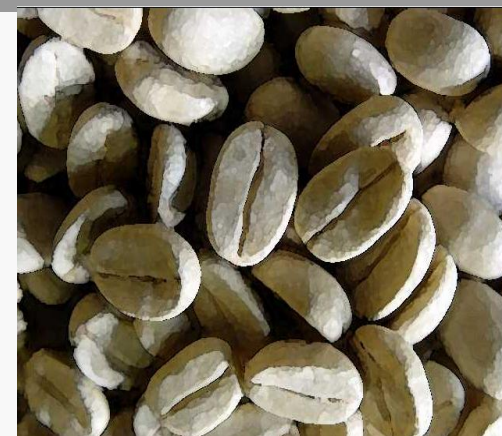




Paulig

“Global Coffee Markets and Sustainability in the Coffee Supply Chain”

**Mr. Edward A. Esteve,
ECOM Coffee Group
*Helsinki – October 7th, 2009***



Introduction to Ecom



- The ECOM Group originated in Barcelona, Spain in 1848
- 7th Generation Family Business
- In 1885, the Group expanded from Spain to New York, Louisiana before settling in Dallas, Texas. And expanding into the Americas.
- ECOM is currently headquartered in Pully, Switzerland, and has its main offices in Dallas, New York, Singapore, Mexico, and Sao Paulo.
- Ecom Coffee has offices in 16 Producing Countries and 5 Consumer Markets
- ECOM current revenue is approximately US\$2.3Billion with 3000 employees
- Integrated Soft Commodity Company – primarily coffee, cocoa and cotton but including generally agricultural commodities

Coffee Prices 1973~2008 (35 years)

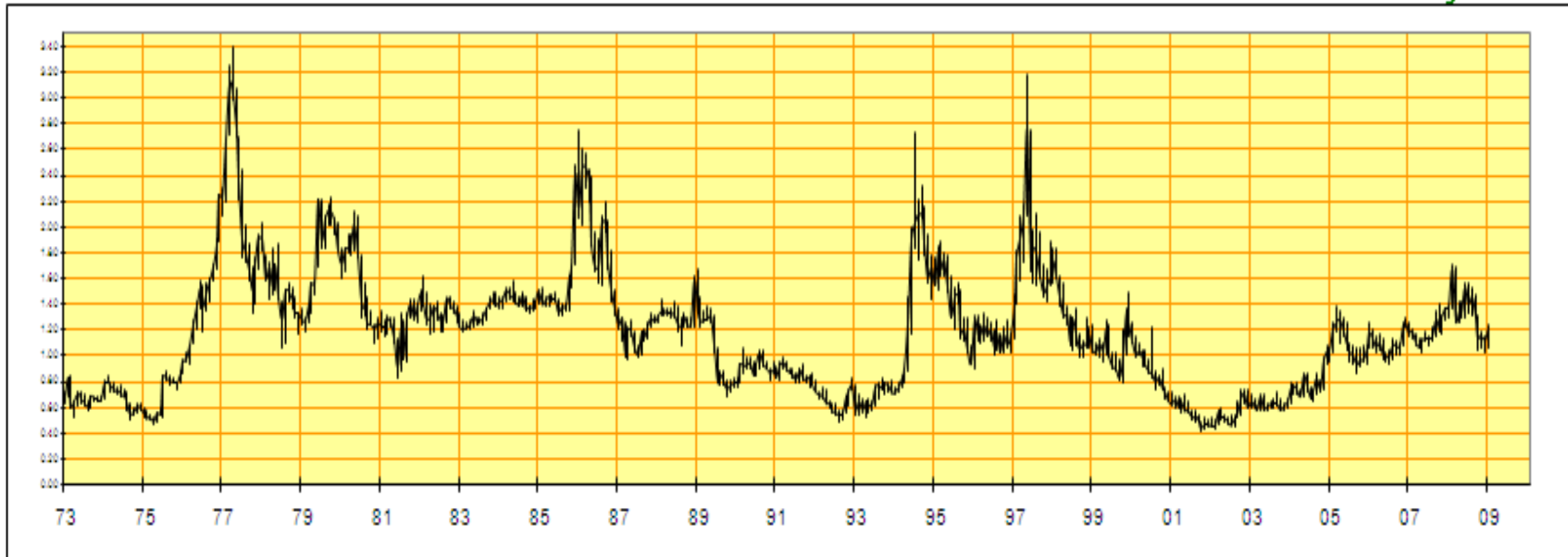


NY Monthly Spot Continuation



India	Indonesia	Japan	Papua New Guinea	Singapore	Vietnam - Ho Chi Minh	Vietnam - ACM	Kenya	Uganda	Tanzania	Dutchland	
Roast & Coffee Trading & PT Indo Coffee	ECOM Japan Ltd.	Hoang Coffee Nguyen Ltd.	ECOM Singapore Ltd.	Hoang Coffee Nguyen Ltd.	Hoang Coffee Nguyen Ltd.	Hoang Coffee Nguyen Ltd.	Hoang Coffee Nguyen Ltd.	Hoang Coffee Nguyen Ltd.	Hoang Coffee Nguyen Ltd.	Hoang Coffee Nguyen Ltd.	
ECOM Roast 489/111, Boreas Bldg, Millitary Bangkok Roast & Coffee Trading & PT Indo Coffee Tel: +66-2-281-2887-27 Fax: +66-2-281-2814-91 Tel: +66-2-281-2814-91 Fax: +66-2-281-2814-91	Empire Ptd Msc. S. Pte Ltd Raffles Quay #01-23, Telok Ayer Tel: +65-731-2887-27 Fax: +65-731-2814-91 Tel: +65-731-2814-91 Fax: +65-731-2814-91	ECOM Roast 489/111, Boreas Bldg, Millitary Bangkok Roast & Coffee Trading & PT Indo Coffee Tel: +66-2-281-2887-27 Fax: +66-2-281-2814-91 Tel: +66-2-281-2814-91 Fax: +66-2-281-2814-91	P.O. Box 1226 Central, 807 - Pagar Besar Centre Tel: +678-733-2782 Fax: +678-733-1418 Tel: +678-733-1418 Fax: +678-733-1418	74 Boreas Bldg 817-84988888 C/O Bldg BIOCHOPRO BANGKOK Tel: +66-2-281-2887-27 Fax: +66-2-281-2814-91 Tel: +66-2-281-2814-91 Fax: +66-2-281-2814-91	1211 Ins, 881C Bldg 8 Boreas Bldg, Boreas Bldg Tel: +64-8-8226-827 # 28 Tel: +64-8-8226-829 Tel: +64-8-8226-829 Fax: +64-8-8227-864 Tel: +64-8-8227-864	81 Ins 8 Boreas Bldg, Boreas Bldg Tel: +64-8-8226-827 # 28 Tel: +64-8-8227-864 Tel: +64-8-8227-864 Tel: +64-8-8227-864	PO Box 18126 BOREAS Central Industrial Park 81 Boreas Bldg Boreas Bldg Tel: +254 (0)20 824888-2 Tel: +254 (0)20 824888-2	PO BOX 8126 BOREAS P.O. Box 22622 Empire, Uganda Tel: +256-41-222611 # 9 Tel: +256-41-222611 # 9	PO Box 22622 Empire, Uganda Tel: +256-41-222611 # 9 Tel: +256-41-222611 # 9	PO Box 22622 Empire, Uganda Tel: +256-41-222611 # 9 Tel: +256-41-222611 # 9	Roast & Coffee Trading & PT Indo Coffee Tel: +66-2-281-2887-27 Fax: +66-2-281-2814-91 Tel: +66-2-281-2814-91 Fax: +66-2-281-2814-91

