

CONFIDENTIAL

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

THIS ISSUE:

- **A ROTARY DRIER FOR EVERY NEED, FROM MICRO TO LARGE LOTS (PAGE 3)**
- **A CALL FOR COLLECTIVE ACTION: TOWARDS A SUSTAINABLE COFFEE SECTOR (PAGE 4)**

COOXUPÉ EXPORTS COFFEE IN PAPER BAGS

A new coffee bag made of paper was first used by Cooxupé to export Arabica coffee in a container. The innovative 30kg-bag was developed in partnership with a leading Brazilian paper industry over the course of one year. The paper bags present higher potential to preserve coffee's original features than jute bags apart from not letting light through and being easier to handle and entirely recyclable. The paper bag has a very favorable cost-benefit relationship and will be used by the cooperative for further shipments to specific clients abroad.

Source: Cooxupé's press release



THE END OF THE JUTE BAGS?

The jute bag, a long-lasting symbol of Brazil's coffee export business, is being gradually discontinued. Ever growing costs, including labor and the costs of the jute bag itself, led exporters to adopt big-bags and coffee in bulk in shipments. Cooxupé has practically banned jute bags from its operations and a large coffee trader in Santos had 30% of its exports made in bulk in 2015. A quick calculation indicates that one worker using a fork-lift can fill a container with big-bags in just 25 minutes whereas 9 men are necessary to fill a container with jute bags in almost one hour. The widespread adoption of coffee in bulk will certainly reshape the coffee industry in the coming years.

Source: Revista Attalea Agronegócios

EL NIÑO AFFECTS CONILON PRODUCTION

Coffee production as well as that of cocoa and palm oil in several parts of the world may drop in the coming months due to El Niño. Dry weather caused by such phenomenon has affected coffee production in South America and raised concerns about the cocoa crop in Africa. In Brazil, the production of Conilon will decrease in 2016 with pressure on prices and depletion of stocks.

Source: Globo Rural

HIGHER QUALITY COFFEES RESIST SUGAR CANE EXPANSION

A recently released Embrapa study with 25 municipalities in the Mogiana area of São Paulo state, based on satellite images taken in the period from 1988 to 2015, indicates that contrary to what happened in other parts of the state, coffee producing areas expanded as well as those dedicated to sugar cane. In these municipalities, the area dedicated to coffee went from 57,900 to 111,000 hectares, doubling over the past 27 years. Sugar cane, on the other hand, went from 60,500 to 234,700 hectares. Pedregulho, Franca and Cristais Paulistas are towns where both activities grew expressively. The mapping also shows that coffee expanded in higher altitude mountainous areas where high quality beans can be obtained.

Source: Revista Attalea Agronegócios

ARABICA HARVESTING TO START EARLIER

Early ripening of Arabica cherries has been reported by growers in the Cerrado and South Minas areas of Minas Gerais and also in the Mogiana region of the state of São Paulo. Favorable climate conditions with abundant rains in February contributed to faster “filling” of cherries and a possible anticipation of harvesting in several producing areas. Growers, who plan to begin harvesting by mid-May, expect better quality and higher production in 2016. In Espírito Santo, however, reduced rainfall may lead to Conilon (Robusta) losses of up to 25% this season.



Source: Cafépoint

FUNCAFÉ MONEY TO BE RELEASED EARLIER

The Ministry of Agriculture, Livestock and Food Supply will anticipate Brazilian Coffee Fund (Funcafé) disbursements this year. The funds will go to credit lines to finance coffee operations such as harvesting and will also go to coffee research and training of technicians and growers

Source: CNC

HIGHER DENSITY AND MECHANIZATION FOR PROFITABILITY

In order to be more profitable coffee growers in the Cerrado region of Minas Gerais use high density planting with trees close together in the lines that have enough space between them to allow for mechanization. There is no standard pattern but for the lower-height Catuaí variety, the spacing used is 3.5 to 3.8 meters between lines and 0.5 to 0.7 m between plants. With this pattern there are more trees per hectare – from 4,000 to 5,300 plants – and it is possible to have high yields with mechanized harvesting. There are approximately 200,000 hectares of Arabica coffee, with an average productivity of 35 bags/ha in the Cerrado area.

