



VIVATIERRA®
ORGANIC

CF FRESH, INC
2010

Annual Report

Addie Pobst
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Background Information

CF Fresh is a leading marketer of organic apples and pears in North America and the première importer of fresh organic produce from South America. Our organic apples, pears, potatoes and onions are available year-round. Seasonal items, such as cherries, peaches, plums, nectarines, and asian pears, as well as fresh vegetables such as garlic, broccoli, corn, peas and beans are available as well. CF Fresh sells fresh organic produce to retail chains and wholesalers throughout North America, to importers in Europe and Asia, and organic commodities to manufacturers both domestically and internationally. The company is a highly regarded pioneer in the organic industry.

CF Fresh was founded in 1993 in Sedro-Woolley, Washington. The company has expanded its scope substantially from humble beginnings, and today CF Fresh represents organic growers in North and South America. The **Viva Tierra** brand is well known for high quality organic fruits and vegetables. We also sell for a number of growers under their own labels, and custom pack for our large retail customers under their respective brands.

Our network of dedicated, third-party certified organic growers are true professionals, innovative pioneers in sustainable agriculture who produce the best-tasting, highest quality produce available anywhere. We applaud the dedication and hard work of all our growers, and are committed to bringing the fruits of their labors to appreciative customers around the world. CF Fresh is committed to selling organically grown products with the goal of providing optimum prices and service to our growers and suppliers around the world, superior quality and service to our customers, and a healthy, team spirited working environment for our employees. This mission will be fulfilled as we strive to leave a better environment and a more fertile land for future generations.

Annual Reporting Commitment

On April 28th, 2008, CF Fresh Inc. became a member of the Food Trade Sustainability Leadership Association (FTSLA). This organization provides business in the organic food trade with guidelines and recommendations for how to embody sustainability in their own operations. The FTSLA spent two years compiling input from organic growers, distributors, processors, retailers and certifiers to create an 11-point action plan titled "*Declaration of Sustainability in the Organic Food Trade*".

At the same time CF Fresh joined the FTSLA, the company signed on to the *Declaration* committing to reporting annually our performance in the 11-action categories that include organic, distribution, energy, climate change, water, waste, packaging, labor, animal welfare, consumer education and governance. This report is a compilation of information we have collected and intend to submit to the FTSLA to qualify for ongoing membership in the association.

1.ORGANIC

CF Fresh is a respected leader in the organic community, volunteering our expertise to ensure that organic regulations remain strong and continue to meet the needs of both farmers and consumers today and in the future. Here is a history of some of the leadership positions and other contributions made to the organic movement over the years.

- October, 2006: Luis H. Acuña appointed to the Organic Advisory Board of the State of Washington by the state's Agriculture Department Director, Valoria H. Loveland. This appointment runs through January 2010.
- May, 2005: Luis H. Acuña re-elected to the OTA Board of Directors for a second term.
- June, 2002: Luis H. Acuña elected to co-chair of the OTA International Relations Committee.
- May, 2002: Luis H. Acuña elected to the OTA Board of Directors. The board of directors provides vision, strategic direction and counsel to the executive director on major issues affecting the organic industry. Members serve a 3-year term, and can serve up to three consecutive terms.

Giving back to the farming community and organic industry is an important element of the company's philosophy.

CF Fresh's grower representatives are key to our organic growers' success. They travel to farms and orchards from British Columbia to South America providing knowledge, expertise, and assistance to our entire network of dedicated growers.

In addition to the FTSLA, CF Fresh is a member of:

- The Organic Trade Association (OTA), the leading trade and advocacy organization in the organic industry. The OTA administers the Organic Outreach Fund, aimed at educating consumers and the food industry on the benefits of organic products.
- Ecological Farming Association (formerly the Committee for Sustainable Agriculture) which provides knowledge and expertise for farmers and the agricultural community, educates consumers on the benefits of using sustainable products, and is a network for those interested in sustainable agriculture.

2.DISTRIBUTION & SOURCING

Long before it became fashionable to talk about "food miles," it simply made good business and environmental sense to streamline logistics operations to ensure that fresh

produce items are shipped the minimum distance possible from the farm. CF Fresh is committed to using ocean-going vessels instead of airfreight, and rail transport as an alternative to trucks where feasible. We make certain that trucks are fully loaded to make the most of our transportation mileage. Just like carpooling, this eliminates wasted fuel and helps reduce vehicle congestion on our roads.

