

Wednesday, July 16, 2014

Judy Davis
Collin County Purchasing
2300 Bloomdale Rd., 3160
McKinney, TX 75071

RE: Services: Coffee
Contract 05226-12
Price Redetermination Request

Dear Ms. Davis

Pursuant to Special Conditions and Specifications, paragraph 4.6 Office Perks, Inc respectfully submits the attached documentation in support of our request.

Attachments two and three are letters from our roasting partner/supplier detailing the amount of increases they will be passing through to us and the reasons.

Attachments four, five and six are published reports from the International Coffee Organization and represent unbiased, detailed reports of green coffee production and inventories which impacts the price we pay for coffee.

In submitting our request we believe that Office Perks has demonstrated a good faith effort in fulfilling terms of this contract to date. Furthermore we instituted a price decrease on June 17, 2013 from the original price awarded when asked to replace the current coffee delivered. This was accomplished due to green coffee market fluctuations.

Based upon the attached documentation we respectfully request the approval of a 4.75% price redetermination.

Sincerely,

Scott Boyd
Office Perks, Inc.

U.S. ROASTERIE

Office Perks
Paul Hetzer

March 21, 2014

Dear Paul,

As you are aware, the coffee market has been quite volatile. Prices have continued to climb with increases hinged on environmental issues in Brazil. This comes as no surprise with Brazil being the largest producer in the world. This rise on the commodities market obviously is going to create a rise for all of us in the industry. Let's not forget this is the first increase in green pricing we have seen in better than 2 years. With that said effective April 1, 2014 all coffee blends will increase by 19%.

Please know that as other pieces of the manufacturing process also continue to rise, we are working diligently to ensure those added costs are not passed along to our customers.

We refuse to compromise on the quality and freshness of your products. Your products are still produced to order to ensure that quality and freshness upon delivery. This is our continued commitment to you.

Thank you for your business and loyalty.

Craig Nelson
Vice President of Sales

U.S. Roasterie | 4100 Dixon Street | Des Moines, IA 50313
Ph: 612.770.0717 | F: 515.243.8824
E: cnelson@usroasterie.com | www.usroasterie.com

U.S. ROASTERIE

Office Perks
Paul Hetzer

June 5, 2014

Dear Paul,

As you know we purchase coffee every 90 days to cover our volume for each quarter. Prices again have continued to climb with increases hinged on environmental issues in Brazil and Central America. This rise on the commodities market obviously is going to create a rise for all of us in the industry. With that said effective July 1, 2014 all coffee blends will increase by 19%.

Please know that as other pieces of the manufacturing process also continue to rise, we are working diligently to ensure those added costs are not passed along to our customers.

We refuse to compromise on the quality and freshness of your products. Your products are still produced to order to ensure that quality and freshness upon delivery. This is our continued commitment to you.

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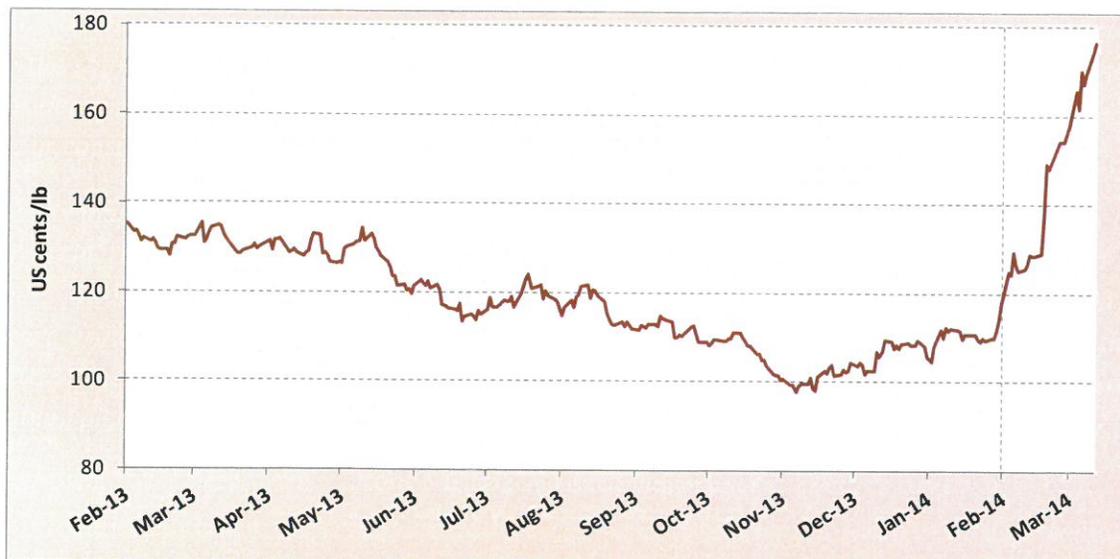
MONTHLY COFFEE MARKET REPORT

