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“Hecho En Cuba” Has Value...

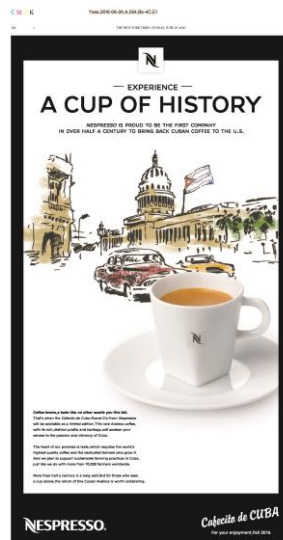
Obama Administration Will Help & Accept Certification From Cuba

On 26 June 2016, New York, New York-based Nestle Nespresso USA, Inc., a subsidiary of **Vevey, Switzerland-based Nestle SA** (2015 revenues approximately US\$94 billion), placed a full-page color advertisement featuring its new *Cuban Nespresso Grand Cru Cafecito de Cuba* capsule on page 24 (the back of the first section) in the national edition of The New York Times. The cost was approximately US\$175,110.54 to reach an audited circulation of 1,140,015 readers.

Nestle Nespresso purchased a container of approximately eighteen (18) tons of green coffee beans through London, United Kingdom-based Cubana Coffee & Roastery (www.cubana.co.uk), the established bar-restaurant and coffee roasting group, and London, United Kingdom-based The Cuba Mountain Coffee Company Ltd (www.almacuba.com).

The green coffee beans were sourced from the 2015-2016 harvest in the Republic of Cuba; the value was approximately US\$5,000.00 per metric ton, or approximately US\$90,000.00.

The beans will be roasted at Nestle Nespresso facilities (valued at US\$500 million) in Avenches and nearby Orbe, Switzerland. With approximately 20% lost during the roasting process, the result will be approximately 180,000 capsules per ton- 3,240,000 limited edition Cafecito de Cuba capsules (approximately 5 to 6 grams each or .17 to .21 ounces). The price for a limited edition capsule has been US\$1.10, so potential total revenue could be approximately US\$3,564,000.00.



Significant that the advertisement placed in The New York Times was not to promote a service, it was to promote a product. The date of 26 June 2016 commenced a rebranding of the Republic of Cuba- from primarily a visitor destination to an origin of consumer products.

For any United States-based company, the words "Hecho en Cuba" (Made in Cuba) will have greater perceived marketing value due to the marketing expenditures in the United States by Nestle Nespresso USA, Inc.

Nestle Multi-Product Strategy

Is this a "one-off" marketing effort? Doubtful. Nestle SA is positioning itself to be an importer to the United States of confections, ice cream, beverages, and other consumables sourced in the Republic of Cuba.

Nestle SA has a multi-decade interest in the Republic of Cuba. The company has a representative office in the city of Havana. Since the 1990's, Nestle S.A. has been involved with Republic of Cuba government-operated companies to develop the confection industry; has investments in bottled water production (Ciego Montero) and beverage production; and imports products for sale at retail stores. In 2014, Nestle Nespresso released "*Limited Edition Cubanía; Inspired by the passion and intensity of Cuban coffee ritual*" that did not contain coffee from the Republic of Cuba.

The new *Cuban Nespresso Grand Cru Cafecito de Cuba* capsule was to be available outside of the United States, but with the 22 April 2016 changes in United States regulations, an opportunity was created to add the United States to the global distribution channels.

Not lost on management of United States-based companies is a preference by the government of the Republic of Cuba to permit a non-United States-based company to do first what the Obama Administration has authorized a United States-based company to do with respect to the direct importation of agricultural commodities (thus far only coffee) from the Republic of Cuba.