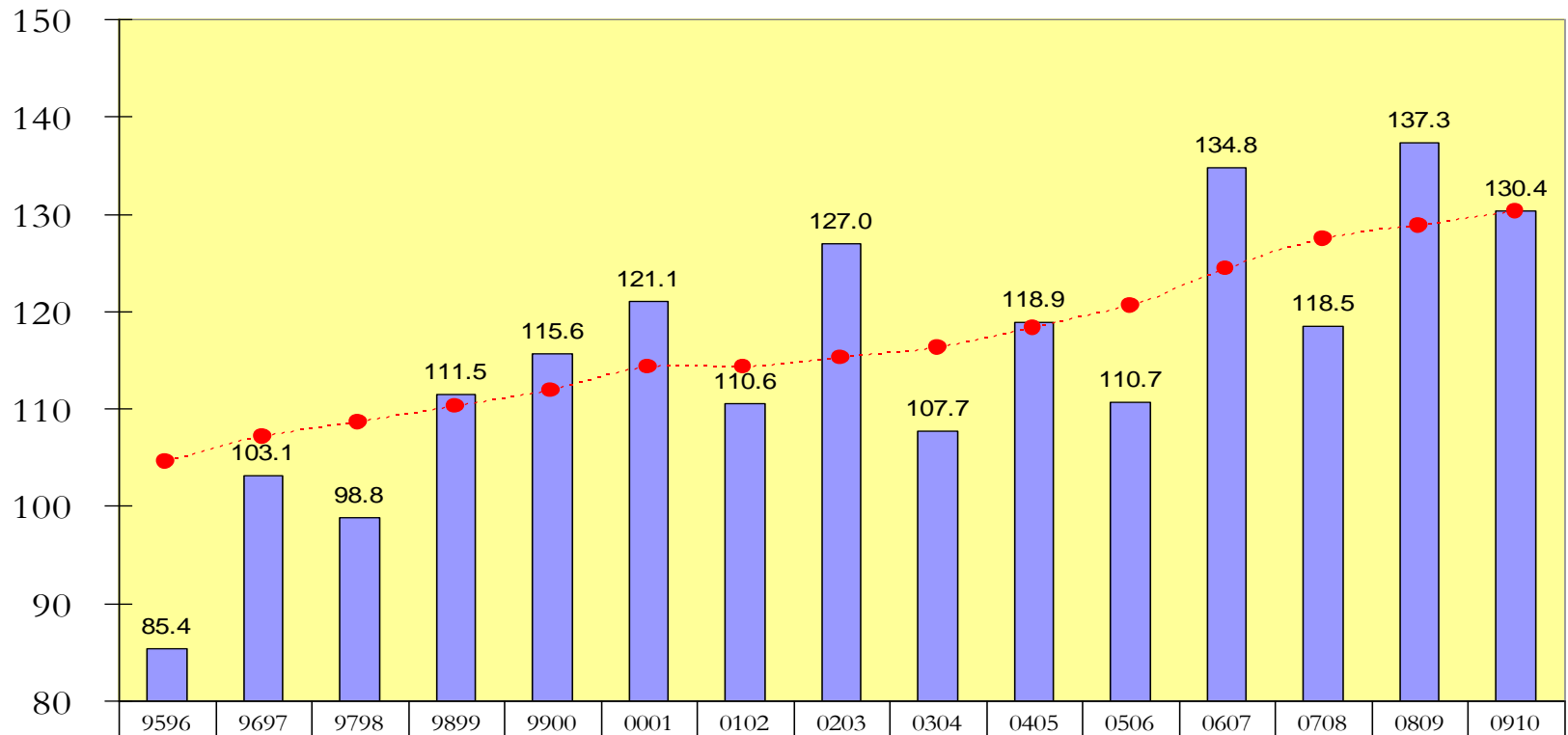
www.ecomtrading.com



The Big Picture in mio bags



World Production (blue) - World USE (red)

