COFFEE HOLDING CO INC
Form SB-2
June 24, 2004

As filed with the Securities and Exchange Commission on June 24, 2004

Registration No. 333-[ ]

U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form SB-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Coffee Holding Co., Inc.

(Name of small business issuer in its charter)

Nevada	2080	11-2238111
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

4401 First Avenue
Brooklyn, New York 11232-0005
(718) 832-0800
(Address and telephone number of principal executive offices)
(Address of principal place of business or intended principal place of business)

Andrew Gordon
President and Chief Executive Officer
4401 First Avenue
Brooklyn, New York 11232-0005
(Name and address, and telephone of agent for service)

With copies to:

Matthew Dyckman, Esq.	Steven M. Skolnick, Esq.
Thacher Proffitt & Wood LLP	Lowenstein Sandler PC
1700 Pennsylvania Avenue, N.W., Suite 800	65 Livingston Avenue
Washington, D.C. 20006	Roseland, New Jersey 07068
(202) 347-8400	(973) 597-2500

Approximate date of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities	Amount to be registered (1)	Proposed Maximum Offering	Proposed Maximum	Amount of Registration Fee

to be Registered		Price Per Share (2)	Aggregate Offering Price (2)	
Common Stock, $ 0.001 par value	1,840,000	$ 6.00	$ 11,040,000	$ 1,399
Warrants(3)	160,000	$ .000625	$ 100	$ 1
Common Stock, $0.001 par value(4)	160,000	$ 6.60	$ 1,056,000	$ 134
Total			$ 12,096,100	$ 1,534

(1) Includes the maximum number of shares that may be issued in connection with this offering.

(2) Estimated solely for the purpose of calculating the registration fee.

(3) To be issued to the underwriter.

(4) Issuable upon exercise of the underwriter's warrants. Pursuant to Rule 416 under the Securities Act of 1933, as amended, also includes such additional shares of common stock as may become issuable pursuant to the anti-dilution provision of the warrants.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.

Subject to Completion, Dated June 24, 2004

PROSPECTUS

1,600,000 Shares

COFFEE HOLDING CO., INC.

Common Stock

This is our initial public offering of shares of common stock. We are offering 1,600,000 shares of our common stock.

While we have been filing reports under the Securities Exchange Act of 1934, there currently is no public market for our common stock. We currently anticipate that the initial public offering price will be between $5.00 per share and $6.00 per share. We have applied to have our common stock listed on the American Stock Exchange under the symbol JVA. See Underwriting for information relating to the factors considered in determining the initial public offering price.

Investing in our common stock involves a high degree of risk. Please read the Risk Factors beginning on page 10. You will experience immediate and substantial dilution.

Public offering price	$
Underwriting discounts	$
Proceeds to Coffee Holding	$

We have granted the underwriter a 45 day option to purchase up to 240,000 additional shares of common stock on the same terms and conditions as set forth above, solely to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Maxim Group LLC expects to deliver the shares on or about ___, 2004.

MAXIM GROUP LLC

The date of this prospectus is ___, 2004

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

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Until ___, 2004, 25 days after the date of this offering, all dealers that effect transactions in our shares, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligations to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments or subscriptions.

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Prospectus Summary

This summary highlights selected information about us. It may not contain all of the information that you find important. You should carefully read this entire document, including the Risk Factors section beginning on page 10 and our financial statements and their related notes before making a decision to invest in our common stock. Unless otherwise indicated, the information in this prospectus assumes that the underwriter will not exercise its over-allotment option.

General Overview

Products and Operations. We are a leading integrated wholesale coffee roaster and dealer in the United States and one of the few coffee companies that offers a broad array of coffee products across the entire spectrum of consumer tastes, preferences and price points. As a result, we believe that we are well positioned to increase our profitability and endure potential coffee price volatility throughout varying cycles of the coffee market and economic conditions. Our core products can be divided into three categories:

- ***Wholesale Green Coffee*****:** unroasted raw beans imported from around the world and sold to large and small roasters and coffee shop operators;
- ***Private Label Coffee*****:** coffee roasted, blended, packaged and sold under the specifications and names of others, including supermarkets that want to have their own brand name on coffee to compete with national brands; and
- ***Branded Coffee*****:**coffee roasted and blended to our own specifications and packaged and sold under our seven brand names in different segments of the market.

Our private label and branded coffee products are sold throughout the United States and Canada to supermarkets, wholesalers, and individually owned and multi-unit retail customers. Our unprocessed green coffee, which includes over 70 types of coffee from all over the world, is sold to specialty gourmet roasters.

We conduct our operations in accordance with strict freshness and quality standards. All of our private label and branded coffee is produced from high quality coffee beans that are deep roasted for full flavor using a slow roasting process that has been perfected utilizing our more than thirty years of experience in the coffee industry. In order to ensure freshness, our products are delivered to our customers within 72 hours of roasting. We believe that our long history has enabled us to develop a loyal customer base.

Geographic Expansion. In February 2004, we acquired certain assets of Premier Roasters, a roaster-dealer located in La Junta, Colorado, for $825,000. The assets purchased by us include all of the operating equipment located at Premier Roasters La Junta and Rocky Ford, Colorado locations, as well as all labels for all of Premier Roasters coffee products. In connection with the acquisition of these assets, we reached an agreement with the City of La Junta, Colorado on a 20-year lease for a 50,000 square foot facility in La Junta. We are using the assets that we purchased to expand our integrated wholesale coffee roaster and dealer operations in the Western United States. In connection with this transaction, we also entered into a licensing agreement with Del Monte Corporation for the exclusive right to use the S&W and IL CLASSICO trademarks in connection with the production, manufacture and sale of ground coffee for distribution to retail customers in the United States and certain other countries approved by Del Monte Corporation.

