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Guayakí: Securing Supplies, Strengthening the Mission

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Guayakí: Securing Supplies, Strengthening the Mission

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Abstract

The case reviews the rise of Guayakí, a company that sells energy drinks produced with leaves from Yerba Mate trees, and a significant decision it now faces. Guayakí's drinks offer a natural alternative in the energy drink industry, which is dominated by large players selling products mainly made from water and chemicals. The company started very small, had several "near-death" experiences, but eventually thrived, reaching \$27 million in sales in 2014. Its products are highly differentiated in the energy drink industry.

From the beginning, Guayakí has had a commitment to social justice and environmental restoration in South America. Mate is grown best under the canopies of rainforests. Difficult to cultivate, it is found natively in a region where Argentina, Brazil, and Paraguay meet. Guayakí has engaged with several local communities that live in or near rainforests, to try to create a downstream market for mate that they harvest. The company's goal is to create 1000 jobs in this region, and to restore 200,000 acres of rainforest by 2020.

The case provides information that can be used to analyze the energy drink industry, and to appreciate the depth of Guayakí's commitment to social and environmental goals. The key focus, however, is on the company's supply chain. As Guayakí has grown and begun to require increasing amounts of mate, its model of social engagement with communities is coming under pressure. How can it acquire enough mate to fuel its growth and yet still retain its social and environmental programs? The case identifies and provides significant information on three options open to the company: continuing as now and scaling up via organic growth; purchasing land to secure its supply of mate, which might require restoration prior to the growing of mate; and collaborating with a land owner that shares its view of social and environmental stewardship.

Guayakí: Securing Supplies, Strengthening the Mission¹

Michael V. Russo and Michael Crooke, University of Oregon

Chris Mann paused as he considered the important decision that Guayakí faced. After years of frothy growth, the seller of mate-based energy drinks needed to move aggressively to secure a long-term source of mate, the leafy plant that was the basis of its products.² Even within the red-hot energy drink business, Guayakí (pronounced “gwy-uh-KEE”) enjoyed premium growth, and its distinctive cans, bottles, and boxes of yerba mate were appearing in a broader set of retail locations (see Exhibits 1 and 2). In 2014, according to marketing research company SPINScan, Guayakí Yerba Mate was the best selling brand of mate in America.³ It expected 2014 sales to exceed \$27 million. But without an adequate supply of mate leaves at a predictable price, the company risked having to forego future growth—and that meant curtailing the social benefits it had worked so hard to bring to local communities where mate was cultivated. In addition, the volatility of mate pricing made financial projections challenging.

Pricing volatility also was putting pressure on its relationships with indigenous peoples. Many of the organizations and families from which it purchased mate didn’t have experience running a business or even appreciate the fundamentals of business. Because contributing to the health of the culture and sustenance of indigenous peoples was “at the core of our business model,” as Mann put it, he and Guayakí’s other managers knew that whatever solution they developed could not undermine the bedrock of their social mission.⁴

The company was at a crossroads.

An Adventurous Path

Guayakí’s origin could be traced to a drink made from yerba mate leaves that Alex Pryor, a native of Argentina, offered to David Karr in 1996. Mate was so popular in Pryor’s country that it enjoyed cultural status. Generally served in a gourd and sipped through a metal straw, or *bombilla*, the drink promised a subtle caffeine lift but also had the reputation of offering medicinal properties. In fact, Karr became certain that drinking yerba mate cured his allergies.⁵ “Yerba mate is revered in South America ... I thought why not bring it to the States?”⁶ Alex used his senior class project at California Polytechnic College in San Luis Obispo, California to develop a business plan to share their passion for the ritual and energy rush of drinking yerba mate. One year later, the company was formalized with five key partners. They christened the new company Guayakí, after a tribe in Paraguay.

¹ © 2016 Michael V. Russo and Michael Crooke. The authors thank anonymous reviewers for encouragement and helpful comments on a previous version.

² The word “mate” is typically pronounced without an accent on either syllable, and is sometimes written with an accent over the second syllable. However, the accent mark is generally not used, because the literal translation in Spanish is “killed.”

³ SPINScan Natural, Period ending July 6, 2014. Retrieved on July 2, 2014 from proprietary database.

⁴ Chris Mann, Interview, December 5, 2014.

⁵ Caplan, J., McGirt, E., & Wilson, Amy. 2003. Fortune Hunters: Meet seven people with vision and daring who are making their own success. *Money*, August: 80-84.

⁶ Ibid, page 84.

A vision for forest restoration. The vision for the company went beyond simply selling yerba mate. Traveling extensively through the areas in Argentina, Brazil, and Paraguay where mate was harvested, the founders witnessed areas where large swaths of rain forest had been cleared for lumber, cattle grazing, and soy production, leaving a local population that did not always benefit in the long run from the changes. In particular, indigenous people from the rain forest were increasingly evicted as property changed hands and rain forest was cleared. This displacement disrupted ancient social and ecological systems and bred widespread poverty.

After some thought and experience, Karr and Pryor realized that preserving remaining rain forests was not enough, since maps showed that over 95 percent of the original forest cover had been lost (see Exhibit 3). Thus, mere conservation was not enough. Combining this revelation with their belief that a market-oriented solution could expand the forest, the group tried to fashion a way to address these social and environmental ills using business principles. Constructing a business model to expand forests that Mann called “market-driven restoration,” he fashioned a set of principles that would guide Guayakí’s approach to doing good by doing well. The challenge was daunting. Commenting in 2012, CEO Chris Mann observed:

We needed to develop a model for how (local communities) could get paid to plant hardwood and nurture it. We were really surprised there weren’t many people doing restoration. The timber companies were planting monocrops to cut down again. One of the large conservation groups had a project, and there were a few smaller-scale research things, but we didn’t find any significant market mechanisms.⁷

Because mate grows best in the shade, it could generate value for maintaining forests. But the plant was difficult to harvest and took six years to reach maturity from seedlings, so the centerpiece of Guayakí’s strategy had to be building trust with local communities, educating individuals on the company’s goal, and, just as importantly, listening to the concerns they expressed. If trust could be built, the cultivation of mate offered a way for local communities to earn income and protect and enhance rain forests.

The company was particularly proud of its engagement with 45 families of the Aché people of northeast Paraguay. Working with anthropologists Kim Hill and Magdalena Hurtado, experts on the Aché,⁸ the company began dialoguing with the community in an effort to build trust and anticipate the point at which they might be able to purchase mate from them. After seven years, in 2009 Guayakí was able to bring to market yerba mate from trees that had been seeded, re-planted in the shade of the rain forest, and then tended until they were mature enough to have their leaves harvested. Purchase prices were at least 30 percent above what producers usually got for mate.⁹ Guayakí’s promotional material called

⁷ Guayakí Pioneers Market-Driven Restoration Business Model. 2012. RSF Social Finance. Retrieved on August 27, 2014 from <http://rsfsocialfinance.org/2012/08/guayaki-pioneers/>.

⁸ See, for example, Hill, K. R., and Hurtado, A. M., *Aché Life History The ecology and demography of a foraging people*. Piscataway, NJ: Transaction Publishers.

⁹ Alvarado, P. 2009. The Aché Guayakí Project, or How Cultivation Under Native Woods Can Help Indigenous Communities. *Treehugger*. Retrieved on June 30, 2014 from <http://www.treehugger.com/corporate-responsibility/the-ache-guayaki-project-or-how-cultivation-under-native-woods-can-help-indigenous-communities.html>.

it the “smoothest, silkiest yerba mate we have ever tasted.”¹⁰ The first harvest was celebrated at an event at the Paraguayan Embassy in Washington, DC.¹¹

The founders had a goal of stewarding and restoring 200,000 acres (80,940 hectares) and creating 1,000 living wage jobs by 2020.¹² The company saw itself “achieving that goal sip by sip.”¹³ Karr summarized the company’s mission in this way:

We measure success by the acres of rainforest protected and reforested, the number of native communities assisted with a sustainable livelihood, and the contentment and inspiration of our employees.¹⁴

Growth—and growing pains. In the beginning, however, success wasn’t guaranteed. Karr poured everything he had and could get into the fledgling business. His life savings of \$14,000 underwrote a line of samples that he and Alex Pryer presented to potential buyers. In 1997, Mann joined Guayakí founders Alex Pryor and David Karr, along with the two other founding *semillas* (or, “seeds”) of the company, Don Miguel and Steven Karr (David’s brother). The *semillas* formalized their partnership and started operating out of David Karr’s one bedroom flat in San Luis Obispo with \$25,000 cash, a Mac computer and credit cards, which at one point David, Chris, and Steve had all “maxed out.”¹⁵ In that first year, Guayakí earned \$40,000 in sales revenue. In 1998, the Karr Brothers and Don Miguel headed out to public events in a VW van (named Danny) decorated with images of the rain forest and Guayakí products. They drove all the way to the tip of Canada, stopping at natural food stores and festivals along the way. At the natural foods stores, they would set up a table, serving samples of hot mate and sell loose-leaf yerba mate on the spot. At the end of the day, they would give the proceeds from sales and leftover product to the natural foods store and set it up with an account to order more. In 1998, they earned \$178,000 selling loose-leaf yerba mate from the van. Meanwhile, Pryor returned to Argentina to develop the supply network that provided mate for the company and in its San Luis Obispo headquarters, Mann was busy building a sales and operations infrastructure.

