TRIP REPORT FROM HAITI

Presented by: Alix Saint-Franc
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1. PURPOSE OF THE TRIP

The purpose of the trip is to evaluate the possibility to have a reliable source of coffee beans by either purchasing, leasing, or contracting coffee lands in Haiti. The possibility to rely on a large-scale coffee processing plant to supply the finished coffee was also evaluated. A reliable source of quality coffee beans increases the potential for growth of a coffee business venture by more than 10 to 20% per year.

2. FINDINGS AND FACTS

Actually, the constitution and certain laws on land ownership make it very difficult for a foreign company to purchase large portion of farmlands. The size of the land that can be bought by a foreign corporation for profit is a direct function of how much of the profit earned this corporation is willing to reinvest in the country and what active part this company will play in the economical growth of the country as well as the participation level of this corporation in community developments.

However, the laws make it extremely easy for foreign company to lease farmlands for a certain amount of time in 10-year lease interval and renewable if the land is leased from private individual and can be up to 99 years if the land is leased from the Federal Government of Haiti (State own lands). But, since the land reform occurred in the country in 1987, it is very rare to find an individual or a private organization to own more than one hundred acres of farmland in one place which makes it very difficult to undergo large farming or agricultural projects at national or international scale. But, many families and relatives inherit of large portion of land from their ancestors or great fathers have chosen to keep their portion of land together in hope to have a chance to participate in a lucrative and high scale project such as mango, orange rice, bananas, coffee, or cocoa harvesting etc.

The ten-year embargo (from 1991 to 2001) imposed on Haiti has forced the owners of big farmlands to choose parceling out and accept to end over as much as 50% of gross revenue to a land caretaker or land partner. This is exactly what has happened to my family and relatives who owns 1200 acres of land in the South of Haiti, of which 400 acres were used to harvest coffee. In many situations, land caretakers have firm promise to become the owner of the parcel after 10 years. Such arrangement makes it very difficult to lease such land if both the caretakers and the owners do not agree on a price and the length of the lease. But, this situation is very good for contractors, which promise to buy the products from small parcel of land. The owner and/or caretaker of small parcel of land do not belong to any Fair Trade Organization which freeing them to sale their coffee for any price they want. One can pay as low as 30 to 35 cents per pound (10 to 12cents/lb for the cherry beans) if the crop is purchased at least 6 months before the cherries are good to pickup. This represents a net buying price for 45cents/lb after cherries pickup cost, preparation cost; “triage” (sorting) and transportation cost is added. But, This situation might enrage the Oxfam and the Fair Trade Organizations. http://www.twidco.com/trip-report/fair-trade.pdf. Contract with promise to buy the entire coffee crops can be extended up to five years.

Sometimes, lands owners and land caretakers can become part of a cooperative in order to manage their coffee lands efficiently. It is usually safer to lease large portion of land from a cooperative. The members of such cooperative participate in the pickup of the cherry beans as well as the "triage" (sorting) and the cleaning process of the coffee beans. The members also provide full security and reduce the risk of having the beans stolen. In this situation, the cooperative itself and not the individual landowner can be liable to pay damage and lost to the land leaser for lost due to robbery.

3. HOW MUCH COFFEE AN ACRE OF COFFEE LAND CAN PRODUCE?

In the south of Haiti, a partial lot of 5 acres is the minimum parcel size usually used for this area. This is a good size economically for a coffee farm. Production from a 4 - 6 year-old planting is about 8,000 in a bad season to 10,000 lbs/acre in a very good season. At the current cherry (coffee as picked) price $.15/lb and figuring 4 acres of coffee on a 5-acre parcel, gross income would be between $4,800 and $6,000. This can be raised to $0.25 - $0.55 /lb through individual marketing with the involvement of the Fair Trade Federation. In 1998, the price of cherry soared to $1.70/lb. However, based on data collected on the last three months, the cost of cherry beans could fall back as low as 10cents/lb.
For more info on future coffee price, visit: **http://www.twidco.com/trip-report/coffee-price.pdf**

If adequate technical assistance is provided to the coffee grower, the coffee beans produced can be qualified as the "Haitian Blue" beans and the grower can receive as much as $1.50 to $2.00/lb for the cherry beans. The SCAA provides guidelines and criteria for the beans to be qualified as the Specialty "Haitian Blue Coffee". The guidelines and criteria of the SCAA can be found at:
http://www.scaa.org/about_standards_green.html and a complete description of each grade of coffee beans can be found at **http://www.twidco.com/trip-report/coffee-classificaion.pdf**

The major production cost is for labor, for picking. This varies from $.15 to $.20/lb depending on the price of cherry. Other production costs are minor. These include fertilizer ($1,000/yr) and maintenance (weed and pest control). One person or a couple on a part-time basis easily handles the maintenance of a 5-acres land. Development costs vary with terrain but generally involve about $3,000 to $4,000/acre for bulldozing or (CORVEE: which is a group of people from a cooperative preparing the land manually). In Haiti, We plant coffee for a total cost of $5 to $7/plant, which includes the plant, soil as needed, hoe-ramming to break up the lava layers, and labor. Depending on arrangement, 700 - 800 plants per acre is typical.