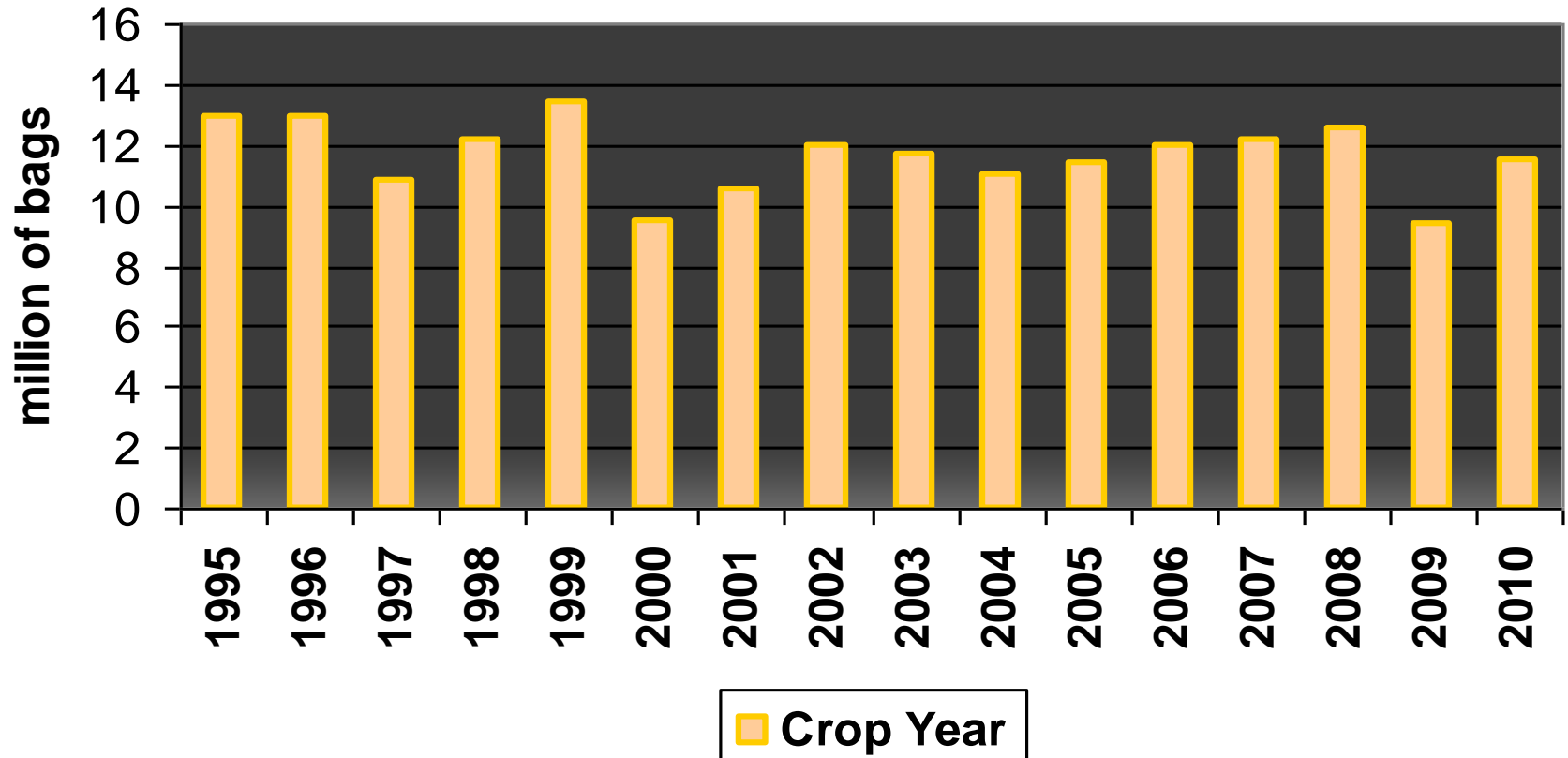


Production	85.4	103.1	98.8	111.5	115.6	121.1	110.6	127.0	107.7	118.9	110.7	134.8	118.5	137.3	130.4
Consumption	104.5	107.1	108.6	110.2	111.7	114.2	114.2	115.1	116.2	118.2	120.5	124.3	127.4	128.8	130.3