Funding this growth was a constant struggle. However, the company benefitted from a series of loans from the Small Business Administration of \$50,000 in 1997, \$100,000 in 1998, and \$200,000 in 2000. In 2001, the company continued to grow and its managers decided to bring new equity into Guayakí. They began, as many entrepreneurs do, with funding from friends and family. Then, in 2001 and 2002, they received a total of \$300,000 from an equity fund created when Ben Cohen and Jerry Greenfield sold their legendary American ice cream company. Cohen and Greenfield’s company was famous for creating a company that took strong social positions. Their fund is nontraditional in the sense of providing more “patient” capital for the growth of companies it considers enlightened. Further nontraditional equity infusions came from family foundations with which it was

¹⁰ Guayakí. No date. Aché’s Pride. One page flyer.

¹¹ Struder, M. 2009. Guayakí Yerba Mate unveils Aché’s Pride Special Reserve. *Tea Examiner*. Retrieved on October 18, 2014 from <http://www.examiner.com/article/guayaki-yerba-mate-unveils-ache-s-pride-special-reserve>.

¹² The English system of measures is generally used in the case. The first time a measure appears, the metric equivalent will be provided. 1 acre = 0.4047 hectare

¹³ Guayakí. No date. The Guayakí Story. Retrieved on February 17, 2015 from <http://guayaki.com/about/134/The-Guayaki-Story.html>.

¹⁴ Karr, D. 2009. Green Scene: Market-Driven Restoration. *North Bay Biz*, February Retrieved on February 17, 2015 from

http://www.northbaybiz.com/Special_Features/Green_Scene/Market_Driven_Restoration.php.

¹⁵ Ibid.

familiar and Gary Erickson, the founder of Clif Bar. According to Mann, it was critical that there be “congruence between the company’s mission and its equity structure.”¹⁶ He wanted to avoid the conventional model, which frequently forces founders to give up control of their companies to equity partners.

By 2002, Guayakí reached \$2.1 million in sales and broke even.¹⁷ The company and its mission began to attract notice, and two glowing media articles surprisingly created another near-death experience for the company. After laudatory articles in *Money* and *Woman’s World* in 2003, demand for the product suddenly surged.¹⁸ This was much more pronounced in the case of *Woman’s World*, which associated the product with weight loss. One retailer that was eager to stock its product was General Nutrition Centers (GNC), whose representative told Mann that, “To our customers, *Woman’s World* is the bible.”¹⁹ Guayakí’s sales rose 100 percent for two consecutive months and then 10 percent in the third. After scrambling to meet this sudden surge in demand, in the fourth month after the *Woman’s World* article, sales dropped 70 percent as existing sellers reduced their purchases back roughly to the pre-publication level. To avoid layoffs, the company chose to reduce salaries across the board by 10 percent, except for executives, whose salaries were reduced 20 percent. In return for temporarily reduced salaries, Guayakí offered its employees an upside in terms of profit-sharing when the situation stabilized.

A key for the company was the development of cold drinks, and their introduction in 2006 proved to be a huge success. Although they represented a step away from the hot drinks for which mate was traditionally used, they were perfect for the “grab and go” purchasing style of busy Americans. There even was some basis for a cold drink in Paraguay, where mate, cold water, and herbs are made into what is known as tereré.²⁰ Reflecting on the success of its cold drinks, Karr quipped, “Culture is hot, cash is cold.”²¹

Guayakí was in full stride in 2014, with \$27 million in expected sales. Its 25 percent annual sales growth rate was something Mann felt it could accommodate without overheating. The company had a stable set of managers in place. It also enjoyed a broadening brand recognition and an expanding retail network. It was actively stewarding and restoring roughly 50,000 acres of rainforest, and had created 300 jobs in South America (along with 45 in the United States). But as Mann paused to consider all that the company had become, he worried about the challenges of sustaining growth. There were many questions on his mind. Where would new supplies of mate come from, and how could the company protect itself from price hikes? Would it have enough capacity with indigenous communities, so that the social mission of the company could scale up along with product sales? How could the company best balance the need to grow with its social mission? And regardless of the sourcing for mate, Guayakí felt that it had to find a more environmentally sensitive method for drying mate. The decisions regarding the company’s supply chain bore on all of these.

¹⁶ Chris Mann, Interview, December 5, 2014.

¹⁷ Caplan, McGirt, & Wilson, Amy, 2003. op. cit., page 84.

¹⁸ See Caplan, et al, Ibid and Huszar, Stephanie. South America’s 2003. South America’s “Secret Weight-Loss Tea,” *Woman’s World*, October 21: 18-20. Also, interview with David Karr, July 9, 2014.

¹⁹ Chris Mann, Interview, July 25, 2014.

²⁰ Folch, C. 2010. Stimulating Consumption: Yerba Mate Myths, Markets, and Meanings from Conquest to Present. *Comparative Studies in Society and History*, 52(1): 6-36.

²¹ David Karr, Interview, July 9, 2014.

The Energy Drink Industry

History. Energy drinks are beverages that contain, besides calories, caffeine in combination with other presumed energy-enhancing ingredients such as taurine, herbal extracts and B vitamins.²² The first energy drink, Coca-Cola, formulated in 1886 by Atlanta pharmacist, Dr. John S. Pemberton²³ was a syrup elixir that was mixed with carbonated water. The syrup contained cocaine extracted from the leaves of the coca shrub, and another stimulant made from the nut kernels of the cola tree.²⁴ At the turn of the century, Coca-Cola removed the cocaine from its formula, but caffeine has always remained part of the Coca-Cola formula. The formula survived the federal government's attempt to sue Coca-Cola under the Pure Food and Drug act for selling a beverage that was injurious to health due to its high caffeine content. The 1916 federal lawsuit, *United States v. Forty Barrels and Twenty Kegs of Coca-Cola*, failed to force Coca-Cola Company to remove caffeine and Coca-Cola grew to become a worldwide favorite beverage. In response to the lawsuit, Coca-Cola and competitors shifted their marketing strategies from messages that boasted the medicinal benefits of energy drinks to messages that highlighted the enjoyment of carbonated soft drinks with friends.

Energy drinks gained renewed popularity in Europe and Asia in the 1960s in response to consumer demand for a dietary supplement that would result in increased energy. In 1962, a Japanese company, Taisho Pharmaceuticals, launched Lipovitan D, which contained B vitamins, taurine and ginseng.²⁵

2001 was an important year for the energy drink industry, lead by Austrian energy drink Red Bull. When Deitrich Mateschitz introduced Red Bull (formulated in 1987) to the U.S. market in 2001, consumers responded favorably to his "bring the product to the people" marketing strategy. Mateschitz hired university students to host Red Bull parties and drive vehicles with the brand's silver Red Bull can strapped to the top.²⁶ In 2001, Red Bull held 70-90 percent of the market share in the energy drink industry and sold 1.6 billion cans in 62 countries. That same year, competitors were quick to respond to the success of Red Bull: PepsiCo launched Amp Energy, Rockstar was founded (later sold to Coca Cola, and distributed by PepsiCo). In 2002, Monster Beverage Corporation entered the increasingly competitive energy drink market.

Energy drinks were typically sold in eight or 16 ounce (473 milliliter) cans.²⁷ In 2004, Living Essentials LLC launched 5-hour Energy, a two-ounce shot with comparable energy boosting promise. By 2012, the energy shot segment was clearly established, with 5-

²² <http://onlinelibrary.wiley.com/store/10.1111/j.1541-4337.2010.00111.x/asset/j.1541-4337.2010.00111.x.pdf?v=1&t=hvqxvuqw&s=dd9f13f02b034099c44ef39c1c0506fb01b0d7ee> Accessed 5/28/14

²³ Coca-Cola® History. No date. Retrieved on September 21, 2014 from <http://www.worldofcoca-cola.com/coca-cola-facts/coca-cola-history/>.

²⁴ May, C. 1988. How Coca-Cola Obtains Its Coca. *The New York Times*. Retrieved on July 1, 2014 from <http://www.nytimes.com/1988/07/01/business/how-coca-cola-obtains-its-coca.html>.

²⁵ <http://onlinelibrary.wiley.com/store/10.1111/j.1541-4337.2010.00111.x/asset/j.1541-4337.2010.00111.x.pdf?v=1&t=hvqxvuqw&s=dd9f13f02b034099c44ef39c1c0506fb01b0d7ee> Accessed 5/28/14

²⁶ Selling energy. 2002. *The Economist*. Retrieved on May 9, 2014 from <http://www.economist.com/node/1120373>.

