

**Illustrative Cost of coffee (FOB breakdown to Roasting facility)**

	ASSUMPTIONS	AVERAGE IMPORTER	Scenario #1 Pricing	Importer Pricing	Scenario #2 Pricing	Notes
Market 'c' price	\$ 1.020	\$ 1.020	\$ 1.020	0	\$ 1.072	Largest price driver. The only controlled floor price is Fair Trade established at \$1.40/lb. the market trades bi-monthly, each month out has a higher price. For example c market is trading current month of Dec'18 @ 0.985 , but most contracts to be written in Dec'18 will be based on future month trading of Mar'19 @ \$1.027 , but if you want the coffee to land in April, then you need to look at the May'19 trading period for the trading @ \$.105.75 . Although this is typically \$.03-.04cts, it is a factor to consider the delivery month
trading /delivery month			\$ 0.040	0	\$ 0.040	
Country Differential	\$ 0.080	\$ 0.080	\$ -	0	\$ 0.220	Cup Quality, Transparency and Traceability, varies by origin depending on market supply/demands. (Honduras and Brazil have very low diff's because they are large exporters, Panama has very high dif's because they are a smaller, low volume, high land-value country, much like Hawaii). They also fluctuate every month based on the actions of the 'c' market, so all pricing assumptions today will change either monthly, at most quarterly. Specific producers and regions, with better quality will charge a premium. Offers in this time of a low "C" price makes securing offers difficult. country differentials are typically baked into the overall quality differential, which is typically established baseline with a physical green coffee analysis, and other processing fees at the export and milling stations, fees for grading , such as "MCM HB" HG EP Mexican +10 FOB RFA premium add 10 cents per lb. HB MCM GR1 Peru +8 FOB RFA premium add 8 cents per lb. Colombian Excelso +22 FOB RFA premium add 8 cents per lb.
Fair Trade Floor Price diff	\$ 0.380	\$ 0.380	\$ 0.380	0	\$ -	This price <b>adjustment</b> is valid for when the c price is below the Fairtrade Labeling International Organization Determined Floorprice. (1.40/lb) even though the cost of production varies greatly within each country (size of farm) and between each origin (Burundi vs. Hawaii), the FT minimum is the same for all , at 1.40
Fair Trade Premium	\$ 0.200	\$ 0.200	\$ 0.200	0	\$ -	This is a premium of .20 established by FLO given to coffee cooperatives to invest in community projects, such as tree planting, medical, education, etc.
Project Partner (example)	\$ 0.070	\$ 0.070	\$ 0.070	0	\$ -	A project partner implementing, monitoring, and facilitating the relationships with producers that are involved with activities (aka, such as a social or environmental project, like promoting clean water or educational opportunities)
ORGANIC	\$ 0.300	\$ 0.300	\$ -	0	\$ -	Organic certification costs typically are incurred by producers, and depending on the country and size of farm operations, the end cost to consumer (coffee roasters buying green coffee) will vary.
BIRD FRIENDLY	\$ 0.100	\$ 0.100	\$ -	0	\$ -	BF coffee must be organic, therefore base price is Organic + SMBC fees. In order to utilize the BF ogo, cost is additional 10 cts to the organic premium
Rainforest Alliance	\$ 0.080	\$ 0.080	\$ -	0	\$ 0.080	Rainforest Alliance typical green pricing ranges depending on quality/demand. There is no set premium for RFA. Typically, buyers will see a premium for this certification of around .08-.10cts on average, but often not separated from cup quality diff's on an offering sheet.
Cup Quality Differential	\$ 0.100	\$ 0.100	\$ 0.100	0	\$ 0.137	This is an additional price adjustment on top of country diff's, which usually are tied to cup quality and sustainability programs, where each program and each quality and processing has a different going market rate within each country. This price increases dramatically for coffees scoring above 80 cup profile. some of this premium is tied to fees for dry milling and sorting, whereas most of post harvest processing fees are handled in the country's diff. a differential of about .10cts can raise a cup score by a point or so, over a standard grading system.
GrainPro	\$ 0.025	\$ 0.025	\$ 0.025	0	\$ 0.025	packaging material for green coffee transportation. This is used as a plastic liner to protect coffee during transportation and long-term storage. Burlap is cheaper due to greater risk to spoilage, tear, damage,waste
<b>Total FOB (DIRECT COST)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1.835</b>	<b>\$ -</b>	<b>\$ 1.574</b>	<b>This is the Freight on Board (FOB) cost which is paid to the entity which exports the coffee</b>
