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CONILON TO BE TESTED IN MINAS GERAIS

The institute in charge of research and rural extension in the state of Espírito Santo (Incaper) is supporting the Agriculture Research Institute of Minas Gerais (EPAMIG) in the evaluation of the development of Conilon, the Brazilian Robusta, in Minas Gerais, the country's largest Arabica producer. The region chosen has similar climate and soil conditions to the northern part of Espírito Santo where Conilon has been successfully grown for years. The first stage of the project should be finished and 4,000 seedlings planted until the end of 2008 in order to evaluate the yields and quality of at least 30 clones of Conilon.

Sources: Cafépoint



Consortium of Coffee and Papaya in Pirapora-MG
Source: INCAPER

COFFEE ENTERS PRODUCTION EARLIER IN NORTHERN MINAS

Coffee planted in 2006 in Jaíba, in the northern part of the state of Minas Gerais, will be ready for harvesting in coming April. Coffee in this part of the country matures faster due to irrigation and favorable climate. While coffee planted in the southern part of the state takes an average of 2.5 years to produce, in Jaíba it only takes 18 months, which means increasing yields and profits in less time. Coffee in Jaíba is a source of income for small growers as well as a way to employ men and women all year long.

Source: O Norte de Minas

KIT HELPS IDENTIFY BEST VARIETIES FOR SOIL WITH NEMATODES

The Agronomic Institute of Paraná (Iapar) has created a kit to help coffee growers to identify which coffee varieties can develop better in soils infested with nematodes. Each kit contains okra seeds – that attract nematodes – and 26 seedlings of each of 6 varieties of coffee. The seedlings are planted in infested areas of 1.0 x 0.5m (3.3 x 1.6ft). After the roots of the seedlings are contaminated they are extracted from the soil and sent to Iapar's laboratories to identify which varieties are more susceptible and which ones are more resistant to the respective species of nematodes. Three hundred "nematode kits" have already been distributed to 210 municipalities in all coffee regions of Paraná since 2006. The goal is to distribute another 300 kits this year.

Source: Embrapa's Coffee Research Consortium

CDPC APPROVES COFFEE FUND ALLOCATION

The Brazilian Coffee Policy Council defined how Funcafé funds will be allocated in 2008. R\$ 453 million (US\$ 265 million) will be directed to husbandry; R\$ 496 million (US\$ 291 million) to harvesting; R\$ 898 million (US\$ 528 million) to stocking; R\$ 313 million (US\$ 184 million) to the Financing for Coffee Acquisition program (FAC); and R\$ 240 million (US\$ 141 million) to investment, adding up to R\$ 2.4 billion (US\$ 1.4 billion).

Source: Coffeebreak

FUNCAFÉ FUNDS TO RENOVATE PLANTATIONS

For the first time in 14 years Funcafé funds have been earmarked for the renovation of coffee plantations and technological innovation in coffee industries. Renovation of coffee plantations will benefit not only growers but the whole coffee chain due to increases in yields. Ideally 10% of the 2.1 million hectares (5.2 million acres) dedicated to coffee in Brazil should be renovated every year. However, less than 3% have received renovation investments in the last years. Although many regions in the country have an average yield in excess of 30 bags per hectare (12 bags per acre), the national average is around 20 bags (8 bags per acre).

Source: Valor Econômico

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R\$ 500 MILLION FOR RESEARCH DEVELOPMENT AT EMBRAPA

The Brazilian Institute for Agricultural Research (EMBRAPA) of the Ministry of Agriculture will go through several changes this year. The plan to strengthen and develop the institute, called PAC Embrapa, will add R\$ 500 million (US\$ 300 million) to its annual budget over the next three years. The money will be used to hire personnel, especially researchers, to create new research centers, to consolidate EMBRAPA Agroenergy and to strengthen the Institute's activities outside Brazil.

Source: Agência Estado

BRAZILIAN SOLUBLE INDUSTRY TO INVEST IN EUROPE OR RUSSIA

Although Brazil is the world's largest producer and exporter of soluble coffee, investment in this segment has been falling. The country's third biggest soluble exporter, Cia. Iguaçú de Café Solúvel, controlled by the Japanese Group Marubeni, decided to expand its production but does not have plans for a new plant in Brazil. Cia. Iguaçú has not yet defined where its new factory will be built. It is willing to strengthen its presence in the European Union – a leading consumer of soluble coffee – or Russia, which is also a big importer. The reasons for the company to invest abroad rather than in Brazil are the local government's ban on imports of green coffee to be reexported as finished product and the 9% duty imposed on Brazilian soluble by the European Union.

