



Specialty Coffee Import

Green Arabica Beans from Honduras

Business Plan

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Motivation



- ▶ Germany is one of the biggest importers of coffee in the world.
- ▶ Noticeable demand of high quality specialty coffee in the area.
- ▶ Boom of small coffee roasters in Germany.
- ▶ Access to coffee plantation in Honduras.
- ▶ Exporter contact through family friends.

Vision

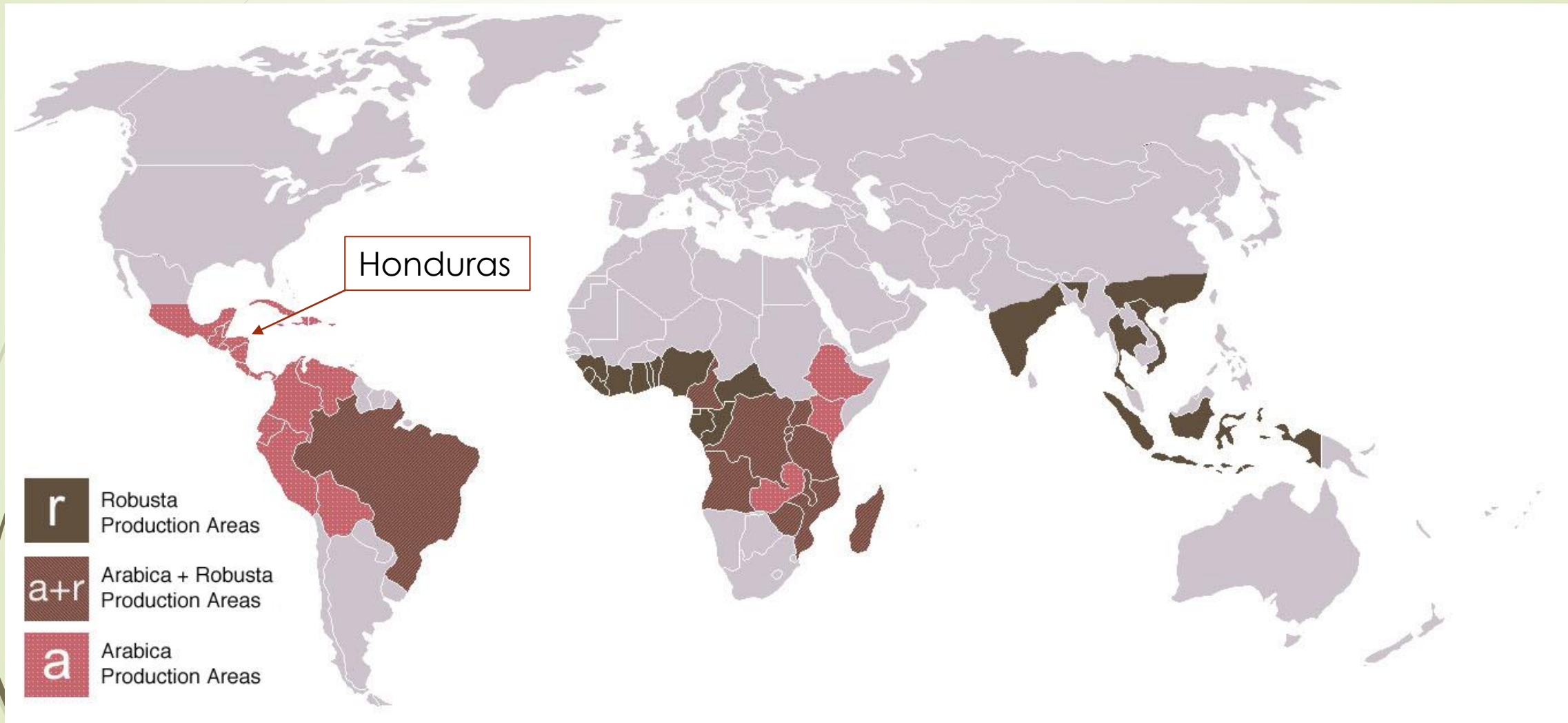
- ▶ Become a major importer of Honduran coffee in North Rhine Westphalia.