February 2014

February 2014 has seen significant developments in the coffee market, with prices shooting upwards at a startling rate. The ICO composite daily price has increased from under 100 US cents/lb in November 2013 to a high of 176.37 on 11 March 2014. This rally has been driven by a serious drought in Brazil, with several coffee growing regions centred around Minas Gerais receiving little or no rain in the critical development months of January and February. This has engendered considerable concern around the size of the 2014/15 world coffee crop, which is now likely heading towards a deficit compared to demand. However, despite these price increases, it must be kept in mind that coffee prices are currently at roughly the same level as November 2012, and thus still a long way from the highs of 2011. Furthermore, the considerable price volatility exhibited by the market in recent months fails to benefit either coffee growers or consumers.

This market report is delayed slightly due to the 112th session of the International Coffee Council, which met in London between 3 and 7 March 2014. During this time, the Council approved several initiatives, including the launch of an International Coffee Day, the hosting of the 4th World Coffee Conference in Addis Ababa, Ethiopia, and to hold a Global Coffee Forum in Milan, Italy, during the Expo Milan 2015. The ICO also held a Seminar on achieving sustainable coffee supply in the market. For more information, please see the ICO website at www.ico.org.

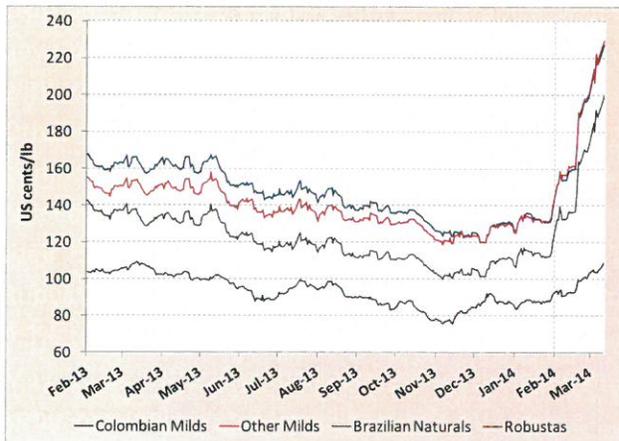
Graph 1: ICO composite indicator price
(1 February 2013 to 12 March 2014)



Market developments

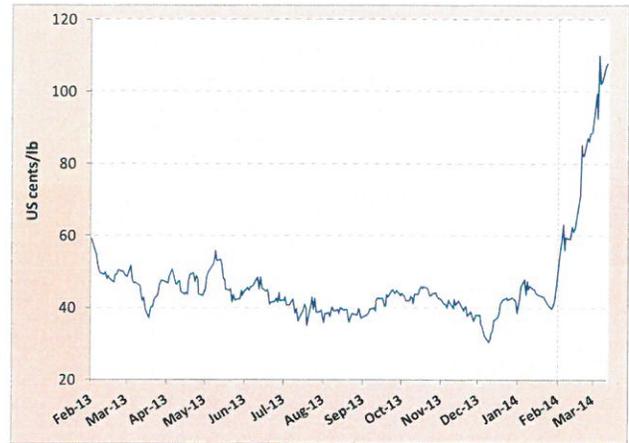
The monthly average of the ICO composite indicator price jumped by 24.4% in February compared to January 2014 to 137.81 US cents/lb, the largest monthly percentage increase since May 1997. The daily price increased by over 50% between 30 January and 10 March, as the ongoing drought in Brazil and uncertainty over the 2014/15 crop put upward pressure on prices. Arabica prices have been the primary beneficiary of this pressure, with the monthly averages of Colombian Milds, Other Milds and Brazilian Naturals all registering significant increases of 29.6%, 30.8% and 30.5%, respectively. As a result, these prices are now at their highest level since the third quarter of 2012. Robustas recorded a more modest increase, up 9.3% to 95.90 US cents/lb, their highest level since May 2013, reflecting the lower concern regarding Robusta supply.