²⁷ 1 ounce = 29.57 milliliters.

hour Energy enjoying a 90 percent share of the market.²⁸ Guayakí entered the energy shot market in 2008. A 2013 study conducted by Mintel, a marketing research company, reported only 7 percent of energy beverage users exclusively drink energy shots, while 57 percent of energy beverage users consume a combination of energy drinks and energy shots.²⁹ A 2015 report by the marketing research firm Mintel noted that energy drinks alone accounted for 88.8% market share in this category and they noted that energy shots struggled in 2013 and 2014 due to taste barriers and ingredient safety perceptions.³⁰

A snapshot of the energy drink industry in 2015. In 2015, the energy drink industry included two sub categories: energy drinks and energy shots. The leading companies in the industry were Red Bull, Monster, Kraft Foods, 5-hour Energy, Rockstar, PepsiCo and Coca-Cola.³¹ Mintel reported that the energy drink and shot market combined grew 56% between 2009 and 2014. The company cited older Millennials as the main target market and correlated their hectic lifestyles for the need for extra energy. Mintel forecasted strong growth through 2019, with sales increasing an estimated 52% from 2014-2019. (See Exhibit 4)

According to Mintel's February 2015 report the energy drink market share was led by Red Bull (42.4% with \$937 million in sales) and Monster Energy (39.6% with \$874 million in sales).³² (See Exhibits 5 and 6) Red Bull worked to hold onto its competitive advantage by releasing "Editions" of three flavored drinks and Red Bull Total Zero, a calorie-free formulation. Despite consumer lawsuits in the fall of 2012, Monster was able to remain a leader, and even gained market share from 2011-2015.³³ An example of a issue that heightened awareness of the risks of energy drinks was the May 2013 lawsuit wherein the City of San Francisco accused Monster Beverage Corporation of violating California law by marketing caffeinated energy beverages to children, despite scientific findings that highly caffeinated products may cause significant morbidity in adolescents including severe cardiac events, brain seizures.

The energy shot segment was dominated by 5-hour Energy (86.6% market share in Mid-2015; see Exhibits 7 and 8). But from 2012 and 2015, Mintel observed a decline in users and slowing consumption frequency as the drivers of a slowdown of sales in the shot category.

In addition to the mainstream energy drink competitors, lines featuring natural brands like Guayakí Yerba Mate were abundant in the marketplace. Leading Natural Energy Drink Brands included: Honest Tea (with yerba mate), High Ball, Hain Celestial Kombucha Energy Shots, Guru, Zen Zhots, Steaz, Starbucks Refreshers, Jamba Juice Natural Energy Drink, Solizer, EQ8, FRS, VUKA, Organic Energy and Sambazon Energy. Mintel's research concluded that consumers are not leaving regular energy drinks/shots for natural versions but

²⁸ O'Connor, C. 2012. The Mystery Monk Making Billions With 5-hour Energy. *Forbes*. February 8, 2012 Retrieved on September 21, 2014, from <http://www.forbes.com/sites/clareoconnor/2012/02/08/manoj-bhargava-the-mystery-monk-making-billions-with-5-hour-energy/>.

²⁹ Mintel. 2013. Energy Drinks – US – August 2013. Retrieved on July 6, 2014 from proprietary Mintel Reports database.

³⁰ Mintel. 2015. Energy Drinks – US – Feb. 2015. Retrieved on November 25, 2015 from proprietary Mintel Reports database.

³¹ Ibid.

³² Ibid.

³³ Ibid.

instead are drinking both. The firm believes that interest in natural offerings may stem from perceptions that natural/organic products are healthier.

Consumer profile. Teens aged 12-17 and adults aged 18-34 are primary energy drink consumers. Although 68 percent of all adults do not use energy drinks and 78 percent of all adults do not use energy shots, 62 percent of 10-24 year olds consume energy drinks (of those surveyed who drink energy drinks, 37 percent consume energy shots) and 54 percent of 25-34 year-olds consume energy drinks (of those surveyed, 42 percent consume energy shots).³⁴ Energy shots are more likely to be consumed by those who are 25-34, and the percentage of energy shot drinkers has decreased between 2012 and 2015, suggesting this group is switching to energy drinks as a go-to solution for feeling tired or slow.³⁵

With such a young consumer profile, Guayakí's social media and marketing campaigns had to be designed to resonate with millennials, which included having a strong social media presence. In mid-2013, Monster held the lead in online Share of Voice (SOV) among analyzed brands at 37 percent followed by Red Bull at 36 percent.³⁶ Of these online conversations, 65 percent took place on Twitter, 30 percent on Blogs and 3 percent on Facebook.³⁷

The Supply Chain for Mate

According to the Food and Agriculture Organization of the United Nations, in 2012 Brazil was the biggest producer of mate in the world with 513,200 metric tons (57.8 percent of production), followed by Argentina with 290,000 metric tons (32.6 percent) and Paraguay with 85,500 metric tons (9.6 percent).³⁸ Of these 888,700 total tons, Mann estimated that 80 percent was consumed in South America and the remainder in the Middle East, Europe, and the United States.³⁹

Several steps convert the mate leaves into drinks and other consumables. In a sequential process that has changed little over time, the leaves must be gathered, shredded, dried in a multi-step process, and then aged.⁴⁰ The aging process, which could take as long as two or more years, mellows the flavor. After aging, the leaves are bagged in 30 kilogram (66 pound) sacks for transportation to plants where they are processed.⁴¹ In South America, processing takes place in centralized facilities, where mate from numerous sources was sent. Much of Guayakí's mate was processed in the United States, for two reasons. First, this practice helped to ensure quality. Second, by taking possession of the mate somewhat farther upstream in production, the company avoided having non-organic mate intermingled with the organic mate that it guaranteed to customers. In any case, some of its supply partners were

³⁴ Ibid.

³⁵ Ibid.

³⁶ Share of Voice represents the relative portion of advertising attributable to a given brand. See https://en.wikipedia.org/wiki/Share_of_voice.

³⁷ Ibid.

³⁸ See Food and Agriculture Organization of the United Nations. FAOSTAT. 2014. Retrieved on June 13, 2014 from <http://faostat.fao.org/>. 1 metric ton = 1.102 English tons (referred to as tons hereafter).

³⁹ Chris Mann, Interview, May 9, 2014.

⁴⁰ How Is Yerba Mate Processed? 2014. My Mate World. Retrieved on June 13, 2014 from <http://www.mymateworld.com/learnyerbamate.htm>.

⁴¹ 1 kilogram = 2.205 pounds.

vertically integrated which helped Guayakí maintain the integrity of the mate to the point where it took possession. Still, it did work with a small processor in Andresito, Argentina, where it had a warehouse in which it stored mate. It also processed its Argentine supplies in that city.

Regardless of its level of processing, mate was shipped in containers to the United States. Guayakí then processed mate into its products at a plant in Pittsburg, Pennsylvania, three plants in Watsonville, California, and a plant in Portland, Oregon. Bottling of drinks took place in Pittsburg and Watsonville and dry products such as yerba mate were processed in Watsonville and Portland. Glass bottles comprised 30 percent of sales, 70 percent of which were bottled in Watsonville.

Guayakí worked with several distributors to take its products to store shelves. For supermarkets, it used United Natural Foods, a very large national distributor that served Whole Foods Market and a number of mainstream chains. In addition, for outlets like convenience stores, gas stations, and campus bookstores, it used roughly 20 regional beverage distributors with which it had contracts. These companies, known as “direct store distributors,” might also distribute beer or other soft drinks. They provided coverage on the West Coast and some selected markets elsewhere, such as Austin, Texas and Brooklyn, New York. There was limited support on the ground, principally to open accounts, establish the selling function, and occasionally conduct product sampling. Altogether, Guayakí products were sold in 15,000 locations in the United States and Canada.⁴²

Pricing. The price of mate depends on several factors, principally the extent to which it has been processed as well as its quality. However, the assessment of quality was not as well developed as for other commodities. In addition, the quality of mate was more subjective. To use an analogy from the world of coffee, it was as if the distinction between fresh-brewed and rehydrated (or, “instant”) coffees was considered more a matter of personal preference than of quality.⁴³

Also indicative of the relatively low market development was that the price of mate was neither clearly tracked nor consistent across geographic areas. In addition, Argentina’s government imposed some price constraints in view of its position that mate was a staple for its citizens. However, in periods of higher inflation in the greater economy, the real price of mate dwindled to a point so low that it led to constraints in supplies because some mate simply could not be brought to market profitably. On the other hand, Mann felt that low prices did not have a strong effect on demand, since the product was already so widely used. Prices for mate outside of Argentina were believed to display wide swings similar to global commodities such as coffee and tea (See Exhibit 9). The Argentine government did allow the price of mate to rise more recently, in order to bring more supplies to the market. Yet, former President Christina Fernandez pointed specifically to mate in her call for supermarkets to restrain price hikes.⁴⁴

⁴² Chris Mann, Interview, July 25, 2014.

⁴³ Chris Mann, Interview, May 9, 2014.

⁴⁴ Argentina’s Fernandez slams supermarkets for “price speculation” 2014. *Reuters*, February 12. Retrieved on June 14, 2014 from <http://www.reuters.com/article/2014/02/13/argentina-inflation-supermarkets-idUSL2N0LH2EZ20140213>.

Guayakí had dealings in all three of the countries. Each presented its own variety of macroeconomic and commercial challenges (See Exhibits 10 and 11). Over the course of its company's existence, Guayakí and its associates had compiled considerable experience in doing business in this context, as well as a full complement of critical relationships.

Certifications. The company also had acquired a number of certifications that attested to its social and environmental practices, most of which were for supply chain-related issues (See Exhibit 12). Richard Bruehl, Guayakí's North American Operations head, was charged with developing a certification strategy for the company. His goal, he explained, was to "confirm the integrity" of the company's supply chain operations.⁴⁵ A third party certification was key, since "until a third party gives that stamp of approval, a consumer won't recognize (the company's initiatives) as true."

