

CONFIDENTIAL

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

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PINHALENSE LAUNCHES ZERO WATER PULPER ECO SUPER IN BRAZIL

The largest coffee trade fair in Brazil – Expocafé – was the site for the unveiling of the new Pinhalense ECO SUPER coffee pulper with unripe cherry separator that requires no water to operate. Said by many growers to be the Expocafé single event that attracted the most people, the ECO SUPER launching brought to Pinhalense's large booth a lot of people – growers of all sizes, coffee millers, researchers and the press – throughout the duration of the trade fair. Besides the new ECO SUPER pulper, other Pinhalense machines that caught great attention were the divided drum driers for micro-lots and the large self-propelled coffee harvester P1000 that is becoming a new market reference in mechanical harvesting.

Source: ADS



PULPER ECO SUPER D LAUNCHED ABROAD AT COFFEE GROWERS' EVENT IN UGANDA



Importer and supplier of agribusiness products and Pinhalense agent Brazafric has organized a conference series and trade fair with Brazilian exporters to East Africa in Kampala, Uganda. Pinhalense was one of the main exhibitors and made several presentations with João Alberto addressing milling and equipment and Carlos Brando covering market trends and opportunities for Uganda in the keynote speech. Other exhibitors offered farming tools and implements, irrigation systems, silos and grain handling equipment, color sorters, etc. The highlights of the event were the launching of the Pinhalense ECO SUPER D pulper with unripe cherry separator and the Small Holder Farmer kit, that includes a small Pinhalense pulper. Uganda is increasing its

production of premium washed Arabicas and, as a result, pulpers that preserve the full quality of the beans are in high demand. The next Brazafric event of this series will take place in Dar-es-Salaam, Tanzania.

Sources: P&A and Uganda Broadcasting Corporation (UBC TV)

BRAZILIAN SPECIALTY COFFEES HIGHLIGHTED DURING OLYMPICS

The Brazil House in the 2016 Olympic and Paralympic Games in Rio has a special area dedicated to the country's specialty coffees. As part of the marketing program led by BSCA (Brazil Specialty Coffee Association) in partnership with APEX (Brazilian Trade and Investment Promotion Agency) and with support from Sebrae (Brazilian SME Service), the space offers attractive displays about coffee growing, preparation methods, coffee brands and maps of the different Brazilian origins, and is holding coffee tasting sessions open to the public several times a day. The coffees offered are produced by BSCA members and small growers supported by Sebrae in the main Arabica producing areas: South Minas, Matas of Minas, Cerrado, Mogiana, Bahia, North Paraná and Mountains of Espírito Santo. Brazil will produce around 8 million bags of specialty coffees in 2016; its main export destinations are the USA, Japan, Australia, South Korea and Taiwan. The coffee space at "Casa Brasil" will be open until September 18.

Sources: CaféPoint, BSCA and Coopeavi

AFRICAN DELEGATION VISITS ESPIRITO SANTO DURING ORIGIN TRIP

A high level delegation from Tanzania and Uganda, including Uganda Coffee Development Authority (UCDA) representatives, had a meeting at the Research, Technical Assistance and Rural Extension Institute of Espírito Santo (INCAPER) to learn more about production technology and techniques used to grow Conilon/Robusta. The group was hosted by the Institute's president, technical director and researchers

and visited a highly-productive – over 100 bags or 6 tons per hectare – Conilon farm in Fundão. Espírito Santo is the second largest coffee producing state in Brazil, with 435,000 hectares of planted area and average Conilon productivity above 30 bags (1.8 tons) per hectare. The meeting was part of a one-week Coffee Origin Trip organized by TravelBox with field visits and meetings in different coffee areas of South Minas, Mogiana and Espírito Santo; the group also had chances to see coffee being harvested and processed and to engage with relevant stakeholders, cooperatives, companies and researchers.

Sources: Incaper, P&A and TravelBox (contato@travelbox.com.br)



A THOUSAND DAYS THAT DISRUPTED ESPÍRITO SANTO

The Espírito Santo Conilon coffee producing areas that have been suffering from serious droughts in the last three years are only expected to recover in 2018/19. The situation of rain scarcity coupled with higher temperatures that has now reached 1,000 days has already led to a 28% increase in the price of Conilon/Robusta in the Brazilian market over the last 12 months. The state will produce only 5.5 million bags of Conilon this season, half of what was originally expected for 2016.