US Regulations

To be eligible for importation into the United States, a listed Cuban Assets Control Regulations (31 CFR Part 515) **Section 515.582** product (in this case coffee) must be "*produced by independent Cuban entrepreneurs, as demonstrated by documentary evidence.*" From the United States Department of State: "*Persons subject to US jurisdiction engaging in import transactions involving goods produced by an independent Cuban entrepreneur pursuant to 515.582 must obtain documentary evidence that demonstrates the entrepreneur's independent status, such as a copy of a license to be self-employed issued by the Cuban government, or in the case of an entity, evidence that demonstrates that the entity is a private entity that is not owned or controlled by the Cuban government.*"

Is There Compliance?

On 5 May 2016, the National Bureau of Small Farmers Association (ANAP) of the Republic of Cuba, which represents farmers throughout the country, responded to the 22 April 2016 decision by the Obama Administration to authorize the direct export to the United States of coffee sourced from "*independent*" entities.

According to statements from the ANAP, "*no one can think that a small agricultural producer can export directly to the United States... To make this possible, Cuban foreign trade companies [Republic of Cuba government-operated entities] have to take part in the process and financial transactions in dollars have to be conducted, and this has not yet been secured.*"

The 20 June 2016 media release (complete text follows later in this analysis) by Nestle Nespresso USA, Inc., included "*Over the long term, Nespresso and its partner TechnoServe, a nonprofit development organization, will explore how to work with smallholder coffee farmers in Cuba with the goal ultimately being to support farmers in their production of sustainable coffee and contribute to expanded economic opportunities for them in the long-term.*"

The media release did not provide evidence of compliance with United States Department of State requirements- those requirements are about what is and not what will be- the present tense; they require existence, not intention to develop. The media release was absent on 1) the type of farm/plantation(s) that was the source and will in the future be the source for the coffee. There was no reference to potential land claims under provisions of the Libertad Act of 1996- which would suggest that none existed.

The media release did not disclose financial details of the transaction as they related to the Republic of Cuba. For example, how much were the farmers paid- in CUC's or Cuban Pesos or Convertible Currency? Laboring wages or do they receive payment for coffee beans? How much of the total payment is directed to the government of the Republic of Cuba- in CUC's or Cuban Pesos or Convertible Currency? What role does the government of the Republic of Cuba have in the production of the coffee (planting, tending, harvesting, processing, packing, transportation, etc.)?

What is now known

For the Nestle Nespresso USA transaction, the OFAC accepted letters from the Ministry of Agriculture of the Republic of Cuba; Nestle Nespresso USA; London, United Kingdom-based Cubana Coffee & Roastery; and London, United Kingdom-based The Cuba Mountain Coffee Company Ltd (CMC) certifying that all of the coffee was sourced from private farmers in the Republic of Cuba and the OFAC accepted that for the 18-ton transaction, the exporter of record would be a Republic of Cuba government-operated entity, *Cubaexport*. For future transactions, CMC expects to also be a Republic of Cuba-authorized exporter.

“Cubaexport was created in 1965 by the Ministry of Foreign Trade of the Republic of Cuba (MINCEX) to develop the export of food and various products. In 2013, the Business Group for Foreign Trade (Gecomex) was created to provide technical and commercial assistance and monitor quality control for export and import. Main Products: green coffee, coffee and roasted beans, roasted and ground coffee, cocoa beans, bulk honey, packaged honey, charcoal, live animals, forest seeds.”

According to the government of the Republic of Cuba, there are no longer Republic of Cuba government-operated co-operative producers or Republic of Cuba government-operated farms; coffee is sourced from small independent farmers, although some independent farmers belong to co-operative producer groups. Republic of Cuba government-operated entities continue to control the export process of coffee.

The Obama Administration has been expansive with respect to contorting/creating a regulatory definition narrative which accepts the status quo in the Republic of Cuba rather than adhering to written policy declarations.

On 30 March 2015, The Honorable Matthew Borman, Deputy Assistant Secretary of Commerce for Export Administration, who manages the Bureau of Industry and Security (BIS), said, *“We recognize the current structure is that of using government entities. If we took the position that the Cuban government couldn't touch anything, then nothing would happen.”*

The Obama Administration is focused upon creating commercial activity rather than with the immediate and direct impact of that commercial activity upon the individual (independent) actors in the Republic of Cuba.