Source: Cafépoint

NESTLÉ TO EXPAND CAPSULE PRODUCTION IN BRAZIL

Nestlé is planning to invest over 100 million Swiss francs (US\$ 100 million) this year to increase its capacity and competitiveness in Brazil, its fourth largest market. The expansion comprises the pet food and the coffee units where sales keep escalating despite the current crisis. Sales of Nescafé Dolce Gusto almost doubled in Brazil in 2015 leading the company to evaluate a potential expansion of the recently opened capsule factory in Minas Gerais.

Source: Valor Econômico

COFFEE EXPORTS AHEAD OF IRON ORE IN MINAS GERAIS

Minas Gerais green coffee exports surpassed those of iron ore by US\$ 5.4 million in January, a rarely seen event. Although not a trend, the fact indicates a change in profile of the main buying markets. According to specialists, if the devaluation of the Real (R\$) continues over the next months and international prices of iron ore remain on the downside, coffee may become the most important commodity exported by the state.

Source: Hoje em Dia, via Notícias Agrícolas.

Brazilian Prices

Main Producing Regions / Farm Gate

February 29, 2016

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	485,00 ↓	Colatina-ES fair average price	368,00 ↓
Mogiana	480,00 ↓		
South Minas	480,00 ↓		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	545,00 ↓	Mar 2016	126,10 ↓
South Minas	540,00 ↓	Sep 2016	138,20 ↓
		Dez 2016	141,55 ↓
		Real R\$ / Dolar US\$	
		Feb 29, 2016	3,97 ↓

+ 13.5%

Source:
www.qualifafex.com.br

A ROTARY DRIER FOR EVERY NEED, FROM MICRO TO LARGE LOTS

By offering single- and divided-drum rotary driers Pinhalense is able to cover a wide range of coffee drying needs, from only 2.5 to 18 cubic meters per batch, i. e., from 1 to 12 tons of wet coffee per load, as shown in the tables below.

SINGLE DRUM		DIVIDED DRUM		
SIZE	CAPACITY (m ³)	SIZE	CAPACITY (m ³)	
			PER DRUM	TOTAL
SRE-025X	2.5	SRE-050/100X	5.0	10.0
SRE-050X	5.0	SRE-075/150X	7.5	15.0
SRE-075X	7.5	SRE-090/180X	9.0	18.0
SRE-090X	9.0			
SRE-150X	15.0			

Added a few years ago to the traditional line of single-drum rotary driers, the divided-drum rotary driers are useful for:

- micro-lots,
- small growers at the beginning and the end of the harvesting season, when coffee volumes picked fall;
- for handling small lots processed by different methods (e.g.: parchment and cherry);
- for quality and variety trials; and also
- for mid-size and large growers active with small lots in the specialty coffee market.

In a word, the new line of divided-drum rotary driers was designed to complement the single-drum line and to increase drying flexibility for growers of all sizes and types from small to large, specialty to commercial, including sustainable and fair trade coffee suppliers interested in the traceability of small lots.



The new driers have two separate heat exchangers, one for each drying chamber of equal volume. This allows for the full flexibility of using the two half-drums in a completely independent manner, for different coffees at different drying stages and with different hot air and temperature requirements. Of course, the two half-drums can also be used with the same type of coffee if the need arises.

The tables above indicate that with the introduction of the divided-drum rotary driers Pinhalense now also offers a machine larger than its best-selling SRE-150X. The SRE-090/180X has a capacity to hold up to 18 cubic meters of coffee to be dried, 20% more than the previous largest model.

Besides increased flexibility, the new line of divided-drum rotary driers incorporates all the advantages of the SRE line of Pinhalense driers, namely:

- uniform drying,
- short drying time,
- quick loading and unloading,
- fuel savings,
- ability to burn coffee husk,
- long useful life and
- overhead loading silo (optional).

All Pinhalense rotary driers can be used to dry parchment and cherry coffee and to correct the moisture of green coffee received in dry mills with moisture levels above 12%.

AS A RESULT OF THE DEVALUATION OF THE BRAZILIAN REAL AND CHANGES IN PRODUCTION TECHNOLOGY, PINHALENSE ROTARY DRIERS ARE AT THEIR LOWEST PRICES IN THE LAST 10 YEARS AND MORE COMPETITIVE THAN EVER WHEN COMPARED TO DRIERS MADE IN MOST OTHER COUNTRIES. IN SPITE OF THIS PINHALENSE WILL LAUNCH A SPECIAL SALES CAMPAIGN SHORTLY. WATCH FOR IT!

