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How We Built Pachamama Coffee Cooperative:

An interview with Thaleon Tremain

BY ALLISON HERMES

Taking a look at a farmer-owned cooperative

Pachamama Coffee Cooperative is a California-based federated cooperative that is wholly owned and governed by coffee farmers in Peru, Guatemala, Nicaragua, Mexico, and Ethiopia. Pachamama's five member groups are farmer-owned cooperatives representing more than 200,000 small-scale coffee farmers and their families. Pachamama works on behalf of the farmers to import, roast, and market their best Arabica coffees.

Pachamama purchases directly from its members at fair market value, as determined by both Pachamama and these member cooperatives. The farmers prepare their harvest for export, and Pachamama imports it to the United States, where the coffee is roasted and shipped directly to wholesale and retail customers throughout the country. All profits from the sale of the coffee are returned to the farmers in dividends or retained earnings.

To learn more about the heart and hard work that built Pachamama, I interviewed CEO and founder Thaleon Tremain.

Allison Hermes: *When Pachamama launched in 2006, who was involved?*

Thaleon Tremain: We worked on Pachamama for 5 years before launch—2006 was the first year of operations in the United States. The people who helped build the cooperative prior to 2006 were the same people involved at launch, including myself; co-founder Nicholas Brown; our long-time attorney, Therese Tuttle; farmer representatives Raul del Aguila from COCLA in Peru, Merling Preza from PRODOCOOP in Nicaragua, and Carlos Reynoso from Manos Campesinas in Guatemala. Together we built the business plan, established the cooperative structure, and developed the product. 2006 was the moment of truth—ten years later, it's going quite well.

AH: *What gave you the idea to launch a coffee business?*

TT: I didn't get into this business because I loved coffee—in fact I never drank coffee all through college. I studied economics and then went on to work with the Peace Corps in Bolivia in the mid-1990s. I learned that development work was mostly ineffective. When you give people things, they just don't respond the way you want them to, as opposed to when they invest and become partners in a business. We saw a lot of things in the international development space while in Bolivia that could be improved.

Nicolas Brown was my friend from the Peace Corps. We both had this idea: How could we work for farmers as opposed to working with farmers? How could we help these guys from back in the United States? We understood we'd be doing more good for them in California or New York than digging a ditch in Cochabamba, Bolivia. Nicolas and I later went to business school and came back in 2000 to work on these ideas.

At that point, the world of coffee was in real crisis. The price was down to \$.50 a pound. The market price for coffee today is \$1.27 per pound, and the cost of product is around \$1.40 per pound. It's not uncommon for the price of coffee to be lower than the cost of production, which is hard to believe. Coffee farmers need to be better compensated in the future or

they are just not going to produce coffee. We're in a time when farmers are chronically underpaid. So, our initial strategy for supporting coffee farmers was a vertically integrated model: selling organic coffee directly to consumers.

AH: *Who did you look to for inspiration?*

TT: Organic Valley is a mentor. They showed us the path. We were told that coffee farmers couldn't start their own company, but long before Pachamama, Organic Valley proved that farmers could and that consumers wanted it. Organic Valley is a force in the organic and co-op movement, all while creating sustainability for their farmer owners. We still look to them for inspiration.

The best education I've had, the best, were the three years I spent working with farmers prior to selling any coffee. I was brought along by Raul del Aguila of COCLA, a founding member of Pachamama, my teacher and my hero. Without him, Pachamama would not exist. It was his drive, enthusiasm, and vision that made it happen. Raul was a leader in the fair trade movement and an advocate for producers around the world. He said, "We can do this ourselves, we need to invest and serve consumers more directly. We need to tell our own story," he would explain, "because whoever controls the story controls the cash flow."

AH: *How did the name Pachamama emerge?*

TT: Pachamama means mother earth in Quechua, the Inca language of South America. We heard it a lot in Bolivia. The idea is that mother earth gives to us, and we give back. So, even if you're outside drinking a beer, you throw some on the ground: "Una challa a la Pachamama." I hope we live up to the symbolism.

AH: *What motivated you to begin selling to retail food co-ops?*

TT: Davis Food Co-op called us, and that was a good sign! [At the beginning] in Costa Rica in 2001, we spent three days doing strategic planning, and Raul said that if we can't sell this coffee to food co-ops, we're not going to make it. Retail food co-ops are already buying our coffee under different labels, so why wouldn't they buy it from us directly through Pachamama? Raul knew intuitively we needed to first serve retail food co-ops, because they value the cooperative business model. Food co-ops are truly behind the success of this business.

AH: *Along the way, where did you office?*

TT: It took six years before we opened up an office. We worked out of a small house, then a bigger house outside of Davis with a bigger garage. We outsourced the roasting in the beginning—buying a roaster was a big investment. We opened our first retail office space in 2012 and added the roaster in 2015. Now we have a cafe as well, in Sacramento.

AH: *Was there a moment when you had to make a decision to either fold or double down?*

TT: Yes, you dig deep, and then you ask yourself, "Is this worth pursuing?"



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This time came for us in 2011. There were other things happening, but the market price for coffee increased to \$3.00 a pound. Today we buy directly from farmers, but at the time we were buying from importers, and they got all the money. When the price of coffee increases, we in turn need to increase our retail prices. When we raise prices at shelf, we lose accounts. The big guys don't let their prices rise, they eat the margin, keep their accounts, and watch while the little guys struggle.

It's darkest before the dawn, I swear it's true. We made the double-down decision, and the next day we got a call from the *New York Times*. We had hired a PR person, who got us placement in the Oakland paper. There was some luck involved, because the article was picked up by the *Times*. We still have CoffeeCSA.org customers who receive Pachamama coffee every month thanks to the *New York Times*.

The farmers also saw the article, and at the time they were having their own challenges and struggles—so the article restored their faith in Pachamama as well.

I'd like readers to understand, Pachamama has been a significant investment for farmers, and they want your support. Pachamama only has 2 percent of the \$20 million U.S. food co-op coffee market, and we'd like this to be like 10 percent. If you work for a food co-op, please give your members

the opportunity to buy our farmers' coffee. You won't be disappointed.

AH: *What is the most memorable cup of coffee you've sipped?*

TT: I was in Nicaragua, and tasted a small amount of geisha coffee, brewed with an AeroPress, and it blew me away. It's an ancient variety of coffee that's recently been rediscovered. But a good cup of coffee is more about where you are and who you're with.

I've had some great cups of coffee on the farm, although most farmers don't keep their coffee for themselves. I've even seen farmers drink Nescafé instant coffee because they prefer to sell their coffee instead. I think farmers should have their best coffee. Some of them have fallen in love with coffee, and when you come to visit their farm they bring you the best. This is an important shift in the last 10-12 years, because to improve farming practices and quality, farmers need to know what makes a good cup of coffee.

AH: *What is the greatest lesson you've learned on this journey?*

TT: If you want to help farmers and work for them, find a way to get them in your boardroom. Even if it's just one farmer, that person can keep you grounded. □