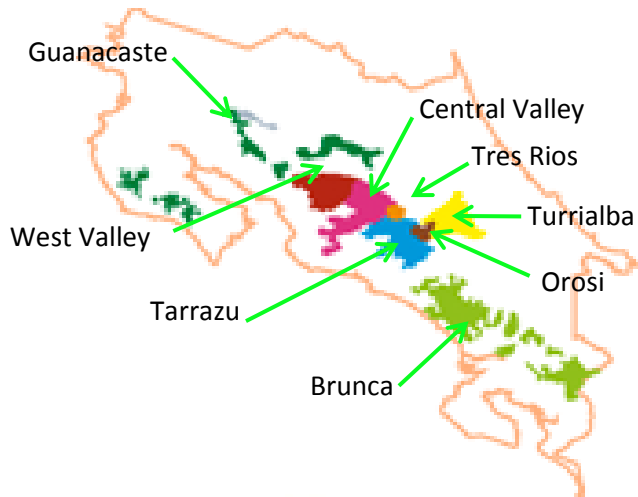


**Costa Rica:
In Depth Coffee Report
Production**



Production

Costa Rica's production is spread through the country facing mainly the Pacific Ocean, with the bulk of the production located in the Central Valley.



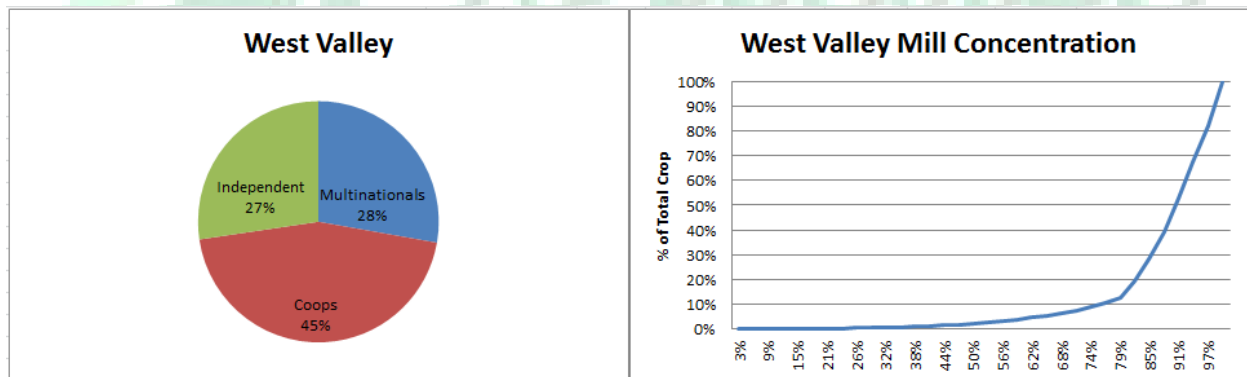
The Costar Rican Coffee Institute has divided the local production in 8 different growing regions.

Guanacaste: under this name was placed the production of several small non-traditional coffee producing areas. Production here almost disappeared in the past decade; currently total production is barely 15,000 bags per year. The coffee is mainly processed by very small coops, which offer it as Fair Trade. Growing conditions vary, but in general coffees grown in Guanacaste and Puntarenas can be a pleasant surprise. While those growing in the Caribbean face of the Poas Volcano will lack flavor.