But the certifications that appeared on its products and website represented the endpoints of processes that could be circuitous and challenging. This was partly due to the distinctive qualities of mate, and partly due to the difficulty of transferring learning from one process to another. That is, each relationship with a certifier and certification process was unique, requiring different data provision, ongoing practices, and auditing cycles.

Finding an organization to certify mate was easier said than done. For example, although in a superficial sense the supply chains for tea and yerba mate might seem similar, there were enough differences between the two that it was difficult for Guayakí to secure a labor practices certifier that it felt understood the cultural nuances involved in production of mate. The certifier it finally chose, a Swiss non-profit called the Institute for Marketecology, had significant experience across many contexts in the developing world. Through its experiences, it appreciated important differences across culture, which might extend to concepts even as basic as the nature of fairness. After study, the Institute certified Guayakí's products under its Fair for Life program.

There were other challenges associated with certifications. All of these certifications came at a cost, and in 2014, the total was expected to be roughly \$100,000, with one-third of that amount representing in-house support from Guayakí. These costs also rose as Guayakí became larger, something that put pressure on a continued relationship. In the case of one certifier, the company questioned a spike in its certification costs after it cleared \$25 million in sales, which pushed it into a new fee tier. This would have led to the direct costs for this certifier rising from \$17,645 to \$27,500 in 2015, nearly a 60% increase. After some discussion, that certifier agreed to limit its increase for 2015 and subsequent years to 10% until Guayakí arrived at the appropriate annual payment.

A trial relationship with Demeter Association was promising and led to a certified biodynamic mate product, but demand for the product did not materialize. An attempt to place the product in Whole Foods Markets was unsuccessful because the retailer wanted the product priced at a far lower point than Guayakí thought was appropriate. There were also times when individuals at Guayakí were uncertain about the need for certification. For example, given its sources genetic modification of crops was a non-issue for the company. Furthermore, non-GMO certification was costly and in 2008 the movement was just getting underway. But Bruehl successfully overcame the objections of the marketing team by emphasizing that non-GMO certification would be expected by Guayakí's customers

⁴⁵ Richard Bruehl, Interview, August 22, 2104. All quotes in this section are from this interview.

because, as he put it, “it’s our base; these are our people.” The company certified, which proved to put it ahead of the curve as the GMO issue escalated in the eyes of consumers.

The company also got caught in a sticky situation when it changed its organic certifier. Guayakí switched to CCOF (California Certified Organic Farmers) from ICS (International Certification Services) based on the responsiveness of CCOF to its needs. The problem was that Guayakí had a considerable amount of inventory marked with the logo of ICS, and that organization felt it was inappropriate to sell anything with the logo after it was dropped. The two sides compromised, with Guayakí agreeing not to sell any products with ICS logos after six months.

Bruehl felt that the resulting set of certifications represented a companywide commitment to certify its supply chain and practices. Living through the process was exhausting but satisfying, and he looked forward to a time when more commonalities across certifiers would make his job easier. In particular, some consistency across the metrics demanded by certifiers would be a welcome stroke of efficiency.

On the other hand, there were emerging certifications that appealed to Guayakí. In 2007, it became a founding “B Corp,” a designation earned through a review of its social, environmental, and governance practices.⁴⁶ Companies that were B Corps committed themselves to a number of progressive principles and importantly, embedded within their articles of incorporation a voice for stakeholders other than shareholders. In this way, a company’s mission could outlive its founders or a change in ownership. The idea that an entire business could be certified was new, but the B Corp movement captured Guayakí’s imagination as it was gaining momentum in the community. Richard Bruehl wondered if there might come a time “when B Corps work only with B Corps,” as partners in creating a transformative model of commerce. The other managers agreed with that vision.

Guayakí’s certification strategy was essential to providing the assurances that customers demanded about the sources of its products. Regardless of how it chose to address the pressing question of how it would secure long-term supplies, the company knew it had to retain the trust of its customers.⁴⁷

⁴⁶ See B Corp. 2014. Welcome page. <http://www.bcorporation.net/>, retrieved on September 11, 2014. A B Corp is not to be confused with a For-Benefit Corporation, a legal distinction available to companies in 26 states in the United States and the District of Columbia. See Benefit Corp Information Center. 2014. State by State Legislative Status. Retrieved on September 21, 2014 from <http://www.benefitcorp.net/state-by-state-legislative-status>.

⁴⁷ For academic treatment of social and environmental issues in the supply chain, see Parmigiani, A., Klassen, R. D., & Russo, M. V. Efficiency Meets Accountability: Performance Implications of Supply Chain Configuration, Control, and Capabilities. *Journal of Operations Management*, (29): 212-223; and Seuring, S., & Müller, M. 2008. From a literature review to a conceptual framework for sustainable supply chain management. *Journal of Cleaner Production*, (16): 1699-1710.

Guayakí's Decision

The leadership of Guayakí knew that securing a steady supply of affordable mate was essential to fueling the company's long-term expansion. The recent growth in the company's imports of mate was impressive. In 2013, it imported 24 containers (each with about 18.5 tons of mate), up from perhaps six containers in 2008. In 2013 the company processed 330 tons of mate, putting aside for future use more than 100 additional tons. However, its appetite for mate was expected to grow to a point where the company would require 1,000 tons annually by 2020. That type of growth was putting pressure on the sources of mate that it had carefully developed over the years. Guayakí had to determine the best way to expand its supplies, while respecting and broadening its social mission. Over a cup of yerba mate served in a traditional gourd, Mann traced out three options that the company could pursue.

Continue as now. The "business as usual" option was the path of least resistance. To date, it had proven very successful in supporting Guayakí's rapid growth. Continuing to purchase as it was currently doing leveraged existing relationships and was consistent with Guayakí's efforts to promote economic opportunity for indigenous groups.

At this point, Guayakí was still able to purchase 100 percent of its supplies and processing services from individuals and organizations with which it had been working for a number of years. Its supply base was rising, but slowly. Mann observed that it took several years of creating a relationship with a community that had access to mate before it had developed the trust (that the community would carefully dry the mate, that Guayakí would make promised payments, etc.) to create a commercial relationship. For example Guayakí approached the Brazilian community of Marrecas in 2010, started to purchase mate in 2011 and in 2013 it brought 40 tons. In 2014, that number rose to 150 tons. The Marrecas community, and the Aché community, from which Guayakí purchased a similar amount of mate, were the two communities with which Guayakí had purchasing relationships as of 2014. The company would need to more than double the acreage from which it purchased in the medium term to meet its supply needs.

The company had recently met with a loosely-organized network of roughly 40-50 family farms, also in Brazil, to begin purchasing mate. The company also worked with a grower cooperative to secure supplies. In both of these cases, the company bought directly from the farmers, bypassing intermediaries. These sellers were more knowledgeable about businesses than the communities. They also tended to have simpler decision-making processes. And with a number of buyer accounts, they did not depend on Guayakí for sustenance.

Some concerns for Guayakí rose with the size of the entity from which it purchased. For example, the larger the entity, the greater the chance that outside laborers would be brought in. This produced a need for Guayakí to monitor pay policies to ensure that workers were legally hired, knew their rights, enjoyed good working conditions, and were promptly paid for their efforts. Mann pointed out, however, that this monitoring had to be handled with sensitivity and discretion—after all, the relationship was based on trust, wasn't it? Then again, an early experience wherein the company discovered a supply partner was keeping two sets of books and in reality not paying workers remained in the back of his mind. In that case, Guayakí individuals had to step in to pay workers in cash. This was surely appreciated

but the practice also was dangerous for those carrying large amounts of cash. To try to avoid these and other poor practices, the company's certifiers, such as Fair for Life, were increasingly useful in taking on assurance duties.⁴⁸ Fair for Life certification involved an application by a company, an audit of labor policies, and ongoing reevaluations.

Fortunately, Guayakí had made some partnerships with non-governmental groups in South America that were able to broker relationships with local communities that might be good fits for the company. For example, Alex Pryor met representatives of Swiss NGO, Avina Stiftung (Avina Foundation), while working in the mate region. Avina was led by long-time environmental advocate Stephan Schmidheiny, and underwrote large and small grants to “innovative and persuasive personalities” for education, culture, social issues, and the environment.⁴⁹ Avina helped to fund several workshops for local farmers and helped Alex through introductions to persons with resources and connections.

What made a community a good candidate for engagement? First, to be “open and enthused” about working with Guayakí. Second, the community had to be functioning well as a self-managed entity—if there was dysfunctionality (e.g., struggles for authority, disagreement on the vision for the community), that could undercut whatever relationship Guayakí and the community could forge. It all took time, with Alex Pryor and a local associate, Nelson Garay, reaching out to communities and making return visits. At some point, a small purchase could be made to demonstrate that the company was real. For example, the initial purchase from the Marrecas community was about a ton.

Managing relationships with indigenous communities took hard work and skillful navigation through points of tension. For example the Marrecas community had access to 40,000 acres of rain forest, much of which had mate trees growing under the canopy. The community wanted to build roads into its territory in order to access mate, something that Guayakí felt could lead to ecological degradation. The community also had leased out some of its property for the production of soybeans that used GMOs. On the other hand, the property belonged to the Marrecas and Guayakí felt that it could go only so far in promoting its viewpoint. It was better, Mann thought, to create alternatives that might get the community to the same place economically.