Source: Valor Econômico

LAVAZZA TO INVEST IN BRAZIL

The Italian company Lavazza bought Brazilian roaster Café Grão Nobre Ltda. (Café Florença), a leader in the vending and Office Coffee Service segments in Rio de Janeiro. The acquisition is part of Lavazza's expansion strategy, which began in 2007 with the acquisition of Indian roaster Fresh & Honest and India's second largest coffee shop chain, Barista. Lavazza, which processes 2.3 million bags of coffee/year and imports 50% of its raw material from Brazil, plans to invest € 30 million in this country in the next 3 years. In 2007 the company sold 10 million pods of coffee in Brazil through a network of distributors. In Italy Lavazza is leader in the consumption segment and its revenues surpassed € 1 billion in 2007.

Source: Informativo CCQ - ABIC (Brazilian Coffee Roasters' Association)

STARBUCKS TO OPEN NEW STORES IN BRAZIL

Starbucks plans to invest about R\$ 50 million (US\$ 30 million) to open 22 new stores in Brazil in the next 2 years. With 8 stores in São Paulo and one million clients in its first year of operation, the chain will open two more coffee houses in the city during the first quarter of 2008 and another one in Campinas, the first one outside the state's capital. The Brazilian stores are the chain's sales leaders in Latin America. One of Starbucks' main competitors in Brazil today is McDonald's, which has 49 McCafés in its stores and plans to open 51 more until 2009.

Source: Valor Econômico



BM&F HITS NEW COFFEE RECORD

Brazilian commodity exchange BM&F has set a new record in its Arabica futures market. In January 2008 the accumulated volume of Arabica contracts reached a total of US\$ 1.018 billion, 34% above the last record of US\$ 760.386 million in 2006. Coffee contracts grew 57% between December 2007 and January 2008, going from 38,205 to 60,144. The months with highest number of contracts were October and September 2007, with 89,487 and 87,353 contracts, respectively.

Source: Cafépoint

PRICES TO BRAZILIAN CONSUMERS MAY RISE SHARPLY

International prices for Arabica and Robusta are at record levels and going up. Arabica prices are well above the historic US\$ 100/bag average. Robusta prices in London are at the highest levels in 11 years. The reasons are related to reduced stocks in Brazil and abroad. The upcoming harvest will not be as large as expected and the demand from domestic consumption and exporters continues strong. An alert has been given by Brazilian industries: rises in prices to final consumers could be expected if the current scenario does not change.

Source: Valor Econômico

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Outlook Carlos H. J. Brando



QUALITY AND THE SMALL GROWER

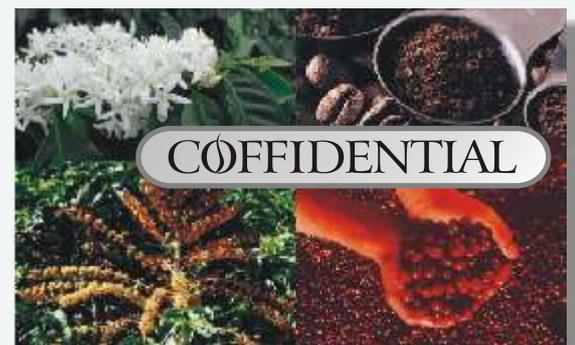
Gone is the time when small growers picked exclusively ripe cherries and a uniform product at an ideal degree of maturation reached the wet mill. Migration to urban areas in some countries and immigration in others decrease the availability of trained and untrained labor to pick coffee. Labor scarcity, development itself and pressures to improve the living conditions of coffee workers are progressively making the cost of selective picking incompatible with the prices that coffee reaches in international markets.

The percentage of unripe and partially ripe cherries picked along with the fully mature ones is rising. Percentages of 5 to 10% of cherries with maturation other than ideal are becoming the standard rather than the exception not to mention percentages of 12 or even 15% in some areas, specially at peak times. The argument that small growers are free from the phenomenon above, that in theory would only affect hired labor, does not apply. Small growers are exposed to the very same trends and pressures that affect workers hired to pick coffee.