Financial Highlights.

- Net sales and net income increased 27% and 169%, respectively, for the six months ended April 30, 2004 compared to the six months ended April 30, 2003, from approximately $9,570,000 and $274,000, respectively, to approximately $12,180,000 and $738,000, respectively;
- We increased our overall annual coffee poundage volume from 13 million pounds in 1998 to 17.4 million pounds in 2003;
- Café Caribe sales have increased 16% for the six months ended April 30, 2004 compared to the six months ended April 30, 2003, based on International Research Incorporated data;
- We continued to be profitable through varying cycles of the coffee commodity market. From fiscal years 2001 to 2003, when coffee commodity prices were trading at 30-year lows, our net income was approximately $518,000, $755,000, and $622,000, respectively; and
- Since 1998, we increased the number of our specialty green coffee customers, including coffee houses, single store operators, mall coffee stores and mail order sellers, by 70% from 150 to 255.

Our Competitive Strengths

To achieve our growth objectives described below, we intend to leverage the following competitive strengths:

Strong Distribution with Capacity For Growth. Since 1991, we have been able to expand our distribution to a national platform while operating from only our East Coast location. We have recently made capital investments to improve our roasting, packaging and fulfillment infrastructure to support the production and distribution of large quantities of fresh coffee products throughout the United States. We believe that our new La Junta, Colorado facility will allow us to continue to grow our business by further increasing our presence in the Western United States. By operating out of two facilities, we have gained new economies of scale in both manufacturing and logistical efficiencies and are confident that we can compete aggressively throughout the United States.

Positioned to Profitably Grow Through Varying Cycles of the Coffee Market. We believe that we are one of the few coffee companies to offer a broad array of branded and private label roasted ground coffees and wholesale green coffee across the spectrum of consumer tastes, preferences and price points. While many of our competitors engage in distinct segments of the coffee business, we sell products in each of the following areas:

- Retail branded coffee;
- Retail private label coffee;
- Wholesale specialty green and whole bean coffees;
- Food service;
- Instant coffees; and
- Niche products.

Our branded and private label roasted ground coffees are sold predominantly at competitive and value price levels while some of our other branded and specialty gourmet coffees are sold predominantly at the premium price levels. Because of this diversification, we believe that our profitability is not dependent on any one area of the coffee industry and, therefore, is less sensitive than our competition to potential coffee commodity price and overall economic volatility.

Strong Wholesale Green Coffee Market Presence. As one of the largest roaster/dealers of green coffee, we are favorably positioned to increase our specialty coffee sales. Since 1998, we increased the number of our wholesale green coffee customers, including coffee houses, single store operators, mall coffee stores and mail order sellers, by 69% from 150 to 255. We are a charter member of the Specialty Coffee Association of America and one of the largest distributors of Swiss water processed decaffeinated coffees along the East Coast. In addition, we have a 13-year relationship with our largest wholesale green coffee customer, Green Mountain Coffee Roasters (Nasdaq: GMCR). Our 30-plus years of experience as a roaster and dealer of green coffee allows us to provide our roasting experience as a value added service to our gourmet roaster customers. The assistance we provide to our customers includes training, coffee blending and market identification. We believe that our relationships with wholesale green coffee customers and our focus on selling green coffee as a wholesaler has enabled us to participate in the growth of the specialty coffee market while mitigating the risks associated with the competitive retail specialty coffee environment.

Diverse Portfolio of Differentiated Branded Coffees. Currently, our highest net profit margin is on our branded coffees. We have amassed a portfolio of five proprietary name brands sold to supermarkets, wholesalers and individually-owned stores in the United States, including brands for specialty espresso, Latin espresso, Italian espresso, 100% Colombian coffee and blended coffee. In addition, we have entered into a licensing agreement with Del Monte Corporation for the exclusive right to use the S&W and IL CLASSICO trademarks in the United States and other countries approved by Del Monte Corporation in connection with the production, manufacture and sale of roasted whole bean and ground coffee for distribution to retail customers. We plan to broaden our customer base and increase penetration with existing customers by expanding the S&W label from a well-known brand on the West Coast to a well-known brand throughout the United States. Our existing portfolio of differentiated brands combined with our management expertise serve as a platform to add additional name brands through acquisition or licensing agreements which target product niches and segments that do not compete with our existing brands. In addition, we have added a group of third-party marketing specialists to help grow our branded coffee sales. These specialists have redesigned our packaging and labels and have assisted in extending our product lines to include instant cappuccinos, large can coffees and trial-sized mini-brick packages.

Management Possesses Approximately 100 Years of Industry Experience. We have been a family operated business for three generations. Throughout this time, we have remained profitable through varying cycles in the coffee industry and the economy. Our management team has nearly 100 years combined experience in the coffee business. Sterling Gordon has over 50 years of experience in the coffee business during which time he has developed a reputation in the industry as an expert in coffee blending and quality. Andrew Gordon and David Gordon have worked with Coffee Holding for 21 and 23 years, respectively. David Gordon is an original member of the Specialty Coffee Association of America. Andrew Gordon publishes a weekly report on the coffee commodity industry and is perceived by many of his peers and customers as a coffee market expert. Our employees and management are dedicated to our vision and mission, which is to produce high quality products, as well as to provide quality and responsive service to our customers.