It takes about 4 pounds of berries to yield 1 pound of green coffee beans. On the average, a single tree will produce about 3 pounds of green beans. Generally speaking, crops are constantly harvested all the time. A worker can pick about 25 to 35 pounds of green beans a day in coffee berries, if they pick only the ripe berries from the plant at any given time.

In Haiti, the cost of leasing one acre of coffee land varies with the location of the land, the average age of coffee plants, the quantity of coffee plants of the land and the average of the total production over the last three years. For example, a well-prepared land as described above can be leased for USD $500 to $700 per acre per year depend on the location of the land. But, in a case-by-case situation, negotiate for a lower price per acre is very possible if the negotiator or the leaser or their relatives have some roots in the village where the coffee land is located.

4. WHAT IS THE BEST OPTION TO ENSURE RELIABLE SOURCE?

When a reliable source of green beans is needed, the best and the most profitable option is to **“Contract”** by engaging to buy the crop of a given plantation or part of a plantation over a period of time and pay yearly. The owner and/or his land caretaker partner would make sure the land produces the maximum amount and the highest quality of beans which means higher income. Any lost in production is at the owner of the land and/or his partner account.

Contract to buy the crop is the best option because:

- Buying enough coffee lands to insure procurement is almost impossible with the current laws.

- Leasing the land and employing a land caretaker is very risky because of robbery or negligence of the land caretaker due to lack of interest of actual ownership. Leasing a coffee land requires extensive security enforcement and or the permanent presence of the land leaser who must be close to the coffee Plantation. Many land owners and leasers complaint of the lost of revenue because of robbery and pillage of the beans. This is the case of my family who lost over 50% of their revenue due to robbery and negligence of the land guardians.

- Buying the beans at or above the commodity market price yields in lower profit margin.

In many cases of “contract to buy”, the plantation owners participate actively in delivering the beans to the indicated processing plant(s). The transportation cost to the processing plant can be pre-arranged or be part of the contract. Also, a centralized location to receive the coffee beans from the plantation can be arranged in order to facilitate the plantations in a very fast delivery circle. However, any temporary storage location must meet the new guidelines and criteria set by the **US FDA** as of October 2002.

5. PROCESSING REQUIREMENTS OF THE COFFEE BEANS

On October 2002, the US FDA issued a new “GUIDE TO HAITIAN COFFEE EXPORTERS TO THE USA”. This guide provides some specific ways for green beans storage; bean processing including roasting, grinding, packaging and shipping. Only four major coffee processing plants in Haiti have met the FDA requirements. They are: Café Rebo, Café Claudja, GEO Wiener, which carries the brand “Café Selecto”, and the Compagnie Haitienne de Café and which carries the brand Café Marabou. Among them, only Café Marabou is capable of delivering more than two containers of finished coffee per week under the FDA guidelines. Café Marabou has the most sophisticated and the most reliable processing plant in the country. Their supply of green beans is very secured because the beans are supplied by members of the “Fédération des Associations Caféières Natives (**FACN**). FACN contains 37 coffee associations and 27,000 coffee growers.

6. THE TRUE PICTURE OF THE COFFEE PRODUCTION IN HAITI

Despite its relative decline, coffee endured as the leading agricultural export during the 1980s. The French had introduced coffee to Haiti from Martinique in 1726, and soon coffee became an important colonial commodity. Coffee production peaked in 1790, and it declined steadily after independence. Production dropped precipitously during the 1960s. After a boom in prices and in the production of coffee in the late 1970s, output declined again from 42,900 tons in 1980 to 30,088 tons by 1987. Coffee trees covered an estimated 133,000 hectares in the 1980s, with an average annual yield of 35,900 tons. Haiti was a member of the International Coffee Organization (ICO), but found itself increasingly unable to fulfill its ICO export quota, which stood at 300,000 bags, of 60 kilograms each, in 1988. Most analysts believed that excessive taxation and the low prices afforded to peasant farmers had contributed to the decline in coffee production.

However, since the middle of 2001, there was a high level of revival in the coffee production in Haiti with the intervention of Oxfam, Fair Trade, the FACN, the USDA, the USAID, and the Government of the country. Technical assistance and training are available to anyone involved in the harvesting of coffee. It is estimated that production will double during the fiscal year 2003-2004. An agricultural Engineer estimates that my family plantation will yield over 1,000,000 lb more coffee during 2004. Coffee growers receive substantially a better price for their crops, which boost their enthusiasm to yield more coffee beans instead of focusing on other product such as mangos, lemons and bananas, etc.

