

Mercaris 2017 Impact Report

Letter from the CEO

2017 was, in many ways, a landmark year for Mercaris. We strengthened our team with new employees who are excited about our mission and bring a broad set of skills that will help us build on our successes and carry our momentum through 2018 and beyond. In 2017 we expanded our data coverage further into every corner of the continental US, and continued to strengthen our Canadian market knowledge and data offerings.

2017 also marked increased utilization of our Auctions Platform, with a total of 421.6K bushels traded, about 3.5 times greater than 2016's 119K bushels. To us, this indicates that stakeholders across the identity-preserved supply chain are eager to find simpler, technology-based solutions to improve the way they do business. As more users trade higher volumes using our Auctions Platform, distance traveled between farm and first handler will decrease, not only reducing waste and emissions, but also increasing profitability. Additionally, making the supply chain more efficient and market discovery easier will encourage conventional farmers to undergo the three-year transition period required to receive organic certification. We are inspired by the increased utilization of this tool and are confident that we will continue to have a positive impact on an improved IP supply chain.

While this report seeks to look back on some of the impact we created in 2017, it also will serve as a tool for planning how we do business and make decisions going forward. We are excited not only to continue the effective work we've sought to do, but also to start quantifying that impact. So far, we know of at least two significant and important initiatives we'll be leading in 2018, and will use the framework outlined in this document to ensure we attain the positive outcomes we anticipate from each.

Follow along with Mercaris this year to see how we continue to create impact in new, useful, and (we think!) exciting ways. As always, we hope to hear your thoughts on the 2017 Impact Report, as well as your ideas for creating new and longstanding impact in the organic, non-GMO, and identity-preserved agriculture space. We look forward to continued growth and innovation throughout 2018, and are glad to have you along for the journey.

Thank you,

Kellee James

Impact through Stakeholder Engagement

Mission Statement

In 2017, Mercaris amended its mission statement to reflect our commitment to positive environmental impact through responsible use of natural resources internally and through promotion of positive impact externally. Our new mission statement will help us institutionalize our commitment to creating a healthier environment for not only our employees and customers, but for anyone engaged in the organic supply chain and who stands to benefit from a more transparent marketplace:

Mercaris provides market-based tools, including data, analysis, and online trading, for the sustainable, identity-preserved agricultural sector. Our services help support and foster the growth of agricultural practices that protect and build soil, water, and air quality, as well as protect both human and animal health in the communities in which we work. By fulfilling our mission, we also enable others in the value chain to contribute to broader goals of environmental sustainability and increased access to information in otherwise underserved markets.

Stakeholder Engagement

In 2017 Mercaris set out to create mechanisms for better interacting with, and gathering feedback from, our full range of stakeholders. We view everyone who eats food as potential stakeholders, because the price and availability of organic grains truly does affect everyone. However, for the purpose of meaningful engagement, we aim to focus on the following stakeholder groups: farmers, survey participants, auction participants, data customers, employees, and investors. Our products and services directly impact these groups, and we are able to directly influence their experiences with our products and Mercaris-led outcomes.

While we've always made an effort to gather feedback from those that are foundational to the success of our mission, in 2017 we made it a priority and will continue to prioritize this through 2018 and the years to come. Throughout the year we worked closely with several industry players so that we could 1) provide our expertise and knowledge of the IP market to positively influence decision-making and 2) more closely understand the needs of the industry so that we can better tailor our services and products to rise to currently unmet needs. Examples of our 2017 industry engagement include:

- Kellee James's service on the board of organic certification agency Oregon Tilth
- Julia Hofmeister's position on the Standards Committee of The Non-GMO Project
- Alex Heilman's participation in the National Grain and Feed Association apprenticeship program
- Lizzie Ekeberg's engagement with OTA's Organic Supply Chain Integrity Task Force

In addition to the above high-touch industry engagement (complemented by regular attendance at industry-wide conferences and events), we made a targeted push to more intentionally garner feedback from our users. In addition to targeted questions about the user experience, we made sure to ask, "What are you doing three minutes before and three minutes after you log in to Mercaris?" In 2017 we used this feedback extensively to provide enhancements tailored to our users' needs and to prioritize our 2018 initiatives. We will leverage this feedback mechanism throughout 2018 as we continue to learn more about our users and innovate new ways to meet their needs.

Key Performance Indicators- Stakeholder Engagement

When putting together a new mission statement, we thought it was not only important to ensure it reflected our values as a company but that there were discrete ways to determine how well we are doing in terms of achieving our mission. Accordingly, we developed Key Performance Indicators (KPIs) that will help track our progress on that front and that will ensure we continue to engage our stakeholders as we grow and innovate. While we hope to continually bolster and adapt the way we monitor progress, we have begun with the following KPIs:

- Number of Contacts Made with Express Purpose of Gathering Feedback from Data Customers (**Goal: 2 per year per customer**)
2017 Baseline: 2 per year per customer
- Number of Contacts Made with Express Purpose of Gathering Feedback from Survey Participants (**Goal: 2 per year per SP**)
2017 Baseline: 2 per year per survey participant
- Number of Product or Service Changes Directly in Response to Customer Feedback (**Goal: 4 per year**)
2017 Baseline: NA (not measured)
- Number of Meetings with the Mercaris Board (**Goal: 4 per year**)
2017 Baseline: 4 per year
- Number of Industry Events Attended by Mercaris Staff (**Goal: 16 per year**)
2017 Baseline: 14 events per year

Environmental Impact

As an aspiring leader in the sustainable agricultural and environmental movement, Mercaris has a responsibility to set positive examples of management and conservation in the areas in which we work. We maintain an environmental policy that includes the implementation of both mandatory and voluntary practices to reduce landfill waste, further recycling, conserve energy, and reduce the usage & consumption of natural resources.

