



"Torrefacción Mayor continues a century-long family tradition of producing the highest quality coffee in Puerto Rico." - CEO at Mayor Roastery

This paper takes a look at Mayor Roastery as a sustainable case study within the coffee industry in Puerto Rico. Mayor Roastery was established in 1998 with the plans of following a family tradition which began over one hundred years ago. The company has had a slow start, first selling to only a few private individual customers and has slowly over the years has been supplying private for-profit organizations such as hotels, schools, and other companies. The future of the

company is called into question due to it barely breaking even, lack of workers outside of the family sphere, global warming, and the slow pace of growth. There are many characteristics that make up what it means to be sustainable for the roastery, these include: Sourcing from sustainable farmers, profitability, waste management, and securing the future viability of its supply. In addition, this report pinpoints six main challenges and seven opportunities in which the Mayor Roastery can capitalize on to grow, scale, and secure its business.

Background of the organization

Mayor Roastery stands today as a small family owned, family run, private for-profit organization based in Ponce, Puerto Rico. Its mission is to provide luxury Puerto Rican coffee, and recently honey, to high standard consumers. It enriches the coffee industry in the island by supporting small to medium sized coffee growers through an intermediary.

Mayor Roastery produces two main brands: Gripiñas Coffee and Mayor Coffee. Gripiñas is considered a luxury good as it was granted the title of "Best Coffee in the World" at the St. Louis World's Fair in 1904. The Gripiñas brand started in 1898 when the CEO's grandfather's grandfather (Jaime Oliver Mayol) acquired the Gripiñas estate in Jayuya, Puerto Rico as payment for past business transactions.

However, the Gripiñas estate is no longer in operation and has been sold to the government of Puerto Rico. However, Mayor's CEO has decided to pick up the coffee family tradition once again. Now, the roastery buys the coffee for the Gripiñas brand through an intermediary organization. This organization buys coffee for resale from all the coffee growers in the town of Jayuya, including those surrounding the old Gripiñas estate. Mayor roastery also sources its coffee for its second less luxurious brand, Mayor Coffee, through this same intermediary.

The CEO of the company has been able to foster a 20-year relationship with his main coffee supplier and has throughout the years taught the supplier best practices to store and

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maintain freshness and quality of the raw coffee pre-roast. Practices include storing methods to prevent mold from forming and animals from reaching the supply.

The relationship with the intermediary is also linked to sustainability in the sense that Mayor Roastery is the intermediary's main buyer. Mayor Roastery is indirectly supporting small to medium sized coffee growers in Puerto Rico through the intermediary. This means the Roastery is indirectly providing jobs for coffee pickers; supporting an industry which is trying to recover from the effects of global warming; and maintaining trees, soil and the natural Puerto Rican environment.

Brief Overview on Supply Chain

The CEO drives up from Ponce, Puerto Rico to Jayuya (an average of one hour) and buys an average of 55 coffee bags of one-hundred pounds each a year from the coffee intermediary. He takes an average of 25 trips per year. After the beans have been bought from the intermediary in Jayuya, the CEO drives an hour back to transport the raw coffee bags to Mayor's facilities in Ponce. Here, the raw coffee goes through an artisanal handpicking process where the rotten beans are filtered out ensuring the best quality beans to remain. Once the bag of coffee has been filtered through by hand, the beans are roasted in batches of 10 pounds for 23 minutes a batch. The roasted beans are then packaged and sold. Products are sold in the roastery, are shipped to consumers, or are delivered. Mayor sells to hotels, loyal customers and new customers, boutique food stores, firms, and schools in Puerto Rico and mainland USA. Harrod's in London has been a loyal client for the last seven years and buys large portions of the coffee produced at Mayor Roastery but halted their orders this year due to Covid-19.

Work Culture

The Roastery has a total of four workers: the CEO and three workers. All workers are family to the CEO. The CEO conducts the main business operations. He is in charge of thinking about the next steps of the organization, is the main point of contact for suppliers, and the sustainability head of the organization. He is the main care-taker of the coffee during each and every step of the production process, from when the coffee is bought through the intermediary as raw produce to when it is roasted, packaged, and sold to consumers. Two workers, or family members, take care of marketing, help filter the coffee, manage customer relations, help package, and deliver. The third worker/family member manages the company's new Shopify website. All workers, except for the CEO, receive a very low income with the CEO receiving most of the cut-out pay. The organization is mostly based on trust and on the motivation that there is demand from the consumer side for luxurious Puerto Rican coffee, rather than based on the drive to make a profit.

