

Coffee Connect

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Tejaswi S.
Coffee Plantation Owner
Yahoo



Aman S.
Yahoo



Albert Y.
Applied Materials



Andy S.
Samsung



Ken O
Applied Materials



Saurabh M.
Google

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World Coffee Landscape

The Growers

Coffee is grown by plantations in over 70 countries of the world. 80% of these plantations are owned and managed by small lot coffee plantations i.e small scale farmers with less than 5 hectares (~12.5 acres) in plantation size. 80% of the world's coffee production comes from 25 million such small-scale farmers. In India, per the Coffee Board of India, 99.2% of its coffee production is from small lot growers.

The Drinkers

The US alone imports about 25 million bags of coffee (each bag of coffee is 60 Kgs / 132 lbs) every year which is approximately 15% of the world's production.

Trade

Coffee is the world's most traded agricultural commodity (prices change every minute) in the commodity exchanges worldwide. The trading price of Arabica at The Intercontinental Exchange (ICE) is called the "C Price" and is supposed to be based on the supply & demand. With the exception of the coffee Growers, this pricing has been known to be beneficial to big traders, financial traders and the rest of the supply chain.

How it all comes together

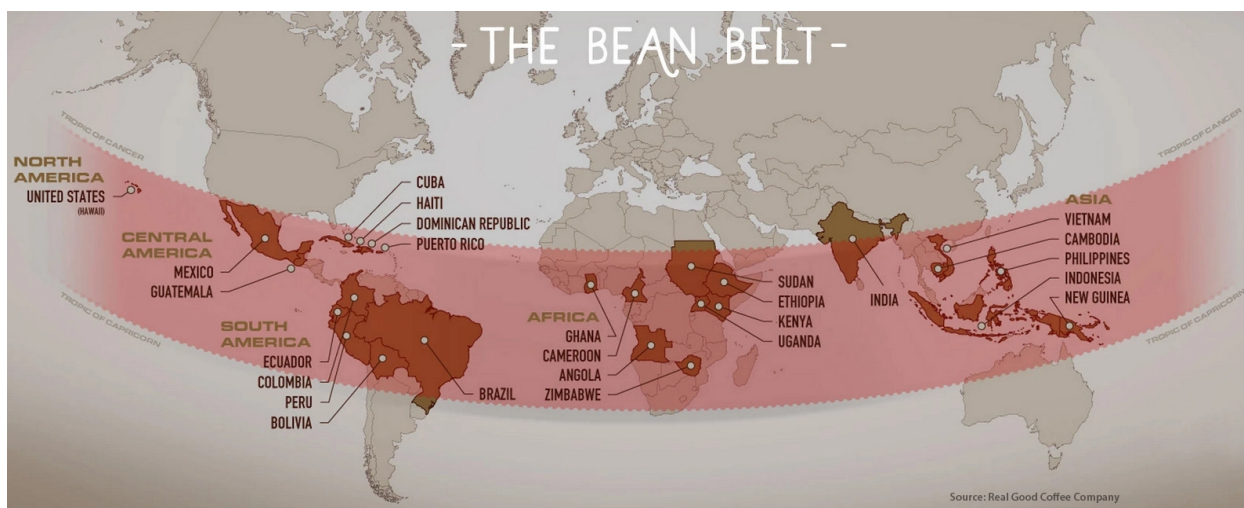
The cost of cultivation has gone up substantially in recent times, due to increased cost of inputs and labor. Mechanization is difficult due to the hilly terrain of the western ghats in India and other countries thus requiring more human capital investment leading to increased labor costs. The commodity exchange unfortunately does not account for such increases and is based purely on commodity demand & supply.

In India, small farmers sell to a local trader at the daily published price. The local trader sells it to a large trader at the district/county level at a margin who in turn sells it to the exporter. This process is disadvantageous to the roaster who is looking for transparency in pricing as well as quality of the beans.

Large roasters/importers generally have direct trade agreements with large growers and have the financial muscle to keep a check on quality. Small roasters looking out for specialty green coffee like single origin beans have to go through large traders with minimum transparency in terms of pricing as well as origin/quality.