Our Growth Strategy

We believe that significant growth opportunities exist by selectively pursuing strategic acquisitions and alliances, targeting the rapidly growing Hispanic market, increasing penetration with existing customers by adding new products, and developing our food service business. By capitalizing on these growth opportunities, we hope to continue to grow our business with our commitment to quality and personalized service to our customers. We do not intend to compete on price alone nor do we intend to expand sales at the expense of profitability.

Selectively Pursue Strategic Acquisitions and Alliances. We intend to expand our operations by acquiring coffee companies, seeking strategic alliances and acquiring or licensing brands which complement our business objectives. Consistent with this strategy, in February 2004, we acquired certain assets of Premier Roasters and we have entered into a licensing agreement with Del Monte Corporation for the exclusive right to use the S&W and IL CLASSICO trademarks in the United States and other countries approved by Del Monte Corporation in connection with the production, manufacture and sale of roasted whole bean and ground coffee for distribution at the retail level. We are using the assets we purchased from Premier Roasters and our new facility in La Junta, Colorado to expand our private label coffee and branded coffee operations in the Western United States. Our Western United States presence recently enabled us to win a competitive bidding process to be the exclusive supplier of ground roast private label coffee for four West Coast divisions of Albertson's, Inc., the second largest food and drug retailer in the United States. We intend to further expand the market presence of our branded products outside our primary Northeastern United States market through other acquisitions and strategic alliances.

Grow Our Café Caribe Product. Hispanic consumers drink four times more coffee per capita than other coffee drinking Americans, according to the Strategy Research Corporation 2000 U.S. Hispanic Market Study. The Hispanic population in the United States is growing at nine times the average rate and now represents the largest minority demographic in the United States, according to 2000 census data. We believe there is significant opportunity for our Café Caribe brand to gain market share among Hispanic consumers in the United States. Café Caribe is a specialty espresso coffee popular with Hispanic consumers. Although Café Caribe has historically been our leading brand by revenue, we have not implemented a comprehensive marketing program that targets Hispanic consumers. We estimate that Café Caribe has a market share of approximately 6% of this segment. We intend to use a portion of the proceeds of this offering to increase the sales of this brand and other espresso-based products by developing a comprehensive sales and marketing program aimed at Hispanic consumers throughout the United States, particularly in Florida where we believe there is a significant opportunity to capture additional market share.

Further Market Penetration of Our Niche Products. We intend to capture additional market share through our existing distribution channels by selectively adding or introducing new brand names and products across multiple price points, including:

- Specialty blends;
- Private label value blends and trial-sized mini-brick packages;
- Specialty instant coffees;
- Instant cappuccinos and hot chocolates; and
- Tea line products.

We recently established relationships with additional independent sales brokers to market our products on a national scale.

Develop Our Food Service Business. We plan to expand further into the food service business by developing new distribution channels for our products. Currently, we have a limited presence in the food service market. We have commenced marketing our upscale restaurant and Colombian coffee brands to hotels, restaurants, office coffee services companies and other food service retailers. In addition, we have expanded our food service offerings to include instant cappuccinos, tea products and an equipment program for our customers. We attend at least ten annual trade shows held by various buying groups which provide us a national audience to market our food service products. We intend to use a portion of the proceeds of this offering to grow our food service distribution both organically and through acquisitions.

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Principal Executive Office

Our address is 4401 First Avenue, Brooklyn, New York 11232-0005. Our telephone number is 718-832-0800. We maintain a website at www.coffeeholding.com. Information contained on our website does not constitute part of this prospectus.

We were originally incorporated in New York in 1971. Pursuant to an Agreement and Plan of Merger between us and Transpacific International Group Corp., we merged with and into Transpacific International Group Corp. in February, 1998, with Transpacific being the surviving corporation. After the merger, Transpacific changed its name to Coffee Holding Co., Inc.

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The Offering

Common stock offered	1,600,000 shares
Common stock outstanding after the offering(1)	5,599,650 shares
Use of proceeds	We intend to use the proceeds of this offering to repay approximately $2.8 million in indebtedness, to increase our sales and marketing efforts, and for general corporate purposes. As strategic opportunities arise, we may use the proceeds of this offering to fund acquisitions, licensing and other strategic alliances. See Use of Proceeds.
Proposed American Stock Exchange symbol	Currently, no public market for our common stock exists. We have applied to have our common stock listed on the American Stock Exchange under the symbol JVA.
Risk factors	The securities offered by this prospectus are speculative and involve a high degree of risk and investors purchasing securities will experience immediate and substantial dilution and should not purchase the securities unless they can afford the loss of their entire investment. See Risk Factors beginning on page 10.

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(1) This number does not include 800,000 shares reserved for issuance upon exercise of options eligible for grant under the Coffee Holding Co., Inc. 1998 Stock Option Plan, for which no options have yet been granted, or 160,000 shares of our common stock underlying warrants to be issued to the underwriter.

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Summary Financial Information

The summary financial data for the fiscal years ended October 31, 2003, 2002 and 2001 was derived from our financial statements that have been audited by Lazar Levine & Felix LLP for the respective periods. The information for the six months ended April 30, 2004 and 2003 was derived from unaudited financial data but, in the opinion of management, reflects all adjustments necessary for a fair presentation of the results for such periods. The summary financial and other data presented below should be read in conjunction with, and is qualified in its entirety by, our audited financial statements and related notes appearing in this prospectus beginning on page F-1. See Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of our financial statements for the years ended October 31, 2003 and 2002 and for the six months ended April 30, 2004 and 2003.

