

Coffee

FACES

THE NEWSLETTER
OF VIRMAX CAFÉ



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WELCOME AGAIN TO OUR FIRST EDITION OF COFFEE FACES FOR THE YEAR 2004. Over the past three to four months we have been very, very busy with new crop shipments, as well as visiting our coffee growers around the country and our customers in different countries. Hence the reason for our small delay in getting this edition of Coffee Faces to you.

2004 is finally here. The big news this new year seems to come from the futures market, where prices have shown a steady increase over the past months. This is of course great news for small coffee growers, who have seen their incomes increased and their situation improved a little.

However, the current increase in prices will not make much of a difference for most small coffee growers as many coffee growers are still losing money and continue to be trapped in the commodity business.

A recent study by McKinsey and Technoserve¹, a management consulting firm and a non-profit organization that works to find business solutions to rural poverty,

respectively, shows that most coffee producers of so called "quality Arabica coffee" are not profitable, and should either diversify into other crops, or invest heavily in technologies that allow them to produce coffee at competitive prices.

According to that study, all of Central American coffee producers plus Colombia, Peru, Papua New Guinea, Ethiopia and Indonesia are clearly not being profitable in their coffee production. While countries such as Vietnam, India and Brazil are profitable.

It is no wonder that the profitable countries are large producers of Robusta, which has a lower cost base. Brazil, which is also a large producer of Arabica beans, has been able to reduce its cost base by investing heavily on technology – such as mechanical harvesting and increased use of irrigation, and by cultivating coffee in areas less prone to frost. This also means that these countries will continue to be profitable, thereby increasing their market share at the expense of the "unprofitable" producers.

On the other hand, the "unprofitable" countries are characterized by small, family-owned farms that produce higher quality, Arabica beans. Producing Arabica beans is more expensive in particular in regions such as Central America and Colombia, where coffee picking is done manually. This means that a big part of production costs are labor costs. In order to produce higher quality, Specialty Coffee, there must be separation at the farm between mature and unripe cherries. In addition, growers should take better care of their trees, watching particular issues such as picking every single fruit, not leaving any fruits on the ground, etc.

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¹"Easing coffee farmers' woes". McKinsey Quarterly, March, 2004. For further info please go to www.mckinseyquarterly.com



We estimate that producing high quality coffee in Colombia increases coffee grower's costs by at least 20% to 30%. Imagine what would happen to those quality coffee growers if they were not rewarded for their extra effort with a better price for those beans.

The report proposes two main solutions for unprofitable coffee growers: help coffee growers of high quality coffee tap the specialty coffee market and help coffee growers to diversify their crops.

The second solution is difficult to implement as most of the coffee growing areas are usually mountainous and there are few (if any) agricultural products that can become a profitable alternative for coffee growers.

We at Virmax have been already implementing the first solution. Combining education, training and access to market



for small coffee growers we are continuously helping small coffee growers to tap into the specialty coffee market. In addition, by making sure that the coffee growers who are making the extra effort do earn extra money – and are recognized worldwide for their effort, we are contributing to a better future for hundreds of coffee families and their communities. And we are giving thousands of coffee drinkers the opportunity to try a better cup of coffee.

Over the past two years, we have had the opportunity to witness how many small coffee growers associations have grown, learned and worked hard to improve in all senses. They have learned to become extraordinary coffee growers and to be once again proud of their work. And best of all, and thanks to our many—and growing—customers, not only are they able to pay their bills, but they can invest in a better future. ☪

Coffee FACES

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Colombian Relationship Coffee

Featured Coffee

ABIRAMA RELATIONSHIP COFFEE

Our latest addition to our specialty coffee portfolio is a coffee produced by small coffee growers from the northeast of the Department of Cauca. This new coffee, being sold with under the name "Abirama Relationship Coffee", has been developed jointly with the Cooperativa de Caficultores del Cauca (Caficauca).

The name "Abirama" was chosen for this coffee because it was the native name for the archaeological site known today as Tierradentro, which is located within the area where this coffee is grown. "Tierradentro" in Spanish means "land within", a name given because the archaeological site is located in caves created by the Paez River, well below the Andes Mountains.