Revenues and Expenses

Besides revenues made from coffee sales, Mayor Roastery offers its roasting and packaging services to paying farmers or other customers. Those whom have their own raw kilos of coffee but do not own any facilities to roast and package such product can outsource such

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processes at Mayor Roastery for a price. Mayor Roastery reaches most of its revenues through selling coffee. Taking into account all of Mayor Roastery's sources of revenue, the organization's yearly revenues add up to an average of \$50-60,000 per year. The roastery's expenses reach an average between \$20-25,000 on a yearly basis. Expenses include electricity, water, transportation, online store maintenance, facility maintenance, raw produce, and packaging materials. Expenses do not include workers' pay.

Definition of Sustainability

"Sustainability is when a project can maintain itself without relying on external factors. It is independent, its future presence is secure, and it ideally has measurements in place to provide a glimpse into its future viability" - CEO at Mayor Roastery

The CEO at Mayor Roastery provides a list of important themes which it believes are essential to the long-term maintenance of the roastery:

1. Sourcing coffee from environmentally conscious farmers

Most farmers in Puerto Rico do not have a lot of education in 'Eco-thought'. Most of them use chemical fertilizers and pesticides to grow their coffee. The problem is, the CEO explains, that when farms avoid using chemical fertilizers, their coffee yield is very small: "I recently visited an organic farm in Jayuya. They get three-hundred pounds of coffee for every 15 acres. A farm that uses chemical fertilizers, on the other hand, yields one-thousand pounds per acre. So you see that there is a big difference". As a result, Mayor Roastery does buy coffee that uses chemical fertilizers and pesticides because it wants to meet its demand from consumers. Only on very rare occasions can organic coffee be found and usually in small quantities. Sometimes the roastery will buy organic coffee and pay a premium price but it is not the common practice.

One requirement Mayor Roastery needs its coffee to meet is that the farm from where the coffee is sourced cannot have any unsustainable practices when it comes to the soil of the land where the coffee trees are growing. There have been many cases in Puerto Rico, the CEO states, when the coffee farmer clears out his entire farm with machines to then plant new coffee trees for the upcoming season. This unsustainable practice causes erosion in the land and thus the coffee that grows in such soil loses its quality.

Apparently the reason why this is still a common practice in the island is because: "it would be too time consuming to do it any other way. You need to industrialize your production if you want to make a profit. Unless you have a premium market that can support your methods, which is what we at Mayor Roastery try do and support. Our intermediary does not clean out the forests. All coffee the intermediary has available are grown sustainably by planting new coffee seeds and trees between the old trees" - CEO of Mayor Roastery. It is a common practice in Puerto Rico between coffee growers to clear their lands completely from all coffee trees after the beans have been picked and the season has ended. Tearing the old trees from the soil using an extractive machine causes the soil to erode, making it less fertile. The CEO is able to ensure that the land where his coffee comes from is taken care of sustainably because, he claims, that it is a small town and the farmers he buys from unsustainably maintain their land.

2. Profitability

A business (internal) or industry (external) is not sustainable unless it is profitable.

a. Internal

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In order for a business to be profitable its revenues must exceed its expenses and leave enough profit to pay its workers well.

b. External

Farmers in Puerto Rico usually sell their bags of raw coffee for \$30 a pound. A farmer is not able to breakeven between revenues and expenses unless they are heavily subsidized by the government; which is the system Puerto Rico has in place. Farm workers are currently paid Puerto Rico's minimum wage, \$7.25 an hour. In addition to receiving medical insurance, vacation leave, and sick leave. This is all paid by the farm owner and is considered to be quite expensive. However, rarely do coffee pickers get into injuries. In the coffee industry most injuries occur from carrying heavy bags of coffee, carrying such weight causes back pains. The government gives farmers back \$3.25 per hour from subsidies. If the subsidies are not in place it becomes close to impossible to fund the coffee picking industry. Through subsidies the government ensures that the people of their island are able to have economically accessible coffee. They are also ensuring that farmers are able to keep their land and that coffee pickers keep their job.

3. Securing Supply

The coffee industry is "farm-to-cup". It needs enough trees to meet the high national and international demand. Securing coffee tree supply nowadays means having disaster management practices. Sustainability in the coffee industry also involves acknowledging coffee trees' ability to adapt to its environment. When non-native trees are planted in the Puerto Rican farming landscape along with the original coffee tree species, they have an amazing ability to adapt to their new environment. Sustainability can't be just grazing up the land and planting for organic development. Coffee trees are very sustainable because they are known to easily accommodate themselves to new environments.

4. Waste Management

Waste is a huge problem in the coffee industry. However, waste can be used to allow the industry to prosper. Waste should be looked as a fuel or as a positive result from a process which can be reintegrated into the supply chain again to make it more efficient, productive, and sustainable. A perfect example how waste in the coffee industry can be used is to use parchment to replace LP gas in the roasting process. When the coffee bean is depulped by the intermediary, it is left with parchment. Parchment is the dry outer layer covering the coffee. Mayor Roastery burns this coffee parchment to replace LP gas; LP gas is what most roasting facilities use. Replacing LP with parchment to roast the coffee cuts emissions by half. In addition, if there is excess parchment, Mayor brings it back to its suppliers so they can use it as fertilizer and to keep weeds from growing around the coffee trees.