A Call for Collective Action: Towards a Sustainable Coffee Sector

8th March 2016, Addis Ababa

A call for private sector leadership towards sector wide sustainability

To increase farmer resilience, improve livelihoods, strengthen coffee farming communities and reinforce the coffee sector as a whole, the private sector members of the Sustainable Coffee Program (SCP) and the 4C Association have taken the initiative to unite the sector through this Call for Collective Action announced today at the World Coffee Conference in Addis Ababa, Ethiopia. This Call for Collective Action calls for more collaboration and alignment within the sector.

We acknowledge the need for a farmer centric, sector-wide sustainability vision to unite the private sector, national governments and other stakeholders. Therefore, we publicly commit to show leadership through collective action under *Vision 2020 – Collective Impact for Sustainable Coffee Communities*.

We call on other companies, governments, producers and civil society organizations to join the movement.

Need for a broader comprehensive approach to sustainability

The coffee sector is facing a unique opportunity. The sector has come a long way in organizing itself and driving sustainability forward. Coffee is the first crop where voluntary sustainability principles reached the mainstream, where over one third of its production now meets one or more standards. Moreover, public and private stakeholders initiated numerous multi-stakeholder initiatives to accelerate sustainable coffee production. With the focus on voluntary certification and verification standards and programs, the sector took an important step towards sustainability. However, these steps are not enough on their own to address the more overarching and systemic sustainability challenges the sector is facing. Despite all progress, the sector continues to face threats related to climate change, pest and disease outbreak and aging trees. Moreover, the origins where farmer livelihoods failed to rise sufficiently see younger generations migrate away from coffee production.

The time has come for the coffee sector to continue its pioneering and leading role, and take a more collaborative, holistic and aligned approach to sustainability, aligning the different programs and initiatives towards a unified vision and progress framework.

Global framework for local action

The signatories of this Call for Collective Action stand united in the acknowledgement that a sustainable sector with an economic resilient farming system can only be achieved through shared responsibilities and collective action. We recognize the need for action through sustainable sourcing and in national and international public-private partnership models. We reinforce the importance of Vision 2020 as the overarching vision for a sustainable coffee sector, where the farmer is at the core of all sustainability efforts. Therefore farmers, public and private stakeholders need to jointly identify priorities at international and national levels and focus their activities accordingly.

The new approach under Vision 2020 offers:

- Global themes and outcome objectives to achieve collective impact for the resilience and livelihoods of coffee farming communities and the sector as a whole
- Translate priorities into action agendas through public private partnership platforms
- One common reporting framework to create transparency, measure impact and allow for continuous improvement

The Vision 2020 activities and actions will build as much as possible on, and work with, other existing platforms, initiatives and experiences.

Private sector commitment

We emphasize that sector sustainability is a collective accountability and long term success depends on our ability to work together and share responsibilities.

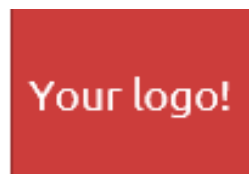
By signing this Call for Collective Action, we make the commitment to:

- Engage in the development and realization of the global vision, reporting framework and action agendas, together with all relevant stakeholders;
- Report on our joint investments and impact of our efforts through the global progress framework to increase transparency;
- Invest in farmer-centric, pre-competitive initiatives and to contribute to create the enabling environment that realizes the global vision and national action agendas;
- Continue developing the individual programs contributing towards the global vision and the Sustainable Development Goals.

Invitation to join

As a broad representation of producers, trade, roasters and retailers ranging from smaller to larger companies, we believe we have the critical mass to transform the coffee sector and contribute significantly to the United Nations' Sustainable Development Goals. But we can only do this by working on a real partnership basis with governments, producers and civil society to develop and realize together a true global vision for the sector and actionable agendas. Therefore, we call out to all relevant stakeholders to join us on this journey towards a truly sustainable coffee sector.

Signatory Organizations (as per 8th March, 2016)



This Call for Collective Action is an initiative of the Global Coffee Platform