A grower typically gets ~\$1.8 per pound of coffee (at current prices) when sold to a trader (based on the daily published price). Over the last 5 years, the prices have varied between \$1 to \$2.4 per pound. The price of coffee in US retail stores are anywhere between \$8 - \$30 per pound (specialty roasts)

Top 10 producers of coffee in the world



Country	Production (in thousand bags)	Exports (in thousand bags)	% of small lot farmers
Brazil	62,600	33,000	
Vietnam	30,220	24,500	
Columbia	12,600	11,500	
Indonesia	11,350	6,600	
Ethiopia	8,250	4,725	
Uganda	6,650	6,520	
India	6,240	4,170	99.2%
Honduras	6,000	5,600	
Peru	4,200	4,100	

Worldwide forecast for coffee in 2022/2023 as per the [USDA report released in Dec 2022](#):

Production : 172.8 millions bags (each bag is of 60Kgs)

Consumption : 167.9 million bags

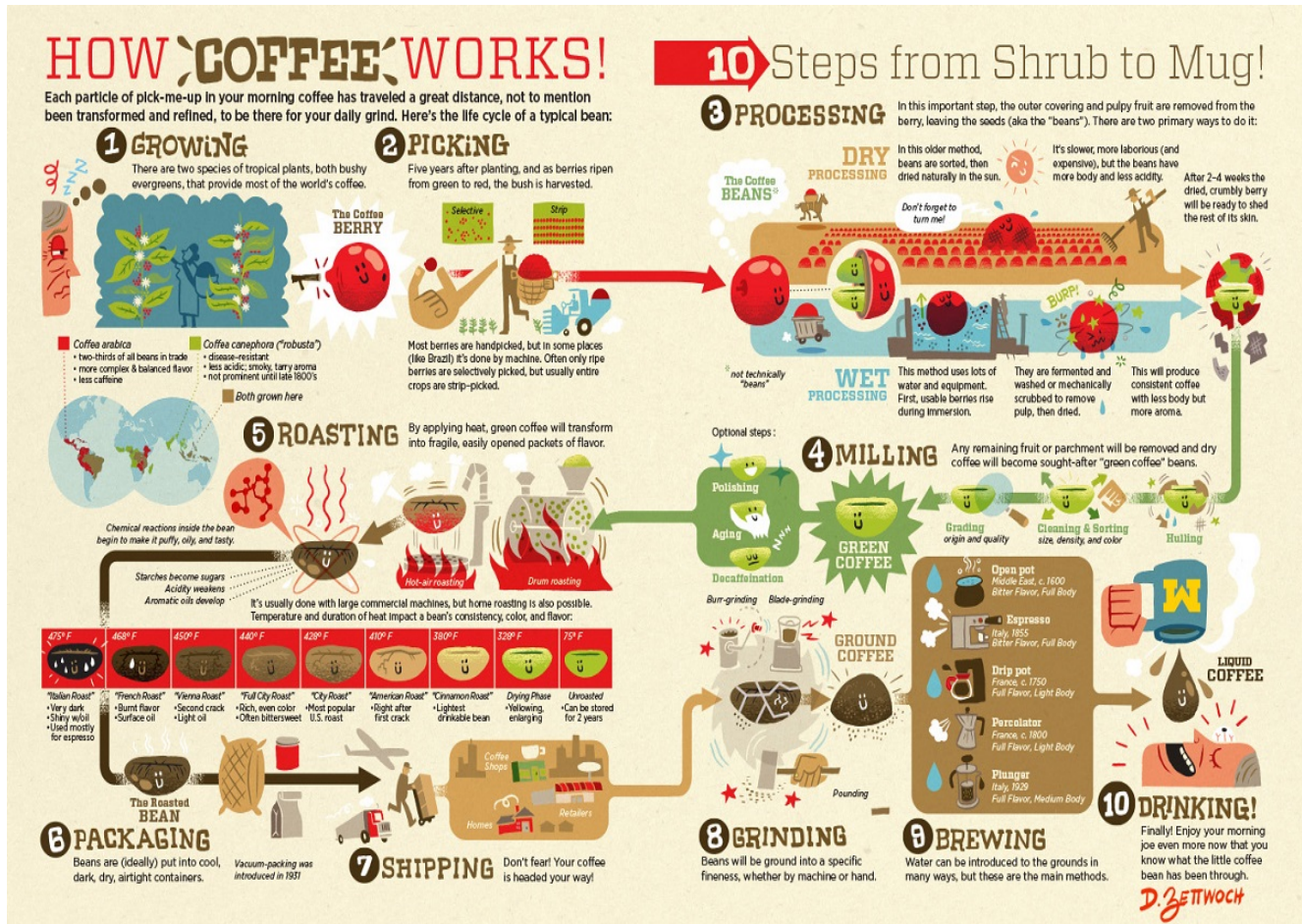
Exports : 116.1 million bags

Production (in thousand bags)	2018 / 19	2019/20	2020/21	2021/22	Forecast Dec 2022/23	% of total production
Brazil	66,500	60,500	69,900	58,100	62,600	36.24%
Vietnam	30,400	31,300	29,000	31,580	30,220	17.49%
Colombia	13,870	14,100	13,400	11,800	12,600	7.29%
Indonesia	10,600	10,700	10,700	10,580	11,350	6.57%
Ethiopia	7,350	7,475	7,600	8,150	8,250	4.78%
Uganda	4,650	5,475	6,630	6,250	6,650	3.85%
India	5,325	4,967	5,567	5,920	6,240	3.61%
Honduras	7,100	5,200	6,500	4,800	6,000	3.47%
Peru	4,390	3,925	3,369	4,200	4,200	2.43%
Mexico	3,550	3,700	3,530	4,190	3,845	2.23%
Guatemala	3,770	3,645	3,930	3,830	3,730	2.16%
Nicaragua	2,950	2,755	2,650	2,780	2,780	1.61%
Malaysia	2,100	1,900	2,000	2,000	2,000	1.16%
China	1,925	2,000	1,800	1,700	1,800	1.04%
Costa Rica	1,250	1,466	1,472	1,275	1,365	0.79%
Tanzania	1,300	1,250	1,350	1,200	1,150	0.67%
Cote d'Ivoire	2,000	1,775	910	1,125	1,050	0.61%
Kenya	850	750	650	850	800	0.46%
Papua New Guinea	965	825	700	750	750	0.43%