This focus is based upon a belief that with 190 days remaining for the Obama Administration, the existence of a [hopefully] bi-bilateral commercial landscape, even if a consequence is

acquiescence to more-than-desired involvement by Republic of Cuba government-operated entities, if preferable to nothing.

This rationale, which the United States business community supports, is based upon a recognition that absent acceptance of the role of the government of the Republic of Cuba in most sectors of the economy, there will be few meaningful commercial opportunities for United States-based companies. The goal is to seek any means to authorize components of President Obama's legacy initiatives.

Which transitions to a question: Why is the Obama Administration creating sometimes constrictive regulations if known the regulations will likely be supplanted during the licensing process?

Reward & Message

For the government of the Republic of Cuba, engaging with Nestle S.A. is a reward for its commercial relationship with the Republic of Cuba and provides a message to non-United States-based companies with commercial relationships with the Republic of Cuba that they will not be forgotten in the rush by United States-based companies who seek commercial opportunities with Republic of Cuba government-operated companies. The government of the Republic of Cuba may or may not have considered this message in the decision-making process relating to Nestle S.A.

Representatives of the government of the Republic of Cuba knew Nestle Nespresso USA, Inc., was seeking a license from the OFAC while at the same time they were receiving interest by United States-based companies; the government of the Republic of Cuba gave no hint or felt compelled to provide a benefit to the United States-based companies.

10,000 miles versus 93-600 miles

Rather than contract with a United States-based company to directly import green (unroasted), roasted bulk or roasted packaged (ground and unground), a container distance of ninety-three miles (Florida) to six hundred miles (Alabama), the government of the Republic of Cuba preferred to initially export green (unroasted) coffee beans to companies located on the European continent, a distance of approximately 5,000 miles, have the beans roasted and then packaged by Nestle Nespresso before being transported 5,000 miles to the United States for distribution (e-commerce, food service, and 3,740 retail outlets and 37 boutiques) through Nestle Nespresso USA Inc.

By contracting with a non-United States-based company, the government of the Republic of Cuba positions itself to interact with a global company (Nestle S.A.), provides revenues to companies in Europe (transportation; roasters), more efficiently receives payment for its product (direct correspondent banking), complies with United States regulations (OFAC), and creates branding opportunities in the United States.

The United Kingdom Connection

“20 June 2016- London, United Kingdom-listed Cuban specialist investment company Leni Gas Cuba Limited has acquired a 10% interest in The Cuba Mountain Coffee Company for an investment of £27,300 (approximately US\$40,000.00). CMC is an English company founded in 2013 to promote, on a worldwide basis, single-origin gourmet coffee from Cuba's famous Guantanamo Region, both as green beans and also via CMC's own bespoke coffee brand, ‘Alma de Cuba.’ CMC signed a Letter of Intent in April 2015 and an International Economic Association Contract has been discussed and is going through the various stages of Cuban

government approval with Grupo Agro Forrestral and Empresa Procesadora de Café Asdrúbal López Vazquez for green bean coffee supplies. AL is a part of the Ministry of Agriculture/Grupo Agro Forrestral, which controls the majority of the green coffee processing in Cuba. CMC is working towards formalising a definitive ten-year (extendable) IEA with AL in the Guantanamo Province that will provide, over a five-year period, capital and equipment to improve the processing and quality of green beans from the region. In return, CMC will obtain the rights to an increasing proportion of this production for global marketing. CMC is working towards finalising the definitive IEA by the end of this year. LGC executive chairman David Lenigas said: “The Cuban Coffee Industry will benefit from the latest agricultural techniques and expertise that CMC can bring to improve this famous agricultural sector. Although there is still a lot of work to be done to formalise the contractual relationships between Cuba Mountain Coffee and the Government, we are look forward to being a valued contributor to CMC's efforts in boosting Cuba's coffee production and exporting this valuable premium product to the world.””