Another reason to work with groups of indigenous people was that it was “on point with our mission,” according to Chris Mann.⁵⁰ The best quality forests were where they lived, and with a small number of people on a large amount of land it was easier for cultivation of mate to take place along side forest restoration. On the other hand, it would take 2-4 years for harvesting of mate to be running well, and there is no money for infrastructure improvements. Finally, Guayakí felt that it must buy what it promised from these groups, as they had little financial resilience. But a countervailing prospect was for support for improving housing, food security, and other basic necessities from philanthropic sources. Those sources might also provide “faster, more robust, technical assistance.”

⁴⁸ Fair for Life home page. 2014. Retrieved on September 5, 2014 from <http://www.fairforlife.org>.

⁴⁹ Avina Stiftung: Area of activity. 2014. Retrieved on September 5, 2014 from <http://www.avinastiftung.ch/en/founding-area>.

⁵⁰ Chris Mann, Interview, December 5, 2014.

Purchase land. The second possibility was to acquire land in one of the three countries in which it did business, most likely Brazil. For Mann, this option was “very doable.” Although it might involve creating a Brazilian company, an action sure to encounter bureaucratic hurdles and high taxation, with patience it was possible. It was not to be taken lightly.

The perfect property would have natural rain forests with at least some existing wild or cultivated mate, and be amenable to planting and harvesting mate in the shade of the canopy. It would also accommodate a harvest of 500 tons, since at that scale a dedicated drying facility on-site would make sense. According to Mann, a rough estimate of the minimum size of a forest necessary for such a harvest might be 1,000 acres, if the land was densely populated with mate. The company is thinking much larger than this, however, and preparing for growth (and less dense mate) by purchasing as much as 10,000 acres.

It was difficult to estimate a price for land of the quality needed by Guayakí, and it differed dramatically by country. In Argentina, in 2014, a range of \$1200 to \$2000 per acre was reasonable, while in Brazil the range was \$4000 to \$8000 per acre. One reason for the difference was that no foreign ownership of land is permitted in Argentina, although as liberalization of land policies in that country unfolded prices were expected to rise. Fortunately, the company had an Argentine foundation, which had some experience with ownership after it purchased 130 acres in Argentina in 2011.⁵¹ It paid \$1,500 an acre for this land, which was at the end of a long, unimproved road thirty minutes from the nearest small town. The land was used as a source of mate. An important wrinkle was the level of price inflation in Argentina, officially given as 20% but generally understood to be closer to 40%.

There was another issue specific to Argentina, since the land it could buy there would most likely be cleared of rain forest. The Guayakí team felt that it was obligated to reforest any land they purchased. Here, there were several approaches that it could use. Creating the most resilient forest, with large trees and yerba mate closer to the ground, would require the following commitment per acre beyond the purchase price:

In the first year: \$2600 per acre for maintenance and nursery development

Years two and three: \$400 per acre for ongoing restoration

After the third year, the forest would be able to grow naturally, without intervention.

As it turns out, such afforestation created the potential of new revenue, since growing forests absorb carbon (mature rainforest tend to be in equilibrium with respect to carbon). The World Land Trust estimated that in the first 20 years of growth, an acre of rainforest will absorb 75 tons of carbon.⁵² This could create a saleable quantity of carbon offsets, which currently were being sold for \$10 per ton by Carbonfund.org and \$13 by TerraPass, two prominent brokers.⁵³ To the extent that there was a greater demand for such offsets, prices could be expected to rise over time. In any case, a contribution from sequestration offered

⁵¹ In 2011, the company created the Guayakí Foundation to further its social and ecological goals in the areas where it is active in South America. The Foundation’s goal was to partner with communities through the provision of grants and technical assistance. See The Guayakí Foundation website at <http://guayaki.com/about/84478/The-Guayaki-Foundation.html>.

⁵² See World Land Trust. Frequently Asked Questions – Ecosystem Services, Viewed at <http://www.worldlandtrust.org/eco-services/faq#Q19> on February 19, 2015.

⁵³ See Carbonfund.org. Reduce your individual carbon footprint, Viewed at <https://www.carbonfund.org/individuals> or Terrapass. Shop. Viewed at <http://www.terrapass.com/shop/> on February 19, 2015.

Guayakí some further return on an investment whose economic returns would be primarily due to mate harvest. Carbon sequestration represented one type of “ecosystem service;” another was ecotourism.

It could be argued that the main advantage of purchasing land was risk mitigation. Mate was increasing in popularity and as the key to Guayakí’s business it was crucial that the company secure long term supplies. A second important advantage was that by becoming vertically integrated the company could reduce the pricing risk that it faced. This risk came from two sources: price swings that could be unpredictable in Paraguay and Brazil, where prices were not fixed, and potentially discontinuous changes in prices in Argentina, where the fixed price could change overnight.

Mann felt that land ownership could offer the possibility of driving innovation along the supply chain.⁵⁴ In particular, it would allow the company to have enough mate to justify the construction of a gas-powered drier. This technology would eliminate the need for burning of hardwoods to power simpler driers, improving air quality and reducing deforestation. Guayakí could own such a facility, generating learning opportunities and affording the ability to more closely control the quality of its yerba mate. For example, it currently measured moisture content at each stage of the drying process, but a more complex understanding of the drying process could lead to more flavorful products.

Under such a land purchasing plan, though, the social mission of Guayakí would have to be protected. For Mann and the company, relationships with indigenous communities and other parties that were disadvantaged in the countries in which it operated were a non-negotiable aspect of its business. The good news was even with a land purchase, these relationships could move ahead, although perhaps at a less robust pace.

Collaborate. The third option was to partner locally with an individual or company that could provide a long-term commitment of mate for Guayakí. There was vast acreage in the three mate-growing countries, but a good partner was not defined simply by the availability of supplies. Nor was it necessarily defined by business fundamentals, such as the ability to delivery high-quality mate on time and at a reasonable cost, although those clearly were important. It was essential that any partner of Guayakí share its commitment to the social mission of the company.

In the course of its work in Brazil, Alex Pryor had come to know Gabriela Fernandez, a Brazilian who headed Avante.⁵⁵ Avante (“onward” in Portuguese) was a company that sought to regenerate forests while selling the products of the forests in a sustainable way. All of its forests were certified as sustainable by the Forest Stewardship Council, and it sought to generate value and share it with a range of stakeholders: clients, shareholders, employees, suppliers and residents of the communities in the areas surrounding the managed area. One tract Avante owned, spanning 10,000 to 15,000 acres, had excellent mate-growing potential, in Mann’s opinion.

Avante had raised \$120 million from sources in the developed world, which it was using to purchase land and cultivate forests. It was attracting attention as a model of for-profit sustainable management of rain forests, and Fernandez had delivered a TEDx address on the

⁵⁴ Chris Mann, Interview, December 5, 2014.

⁵⁵ Avante and Gabriela Fernandez are fictitious names used in place of the name of the actual organization and founder, respectively.

company's business model.⁵⁶ A relationship with Avante offered a “real way to scale the stewardship and restoration” that was at the core of Guayakí's mission, according to Mann.⁵⁷ Avante was different than many of Guayakí's trading partners because it was focused on ecosystem services rather than more mainstream concepts that portrayed the forests as worth more gone than preserved. Mann also felt it might be able to transfer what it learned by working with Avante to other relationships with indigenous people's communities and small growers.

There was an environmental benefit of concentrating mate harvesting in one place, a benefit that this option shared with land purchase. As currently practiced, drying of mate embodies significant environmental effects. If harvesting of mate was in one local area, reducing the cost of transportation to a central processing plant, Guayakí could build a cleaner, more efficient processing plant. Then, instead of burning green, hardwood logs that created significant smoke and odor, it could introduce wood gasifiers that minimized such pollution. Such vertical integration also would serve to strengthen its chain of custody of organic, responsibly sourced mate.

The deal also provides for a clearer branded entry into the Brazilian market for mate. Although at this point its Brazilian origin was not a major selling point domestically, Mann felt this was beginning to change and Brazilian consumers were becoming more nationalistic. In particular, they were beginning to grasp the impact of long-term deforestation, as well as the idea of market-supported solutions to social and environmental problems. But he cautioned that such a movement was still in its infancy.

A collaboration offered something to Avante as well. It would offer a way for the company to diversify its operation away from wood products, principally sawn lumber. If Avante was focused on ecosystem services generally, then it would be valuable to accumulate experience with more of the forest's products and services. It might help the company evolve into a broader, more valuable diversified entity.

The best way to structure any deal still was not defined. “The gist is that he has the land, we have the expertise,” said Mann. The relationship, which Mann felt might be best structured as a joint venture, would be vertical in nature, with Guayakí taking possession of products from Avante at some point in the production stream. Where that point would be was not clear to Mann, but Avante would at least oversee the forest, keeping poachers out and the trees standing.

Nonetheless, there were risks in any joint venture. It was well understood that once a contract was signed between partners, unforeseen eventualities could arise that were neither expected by partners nor anticipated with contract language.⁵⁸ In the context of purchasing mate, a partner could act opportunistically if it knew that Guayakí was obligated to purchase its supplies and could not simply walk away. Guayakí already had to deal with a supplier that was not paying workers. It certainly didn't want to find itself yoked to a bad actor in a

⁵⁶ A TEDx event is a “local gathering where live TED-like talks and videos previously recorded at TED conferences are shared with the community.” See <https://www.ted.com/participate/organize-a-local-tedx-event/before-you-start/what-is-a-tedx-event>.