	For the Year Ended			For the Six Months Ended	
	October 31, 2003	October 31, 2002	October 31, 2001	April 30, 2004	April 30, 2003
	(Dollars in thousands, except per share data)				
Income Statement Data:					
Net sales	$ 20,240	$ 17,433	$ 20,327	$ 12,181	$ 9,574
Cost of sales	15,373	12,453	16,065	8,471	7,294
Gross profit	4,867	4,980	4,262	3,710	2,280
Operating expenses	3,993	3,505	3,162	2,302	1,716
Income from operations	874	1,475	1,100	1,408	564
Other income (expense)	(136)	(162)	(269)	(75)	(68)
Income before income taxes	738	1,313	831	1,333	496
Provision for income taxes	116	558	313	595	222
Net income	$ 622	$ 755	$ 518	$ 738	$ 274
Net income per share basic and diluted	$ .16	$ .19	$ .13	$ .18	$ .07
Book value per share	$ .53	$ .37	$ .19	$ .71	$ .44

	At October 31,			At April 30, 2004	
	2003	2002	2001	Actual	As Adjusted(1)
	(Dollars in thousands)				
Balance Sheet Data:					
Total assets	$ 7,035	$ 6,042	$ 5,713	$ 7,749	$ 12,310
Short-term debt	$ 2,076	$ 2,483	$ 2,090	$ 4,605	$ 2,060
Long-term debt	$ 2,839	$ 2,061	$ 2,880	$ 285	$ 52
Total liabilities	$ 4,915	$ 4,544	$ 4,970	$ 4,890	$ 2,112
Shareholders' equity	$ 2,120	$ 1,498	$ 743	$ 2,858	$ 10,198

(1)

Adjusted to give effect to the receipt and application of the net proceeds of approximately $7,340,000 from the sale of common shares offered by this prospectus at an assumed initial public offering price of $5.50 per share.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements typically are identified by use of terms such as “may,” “will,” “should,” “plan,” “expect,” “anticipate,” “estimate” and similar words, although some forward-looking statements are expressed differently. Forward-looking statements represent our management’s judgment regarding future events. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. All statements other than statements of historical fact included in this prospectus regarding our financial position, business strategy, products, products under development, markets, budgets, plans, or objectives for future operations are forward-looking statements. We cannot guarantee the accuracy of the forward-looking statements, and you should be aware that our actual results could differ materially from those contained in the forward-looking statements due to a number of factors, including the statements under “Risk Factors” set forth below.

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RISK FACTORS

An investment in our common stock is speculative and involves a high degree of risk. You should carefully consider the risks described below before buying our common stock. The risks described below are not the only ones we face and there may be additional risks and uncertainties. These risks could have a material adverse effect on our business, financial condition and results of operations and the value of our common stock.

Risk Factors Affecting Our Company

Because our business is highly dependent upon a single commodity, coffee, if the demand for coffee decreases, our business could suffer.

Our business is centered on essentially one commodity: coffee. Our operations have primarily focused on the following areas of the coffee industry:

- the roasting, blending, packaging and distribution of private label coffee;
- the roasting, blending, packaging and distribution of proprietary branded coffee; and
- the sale of wholesale specialty green coffee.

Demand for our products is affected by:

- consumer tastes and preferences;
- national, regional and local economic conditions;
- demographic trends; and
- the type, number and location of competing products.

Because we rely on a single commodity, any decrease in demand for coffee would harm our business more than if we had more diversified product offerings and could materially adversely affect our revenues and operating results.

We may not be successful in the implementation of our business strategy or our business strategy may not be successful; either of which will impede our growth and operating results.

Our business strategy emphasizes, among other things, geographic expansion of our branded and private label products as opportunities arise. We do not know whether we will be able to implement successfully this portion of our business strategy or whether this portion of our business strategy will be successful. Our ability to implement this business strategy is dependent on our ability to:

- market our products on a national scale;

- increase our brand recognition on a national scale;
- enter into distribution and other strategic arrangements with third party retailers; and
- manage growth in administrative overhead and distribution costs likely to result from the planned expansion of our distribution channels.

Our operating results and financial condition may be adversely affected if we fail to successfully implement our business strategy or if our business strategy ultimately proves unsuccessful. In addition, our expenses could increase and our profits could decrease as we implement our growth strategy.

We may not be able to successfully implement our strategy of growth through selective acquisitions, licensing arrangements and other strategic alliances.

Our strategy of growth through the selective acquisition of coffee companies, the selective acquisition or licensing of additional coffee brands and other strategic alliances presents risks that could materially adversely affect our operating results and financial condition, including:

- the diversion of our management's attention;
- our ability to successfully integrate the operations of any acquired coffee companies with our operations;
- our ability to successfully integrate additional coffee brands with our existing coffee brands;
- the contingent risks associated with the past operations of, and other unanticipated problems arising in, any acquired coffee company; and
- increased competition for acquisition, licensing and other business opportunities in the coffee market.

