

CONFIDENTIAL

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

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ADDITIONAL FUNDS TO RECOVER DROUGHT AFFECTED COFFEE

The National Agricultural Confederation (CNA) has requested and the Brazilian Coffee Policy Council (CDPC) has approved the release of R\$ 150 million (US\$ 26.5 m) for the recovery of areas affected by the drought especially in Minas Gerais and São Paulo states. The fund is a supplementation of an existing Funcafé line. In addition, the credit limit per hectare of coffee crop has been expanded by 170% to make it consistent with the drought recovery costs.

Source: CNA



COFFEE SECTOR WELCOMES LABOR LAW UPDATE

The updated content of Regulatory Norm No. 31 (NR 31) released by the Ministry of Economy's Social Security and Labor Secretariat was positively received by the coffee sector because it presents greater clarity and directness in specific points regarding field activities. Important improvements refer to new training methods, that can now be either online, semi-presential, or in-person, clearer language and less bureaucracy for implementation, and greater legal security for all involved.

Source: CNC

RECORD REGISTRATION AT "FLORADA PREMIADA" WOMEN'S ONLY CONTEST

The 2020 edition of 3 Corações' "Florada Premiada" Contest, in partnership with the Brazilian Specialty Coffee Association (BSCA), exceeded expectations and achieved a record of 950 women growers registered from all Arabica producing areas. The winner coffee lot of each region can be sold to 3 Corações at double the market price and will be marketed in customized packaging. The "Florada Premiada" Contest is part of the 3 Corações' Florada Project created exclusively for women growers and aims at recognizing and enhancing the production of specialty and micro-lot coffees. Consumers can acquire such coffees through the Join the Women Campaign and ensure that 100% of the profit is reverted to the women who produce them.

Source: Notícias Agrícolas



GIANT CONILON COFFEE TREE IS FOUND IN BRAZIL

A peculiar coffee tree was found at a rural property located in São Luiz de Miranda, district of Espírito Santo state. It is the oldest Conilon coffee tree in the region and is considered the largest in Brazil. The plant is six-meter high, was planted in 1970 and has been producing since then. The giant coffee tree has already produced a record 32kg of green coffee in the past and is still producing an average of 20 to 30kg per year. Clones considered to be more resistant to diseases have already been developed from it.

Source: Campo Vivo

SUSTAINABLE CERTIFICATION RULES SHOULD BE REVIEWED IN BRAZIL

The main Brazilian entities – CNC, CNA and Cecafé –, that represent coffee growers and exporters in the country, requested the revision of Rainforest Alliance's 2020 Sustainable Agriculture Regulation due to the excessive and unreal restrictions imposed by the document.

The restrictions can directly impact coffee growers' productivity and income. A decrease in productivity can encourage the expansion of planted area which would be a step backward on gains Brazil has already obtained. The entities request a more agronomic and balanced view from the certifier.

Source: Valor Econômico

☉ COFFEE BERRY BORER CAN REDUCE THE WEIGHT OF COFFEE BEANS BY 50%

It is well-known that coffee berry borer can negatively affect coffee, reducing the bean weight by up to 50%. As the plague attacks the coffee bean, the grower should carefully conduct its harvesting and make sure that no beans are left behind. Additionally, monitoring is a key procedure to control the plague and to avoid losses.

Source: Paraná Rural Development Institute

☉ YARA AND SEBRAE COME TOGETHER TO SUPPORT SMALL GROWERS

One of the main fertilizer companies in the world, Yara, in partnership with the Brazilian Agency for the Promotion of Small Business (Sebrae) will offer technical content in presential and online actions to 3 thousand people in 10 Brazilian states. The action will have three work fronts – small businesses in the 14 segments most affected by the pandemic, the foodservice sector and small growers – and aims at helping them become more digital when offering their products and services. Contents about finance, women entrepreneurship, digital marketing, management of rural productivity, etc. will also be available in a virtual platform.

Source: Valor Econômico

☉ CHINA IS INCREASINGLY ON BRAZIL'S COFFEE RADAR

Although tea is still the traditional drink in China, the Brazilian Coffee Exporters' Association (Cecafé) is designing a campaign to take advantage of the country's growing appetite for coffee. The entity will produce educative videos and printed materials explaining the Brazilian coffee production, from seed to cup, as well as with information about quality and origin certification and the new sanitary procedures due to Covid-19. The materials will be distributed in Chinese coffee shops and supermarkets.

Source: Peabirus



☉ BRAZIL EXPANDS ITS MARKET SHARE IN ARAB COUNTRIES

Brazilian coffee exports to Arab countries increased by 7.3% from January to September 2020 when compared to the same period in 2019. The average annual growth rate between 2010 and 2019 was 3.8%. Quality and sustainability of the Brazilian coffees are the main reasons for such market share expansion. Exports to Argelia increased 328.8% between 2010 and 2019, followed by Jordan with an increase of 16.3%, Syria with 13.1% and Tunisia with 10.3%.

