

A COFFEE EXPORT BUSINESS PLAN AT BRASILIA, BRAZIL BY OLAIDE AND SONS VENTURES.

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EXECUTIVE SUMMARY

Olaide and sons ventures prepares green Arabica coffee beans grown in Brazil for exportation to American specialty roasters and sells to wholesalers on the Brazilian market. We will expand production capacity from 72,000/60kg bags per year to 120-160,000/60kg per year. Our coffee stands out from that of the competition. We prepare the top five percent, in terms of quality standards, of all Arabica beans on the market. Our customers seek this product as it provides them with a point of differentiation to specialty roasters. In the past six years, demand for our coffee has exceeded the amount we are able to supply and we have been forced to refuse requests for larger shipments.

We predict growth of thirty percent in the first year with sales exceeding (\$BRL) expectations. In year three the plant will run at maximum capacity and based on the current price of coffee we expect excellent profits (\$BRL). We have positive indicators from current importers that the additional amount of beans will be sold.

Our keys to success are:

- Establishing and maintaining working relationships and contractual agreements with American importers and Brazilian coffee brokers and wholesalers.
- Bringing the new facility to maximum production within three years of operation.
- Increasing our profit margin with the use of improved technology in the new facility.
- Effectively communicating to current and potential customers, through targeted efforts, our position as a differentiated provider of the highest quality Arabica beans in the world.

The objectives of Olaide and sons ventures:

- Increase production and sale from 78,000/60kg bags per year to approximately 100,000/60kg bags per year in the first year of operation at the proposed facility and reach maximum capacity of 120,000/60kg bags per year by year three.

- Increase sales substantially in the first full year of operation.
- Establish strategic relationships with 10-15 American importers in Los Angeles, San Francisco, & Seattle.
- Increase gross margins in the next three years.

Mission

Olaide and sons ventures seeks to serve coffee importers and enthusiasts by exceeding minimum acceptable quality standards and by providing the highest quality product at the lowest possible price. We value our relationships with current and future customers and hope to communicate our appreciation to them through our outstanding, guaranteed product quality, personal service, and efficient delivery. Our commitment to our customers and the country of Brazil will be reflected through honest and responsible business.

COMPANY SUMMARY

Olaide and sons ventures buys and prepares raw coffee in parchment (pergamino), or coffee in its post-harvest stage. The finished product, green Arabica coffee beans are packaged in 60kg sacks and sold on the U.S. and Brazilian market. Our customers are primarily American importers and Brazilian wholesalers who provide high-quality beans to the specialty roasting market.

Olaide and sons ventures is a private, family owned preparer and exporter of Brazilian-grown, green Arabica coffee beans. It is owned and operated by Raheem AbdulRaheem and his cousins.

Olaide and sons is in its sixth year of operation. The current plant has been in operation for 15 years and for 12 of those years was managed by Raheem AbdulRaheem. who was then an employee of the former owner, Cafe Fina. Since the plant was purchased, Olaide and sons has maintained maximum production and sales. It is currently operating at maximum capacity.

The Olaide and sons ventures main warehouse and office is located in Ouro Fino. The warehouse has the capacity to prepare approximately 6,000 60kg bags of exportable coffee beans. The proposed new warehouse and preparation facility site is also located in Ouro Fino. The new facility will be 3.500m² and will have 30 selecting machines with capacity to prepare 40,000 bags for exportation and 80,000 bags for storage. The proposed facility will also handle shipping.

PRODUCTS

Olaide and sons ventures deal exclusively in green coffee, grown in the southern states of Brazil and one-hundred percent Arabica. Beans in parchment are purchased directly from growers and are de-husked and packaged into 60kg sacks in the Olaide and sons plant. The final product is suitable for sale and exportation.

In order to differentiate our product, coffee, which is a commodity, from the product offering of competitors, all beans are guaranteed fresh and are shipped within seven days of preparation. In addition all beans are sorted at ninety-five percent screen 18 and above compared to the industry standard ninety percent screen of 17 and above. The beans shipped by Olaide and sons ventures are therefore larger than most and are guaranteed fresh. In addition, all of the farms from which Olaide and sons purchases coffee adhere to environmentally sound farming practices and avoid the use of pesticides and chemicals in crop production.

There are approximately ten competitors who offer a product similar to ours. Our research indicates that with the additional capacity we would become one of the top four, in terms of quantity, providers. We have the advantage of established distribution channels and reputation. In addition, improvements to our marketing efforts will further separate us from the larger market and from our close competitors.