“6 July 2016- The Cuba Mountain Coffee Co (CMC) has achieved a milestone in its negotiations with the Cuban authorities and is now hopeful that its coffee project in the Cuban province of Guantanamo will begin in 2017

A visit to Guantanamo by CMC directors in June resulted in agreement on the principal terms for co-operation with the Asdrubal Lopez coffee processing plant in Guantanamo, CMC's counter-party in Cuba. Crucial approvals have already been achieved and the project is now in its final negotiating stage before ministerial presentation, expected before January 2017

In April 2016, CMC also signed a Memorandum of Understanding with Nestlé Nespresso with the ambition to explore how to work together with the non-profit organization, TechnoServe, to boost production and quality in some of the Guantanamo micro-regions for the benefit of Cuban farmers and the protection of their environment, subject to the approval of the Cuban authorities and compliance with applicable laws.”

Obama Administration Strategy

The Obama Administration determined that generating the first license from the OFAC to a United States-based subsidiary of one of the fifty (50) largest companies in the world (30th largest company in Europe) will result in a ginning up of interest (and advocacy) for greater market access to the Republic of Cuba for United States-based companies. *The calculation was correct.*

United States-based companies have had and are interested in discussions with the Ministry of Foreign Affairs of the Republic of Cuba, Ministry of Foreign Trade of the Republic of Cuba and Ministry of Agriculture of the Republic of Cuba to obtain coffee and other agricultural products for direct import to the United States; neither the companies nor their discussions with the government of the Republic of Cuba moved as swiftly as did Nestle Nespresso's discussions.

This is, perhaps, a cautionary narrative to those representatives of United States-based companies who believe they possess a “*special relationship*” with senior-level or mid-level individuals within ministries of the government of the Republic of Cuba.

United States-based companies will, however, continue to generally be used as bait by the government of the Republic of Cuba to attract the interest of non-United States-based companies, including those with United States-based subsidiaries.

Nestle Nespresso, the worldwide pioneer and reference in premium single-serve coffee, announced today it will bring back Cuban coffee to the United States for the first time in more than 50 years.

Recent regulatory changes in the United States have allowed Nespresso to move forward with its plans, which include making the new Cuban Nespresso Grand Cru, Cafecito de Cuba, available in the United States in the fall of 2016, initially as a limited edition. Over the long term, Nespresso and its partner TechnoServe, a nonprofit development organization, will explore how to work with smallholder coffee farmers in Cuba with the goal ultimately being to support farmers in their production of sustainable coffee and contribute to expanded economic opportunities for them in the long-term.

For more than two centuries, Cuba has produced some of the greatest Arabica coffee in the world. With fertile soil and ideal climate conditions, the country offers an excellent coffee growing environment. Nespresso is purchasing Arabica coffee this year that has been produced by Cuban farmers, and aims to continue purchasing it in the coming years.

“At Nespresso, we always aim to delight consumers through exclusive, unique coffee experiences,” said Guillaume Le Cunff, President Nespresso USA. “Nespresso is thrilled to be the first to bring this rare coffee to the U.S., allowing consumers to rediscover this distinct coffee profile. Over the long-term, we have a view to supporting the development of environmentally sustainable coffee farming practices for smallholder farmers which benefit the farmers themselves and their communities. Ultimately, we want consumers in the U.S. to experience this incredible coffee and to enjoy it now and for years to come.”

The U.S. Department of State in late April updated its list of goods produced by independent Cuban entrepreneurs that can be imported into the United States to include coffee. This change paved the way for Nespresso to offer Cuban coffee to the U.S. market.

Nespresso’s approach to sustainability is embedded in its business practices and focuses on initiatives that preserve the environment for future generations and create shared value for all stakeholders and society. Nespresso has extensive experience working closely with coffee farmers to improve productivity and create attractive income opportunities for them. Through the Nespresso AAA Sustainable Quality™ Program, which was developed with the Rainforest Alliance, Nespresso works with farmers, providing support, training, financing and technical assistance to improve sustainability and productivity while maintaining quality.