3.ENERGY IN FACILTIES

The company installed 130 Sanyo HIP 195 solar panels and four SunnyBoy 6000 Inverters on the roof of their Sedro-Woolley office building in August 2007. At the same time, we launched an initiative to reduce the amount of electricity consumed. In 2008 CF Fresh's electrical purchases were down 20% from previous three-year average. In 2009, purchases rose 10% due to lower than expected electrical production, but after cleaning the solar panels we estimate that electrical purchases will be down 12% for 2010.

CF Fresh's rooftop solar installation produced just under 22,000 KWH in 2008, a surprisingly good result given the rainy climate of northwestern Washington State. In 2009 production dropped below 20,000 KWH, but after cleaning the panels appears on target to produce nearly 22000 KWH again in 2010.

Since the system is tied to the electrical grid, energy that exceeds the facility's needs is pumped back onto the grid and sold to Puget Sound Energy. Of the electricity produced on site in 2008, 17,000 KWH were used on site and 5000 KWH were returned to the grid for use by other PSE clients.

The conservation initiative included upgrading to more efficient light fixtures, upgrading HVAC systems, replacing incandescent bulbs with compact florescent, replacing CRT computer monitors with LCD flat screens, and installing windows to take advantage of natural light, among other things. Prior to 2007, CF Fresh's annual electrical consumption had increased 7.5% per year. However, with the implementation of the conservation program our 2008 electrical usage declined .08%, 2009 usage declined a further 4%, and 2010 electrical usage is expected to fall an additional 5%. This will bring our total electrical usage in 2010 down to pre-2006 levels.

The reduction in total energy consumed also translates into a higher percentage of our electricity generated in-house. In 2008 CF Fresh produced 37% of the total electricity used at the Sedro-Woolley office, and in 2010 we expect to produce over 42% of our total electricity.

4.CLIMATE CHANGE

Most of our efforts to reduce our impact in other areas (Energy, Transportation) also help reduce our contribution to climate change and the production of greenhouse gasses. This is an area where we can explore additional options for action.

5. WATER

CF Fresh uses minimal water at our office, with only three bathrooms, one kitchen and one additional beverage station/sink on the premises. We use the low-tech method of reducing our toilet flush water: a filled and capped water bottle placed in the tank.

In the spring of 2009 we replaced our drinking water delivery service with a water filtration device, which filters and dispenses municipal water, heated or chilled as needed. This eliminates the inefficiencies of water delivered via truck.

6. WASTE

Produce Waste: Produce which for one reason or another is not salable, be it overripe, the wrong kind, in the wrong place, or cosmetically damaged, is donated to food banks, soup kitchens, and other charitable organizations. CF Fresh feels strongly that good organic food should not be allowed to go to waste, even if it cannot be profitably sold. It takes a bit more effort to donate rather than dump, but we feel it is important to make the effort.

Office Waste: Starting in 2007, CF Fresh has endeavored to reduce the amount of paper used in our office. We continue to reduce paper use by streamlining processes, eliminating duplication, encouraging the use of e-mail and enabling employees to fax directly from their computers. Our operations are now nearly paperless. In 2009 we purchased 17 cases of office paper and in 2010 we reduced our paper purchases to 11 cases, for a 35% reduction.

- Faxes are received and stored as .pdf files (never printed)
- Sales orders and confirmations are transmitted electronically
- Invoices and statements are sent by e-mail
- Our price list is sent only by e-mail
- Organic certificates are stored and transmitted electronically

All paper, plastic, glass, and metal waste generated is sorted and recycled. Some paper with printing on only one side is reclaimed to be printed on the other side, and other paper is reused to make scratch pads. Cardboard shipping boxes, manila file folders, large envelopes, packing materials, and other useful items are reused before being recycled.

We use cloth towels in our kitchen and bathroom areas, and ceramic mugs and plates instead of disposable plastic or paper ones.

With the redesign of our Viva Tierra brand, we also updated our brochures and business cards. The new materials are printed using soy-based inks on recycled paper.

7. PACKAGING

CF Fresh strives to make environmentally conscious decisions regarding every step of our business, including packaging design and construction. In 2009 we redesigned our primary organic produce brand, Viva Tierra, with an eye towards reducing the impact of our packaging materials. The new design is printed on un-bleached, brown "kraft" cardboard instead of the white background required for the old design. To reduce waste, all the existing packaging using the old design were used up before the new design was implemented. The new design went into effect for Apples and Pears in 2009, and by fall of 2010 was in use by all packers in the US as well as one in Chile.