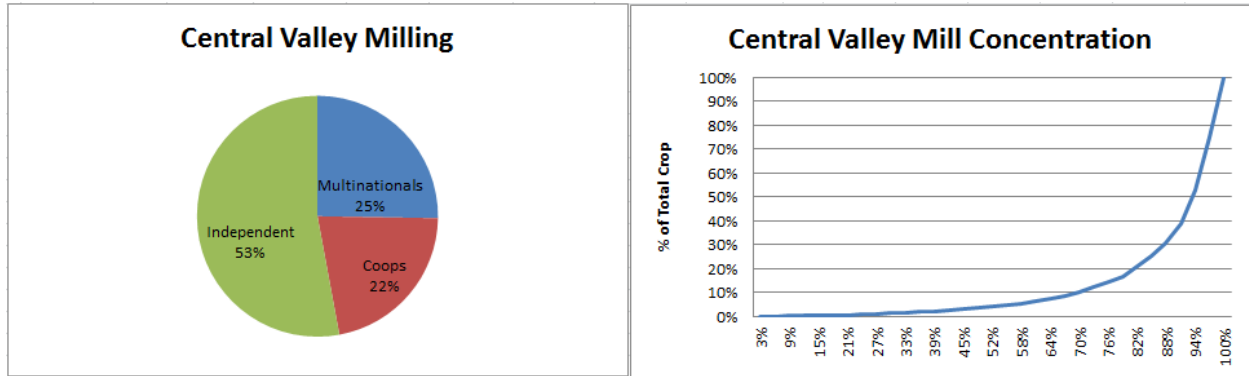
Given the available land prices and lower socioeconomic development in some of these areas, much was expected of them. However the distance to the established processing centers, which results in lack of credit and technical assistance has served as a barrier for the development of production in

them.

West Valley: An SHB producer and one of the most traditional growing areas of the country, the West Valley is located as you move towards the Pacific Ocean from San Jose. Production is centered around the counties of San Ramon, Palmares, Naranjo, Sarchi, Grecia and Atenas. 4 large coops operate in the region, as well as the major multinational companies. Coffee from this region has come out as the main contender for Tarrazu in the different high end auctions. The best traditionally comes from the highest parts of Naranjo and Grecia.



Central Valley: The other large source of SHB, the coffee is mostly grown in the slopes of the Poas and Barva volcanoes that overlook the Central Valley and in the plateau itself. Just one coop operates in the area, with the balance of the coffee spread between large estate mills, multinationals and some micro millers.



The Central Valley is the region that suffers from the strongest urban development pressure, as the main cities of San Jose, Alajuela and Heredia are nested right in the middle of it.

Orosi



A small valley around the Reventazon River, with a Dam at its end and an artificial lake in the middle; Orosi is the most clearly delimited coffee growing region of Costa Rica. Its characteristics are unique, while some of its coffee is grown above 1300 meters (4200 ft) its unique cup comes from the rain patterns that develop on the Valley as a result of its strong Atlantic influence.

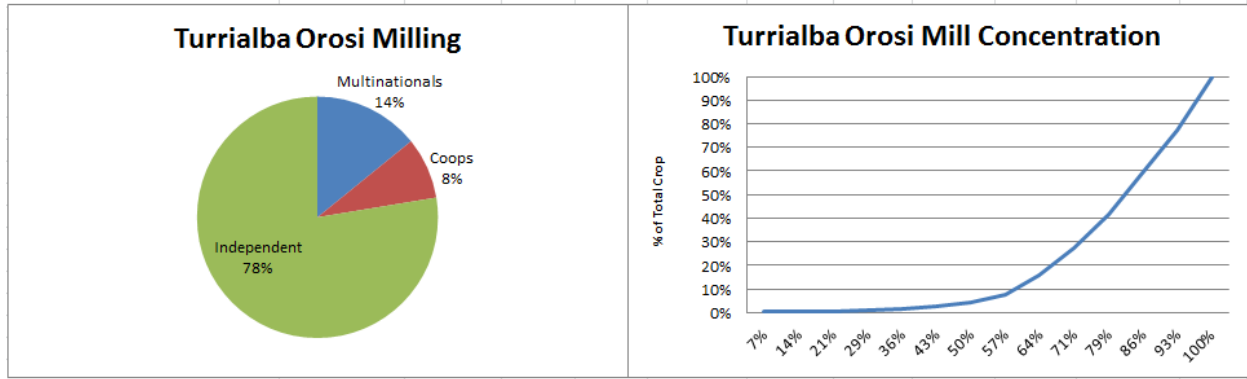


Turrialba

As the Reventazon river gets out of the Orosi Valley it flows into Turrialba towards the Caribbean. The first conquistadores followed this river upstream towards the Central Valley, this was also the route that the old train used to follow to the Atlantic port of Limon and its opening in the late XIX century brought with it the expansion of coffee and sugar cane production towards the region.