Thailand	650	700	600	650	700	0.41%
El Salvador	654	510	540	605	575	0.33%
Venezuela	585	550	480	500	500	0.29%
Laos	375	440	485	465	485	0.28%
Philippines	425	450	425	450	475	0.27%
Cameroon	450	475	400	375	450	0.26%
Other	1,972	2,247	2,053	2,049	2,185	1.26%
Total	175,956	169,080	176,641	166,174	172,750	100.00%

Bean Exports (in thousand bags)	2018 / 19	2019/20	2020/21	2021/22	Forecast Dec 2022/23	% of total production
Brazil	37,379	36,190	41,689	35,576	33,000	52.72%
Vietnam	25,618	24,526	22,450	26,000	24,500	81.07%
Colombia	12,400	11,770	11,500	11,000	11,500	91.27%
Indonesia	4,907	6,096	6,466	6,319	6,600	58.15%
Uganda	4,450	5,350	6,514	6,120	6,520	98.05%
Honduras	6,910	4,900	6,010	4,600	5,600	93.33%
Ethiopia	4,174	4,135	4,675	4,800	4,725	57.27%
India	3,936	3,399	3,818	4,920	4,170	66.83%
Peru	4,293	3,720	3,326	4,065	4,100	97.62%
Guatemala	3,600	3,211	3,675	3,400	3,400	91.15%
Other	13,606	13,088	11,008	12,302	11,945	
Total	121,273	116,385	121,131	119,102	116,060	67.18%

Bean Imports (in thousand bags)	2018 / 19	2019/20	2020/21	2021/22	Forecast Dec 2022/23	% of total production
European Union	45,890	44,460	43,875	46,575	44,500	25.76%
United States	27,150	23,900	24,335	25,225	24,750	14.33%
Japan	7,370	6,550	6,520	6,800	6,500	3.76%
Russia	3,070	3,180	3,390	3,400	3,500	2.03%
Switzerland	2,810	3,030	3,450	3,400	3,400	1.97%
South Korea	2,480	2,660	2,635	3,015	3,000	1.74%
Canada	3,135	2,835	2,860	2,940	2,800	1.62%
United Kingdom	3,175	2,640	2,270	2,725	2,700	1.56%
Algeria	2,300	2,000	2,200	2,050	2,000	1.16%
Colombia	975	845	1,670	2,040	1,900	1.10%
Other	18,721	17,483	17,902	18,812	18,835	10.90%
Total	117,076	109,583	111,107	116,982	113,885	65.92%

Coffee Supply chain: Present State



Ref: [From Bean to Brew: The Coffee Supply Chain](#)

Coffee Economics

VISUALIZING THE ECONOMICS OF Coffee

WHAT MAKES YOUR CUP OF COFFEE POSSIBLE?

