

CONFIDENTIAL

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

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☉ SOLUBLE COFFEE INDUSTRY PLANS TO INCREASE EXPORTS BY 50%

Top executives of five Brazilian soluble coffee industries met to discuss the Brazilian Soluble Coffee Development Plan during a workshop organized by the Brazilian Soluble Coffee Industry Association (ABICS) in São Paulo. The plan aims to increase soluble exports and domestic consumption by 50% over the next 10 years. Some of the actions planned aim to correct structural distortions that impair industry competitiveness, to establish partnerships with Robusta/Conilon growers to guarantee access to raw material in competitive conditions, and to decrease taxes and tariff barriers imposed by the European Union and Japan. Brazilian exports of soluble coffee have not grown for over 10 years now, with its share of global exports decreasing from 14.5 to 9.8% in the period. The Brazilian Soluble Coffee Development Plan will soon be officially presented to the other sectors of the coffee supply chain and the Brazilian Government.

Source: ABICS

☉ GREATER RESOURCES FOR FAMILY FARMING, COFFEE INCLUDED, IN 2015

Funds totaling R\$ 28.9 billion (US\$ 9 billion) were released by the federal government as part of the Family Agriculture Plan. The increase in resources of 20% compared to last year is specially beneficial to the coffee sector since 81% of Brazil's coffee growers are considered family farmers according to the 2006 Agricultural Census conducted by the Brazilian Institute of Geography and Statistics (IBGE). Pronaf, the National Program for Family Agriculture, offers three types of credit lines – husbandry, investment and commercialization – with different terms of payment and interest rates that vary between 2 and 5.5% per annum depending on the region and amount financed.

Source: CaféPoint

☉ MINAS GERAIS GOVERNMENT INVESTS IN GEOREFERENCING OF COFFEE AREA

The government of Minas Gerais recently announced an investment of R\$ 5 million (US\$ 1.6 million) to georeference the state's coffee areas, an old claim of local growers. The initiative will involve the Federal University of Lavras (UFLA) and other relevant research institutions to map the coffee producing areas in order to support more accurate crop estimates and more efficient policies for the sector in the future.

Source: Agência Estado



☉ TECHNOLOGY AND GENETICS BOOST CONILON PRODUCTION IN RONDÔNIA

New coffee cultivars, technologies and production systems are helping to improve the coffee sector in the state of Rondônia in the northern part of Brazil. Growers expect better results for this crop after the adoption of the Ouro Preto cultivar developed by the Brazilian Institute of Agricultural Research (Embrapa) in a research project that took over 20 years. With correct husbandry and without irrigation, this cultivar adapted to local conditions presents average yields of 70 bags per hectare to be compared with the area's average of 18 bags/ha. Rondônia, the second largest Robusta coffee producing state in Brazil after Espírito Santo, will harvest 1.7 million bags of Conilon in 2015 according to Conab.

Source: Globo Rural

INCAPER TO IMPROVE CONILON GENETICS

The Agricultural Research and Extension Services Institute of Espírito Santo (Incapar-ES) recently announced a new research project to improve the genetic base of Conilon coffee and to develop material resistant to coffee leaf rust and drought. The project, named "Populational Enhancement of *Coffea canephora* in the State of Espírito Santo", was approved by the Foundation for the Support to Research and Innovation in Espírito Santo (Fapes). The information and technologies to be generated by the project will be made available to the coffee scientific community, technicians and growers and disseminated through the distribution of seeds and seedlings and other methods of propagation.



Source: CaféPoint

COCAPEC FINDS NATURAL SOLUTION TO COMBAT LEAFCUTTER ANTS

One of the main plagues in all crops, the leafcutter ant causes damages to virtually all cultures including coffee. In an effort to take care of this problem, the Coffee Growers Cooperative in the Mogiana Region of Franca (COCAPEC) has developed a sustainable and environmental-impact-free product called Bio-isca (biological bait) after 10 years of extensive work. Produced from natural extracts, the formicide is 100% natural and eliminates anthills without any ecological damage. The biological bait has undergone many tests in renowned Brazilian institutes and reforestation enterprises and received IBD certification of compliance with European, American and other international organic farming standards.