Sustainability on the Demand Side

1. "Are consumers informed about Mayor's sustainability efforts?"

Mayor Roastery is considering adding a sustainability page to its Shopify. Until now, there is no quantitative data on the organization's sustainability efforts and no customers have asked for such data. The page would cover the relationship it has built with the intermediary, the roastery's indirect economic impacts, and the sustainability initiatives that it is trying to implement within the organization.

2. "Is there an effort from the consumer side to return goods for reuse to Mayor Roastery?"

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The company has recently started to sell premium-quality honey from the Gripiñas region in Jayuya. Honey customers have been bringing back their empty glass jars of honey to the roastery. These jars are then cleaned and refilled at the facilities.

Issues

After briefly going through an overview of the business, there are a couple of main issues that are spotted. These are divided into external and internal issues:

External Issues:

- Energy

The energy that is being consumed by the Roastery, even though it is not a large sum, is not renewable energy. Most of Puerto Rico's energy is petroleum based and the CEO has no option to buy renewable energy from the grid. Puerto Rico's power grid is supplied with whomever is able to provide the cheapest energy.¹

- Global Warming

Global warming makes natural disasters stronger and more dangerous thus threatening the livelihood of the coffee industry. Four years ago when Hurricane Irma and María hit Puerto Rico, Mayor had to import its coffee for the Mayor brand as the coffee agricultural sector was devastated by the hurricanes. An article by the BBC states: "Puerto Rican coffee farmers lost an estimated 85% of their crops, or some 18 million coffee trees valued at \$60m, and many have lost their homes in the wake of hurricanes Irma and María."² After the hurricanes, organizations like the Lin-Manuel Miranda foundation, Starbucks, and Nespresso brought more than 1.5 million coffee trees to the island to get the coffee industry up and running again. Big organizations like these can have a big impact on coffee industry in Puerto Rico and Mayor Roastery does its small share as well by constantly speaking to growers. When the CEO travels to Jayuya and making sure they are implementing the best growing and storing practices. However, even with donations from big organizations, there are still millions of trees that were lost due to the hurricanes. So small island nations with a robust coffee industry need to take mitigative measures against natural disasters. Especially at this moment in time in which the world is warming and leading to the perfect brewing grounds for more frequent and stronger hurricanes.

- Recycling

The island of Puerto Rico does not have the proper recycling methods to obtain recyclables: "There was a study made. Two out five plastic bottles get recycled in Puerto Rico. Even if we get recyclable packaging, the island is not yet prepared to support the circular economy" - CEO at Mayor Roastery. The island may have the facilities to do so but proper methods to obtain recyclables and distribute them to the facilities have not yet become part of the waste culture in the island. Even if Mayor Roastery decides to make the switch, the recycling practices in the island are not fully developed to make sure that the post-consumer product will be recycled.

¹ U.S. Energy Information Administration, (2021, December 16), *Puerto Rico Territory Energy Profile: Data, Reserves, Imports & Exports, Supply*, EIA, <https://www.eia.gov/state/print.php?sid=RQ>

²Laffay, T., (2018, September 19), Puerto Rico bets on a coffee comeback, *BBC News*, <https://www.bbc.com/news/world-us-canada-45552959>

Internal Issues:

- Packaging

Mayor has a big issue in that its current coffee packaging is neither recyclable or compostable. Mayor Roastery has considered compostable packaging for their coffee but they are having a difficult time finding the proper bags for their brands. Compostable coffee bags tend to fly off the shelf quickly and are usually sold in bulk meant for big businesses. These bag companies that sell in bulk will not break the bulk for small companies like Mayor.

The current bags Mayor Roastery uses are made out of aluminum, plastic and Polypropylene. Because the bag has various materials mixed with each other, it is not recyclable. The roastery has also considered starting a take-back program of some kind but coffee leaves a mark on bags. Once a coffee bag has been used, it would need to be cleaned and sanitized to get rid of the old residue. Old residue in a post-consumer bag can change the chemistry of the new product that is supposed to reuse that bag.

- Future viability of the business

Right now the company is ran by a small group of family members and the current CEO has no successor in mind that can pick up the business after he retires. The business could thus face termination.

- Profitability

Mayor Roastery is currently seeing a profit between \$30,000-\$40,000 once expenses are deduced from revenues. This profit is then split between employees. The roastery, in a sense, does not break even. It is actually losing money as the national US average wage is \$55,628.60.³ This is more than the roastery's entire profit before paying employees.

- Customers

Mayor receives customers in its main facilities and through its online store. However, the return rate of customer in the online store only adds up to 19%. Additionally, private organizations tend to buy coffee for an average period of five years and then stop. Mayor has a problem of retaining customers.