One of the world's most popular commodities, coffee is supported by a massive global \$200+ billion industry. From growing to trading, roasting, and brewing, here's how coffee prices are broken down.

Numbers are based on yield of 15 cups of brewed coffee per pound of roasted beans.



STAGE 1 GROWING \$0.07 / ☕

The International Coffee Organization's ICO Composite indicator price provides an overall benchmark for the price of green coffee of all major origins and types

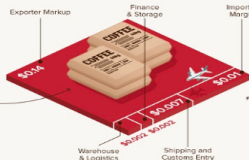


Based on \$1.09/lb (ICO Composite 2018). Prices fluctuate from below \$0.50/lb in 2001 to above \$2.10/lb in 2011



STAGE 2 EXPORTING \$0.16 / ☕

Green coffee beans are harvested, processed, and milled before being packaged for export in 60kg bags, a worldwide standard measurement

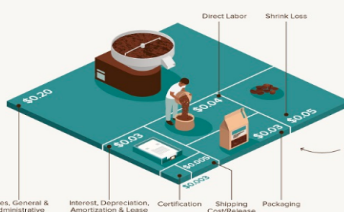


7.2 million tonnes of green coffee were exported in 2018, valued at \$19.2 billion



STAGE 3 ROASTING \$0.35 / ☕

Beans are roasted, doubling in size and gaining their trademark brown color



Switzerland leads in value of roasted coffee exports thanks to high prices of roasted beans

\$10.8 billion value in export of roasted coffee alone



STAGE 4 DISTRIBUTION \$0.04 / ☕

Roasters distribute beans both directly to consumers (retail stores) and directly to businesses (retail coffee shops)

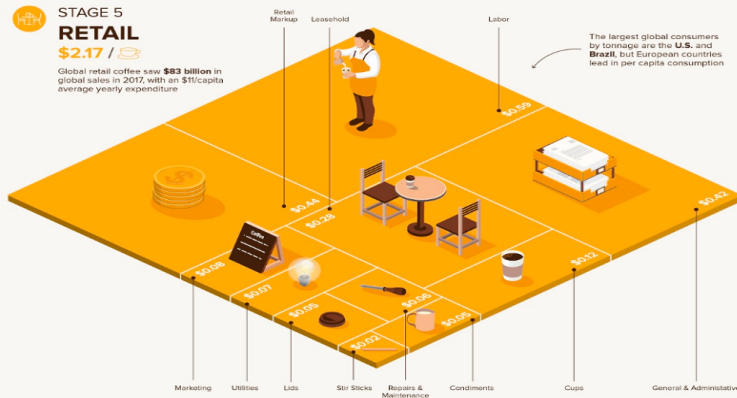


Major retail store sellers (% MARKET SHARE)



STAGE 5 RETAIL \$2.17 / ☕

Global retail coffee saw \$83 billion in global sales in 2017, with an \$11/capita average yearly expenditure



The largest global consumers by tonnage are the U.S. and Brazil, but European countries lead in per capita consumption

All the costs from the different stages add up to a retail sales price of coffee

\$2.80
(16oz Brewed Coffee)

Coffee is the 4th most-consumed beverage in the world by total volume sales, with 2.3 million cups of coffee consumed globally every minute

Figures are rounded and sourced from the Specialty Coffee Association and based on the organization's Benchmarking Report and Coffee Price Report. SOURCES: Specialty Coffee Association, International Coffee Organization, Chartwell House



COLLABORATORS RESEARCH • WRITING Chris Walbach | DESIGN Miranda Smith | ART DIRECTION Melissa Heavisto, Amy Luo

Ref: [The Economics of Coffee in One Chart](#)

The Need

Many members of the specialty-coffee industry are seeking transparency in the supply chain process, better pay for coffee growers, competitive pricing for the roasters and as this industry grows a body that curates industry data to power research for the growers & roasters, sourcing & best practices. The reality today is that when coffee prices in the coffee trade exchange are low, the most impacted are small scale growers. [Fairtrade](#) estimates that over 125 million people worldwide depend on coffee for their livelihoods, but many of them are unable to earn a reliable living from it. Many such small scale growers often are in debt and under loss due to increasing input and labor costs but low sale prices.