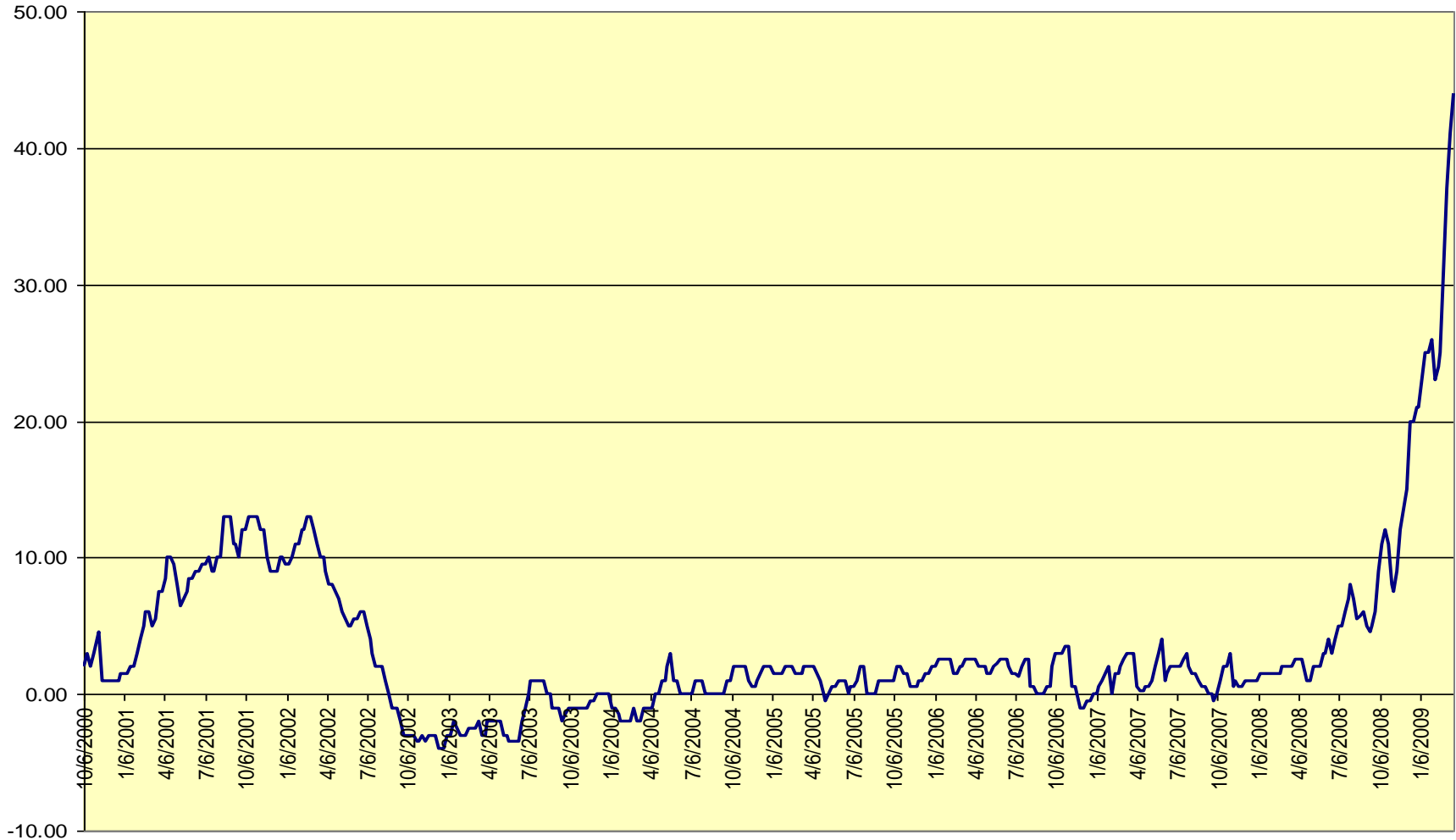
Colombia production



COLOMBIA CROP PROD. BAGS 60 EXP



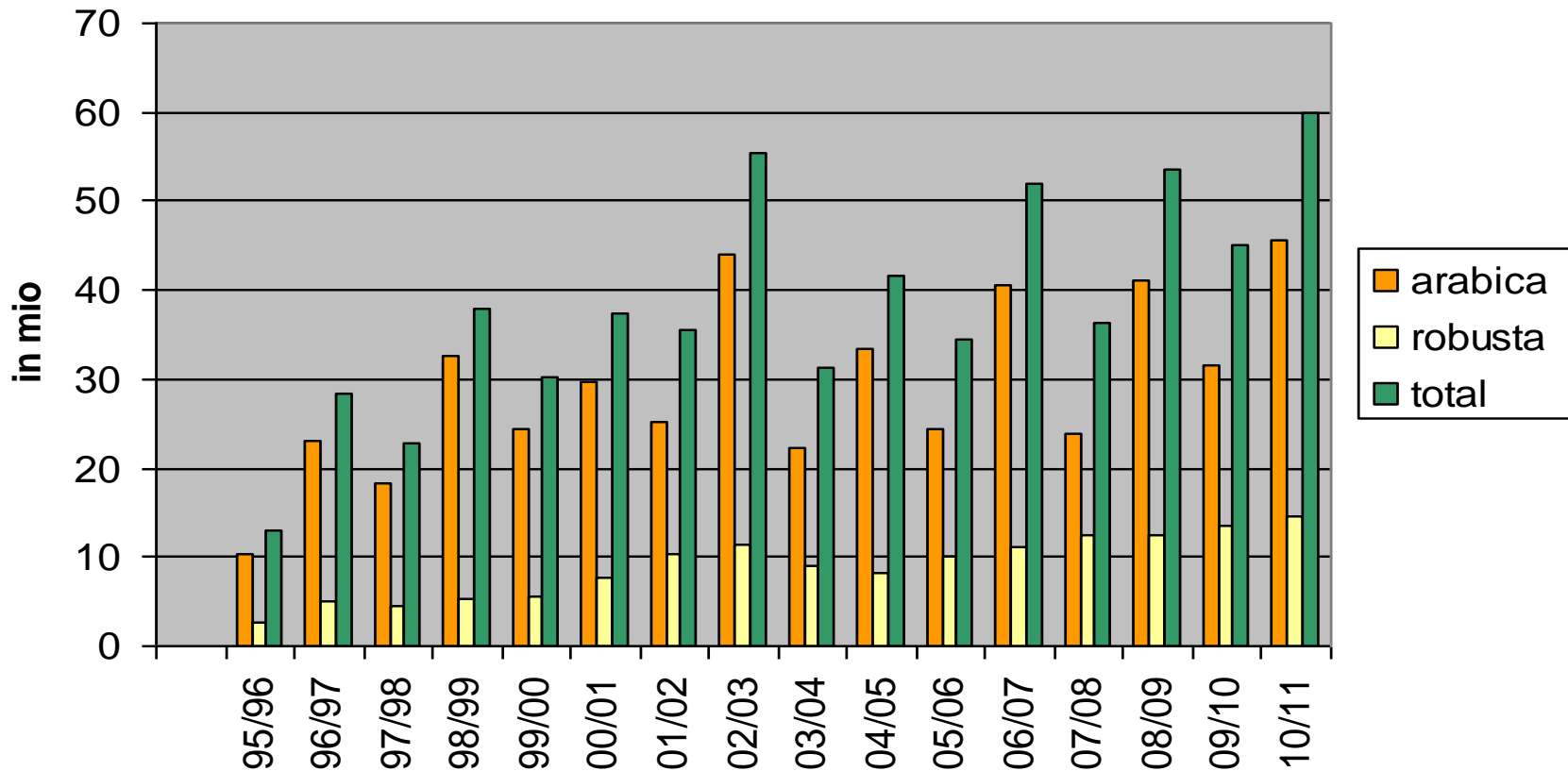
UGQ premium Col 00/01 to 08/09



Brazil production



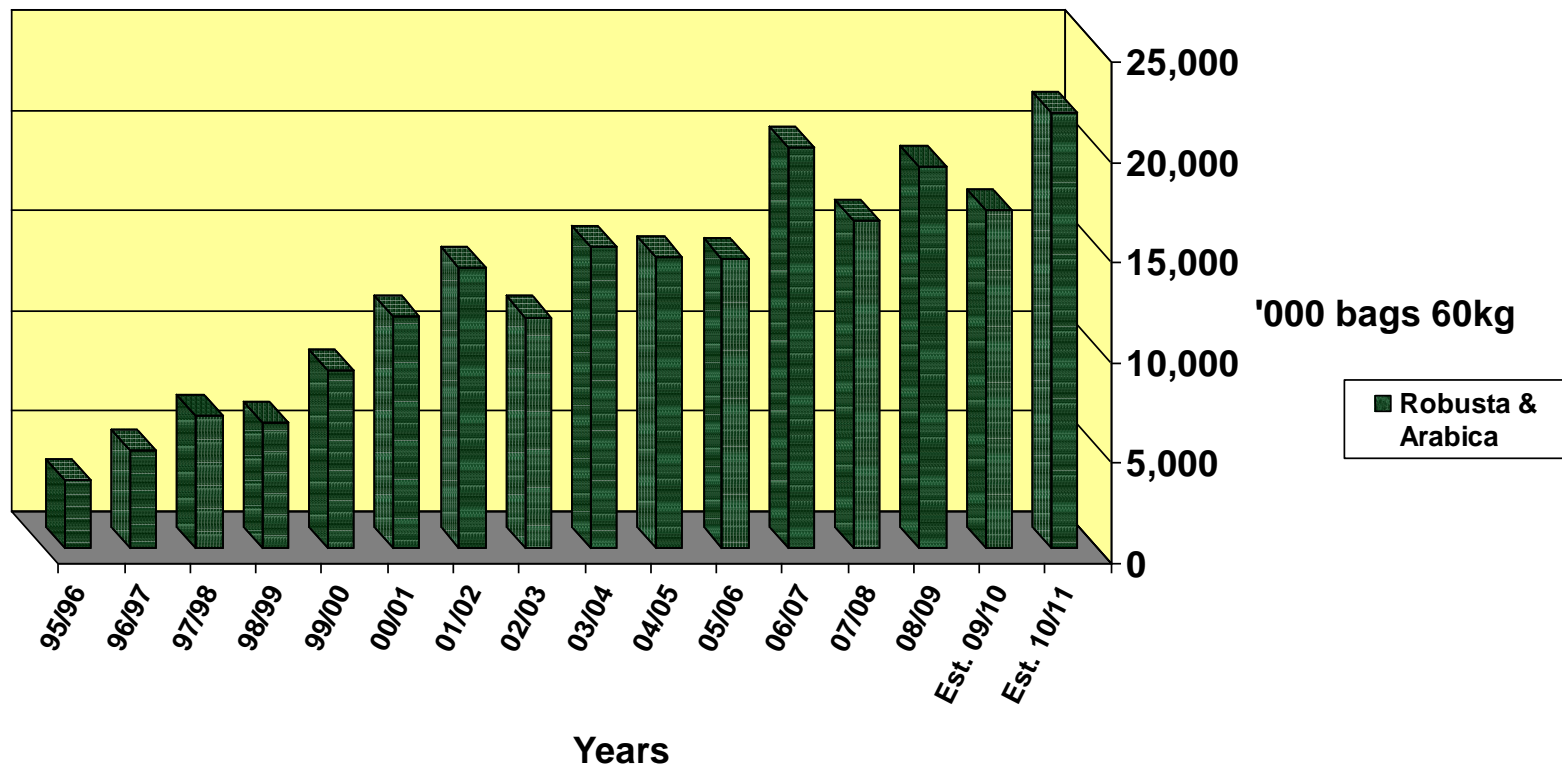
Brazil production



Vietnam production



VIETNAM PRODUCTION



Coffee Production 1995/96 vs. 2008/2009

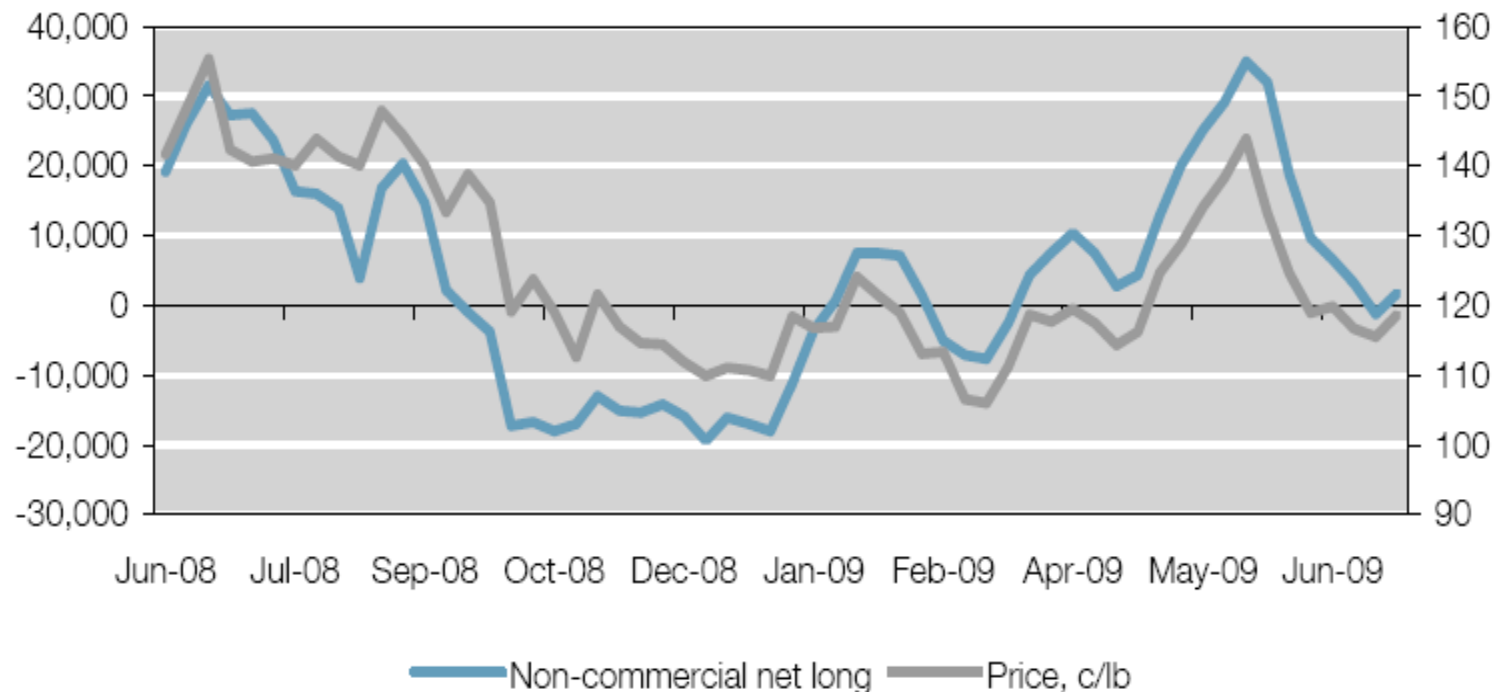


	95/96	08/09
Production		
Colombia	12.94	9.63
Kenya	1.68	1.00
Tanzania	0.90	0.76
Costa Rica	2.61	1.57
DR	0.79	0.60
Ecuador	1.80	0.75
El Salvador	2.57	1.42
Ex Arab	2.60	2.70
Guatemala	4.00	3.75
Honduras	2.10	3.45
India	4.00	3.65
Mexico	5.47	4.41
Nicaragua	0.90	1.14
PNG	1.10	1.02
Peru	1.50	4.00
Angola	0.09	0.01
Brazil Conillon	2.70	12.51
Cameroon	0.30	0.81