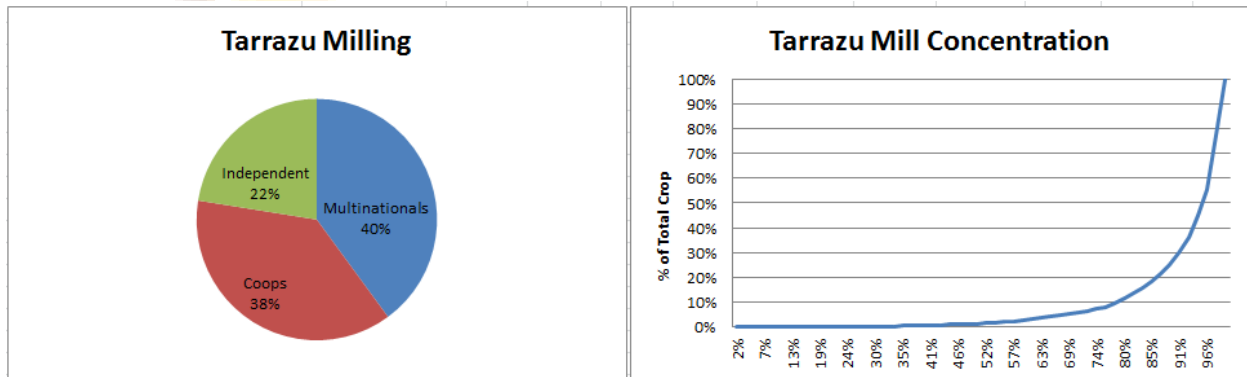
ICAFE handles statistics for Orosi and Turrialba as one. One multinational and one cooperative operate in the combined regions, with the micro mill phenomena, so common on the rest of the country restricted to a few mill in the Orosi Valley.

Turrialba is perhaps the coffee growing region where the crisis have had the strongest impact, since it has several large estates that with its stable production cushioned a bad situation from appearing as catastrophic overall. The two larger ones accounting for approximately 1/3 of the combined production of the two regions. Small and medium landholder production was devastated and plantations abandoned. Given that this phenomena was usually matched with migration to the cities, and the lack of potential that the lowlands offer for the higher premiums that can be achieved through the specialty markets, there are hardly any perspectives for recovery.



Tres Rios: The most traditional of Costa Rica's origin denominated coffees, Tres Rios reputation was established in the first decades of the XX century. Of limited production, and no growth potential since it is produced by farms located between San Jose and Cartago, Tres Rios coffee is scarce and devoted 100% to the specialty market.

Tarrazu: The best known of Costa Rica coffee growing regions is grown south east of San Jose in the mountains that close the valley from the Pacific Ocean. On average it is grown at higher altitude than any other coffee in Costa Rica. Two large coops operate within the region, but coffee from Tarrazu is processed by mills as far as 70 km (50 miles) away. Given its unique characteristics Tarrazu is also home to a multitude of micro mills that process small quantities and aim to achieve recognition for their uniqueness.

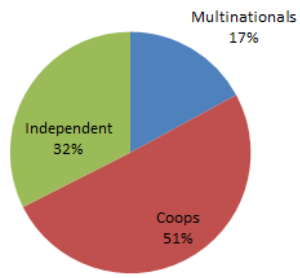


Brunca

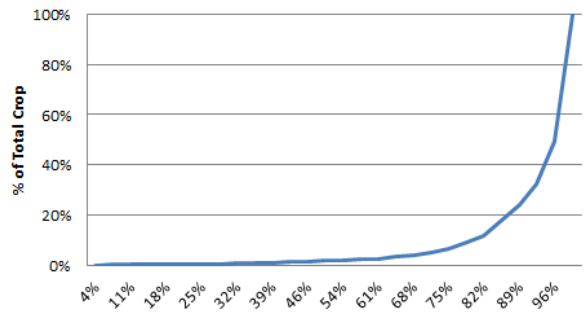
Even if they are bundled together for promotion reasons, the Brunca region is made of two completely different production areas. Perez Zeledon, located in the valley of the General River, closer to San Jose, and Coto Brus right next to the Panamanian border. While coffee from Perez Zeledon is at best a HB, some of the coffee of Coto Brus are high grown just like their neighbors across the border.