About the Coffee

- ▶ *Coffea arabica* is a species of *Coffea* originally indigenous to the forests of the southwestern highlands of Ethiopia, It is also known as the "coffee shrub of Arabia", "mountain coffee", or "arabica coffee".
- ▶ *Coffea Arabica* takes about seven years to mature fully, and does best with 1.0–1.5 meters of rain, evenly distributed throughout the year. It is usually cultivated between 1,300 and 1,500 m altitude, but plantations grow it as low as sea level and as high as 2,800 m. The plant can tolerate low temperatures, but not frost, and does best with an average temperature between 15 and 24 °C
- ▶ *Coffea arabica* accounts for 75–80% of the world's coffee production.
- ▶ **In 2011 Honduras became Central America's biggest coffee producer and in 2012 it ranked seventh in the world and was the second-biggest exporter of high-quality Arabica beans on the planet, competing heavily with Colombia and Brazil.**

Coffee Production Worldwide



Source: <http://www.caffeventurato.com/coffee/arabicaerobusta.aspx>

Market in Germany

- Target customers are small Roasters with demand of high quality specialty green coffee Arabica beans.

$$\frac{\sim 300 \text{ small Roasters in Germany}}{80,620,000 \text{ people in Germany}} = 0.0000037211 \text{ Roaster per person}$$

$$0.0000037211 \text{ Roaster per person} * 17,840,000 \text{ people in NRW} = 66.39 \text{ Rosters in NRW}$$

- 66 Small Roasters are potential customers in NRW.



Financial Analysis Considerations

- Direct import from Puerto Cortes, Honduras to Antwerp, Belgium and land transport to Aachen.
- Best price with an annual import of 275 bags that fill up one 20-ft container (33.2 m³) for \$1.54 USD/kg. One bag weights 69 kg.
- Exchange rate 1 EURO = 1.1 USD.
- Selling price to roaster is 16 EURO/kg.
- Two employees are being considered to start with. One in charge of administrative work and the other for selling and distributing.

Calculation of Investment and Depreciation Costs

<u>Description</u>	<u>Investment</u>	<u>Depreciation (years)</u>	<u>Depreciation Rate</u>	<u>Depreciation Costs</u>
Transport Vehicle	30,000	5	20%	6,000
Dolley	50	-	0%	-
Unexpected (5%)	1,503	-	0%	-
Circulating Capital (3%)	902	-	0%	-
Totals	32,454	-	0%	6,000

- The only cost with applicable depreciation rate is a transport vehicle for distribution of the product.

Calculation of Consumption Cost

<u>Description</u>	<u>Specific Consumption</u>	<u>Specific Price in EURO</u>	<u>Cost per quantity unit</u>
Arabica Coffee Beans (69 Kg bag)	1	193	193
Office and Storage Space per year (100 m ²)	1	4,000	15
Diesel Consumption (Avg. 500 km per month)	1	533	2
Marketing Cost	1	500	2
Total Consumption Cost			212

- Diesel Consumption is calculated for a FORD Transit Tourneo 2.0 L / 4 cyl / 80 L Tank with 0.056 L/km fuel efficiency and maximum Diesel price of 1.585 EURO/L.

Labor Cost

- Starting with two employees with equal pay. Agreed Salary Brut **3,500 EURO** per month, with potential increase in pay after the first year.

<u>Deduction</u>	<u>Deduction %</u>	<u>Value in EURO</u>	<u>Employer Contribution</u>	<u>Employee Deduction</u>
Retirement Plan	19.50%	683	341	341
Unemployment Insurance	5.00%	175	88	88
Health Insurance	14.00%	490	245	245
Income Tax	30.00%	1,050	-	1,050
Solidarity Surcharge (on Income Tax)	5.50%	58	-	58
Church Tax (on Income Tax)	8.00%	84	-	84
Net Salary Paid by Employer			4,174	
Net Salary Paid to Employee				1,635
<u>Annual Personnel Direct Cost for 1 Employee</u>	<u>50,085</u>		<u>Total Annual Personnel Direct Cost for 2 Employees</u>	<u>100,170</u>

Total Investment and Financing

<u>Investment and Financing</u>	<u>%</u>	<u>EURO</u>
Total Investment	100%	32,454
Own Capital Funds	40%	12,982
Outside Financing	60%	19,472

- ▶ A bank loan or an investor will be needed to cover 60% of the total, with a fixed 7% annual interest rate.