⁵⁷ Chris Mann, Interview, May 9, 2014.

⁵⁸ Williamson, O. E. 1975. *Markets and Hierarchies: Analysis and Antitrust Implications*. New York: The Free Press.

long-term relationship. There were many other ways in which this opportunism might be manifested, and they could lead to a range of problems, from pricing disputes to delivery delays. That was the crux of the issue—it was impossible to know what might go wrong in a relationship without a crystal ball. Further, it was impossible to specify in contract language what would happen if a particular problem emerged even if all possibilities were known.

Finally, contracts were hard to enforce in many countries in the developing world, and Brazil was no exception. The situation presented some power asymmetries, as Guayakí might be very small compared to its partner. As well, the partner's focus might not be on yerba mate. As yerba mate became less important to a partner, its willingness to be innovative or even responsive to Guayakí's interests might be reduced. This worried Mann.

Mate prices were rising. It was time for the management team at Guayakí to make a decision about how it could best secure steady supplies of mate at reasonable prices for the long term. Was there a way to do so without endangering its commitment to the triple bottom line of profitability, social responsibility, and environmental stewardship?

Exhibit 1
Guayaki's 2014 Product Line



Exhibit 2
Guayakí Yerba Mate Product Line, 2013

Product Description	Date Introduced to Market	Number of SKUs in 2013	Price in 2013
Loose Leaf Yerba Mate	1997	16	\$12-\$19.99 for 1lb bag
Yerba Mate Tea Bags	1997	3	\$6.96 for package or \$30 for 1lb bulk bag
Flavored Yerba Mate Blends Bags	2001	10	\$6.96 for package or \$30 for 1lb bulk bag
Bottled Yerba Mate Concentrate	2003 (discontinued)	N/A	N/A
Bottled 16oz Glass Ready to Drink	2005	11	\$39.99 for case of 12
San Mateo Air Dried Yerba Mate Loose Leaf	2007	1	\$12-\$19.99 for 1lb bag
2oz Glass Yerba Mate Energy Shots	2008	5	\$47.88 case of 12 \$16.00 pack of 4 \$7.98 pack of 2
16oz Canned Yerba Mate Ready to Drink	2009	3	\$29.99 for case of 12
12oz Canned Sparkling Yerba Mate Ready to Drink	2012	3	\$24.99 for case of 12
Guayakí Biodynamic Yerba Mate Loose Leaf Tin	2013	1	\$24.99
2oz glass Yerba Mate Reishi Energy Vitality Shot	2013	1	\$47.88 case of 12 \$16.00 pack of 4 \$7.98 pack of 2

Exhibit 3
Deforestation in Mate Growing Region

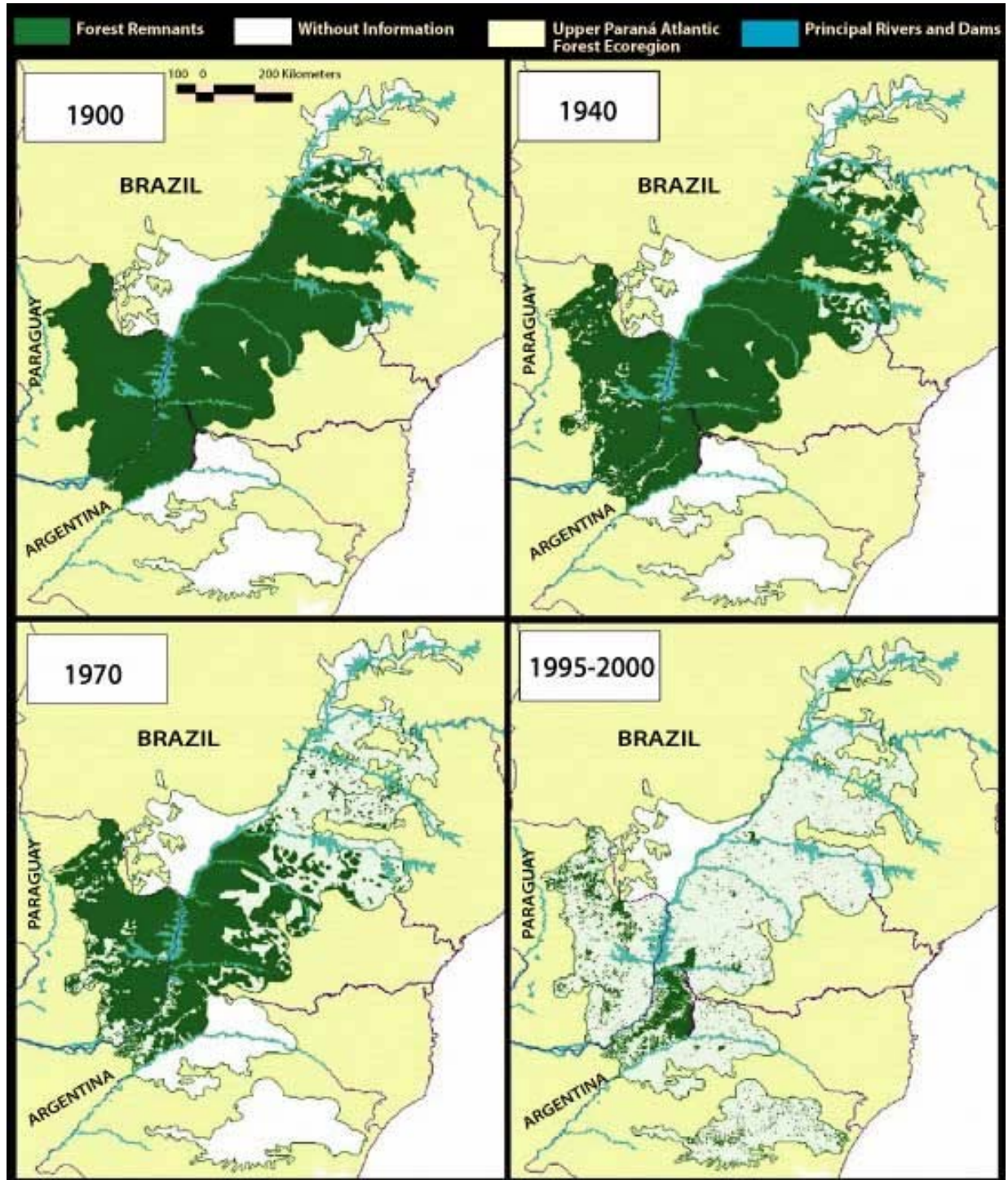
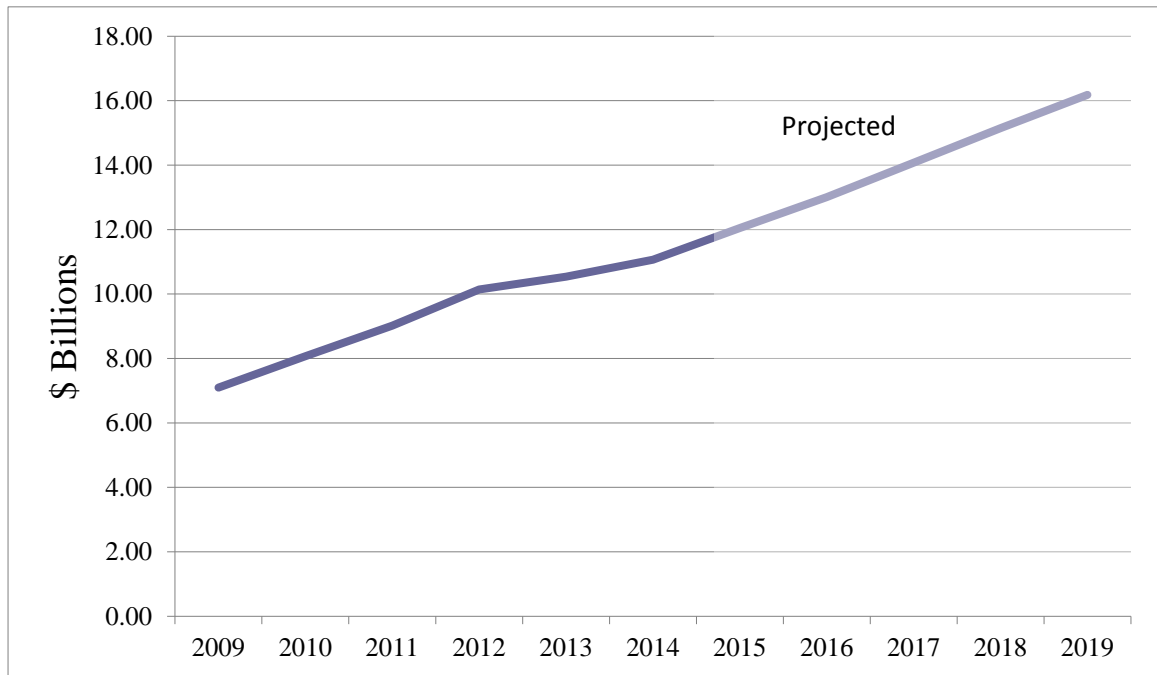