We cannot predict whether:

- we will be able to acquire additional coffee companies, acquire or license additional coffee brands or enter into strategic alliances with corporate partners, in any such case, on terms favorable to us or at all;
- we will be able to successfully integrate any acquired coffee companies or new coffee brands into our existing business;

- we will be able to realize any anticipated benefits of the acquisition of any additional coffee companies, the acquisition or licensing of any additional brands or the execution of any strategic alliances or other business ventures;

- any strategic corporate partner will perform its obligations pursuant to any strategic alliance; and

- there will be substantial unanticipated costs associated with such acquisitions, licensing arrangements or strategic alliances.

In addition, any such acquisitions, licensing arrangements or strategic alliances may result in:

- potentially dilutive issuances of our equity securities; and

- the incurrence of additional debt.

As has been our practice in the past, we will continuously evaluate any such acquisitions, licensing opportunities or strategic alliances. However, we have not reached any agreement or arrangement with respect to any such acquisition, licensing opportunity or strategic alliance as of the date of this prospectus and we may not be able to consummate any acquisitions, licensing arrangements or strategic alliances on terms favorable to us or at all. The failure to consummate any such acquisitions, licensing arrangements or strategic alliances may reduce our growth and expansion.

The loss of any of our key customers could negatively affect our revenues and decrease our earnings.

We are highly dependant upon sales of our private label and branded coffee to two wholesalers, Supervalu and Topco/Shurfine, and upon sales of wholesale green coffee to one customer, Green Mountain Coffee Roasters. Sales to Supervalu, Topco/Shurfine, and Green Mountain Coffee Roasters accounted for approximately 16.1%, 7.5%, and 15.6% of our net sales for the fiscal year ended October 31, 2003 and 10.7%, 6.2%, and 22.6% for the six months ended April 30, 2004, respectively. Although no other customer accounted for greater than 5% of our consolidated net revenues during these periods, other customers may account for more than 5% of our consolidated net revenues in future periods. The loss of, or reduction in sales to, customers such as Supervalu, Topco/Shurfine, Green Mountain Coffee Roasters or any of our other customers to which we sell a significant amount of our products or any material adverse change in the financial condition of such customers would negatively affect our revenues and decrease our earnings.

If we lose our key personnel, including Andrew Gordon and David Gordon, we may not be able to replace them with highly experienced personnel.

Our success depends to a large degree upon the services of Andrew Gordon, our President, Chief Executive Officer and Treasurer, David Gordon, our Executive Vice President-Operations and Secretary, and certain other key employees. We also depend to a large degree on the expertise of our coffee roasters. Our ability to source and purchase a sufficient supply of high quality coffee beans and to roast coffee beans consistent with our quality standards could suffer if we lose the services of any of these individuals. As a result, our business and operating results would be adversely affected. We cannot assure you that we would be successful in obtaining and retaining a replacement for either Andrew Gordon or David Gordon, or any of our other key employees. In addition, we do not have key-man insurance on the lives of Andrew Gordon or David Gordon.

If our hedging policy is not effective in controlling our coffee costs and maintaining an adequate supply of green coffee, our coffee costs may increase and our profitability may suffer.

The supply and price of coffee beans are subject to volatility and are influenced by numerous factors which are beyond our control. Historically, we have used short-term coffee futures and options contracts primarily for the purpose of partially hedging and minimizing the effects of changing green coffee prices and to reduce our cost of sales. In addition, during the latter half of fiscal 2000, we began to acquire futures contracts with longer terms, generally three to six months, primarily for the purpose of guaranteeing an adequate supply of green coffee. Realized and unrealized gains or losses on futures contracts are accounted for in cost of sales. Gains on futures contracts reduce cost of sales and losses on futures contracts increase cost of sales. Gains on futures contracts were $868,669 and $778,410 for the years ended October 31, 2003 and 2002, respectively, and were $1,158,167 for the six months ended April 30, 2004. Although the use of these derivative financial instruments has enabled us to mitigate the effect of changing prices, no strategy is effective to eliminate the pricing risks and we generally remain exposed to loss when prices decline significantly in a short period of time, and we generally remain exposed to supply risk in the event of non-performance by the counter-parties to any futures contracts. Although we generally have been able to pass green coffee price increases through to customers, thereby maintaining our gross profits, we cannot predict whether we will be able to pass price increases through to our customers in the future. We cannot assure you that our hedging strategy and the hedges that we enter into will adequately offset the risks of coffee bean price volatility or that our hedges will not result in losses. Failure to properly design and implement an effective hedging strategy may materially adversely affect our business and operating results. In this case, our costs of sales may increase, resulting in a decrease in profitability.

If we fail to continue to promote and enhance our brands, the value of our brands could decrease and adversely affect our revenues.

We believe that promoting and enhancing our brands is critical to our success. We intend to increase our marketing expenditures to increase awareness of our brands, which we expect will create and maintain brand loyalty. If our brand-building strategy is unsuccessful, these expenses may never be recovered, and we may be unable to increase awareness of our brands or protect the value of our brands. If we are unable to achieve these goals, our revenues and ability to implement our business strategy could be adversely affected.

Our success in promoting and enhancing our brands will also depend on our ability to provide customers with high quality products and service. Although we take measures to ensure that we sell only fresh roasted coffee, we have no control over our coffee products once they are purchased by our wholesale customers. Accordingly, wholesale customers may store our coffee for longer periods of time or resell our coffee without our consent, in each case, potentially affecting the quality of the coffee prepared from our products. Although we believe we are less susceptible to quality control problems than many of our competitors because a majority of our products are sold in cans or brick packs unlike whole bean coffees, if consumers do not perceive our products and service to be of high quality, then the value of our brands may be diminished and, consequently, our operating results and ability to implement our business strategy may be adversely affected.