About the Nespresso AAA Sustainable Quality™ Program

The Nespresso AAA Sustainable Quality™ Program, launched in 2003 in collaboration with the NGO The Rainforest Alliance, supports coffee communities by investing in community infrastructures, paying cash premiums for superior coffee and best agricultural practices, and providing training, financing and technical assistance to continuously improve quality, sustainability and productivity- the three pillars represented by the “triple As” in the program’s name. This approach drives improvements in social, environmental and economic conditions for coffee farmers and farming communities.

About TechnoServe

TechnoServe is a nonprofit organisation that works with coffee communities around the world. It works in 30 developing countries to support competitive farms, businesses and industries. For nine straight years, TechnoServe has earned a 4-star rating from Charity Navigator, placing it in the top 1 percent of all rated nonprofits.

Editor's NOTE: According to Nestle Nespresso USA, Inc., Cafecito de Cuba will be 100% Cuban Arabica coffee from the regions of Granma and Santiago de Cuba. According to the London, United Kingdom-based International Coffee Organization (ICO), in 2015 the Republic of Cuba harvested 100,000 60-kilogram bags of coffee, consumed 200,000 60-kilogram bags of coffee, and exported 8,696 60-kilogram bags of coffee.

Nestle Nespresso Responds To An Article

A 7 July 2016 article published by InCubaToday (“powered by The McClatchy Company”) shared “Currently, Nespresso is buying Cuban coffee beans from European importers before roasting and selling the beans, thus circumventing the limitations of both the embargo and the trade policies of Cuba’s government.”

On 14 July 2016, Nestle Nespresso USA, Inc., responded: “The notion of “circumventing” authorities in either the U.S. or Cuba is completely incorrect. Nespresso, as a Swiss company, was able to purchase in Europe coffee produced by Cuban smallholder farmers. As Nespresso was considering where to market and sell the coffee, an opportunity opened for Nespresso to consider offering the coffee in the U.S. market. What changed is that the U.S. State Department in late April updated its list of goods produced by independent Cuban entrepreneurs that can be imported into the United States to include coffee, paving the way for Nespresso to offer Cuban coffee to the U.S. market. Nespresso USA then also applied for an OFAC license and received approval from OFAC through the normal protocols to import into the U.S. capsules containing this Cuban coffee.”

Nestle Nespresso previously created a Republic of Cuba-themed product

Nestle Nespresso Media Release 2 September 2014

Nespresso pays tribute to Cuban coffee tradition with Limited Edition Cubanía; Inspired by the passion and intensity of Cuban coffee ritual

Inspired by the warmth of the Cuban way of life and its iconic coffee ritual, Nespresso coffee experts have stretched their mastery of coffee creation to produce Cubanía, the Fall 2014 Limited Edition Grand Cru.

The way of drinking coffee in Cuba – Cubano-style – is a leisurely tradition. It mixes a portion of strong, black coffee with cane sugar until it becomes a thick, creamy paste. Then it combines it with yet more coffee. This distinctive coffee ritual represents the sensual Latin style: a different pace of life with time to savour one another’s company. Nespresso has captured this spirit in Cubanía, a bold blend of highly roasted Arabicas and Robustas with a dense texture and powerful bouquet without strong bitterness. Breaking the Nespresso record of intensity by going one step beyond the Kazaar Grand Cru, Cubanía reaches level 13.

Mastery of origins and process for unsurpassed intensity

This achievement of unsurpassed intensity draws upon earlier Nespresso creations. It also builds on the mastery of an innovative technique: steaming coffee to change its chemical and physical structure. A coffee’s intensity is based on the density of the beans and their roasting profile. Choosing which coffee beans can deliver such an intense experience takes Nespresso know-how. For intensity, a high-end Indian Robusta was slowly steamed to allow for greater extractability, while reducing bitterness and enhancing smoothness. Brazilian Robusta Conillon was added to ensure intensity. This was paired with a mild Colombian Arabica used already in 2012 for the Limited Edition Crealto, capable of taking a long roast while delivering smooth and pure coffee

flavour. Nespresso coffee experts also selected a mild Arabica to complement the blend.

