

CONFIDENTIAL

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

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NEW FASHIONABLE USES FOR COFFEE GROUNDS

A Brazilian designer has been creating accessories known as bio jewels and decorative objects that sustainably reuse the coffee grounds generated by coffee shops. Vegetable resins are added to the coffee grounds to become earrings, necklaces, bracelets, trays, pots and even wall covering in a cold process that does not require energy. The artisanal work collects 15 kg of coffee grounds every week and transforms them into 50 pieces that are sold online and in physical stores in Rio de Janeiro, São Paulo, Campinas and Ribeirão Preto.

Source: ABIC



RECORD CROP IS ALMOST GONE

Although Brazil registered a record crop in 2018, exports and domestic demand have also been high. With exports expected to reach 38 to 40 million bags in the 2018/19 cycle (July to June) and consumption absorbing 22 million bags, there will not be much coffee left soon. Brazil's current share of the global coffee market is 35% according to the Brazilian Coffee Exporters Association (Cecafé).

Sources: Café Point and Folha de São Paulo

IN 5 YEARS BRAZIL EXPORTS EQUIVALENT TO WORLD'S PRODUCTION

Brazilian coffee exports reached 174.25 million bags and generated a total revenue of US\$ 28.62 billion in the five years from 2014 to 2018. Coffee exports in 2017 totaled 31 million bags with revenue of US\$ 5.25 billion whereas 35.6 million bags were exported in 2018, 15% more but with a smaller almost equal revenue of US\$ 5.15 billion. Despite the lack of growth in revenue between 2017 and 2018, coffee is still among the top five products in the Brazilian agri-exports ranking: soybeans, meat, sugarcane, forest products and coffee.

YEAR	BAGS (MILLION)	TOTAL (US\$ BILLION)	US\$/BAG	US CENTS/LB
2014	36.43	6.61	181	1,37
2015	37.02	6.16	166	1,26
2016	34.27	5.45	159	1,20
2017	30.93	5.25	170	1,29
2018	35.61	5.15	145	1,10
TOTAL	174,25	28.62	---	---

Source: Embrapa Café

IRRIGATION SYSTEMS AVAILABLE FOR SMALLER GROWERS

A presentation at FENICAFE, the National Coffee Irrigation Fair, that took place on March 19 to 21 in Araguari, Minas Gerais, showed how small and medium-size growers can adopt ferti-irrigation systems to increase productivity and lower production costs. Generally speaking, a traditional coffee grower can harvest 30 to 40 bags per hectare in Brazil whereas with a technological package including irrigation they can achieve up to 120 bags/ha. Technology is required to make smaller growers profitable and irrigation is a way to do it.

Source: Fenicafé

EMBRAPA RONDÔNIA PRESENTS NEW HYBRID CULTIVARS

Ten new hybrid clonal coffee cultivars developed by Embrapa Rondônia for the Amazon region, that resulted from the breeding of plants in the Robusta and Conilon groups, will be presented to coffee growers, nursery owners and technicians in April. The goal is to join the forces of research, rural extension, state government and growers to further develop coffee in the region and increase sustainable production. The new hybrid clones are adapted to the Amazon basin conditions and present high productivity – over 100 bags/ha – and resistance to leaf rust.



Source: Embrapa

NEMATODE PREVENTION IN COFFEE SEEDLING PRODUCTION IN RONDÔNIA

The Rondônia Agriculture, Forestry and Livestock Sanitary Protection Agency has implemented a prevention program to control the dissemination of nematodes (*Meloidogyne* spp.) via coffee seedlings. Positive effects have already been observed such as improvements in the physical structure and cultural practices adopted by growers that produce seedlings. While approximately 5% of coffee seedlings were not allowed to be commercialized due to nematode contamination in Rondônia state in 2017, that number dropped to 1% in 2018 in a clear indication of the benefits of the program.

Source: Notícias Agrícolas

BRAZILIAN COFFEE CHAIN TO INVEST IN ROASTING OPERATION

The Brazilian specialty coffee chain Santo Grão will invest R\$ 1 million (US\$ 265,000) in a roasting facility in the outskirts of São Paulo city. The idea is to supply the roasted product to its eight stores and also roast for other clients. The operation will have the capacity to process 20 tons of coffee per month of which 6 tons will go to the chain itself. Santo Grão outsourced roasting up to now; its expectation is to improve the already high quality of the coffee it serves by carrying out roasting itself.

Source: Valor Econômico

GCP BRAZIL PRESENTS ACHIEVEMENTS AND PLANS AT NAIROBI SUSTAINABILITY SEMINAR

CeCafé's Marcos Matos presented on the Global Coffee Platform's Brazilian Member Initiative on Responsible Use of Agrochemicals and ABDI's consultant Aguinaldo Lima reported on the unique plan to create the world's first Sustainable Geographic Indication that will use GCP's Brazilian Coffee Sustainability Curriculum.