Olaide and sons ventures currently works with two importers in the United States who handle all of our shipments. Likewise, we have dealt with the same Brazilian wholesalers, for internal sales, each year. Sales to this point have been handled through personal selling. Additional sales literature will include a website, direct mail to specialty roasters and importers, and print advertising in several trade publications including Coffee Times, a monthly publication which targets American business dealing with issues relevant to the coffee industry.

Both the existing and the proposed facilities are ideally located in Ouro Fino, in the state of Minas Gerais. Minas Gerais is the largest coffee producing state in Brazil and beans produced in the region are of the highest quality. With additional financing, we would be able to buy larger volumes at lower prices. We now buy from one or more of six private growers or grower cooperatives. Contracts are secured six months in advance of harvest.

Improvements in technology will include the use of partially automated selecting machines which will allow for increased production capacity with a lower machine-to-operator ratio than we currently employ. Additional storage capabilities will decrease shipping charges and will reduce the need for permanent shipping employees by thirty-five percent. High-technology

information system upgrades will improve all aspects of business, especially inventory control, tracking of shipments, and communication with clients in import countries.

Alternative to the Arabica bean, Coffea Robusta, though it shares some similarities with the Arabica bean, is very different. Coffea Robusta is grown at lower elevations and has a higher yield per plant as well as being more resistant to disease. It also has up to twice the caffeine level as its cousin the Arabica Bean. Due to the lower cost and larger market amount of Robusta coffee, it is found primarily on supermarket shelves. The Arabica species grows at much higher elevations, better soil rich areas, and is the source of the world's finest coffees.

By providing the finest species of coffee, Olaide and sons has taken the first step towards a differentiated product. To further distinguish our coffee, we adhere to higher quality standards than approximately ninety-five percent of the market. In addition, all of our beans are of the Bourbon Santos variety. The "Bourbon" strain is considered one of the finest Brazil has to offer. It is grown in the mountains surrounding Sao Paulo and is highly sought after by specialty roasters from around the world. We have assumed the position of a specialized provider of this exceptional coffee. Our customers, American and Brazilian specialty roasters, recognize Olaide and sons for our ability to provide the type of beans they require to produce award winning coffee.

MARKET ANALYSIS

Coffee is the second largest commodity market next to oil and Brazil has remained the largest producer of coffee in the world for two centuries. Imports of Arabica coffee in the United States have increased ninety-four percent in the past five years and consumption of coffee within Brazil has seen similar increases. In addition, demand for green coffee is above the market clearing level, and market price and crop yield estimates are at an all time high.

The increase in the number of independent specialty roasters in the United States and Brazil has contributed to and is an indicator of the increased demand for coffee. Within the larger coffee market is our target market is the specialty roaster. These discerning customers want the highest

quality coffee beans. They serve the growing "gourmet" coffee market and are represented by large American companies like Starbucks and thousands of smaller specialty roasters. The Arabica bean is considered to be the best in the world and as such, the demand for Arabica beans is high on the specialty roaster market. Specialty roasters are willing to pay more for Arabica beans and attempt to distinguish themselves via the characteristics of the bean they use i.e. the location in which it was grown, farming methods, bean size, etc. The final consumer is relatively price insensitive if the coffee is good, has won awards, or is compatible with a popular trend. We estimate that specialty roasting in the U.S. alone is a (\$USD) one-billion market.

Market Segmentation

The potential customer groups for Olaide and sons are:

American importers of green Arabica beans: Market research suggests that there are approximately 200 importers of green Arabica coffee on the West and East Coasts of the United States that would be able to handle the quantities of our shipments and are in our target market . Combined, they import a total of four to five million/60kg bags of Brazilian coffee per year.

Brazilian green coffee wholesalers: This market serves as a safety valve for our export business. By maintaining relationships with Brazilian wholesalers we have an alternative market with established distribution channels.

Brazilian specialty roasters: As we move towards maximum capacity we will plan to more aggressively target this audience. We hope to eventually reduce transactions with wholesalers and capture their value-added costs as profit. We anticipate that this effort will begin approximately four years into operation of the new facility.

Industry Analysis

Coffee has been a growing industry for the past five years. The most notable growth has been in the American market where imports have increased almost one-hundred percent and the market price has nearly doubled. The number of specialty roasters has increased from a handful of well known companies to thousands of independent entities. There is a constant struggle within this market to produce the best coffee and serve one or more niches within the larger market. Brazilian coffee producers and exporters have made great efforts to improve agricultural techniques, processing methods, and distribution in order to better serve this growing market. Demand for Brazilian coffee is currently greater than supply.

Competition Patterns

The purchase decision for our customer is based on trust in our process and bean selection. We have established relationships with our customers which extend beyond that of the buyer/seller. The Olaide and sons label means that the product has been chosen and prepared with the highest quality standards in mind. Our beans are priced up to nine percent higher than similar products.