Source: Valor Econômico

ROBUSTA PRICES REACH NEW RECORD

Robusta continues to be negotiated at record prices in Brazil: R\$ 423,93 (US\$ 132) for a bag of Conilon was the price registered in Espírito Santo on August 11, the highest daily price of the entire historic series that started in 2001. The smaller Conilon supply in 2016/17 due to the drought should keep prices high in the short term.

Source: CEPEA

CONAB AUCTIONS COFFEE TO INCREASE SUPPLY

More coffee is being auctioned by Conab, the Brazilian agency in charge of warehousing and crop estimates, in an effort to control the latest price increases in the domestic market caused by the small Conilon crop. A total of 122,000 bags of 60Kg of average-quality Arabica coffee, 2002/2003 and 2009/2010 crops, stored in Minas Gerais, Paraná and São Paulo have been auctioned in two different dates two weeks apart.

Source: CaféPoint

RENOVATION LEADS TO HIGHER PRODUCTIVITY IN RONDÔNIA

Rondônia, in the northern part of Brazil, has witnessed a large increase in productivity. The state, which mostly grows Conilon/Robusta coffee, has been replacing old plantations with more productive and resistant clones. The region's average productivity of 12 bags or 720Kg per hectare in 2011 has increased to 20 bags or 1,200 Kg this year with a total output of 1.8 million bags in 2016, 90% of which Conilon.

Source: Valor Econômico

NEW PRUNING TECHNIQUE INCREASES CONILON PRODUCTIVITY BY 30%



A pruning technique introduced in northern Brazil may increase Conilon/Robusta productivity by 30% in the first commercial crop. It is performed in two steps: first, top-pruning followed by cleaning of the stems and then selection of sprouts and new cleaning of the stems. The technique allows the standardization of pruning. If the coffee trees are planted in January and the pruning is conducted in March, the technique may avoid flowering in July/August and the need to harvest in the first year whose production is very low and harvesting costs high.

Source: Uol

COOXUPE PREDICTS A DROP OF 6 MILLION BAGS IN MINAS ALONE IN 2017

Cooxupé estimates that the 2017 Minas Gerais' Arabica crop may vary between 17 and 18 million bags, a drop of 6 million bags compared to current year's production. The cooperative directors evaluate that the biennial nature of coffee production will be heightened next year due to climate effects. Cooxupé is the largest Brazilian green coffee exporter, with estimated sales of 6.1 million bags in 2016, 4.8 million of which to international markets.

Source: Agência Estado

SOUTH-SOUTH COLLABORATION AND THE PLIGHT OF THE SMALL GROWER

In round numbers, Brazil and Vietnam hold about 25% of the area planted with coffee in the world but together they produce 50% of the world crop. Again in round numbers, the two countries together have an average productivity between 25 and 30 bags of 60kg or 1.5 to 1.8 tons per hectare to be compared with under 10 bags/ha or 0.6 tons/ha for all the other producing countries combined. This alone is a sure indication that there is a lot of room for south-south collaboration, at least on how to increase productivity.

But the opportunities for collaboration do not stop there, in agronomy and technology, because productivity growth depends not only on what happens within farm gate but also beyond it. For example, are the new varieties and fertilizers required to increase productivity available and can small holders access them? Also, is there an efficient system – extension service – to transfer technology and train growers on the techniques required to increase productivity?