Exhibit 4
Total US Retail Sales, Energy Drinks and Shots
Historical and Projected⁵⁹



⁵⁹ The source of data for Exhibits 4 through 8 is Mintel, a proprietary marketing database

Exhibit 5
Brand Marketshare of Energy Drinks, Mid-2015

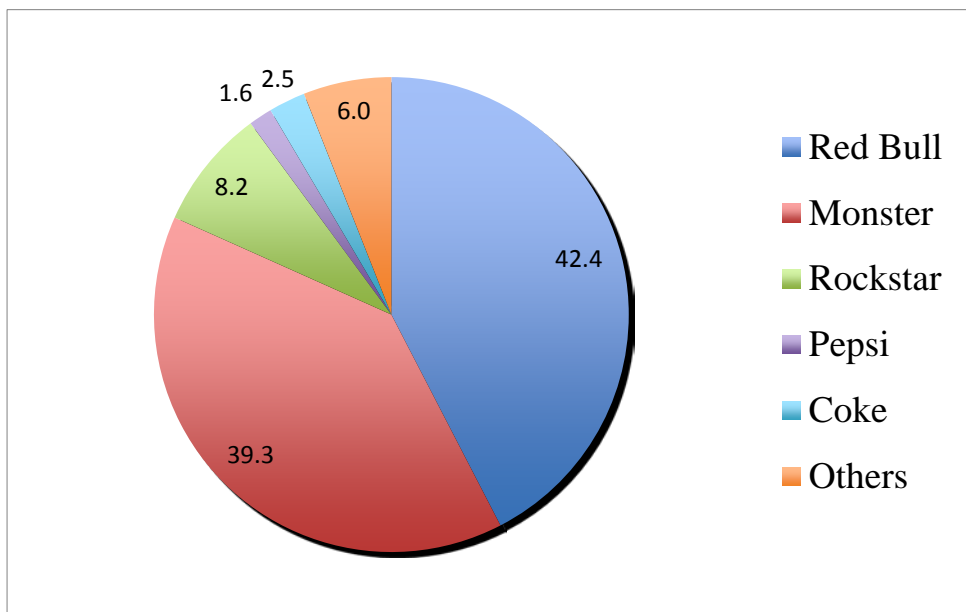


Exhibit 6
Change in Sales, Mid-2014 to Mid-2015, Energy Drinks

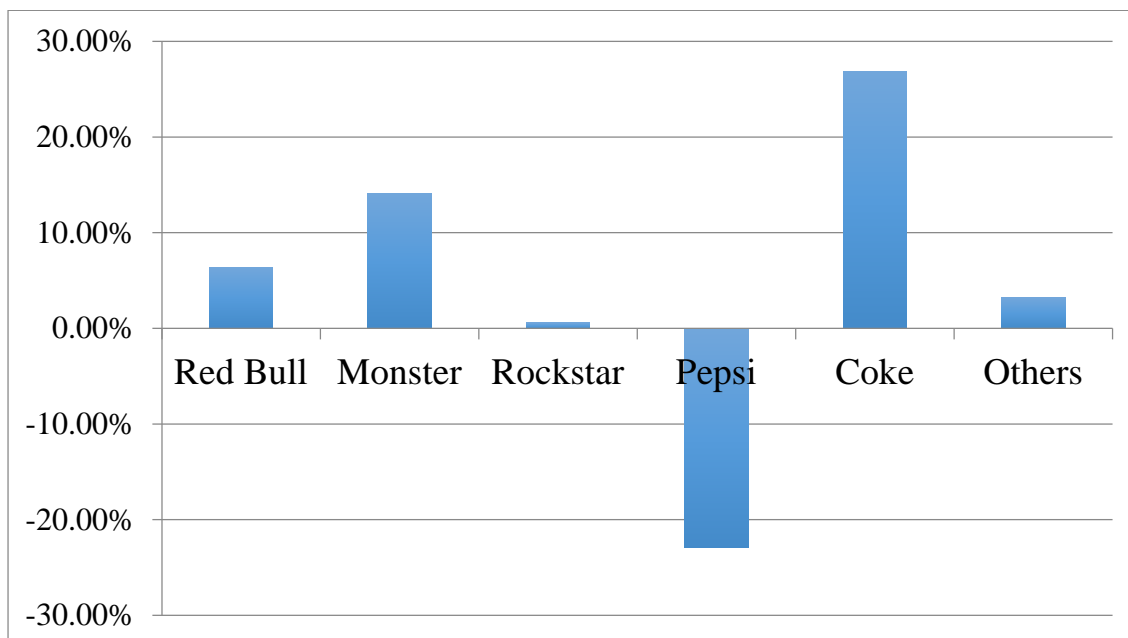


Exhibit 7
Brand Marketshare of Energy Shots, Mid-2015

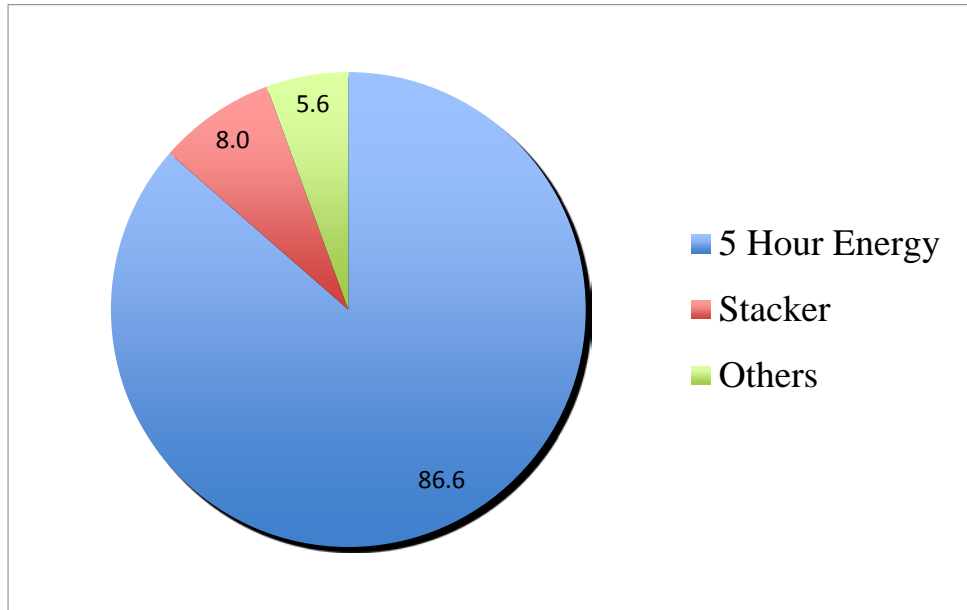


Exhibit 8
Change in Sales, Mid-2014 to Mid-2015, Energy Shots

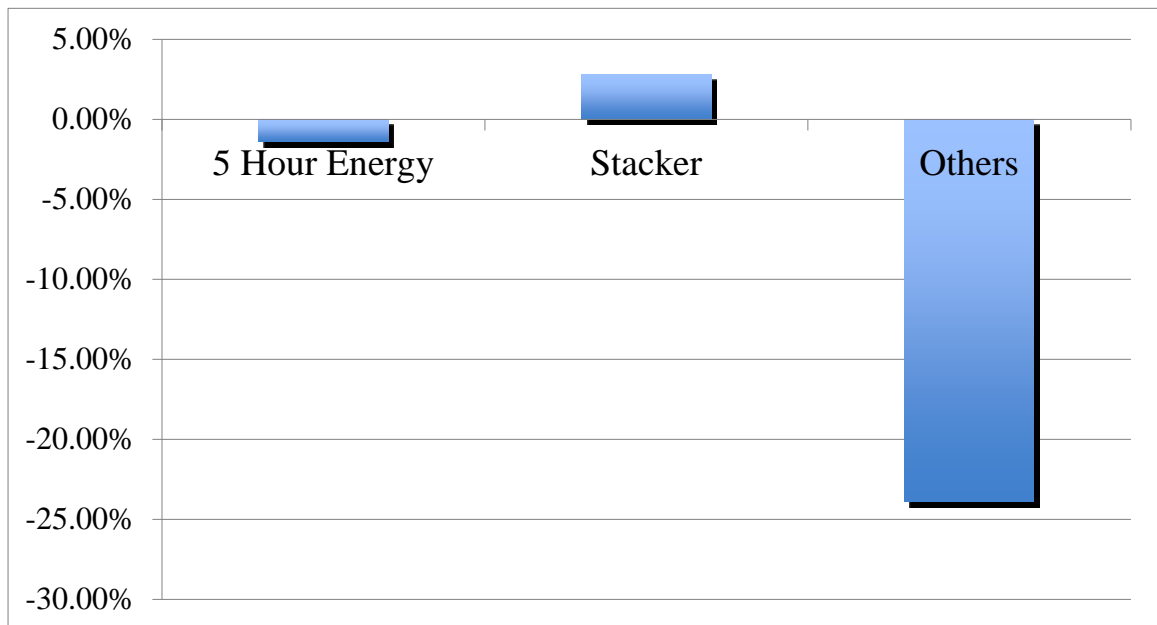
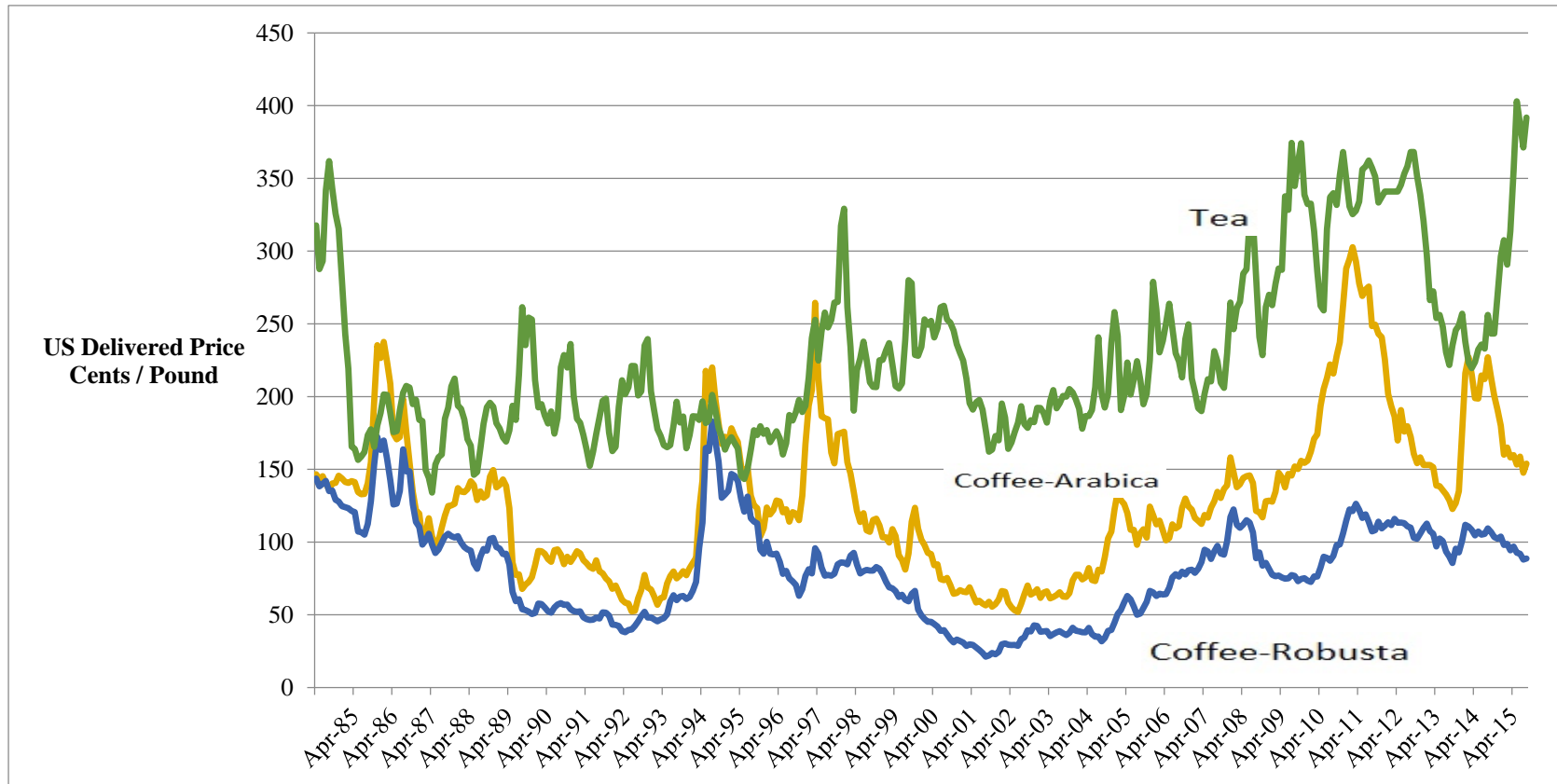


Exhibit 9
Commodity Prices for Coffee and Tea⁶⁰



⁶⁰ Source: Index Mund1, Retrieved November 22, 2015 from www.indexmundi.com.

Exhibit 10
Macroeconomic and Social Indicators

	Argentina	Brazil	Paraguay
GDP per Capita (@PPP), 2014	\$22,300	\$16,200	\$8,500
GDP Growth, 2014	0.5%	0.1%	4.4%
Inflation, 2014	37.6%	6.3%	5%
Unemployment, 2014	7.3%	4.8%	7.3%
Commercial Bank Prime Rate, 2014	24.0%	32.0%	21.2%
Mean Years of Schooling, 2014	9.8	7.2	7.7
Human Development Index Rank, 2014	49/187	79/187	111/187
Percent Living on Under \$3.10 per Day (@PPP), 2013	3.6	9.1	6.3
Literacy Rate, 2014	98%	90%	94%
Change in Forest Area, 1990-2011	-16.2%	-10%	-17.7%

Sources:

Economic Indicators:

CIA Factbook. 2015. The World Factbook. Retrieved on November 22, 2015 from <https://www.cia.gov/library/publications/the-world-factbook/>.

Social Indicators

United Nations Development Programme. 2014. Human Development Index. Retrieved on November 22, 2015 from <http://hdr.undp.org/en/statistics/hdi>.

World Bank. 2015. Poverty headcount ratio at @\$3.10 a day (PPP). Retrieved on November 22, 2015 from <http://data.worldbank.org/indicator/SI.POV.2DAY/countries>.

Exhibit 11
Commercial Indicators

	Argentina	Brazil	Paraguay
Corruption Index, 2014	107	69	150
Ease of Doing Business Overall Rank	121	116	100
Starting a Business	157	174	135
Dealing with Construction Permits	173	169	55
Getting Electricity	85	22	96
Registering Property	116	130	78
Getting Credit	79	97	79
Protecting Investors	49	29	144
Paying Taxes	170	178	111
Trading Across Borders	143	145	135
Enforcing Contracts	38	45	75
Resolving Insolvency	95	62	102

Corruption Perceptions Index. 2015. Corruption Index from Transparency International.
Retrieved on November 22, 2015 from <http://www.transparency.org/research/cpi/overview>.
- Total number of countries ranked: 174.

The World Bank. 2015. Economy Rankings. Retrieved on November 22, 2015 from
<http://www.doingbusiness.org/rankings>.
- Total number of countries ranked: 189.

For all indicators, a lower number is more desirable.

Exhibit 12
Guayakí Certifications⁶¹



Fair Trade Certified

In 2009, Guayakí became the first Fair Trade Certified yerba mate company in the world. As a member of Fair For Life—a brand neutral third party certification program for social accountability and fairtrade in agricultural, manufacturing and trading operations—Guayakí seeks to continually source for fair trade ingredients. They look for suppliers and producers that provide a fair wage, assist in socially responsible projects and protect the environment in and around their production and processing plants. Production follows the highest standards of good manufacturing practices in the receiving, storing and blending of all fair trade ingredients. Trade relationships with suppliers are continually nurtured in an effort to adhere to the highest standards of social and environment responsibility.