The coffee's logo is a resemblance of the diagrams and hieroglyphics found in the caves of Tierradentro, which were painted by the native Indians who inhabited this land hundreds of years ago.

Abirama Relationship Coffee is carefully selected among the more than 500 small coffee

growers that live in the Municipalities of Inza and Belalcazar. With the help of Caficauca, we carefully select the best coffee beans by its physical and cup characteristics. Only the best beans are used for milling. Those coffee growers that meet the required characteristics are paid an initial premium above the prevailing market price. A further premium is paid to them after the coffee has been exported and paid for.

In the coming months a Coffee Grower Association will be formed with the coffee growers that produce "Abirama Relationship Coffee". The Association will channel the resources obtained from the sale and export of the coffee and contribute to the improvement of its member's life.

This coffee is unique as it has a very powerful, mind-opening cup, with a deep but pleasantly sweet acidity and aftertaste.

If you would like to know more about "Abirama Relationship Coffee" or receive samples, please give us a call or send us an e-mail. ☪

Coffee drops

In this edition of Coffee Faces, we are introducing a new section: “Coffee drops” where we will be informing you about the recent news on our company. We hope you enjoy it!!!

- Between February 16th and 20th, Robinson Figueroa, one of our parchment cuppers, attended a Cupping Training organized by the SCAA and ACDI/VOCA. The training was held at SCAA’s headquarters in Long Beach, California and conducted by Mane Alves.

Robinson’s participation in this event was possible thanks to the contribution of ACDI/VOCA Specialty Coffee Program. Robinson attended the training with 9 other Colombian cuppers, who were selected because of their experience and commitment to learning and improving. Robinson joins other 27 cuppers trained under this program who will be responsible for training new coffee cuppers in Colombia. After this training, Robinson is now an SCAA Certified Cupping Judge.

We are quite sure that Robinson will transmit his acquired knowledge into the identification of new potential coffees, as well as into the recommendations he regularly gives to coffee growers.

- On March 11, 2004 we organized a coffee quality training session with 25 coffee growers from the Department of Tolima. The 25 coffee growers belong to 5 coffee grower associations from the south of the Department of Tolima who are preparing themselves to start tapping the Specialty Coffee Market with Virmax’s help. The event was organized with the co-operation of the Comité Departamental de Cafeteros del Tolima. We hope that some of these groups will be able to export their first coffee bags during the upcoming mitaca crop.
- From March we have started to organize three-day seminars with the coffee grower associations and large coffee farms with which we are currently working. These seminars intend to educate coffee growers about the dynamics of the specialty coffee market and the skills necessary to grow high quality coffee.
- The Mitaca crop is almost upon us. The Departments of Cauca, Nariño and Tolima all have their main crop in this cycle. We are expecting some very good coffees from these three regions. Among them: Abirama, La Union and Jordan. In Huila, it is time for the smaller fly crop. Quality wise, and thanks to the hard work of the many small coffee growers, our coffees should stand out. Volumes will be relatively small for these coffees, so if you haven’t yet signed up for your favorite give us a call on +44 207 939 9955 or +57 300 202 1660 and ask for samples and availability.

The Virmax Football Team

Every year, some of the employees of Cundicafé, our main dry milling facility located in Bogotá’s Industrial Zone, get together on Sunday afternoon to participate in a local football (soccer) tournament organized by the civil defense of Bogotá’s Industrial zone.

Starting this year, Virmax has pledged to support this football team by providing them with the uniforms. Some of Virmax’s employees in Bogotá have decided to participate in the team. In total there are twenty-one players, sixteen from Cundicafé and five from Virmax.

This year will be the third straight year the team participates in the tournament.

Last year the team won all of their games and had the highest scorer of the tournament. Unfortunately they could not attend to one of their semifinal games due to their work schedules and therefore lost the game by W.



We wish the team good luck this year and will do our best to let them participate in all their games so that this year they CAN win the tournament.

The team picture