**Graph 2: ICO group indicator daily prices
(1 February 2013 to 12 March 2014)**



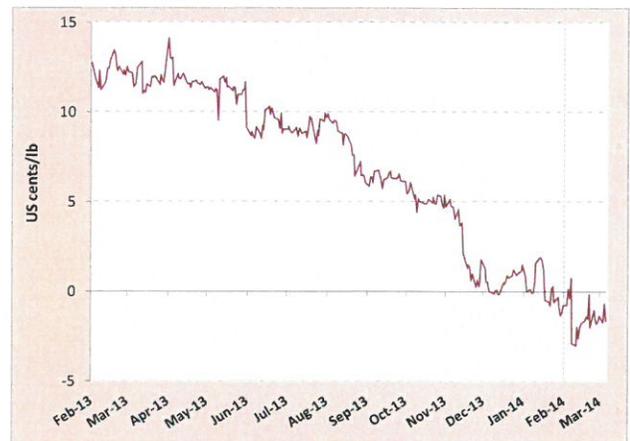
The arbitrage between Arabica and Robusta prices has also increased significantly in this time period. The arbitrage between prices on the New York and London futures markets jumped 63.9% from 43.67 US cents/lb in January to 71.56 in February, with the daily differential exceeding 100 cents by the beginning of March (Graph 3).

**Graph 3: Daily price arbitrage between New York and London futures markets
(1 February 2013 to 12 March 2014)**



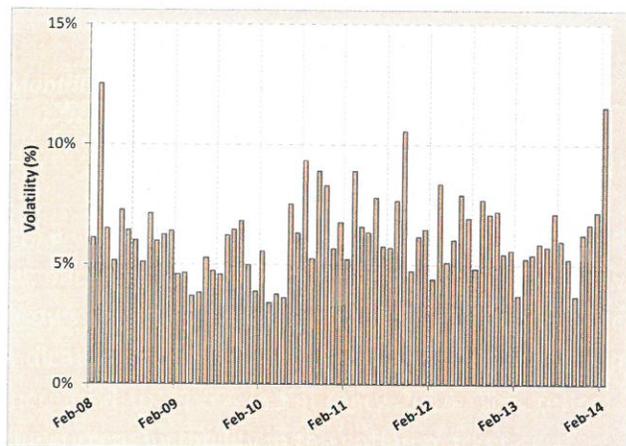
Furthermore, it is notable that the monthly average of Other Milds exceeded that of Colombian Milds for the first time since April 2005, leading to a negative monthly differential of -1.47 US cents/lb. This differential has decreased significantly over the last year (Graph 4), as availability from Central America has been reduced, while supply from Colombia has increased.

**Graph 4: Daily price differential between Colombian Milds and Other Milds
(1 February 2013 to 12 March 2014)**



Price volatility during February also increased significantly for all indicator prices. Graph 5 below shows monthly volatility of the ICO composite indicator price since February 2008, which increased to 11.5% in February 2014. This reflects the current instability in the coffee market.

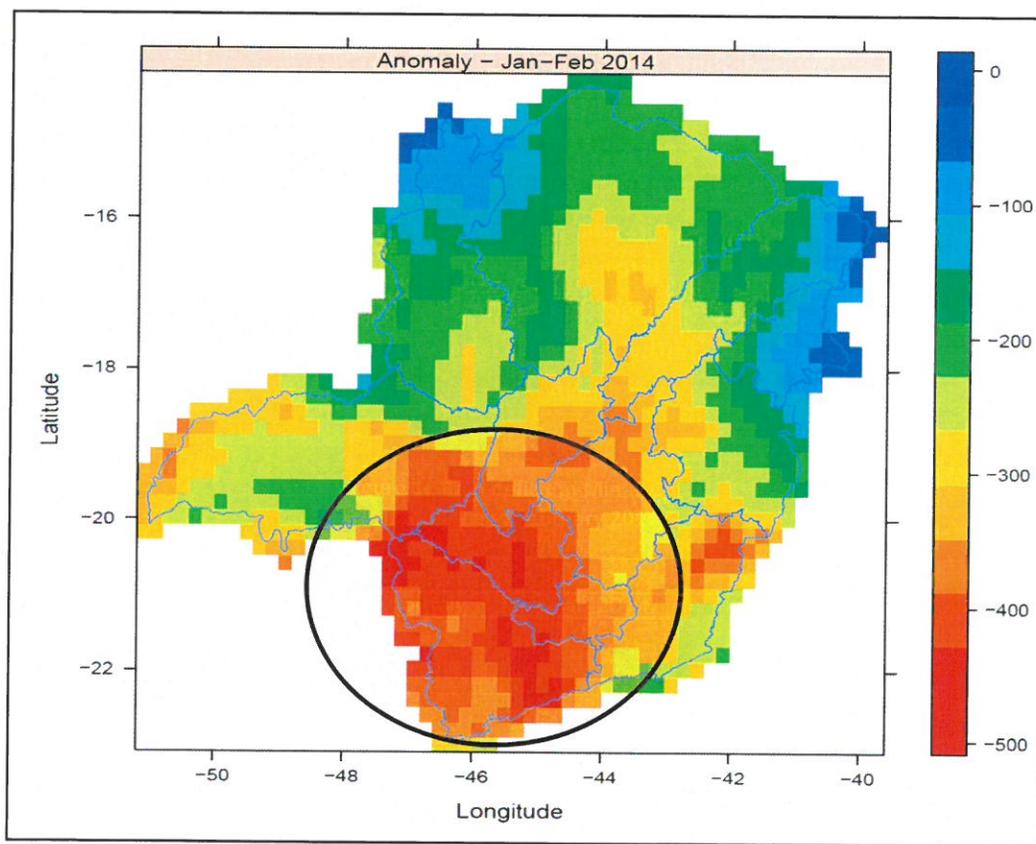
Graph 5: Volatility of the ICO composite indicator price (February 2008 to February 2014)