Our roasting methods are not proprietary, so competitors may be able to duplicate them, which could harm our competitive position.

We consider our roasting methods essential to the flavor and richness of our roasted coffee and, therefore, essential to our brands of coffee. Because we do not hold any patents for our roasting methods, it may be difficult for us to prevent competitors from copying our roasting methods if such methods become known. If our competitors copy our roasting methods, the value of our coffee brands may be diminished, and we may lose customers to our competitors. In addition, competitors may be able to develop roasting methods that are more advanced than our roasting methods, which may also harm our competitive position.

Our operating results may fluctuate significantly which may cause fluctuation in our stock price.

Our operating results may fluctuate from quarter to quarter and year to year. These fluctuations could be caused by a number of factors including:

- fluctuations in purchase prices and supply of green coffee;
- fluctuations in the selling prices of our products;
- the level of marketing and pricing competition from existing or new competitors in the coffee industry;
- our ability to retain existing customers and attract new customers; and
- our ability to manage inventory and fulfillment operations and maintain gross margins.

As a result of the foregoing, period-to-period comparisons of our operating results may not necessarily be meaningful and those comparisons should not be relied upon as indicators of future performance. Fluctuations in operating results can have a negative impact on the value of our common stock.

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Since we rely heavily on common carriers to ship our coffee on a daily basis, any disruption in their services or increase in shipping costs could adversely affect our business and our relationship with our customers.

We rely on a number of common carriers to deliver coffee to our customers and to deliver coffee beans to us. We consider roasted coffee a perishable product and we rely on these common carriers to deliver fresh roasted coffee on a daily basis. We have no control over these common carriers and the services provided by them may be interrupted as a result of labor shortages, contract disputes and other factors. If we experience an interruption in these services, we may be unable to ship our coffee in a timely manner, which could reduce our revenues and adversely effect our relationship with our customers. In addition, a delay in shipping could require us to contract with alternative, and possibly more expensive, common carriers and could cause orders to be cancelled or receipt of goods to be refused. Any significant increase in shipping costs could lower our profit margins or force us to raise prices, which could cause our revenue and profits to suffer.

If we are unable to obtain additional financing, we may not be able to fund and grow our operations.

We anticipate, but cannot assure you, that we will be able to expand our operations and implement our growth strategy in fiscal 2004 through the proceeds of this offering, cash provided by operating activities and borrowings under the credit facility with Wells Fargo Business Credit. This expectation assumes that we will be able to generate a sufficient level of sales in order to increase income, eligible accounts receivable and inventory to permit advances under our line of credit facility. In the event our expectations are not fulfilled or that we are unable to generate sufficient amounts of cash to implement our growth strategy, we may be required to seek additional financing. We have no current arrangements for additional financing and there can be no assurance that additional financing will be available to us on commercially reasonable terms, or at all. If we are not successful in obtaining additional financing, we might not be able to implement our expansion plans.

We have indebtedness, which imposes restrictions on our operations and may limit our ability to raise additional capital or implement our business plan.

As of April 30, 2004, we had indebtedness, including a revolving credit facility, secured by the assets of Coffee Holding, and a term loan, each with Wells Fargo Business Credit, of approximately $2.8 million. Although we intend to use approximately $2.8 million of the offering proceeds to repay indebtedness, after this offering, we may continue to have debt, the terms of which may:

- require that a portion of our cash flow from operations be dedicated to servicing our debt;
- limit our ability to obtain additional capital without the consent of the lender through financings, if available at all; and

- potentially limit our flexibility to implement our business strategy or react to changes in our industry or economic conditions.

Our loan agreement with Wells Fargo Business Credit contains financial covenants that place restrictions on our operations, including:

- limiting our ability to pay dividends or make other distributions to our stockholders and acquire or retire our common stock without the consent of the lender; and

- prohibiting us from forming or acquiring subsidiaries, merging with or into other companies or selling all or substantially all of our assets without the consent of the lender.

These restrictions could adversely impact our ability to implement our business plan or raise additional capital, if needed.

Significant interruption in the operation of either of our facilities could significantly impair our ability to operate our business.

Even though we recently acquired a second coffee roasting and distribution facility, a significant interruption in the operation of either facility, whether as a result of a natural disaster or other causes, could significantly impair our ability to operate our business. Due to manufacturing and logistical efficiencies, our New York facility generally services customers in the Northeastern United States and the Midwest United States and our La Junta, Colorado facility services customers in the Western United States. If there was a significant interruption in the operation of either one of our facilities, we may not have the capacity to service all of our customers out of the lone operating facility and we may not be able to service our customers in a timely manner. As a result, our revenues and earnings would be materially adversely affected.

Compliance with government regulations applicable to us could have a material adverse affect on our business, financial condition and results of operations.

Our coffee roasting operations are subject to various governmental laws and regulations, and require us to obtain licenses relating to customs, health and safety, building and land use and environmental protection. If we encounter difficulties in obtaining any necessary licenses or complying with any of these laws and regulations, our results of operations and financial condition could be adversely affected.

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Risk Factors Relating to the Coffee Industry

Increases in the cost of high quality Arabica or Robusta coffee beans could reduce our gross margin and profit.

