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COFFIDENTIAL

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

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NEW DOLCE GUSTO FACTORY STARTS PRODUCTION IN BRAZIL

The new Nescafé Dolce Gusto manufacturing unit officially opened in Montes Claros, Minas Gerais, last December will produce 360 million capsules per year. The first unit of the company outside Europe starts operation using solely Brazilian coffees; the two production lines will initially deliver four types of coffee capsules, with more beverages planned for 2016. The products will be sold in Brazil and also exported to Argentina, Paraguay and Uruguay. Investments of the order of R$ 220 million were made to build the unit as well as to develop a network of Brazilian coffee suppliers. In order to offer capsules with the same characteristics (flavor and aroma, for instance) as coffees produced in other Dolce Gusto units, the company had to search for Brazilian coffees that could replace other origins, e.g.: Robusta from Vietnam replaced by Conilon from Espírito Santo state and washed Arabica from Colombia, replaced by Arabica produced in the Chapadas and Cerrado regions of Minas Gerais. Dolce Gusto will soon offer a world-wide special edition made with 100% Brazilian coffees.

Sources: Nestlé via Notícias Agrícolas and Valor Econômico

PLASTIC CAPSULES FOR COFFEE TO BE MANUFACTURED IN BRAZIL

Attracted by the new Nescafé Dolce Gusto factory and the Três Corações capsule facility to be also built in Montes Claros, Minas Gerais, the German company RPC, that manufactures plastic coffee capsules, has announced plans to open a new unit in Montes Claros itself by the end of 2016. Brazil is Nestlé’s fourth largest market, after the USA, China and France, and the coffee capsule segment keeps growing despite the current crisis.

Sources: Valor Econômico and P&A

WILL HIGHER COFFEE PRICES AFFECT CONSUMPTION?

Prices of roasted and ground coffee increased 5.83% to the Brazilian consumer from January to October 2015; soluble coffee rose 9.38%. Although the rise in electricity and labor costs explains part of the increase, adverse weather and the devaluation of the Brazilian Real are the main reasons behind the hike in retail prices. Conilon, the Brazilian Robusta, used as raw material by both the R&G and soluble industries, is also contributing; its price increased 30% in the period. The national production of Conilon coffee reached only 10.9 million bags in 2015, 7 million of which were used by the R&G sector.

Source: Valor Econômico

SOIL COVERAGE WITH PLASTIC REDUCES COFFEE PRODUCTION COSTS

Trials with Arabica coffee grown in soil covered with a plastic tarp to control weed and reduce water consumption – a technique widely used in fruits and vegetables – was conducted in Monte Carmelo, Minas Gerais, during eighteen months starting in January 2014. The results indicate that coffee in such trials not only showed higher productivity but also used fewer inputs such as water (irrigation) and herbicides, thus lowering production costs. Costs to control weed and to irrigate were reduced by 38% and 28% respectively.

Source: Revista Attalea Agronegócios

ARABICA CULTIVAR DEVELOPED FOR TRADITIONAL ROBUSTA REGION

Arabica coffee experiments developed in the past 10 years by Embrapa Rondônia, in Northern Brazil, where temperatures are high and low altitudes prevail, are showing positive results. The first harvesting of these Arabica trials installed in municipalities of Rondônia and Acre states have delivered yields of 30 bags per hectare, above the national average. The coffee harvested presents high quality and desirable cup qualities such as good acidity, high body and caramel and chocolate notes. The selection of plants is currently underway; researchers expect that a new Arabica cultivar developed for the Amazon region will be ready by 2018.

Source: Embrapa Rondônia

MENTHOL FLAVORED COFFEE IDENTIFIED BY SCIENTISTS

The Specialty Coffee Program conducted by researchers of the Campinas Agronomy Institute (IAC), in the state of São Paulo, has identified coffees with exotic flavors – menthol, rosemary, eucalyptus, mint and spices – that impressed professional cuppers. These are wild coffee plants that can support studies towards the development of new Arabica cultivars with higher quality and different sensory profiles. The institute will need additional years to conclude this study and effectively create new cultivars.

Source: Gazeta do Povo, Agronegócio (Curitiba/PR)

THIRD AND FINAL COFFEE CROP FIGURES RELEASED

The 2015 Brazilian coffee crop should total 43.2 million bags according to CONAB's latest estimate released in December, a 5.3% drop compared to the 2014 coffee production of 45.6 million bags. Arabica production should be 32 million bags (74% of the total) while the Robusta/Conilon output should reach 11.2 million bags.

Source: Revista Cafeicultura

COOXUPÉ TO RECEIVE MORE COFFEE IN 2016

Cooxupé, the world's largest coffee cooperative and currently the largest coffee exporter in Brazil, plans to receive 4.9 million Arabica coffee bags from its associates and to acquire an additional 1.2 million bags from other partners in 2016. The total volume of 6.1 million bags will be 19% higher than last season's when the drought affected the production in Minas Gerais and other parts of the country. Cooxupé expanded its area of action and now has 33 units in the main coffee producing regions of Brazil.