Ex Rob	3.00	2.45
Indonesia	7.50	9.59
Invory Coast	2.77	2.52
Madagascar	1.00	0.45
RCA	0.17	0.04
Togo	0.17	0.15
Uganda	4.01	3.23
Vietnam	4.33	19.00
Zaire	1.10	0.37
Brazil Arab.	10.30	41.10
Ethiopia	3.00	5.20
Total	85.40	137.29

Coffee, ICE Futures US, speculation funds and price



Coffee, ICE Futures US, non-commercial net long and price



Source: VM Group from CFTC

More important than ever: Speculation



➤ Brought new understanding of risk

- Money moves markets
- Rules/regulations outdated, uncertain effectiveness
- Convergence: futures and cash not always related

➤ Industry forced to change

- Reduced deferred trading and hedging
- Increased volatility

➤ New practice must be adopted by trading firms

- Risk analysis moves to front of all concerns



CHINA

- Possession of durable goods as % total households 2005

Possession of durable goods as % total households in 2005

Item	U.S	Europe	China*
Air conditioner	78.2	1.86	0.3
Bicycle	43.3	76.6	87.3
CD Player	61.3	58.2	2.4
Colour Television	99.7	97.2	46.8
Computer	69.2	**	38.5
Dishwasher	60.2	42.6	1.5
Hi-fi stereo	75.4	63.7	6.2
Microwave	86.0	61.7	0.5
Refrigerator	99.4	94.4	6.8
Passenger car	76.5	45.9	3.1
Telephone	86.0	91.7	28.4
VCR	87.6	70.1	1.1
Washing machine	83.3	90.3	2.7

Source: U.S Census 2005, Euromonitor 2007, China Bureau of Statistics 2006

*urban average

**no data

Changing composition of the global middle class



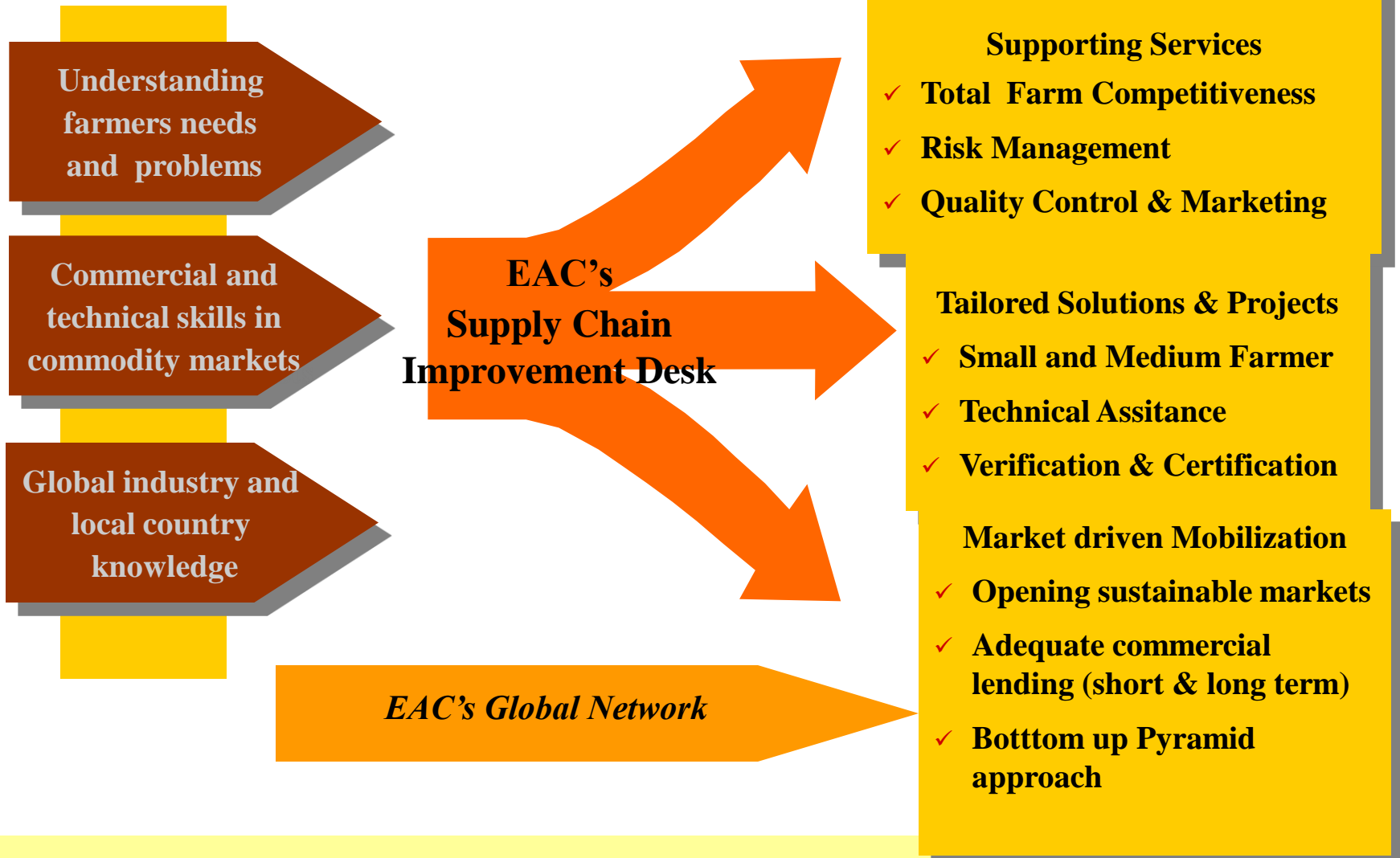
Changing composition of the global middle class*