Mercaris Employee Carbon Emissions

In 2017, Mercaris began monitoring CO2 emissions through a survey that will continue to be administered to Mercaris employees every six months. We will analyze the results on an annual basis and will continue to publish findings in each annual iteration of the Mercaris Impact Report. Due to lack of transparency in—and lack of control over—the way our leased building spaces use and manage energy, this initiative emphasizes reducing per-employee emissions generated from commutes to/from the office and official Mercaris travel.

Reducing CO2 emissions by our staff is just one way that we as an organization can embody our mission to promote environmental sustainability and health. While we have a small team and only six of us have a commute whatsoever, we are committed to finding small ways to have impact. In 2017, our team traveled nearly 58,000 airmiles and drove about 15,000 miles for commute- and non-commute-related business. For 2018, our goal is to limit company-related air travel to only those trips deemed necessary to help fulfill our mission. A brief summary of travel-related emissions activity:

Mode	2017 Total (Miles)	Total CO2 Emissions (Tons)
Air	57,918	17.18
Vehicle	14,850	5.79
Rail	375	0.04
Bus	755	0.18
Bicycle	1,150	-
Walk/run	437.5	-

This averages out to 3.31 tons emitted per employee per year.

Mercaris Employee Recyclable and Non-Recyclable Waste

Another facet measured through the semi-annual survey is the amount of in-office employee waste. Per self-reporting by Mercaris staff, per-employee annual non-recyclable waste measures an estimated 62.5 gallons, while recyclable waste for 2017 measured 83 gallons. For 2018, employees will be making a concerted effort

to materially decrease the amount of both recyclable and non-recyclable waste generated from work-related activities, with the goal being a 5% reduction over the course of 2018.

Environmental Impact Through Product Development & Improvement

Mercaris recognizes that our employees are able to have a direct impact on environmental wellbeing by simply being more attentive and pragmatic in the way we consume energy and engage in waste-generating behaviors. We also recognize that we have the ability to influence environmental wellbeing beyond our own small team, and through 2018 we will continue to develop products and services that enable users to similarly have a positive impact on our environment.

For KPIs related to our products' effect on the environment, it is worth noting that while Mercaris does hope to directly impact environmental sustainability metrics, it is nearly impossible to attribute market- and supply chain-level improvements directly to the work we do. That said, in 2017 we did record a few key *observations* that we will continue to observe as a general sign of the health of the environment and market, as is relevant to our environmentally-friendly mission.

Key Performance Indicators- Environment

- Per-employee Carbon Emissions Decreased (**Goal: 2% per year**)
2017 Baseline: 3.3 tons per employee
- Per-employee Non-Recyclable Waste Decreased (**Goal: 5% per year**)
2017 Baseline: 62.5 gallons per employee
- Per-employee Recyclable Waste Decreased (**Goal: 5% per year**)
2017 Baseline: 83.3 gallons per employee
- Number of Staff Trainings Held Regarding Environmental Matters (**Goal: 2 per year**)
2017 Baseline: NA (0)
- Distance IP Crops Traveled to First Handler Decreased (**Goal: NA**)
2017 *Observation*: 31 miles
- Proportion of Organic Corn/Soybean/Wheat Imported Decreased (**Goal: NA**)
2017 *Observation*: 26% of organic corn; 69.4% of organic soybean; 7.7% of organic wheat

Community Impact

The Mercaris mission affirms our commitment not only to environmental wellbeing and improvement, but also implies a commitment to community-building and improving accessibility to underserved groups. To this end, we've developed a two-pronged community engagement strategy: The first part focuses on using our products and services to increase access to information that enables improved decision-making in rural communities; The second prong takes this a step further and ensures that once equipped with basic market intelligence, communities have access to nearby markets.

Strengthening Communities Through Increased Access to Information

While we saw remarkable growth in 2017, we quickly realized that much of our customer base is comprised of large companies and corporations. We are excited that these organizations have found so many uses for our data, and we will continue to add value to this user base's experience; however, in 2018 we plan to focus on building tools and services more targeted toward arguably the most important stakeholder in the value chain—the farmer.

The final months of 2017 marked a driven Mercaris effort to make our data more usable and affordable to the farmer. Mercaris staff developed a program to improve the ability of our products to reach farmers who otherwise have very limited information on which to base important decisions—helping them answer questions

ranging from “when and at what price should I sell” to “if I transition to organic, will anyone buy my crop?” This program will roll out in early 2018 and we are very excited to see our expansive data used at a more local and rural level.

