



APPLICATION OF THE SPP PRICE SYSTEM REGARDING COFFEE

- In the event that the market price (including quality or origin differentials) is higher than the SPP Base Price (featured in the current SPP Price List), that market price must be paid to the Small Producers' Organization, in addition to the SPP Incentive and the SPP Organic recognition
- Current SPP Base Price SPP (BP) for washed arabica coffee is 160 USD/100 lb
- The SPP Organic Recognition (OR) for Arabica coffee is 40 USD/100 lb
- The SPP Incentive (IN) for coffee is 20 USD/100 lb.
- The market price, in the case of arabica coffee, is that of Contract C of the New York futures exchange in the next position.
- For quality and origin differentials, information from the New York Stock Exchange itself and/or some other source agreed between both parties is used.

PLEASE NOTE: At SPP, the price fixing mechanism used must be specified in the contract between parties. The final result of this fixing process must comply with all SPP rules explained here, taking as reference both the NYSE price and corresponding country differential that are current at the time of fixing.

SPP PRICE SYSTEM APPLIED TO WASHED ARABICA COFFEE:

160 USD / 100 lb SPP BASE PRICE (BP)	+	+	=	+	=
MARKET PRICE		OR= 40 USD / 100 lb	IN=20 USD / 100 lb	SPP MINIMUM SUSTAINABLE PRICE (MSP): 220 USD / 100 lb	POSSIBLE ADDITIONAL PREMIUMS
					SPP FINAL PRICE

*The highest price must be considered

APPLICATION EXAMPLE FOR SPP COFFEE PRICE

- Here is an example for coffee. This example is based on a fictitious quality and origin differential of +25 USD
- For this (fictitious) example, an additional premium is paid for projects to counteract climate change. Additional premiums and their application are in all cases subject to negotiation between both parties.



MARKET PRICE (USD)	QUALITY/ ORIGIN DIFFERENTIALS) [EXAMPLE]	MARKET PRICE WITH QUALITY/ ORIGIN DIFFERENTIALS (USD)	SPP MINIMUM SUSTAINABLE PRICE (USD)	CLIMATE CHANGE PREMIUM [EXAMPLE]	SPP FINAL PRICE
110	+25	135	220	10	230
115	+25	140	220	10	230
120	+25	145	220	10	230
125	+25	150	220	10	230
130	+25	155	220	10	230
135	+25	160	220	10	230
136	+25	161	221	10	231
140	+25	165	225	10	235
145	+25	170	230	10	240
150	+25	175	235	10	245
155	+25	180	240	10	250
160	+25	185	245	10	255
165	+25	190	250	10	260
170	+25	195	255	10	265
180	+25	205	265	10	275
190	+25	215	275	10	285
200	+25	225	285	10	295
210	+25	235	295	10	305
220	+25	245	305	10	315
230	+25	255	315	10	325
240	+25	265	325	10	335
250	+25	275	335	10	345



- You can see on the chart that, for this example, when the market price of coffee is 135 USD/ 100 Pounds, the market price with added differentials is 160 USD/ 100 Pounds, which corresponds to the SPP Base Price for coffee.
- When the market price is 136 USD, the market price with added market differentials is 161 USD/ 100 Pounds, which is higher than the SPP Base Price; in this case, the SPP Minimum Sustainable Price must be calculated using this market price with differentials, as seen above.

IMPORTANT!

As you can see, the minimum amount of 220 USD/100 lb for coffee's SPP Minimum Sustainable Price is outpassed when market price INCLUDING QUALITY AND / ORIGIN DIFFERENTIALS exceeds 160 USD and not when market price exceeds 220 USD.