Probably reflecting on the demand trends for higher quality beans, the multinational companies presence in the southern part of Costa Rica is much smaller than in the high grown areas. It accounts for 17% of the volume processed in Perez Zeledon and none in Coto Brus.

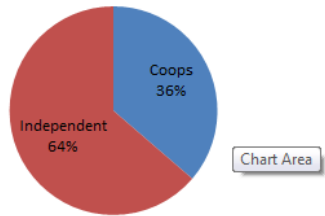
Perez Zeledon Milling



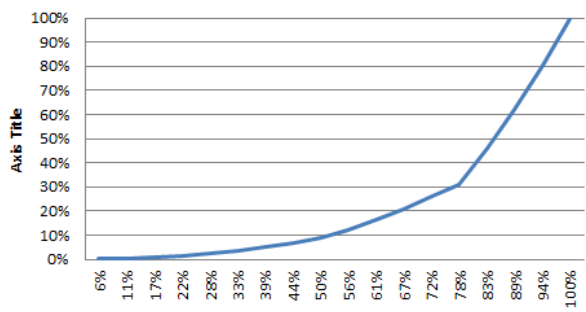
Perez Zeledon Mill Concentration



Coto Brus Milling

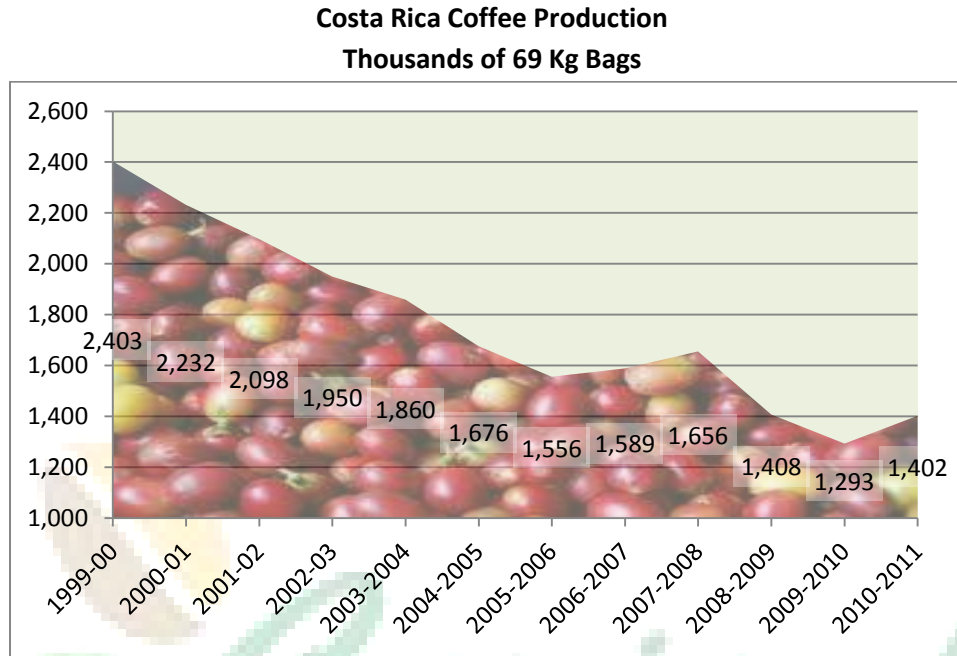


Coto Brus Mill Concentration



Production Evolution:

The millennium ended with Costa Rica reaching its peak production at 2.4 million bags, a level which resulted from the price spikes of the 90s, with the 94 frosts and the 97 inventory squeeze.



