

# CONFIDENTIAL

**YOUR BEST SOURCE OF INFORMATION ABOUT THE BRAZILIAN COFFEE BUSINESS. THIS ISSUE:**

- **BRAZILIAN TECHNOLOGY AS A DEVELOPMENT PARTNER: A COFFEE GROWER'S TESTIMONIAL (PAGE 3)**
- **ZERO-WATER PULPER ECO SUPER RELEASED FOR SALES ABROAD:**
- **SAME PINHALENSE EFFICIENCY AND PERFORMANCE NOW WITHOUT WATER (PAGE 4)**

## **IMPORTS OF COFFEE INTO BRAZIL SUSPENDED BY PRESIDENT TEMER**

Brazilian President Michel Temer decided to suspend the imports of Robusta coffee for 60 days as a result of great pressure from congressmen in the states of Espírito Santo, Minas Gerais, Bahia and Rondônia and after major manifestations by coffee growers. Regulation had already been published both authorizing the imports of up to one million bags of green Robusta coffee, with a limit of 250 thousand bags per month in the February to May period and duty of 2%, and establishing the phytosanitary requirements for the import of Robusta coffee produced in Vietnam. In growers' views, Robusta imports could introduce coffee diseases and pathogens not found in Brazil today, create unfair competition for Brazilian growers due to less strict labor and environmental legislation in other producing countries, and worsen the negative impacts of the current economic crisis affecting growers and Brazil. The view of the soluble industry is that temporary and limited imports will enable Brazilian soluble coffee to be more competitive internationally, to interrupt the loss of market share in the last 15 years, and to enable the sector to expand which has not happened in the same period. The roast-and-ground coffee industry claims for imports to avoid market price increases to consumers and the consequent risk of negative impacts on coffee consumption.

Sources: Valor Econômico, CaféPoint and Newscafeicultura

## **COFFEE IS 7TH LARGEST BRAZILIAN AGRI-PRODUCT IN 2017**

The Ministry of Agriculture's Agricultural Policy Secretariat informed that the Gross Value of Agricultural Products (VPB, for its Portuguese initials), measured at farm gate sales price, is estimated this year at R\$ 545,9 bi (US\$ 179 bi). The seven main products at the VPB ranking are: soybeans (R\$ 123 bi / US\$ 40.3 bi), beef (R\$ 72,4 bi / US\$ 23.7 bi), corn (R\$ 55,5 bi / US\$ 18.2 bi), sugar cane (R\$ 54,4 bi / US\$ 17.8 bi), chicken (R\$ 50,3 bi / US\$ 16.5 bi), milk (R\$ 29,2 bi / US\$ 9.6 bi) and coffee (R\$ 22,9 bi / US\$ 7.5 bi), with the latter accounting for 4.2% of the total. Only corn and milk are not major export products out of the seven crops above.

Sources: MAPA and P&A

## **PINHALENSE HAS RECORD BREAKING PARTICIPATION AT COOXUPÉ'S FEMAGRI**

Pinhalense's sales – machines bartered for coffee – as a result of the three-day traditional Femagri event in February went beyond the company's best expectations and doubled last year's figure. For example, a record-breaking number of combined destoning, hulling, repassing and separating units CON were sold and total sales at the event accounted for almost 5% of the revenues projected for the Brazilian market in 2017. In the annual Femagri trade fair, Cooxupé offers to its 11,000 plus members the opportunity to acquire inputs and equipment and pay with their coffee production of two or three years starting with the current year crop. Femagri was attended by over 37,000 people and the total value of quotations for bartering exceeded US\$ 55 million.

Source: Pinhalense

## **GLOBAL COFFEE PLATFORM AT FEMAGRI**

The GCP's Brazil Program's Coffee Sustainability Curriculum (CSC) and its 18 Fundamental Items were portrayed in a large outdoor poster at Femagri's Fazendinha ("Small Farm") area where actual production practices are demonstrated. The Brazilian GCP team was present to instruct growers on both the use of the CSC and the benefits that accrue to coffee producers and the market when it is used. GSP's short videos on coffee sustainability were also shown on a large screen; they can be accessed at the GCP YouTube channel [https://www.youtube.com/channel/UC\\_SGu9psaORolgwWrBa6twA](https://www.youtube.com/channel/UC_SGu9psaORolgwWrBa6twA).