Guayakí is a member of the Fair Trade Federation.

Guayakí adheres to the principles of the Fair Trade Federation, by paying more than twice the world market price for yerba mate, and provide a living wage to growers as well as the artisans that craft gourds and bombillas. The goal is to encourage a healthy balance of family life and work.



Certified Organic:

Guayakí Yerba Mate is produced without the use of chemical pesticides, herbicides, and genetically modified organisms (GMOs). CCOF is the only full service organic certification and trade association providing premier organic certification programs and trade association benefits to farms, processors, private labelers, retailers, restaurants, brokers, and supporting members including individuals, suppliers and service providers. This certification assures consumers that organically produced foods and textiles meet a consistent set of standards that were developed and regulated by the USDA's National Organic Program.



All of Guayakí's products are certified kosher. To keep up with the increasing demand for quality, Guayakí has undergone all of the requirements to become certified Kosher from Kosher Supervision of America (KSA). In doing so, the processing plant was thoroughly inspected by a Kosher Rabbi, who found the cleanliness and sanitation to be of the highest quality, thus ensuring that products both produced and handled at Guayakí are Kosher.

⁶¹ Source: Adapted from About Guayaki: Certifications, Retrieved on September 8, 2014 from <http://guayaki.com/about/137/Guayaki-Certifications.html>.



Guayakí is a B Corporation, which is a new type of business entity that harnesses the power of business to solve social and environmental problems. B Corporations are unlike traditional responsible businesses because they:

- Meet comprehensive and transparent social and environmental performance standards.
- Institutionalize stakeholder interests.
- Build collective voice through the power of a unifying brand.



Guayakí is Non-GMO Project Verified.

The Non-GMO Project is a non-profit organization, created by leaders representing all sectors of the organic and natural products industry in the U.S. and Canada, that offers consumers a consistent non-GMO choice for organic and natural products that are produced without genetic engineering or recombinant DNA technologies.

Learn more about GMO's: <http://www.nongmoproject.org/consumers/about-gmos/>



Guayakí is a member of the American Herbal Products Association, which is the only national trade association that is focused primarily on herbs and botanicals and herbal products. All of AHPA's activities are focused on its mission, which is to promote the responsible commerce of herbal products, and are undertaken to maintain and improve market opportunities for companies that sell herbs, herbal and botanical products, and other health-related products, including foods, beverages, and personal care products, and to ensure that consumers continue to enjoy informed access to a wide choice of goods.