Source: Revista Attalea Agronegócios

"GOOD FUNGUS" CAN IMPROVE COFFEE VALUE BY 30%

The Agricultural and Livestock Research Institute of Minas Gerais (EPAMIG) recently presented the results of an 11-year-long research project carried out in association with the Federal University of Lavras (UFLA) about a product created from the *Cladosporium claridospoides* fungus, discovered in 1989, that can fight fungi that are harmful to coffee quality. Researchers developed this product from a concentrated suspension of the "good" fungus, with no chemical additions. It has been applied in several coffee crops in Minas Gerais with surprising results. Tests have shown that the "bio-fertilizer" can add substantial value to the crop, up to 30%, because of its direct impact on the sensorial features of coffee. Duly patented, the new product is currently applying for commercial registration.

Source: CaféPoint

NEW STUDIES PRESENTED AT 2015 COFFEE SYMPOSIUM

Research, market trends and opportunities for the national coffee sector were discussed during the 9th Cafés do Brasil Research Symposium held in Curitiba, Paraná state. The event gathered more than 500 participants among growers, researchers and other stakeholders from 14 Brazilian states and also Puerto Rico and the USA. There were 22 lectures divided in 8 theme panels and scientific posters presenting the latest research developed by the institutions that integrate the Coffee Research Consortium coordinated by Embrapa Café.

Source: Agricultural and Livestock Research Institute of Minas Gerais (EPAMIG)

MAJOR FAST-FOOD CHAIN TO EXPAND BUSINESS WITH BRAZIL

One of the world's leading coffee shop chains, Canadian Tim Hortons, aims to expand its businesses with Brazil. The company plans an official mission to the country in August with the objective of visiting the main coffee producing areas of Espírito Santo and Minas Gerais. Thirty percent of coffee bought by Tim Hortons today is produced in Brazil, the equivalent of 700,000 bags. This number is expected to double with the visit and new deals reaching 1.4 million bags per year. With more than 3,000 units in Canada, Tim Hortons was acquired by Burger King in 2014 creating the 3rd largest fast-food operation in the world.

Source: Revista do Café

HOW RAIN DURING THE HARVESTING SEASON IMPACTS (OR NOT) COFFEE VOLUME AND QUALITY

The Brazilian harvesting season has been cloudier and wetter than usual this year. Half-way through the Arabica picking season, the number of overcast and rainy days supplants those of past years. The odd comment that one reads, that rain at this stage will cause more coffee to be produced and bring prices down, has prompted this article.

Rain at this stage of the production cycle cannot affect the volume of coffee to be produced. The coffee cherries are there to be picked and what changes is when they will be picked and how soon after they will be processed and reach the dry stage. The impact of rainy and overcast weather is primarily on the quality of coffee harvested under these conditions. Quality impacts, that are likely to result from delays in harvesting, processing and drying, may however be minimized with modern technology.

Rain prevents coffee from being harvested for obvious reasons: pickers cannot work and even large machines – self-propelled mechanical harvesters – cannot run properly. To make matters worse, since most coffee in Brazil is picked by workers who are brought in from outside the farms, overcast or rainy weather in the early morning or even in the previous day cause them not to show up for work which results in no picking that day even if weather improves. Delays in harvesting cause cherries to ripen beyond the ideal time to be pulped and expose cherries to the risk of dropping to the ground when they dry on the tree if not from wind and heavy rains. The impacts on quality are obvious: less pulped natural and washed coffees and unwanted cup features in cherries collected from the ground with the latter more critical as the picking season advances and more cherries are likely to fall from the coffee bushes. High moisture for extended periods can also cause or intensify rust outbreaks and undue fermentation of coffee cherries let alone early flowering.

When processing of the crop is delayed, the decreasing availability of ripe cherries limits the production of pulped natural and washed coffees that are associated with price premiums. Even though in theory “late harvesting” causes the percentage of unripe cherries to decrease and the sugar content to concentrate, odds are that a lot of cherries will eventually fall and suffer from the adverse quality impacts already mentioned.