Source: P&A

## ☉ BRAZILIAN COFFEE TO BENEFIT FROM NEW TRADE AGREEMENT

Commodities such as coffee, sugar and ethanol should benefit strongly from a new agreement of facilitation and commerce ratified by the World Trade Organization last February. The measure can unburden the Brazilian foreign trade and also harmonize customs rules in the country. A total of 112 countries signed the agreement that involved a long diplomatic process. The impact should be huge: the WTO estimates reductions of up to 14% in export and import costs and gains for the global economy of as much as US\$ 1 trillion.

Source: Agência Estado

## ☉ CLIMATE CHANGE REQUIRES NEW PLANTING TECHNIQUES

Shade and moisture are essential to help seedlings grow when replanted in areas made warmer and drier by climate change. Coffee seedlings are produced in nurseries with good moisture, daily irrigation and under half-shaded environment. In their final phase, they should be prepared to survive and thrive in the field under direct sun light. In warm areas where Robusta/Conilon coffee is grown, initial shade is now essential for plant development. In generally cooler areas where Arabica coffee is cultivated, shade is less critical. In recent years, when high temperatures have been frequent in the December to February planting period, positive impacts of post-planting shade have been observed.



Source: CaféPoint

## ☉ FERTILIZATION: QUALITY VS. QUANTITY



Growers must pay attention to the actual nutritional needs of the coffee crop, the type of soil and availability of nutrients in the soil, and how application is performed, all of which are aspects as important as the quantity of fertilizer used. The age of the trees, the slope of the terrain and even production techniques influence the way fertilizers should be applied. In crops with younger well-spaced trees, for instance, fertilizers should be applied close to the trees and immediately under their branches and leaves; in denser plantations with adult trees, the application should be done in the middle of the lines. Where slopes are above 20 to 30%, fertilizers should be distributed under the tree and only on the upper side of the coffee row because rains will ultimately transport the fertilizer

to the lower side. Several factors should be taken into consideration when using fertilizers because to over fertilize without analyzing actual needs is a waste of money without the expected returns in terms of productivity.

Source: CaféPoint

## ☉ RESHAPING AFRICAN COFFEE INDUSTRY FOR PRODUCTIVITY IMPROVEMENT AND INVESTMENT

Carlos Brando made the keynote speech with the title above at the African Fine Coffee Association's 15th Conference and Trade Fair. The presentation focused on creating an "enabling environment" beyond farm gate to bring about increases in growers' productivity, income and profit and to change coffee growing from a livelihood into a business even for micro growers who can get together to gain economies of scale. Required investment figures were mentioned along with potential sources of funding. The slides of the presentation can be requested at the Confidential e-mail (info@confidential.com). AFCA honored Carlos with a Lifetime Achievement Award at the same event.

Source: P&A

## Brazilian Prices

Main Producing Regions / Farm Gate

February 24, 2017

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	505,00 ↓	Colatina-ES fair average price	435,00 ↓
Mogiana	500,00 ↓		
South Minas	500,00 ↓		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	525,00 ↓	Mar 2017	170,60 ↓
South Minas	520,00 ↓	Sep 2017	180,75 ↓
		Dec 2017	185,75 ↓
		Real R\$ / Dolar US\$	
		Feb 24, 2017	3,10 ↓

+ 5%

Source:

www.qualicafex.com.br

## BRAZILIAN TECHNOLOGY AS A DEVELOPMENT PARTNER: A COFFEE GROWER'S TESTIMONIAL

It was the year 2001, maybe October, when I first heard the name Pinhalense, recommended by someone. I was only a grower with a 25-hectare coffee farm and wished to start processing my coffees. All of those around me in El Salvador were large processing mills and there was not a single small one. When I talked about processing my own coffee, all I heard were negative comments and everything seemed impossible for the small growers according to the big ones.

To my surprise, we found in Pinhalense an interested ally to analyze and understand the needs of the small, medium-sized and large growers in order to design equipment that would suit market requirements and those of each particular segment. The presence and support that Pinhalense has offered us since day one of our operation has been unconditional.