Source: Valor Econômico

OUTLOOK FLASHBACK

FEB: CLIMATE CHANGE AND THE AVAILABILITY OF ARABICAS

http://www.peamarketing.com.br/imgs/pa_coffidential__91__february2015.pdf

MAR: BRAZIL COFFEE CONSUMPTION FACTS: WORLD'S LARGEST R&G MARKET

http://www.peamarketing.com.br/imgs/pa_coffidential__92__march2015.pdf

APR: THE FUTURE OF BRAZILIAN PRODUCTION: WHAT TO WATCH FOR

http://www.peamarketing.com.br/imgs/pa_coffidential__93__april2015.pdf

MAY: BRAZILIAN COMPANIES INVEST IN COFFEE ABROAD: BEER, WINE…AND COFFEE

http://www.peamarketing.com.br/imgs/coffidential_94.pdf

JUN: BRAZILIAN CROP ESTIMATES: HOW (NOT) TO USE THEM – THE ULTIMATE GUIDE

http://www.peamarketing.com.br/imgs/pa_coffidential__95__june2015.pdf

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

http://www.peamarketing.com.br/imgs/pa_coffidential__96__july2015.pdf

AUG: LEARN MORE ABOUT THE BRAZILIAN COFFEE BUSINESS WITH TRAVELBOX - (CUSTOMIZED COFFEE) TRIPS

http://www.peamarketing.com.br/imgs/pa_coffidential__97__august2015.pdf

SEP: COFFEE DENSITY AND PRODUCTIVITY

http://www.peamarketing.com.br/imgs/pa_coffidential__98__september2015.pdf

OCT: PREDICTING THE SIZE OF THE BRAZILIAN CROP: BEYOND FLOWERING

http://www.peamarketing.com.br/imgs/pa_coffidential__99__october2015.pdf

NOV: PRODUCTIVITY, EFFICIENCY OF SUPPLY CHAIN, FARM SIZE AND SUSTAINABILITY

http://www.peamarketing.com.br/imgs/pa_coffidential__100__november2015_151109014416.pdf

DEC: SERVICE DELIVERY MODELS TO INCREASE PROFITABILITY AND TO IMPROVE SUSTAINABILITY

http://www.peamarketing.com.br/imgs/pa_coffidential__101__december2015.pdf

FEB: COCOA PROCESSING EQUIPMENT

http://www.peamarketing.com.br/imgs/pa_coffidential__91__february2015.pdf

MAR: RETAINING COFFEE QUALITY AT TIMES OF CLIMATE CHANGE

http://www.peamarketing.com.br/imgs/pa_coffidential__92__march2015.pdf

APR: STAINLESS STEEL WET MILLING MACHINERY

http://www.peamarketing.com.br/imgs/pa_coffidential__93__april2015.pdf

MAY: HARVESTING, WET MILLING, HULLING AND WEIGHING MACHINES AT AGRISHOW

http://www.peamarketing.com.br/imgs/coffidential_94.pdf

JUN: EVER LARGER DRY COFFEE MILLS... FROM A SINGLE SUPPLIER - AN UPDATE

http://www.peamarketing.com.br/imgs/pa_coffidential__95__june2015.pdf

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

http://www.peamarketing.com.br/imgs/pa_coffidential__96__july2015.pdf

AUG: NEW FLOW SCALE SMART-FLUX

http://www.peamarketing.com.br/imgs/pa_coffidential__97__august2015.pdf

SEP: THE MICRO LOT PROCESSING JIGSAW PUZZLE: QUALITIES + FLOWS + LAYOUT + MACHINES

http://www.peamarketing.com.br/imgs/pa_coffidential__98__september2015.pdf

OCT: DECIDING WHICH MACHINE TO BUY: PRICES AND WHAT ONE DOES NOT SEE AT FIRST SIGHT

http://www.peamarketing.com.br/imgs/pa_coffidential__99__october2015.pdf

NOV: THE FUTURE OF DRY MILLING – PART ONE

http://www.peamarketing.com.br/imgs/pa_coffidential__100__november2015_151109014416.pdf

DEC: THE FUTURE OF DRY MILLING – PART TWO

http://www.peamarketing.com.br/imgs/pa_coffidential__101__december2015.pdf

Brazilian Prices

Main Producing Regions / Farm Gate — December 31, 2015

Arabica Naturals (R$/ 60 kg bag)		
Cerrado MG	485,00	=
Mogiana	480,00	=
South Minas	480,00	=
Arabica Pulped Naturals (R$/ 60 kg bag)		
Cerrado MG	575,00	↑
South Minas	570,00	↑

+ 19.8%

Conilon / Robusta (R$/ 60 kg bag)		
Colatina-ES fair average price	388,00	↑

BM&F (US$/60kg Arabica bag)		
Dec 2015	139,65	↓
Mar 2016	144,90	↓
Sep 2016	146,30	↓

Real R$ / Dolar US$		
Dec 31, 2015	3,90	↑

Source: www.qualicafex.com.br