succeed. The answer was to have two classes of stock. Class A was for the workers, who are closest to the mission, and who would control the governance. Class B was for outside shareholders, and who got no voting control. Nor did our investors get a tax deduction because it was an investment, not a donation. At the time, it was a very high-risk investment. We were three people in their mid-20s, who had never imported anything. But it worked, and that model has stayed with us. At this point, we have \$4 million in Class B equity. That money is working really, really hard to build a Fair Trade, cooperative economic model. Our goal has been to pay a five percent return and we have hit that almost every year. For two years, the dividend was lower, and two years it was higher. But on average it's been almost exactly five percent. And last year we had a real innovation with the new CD. People who want to participate financially in our work can buy the Equal Exchange Certificate of Deposit from Wainwright Bank and know that the money will be available to us as working capital. Unlike our Class B shares, it may be bought in amounts as small as \$1,000, and unlike conventional CDs you know your savings are financing the co-op economy and Fair Trade.

CBI: Any final thoughts for a co-op audience?

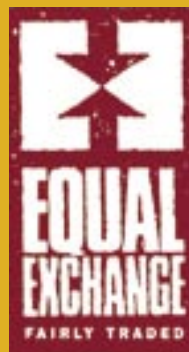
Dickinson: A couple of things. One, our board has a vision of a much stronger consumer-to-producer cooperative economy. That's where Equal Exchange is trying to go. For example, we're a 10 percent owner in Oké Banana, a Fair Trade banana operation run by Jonathan Rosenthal, one of Equal Exchange's founders. That business is mostly owned by banana producers in a cooperative manner. That's an example of the kind of thinking we want to do. "How can we be part of many cooperatives' economic structure?" "How do we learn to be co-owners and do joint ventures with other co-ops?" We'll probably try 30 or 40 different models. But that's where we want to see this go. For all of us as co-ops, it's about putting ideas out there. It's a challenge for us and for all the co-ops. But if we do that, people will really respond. Internally, the biggest thing is to really encourage risk-taking and build opportunities for people here, and give them rights. To get them to experiment, to learn, to make mistakes, and go out there and make things happen. To an extent, we've done that. That's what's made Equal Exchange succeed. And when we've become too bureaucratic and slow moving, we haven't done as well. That's one of our biggest internal challenges. 

A Brief History of Equal Exchange

Equal Exchange, a worker-owned cooperative headquartered outside Boston, pioneered the concept of Fair Trade coffee in 1986.

The three founders—Rink Dickinson, Michael Rozyne and Jonathan Rosenthal—met while working at a New England food distribution co-op. They invested their own money—and that of their families and friends—in a concept that many regarded as foolish at the time.

It took three years for income to match expenses but today, with more than \$23 million in sales, Equal Exchange is the largest for-profit Fair Trade company in the United States. It offers organic, gourmet coffee, tea, sugar, cocoa and chocolate bars made from ingredients sourced from more than 30 democratically run farmer co-ops in 15 developing countries. In the last six months it has also "brought Fair Trade home" and is now working with U.S. pecan, almond, and cran-



berry growers on a comparable basis.

Fair Trade standards assure that farmers receive a price sufficient to allow them to stay on their land, support their families, plan for the future and care for the environment.

Equal Exchange customers include hundreds of food cooperatives, religious organizations, and individual cafés, as well as supermarket chains like Shaw's, Stop & Shop and Kroger. Almost 70 employees own and manage the co-op through a nine-member board. Consistent with the Fair Trade ethic, the highest paid Equal Exchange employee makes no more than four times what the lowest paid employee earns.

In addition to its headquarters in West Bridgewater, Mass., Equal Exchange has offices in Minneapolis, Madison, Wis., and Hood River, Ore. It also operates a café in Seattle. Last year, Equal Exchange teamed with a Boston bank to offer a first-of-its-kind, company-specific certificate of deposit. The CD allows Equal Exchange to raise capital while giving investors another opportunity to support the worker co-op and its farmer co-op partners. 