

CONFIDENTIAL

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

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HYDROGEL HELPS COFFEE TO RESIST TO DROUGHTS

Research carried out by the Federal University of Lavras (UFLA) concluded that the use of hydrogel can help alleviate drought effects in coffee. The product, a white powder that turns to gel when mixed with water, helps to retain water when applied close to the plant roots. The study showed that coffee trees treated with the hydrogel grew 10% more and were more resistant to drought. The use of hydrogels is already common in eucalyptus; in coffee it is currently being used as a water reservoir.

Source: EPTV-Globo



NEW SUSTAINABLE PACKAGE DESIGNED FOR SPECIALTY COFFEE

After almost three years of research and studies, the partnership between the Brazil Specialty Coffee Association (BSCA), the Brazilian Trade and Investment Promotion Agency (APEX), the Federal University of Lavras (UFLA) and two leading Brazilian packaging industries developed a paper bag for green coffees. Combining layers of paper and plastic, these innovative packages allow the preservation of the physical and sensorial qualities of coffees for an extended period apart from being less expensive to produce than conventional jute bags. The newly released bags to store specialty coffees will be commercialized bearing the UFLA and BSCA logos to guarantee their quality.

Source: BSCA

GEOREFERENCING TO IMPROVE BRAZILIAN CROP ESTIMATES

The Brazilian coffee supply chain has been discussing the implementation of georeferencing in coffee areas in order to improve crop estimates and statistics, an old request from the sector. The idea is to digitally map the Arabica and Conilon areas of the most relevant states and include information such as altitude, declivity and sun exposure, thus creating a data base to be periodically updated and accessible by the coffee sector. Embrapa Café is supporting the project and will now create the terms of reference to select a company or institution to carry out the project.

Source: CaféPoint

SALES OF US\$ 80 MI OF BRAZILIAN COFFEE TO RESULT FROM SCAA EVENT

Specialty coffee sales may reach US\$ 80 million as a result of the Brazilian participation at the 28th SCAA Expo that took place in Atlanta last month. A large delegation, composed of 35 companies under the coordination of the Brazil Specialty Coffee Association (BSCA) and the Brazilian Trade and Investment Promotion Agency (APEX), had already negotiated US\$ 20 million during the event and expects an additional US\$ 60 million in sales in the next 12 months. The initiative above is part of a Sectorial Project that focuses on the promotion of Brazilian specialty coffees in foreign markets.

Source: BSCA

TWO COFFEE COOPS AMONG THE 10 LARGEST BRAZILIAN AGRI COOPS

Brazilian agricultural cooperatives have exported US\$ 1.36 billion in the first quarter of 2016, 12% more than in the same period of 2015. Among the 10 largest cooperatives in exported value are two coffee coops, Cooxupé and Expocaccer, both in the state of Minas Gerais. China and the United States were the main destinations for Brazilian agricultural products in the period.

Source: Valor Econômico

A COFFEE TRIP THOROUGH THE LENSES OF SEBASTIÃO SALGADO

The exhibition *Scent of a Dream*, by the renowned Brazilian photographer Sebastião Salgado, has arrived in São Paulo. The work, developed in partnership with illycaffè, comprises 80 pictures taken from 2002 to 2014 in coffee areas of 10 countries including India, Ethiopia, Guatemala, Colombia and Brazil. The large-sized photos portray people, traditions and stages of production such as harvesting, drying and processing.

Source: Revista Espresso



COFFEE EXPORTS VALUE RECOVERING AT HIGH PACE IN 2016

Coffee is among the Brazilian commodities that should have the largest increase in value in 2016. If estimates are confirmed, its Gross Production Value may reach R\$ 23.6 billion (US\$ 6.9 bi), the largest in four years and an 18% increase compared to the previous year.

Source: Folha de São Paulo

PRODUCING COUNTRIES ARE CONSUMING MORE BRAZILIAN COFFEE

A recent report by Cecafé (Brazilian Coffee Exporters Association) indicates a surprising increase in coffee exports to other producing countries. From January to March 2016, there were larger shipments from Brazil to Ecuador (increase of 415%), Peru (+216%), Colombia (+162%) and El Salvador (+342%). Kenya imported 4,800 bags and Mexico 119,300 bags. These 6 countries together represent 53% of the Brazilian coffee exported to competitors.