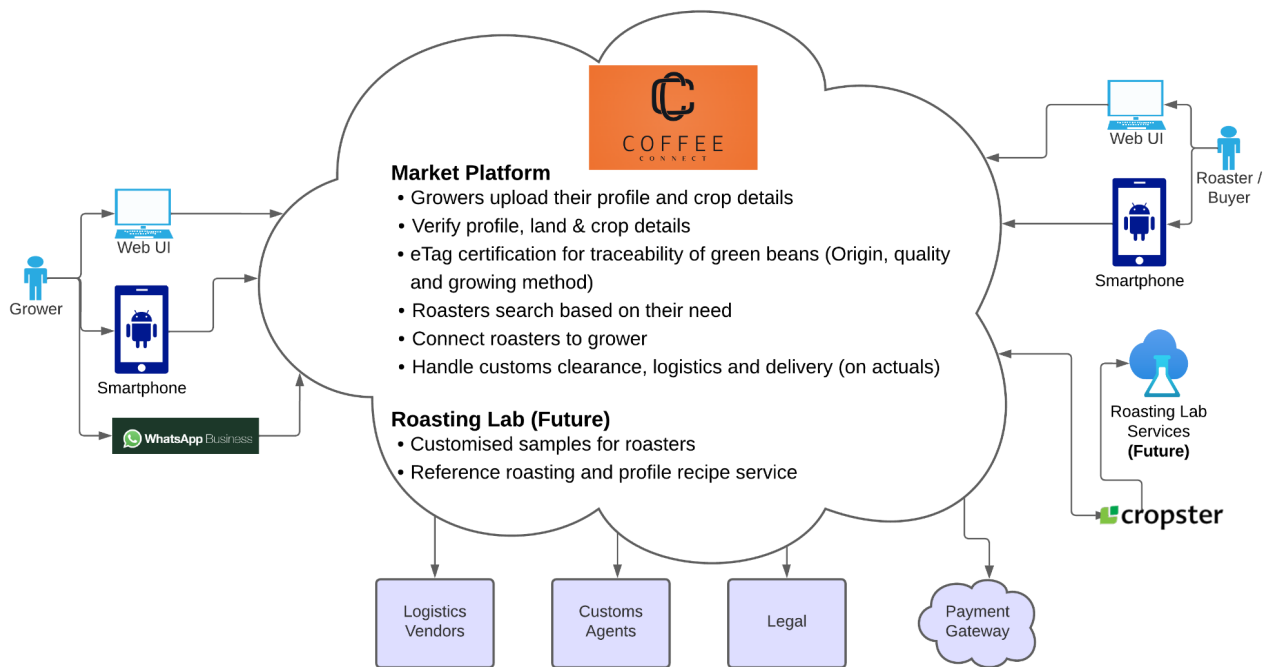
In juxtapose , **the largest profit margins are made by companies exporting coffee beans**. In 2018 alone the ICO Composite price (which tracks both Arabica and Robusta coffee prices) averaged \$1.09/lb, while the SCA lists exporters as charging a price of \$3.24/lb for green coffee that year.

Small scale coffee growers **need** an avenue to get **better & fair price** for their hard grown specialty green beans

Roasters need an avenue to procure high **quality** and **traceable** specialty green beans at **better & fair price**

Coffee Connect is **the solution** to break this imbalance and bring equitability & profitability to this specialty coffee industry. The solution will power a developing industry towards meteoric growth.

Our Solution



Coffee Connect will be a marketplace platform that connects growers with roasters efficiently and with transparency.

The growers have CoffeeConnect certified crop profiles that cover not just the bean flavor profile & species but also the region, cultivation method and pricing, providing roasters with a reliable and rich background before they make their purchase decisions.

The roasters now have a reliable partner who can also recommend growers based on their speciality bean criteria, price points and regions.

The platform will also recommend the roasters based on the past transaction and search history to refine the matching process and efficiency. To complete the transaction, the buyers can select the preferred partners to handle the following customs clearance, logistics and delivery on actuals. With this integrated end-to-end solution, our platform not only provides the tailored transaction service, but also digitizes the supply chain management with efficiency, traceability and transparency.

Another problem we are going to solve in the future is to help the roasters to simplify and refine their roasting tasks with the green beans purchased from our platform. The flavor of coffee comes from the complicated roasting process with hundreds of aroma combinations. Traditionally roasters need to have tens of roasting trials with the same sample beans to develop the specialty coffee roasting recipe. This is a costly, time-consuming process and inevitably prevents them from trying other potential beans. Our solution is to build a roasting lab to create sample roasted beans and roasting profiles for the roasters based on their specs. This would help roasters quickly find out the target beans or even buy the recipes from us. Most importantly through this process, we can scientifically quantify and predict the flavor of beans from growers.

