

In May, **Hacienda La Esmeralda** held an online auction for its prized **Esmeralda Special** coffee, with the top bids setting new records for the **Esmeralda Special Auction**. Below are accounts of the day from two perspectives: one from **Jason Johnson** of U.S. roaster **PT's Coffee Co.**, who was visiting the farm during the auction, and another from **Rachel Peterson**, one of the owners of Hacienda La Esmeralda.



COURTESY OF RACHEL PETERSON

PRIZED POSSESSION: Hacienda La Esmeralda in Panama has wowed the specialty coffee community with its Geisha varietal.

WITNESSING ESMERALDA'S BIG DAY

BY JASON JOHNSON

I awoke at 6 a.m. with nervous anticipation. Daniel Peterson was picking me up around seven, and we were heading to his farm to watch the Esmeralda Special auction. For those of you who are unaware of the story behind Esmeralda Special, let me fill you in.

In 1996, the Peterson family bought a coffee farm in the Jaramillo region of Panama. They knew that the farm contained many different varietals and produced an overall good-quality cup. In 2002, Daniel had the idea that the “good” cup might be due to one spectacular variety of coffee, or area of the farm, raising the profile of the overall cup. That year he traversed the farm, cupping coffee from its different sections. Much to his excitement, he discovered that one section of the

farm, and specifically one varietal, produced an amazing cup. This special varietal was an Ethiopian called Geisha. When the Petersons entered their Geisha coffee into the 2004 Best of Panama competition, the judges were stunned. That year it sold for a record price, topping \$20 a pound green, and the buzz around it didn’t stop. Esmeralda Special continued to win practically every possible award in the specialty coffee industry, distinguishing itself as one of the best coffees in the world. In 2007, the top lot sold for another mind-blowing record price of \$130 a pound green at the Best of Panama auction.

This year, the auction would be particularly exciting because there was even less Esmeralda Special than normal. The decline in production was caused by two very different factors. One unavoidable force was weather; the farm was hit hard by severe storms, damaging some of the precious Geisha crop. But the second reason is perhaps more intriguing. The Petersons’ coffee sells

for amazing prices, and they realize that with those prices comes a weighty responsibility. This year, the standards for Esmeralda Special actually went up; they threw out some of the cherries that would have been borderline last year. They could have made a little more money this year by selling some of the not-up-to-par coffee in the auction, but for the Petersons, it's more important to have sustainability and maintain trust with every buyer of Esmeralda Special.

Sustainability is so important for the Petersons because they provide for so many people. During the harvest season, they will have more than 1,000 people living on the farm. The Petersons provide day-care for the children of the pickers and donate supplies to surrounding schools. On top of paying the pickers of the Esmeralda Special crop three times as much as the surrounding pickers, the Petersons provide all of the families with rice and beans as well as sardines. A physician also is provided to anybody living on the farm. Beyond their own farm and the schools attended by the pickers' children, the Petersons are involved in several other charities: This year they donated coffee to Grounds for Health, helping that charity, along with other coffee growers, raise more than \$100,000. I was excited to be able to watch the auction that would provide for so many.

We got to the house and had a quick breakfast before making the short walk to the office. The auction began at 8:30 a.m., but Daniel had warned me about what had happened the previous year. It was an eight-hour marathon of an auction that had buyers falling asleep—especially in Asia, where it was 11:30 p.m. at the start of the auction—and waking up in the morning only to realize they had lost out.

While I was looking forward to eight-plus hours of tracking the auction via a screen, I also thought it would be an ideal time to relax and question Daniel. There was a new part of the farm producing enough coffee to be sold alone for the first time ever (Reserva de la Señora), and it scored highest on the cupping table for him, so it would be interesting to see how it performed in the auction. That's where our conversation sat as the bidding began, and it quickly became clear this year's auction would be much shorter than the 2008 event.

There were a couple reasons for the different attitudes this year. For one, the yen is stronger against the dollar, and because the auction is in dollars, the Japanese now have much more buying power. (The Japanese are also the ones who unfortunately are up at 11:30 p.m. at the start of the auction.) Beyond that, it was obvious that everybody in the auction wanted to avoid a repeat of the marathon auction, and within 20 minutes, prices for the top lot were at \$35 a pound. People knew there wasn't a lot of Geisha, so



COURTESY OF RACHEL PETERSON

THE 2009 Esmeralda Special Auction sold 14,000 pounds of coffee.

there was no need to increase slowly or hold back. This was going to be fierce and gut-wrenching in a different way from the previous year. Lastly, more bidders were online during the auction than lots of coffee were available. I could only hope Jeff Taylor, the owner of PT's Coffee (the company I work for), would come through.

As we watched the screen, Daniel told me how the auction worked. The Geisha was separated into seven batches, and those batches were divided into 47 300-pound lots; that's a total of 14,100 pounds.

As we watched the prices go up across the board, Daniel was very excited and I was in total awe. I continued taking pictures of the screen, thinking we were nearing the end and that it couldn't possibly go higher. In the next room all the workers talked excitedly in Spanish, and Daniel's sister Rachel continued to message him notes like, "Everything is above 20. Unbelievable!" The consistent quality and high standards that Esmeralda adheres to were being soundly rewarded.

