



MEXICO

Breakdown of a typical price paid for coffee via RM (USD/kg, all stages converted to green equivalent)

Currency assumptions based on rates as of 31/3/20, USD:MXN 23.8, USD:GBP 0.81. All data is based on the 2020 harvest, using our modal average coffee, that is, the coffee we bought the most of.

This graph is typical, and represents an 84 point washed coffee. Costs and prices vary by region and by cup quality. Data is based on an average yield of green beans to parchment of 61%, a factor de rendimiento of 1.63.

The true cost of production in dollars is close to zero, but the producer's labour must be accounted for. This is calculated at the local rate, paid to coffee pickers in the few larger farms where they are employed. The most common form of labour is a simple exchange of working hours; producers help their neighbours to harvest their coffee with the expectation that the service will be returned in kind.

Farms are typically owned by family units and operated by the older generations. Most young people are forced to leave the rural regions for urban areas in Mexico and the USA to find work.

You will notice that the profit percentage looks comparatively high compared to other origins, as these numbers are all based on green bean/kg equivalent in USD. Raw Material in Mexico buys coffee in parchment and, with a yield of 61%, we need to buy around 1.63 kg of parchment to yield this green bean/kg number, making the profit look comparatively high.

In reality, the average household in Oaxaca produces only around 100kg of parchment, just 61kg of green coffee per year. This is largely due to style of cultivation and picking in Oaxaca and Chiapas, working with aged coffee trees that grow wild under forest cover. If we can direct yields closer towards the global average of 80%, then we increase the farm gate price, increase the farmers profitability and reduce the eventual cost of the coffee. This understanding has led to our next stage of development in Mexico, a tree rejuvenation program which will gradually phase out low producing aged trees with new trees that will provide larger volumes of cherry and in turn more profit.

Total EXW average = 8.07

Total FOB average = 6.26

Farmgate price = 4.66