Source: CaféPoint

COFFEE PRODUCTION COSTS AFFECTED BY HIGHER MINIMUM WAGE

The minimum wage adjustments in 2016 have directly affected coffee production costs in Brazil, especially in properties that use manual harvesting. As a result, direct (cash) costs have gone up by an average of 4% in Arabica and 5.7% in Conilon. The higher impacts were observed in non-mechanized Arabica properties, where the average cost impact was 6.3%. Other factors influencing costs are related to the ongoing political crisis and economic recession.

Source: CNA



BRAZILIAN CONILON CROP MAY DROP BY HALF

The Robusta output from Espírito Santo state, the largest Brazilian producer of Conilon, may drop by half in 2016 under the impact of the drought and intense heat that affected the region. If this unfortunate estimate is confirmed, the break in Conilon production could put at risk the estimated record crop for Brazil of 52 million coffee bags in 2016.

Source: Reuters

PRODUCTION MAY INCREASE 80% IN TRIÂNGULO MINEIRO

Coffee growers in the Triângulo Mineiro region of Minas Gerais already celebrate an estimated 80% growth in output this season. This 20,000-hectare Arabica coffee area should produce over 800,000 bags in 2016, compared to 450,000 bags in 2015. Apart from favorable climate, an important contribution will come from areas that had been pruned and did not produce last year.

Source: Globo G1

DIFFERENCE BETWEEN ARABICA AND CONILON PRICES GOES DOWN

The difference between Arabica and Conilon prices ("arbitrage") has decreased in April according to data from the Center for Advanced Studies in Applied Economics (Cepea). While the values for Conilon/Robusta remained firm in the domestic market, those of Arabica fell. The difference is likely to narrow even more over the following weeks since the 2016 Conilon production will be smaller than in 2015 and the Arabica crop will be larger.

Source: CaféPoint

JACOBS DOUWE EGBERTS TO ACQUIRE ANOTHER BRAZILIAN COFFEE ROASTER

Jacobs Douwe Egberts Brazil, owner of the leading Pilão coffee brand, has announced its intention to acquire Seletto, a roasting company based in Minas Gerais. The transaction is currently under analysis and should be concluded during the first semester of 2016.

Source: CaféPoint

SCIENTIFIC AND MANAGEMENT RESPONSES TO TRAUMATIC INCIDENTS THAT AFFECT COFFEE GROWING

Invited to be the commencement speaker at the program that originally took me to the Massachusetts Institute of Technology (MIT), the Special Program for Urban and Regional Studies in Developing Countries (SPURS), I came across work on the challenges of learning from practice, in the case applied to public planning efforts. As it happened so many times in my past work, I again reframed experiences and approaches elsewhere, in other fields, to help me understand our coffee world better. The case in point is how coffee growers, their countries and national and international institutions reacted to what I call traumatic incidents, for example, recent coffee leaf rust outbreaks, climate change and the quick spreading of berry borer.

The traumatic incidents above have caused substantial production losses in recent years and they have generated scientific responses at several levels. The rust outbreak in Central America, Mexico and Peru has prompted the search for new resistant varieties, berry borer infestation in Colombia has called for greater emphasis on biological forms of control, and climate change mitigation is the focus of many national and multinational programs that include not only research but also practical recommendations to coffee growers, to mention some of the responses.

In visiting affected areas of Mexico, Central America and Colombia as well as areas that suffered with recent droughts in Brazil, it was striking to see how younger and more vigorous coffee areas resisted in a much better way and/or recovered much faster. It is not a secret for agronomists and experts and obvious even to laymen like myself that younger coffee trees as well as those with proper nutrition and subjected to preventive protection against usual plagues and diseases stand a much better chance to resist to traumatic incidents like the ones I mentioned.

The recovery of production in Colombia due to renovation and in Honduras where the average age of coffee trees is probably the smallest in Central America besides the way many Arabica plantations in Brazil recovered from drought bear witness to the need to add management to scientific measures to prevent or minimize the impact of traumatic incidents. By management reaction I mean, first, to use proper nutrition and crop protection procedures and, second, to create the conditions to bring about renovation of coffee areas when they grow old and less productive. Obvious as this may sound, it is not being done in many coffee producing countries with consequent losses that can in theory be at least avoided. In cases where such management measures are fully absent, coffee production may become an exercise of simply extracting production of existing trees while they last. This may not have been the case of most areas that were hit harder but it is clear that one or several management measures were missing there.