Our customers are willing to pay more for our product because they are familiar with us and trust in the quality of our beans. This is the result of their success in the marketplace with our product.

Main Competitors

There are approximately 150 exporters of green Arabica beans in Brazil. According to the Brazilian Coffee Exporters Association, ABECAFE, fifty percent (50%) of all green coffee exports come from their 45 members. Approximately eighty percent (80%) of these exports come from 20 ABECAFE members. Market contributions of individual exporters are held in strict confidence and are not available to the public. However, based on this information and given the large number of remaining exporters not affiliated with ABECAFE who account for the remaining sixty percent (60%) of all exports, we assume that many of the largest competitors are amongst the ABECAFE members.

Distribution Patterns

All of the coffee produced for exportation by Olaide and sons and approximately eighty-five percent of all coffee produced for exportation in Brazil is shipped from Porto de Santos. Prepared coffee is shipped via rail and/or truck from the Olaide and sons plant in Ouro Fino to Porto de Santos. From the port it is then shipped, in 40 foot containers to the port of Miami via cargo ship. Distribution charges are assumed by Olaide and sons up to the arrival of the shipments in Miami whereupon importers assume responsibility, as detailed in contract, of the shipment and additional distribution charges.

Strategy and Implementation Summary

Olaide and sons strategy is to expand production capabilities in order to fulfill the requests of importers with whom we currently deal for larger orders which we are unable to currently fulfill. In addition Olaide and sons seeks to establish additional contracts with importers on the West Coast of the United States and increase the volume of green coffee sold on the Brazilian market. We intend to first maximize quantity of coffee sold within existing channels and second, establish additional accounts through targeted marketing efforts.

Relationships are key to success in the export business. Importers in Florida have on several occasions visited the Olaide and sons facility, family home, and farms from which coffee is purchased. Additional accounts and contacts with West Coast importers have all been established and maintained through personal contact. Personal selling will remain our most important means of promotion. Raheem AbdulRaheem will continue to lead this effort. In addition to personal

selling Olaide and sons has identified several specialty publications within which print advertisements will run. Direct mail, in the form of personal letters will also be used to communicate with existing and potential clients.

Management Summary

Olaide and sons management consists of four full-time employees. Additional assistance is acquired on a part-time basis and/or through the use of consultants, specifically in legal matters. Detailed descriptions are found in the following section.

MANAGEMENT TEAM

Raheem AbdulRaheem: CEO/President in charge of finance and administration. He has worked in the coffee export business for 30 years. Before starting Olaide and sons he was the Chief Financial Officer and general manager of the Cafe Fino coffee company. He began working for Cafe Fino after he finished an accounting degree at the University of Southern California. The current Olaide and sons plant was formerly owned by Cafe Fino and was sold to Mr. Raheem who had decided to "retire" and wanted to run a small business. Cafe Fino had purchased larger facilities and no longer needed the plant.

Mahmud Raheem: Vice president in charge of product sourcing, sales, and marketing. He completed his MBA at Syracuse University and worked for several years on the Brazilian stock and commodities market as a broker. He later took a position as an International Sales and Marketing Representative for a major agricultural brokerage and supply firm in Sao Paulo. He is expected to succeed his father as CEO of Olaide and sons ventures.

Servus snipps: Vice president in charge of production and shipping. Servus snipps, 29 worked as a civil engineer for two years for the Brazilian government after completing an engineering

degree at the University of Brazil, Sao Paulo. He is responsible for the supervision of all plant employees.

Additional Management:

Ron wesley, CFO:

Gracie, Renoldo, & Fertado Attorneys at Law, Sao Paulo.

We currently lack a full-time professional who can deal with the changing legal and financial aspects of international business. We have relied on legal consultants but are now analyzing the possibility of adding an additional position to deal exclusively with international issues. In addition, as we continue to grow and hire more personnel, we may hire a controller.

FINANCIAL PLAN

We want to finance growth through a combination of long-term debt and cash flow. Purchase of the larger facility and equipment will require approximately eighty percent debt financing. Additional technology will be primarily financed with cash-flow. Inventory turnover must remain at or above four or we run the risk of backing up orders and jeopardizing our freshness guarantees. We have had no problems with accounts receivable and we expect to maintain our collection days at 30 with thirty percent of sales on credit.

In addition, we must achieve gross margins of thirty-five percent and hold operating costs no more than sixty-five percent of sales.

CONCLUSION

Conclusively, this cofee export business by Olaide and sons will yield more profit As calculated in the financial plans and going by the considerations, concentration of factors to improve the export of cofee in the future.