Coffee is a traded commodity and, in general, its price can fluctuate depending on:

- weather patterns in coffee-producing countries;
- economic and political conditions affecting coffee-producing countries, including acts of terrorism in such countries;
- foreign currency fluctuations; and
- trade regulations and restrictions between coffee-producing countries and the United States.

If the cost of wholesale green coffee increases due to any of these factors, our margins could decrease and our profitability could suffer accordingly. Although we have historically attempted to raise the selling prices of our products in response to increases in the price of wholesale green coffee, when wholesale green coffee prices increase rapidly or to significantly higher than normal levels, we are not always able to pass the price increases through to our customers on a timely basis, if at all, which adversely affects our operating margins and cash flow. We cannot assure you that we will be able to recover any future increases in the cost of wholesale green coffee. Even if we are able to recover future increases, our operating margins and results of operations may still be materially and adversely affected by time delays in the implementation of price increases.

Disruptions in the supply or increases in the cost of green coffee could adversely affect our business.

Green coffee is a commodity and its supply and price are subject to volatility beyond our control. Supply and price are affected by many factors in the coffee growing countries including weather, political and economic conditions, acts of terrorism, as well as efforts by coffee growers to expand or form cartels or associations. If our cost of green coffee increases, we may not be able to pass along those costs to our customers. The effect would have a negative impact on our margins and profitability. If we are unable to procure a sufficient supply of green coffee, our sales would suffer.

Some of the arabica coffee beans of the quality we purchase do not trade directly on the commodity markets. Rather, we purchase the high end arabica coffee beans that we use on a negotiated basis. We depend on our relationships with coffee brokers, exporters and growers for the supply of our primary raw material, high quality Arabica coffee beans. If any of our relationships with coffee brokers, exporters or growers deteriorate, we may be unable to procure a sufficient quantity of high quality coffee beans at prices acceptable to us or at all. In such case, we may not be able to fulfill the demand of our existing customers, supply new retail stores or expand other channels of distribution. A raw material shortage could result in a deterioration of our relationship with our customers, decreased revenues or could impair our ability to expand our business.

The coffee industry is highly competitive and we may not have the resources to compete effectively.

The coffee markets in which we do business are highly competitive and competition in these markets is likely to become increasingly more intense due to the relatively low barriers to entry. The industry in which we compete is particularly sensitive to price pressure, as well as quality, reputation and viability for wholesale and brand loyalty for retail. To the extent that one or more of our competitors becomes more successful with respect to any key competitive factor, our ability to attract and retain customers could be materially adversely affected. Our private label and branded coffee products compete with other manufacturers of private label coffee and branded coffees. These competitors, such as Kraft General Foods, Inc., The Kroger Co., The Procter & Gamble Company and Sara Lee Corporation, have much greater financial, marketing, distribution, management and other resources than we do for marketing, promotions and geographic and market expansion. In addition, there are a growing number of specialty coffee companies who provide specialty green coffee and roasted coffee for retail sale. There can be no assurance that we can compete successfully against existing and new competitors.

Adverse public or medical opinion about caffeine may harm our business.

Some of our coffee products contain caffeine and other active compounds, the health effects of which are not fully understood. A number of research studies conclude or suggest that excessive consumption of caffeine may lead to an increased heart rate, restlessness and anxiety, depression, headaches, sleeplessness and other adverse health effects. An unfavorable report on the health effects of caffeine or other compounds present in coffee could significantly reduce the demand for coffee, which could harm our business and reduce our sales and profits.

Risk Factors Related to this Offering

We are controlled by members of the Gordon Family who have the ability to determine the election of our directors and the outcome of all other issues submitted to our stockholders.

Andrew Gordon and David Gordon, executive officers and directors of Coffee Holding, beneficially own approximately 31.0% of our outstanding shares of common stock. In addition, other members of the Gordon family beneficially own an additional 55.5% of the outstanding shares of common stock. After the offering, Andrew Gordon, David Gordon and other members of the Gordon family will beneficially own approximately 61.8% of our outstanding common stock and will be able to control the vote on all matters submitted to a vote of stockholders, including the election of directors, amendments to the Articles of Incorporation and Bylaws and approval of significant corporate transactions. This control could have the effect of discouraging, delaying or preventing a change in our control which other stockholders might consider favorable. This control could also have the effect of approving a change in our control on terms which other stockholders might consider unfavorable.

We intend to implement anti-takeover provisions which could discourage or prevent a takeover, even if an acquisition would be beneficial to our stockholders.

We intend to amend our Articles of Incorporation to, among other things, include provisions which could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. These provisions include:

- establishing a classified board of directors requiring that members of the board be elected in different years;
- authorizing the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares or change the balance of voting control and resist a takeover attempt;
- prohibiting cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;
- limiting the ability of stockholders to call special meetings of stockholders;
- prohibiting stockholder action by written consent and requiring all stockholder actions to be taken at a meeting of our stockholders; and
- establishing advance notice requirements for nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, provisions of the Nevada Revised Statutes and the terms of the employment agreements with our executive officers may discourage, delay or prevent a change in our control.

Sales of substantial amounts of our common stock may occur after this offering, which could cause our stock price to fall.

