

WHAT BUYERS WANT

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Falcon Coffees



FALCON BACKGROUND

- UK-based green coffee trade house
- In existence since 2007, founded with the goal of creating more equitable supply chains
- Last year traded approx. 400,000 bags (24k MT) across all origins
- Focus almost exclusively on certified/specialty grade coffees
- Part of the Westrock Coffee Group



BILL GATES.

AS I SEE IT, THERE ARE TWO GREAT FORCES OF HUMAN NATURE; SELF-INTEREST AND CARING FOR OTHERS. CAPITALISM HARNESSSES SELF- INTEREST, BUT ONLY ON BEHALF OF THOSE WHO CAN PAY. PHILANTHROPY AND GOVERNMENT AID CHANNEL OUR CARING FOR THOSE WHO CAN'T PAY, BUT THE RESOURCES RUN OUT BEFORE THEY MEET THE NEED. TO PROVIDE RAPID IMPROVEMENT FOR THE POOR, WE NEED A SYSTEM THAT DRAWS IN INNOVATORS AND BUSINESS IN A FAR BETTER WAY THAN WE DO TODAY.

SUCH A SYSTEM WOULD HAVE A TWIN MISSION; MAKING PROFITS AND ALSO IMPROVING THE LIVES FOR THOSE WHO DON'T FULLY BENEFIT FROM MARKET FORCES.



**THE LONG
PLAY**

WE NEED FARMERS TO STAND ON THEIR OWN AS VIBRANT BUSINESS PEOPLE, NOT IMPOVERISHED RECIPIENTS OF AID THROUGH ARTIFICIAL PRICING STRUCTURES THAT ARE IN THEMSELVES NOT SUSTAINABLE.

SUSTAINABILITY AXIS



FINANCE

- Allows farmers to invest, to hold and to participate. Lack of finance results in early crop liquidation.

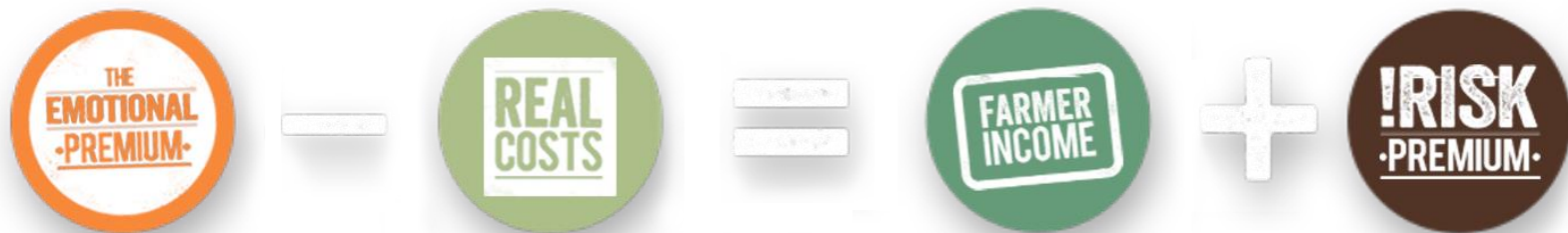
PRICE RISK MANAGEMENT

- Coffee is a highly volatile futures traded commodity. Hedging is an incredibly powerful tool for capturing value that if not used, is an equally destructive force.

MARKET ACCESS

- A cherry seller in the mountains usually has one local buyer. An FOB seller can sell to anyone in the world.

CHANGING THE EQUATION THROUGH COLLABORATION



ETHIOPIA CASE STUDY

- Exports about 200k MT (3.2m bags) annually of many different qualities
- Cooperatives and private farms can export directly, all other sellers must sell through the ECX
- Great quality, but challenging financial environment



ETHIOPIA LESSONS TO LEARN

- ECX must solve the “incentive problem” for greater growth in the smallholder sector
- Lack of ability to access PRM tools creates huge boom/bust cycles
- Government monitors exports and sets policy but does NOT set minimum farm-gate pricing or geographical boundaries. Competition does.



UGANDA CASE STUDY

- Exports about 160k MT (2.7m bags) annually of many different qualities
- Opposite extreme to Ethiopia – exporting is a free-for-all
- 70/30 Robusta/Arabica
- Cheapest Arabica in the world



UGANDA LESSONS TO LEARN

- Untrammelled competition can be destructive
- Middleman-dominated trading culture destroys value, adds to the risk premium
- Free market environment enables investing in supply chains and farmers



BUYERS NEED....

- Reliability
- Repeatability year-over-year
- Regulatory environment which minimizes default risk
- Differentiation of product for different uses
- And most importantly – we need farmers to be earning a good living from coffee.





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