The turn of the century price crisis gave way to a steady decline, when for six consecutive crops the production dropped all the way to 1.5 million bags in the crop 05/06. When production managed to first stabilize and then climb back in 07/08 most of the people thought that the worst was behind. However this small rebound was followed by a sharp decline that brought the production to a low of 1.3 million bags in 09/10. **Costa Rica had lost 46% of its production in 10 years.**

In order to analyze the quality distribution of the production and where this drop took place we have made the following assumptions: Tarrazu is considered by itself, 100% of the West and Central Valley Regions Production is made of Strictly Hard Beans, while a 100% of Turrialba and Brunca is made of Hard Beans. Smaller regions are not included in the analysis.

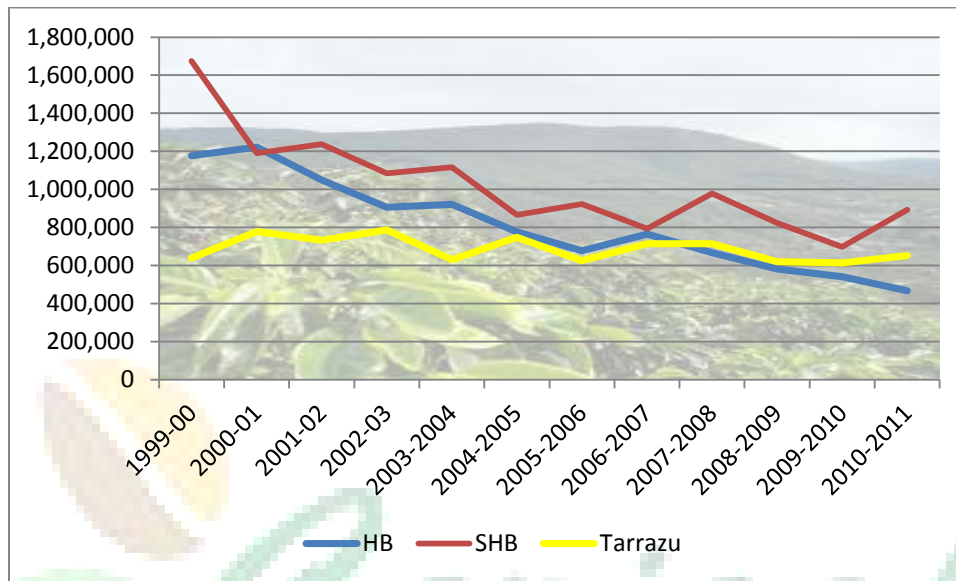
Using this categorization, it comes as no surprise that Hard Bean production fell by much more than the average. 60% of the Hard Bean production was lost during the decade.

This can be explained by the combination of:

- a- The inability to differentiate and obtain higher differentials to mitigate the effect of lower prices
- b- The fact that production was taking place farther away from the population centers of the Central Valley, which hindered the farmer from getting work close to his plantation and subsidizing production through a combination of his own labor and even income from his out of farm job.

The following chart illustrates the evolution in production since the beginning of the millennium until the 2010/11 crop.