Financing Cost

<u>Year</u>	<u>Balance of Debt</u>	<u>Interest Rate in %</u>	<u>Interest Cost p.a.</u>	<u>Refunding Bank Loan</u>
1	19,472	7%	1,363	1,947
2	17,525	7%	1,227	1,947
3	15,578	7%	1,090	1,947
4	13,631	7%	954	1,947
5	11,683	7%	818	1,947
6	9,736	7%	682	1,947
7	7,789	7%	545	1,947
8	5,842	7%	409	1,947
9	3,894	7%	273	1,947
10	1,947	7%	136	1,947
Total Interest to Pay			7,497	
Total Repayment				19,472

Self Costs

<u>Year</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>
Utilization %	60%	80%	100%	100%	100%	100%	100%	100%	100%	100%
Coffee Quantity (69-kg bags)	165	220	275	275	275	275	275	275	275	275
<u>Costs</u>										
Depreciation Cost	-\$6,000	-\$6,000	-\$6,000	-\$6,000	-\$6,000	-\$6,000	-\$6,000	-\$6,000	-\$6,000	-\$6,000
Financing Cost	-\$1,363	-\$1,227	-\$1,090	-\$954	-\$818	-\$682	-\$545	-\$409	-\$273	-\$136
Labor Cost	-\$100,170	-\$100,170	-\$100,170	-\$100,170	-\$100,170	-\$100,170	-\$100,170	-\$100,170	-\$100,170	-\$100,170
Consumption Cost	-\$34,940	-\$46,586	-\$58,233	-\$58,233	-\$58,233	-\$58,233	-\$58,233	-\$58,233	-\$58,233	-\$58,233
Total Costs	-\$142,473	-\$153,983	-\$165,493	-\$165,357	-\$165,220	-\$165,084	-\$164,948	-\$164,811	-\$164,675	-\$164,539
Cost per coffee bag	-\$863	-\$700	-\$602	-\$601	-\$601	-\$600	-\$600	-\$599	-\$599	-\$598

Calculation of Revenue

<u>Year</u>	<u>Output</u>	<u>Price per Bag in EURO</u>	<u>Revenue in EURO</u>
1	165	1,104	182,160
2	220	1,104	242,880
3	275	1,104	303,600
4	275	1,104	303,600
5	275	1,104	303,600
6	275	1,104	303,600
7	275	1,104	303,600
8	275	1,104	303,600
9	275	1,104	303,600
10	275	1,104	303,600

- Market price of a 69-kg bag of green coffee is 16 EURO/kg, equating to a unit price of 1,104 EURO/bag.

Cash Flow for 10 Years

<u>Year</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>
Sales Profit	\$182,160	\$242,880	\$303,600	\$303,600	\$303,600	\$303,600	\$303,600	\$303,600	\$303,600	\$303,600
Depreciation Cost	-\$6,000	-\$6,000	-\$6,000	-\$6,000	-\$6,000	-\$6,000	-\$6,000	-\$6,000	-\$6,000	-\$6,000
Financing Cost	-\$1,363	-\$1,227	-\$1,090	-\$954	-\$818	-\$682	-\$545	-\$409	-\$273	-\$136
Labor Cost	-\$100,170	-\$100,170	-\$100,170	-\$100,170	-\$100,170	-\$100,170	-\$100,170	-\$100,170	-\$100,170	-\$100,170
Consumption Cost	-\$34,940	-\$46,586	-\$58,233	-\$58,233	-\$58,233	-\$58,233	-\$58,233	-\$58,233	-\$58,233	-\$58,233
Loss Carried Forward										
Profit before Tax	\$39,687	\$88,897	\$138,107	\$138,243	\$138,380	\$138,516	\$138,652	\$138,789	\$138,925	\$139,061
Taxes 40%	\$15,875	\$35,559	\$55,243	\$55,297	\$55,352	\$55,406	\$55,461	\$55,515	\$55,570	\$55,624
Net Profit after Tax	\$23,812	\$53,338	\$82,864	\$82,946	\$83,028	\$83,110	\$83,191	\$83,273	\$83,355	\$83,437
Cash Flow (Net Profit + Depreciation)	\$29,812	\$59,338	\$88,864	\$88,946	\$89,028	\$89,110	\$89,191	\$89,273	\$89,355	\$89,437
Repayment Credit	-\$1,947	-\$1,947	-\$1,947	-\$1,947	-\$1,947	-\$1,947	-\$1,947	-\$1,947	-\$1,947	-\$1,947
Re-investing					-\$30,000					
Revenue	\$27,865	\$57,391	\$86,917	\$86,999	\$57,081	\$87,162	\$87,244	\$87,326	\$87,408	\$87,489

Summary and Conclusions

- ▶ Importing specialty coffee to Germany is extremely profitable, if done in large quantities.
- ▶ Importing less than a container will bring the price up to double, and the company would not be profitable.
- ▶ Selling and marketing strategy is one of the most important factors and must be done by a knowledgeable person.
- ▶ Maintaining the quality of the imported product is key to retain annual contracts with customers.



Special Thanks To:

- ▶ Honcaf Coffee Co.
- ▶ CopanTrade Green Coffee Importers



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