The inability to pre-dry or fully dry coffee is perhaps the worst quality impact of adverse weather during the harvesting season. In spite of the fact that Brazil is by far the coffee producing country that uses mechanical drying the most, sun drying is still important in many areas, pre-drying under the sun is a requirement when driers are used, and the quality of drying is impaired by ever thicker layers of coffee that cannot be removed from the drying grounds and eventually force harvesting to stop altogether. Coffee that remains on drying grounds when it rains can suffer from unwanted fermentations and the resulting negative effects on cup quality in spite of existing ways to minimize them, e.g.: revolving coffee frequently at initial stages of drying or covering it at later stages. These palliatives may be effective when labor and space are available but this is not the case most of the time and especially when rainy and overcast days occur in a sequence. Overcast weather may be less damaging than rain but drying ground congestion does cause negative quality impacts too.

Even though climate-change induced adverse weather during the harvesting season can cause changes in the quality profile of Brazilian coffees and curtail the availability of high quality coffees as described above, the evidence so far this crop is that better management, improved logistics and advanced harvesting, processing and drying techniques are helping to prevent quality losses. As expected, good husbandry, technology and management can do wonders to mitigate the impacts of climate change. The overall result is that the Brazilian offer of coffee to the market is likely to have the quality required in spite of the rainy weather that will definitely not enlarge the size of the current crop.

Brazilian Prices

Main Producing Regions / Farm Gate

June 30, 2015

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	465,00 ↑	Colatina-ES fair average price	310,00 ↑
Mogiana	460,00 ↑		
South Minas	460,00 ↑		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F	
Cerrado MG	495,00 ↓	Jul 2015	160,15 ↑
South Minas	490,00 ↓	Sep 2015	161,55 ↑
		Dec 2015	164,70 ↑
		Real R\$ / Dolar US\$	
		Jun 30, 2015	3,10 ↓

Source: www.qualicafex.com.br

PRE-CLEANERS AND DESTONERS FOR COFFEE, GRAINS, NUTS AND SEEDS

Pre-cleaners and destoners, that remove dust, stones and other impurities from agricultural products, not only clean the products and improve their quality but also protect other machinery in the processing line against possible damages caused by stones and other unwanted materials. Pre-cleaners and destoners should ideally be placed as early as possible in the milling process. This will ensure that products will be processed with no damages to the machines and sold free of impurities.

Pinhalense PRELI pre-cleaners efficiently remove dust and other impurities like sand, small leaves, sticks, stones, among others, from agricultural products. The PRELI works based on aspiration, vibration and sifting. As the product enters the machine, light materials are sucked up by an upward moving air current and blown away. The product is then conveyed to two inclined vibrating screens assembled one above the other; one screen has holes larger than the product and the other has holes smaller than the product. The screen with large holes retains large impurities and lets the product pass through; the screen with small holes holds the product and lets small impurities pass through. The clean product is then discharged at the front of the machine. Due to a built-in system of interchangeable screens, the PRELI is capable of handling multiple products with the option to grade the product in two sizes.

Pre-cleaners cannot remove stones the same size as the product being cleaned. It is therefore advisable to have an equipment designed to remove stones after the pre-cleaning stage: a destoner.

Pinhalense fluid-bed destoners, available in the CPF and CPFBNR versions, efficiently remove stones of different sizes and other impurities from many products. The Pinhalense destoner is composed of an inclined vibrating metal screen with fans installed below the screen in order to create a strong upward air current that goes through the screen and causes the product to float. The sloped screen makes the floating product to move down while the “heavier” stones remain in contact with the vibrating corrugated screen and move upwards to be discharged behind the machine. The product free of stones is discharged in front of the destoner.



Bolts, screws, nails and other metallic materials can be removed before, during or after pre-cleaning and destoning using stationary or rotary magnets. These Pinhalense made devices can be installed at the feed point or at the outlets of the PRELI, CPF and CPFBNR machines.

Millers and traders in many countries have relied on Pinhalense pre-cleaners and destoners since 1950 to successfully deliver clean products, from small sesame seeds to large Brazil nuts, to buyers worldwide. Different products require different versions of the machines, e.g.: design and material of the deck, material of parts in contact with the product and electric control systems.