AMERICAN COFFEE CORPORATION
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Arabica Report November 2012

- Global Arabica production for 2011/12 year is expected to fall 4.77 million bags to 81.2 million bags; while exports, are expected to fall 3.00 million bags YOY.
- October – December 2011 and July – September 2012 periods is expected to be the tightest supply periods as a stock drawdown of 0.345 million and 0.718 million bags, respectively.
- Global consumption continues to grow at 1.5% per annum, but due to the high NY terminal prices, we assume industry is going to shift Arabica demand from 61% to 60.5% Arabica, leaving the total Arabica consumption in consuming countries unchanged at 59.38 million bags.
- Exports of washed Arabicas are pegged at 31.76 million bags down 1.00 million bags from the 2010/11 crop against demand of 33.00 million bags.
- Brazil differentials seem to be at the mercy of the BMF – NY arbitrage which stands at a 20 cent premium compared to a 35 cent discount 4 months ago. The arbitrage is inverted until September 2012, which is a 14 cent discount.
    - Total demand for Brazilian Arabicas has grown 4.6 million bags during the last 4 years; 1.00 million bags domestically in Brazil and 3.6 million bags internationally.
    - Brazil shipments will likely have to make up the short fall created by the Mild category.
- Differentials for Mild Arabicas should also see a narrowing between the Tier 1 and Tier 2 categories, with a bias towards Tier 2 moving higher. The spread between the two, currently stands at 15 cents.
    - Tier 1: Colombia, Guatemala, Nicaragua, Costa Rica and Peru
    - Tier 2: Honduras, Mexico and El Salvador
- Tier 1:
    - Peru's crop has come to an end and really won't be relevant until March/April 2012
    - Colombia's main crop is projected to fall 25%
    - Guatemala and Costa Rica is said to have committed 25% of the 2011/12 crop
- Tier 2 coffees which are all trading below fine cup Brazils should see a continued growth in demand.

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Brazil Arabica Production Review

	2009	2010	2011	2012
Carry In	9,500	5,692	10,369	10,669
Production:				
Group I (Soft)	20,260	27,014	26,000	30,000
Washed/Semi Washed	2,000	3,500	4,000	5,000
Group II (Rio)	9,540	11,286	7,500	11,000
Total Arabica Production	31,800	41,800	37,500	46,000
Domestic Arabica Usage	(9,500)	(9,500)	([illegible],000)	(10,000)
Exports	(26,108)	(27,623)	([illegible],200)	(29,000)
Carry Over	5,692	10,369	10,669	17,669

Brazil's arabica production for the 2011/12crop year is expected to fall 4.3 million bags to 37.50 million.

The 2011 crop has developed under perfect conditions which has resulted in the total Group I category accounting for 80% of total Arabica, up from 73%

2012/13 Arabica production, assuming weather continues to be favorable, should be 46.00 million bags, bringing the 2 year total production to 83.5 million bags, the largest ever.

On cycle production has been grown at an average of 9.5% per year, while the off cycle production has been growing at an average of 8.9% per year, and exports have been growing at an average of 6% per year since 2000.

Unless there is a decision to expand the land under production or a method to improve yields per HA, Arabica production is near maximum at 49 – 51 million bags.

Brazil's cost of production is currently estimated at $R280 per bag, ($1.32 per pound, basis USBR 1.60).

The 12 months ending July 2011 average monthly Brazil arabica exports totaled 2.4 million bags, compared to the previous five-year average of 1.97 million bags per month.

Brazil's arabica usage by consuming countries has averaged 24.30 million bags for the last 4 years thru 2011, but increased to 26.0 million bags during 2011.