% Shares	2000		2030	
	Population	Income	Population	Income
Poor	82.0	28.7	63.0	17.0
Middle class, of which	7.6	13.8	16.1	14.0
- Developed country nationals	3.5	6.8	1.2	1.0
- Developing country nationals	4.1	7.0	14.6	12.9
Rich	10.5	57.5	20.9	69.0
Total	100.0	100.0	100.0	100.0

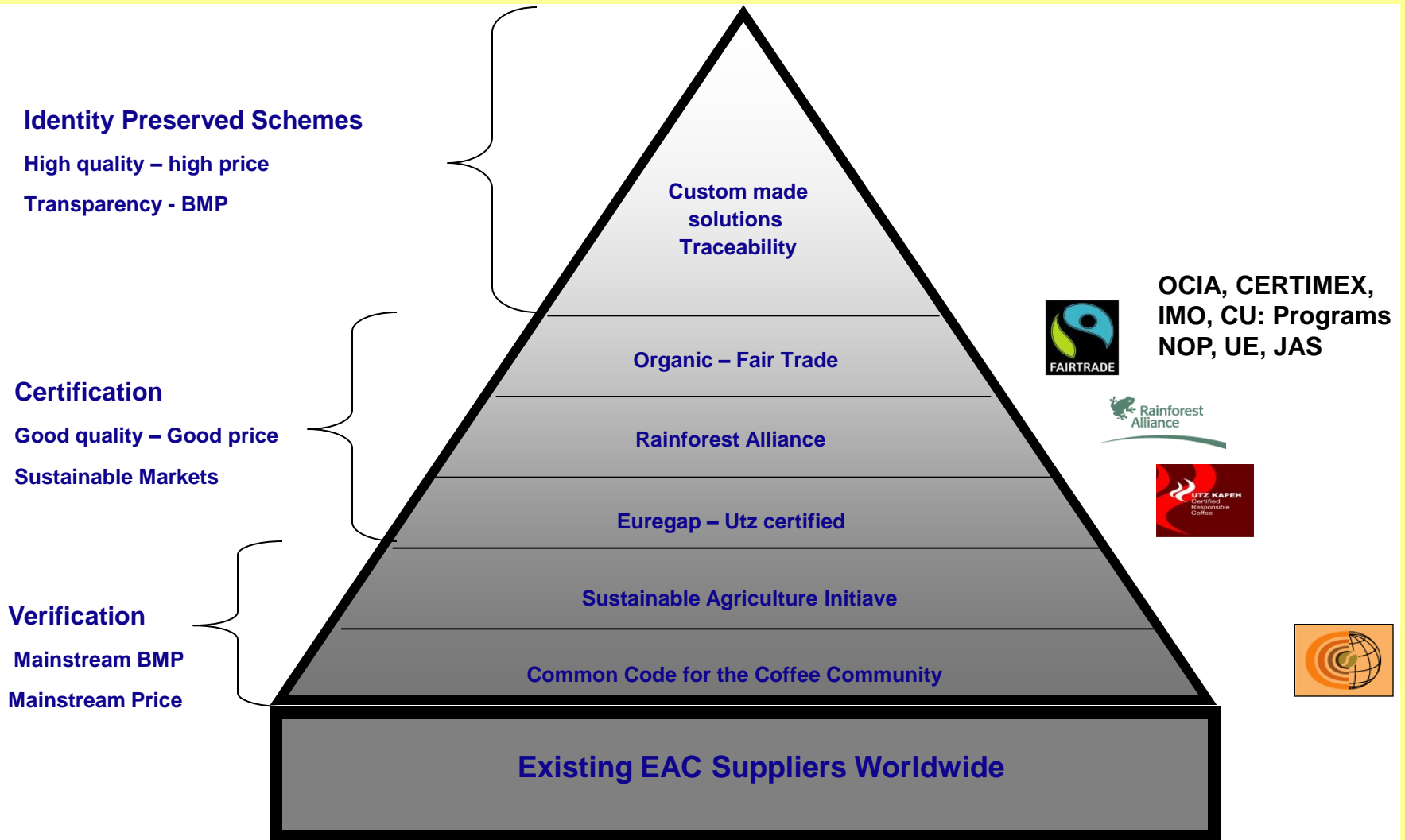
Source: World Bank 2007

*poor defined as those with an income below average in Brazil, middle class defined as those with an income between average per capita incomes in Brazil and Italy- \$3,914-\$16,476