Costa Rica
Total Gross Production Per Quality Type¹
46 Kg Bags



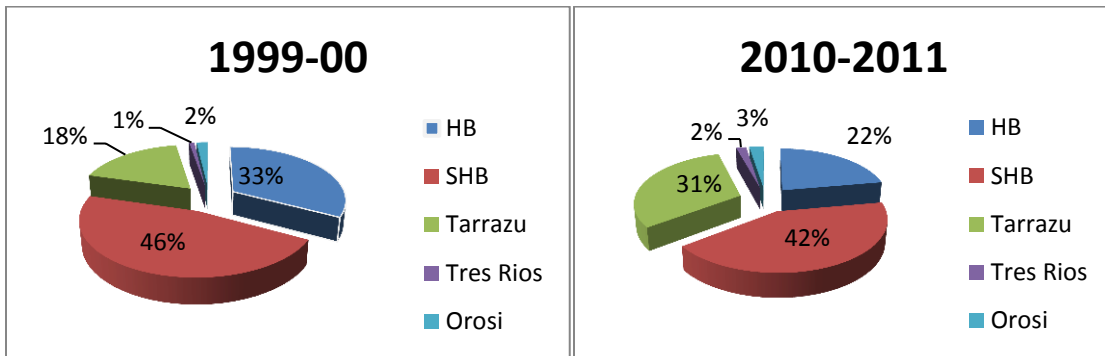
	1999-00	2000-01	2001-02	2002-03	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
HB	1,177,511	1,222,979	1,049,530	905,905	920,866	776,675	677,338	765,405	667,955	582,806	541,316	467,287
SHB	1,674,827	1,191,081	1,237,335	1,084,296	1,116,287	866,687	924,053	793,887	979,419	823,380	697,985	892,720
Tarrazu	640,000	779,322	733,157	786,620	630,375	749,326	625,501	715,097	715,762	621,037	613,817	652,514
Tres Rios	31,898	44,286	42,218	59,233	37,840	43,953	39,173	41,133	43,475	30,482	30,296	36,993
Orosi	66,314	98,412	73,005	82,246	77,660	73,617	64,724	64,617	74,758	51,821	55,271	53,485

The clear trend of decreasing production can be seen, except for Tarrazu where it can be argued that it has remained more or less stable, and can be expected to bounce back towards the 700,000 46kg bags of total production which is more or less the 10 year average. As mentioned above Hard Bean Production falls the most, but Strictly Hards were hit severely as well.

The following charts compare the share of total production that existed in 99-00 with the one that we just had in 2010-2011. The shift on the proportion of production that results from the different rates of change can be clearly seen here.

¹ Total Gross Production, meaning all grades are included, from EP to Local Consumption

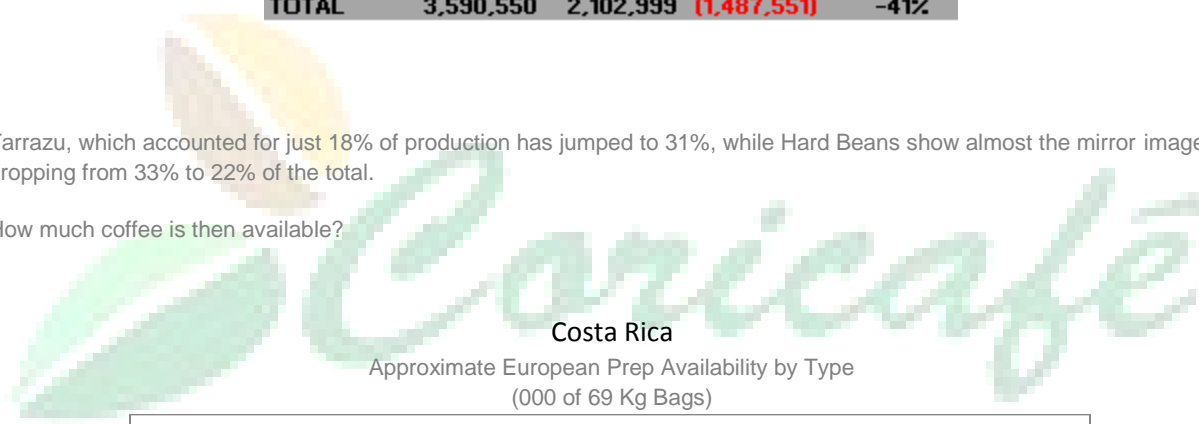
Costa Rica
Share of Crop by Type



	1999-00	2010-2011	CHANGE	
HB	1,177,511	467,287	(710,224)	-60%
SHB	1,674,827	892,720	(782,107)	-47%
Tarrazu	640,000	652,514	12,515	2%
Tres Rios	31,898	36,993	5,096	16%
Orosi	66,314	53,485	(12,829)	-19%
TOTAL	3,590,550	2,102,999	(1,487,551)	-41%

Tarrazu, which accounted for just 18% of production has jumped to 31%, while Hard Beans show almost the mirror image, dropping from 33% to 22% of the total.

How much coffee is then available?



Costa Rica
Approximate European Prep Availability by Type
(000 of 69 Kg Bags)