Coffee provides one of the best examples of the market orientation of Haiti's peasant economy. Most peasants grew coffee, usually alongside other crops. More than 1 million Haitians participated in the coffee industry as growers, marketers (known as Madame Sarahs), middlemen (*spéculateurs*), or exporters. The peasants' widespread participation throughout the coffee industry demonstrated that they were not merely subsistence farmers, but that they were also actively engaged in the market economy. After harvest by peasants, female Madame Sarahs transported coffee to local and urban markets and sold the beans. Middlemen, in turn, sold coffee to members of the Coffee Exporters Association (Association des Exportateurs de Café--Asdec), which set prices and thereby passed on the traditionally high coffee-export taxes directly to producers. Because of its prominent role in agriculture and the inequitable nature of the trade, the coffee industry was the subject of numerous studies. The majority of these studies highlighted imperfect competition and the systematic enrichment of a small group of Port-au-Prince exporters.

7. CAFÉ MARABOU

Café Marabou is the largest and the most sophisticate coffee processing plant in Haiti. The plant is built on a 1.5 acres lot. The factory and storage facility is 10,000 square foot wide. The total office space is about 2,700 square foot. The plant has two large and heavy-duty roasters with a total capacity of 550 pounds per hour. This is equivalent to two 20-foot containers of 18,000 lbs per week. As stated above, Marabou is the only coffee processing plant with the capability to fully supply and support our coffee business even if our volume requirements grow by five folds. The supply of green beans to the plant is provided by members of FACN and sorted by FACN under the conditions explained above. The plant has an integral and effective quality control in place. Café Marabou markets their own brand name finished coffee under five different blends based on the quality level of the beans on the SCAA Green Coffee Classification system.

The five blends are:

- "The Haitian Blue": where only beans of the **Specialty Grade (1)** are used. This blend cannot be sold on the US market under the name of Haitian Blue because someone else has obtained the exclusivity right to market this brand in the US. However, it can be marketed using a different brand name other than the "Haitian Blue". Café Marabou is willing to supply us with one or two 40-foot containers per year.

- "Café Makaya" is like the "Haitian Blue where only beans of the **Specialty Grade (1)** are used also. Café Makaya is a very high quality coffee which less expensive than the Haitian Blue, but which has the same characteristics (but this is not Haitian Blue). As the Haitian Blue, Café Makaya is a washed coffee grown at an altitude of more than 1,000 meters. That's the reason why it's more expensive than the Ti Mélo and the Péyi.

- "Café Ti Melo" and "Café Peyi" where only beans of the **Premium Grade (2)** are used. The difference between the two is that "Café Péyi" is roasted with sugar while Café Ti Melo contains no sugar.

The Company also produces another nice brand named called "Café Chouckoun. But, The packages used for Café Chouckoun are not suitable for exportation, but the coffee itself is exportable.

Each Blend has their own bar code on their package. Café Marabou is the only processing plant to have a UPC code outside of the box of each product, which makes it extremely easy to market in the US. Café Marabou is only one year old in business. However, it has a clear leading position on the Haitian Coffee market. Marabou does not have any official distributor or representative in the US yet. Its owner, Mr. Jean Paul Lauture assisted by Mr. Dimitri Nau, the General Manager, are willing to sign an agreement to give us the exclusivity right on the US market if we are capable of moving at least twenty 20-foot containers of finished coffee per year which I think is very easy to do.

The Marabou coffee processing company is very flexible and is ready to collaborate with us to produce finished coffee under our own brand name. They are capable of meeting any of our requirements including bean preparations, roasting, grinding packaging on our own label and shipping. Café MARABOU has only one requirement: " All coffee beans provided must be processed and treated by the "Fédération des Associations Caféières Natives (**FACN**).

8. RECOMMANDATIONS

My recommendations are:

a) We must start our coffee business as soon as possible with the marketing of the Café Marabou and insure the exclusivity right immediately. Café Marabou is ready to provide assistance in the Marketing effort in the US. Café Marabou is the only company that designs a 2-once sample package, which truly represents the actual product. Their price is very competitive compared to the other brand available in Haiti. I am willing to make all necessary arrangement to seek a true partnership with Café Marabou.

b) We have to go with the “Contract to buy” option in order to insure a reliable source of green beans. This option is not only the most secure option due to the situation actual in the country, but it is also cost effective and more profitable for our corporation.

c) We might also choose the option to buy the Café marabou Processing Plant. But, at this time, the asking price is $2.5 Millions USD.

d) We might also choose to build our own processing plant in Haiti or in the US. However, It is really hard for me to estimate the cost of such project.