Supply Chain Improvement



The Ecom Coffee Supply Pyramid

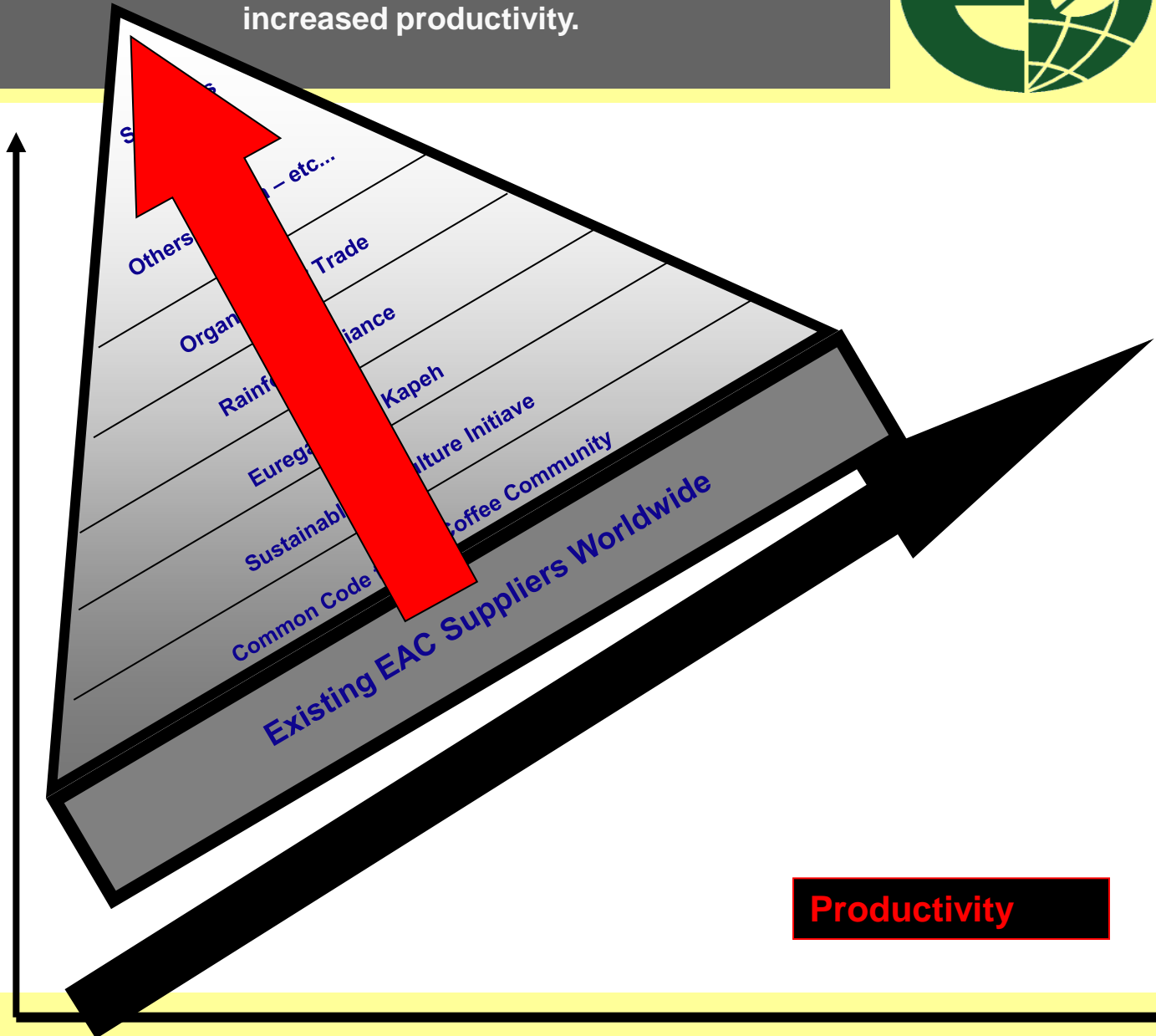


Our Vision:

Our long term goal is to have 100% of our coffee supply chain comprised of profitable farmers who produce sustainable and differentiated coffee; thereby achieving maximum quality and increased productivity.



Quality



Productivity

Four elements of Sustainability



Nicaragua

SAI project with the coffee trader ECOM

“
The project also supports infrastructure improvements such as water treatment ponds and a new school for local children
”



A comprehensive project, Nestlé's engagement with green coffee trader ECOM and coffee farmers in Nicaragua has multiple objectives:

- fortify producer business and management skills;
- establish traceable and transparent producer-exporter links;
- promote and facilitate sustainable practices through technical assistance;
- improve on-farm

processing conditions, production cost and quality control;

- develop and validate a viable compliance monitoring system for SAI Platform's guidelines.



Above: An ECOM technician shows farmer Silverio Hernández Chévez how to use a pheromone trap to catch pests, rather than insecticide. Left: Coffee farmer Federico Elster Hawkings discusses farm management with an ECOM engineer. Opposite: Gerardo Martínez Areas of Waslala, Nicaragua, checks the quality of his coffee

- A. Certification/Best Practices
- B. Quality Improvement
- C. Productivity
- D. Financing

What is sustainability for a 160-year-old commodity merchant?



- ✓ **Serving our buyer-clients with differentiated products and solutions**
 - = *Better quality, traceability, certification...*
 - = *Partnering to improve supply chain from farm to customer...* → *preferred supplier*
- **Serving our grower-clients to produce more and better products more profitably**
 - = *Supporting growers with knowledge, tools, systems, credit to improve yields, quality, and income*
 - = *Partnering to improve supply chain from farm to customer* → *preferred buyer*
- **Ensuring that we are attractive, reliable clients for our banking partners**
 - = *Better relationships, lower risk*
 - = *Good internal systems* → *strong financing*
- **Taking a long-term, broad view**
 - = *Making agriculture sustainable for the long-run*
 - = *Anticipating issues of competition for land, climate, water...*
 - = *Being contributors to the viability of producer communities*

Context for sustainable agriculture: a hotter, crowded planet



- *Trends which concern everyone*
 - From 6 → 9 billion mouths to feed
 - Food vs. fuel vs. fiber (vs. forests)
 - More variable climate (drier, wetter)
 - End of cheap oil (fertilizer, chemicals)
 - Persistent poverty at smallholder level
 - Tropical agriculture
Deforestation...Carbon...Biodiversity
 - How do we produce **more** food, fuel, fibre with **fewer** inputs and **less** impact?
 - How do we ensure smallholder growers have decent rural livelihoods?
 - How do we reduce « carbon footprint » and « water footprint »?
 - How do we do this profitably, competitively?
- ... which means*
- many new consumers
 - Competition for land
 - Water scarcity, crop risk
 - Pressure on yields, crop risk
 - Low investment (in soil, knowledge)
 - Political risk (clients, banks)
 -

Thanks for your kind attention !