I got to know the Brazilian coffee business for the first time in 2006 and found out that there was coffee processing in every scale, from very small to very large. Differently from the rest of the world, in Brazil the small coffee grower does not live in poverty and both small and large growers are recognized according to the same standard: productivity and efficiency.

If there is a global model that Latin Americans, Africans and Asians should be paying attention to is the Brazilian model. Many of us say: "no, this is only possible in Brazil, but we are wrong. If it works for them, it can work for us".

It is high time to stop looking at coffee as a romantic and unrealistic story; we should instead consider it as a professional business, based on results, efficiency, productivity and, more importantly, as a development force for our countries.

The mechanization of coffee growing, handling and harvesting is now a need in every scale and for five years now, Pinhalense has also been in that line of business with specific machines. As coffee growers and millers we have to be aware of Pinhalense's progress and advances and to have the company as an ally helping us prepare for the future.

Our operation in El Manzano Estate has now become a testing ground for Pinhalense wet milling and drying equipment, which puts El Salvador and Central America as one of the main research and development centers for Pinhalense outside Brazil. In the current harvesting season, which is almost over in El Salvador, the company successfully concluded the tests for a new pulping module that consists of a green-cherry separator and vertical pulper that do not require water to function and with a third of the power (HP) has 3 times the production capacity of the previous models, with half the size. This is the new zero-water ECO SUPER pulper.

The drying system with horizontal drums is really amazing. The driers from 2.5 m<sup>3</sup> to 15 m<sup>3</sup> adjust to almost all sizes of operation. There were also tests done this past harvesting season with automated drying, meaning that you can wireless transmit the temperature and internal moisture of the coffee mass to an electronic panel that will control the flow and temperature of the air entering the drying cylinder of the machine. With that in mind, we can soon expect driers to be fully automated, with the possibility of programming them with drying curves for each type of coffee.

These are examples of what Pinhalense has been working on lately, which will again change the industry standards helping it to be more efficient, technified and productive.

For this unconditional support and leadership in the coffee processing industry, I hereby take the opportunity to extensively thank Pinhalense for its work done together with the small, medium and large coffee grower and miller.

## ZERO-WATER PULPER ECO SUPER RELEASED FOR SALES ABROAD: SAME PINHALENSE EFFICIENCY AND PERFORMANCE NOW WITHOUT WATER

Exports of the new Pinhalense ECO SUPER pulper, that requires no water to operate, will start in March after extensive and very successful trials outside Brazil. Prices and specifications are already available from P&A and some pre-orders have already become the first actual sales abroad.

With one larger pulping cylinder only, to be compared with the two cylinders, one on the top of the other in the early ecoflex version, the new ECO SUPER delivers the same performance without the need to use water:

- no parchment lost with pulp,
- very little if any pulp mixed with parchment,
- the least physical damage to parchment (hulling, bruising and breakage) and
- twice the capacity of the previous double cylinder version.

The trials abroad showed the ECO SUPER's ability to work with 100% ripe cherries as well as percentages of unripe and semi-ripe cherries up to 20% without any loss of capacity.

The new ECO SUPER – unripe cherry separator and vertical repass and pulp separator cylinder – can also be used to repass over-ripe and unripe cherries that may have been separated by a (mechanical) siphon preceding the pulper and the ECO SUPER itself, respectively.

The ECO SUPER may be either followed by a rotary screen separator to ensure better fermentation and demucilaging conditions or directly connected to a mucilage remover.

The trials abroad that took place during the December to February harvesting season confirmed the results of the multi-location trials in Brazil itself during the 2016 crop with the additional advantage of proving that the machine delivers the results expected in washed coffee producing countries as well. In fact, these trials abroad met with very strict quality control requirements for the final products delivered. Last but not least, in the trials, the ECO SUPER processed coffees of several different varieties with emphasis on different cherry sizes that the unripe cherry separator and repass pulper handled without negative impacts on performance.

All indicates that Pinhalense has in hands another winning product that responds to growers' sustainability requirements at a time of climate change, water shortage and concern with waste-water treatment and disposal all of which the new ECO SUPER was designed to address.

**SAME SUPERB PERFORMANCE, NO WATER REQUIREMENT AND  
ADDITIONAL CAPACITY WITH LESS POWER**