The auction lasted only a couple hours, but it must have seemed like years to the buyers. In fact, Jeff's reaction on Facebook after the auction told the whole story: "Thank God it's over, OUCH." The low coffee received an incredible \$24 a pound and the high was \$117.50. After it was done, the family got together for lunch with the Esmeralda staff. When staff members asked if there was going to be a bonus this year, the family's answer was a resounding, "Yes!"

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AUCTION DAY THROUGH THE EYES OF AN ESMERALDA OWNER

BY RACHEL PETERSON

Auction time of the year is fun, but it's also crazy. We have countless duties at the farm, including the organization of the event, the logistics, the sampling, double-counting the auction lots, making sure that what we have physically on the farm is the same as what we have posted on the auction site, descriptions, maps, labels and much more.

Several weeks before the auction, we do a rigorous selection process of the coffees, cupping the potential auction lots several times before we approve them. If they're up to auction standards, we assign them to a batch. This year we spent several days scrutinizing coffees on the cupping table before deciding on seven distinct batches. Four were divided by terroir: Reserva de la Señora, Caballeriza, The Marios and Naranjo & Colgá. Three were divided by harvest dates: Mario Carnaval (February), Mario San José (March) and Mario Pascua (April).

During the months before the auction, we try to convince as many roasters as possible to register. We send out tons of e-mails. Some people sign up only for the samples. Some sign up just to get us to stop e-mailing them. This year, several wrote back saying that they were not buying in any auctions because of the global economic downturn.

To get people on board, we provide as much information and personal attention as possible. This is needed because when an entire crop of coffee is sold in an auction, the relationship between the producer and the buyer shifts. Generally, when coffee is sold, the control over the transaction lies in the hands of the buyer, and the producer negotiates as best he can to get a better price. An auction eliminates the need for negotiating, and this change of roles is new and a little confusing to all of us.

As the buyers experience a decline in negotiating power, the producer experiences a loss of control of their product. We can't decide to place our coffee wherever we wish as we did previously, be it with our longtime buyers, with better-known roasters or in specific parts of the world. We have no idea where the coffee will end up or what its selling price will be.

Our auction buyers have accepted these changes in the structure of our relationships and in the way we trade largely because we have been able to consistently replicate the cup profile and quality of the Esmeralda Special year after year. They know it's safe to participate in the auction; while the price is unknown, the quality is not.

On the other hand, our memories are subjective. The taste and aromatic expectations for the Esmeralda Special have grown to mythical proportions, where the coffee never seems to be as good as what people remember. And this year, to top it off, we had strange weather patterns in Panama that most definitely affected the crop. (Keep in mind that because coffee is a crop, it will vary from year to year.) Because of these factors, the day before the auction, potential bidders were debating the quality of this year's samples on blogs and forums all over the Internet.

We had cupped these batches many times, and a combination

of two of the auction batches had received first place in the Best of Panama competition. We had no doubt that the coffee's quality was very good. But the Internet debates brought unwanted stress, and I couldn't wait until the auction was over.

As soon as the screen clock turned to auction time on the morning of May 19, a single buyer bid on more than half of the lots. Within minutes, every lot had a bidder. Bidders came from all over: Japan, the United Kingdom, Sweden, Denmark, the Netherlands, Norway, Greece, Austria, the Czech Republic, the United States, South Korea, Hong Kong, Taiwan, Australia and Canada.

“ WHEN AN ENTIRE CROP OF COFFEE IS SOLD IN AN AUCTION, THE RELATIONSHIP BETWEEN THE PRODUCER AND THE BUYER SHIFTS. GENERALLY, WHEN COFFEE IS SOLD, THE CONTROL OVER THE TRANSACTION LIES IN THE HANDS OF THE BUYER, AND THE PRODUCER NEGOTIATES AS BEST HE CAN TO GET A BETTER PRICE. AN AUCTION ELIMINATES THE NEED FOR NEGOTIATING, AND THIS CHANGE OF ROLES IS NEW AND A LITTLE CONFUSING TO ALL OF US.

It was a fast and exciting auction, with the numbers constantly jumping. The proxy bids were set up, and new bids were immediately outbid. We had made several changes to the auction platform ahead of time in order to avoid a nine-hour event like the 2008 auction. Three hours after it began, the 2009 Esmeralda auction ended.

After the dust settled, the two lots of Reserva de la Señora sold for the highest price, the first going to Saza Coffee in Japan for \$117.50 per pound, the second to Fortnum & Mason UK for \$95.50 per pound, a difference in price of \$22 per pound for the exact same product—all this for the unique privilege of being on the top of the list.

Asia took a large piece of the pie, buying about half of the lots, while both Europe and the United States took less than they did the previous year. For the first year ever, less than half of the Esmeralda Special ended up in the United States. And none went directly to the Netherlands, Austria, the Czech Republic, Hong Kong, Australia or Canada.

The final average price was \$31 per pound, twice the average of the previous year, and all the lots sold for at least \$24 per pound, a clear reflection of lower supply and higher demand for this particular varietal (the eventual shifting of which is a cause of endless debate among producers and roasters). Approximately 15,000 pounds were auctioned, down from more than 30,000 pounds in 2008, after a low-yielding harvest.

After all was said and done with the auction, we at Hacienda La Esmeralda were profoundly relieved and very happy. Following the auction, the outpouring of support we received from the coffee community at large was enormous. To all our friends and supporters, and to the coffee industry in general, we appreciate your support and wish you a future brimming with outstanding coffees. ☘