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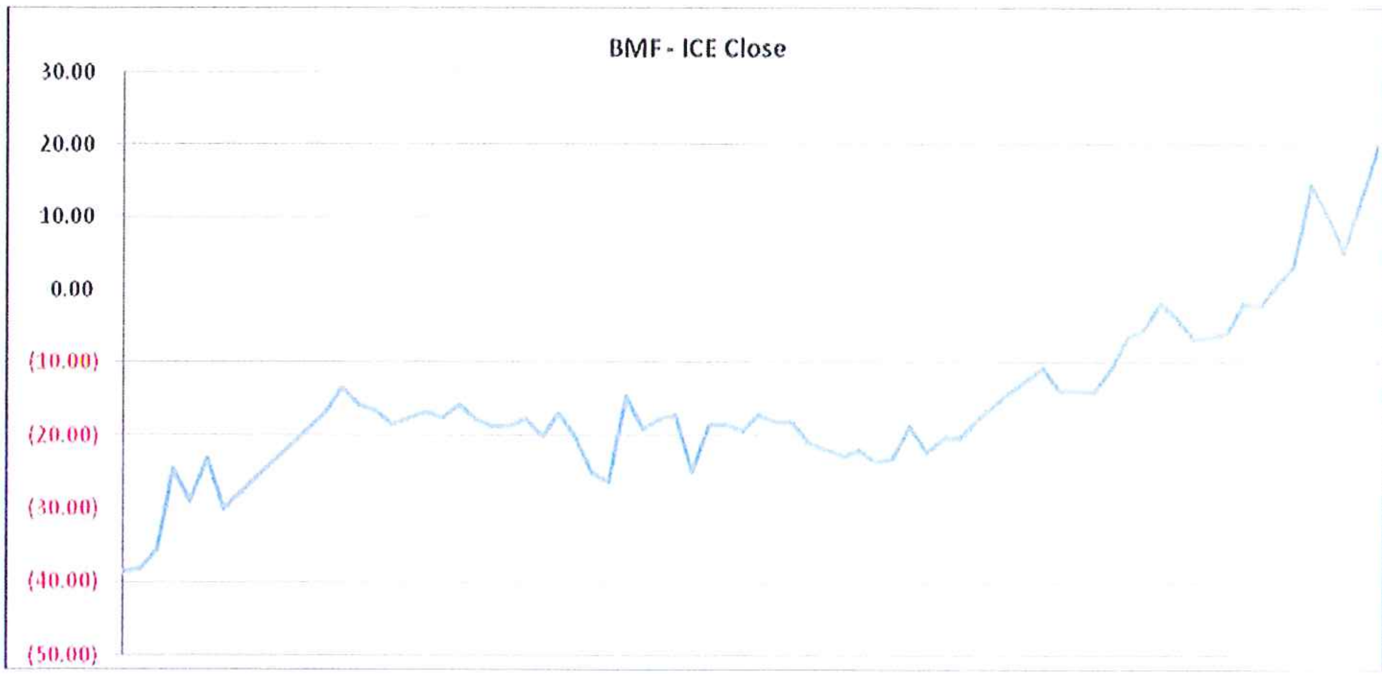
Brazil fine cups are expected to remain at higher differentials for the time being because:

- Demand for Brazil arabicas has increased 1.7 million bags as industry substituted milds with Brazils.
- Farmers have been disciplined about releasing coffee as they realize the demand exists and little need to release stocks below BMF prices.
- The BMF – NY ICE Coffee arbitrage, which remains a premium to New York through May 2012, has exacerbated the internal price putting upward pressure on differentials.