Adstringent cups and coffee lots turned down due to the adstringency caused by unripe and partially ripe cherries are becoming common at origins that never faced this problem before. The truth is that the selectiveness of selective picking has fallen down dramatically with the consequent negative impact on cup quality. The problem is becoming worse in areas where coffee is produced by small growers because mid-size to large growers are solving the problem with the help of technology. They resort to modern wet milling equipment that can separate unripe and partially ripe cherries from the fully ripe ones and pulp separately cherries with different degrees of maturation.

Although equipment to sort out cherries according to maturation is available for small growers, the price is not always compatible with the realities of the small holder coffee sector. This only emphasizes what has been a long held economic truth often ignored by development and extension services: the most efficient way to process coffee produced by small holders is common or shared wet milling facilities, often called central mills, rather than small, low efficiency traditional pulpers operated by each grower. If this was true before, it is even more so now that more sophisticated wet milling equipment is required and the economies of scale in central facilities allow for greater savings in equipment, cost of operation, labor training, etc.

If the arguments above are not compelling enough, I invite you to check the quality of the cherries entering wet mills in your country or where you procure your coffee. Then, ponder over the fact that the investment required to equip small growers with conventional pulping equipment, let alone what is required to handle mixed cherries, is 10 to 20 times larger than what it would cost to build central wet milling facilities to process all coffee produced by such growers!



Brazilian prices

February 29, 2008

Main Producing Regions / Farm Gate

Arabica Naturals (R\$/ 60 kg bag)	
Cerrado-MG fair average quality T.6	280,00
Mogiana-SP fair average quality T.6	293,00
South Minas fair average quality T.6	280,00
Arabica Pulped Naturals (R\$/ 60 kg bag)	
Cerrado-MG	295,00
South Minas	290,00

Conilon/ Robusta (R\$/ 60 kg bag)	
Vitória-ES fair average quality	225,00

BM&F (US\$/ 60 kg)	
Mar 2008	190,00
May 2008	194,00
Sep 2008	200,70

Dolar US\$/ Real R\$	
January 31	1,69

WET MILLING EQUIPMENT FOR SMALL GROWERS

For many decades small conventional pulpers met the needs of small growers around the world. However, markets have now become more sophisticated and environmental pressures stronger. The separation of partially mature cherries, that cannot be separated visually and impart adstringency to the cup, is becoming a major requirement not only for specialty coffee but also for espresso blends and commercial grade coffees. The need to save water calls for shorter fermentation times followed by mechanical washing in mucilage removers or full mechanical removal of mucilage, with the added advantage of consistent quality in the cup and no need for skilled labor to control fermentation.

The trends above force small growers to have a pulper with an immature-partially mature cherry separator and a mucilage remover. Even though small capacity machines with all these features are offered by Pinhalense and other makers, their costs are high for the limited investment capacity of small growers. The obvious solution is to use central wet milling facilities that are shared by many small growers.

In spite of the advantages of central wet mills, Pinhalense does offer high technology equipment for small growers. On the other hand, it designs and supplies small central mills for groups of micro-growers, standard-size central mills and large wet processing facilities for large groups of small growers, cooperatives and estates.

Pinhalense's line of wet milling equipment ranges from the small DPM horizontal hand-pulpers with a capacity of 250kg/hour to the small DCDPV and DCDPVS vertical pulpers with a capacity of 500kg/hour and larger to wet mills with capacities of 3.0 to 3.5 tons/hour and multiples thereof, e.g., 6.0 to 7.0 or 9.0 to 10.5 tons/hour, etc. Capacities are always based on the weight of incoming coffee cherries.

Small modern compact units for small growers start at 500kg of fresh cherry per hour and include two options: (a) an immature-partially mature cherry separator/pulper, a vertical pulp separator/repass pulper and a mucilage remover (ECO unit) or (b) a vertical pulper DCDPVS and a mucilage remover DMP.

A mechanical siphon LSC of adequate size may precede the pulper. The mucilage remover DMP may be attached to the pulper to compose an ECO unit or stand alone in order to be placed either next to the pulper or after the fermentation tank, as required.

Many of the Pinhalense machines mentioned above as well as small central mills are presented in the photographs below and found in the site www.pinhalense.com.br.



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