In 2010 we implemented the new Viva Tierra design on our "summer fruit" boxes, which are used for peaches, plums, nectarines, apricots and pluots, replacing the old white-paper boxes with un-bleached, brown "kraft" boxes.

In addition, the molded fiber trays and "jiffy pads" which cushion and protect the vast majority of our apples and pears inside the boxes are made using recycled materials at a "green" plant in Wenatchee, WA which uses closed-loop technology to completely eliminate the release of wastewater into the environment. All of our paper packaging materials are recyclable, and are marked as such.

All our plastic apple and pear bags are made with ECM biodegradable plastic. This type of plastic, when disposed of, is metabolized into inert, humus-like biomass by common microorganisms. The biodegradation can occur either aerobically or anaerobically, and does not require light. This means that ECM plastic biodegrades no matter how the plastic is disposed of, whether it be in a sealed landfill, open dump, or a home compost pile.

Areas for further effort include:

- Potato and onion packaging. The plastic mesh we use is recyclable, but we are actively searching for a more sustainable solution for the future.
- Plastic "pantapack" trays used for soft fruits, such as peaches and nectarines. As with the mesh bags, these are recyclable but not degradable.
- Styrofoam trays which protect Golden Delicious apples. These trays are crucial to keeping this notoriously soft and sensitive apple from bruising during shipping, but are clearly not a sustainable choice.
- PLU stickers. We have been contacted by a company working to develop compostable PLU stickers, which would be a great alternative to our current stickers which are neither degradable nor recyclable.

8.LABOR

Although CF Fresh is well below the threshold number of employees required to fall under the Equal Employment Opportunity regulations, CF Fresh strives to maintain compliance with the EEO Compliance Manual. CF Fresh is proud of our diverse workplace. CF Fresh provides medical and dental benefits, matching retirement account contributions, vacation, health and sabbatical leave, and employee profit sharing among other benefits. CF Fresh is a family-friendly employer, with flexible scheduling for employees working to juggle childcare and family needs with their workdays.

CF Fresh provides community outreach by partnering with Washington Vocational Services and our local high school in order to provide life skills training opportunities for Resource Room students. This program brings developmentally disabled students, along with their job coaches, to our office for hands-on training on clerical tasks and how to work in an office setting.

CF Fresh has also worked with Job Corps to provide work-study experience for young people enrolled in the US Department of Labor's long-running successful educational and vocational training program.

9.ANIMAL CARE

CF Fresh has no animal-related business endeavors, but does allow employees to bring their dogs to work with them, provided they are well behaved and house broken. We have a fenced outdoor area where the dogs can play in good weather, and even non-dog-owning employees enjoy having dogs around and frequently "borrow" a dog for walks. Having dogs in the office is good for the morale of both human employees and the dogs themselves.

10.CONSUMER EDUCATION

Although CF Fresh, as a sales agent, does not have a direct retail interface with consumers, we provide a wealth of information on our website regarding organic agriculture, sustainability, our produce, and our growers. We have also started a facebook page for Viva Tierra Organic Produce, where we share photos and news from our organic farms, feedback from consumers, and various other tidbits of interest with a small but growing number of fans.

On several occasions CF Fresh has hosted educational tours for produce buyers to travel to the various farms and packinghouses where the produce they purchase from us is produced and packed. These tours are extremely valuable and informative, providing distributors and retailers with first-hand knowledge of how the food they offer to their customers is produced. We believe this has a positive effect on consumer education as well, since much of the information about organics which consumers receive comes to them at the retail display level.

CF Fresh also coordinates tours and visits between growers from different regions, especially between northern and southern hemisphere producers. We believe that everyone benefits from the open exchange of ideas and organic know-how, as growers share successes and failures, new techniques and solutions for common problems.

11. GOVERNANCE

Each year, we will strive for continuous improvement and to audit our performance in a straightforward and appropriate way. Results of our sustainability audit will be shared with our entire staff, as well as made available on our website. Excerpts of our audit focusing on particularly successes will be released to the trade media to generate enthusiasm and to encourage other companies to join with CF Fresh and the FTSLA in working towards a more sustainable future.