Benefits

With our solution we can really help the coffee supply chain with efficient digital market tools. Growers can have better returns since the high markup is reduced and with global visibility. On the other side, roasters not only pay less price but also have more choice of beans with transparent price. With the database and roasting lab, we can develop the market insight of the coffee supply chain with real time statistical information. From the popularity of grown method, process method, preferred flavor and inventory cycles, even the transport trade policy, all information could be analyzed and predict the short / long term demands or price of the coffee beans. This could help us and partners to expand the platform to an optimized trade market.

Business model

The initial business model is based on a transaction fee of 25% for each transaction made through the platform. This fee is aimed at capturing the margin from the original traders, while still providing benefits to the platform users. The remaining margin will be shared among the platform users as their benefit.

The success of this business model depends on its ability to attract partners to the platform and retain them. The platform must offer unique value propositions to its users, such as access to high-quality coffee beans and reliable suppliers. It also needs to provide a user-friendly experience and efficient transaction processing to ensure user satisfaction.

In the future model, the business plans to offer additional value propositions to its users, including access to roasting labs, custom orders, and roasting recipe recommendations. The transaction fee is expected to be lower than the initial 25% fee, as the business aims to attract and retain more users through these added services.

With access to a roasting lab, users can experiment with different roasting techniques and create unique blends that cater to its specific preferences. This feature is expected to attract coffee enthusiasts who are passionate about creating their own blends and exploring new flavor profiles.

Custom orders are also expected to be a key feature of the future model. Users will have the ability to place customized orders based on their specific needs, such as the quantity, roast level, and origin of the beans. This feature is aimed at attracting commercial buyers and businesses that require a consistent supply of high-quality coffee beans.

Finally, the business plans to provide market insights to the coffee industry. From the popularity of grown method, process method, preferred flavor and inventory cycles, even the transport trade policy, all information could be analyzed and predict the short / long term demands or price of the coffee beans. This could help us and partners to expand the platform to an optimized trade market. These insights would be a new source of revenue for the platform.

Overall, the future model aims to provide a comprehensive suite of services to its users, including access to a roasting lab, custom orders, and roasting recipe recommendations. These added features are expected to attract more users to the platform and generate additional revenue through transaction fees. *Note: Current revenue projections do not include subscription fee for Market Insights*

Go-to Market Strategy

Our go-to-market Strategy

Our go-to-market strategy is to start local and focused. Our first target is specialty roasters in the Bay Area who deal with coffee beans grown in India. As our CEO has a plantation in India, we have knowledge in the complicated landscape in India coffee bean plantations. As a first step into the global market, we will demonstrate our technology in the exhibitions such as the Specialty Coffee Expo, which the Specialty Coffee Association holds annually to trade beans and exchange ideas.

Our Growth Strategy

For our growth strategy, we will expand our technology and market into other specialty foods, including peppers (US import = TAM: \$72M), teas (\$530M), and wine (\$7.5B). Peppers are usually grown near coffee plantations. Tea has a similar supply chain and retail structures as coffee. Wine, although it is alcohol and the regulation environment is different, attracts us because of its market size.

The key driver of our growth is the data accumulation and market insight. As we operate, we accumulate data on bean production, demand patterns, and consumer trends on taste, which strengthen our positions over other similar coffee export handling services. Those supply-demand insights, for example, can help growers to sell their products at the highest prices, or roasters to stock up next-trend beans ahead of their competitors at lower costs. These market insights attract both sides of our customers, and we could provide these data even to the direct importers such as Starbucks and Dunkin Donuts etc., which we initially exclude as our playing fields.

Financials

The core business model of Coffee Connect is 25% commission on every green bean transaction executed on the Coffee Connect platform.

As Coffee Connect is uniquely positioned to understand the coffee demand and supply, in subsequent phases, the platform will also sell Coffee Market Insights, providing detailed insights into coffee growers, their process, global demand and supply patterns, etc. This would become a significant source of revenue for the company over time.

Note: Current revenue projections do not include subscription fee for Market Insights

As the business expands in subsequent phases, new services will be offered at a premium to the roasters using the platform. These include:

- Roasting labs
- Custom roasting recipes
- Lower transaction fees
- Consultation

Some of the services that will be integrated, such as escrow, export/import fees, etc will have fees based on the value of the transaction. These will be made visible and passed through to the roasters. These services and transparency in cost will make it easier to complete the transactions, so more roasters will be incentivized to use our platform.