Source: CCCMG

Brazilian Prices

Main Producing Regions / Farm Gate

October 30, 2020

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	505,00 ↓	Colatina-ES fair average price	400,00 ↑
Mogiana	500,00 ↓		
South Minas	500,00 ↓		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	575,00 ↓	Dec 2020	113,50 ↓
South Minas	570,00 ↓	Mar 2021	114,40 ↓
		May 2021	115,20 ↓
		Real R\$ / Dolar US\$	
		Oct 30, 2020	5,74 ↑

+ 15%

Source:

www.qualicafex.com.br

A BRAVE NEW COFFEE WORLD AND COVID-19

Social distancing and lockdowns, now returning to Europe, have affected coffee consumption patterns, with greater in-take at home and falling demand in coffee shops, office coffee services, and hotels and restaurants.

Large coffee shop chains have started to recover sales with the help of pick-up at their locations. Recovery of smaller chains and individual shops, that rely more on the experience of drinking coffee, is likely to be much slower and more dependent on the arrival of reliable vaccines. The higher income clients of these shops are switching to single serve or preparing coffee themselves with new equipment to enjoy a variety of products at home. The new consumption trends are also pointing to larger than before demand for lower cost coffees as a result of falling incomes due to the economic recession brought about by Covid-19.

The main impact of Covid-19 on production is smaller availability of labor to harvest coffee. This will intensify the on-going process of falling selectivity, with the percentage of fully ripe cherries picked decreasing even further and, consequently, the volumes of unripe, over-ripe and dry cherries increasing.

Will these trends in consumption and production affect what I call the brave new world of coffee processing, that includes honey coffees, fermentation of ripe cherries, pulping of over-ripe and even unripe cherries and more?

As explained in detail in the Outlook article in Confidential newsletter No. 118 (<https://bit.ly/3peWqD5>), whereas for over 150 years the world only knew about washed coffees and naturals, today the processing technology available enables the production of several other products: pulped naturals also called honeys, washed coffees or honeys from over-ripe and unripe cherries, and naturals that have fermented in many different ways.

The Covid-19 related trends mentioned above are likely to slow-down the rhythm of experimentation with fermentation, that produces coffees that appeal to the upper end of the market via individual or small-chain coffee shops. Smaller availability of labor may in turn call for wet milling technology that gets the best quality out of over- and under-ripe cherries that, coincidentally, are likely to be lower priced and to respond to an increasing demand for lower cost coffees. Finally, the likely gain in demand of large chains at the expense of smaller chains and single shops as well as the growth of single-serve may demand greater volumes of the consistent quality coffees that are used in what I call “world blends”. This will require coffees wet processed in a uniform way in central mills of different sizes instead of separately by a large number of growers, each processing coffee in a different and not necessarily standardized way.

We will continue to have a brave new coffee processing world during and post Covid-19 but demand in the short and mid run may change in favor of some specific processes and qualities. Wet mills will have to be flexibly designed to deliver the variety of products that will be required now and then, with attention to the opportunity for central milling of coffee from many growers.

COMBINED HULLING UNITS FOR WASHED, HONEY AND NATURAL COFFEES

Modern hi-tech Pinhalense post-harvest processing facilities use:

- mechanical siphons it invented and patented,
- vertical pulpers *preceded* by unripe cherry separators,
- vertical mucilage removers and
- rotary driers with exclusive digital controls

to create the unique family of coffee products described in the Outlook before.

As a result, demand has been increasing for flexible compact units that can alone process all these types of dry parchment and cherry coffee into green coffee micro, small and mid-size lots for export and growing domestic markets. Such combined hulling units are demanded not only by large farmers and small traders but also by large millers who want to create separate processing lines for specialty and certified coffees or to supply the local roast-and-ground and soluble industry.

Pinhalense responds to this demand with the state-of-the-art combined hulling set CON equipped with a parchment huller DCP for washed *and* honey coffees, that tend to clog conventional hullers-polishers. The CON-DCP sets are offered with outputs in the range of 600 to 1,200kg of green coffee per hour.



CON-6-DCP

run-of-the-mill (ungraded) coffee to local roasters and coffee buyers. If the client requires, the CON-DCP can be followed by a compatible size PFA size grader and/or MVF gravity separator thus creating a small coffee mill that can respond to quality and grading requirements of nearly any market: micro and small specialty lots, local and foreign roasters, and all types of gourmet, fine and commercial coffees.

In the case of even smaller capacities, Pinhalense offers the 300kg/hour C2DPRC huller-polisher and grader for parchment and cherry coffee that uses pneumatic elevators and has its own size grader. With fewer features than the CON-DCP, but with a built-in grader, the C2DPRC also meets the needs of growers, small millers and traders, and many markets.

In addition to the parchment huller for washed and honey coffees and the cold huller for cherry coffee, the CON-DCP combined hulling units incorporate all the features of the CON line, namely:

- precleaner (optional),
- floating-bed destoner,
- oscillating screen to separate unhulled coffee to be repassed and to separate hulled coffee in two sizes,
- built-in repassing facility and
- catador to separate defects (the less dense fractions).

If polishing is required, the CON or CON-DCP may be followed by a DBD polisher of adequate capacity.

The CON-DCP units offer all the advantages of the CON line:

- 100% hulling,
- higher hulling yields,
- low energy consumption,
- reduced space, etc.

The CON-DCP is a compact coffee mill itself that can deliver finished



C2DPRC