I do know that some of the management measures I suggest are the Good Agricultural Practices (GAP) that derive from scientific work and should be used by coffee growers. However, I prefer to list them under management reactions because science has already been incorporated into these practices and what is missing is their more widespread use because of poor micro or macro management, within or beyond farm gate, respectively. In other words, the coffee growers most affected may have restricted the use of such GAP because they were either using their resources elsewhere and consciously neglecting their coffee or they lacked such resources and there were no efficient systems beyond farm gate to provide them, for example, extension and financial services, active future markets or barter systems, to mention only a few.

In summary, there is a management problem that is compounded by lack of resources in the countries that suffer the most from traumatic incidents and unless these problems are addressed the scientific work on new varieties and coffee and climate, for example, is likely to have a limited impact on these countries and will be more effectively used to improve the competitiveness of those that are already better off! How to break this vicious circle?

The solution is clearly beyond the coffee grower and probably beyond the coffee sector itself. It lies with government priorities, economic system, cultural aspects, the relative power of coffee institutions, etc. For example, the governments of the most affected countries will have to decide whether to increase support for the coffee business and this will depend on hard-currency and employment generation among other priorities. It may be argued that the quota system that once existed created some level of price support and income transfer from consumers to growers in countries belonging to the system. But the quota system was eventually destroyed by the market distortions that it created. In the lack of government or other support an alternative may be to focus on the production of higher quality coffee, micro-lots, fair and direct trade, etc. but the ability to sustain a whole coffee sector with such actions is limited.

Going back to the initial analogy with planning, if I found out there that the challenge is to learn from practice, I may have concluded in this article that here we can learn from practice but the challenge is how to act on what we have learned.



WELL OVER HALF OF ALL COFFEE CONSUMED IN THE WORLD TODAY GOES THROUGH AT LEAST ONE PINHALENSE MACHINE!

TO GO BEYOND BRAZIL AND INTO OTHER COFFEE PRODUCING COUNTRIES REQUIRED EXTENSIVE RESEARCH AND WORK TO UNDERSTAND HOW COFFEE IS PROCESSED IN EACH AND EVERY ONE OF THE 92 COUNTRIES WHERE PINHALENSE MACHINES OPERATE TODAY.

TECHNOLOGY, EFFICIENCY AND QUALITY BESIDES A LONG TRACK RECORD OF SUPPLY IN COFFEE PRODUCING COUNTRIES IN THE 5 CONTINENTS BEAR WITNESS TO THE FACT THAT PINHALENSE LIVES UP TO ITS CLAIMS AND DELIVERS WHAT IT PROMISES.

FOR SIX-AND-A-HALF DECADES THE NAME PINHALENSE HAS MEANT SOLUTIONS THAT HELP CLIENTS MAKE MORE MONEY: HIGH EFFICIENCY, ASSURED QUALITY, RELIABLE SERVICE, EFFICIENT TRAINING AND FAST DELIVERY.

WHEN YOU THINK COFFEE PROCESSING, THINK PINHALENSE. THE RIGHT CHOICE.

Brazilian Prices

Main Producing Regions / Farm Gate

April 29, 2016

| Arabica Naturals (R\$/ 60 kg bag) | | Conilon / Robusta (R\$/ 60 kg bag) | |
|--|----------|------------------------------------|----------|
| Cerrado MG | 485,00 ↓ | Colatina-ES fair average price | 380,00 ↑ |
| Mogiana | 480,00 ↓ | | |
| South Minas | 480,00 ↓ | | |
| Arabica Pulped Naturals (R\$/ 60 kg bag) | | BM&F (US\$/60kg Arabica bag) | |
| Cerrado MG | 505,00 ↓ | May 2016 | 136,00 ↓ |
| South Minas | 500,00 ↓ | Sep 2016 | 144,45 ↓ |
| | | Dez 2016 | 147,70 ↓ |
| | | Real R\$ / Dolar US\$ | |
| | | Apr 29, 2016 | 3,45 ↓ |

+ 5.2%

Source:
www.qualicafex.com.br