Source: CeCafé

PROMOTION OF COFFEE CONSUMPTION TO OVERCOME CRISIS

There was a proposal at the previously mentioned Fenicafé event to establish a strategy focused on the promotion of consumption in partnership with other producing countries to counter the current low coffee prices. Promotion of consumption should be the way to move forward because supply surpluses are cyclical and miraculous solutions do not work. The price crisis was also a major theme at the ICO meetings in Nairobi where export/producing country delegations emphasized the fundamental importance of promoting domestic consumption to counter low prices. The World Coffee Producers' Forum, to take place in Campinas, Brazil, next July, has chosen promotion of consumption as the subject of one of its three main panels.

Sources: ABIC, CNC and P&A

Brazilian Prices

Main Producing Regions / Farm Gate

March 29, 2019

Arabica Naturals (R\$/ 60 kg bag)

Cerrado MG	380,00 ↓
Mogiana	375,00 ↓
South Minas	375,00 ↓

Arabica Pulped Naturals (R\$/ 60 kg bag)

Cerrado MG	395,00 ↓
South Minas	390,00 ↓

+ 5.3%

Conilon / Robusta (R\$/ 60 kg bag)

Colatina-ES fair average price	296,00 =
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BM&F (US\$/60kg Arabica bag)

Mar 2019	115,00 ↑
Sep 2019	117,70 ↓
Dec 2019	120,90 ↓

Real R\$ / Dolar US\$

Mar 29, 2019	3,92 ↑
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Source:
www.qualificafex.com.br

PROMOTING CONSUMPTION AS A REMEDY FOR LOW COFFEE PRICES AND DECAYING SUSTAINABILITY... REVISITED

Promotion of consumption as an antidote to the current low coffee prices was often mentioned in the recent ICO meetings held in Nairobi, with emphasis on the potential for growth in China and India. The ICO's Promotion and Market Development Committee recommended that the Organization should update its Step-by-step Guide to Promote Coffee Consumption in Producing Countries, originally created in 2004.

As I presented to the Committee, the time has indeed come to update the Guide to incorporate experiences from programs and actions that used it; to account for changes in the "environment" – digital world, coffee market, coffee preparation and demography –; and to benefit from other trends and opportunities, e.g.: the factors behind growth in countries that do not have programs to promote consumption and the possible use of sustainability to spur consumption. Long as this list may be, it deserves due consideration.

Is sustainability a valid argument to be explored to promote coffee consumption? Whereas sustainability is often approached from the negative end of not being contemplated in production in some areas, I want to take a positive view and argue that one can make the world better by consuming more coffee. The more coffee is consumed, the greater the chance that the price paid by consumers will help the growers and workers behind the 12 million coffee farms in the world to produce more sustainably, economically, socially and environmentally. Is this too far fetched?

Can the same successful pre-competitive coalitions of industry that were behind successful programs to promote coffee consumption in producing countries like Brazil, Colombia and others be used in traditional, consolidated markets like Europe, where rates of consumption growth are the smallest of any region? Is this achievable? What are the preconditions to do this? The pre-competitive efforts of these coalitions can be critical to support promotional ideas, such as sustainability in coffee-producing areas or the positive impacts of coffee drinking on health and well-being.

Going back to producing countries, is it the role of growers and their associations to initiate programs or should this be done by the supply chain as a whole with industry and even retail at the forefront, as proposed by the ICO Guide? Important as it is that the industry leads the efforts in producing countries, this is even more crucial in China and even India, where the size of potential consumption may well extrapolate local production. Also, efforts should not be restricted to these countries but include other areas, like Africa, where a young and fast-growing population tied to low per capita consumption figures point to an extraordinary growth potential.

Last but not least, it is crucial to understand at which coffee wave or waves a country is and what disposable incomes are in order to properly tune the promotion programs to consumers' expectations and ability to pay, lest these initiatives either fail altogether or fall short of results that could be achieved.

Daunting as the challenges may be, sufficient real-scale evidence exists to justify facing them. These are the cases of Brazil, whose successful experience motivated the preparation of the ICO Guide in the first place; Colombia, whose textbook use of the Guide proved that it works; and the USA and Indonesia, where consumption has recently grown in a marked way without promotion programs. The strategies for growth without programs should be also included in the upgraded ICO Guide.



NEW PINHALENSE DRYING CONTROL SYSTEM WITH UNIQUE THREE TEMPERATURE MEASURING POINTS

- Simulation of sun-drying conditions in a controlled environment
- Automatic temperature control in coffee mass
 - lower temperature oscillation
 - customized drying curves
- Better control of coffee quality
- Shorter drying time
- Lower fuel consumption

**SEE IT WORKING
AT PINHALENSE'S BOOTH NO. 770
AT THE SCA EXPO**