In terms of market fundamentals, total coffee production for crop year 2013/14 is estimated at around 145.8 million bags, a slight 0.5% increase on the previous year. Brazil will start its 2014/15 crop year in April, with production provisionally forecast at 48.34 million bags. However, this estimate does not take into account the recent drought, and will almost certainly be revised downwards when more information becomes available.

The lack of rainfall in Brazil in January and February has been combined with very high temperatures in many coffee growing areas. According to Peter Baker, Senior Scientist at CABI, the drought is likely to hit southwest Minas Gerais particularly hard, which is where much of the state’s coffee is grown. The total rainfall deficit in January and February is approaching 500mm (Figure 1), and it is considered unlikely that there has been any comparably severe event since at least 1950.

Figure 1: Rain deficit in Minas Gerais (January and February 2014)¹



¹ Source: Dr Peter Baker, CABI <http://www.ico.org/news/PETER%20BAKER.pdf>

ICO INDICATOR PRICES
ANNUAL AND MONTHLY AVERAGES: 2014 TO 2014

Annual/ monthly averages	ICO Composite price	Colombian Mild Arabicas		Other Mild Arabicas		Brazilian Natural Arabicas		Robustas			
		USA	Europe	USA	Europe	USA	Europe	USA	Europe		
January	110.75	133.51	132.25	132.9	131.35	107.49	116.32	114.02	92.93	86.74	87.73
February	137.81	173.96	170.97	172.22	172.43	142.75	151.06	148.74	101.14	94.93	95.9
March	165.03	213.63	208.06	211.07	212.88	174.89	185.81	182.97	111.9	104.12	105.37
April	170.58	223.79	216.9	220.62	221.33	182.89	193.33	190.62	110.68	104.57	105.55
May	163.94	213.45	209.27	211.66	213.07	170.89	185.35	181.97	108.35	101.77	102.99
June	151.92	196.14	194.48	195.17	197.6	154.02	169.73	165.34	104.63	98	98.91

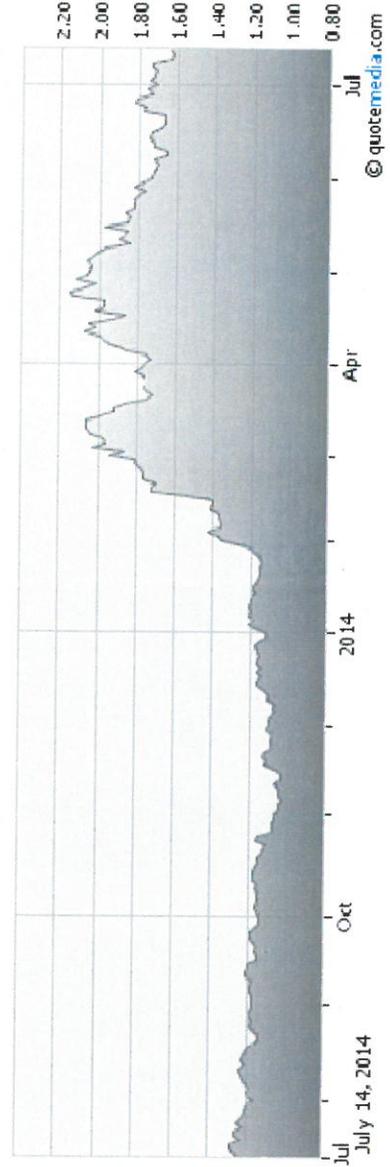
Note: Market shares for the calculation of the ICO composite and group indicator prices are detailed in documents EB-3776/01

From March 2011 - see document ICC-105-17

Details available from: http://www.ico.org/coffee_prices.asp

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<http://www.thestockmarketwatch.com/FuturesDaily/default.aspx>



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