Decaffeination Processing MC (\$.0255/lb)	0	0	0	0	0	this is the processing fee/lb. for decaffeination of green coffee using Methyl Chloride. Water processing is 50-60ct/lb or more, depending on processing plant location, time of year, brand of processor, and volume.
Ocean Freight**	0.045	0.045	0	0.025	0	depends on origin and volume of total coffee moving (i.e. if you ship more volume, you get better rates, therefore best to outsource w/ a large importer who gets best rates possible)
Document Fee	0.01	0.01	0	0.01	0	Costs for Phytosanitary and other certificates required by customs (export & import) can't do anything about it
Insurance (Marine & Warehouse)	0.015	0.015	0	0.015	0	priates, cyclons, oild spills
Customs Entry	0.005	0.005	0	0.005	0	If you roast in the states - can't do anything about it
Harbor Maintenance Fee	0.005	0.005	0	0.005	0	We all need to support the harbors if we want to use them -- can't do anything about it
Allowance for Demurrage	0.005	0.005	0	0.005	0	Port costs: extremely expensive when they happen - port strikes, trucker strikes, weather, etc can generate these costs beyond the importers control
Merchant Processing Fee	0.005	0.005	0	0.005	0	also a non-discretionary cost from port - can't avoid this
Credit Insurance	0.005	0.005	0	0.005	0	covers cost of insurance on large receivables
Interest Expense (FOB-Payment)**	0.035	0.035	0	0.035	0	VARIABLES - interest expense - time of departure to time of payment (Example: 100 days @ 7.5%)
Drayage & Chassis**	0.025	0.025	0	0.025	0	trucking from port to warehouse / delivery
Sampling	0.01	0.01	0	0	0	covers warehouse sampling - you'd avoid this when you don't use the warehouse
Stripping/off-loading	0.01	0.01	0	0.01	0	covers warehouse stripping/bag - you'd avoid this when you don't use the warehouse
Import Fee/Margin to cover overhead and admin	0.05	0.05	\$ -	0	0	This number illustrates the "contribution margin", i.e. everything left over after the sale to cover salaries, marketing, administration, rent, office, equipment, etc. It should increase w/ amount of admin involved in transactions (i.e. more releases, more DOs, more invoices, payment processing, etc, more need to cover "admin").
<b>Total Direct Costs:</b>	<b>\$ 0.225</b>	<b>\$ 0.225</b>	<b>\$ -</b>	<b>\$ 0.145</b>	<b>\$ -</b>	This number is illustrative of an importer's Cost of Goods Sold -- this is why importers talk about trading as a "narrow margin" business
<b>Total Direct &amp; Import to US Port</b>			<b>\$ 1.98</b>		<b>\$ 1.72</b>	This is the cost at the point of delivery in the USA and does not include carrying costs (finance & warehouse rent) or costs to load the coffee for outbound shipments.
<b>Outbound Costs - loading</b>						
Palletize Strap & Wrap	0.025	0.025		0.025	0	covers warehouse charges to palletize strap and wrap coffee for truck pick up - you'd avoid this charge when you don't use the warehouse
Administration	0.005	0.005		0.005	0	Cover the employee instructing the warehouse
<b>Total Coffee + Costs In and Out of Whse Carry Costs/month</b>	<b>\$ 0.030</b>	<b>\$ 0.030</b>		<b>\$ 0.030</b>	<b>\$ -</b>	typical ExWh to FOT Whs charge
Interest Expense (Finance)	0.015	0.015		0.015	0	30 days @ 8.5% -- slightly higher rate to also cover inventory tracking/management
Storage	0.01	0.01		0.01	0	applied to coffee stored by the importer that buyer has not released into customer's ownership. This is called "carrying costs" which are 2cts/lb per month applied to coffee for each month stored beyond contracted delivery month. So if you buy 2 containers of coffee and plan to release them in december, but only take ownership of one, then they will apply 2cts/lb to the container left in their position, until it is released. The owner needs to find warehousing, which is also an added cost, but about the same cost/lb. so typically importers carry until buyer releases for their needs.
Warehouse Insurance	0.005	0.005		0.005	0	in the event of hurricanes, floods, fires
<b>Total Cost to Carry per Month (\$0.03):</b>	<b>\$ 0.030</b>	<b>\$ 0.030</b>		<b>\$ 0.030</b>	<b>\$ -</b>	
Transportation from PORT to ROASTER	0.05	0.05		0.05	0	this is the average cost for rail/otr from US Coasts (NJ/HOU/ANNEX) to Roasting Facility
Coffee Roaster Expenses (staff, travel, supply chain management, product sampling, QC, logistics, inventory management, market analysis)	0.23	0.23		0.23	0	
<b>Total U.S. Transport + Roaster Admin</b>	<b>\$ 0.280</b>	<b>\$ 0.310</b>	<b>\$ -</b>	<b>\$ 0.310</b>	<b>\$ -</b>	
<b>FINAL COST TOTAL / LB.</b>			<b>\$ 2.32</b>		<b>\$ 2.06</b>	<b>This is the total cost of green coffee to the Roaster</b>

\*\*direct cost can vary w/ price of coffee, interest rates, freight rates, insurance rates

Next up... you'll need to factor in the cost of Production (shrinkage, labor, packaging) and fulfillment (labor, logistics, freight out, distribution, cost of storage for finished products, etc)