Opportunities

Mayor Roastery could capitalize on:

- Ecofriendly packaging

Mayor has attempted to find compostable packaging for its coffee. However, the market for compostable packaging is more niche than the mark for recyclable packaging. If the Roastery conducts research on recyclable packaging for its products than there is a higher chance it will find more options and variety than what's offered in the compostable coffee bag market. When it comes to the external issue that the island does not have the proper facilities in place to recycle, the roastery may consider investing in its own recycling processes. Or, it can consider investing in its own cleaning and sanitation facilities to have a 'take-back' program in place.

- Renewable Energy

Puerto Rico will no longer need to import its energy source if it invests in the infrastructure necessary to produce renewable energy. Renewable energy is currently as cheap,

³Social Security. (2020). *National Average Wage Index*.
<https://www.ssa.gov/OACT/COLA/AWI.html>

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sometimes even cheaper, than fossil fuel based energy.⁴ Mayor roastery would be saving money in energy if the island decides to make the transition. The island is currently trying to become be 100% powered by renewables by 2050.⁵ In any case, the roastery could consider investing in at-home renewable energy equipment.

- Training Future Generations Program

If Mayor is to survive, it would either need to have the child of the CEO take over the business, hire someone to take over the business, or sell it.

- Electric Vehicle

Mayor currently uses fossil fuel based transportation for its supply chain. It could consider investing in an electric vehicle to reduce its carbon footprint as the CEO does go on various trips to source the raw coffee for the roastery. However, this would only be an effective eco-measure if the energy charging the car is sourced from renewables.

- Shopify + Customer loyalty

Mayor Roastery has a lot of room to improve its customer loyalty. Before, the company used to have a very simple website with information and history about the company. The new shopify page now allows the company to engage with its customers in new ways. The shopify builder allows the roastery to sell online and allows for customers to subscribe to news related to the company. Once subscribed, the customer can receive emails informing them of the latest deals and updates at Mayor Roastery. The platform also allows companies to pay for online ads, which Mayor Roastery has never done before. The new shopify page thus provides a lot of room to increase the customer retention rate and to increase the amount of new customers. There have been approximately two thousand new customers reached this year alone through the new website, without the use of ads.

- Foster current client relationships and find new clients

Additionally, the brand should consider hiring a proper sales, marketing, and clientele worker. Someone who finds new private for-profit clients and who is in charge of overseeing all private for-profit relationships; this can be open to the national and international level. The



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roastery is in need of a more stable set of returning loyal private for-private clientele. Having someone in charge of maintaining those relationships is important.

- Sustainability-oriented branding

The roastery can consider adopting various certifications that are sustainability-oriented.

The future of sustainability in the organization

The Gripiñas coffee estate has been sold to the Puerto Rican government and the original Gripiñas coffee brand, which started in 1898, stopped production in the second half of the twentieth century. However in 1998, one descendant of Jaime Oliver Mayol, he who acquired the Gripiñas estate over a century ago and who started the brand, decided to revive the Gripiñas coffee brand by establishing Mayor Roastery. Now the roastery's CEO is aging and has no one to replace him. Gripiñas has had an unstable past and its future is looking unstable as well. The company should thus consider adopting the measures laid out in the opportunities section of this paper. This paper has analyzed the business model of Mayor Roastery, established its main internal and external issues along with the areas of opportunities that can scale the business and allow for sustainable operations.

Mayor Roastery does believe sustainability is central and important to its operations as its supply chain heavily relies on agriculture. The roastery's simple presence in the economy helps the coffee sector in the economy get out of the rut the harmful hurricanes put it in. It's a success that Mayor has the financial ability to frequently buy coffee from small hold and medium hold farmers. This helps them further secure their ability to run and maintain their farms; Mayor Roastery thus is an essential piece to a well running Puerto Rican coffee economy. However it has many issues along with a lot of room for growth and potential to scale.

The company carries a lot of important in today's world as its main mission is to provide high quality and sustainable products to the public. Raw coffee beans at the Roastery are sorted according to various specific characteristics, e.g., uniformity and color. There is specialized attention given at every stage of production: from growing the trees in the perfect tropical climate to washing the beans using mountain water, all the way to packaging. Other organizations, in and out of the coffee industry, can draw a lot of inspiration from Mayor roastery. Mayor Roastery pays a unique amount of attention and care to the details in its production process in order to provide its consumers with a top-tier product.

This paper has focused on pin pointing the main issues and opportunities for Mayor Roastery, and in part for the coffee industry in Puerto Rico. There is a lot of room to progress towards a more sustainable roastery. The roastery needs to hire workers outside of the family, source new clients and maintain its current clientele relationships in a smart way that would allow for long-term customer loyalty. However there are some issues the roastery faces that can only be addressed once the government of Puerto Rico addresses them first.

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