Revenue

	Year One	Year Two	Year Three	Year Four	Year Five
Buying price of green coffee beans/lb (roaster)	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
Average cost of green coffee beans/bag (60kgs)	\$330.69	\$330.69	\$330.69	\$330.69	\$330.69
Number of coffee bag transactions	2,000	12,500	50,000	200,000	750,000
Transaction fees	25%	35%	50%	50%	50%
REVENUE	\$165,347	\$1,446,782	\$8,267,325	\$33,069,300	\$124,009,875

Costs

Packaging fees (0.03 / lb, \$4/bag)	7,937	49,604	198,416	793,663	2,976,237
Escrow charges (0.2%)	\$1,322.77	\$8,267.33	\$33,069.30	\$132,277.20	\$496,039.50
Export Import Cost	0	0	0	0	0
COST OF GOODS SOLD	\$9,259.40	\$57,871.28	\$231,485.10	\$925,940.40	\$3,472,276.50
GROSS PROFIT	\$ 156,087.10	\$ 1,388,910.60	\$ 8,035,839.90	\$ 32,143,359.60	\$ 120,537,598.50
Founder's salaries	\$0	\$0	\$500,000	\$1,500,000	\$2,000,000
Operational expenses	\$120,000	\$125,000	\$135,000	\$150,000	\$175,000
Sales salary	\$100,000	\$200,000	\$250,000	\$250,000	\$300,000
Development team	\$100,000	\$200,000	\$200,000	\$300,000	\$400,000
Total Personnel Costs	\$320,000	\$525,000	\$1,085,000	\$2,200,000	\$2,875,000
Warehouse costs	\$10,000	\$20,000	\$30,000	\$30,000	\$30,000
General & Admin (G&A)	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Sales & Marketing	\$100,000	\$150,000	\$200,000	\$200,000	\$300,000
FIXED COSTS	\$480,000	\$745,000	\$1,365,000	\$2,480,000	\$3,255,000

Ask

	Year One	Year Two	Year Three	Year Four	Year Five
REVENUE	\$165,347	\$1,446,782	\$8,267,325	\$33,069,300	\$124,009,875
GROSS PROFIT	\$ 156,087.10	\$ 1,388,910.60	\$ 8,035,839.90	\$ 32,143,359.60	\$ 120,537,598.50
FIXED COSTS	\$480,000	\$745,000	\$1,365,000	\$2,480,000	\$3,255,000
NET PROFIT	(323,913)	643,911	6,670,840	29,663,360	117,282,599
	Investment crucial for building the MVP marketplace and for growth	Breakeven year	Achieve profitability and returns for the investors	Achieve profitability, provide market insights and returns for the investors	Achieve profitability and returns for the investors

The ask is \$500K to cover product development (MVP), sales and marketing, customer acquisition and growth. The goal is to do quick prototyping and validation this year. That is why we do not want to raise too much money early on, and not spend time fundraising.

Note: Current revenue projections do not include subscription fee for Market Insights

Competition

There are several companies that specialize in facilitating trade between coffee growers and roasters. Each of them vary in terms of:

- (1) The geography of coffee growers
- (2) The markets they sell to
- (3) Their level of involvement in the trade - quality control, financing, logistics

By volume, local traders and exporters hold most of the market. However, they tend to have less focus on traceability and quality. Other players tend to focus on specific geographies and value-added services.

A gap in the market is that there are limited players in India-origin speciality coffee. Our in-house experience with coffee plantation ownership in India will prove handy in getting a foothold with supply here.

As a marketplace, we also have the opportunity to provide market insights about the supply, price, quality and other metrics in the coffee trade.

Features	Coffee Connect	Coffee Exchange	m-cultivo	Project Origin	Traders & Exporters
Location of Growers	Worldwide ¹	Worldwide	Ethiopia	Australia	Worldwide
Better returns for Growers	✓	✗	✓	✗	✗
Cheaper prices for roasters	✓	✓	✓	✓	✗
Traceability	✓	✗	✓		In some cases
Focus on single origin / small lot coffee	✓	✗	✓	✓	✗
Customized Coffee roasting recipe	✓	✓	✗	✗	In some cases
Market Insights	✓	✗	✗	✗	✗

1 - Start with growers in India and expand globally

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