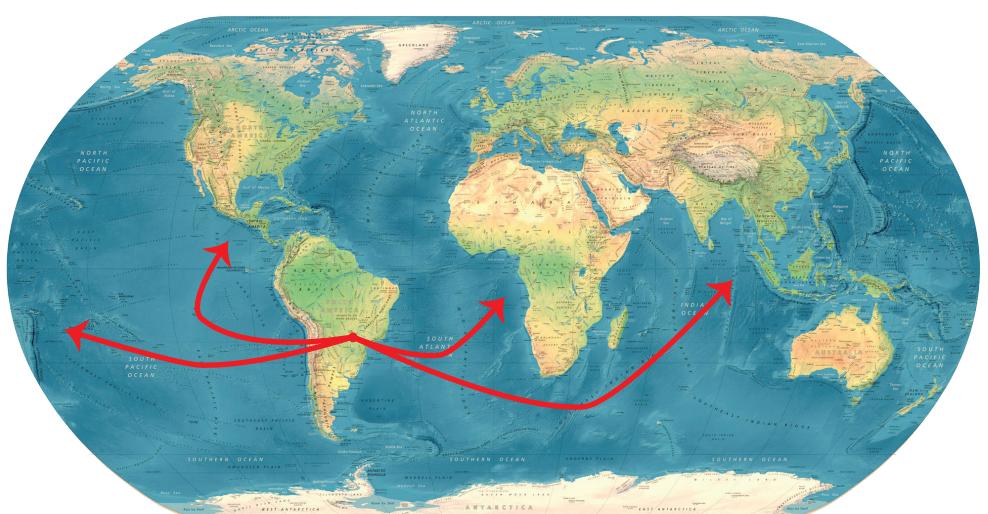
Looking at it from another perspective, Brazil, Vietnam and Colombia transfer from 80 to 90% of the FOB export price to their coffee growers which endows them with enough income and profit to buy the inputs, crop protection products and equipment required to increase productivity. Besides having an efficient coffee supply chain that rewards growers, the availability of finance is another beyond-farm-gate factor that enables the funding of working capital for the procurement of fertilizers and agrochemicals and other within-farm-gate-technology investments that will conduce to higher productivity.

Can the lessons of Brazil and Vietnam be transferred to other coffee producing countries, especially those with average yields under 10 bags or 600kg per hectare?

Using the case of Brazil, Arabica and Robusta, there is no doubt that there is plenty of room and opportunities for south-south collaboration. Skepticism apart – what works there does not work here, what works in Brazil does not work in my country! – and with due adaptation and concern for local specificities, there are effective ways to transfer, from high to low productivity countries, the technology to produce more coffee in the same area. And this is only one area of possible cooperation. Is it not surprising that what north-south collaboration often does is to perform this same south-south technology transfer in a south-north-south triangular manner?

Perhaps there is not more south-south collaboration in the coffee world for lack of the necessary instruments (e.g.: foreign aid) or facilitators (e.g.: consulting companies). Another reason may be that attempts to collaborate via agreements between governments, for example between coffee research institutions, usually face resistance from growers in the more technologically advanced producing countries let alone the bureaucracy to implement them.

The most obvious way to bridge this gap and to effectively carry out south-south transfer of coffee-related technology and beyond-farm-gate institutional set-ups is the use of consulting companies and professionals in the more advanced producing countries that provide services to government, institutions or even the private sector in less advanced countries in what may range from Public Private Partnerships (PPPs) to purely private business. The rewards will be immense, specially for small holders who constitute both the vast majority of growers in the whole world and the ones who have productivities that are even lower than their countries' low averages.



ZERO WATER CONSUMPTION COFFEE PULPER ECO SUPER D



- No water consumption
- High capacity: 4 tons of cherry per hour per module
- Fine tuning, heavy duty green cherry separator
 - miller can decide what to separate
 - unique ability to meet clients' and market requirements
- Modular assembly
 - easy to combine modules in simple layouts
 - unlimited milling capacity
 - minimum space requirement
- Easy operation and adjustments
- Low maintenance
- The same well-known superb performance of **ecoflex** pulpers but without water consumption

Pinhalense's new ECO SUPER pulper was thoroughly tested in several sites in Brazil before it was officially launched. The new machine is now being installed abroad to adjust it to different conditions not usually found in Brazil and to different market requirements. Even though machinery layouts and projects can already be prepared for clients along with quotations, the new ECO SUPER D will only be available for delivery/shipment in the second quarter of 2017, after the fine tuning abroad is completed.



Please contact the Pinhalense / P&A agent nearest to you or P&A itself for additional information, layouts and prices.

Brazilian Prices

Main Producing Regions / Farm Gate		August 31, 2016	
Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	515,00 ↓	Colatina-ES fair average price	422,00 ↑
Mogiana	510,00 ↓		
South Minas	510,00 ↓		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	Real R\$ / Dolar US\$
Cerrado MG	565,00 ↓	Sep 2016	172,00 ↓ Aug 31, 2016 3,24 =
South Minas	560,00 ↓	Dec 2016	176,50 ↓
		Mar 2017	180,80 ↓
+ 10.8%		Source: www.qualicafex.com.br	