Our current stockholders hold a substantial number of shares, which they will be able to sell in the public market in the near future. Upon the completion of this offering (and excluding shares underlying the underwriter's warrants), we will have 5,599,650 shares of common stock issued and outstanding (5,839,650 shares if the underwriter's over-allotment option is exercised in full). Of those shares, the 1,600,000 sold in this offering (1,840,000 if the underwriter's over-allotment option is exercised in full) and the 29,650 shares registered in the Rule 419 Offering will have been registered under the Securities Act of 1933, as amended, and may be resold without further registration and 3,970,000 shares are "restricted securities" and may not be sold unless the sale is registered under the Securities Act or pursuant to an exemption from registration under the Securities Act. All of these restricted securities (including 1,239,200 held by our officers and directors and an additional 2,220,200 shares owned by members of the Gordon family who are not our officers or directors) are eligible for sale under the exemption provided by Rule 144 of the Securities Act. Approximately 3,540,400 shares will be subject to lock-up agreements which prohibit the sale of the shares for nine months after this offering. However, it is possible that the underwriter could waive the nine-month lock-up period, if, for example, the underwriter determines that the market price of our common stock has reached a sufficiently stable point that it could bear the sale of shares subject to the lock-ups. Sales of a substantial number of shares of our common stock within a short period of time after this offering could cause our stock price to fall. In addition, the sale of these shares could impair our ability to raise capital through the sale of additional stock.

There has been no prior market for our common stock.

Prior to the offering, there has been no public trading market for our common stock. Furthermore, given the minimal number of outstanding shares of common stock held by our non-affiliates, a liquid public market may not develop. We have applied for listing of our common stock on the American Stock Exchange under the symbol “JVA”.

The development of an active trading market depends on the existence of willing buyers and sellers, the presence of which is not within our control, or the control of any market maker or specialist. The number of active buyers and sellers of our common stock at any particular time may be limited. Under such circumstances, you could have difficulty selling your shares on short notice, and, therefore, you should not view our common stock as a short-term investment. We cannot assure that an active trading market for our securities will develop or be sustained, or at what price the securities will trade. In addition, even if these securities are listed and traded initially on the American Stock Exchange, we may fail to meet certain minimum standards for continued listing. In that event, our common stock could be delisted, and our common stock would no longer be listed, if we are unable to list our common stock on another trading market. This may make it extremely difficult to sell or trade our common stock.

The market price of our common stock may be volatile.

Publicly traded stocks have experienced substantial market price volatility. Those market fluctuations may be unrelated to the operating performance of particular companies whose shares are traded. The purchase price of our common stock in this offering has been determined by negotiations between us and the underwriter and does not necessarily bear any relationship to our book value, past operating results, financial condition or other established criteria of value and may not be indicative of the market price of our common stock after this offering. After your shares begin trading, the trading price of your common stock will be determined by the marketplace, and may be influenced by many factors, including prevailing interest rates, investor perceptions of us and general industry and economic conditions. If market volatility continues, it may affect the price of your common stock.

Even if a market for our common stock does develop, there may be significant volatility in the market price due to many factors including:

- Fluctuations in our results of operations;
- Minimal public float and lack of liquidity;
- Financial market and economic conditions;
- Availability of a specialist for our common stock; and

- Investor sentiment for coffee related companies.

In the past, companies that have experienced volatility in the market price of their stock have been the object of securities class action litigation. If we were the object of securities class action litigation, it could result in substantial costs and a diversion of our management's attention and resources.

We will have discretion as to the use of the proceeds of this offering, which we may not use effectively.

We intend to use the proceeds of this offering to repay approximately $2.8 million in indebtedness, to increase our sales and marketing efforts and for general corporate purposes and as strategic opportunities arise, we may use the proceeds of this offering to fund acquisitions, licensing and other strategic alliances. We will have broad discretion in applying the remaining net proceeds of this offering and may use the proceeds in ways that are not optimal or with which the stockholders disagree. Accordingly, investors in this offering will be relying on management's judgment with only limited information about our specific intentions regarding the use of proceeds.

You will incur immediate and substantial dilution.

You will experience an immediate and substantial dilution of $3.68 per share ($3.56 per share assuming exercise of the underwriter's over-allotment option) in the net tangible book value per share of common stock based on an assumed initial public offering price of $5.50 per share. Accordingly, existing stockholders will benefit disproportionately from this offering. If we raise additional capital through the sale of equity, including preferred stock or convertible securities, your percentage of ownership will be diluted. You may also experience dilution if stock options or warrants to purchase our shares are exercised. As of the date of this prospectus, we had reserved 800,000 shares of our common stock for issuance under our 1998 Stock Option Plan and 160,000 shares of our common stock for issuance upon the exercise of warrants to be issued to the underwriter at the completion of this offering. No other options or warrants had been granted or exercised as of the date of this prospectus.

There are risks associated with our underwriter's lack of experience in public offerings.

Although certain principals of Maxim Group LLC have extensive experience in the securities industry, Maxim Group was formed less than two years ago and thus has limited experience acting as an underwriter in public offerings. This lack of operating history may have an adverse effect on this offering.

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If our common stock is deemed to be a penny stock, it may be subject to special requirements or conditions that could make it more difficult for you to sell your stock. This could cause our stock price to decline.

If the trading price of our common stock drops below $5.00 per share and our common stock ceases to be listed on the American Stock Exchange or other comparable national exchange, our common stock may be deemed to be penny stock. Penny stocks are stocks:

- With a price of less than $5.00 per share;
- Not traded on a recognized national exchange;
- Whose prices are not quoted on the Nasdaq automated quotation system; or
- In issuers with net tangible assets less than $2.0 million (if the issuer has been in continuous operation for at least three years) or $5.0 million (if in continuous operation for less than three years), or with average revenues of less than $6.0 million for the las