Key Performance Indicators- Access to Information

- Number of Mercaris Free Users that have Self-selected as a Farmer (**Goal: 225**)
2017 Baseline: 185 users
- Number of Mercaris Users that have Completed Farmer Survey (**Goal: 100**)
2017 Baseline: NA (Farmer Plan to roll out in 2018)
- Percentage of Free Farmer Plan Users Who Say Mercaris has Helped their Business (**Goal: 70%**)
2017 Baseline: NA (Farmer Plan to roll out in 2018)
- Number of Free Farmer Plan Users Who Have Used Mercaris Data During their Transition to Organic Production (**Goal: 10**)
2017 Baseline: NA (Farmer Plan to roll out in 2018)

Strengthening Communities Through Increased Access to Markets

There is a vast amount of conclusive research related to “Organic Hot Spots”—225 local communities that have experienced long-lasting regional economic impact through organic agricultural activities. Research conducted by the Organic Trade Association (OTA) indicates that these “hot spots” improve household incomes and reduce poverty at better rates than major anti-poverty programs. OTA research has shown that organic hot spots see as much as a \$2,000 increase in median household income, and as much as a 1.35% decrease in poverty rates as a result of organic agricultural activities. While this is not Mercaris original research, we do hope to contribute to both the success of existing hot spots, as well as support continued development of additional hot spots. To that end, in 2018 we aim to drastically grow the reach and breadth of our Auctions Platform so that blossoming organic communities can access new and more profitable markets.

Key Performance Indicators- Market Access

- Number of Live-order Auctions Held per Year (**Goal: 4**)
2017 Baseline: 1
- Notional Value Transacted on Auctions Platform per Year (**Goal: \$6 million**)
2017 Baseline: \$5 million
- Volume Transacted on Auctions Platform per Year (**Goal: 500,000 bushels**)
2017 Baseline: 421,600 bushels
- Number of New Commodities Traded on Auctions Platform per Year (**Goal: 2**)
2017 Baseline: NA (not measured)
- Number of US Organic Acres at Time of Acreage Report Publication (**Goal: NA**)
2017 *Observation*: 1,233,347 Combined Corn, Wheat, and Soy Acres

Employee Volunteer Leave Policy

We are excited to be creating products and services that help build and strengthen communities. But in addition to tools and products, we believe an important way to strengthen communities is through active engagement and involvement. To that end, effective January 1, 2018 Mercaris will allow all regular full-time employees in good standing to use paid leave to volunteer up to 32 hours per calendar year with a 501(c)(3) nonprofit. While we encourage employees to work with initiatives complementary to the Mercaris mission, we also acknowledge that any kind of formalized community engagement is better than none. Mercaris employees may volunteer with any organization that complies with our Volunteer Leave Policy. While a 32-hour maximum is imposed, we encourage employees to contribute no less than 8 hours per year to a volunteer initiative of their

choice. Over time, we will track the organizations that we have worked with and the impact that our work has had.

Key Performance Indicators- Community Engagement

- Number of cumulative hours Mercaris staff spent volunteering (**Goal: 72 hours**)
2017 Baseline: NA (Volunteer Leave Policy rolled out in 2018)
- Number of hours volunteered for environmental causes (**Goal: 36 hours**)
2017 Baseline: NA (Volunteer Leave Policy rolled out in 2018)

Employees

Mercaris recognizes that without a well-supported workforce we will be unable to achieve our mission of creating informational products that can ultimately lead to increased environmental sustainability and improved access to information. For this reason, in 2017 we created our Employee Handbook to formally institute many of our staff policies. This ensures that all employees fully understand how to thrive and grow with Mercaris, as well as understand their benefits and how to leverage our employee-friendly policies, such as “take what you need” leave, without repercussion.

Employee Satisfaction Survey

While we had an attrition rate of 23.5% over the year—and would love if this were closer to 0%—with a very small workforce (two employees, out of nine, left in the spring of 2017) we don’t feel this percentage is reflective of our employees’ satisfaction with their work, their ability to productively engage with the Mercaris team, or their excitement about the work we do. In fact, we took out an anonymous year-end employee satisfaction survey of our seven non-owner employees. The results confirmed a healthy, collaborative work environment with motivated employees who believe in the work Mercaris does. Highlights from the survey include:

- Employees rated their overall satisfaction with their employment at Mercaris at 8.6/10.
- 100% of our employees indicated they have a good working relationship with both their supervisors and their colleagues. Everyone also agreed that there is a high level of trust between management and employees.
- While providing extensive benefits can prove difficult in a startup environment, all Mercaris employees nonetheless expressed satisfaction with the total benefits package, with the standout benefits being the flexible “take what you need” leave policy and the employer-paid health insurance.

While we strive for perfection as far as employee engagement and satisfaction, we also realize there is always room for improvement and many ways to adapt for happier employees. Mercaris will continue to make an intentional effort to engage employees for their continued happiness and success with Mercaris. To that end, **our only KPI worth mentioning will always be Overall Employee Satisfaction Rated at 10/10**, which we will continually strive toward.