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Colombia Review

	06/07	07/08	08/09	09/10	10/11	11/12 Est.
Carry In Total Stocks						
Origin Carry Over	1,492,737	1,312,191	1,190,628	398,988	491,550	460,002
Certified Stocks	352,094	418,063	219,148	323	323	6,481
Total Carry In / (Deficit)	1,844,831	1,730,254	1,409,776	399,311	491,873	466,483
Production Estimate	12,187,000	12,515,000	8,714,000	8,090,000	8,520,000	9,056,750
Exports	(11,167,546)	(11,556,563)	(8,705,640)	(7,[illegible],761)	[illegible]	[illegible]
Dom. Consumption	(1,200,000)	(1,200,000)	(1,200,000)	(1,[illegible],000)	(1,200,000)	(1,200,000)
Imports	0	120,000	400,000	400,000	700,000	400,000
Ending Stocks	1,312,191	1,190,628	398,988	491,227	453,521	440,233
Ending Certifieds	418,063	219,148	1,035	323	6,481	6,481
Total Ending Stocks / (Deficit)	1,730,254	1,409,776	400,023	491,550	460,002	446,714
Change In Certified Stocks	65,969	(198,915)	(218,113)	(712)	6,158	0
Change in Total Stocks	(114,577)	(320,478)	(1,009,753)	91,527	[illegible]	[illegible]
Total Disappearance	(12,482,123)	(12,957,041)	(10,515,393)	(7,[illegible],234)	[illegible]	[illegible]

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Colombia's production is forecast to increase 0.536 million bags to 9.056 million bags for the upcoming 2011/12 season.

- The main crop is expected to:
  - Decrease 25% or 1.352 million bags to 4.06 million bags, which will also end much sooner than last year.
  - It is expected to account for 45% of the total crop, down from 63%.

- The 2012 mitaca, is expected to:
  - Increase 1.87 million bags to 5.00 million bags.
  - It is expected it will account for 55% of the total crop, up from 37%

Exports for the 11/12 crop is forecast to increase 0.196 million bags; the flow will be much more evenly distributed compared to last year.

Total disappearance for 2010/11calculated at 8.6 million bags, but this number includes the unsold inventory sitting in US warehouses and unroasted Colombians sitting in roasters' inventory which has not moved as quickly as expected due to reduced demand.

With the drastic reduction in Colombia's crop for the last two years, the costs of production per bag has skyrocketed, not helped by the 2% appreciation in the Peso during 2011 and 9% since 2010.

Our initial projection for the upcoming crop back in July of 2011 was for 9.4 million bags, but with September and October rains, we had to reduce our projections. While the rains were positively received for the upcoming Mitaca crop, if La Nina returns, we may have to revise the total production lower once again.

While the Colombian premium to Central Milds started at the year with a 15 to 20 cents. The current spread between Guatemala, Nicaragua and Costa Rica has narrowed into 3 to 4 cents, while they still remain at a 20 cent premium to the other Central Milds.

With Colombians trading at parity with the top tier Central Milds, and Brazil fine cups at premium to the board there aren't many reasons for Colombian differentials to trade lower, at least until the Mitaca is much closer at hand and Brazil differentials have significantly eased.

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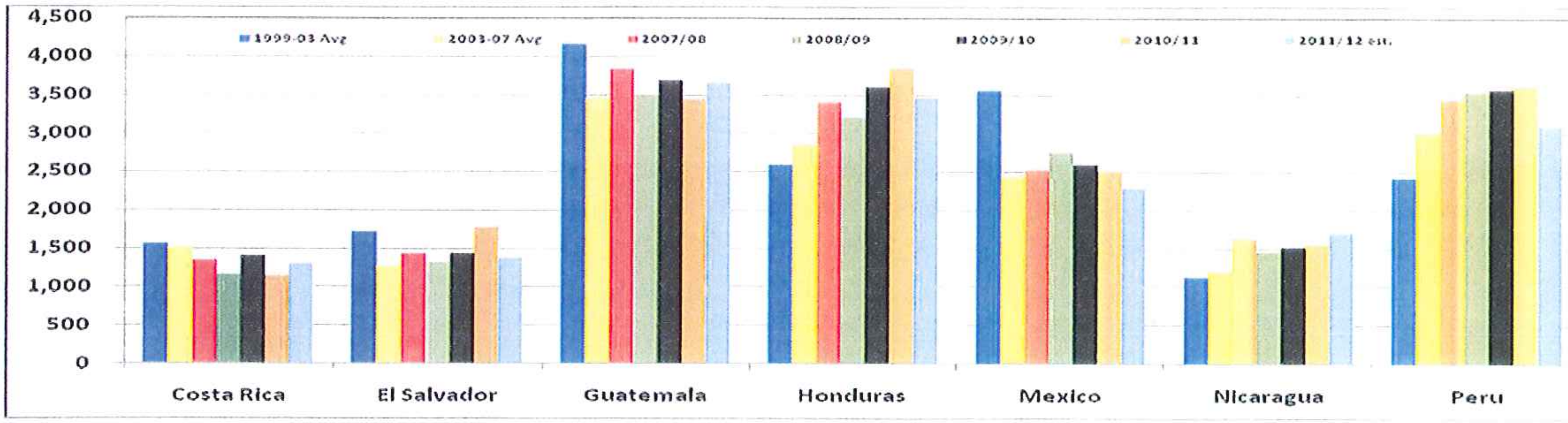
Central & Peru Milds