Enjoying coffee the Latin way

Nespresso seeks to continuously invite Club Members into new ways of understanding, appreciating and experiencing coffee. To enjoy Cubanía in the traditional Cubano style, Nespresso coffee experts recommend adding a 25 ml ristretto to a measure of cane sugar, stirring well until it becomes a creamy, light brown paste. Then, extract a second 25 ml ristretto on top of the mixture and stir. This intense and syrupy black coffee with its tantalizing, dense crema enables coffee aficionados to fully experience Cubanía with Latin flair. Adding 25 ml of hot milk to a Café Cubano creates a velvety coffee and milk elixir reminiscent of the dessert dulce de leche, with sweet notes of cookie and caramel. The wild, yet complex aromatics of Cubanía are revealed when it is taken black, as a 25 ml ristretto.

USA TODAY Arlington, Virginia 20 June 2016

Cuban coffee to be sold in the U.S.

By Alan Gomez

MIAMI — The next phase of Cuba's changing relationship with the United States will come in the form of coffee.

Switzerland-based Nespresso announced Monday that it will sell Cuban coffee in the U.S. starting this fall. The long-restricted coffee will first be sold as a limited edition, called Cafecito de Cuba, in stores, online and over the phone.

Guillaume Le Cunff, president of Nespresso USA, said it's good to be the first company to provide Cuban coffee to the U.S. market. He stressed that Nespresso is more interested in developing a long-term arrangement to ensure a steady supply of Cuban coffee for U.S. customers and improved living conditions for Cuba's farmers.

"We're not looking at this as a short-term achievement," Le Cunff said Sunday. "It's the starting point of a very long-term initiative. We're very optimistic that we can drive and build this project. Ultimately, we want consumers in the U.S. to experience this incredible coffee and to enjoy it now and for years to come."

Cuba's iconic products — from coffee to rum to the island's fabled cigars — have been off limits to U.S. consumers for more than 50 years because of the economic embargo maintained on the communist country. Opportunities opened after December 2014, when President Obama and Cuban President Raúl Castro announced that the Cold War foes would begin normalizing relations.

The Obama administration has since issued new regulations allowing for more trade and travel between the countries. That included an amended regulation published in April that removed coffee from the list of items barred from being imported from Cuba. Nespresso officials immediately took notice.

The company has already partnered with TechnoServe, a Washington-based non-profit development organization, to assist coffee farmers in Colombia, South Sudan, Kenya and Ethiopia. David Browning, senior vice president for strategic initiatives at TechnoServe, recently visited Cuba to meet with government officials and inspect the small farms where Cuba's coffee is grown.

Much of Cuba's agricultural land is managed by cooperatives of small, private farmers. They then sell their products to the Cuban government, which either distributes the goods on the island or exports them around the world. Nespresso will begin its Cuba experiment by buying coffee beans from European importers, roasting the beans, packaging the coffee in pods and selling them in the United States.

Browning said both companies examined the new regulations and saw the opening they needed. "All that was necessary was for the lawyers to make sure they fully understood the U.S. government's intent," he said. "Everything was very clear."

The next phase for Nespresso and TechnoServe will be to help Cuba's private farmers improve their production processes, from helping them secure new agricultural equipment to fine-tuning their planting and harvesting processes. Browning said such guidance has helped farmers in other countries improve their output, which led to more income for the farmers and improved standards of living. "We're really eager to be in listening mode and start to understand the state of industry and how we can be most helpful," he said.

Until then, the two men were eager for U.S. customers to experience the foreign flavor. Browning described Cuba's Arabica coffee beans, grown in the fertile lands in eastern Cuba, as having notes of cedar with a light, caramel finish. And Le Cunff said the exotic, forbidden aspect of the coffee is a lure itself.

"Our customers expect us to bring new coffee experiences, and they expect to be surprised," he said. "We know that with our U.S. customers, there is a high level of curiosity and excitement to have this coffee. So we expect a high level of response."