Production for 2011/12 is forecast to decrease 404 thousand bags to 17.725 million bags in Central America, while Peru's production is expected to post an increase of 100 thousand bags to 3.9 million bags for the new coffee year.

- Honduras surpassed Guatemala as the largest producer in Central America with 3.99 million bags during the 2010/11 crop.
- Torrential rains during the first half of October is expected:
  - To negatively impact quality in Guatemala and Costa Rica.
  - Production estimates in Guatemala and El Salvador's will most likely be revised lower by end of November or early December.

Exports:

- Except for Nicaragua, which saw a 187 thousand bag decrease, all other Central American Mild and Peru exports increased during the 2010/11year.
- We estimate about 500 thousand bags from the 2010/11 exports were of tertiary quality, which found more demand due to the higher terminal prices.
- CENTAM's 11/12 exports is expected to decrease 762 thousand bags to 14.19 million while Peru is expected to increase exports by 268 thousand bags to 3.8 million.
- Global washed coffees exported is expected to fall 1.00 million bags.

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- Central American exports are expected to continue to front load shipments during 2011/12. Through March, CENTAM is expected to export 52% of its annual total; this is an increase from 48% in 2010/11 and 44% for the last 10 years.
- Year end stocks in Honduras and Peru pressured differentials to levels not seen in 3 years and may have ended up for ICE grading for financing purposes or just liquidating any and all existing stocks.
- Costa Rica, Guatemala and El Salvador are estimated to have committed approximately 25% of their upcoming crop, the most among the CENTRAM producer's.
- In recent weeks, the demand for Honduras had been quite brisk, but new business was limited by origin to February/March shipments.
- Nicaragua is seeing good demand from Venezuela, and could bring the crop to an early end.

The triangle above illustrates the most common grouping of qualities by industry.

- Except for Peru, which is currently discounted to the board, Colombia, Guatemala, and Nicaragua are currently trading at origin at parity with one another, while Costa Rica continues to fetch its standard 10 – 15 cent premium to this group.
- Guatemala and Costa Rica had started selling new crop coffees since August and is estimated to have committed 25% of its crop to Asia and premium buyers in Europe and North America.
- Nicaragua has been seeing interest from Venezuela, which had kept prices quite high in the past.
- Honduras, Mexico and El Salvador make up the most common commercial washed arabica blend.
- Honduras and Mexico currently discounted 7 to 10 cents to Brazil fine cups.

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Arabica consumption in consuming countries

In thousands (Oct – Sept)	2007/08	2008/09	2010/11	2011/12
Washed Arabica	33,300	31,700	33,000	33,000
Brazils	22,400	24,900	26,000	26,000
Total	55,700	56,600	59,000	59,000

Arabica consumption:

- Growing at 1.0% per year since 2008/09.
- Due to high terminal prices and high Brazil differentials, we are leaving arabica consumption unchanged for 2011/12 crop at 59,000.
- For 2011/12 is expected to account for 60% of total consumption in consuming countries, down from 61%.
- With consumption for washed coffees at 33.00 million bags and total exports estimated at 31.80 million bags, we are looking for a further draw down of washed coffees.