

CONFIDENTIAL

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

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US\$ 40 MILLION IN EQUIPMENT AND INPUTS BARTERED FOR COFFEE IN 3 DAYS

Good coffee prices in local currency contributed to record sales at Cooxupé’s Machine and Agricultural Inputs Trade Fair – Femagri – on March 16 to 18. The cooperative registered a 25% increase in business volume this year, totaling R\$ 150 million (US\$ 40.5 million). Pinhalense had its highest sales in the event since 2012 and consolidated its market leadership. During the event, growers used their coffee as currency to acquire equipment and inputs. For example, a tractor valued at R\$ 90,000 (US\$ 24,300) could be exchanged for 175 bags of coffee. These barter operations were based on a fixed price for coffee in 2016 and 2017 and represented a good incentive for growers to invest in technology to increase productivity.

Sources: Notícias Agrícolas and P&A



COFFEE GROWERS TO COMMUNICATE ACHIEVEMENTS IN SUSTAINABILITY

The National Coffee Council (CNC) decided to collect and disseminate content showing the sustainable aspects of the Brazilian coffee sector and current actions to improve them further. The videos to be produced will cover economic, social and environmental aspects including the role of migrant work in alleviating poverty, work conditions on the farms and preservation of the environment in the coffee areas besides on-going efforts to increase levels of compliance. Brazil is currently the world’s leading supplier of sustainable coffees.

Source: National Coffee Council (CNC)

LARGE CONILON COOPERATIVE SHOWS MARKED GROWTH

The São Gabriel Coffee Growers Cooperative (Cooabriel), located in Espírito Santo, the leading Conilon producing state in Brazil, registered a gross income of R\$ 430 million (US\$ 116.3 million) in 2015, a 31.5% increase over the previous year. Even with the lower production of Conilon in 2015 due to a severe drought – the volume of coffee received by the coop fell 19.22% compared to 2014 – Cooabriel’s revenues increased as a result of higher prices. Cooabriel has over 5,000 coffee grower members.

Source: National Coffee Council (CNC)

CERTIFICA MINAS COFFEES NOW AVAILABLE ONLINE

The coffee produced at “Ninho da Águia” (Eagle’s Nest) estate, in Minas Gerais, is now sold online at Café Store as part of a new project it developed to seek direct partnerships between Brazilian coffee growers and micro-roasters and to offer exclusive coffees to the final consumer. The farm is certified by Certifica Minas Café, a national sustainability program focused in good agricultural practices that has partnerships with international standards. Certifica Minas has already certified 1,200 farms in over 200 coffee growing municipalities in Minas Gerais, with another 800 growers in the process of becoming certified.

Source: Ascom Emater-MG

3CORAÇÕES INVESTS IN SOLUBLE MARKET AND SINGLE-SERVE

The 3corações group recently announced the acquisition of the domestic market brands made by soluble industry Cia Iguaçu (controlled by Japanese Marubeni), one of the largest in Brazil. With the acquisition, the group will have a 30% share of the Brazilian soluble coffee market only behind Nestlé/Nescafé. 3corações expects a lower growth in 2016, after an 8% increase in revenues last year. Most of the company's growth came from sales of roasted and ground coffee but capsules and coffee machines made an important contribution. The expectation is to sell more than 200,000 capsule machines in 2016 and to reach sales of 6 million capsules per month.

Source: Valor Econômico

FRAN'S CAFÉ TO EXPAND PARTICIPATION IN BRAZIL

The Brazilian coffee shop chain Fran's Café expects to open 36 new franchised stores in 2016, three times the number opened in 2015. This results from the economic crisis that leads those who lose their jobs to start their own businesses. The company had an increase in the number of customers in 2015 with clients replacing lunch in more expensive restaurants for lighter snacks in their stores. Fran's Café currently operates 150 coffee stores in Brazil.

Source: Folha de São Paulo



INTERESTING COMBINATION OF COFFEE AND AVOCADO

A new kind of avocado oil will be in the market as soon as this year's coffee harvesting season ends. With color and nutritive properties similar to olive oil, it is being produced in São Sebastião do Paraíso, in South Minas Gerais, as a result of an original experiment that uses a rotation system of coffee and avocado cultures. The oil is produced with the same equipment used for olive oil extraction. Around 30 years ago, a coffee plantation was eradicated to give space to avocado. Now, the avocado trees have been cut close to the ground and the coffee will go back to its prior place. With the trees being cut so short, the roots rot and help water infiltration at the same time that the remaining trunk decomposes and turns into a natural fertilizer.

Source: Agro DBO magazine

LOWER COFFEE STOCKS SUSTAIN PRICES

Cooxupé, the largest Brazilian coffee cooperative, estimates that low coffee stocks in Brazil may be supporting the recent increase of Arabica prices in international markets. Coffee stocks were reduced by the droughts that affected national production in recent years coupled with coffee exports and domestic consumption that totaled between 55 and 56 million bags in 2015. The current drought in Conilon areas of Brazil also sustains Arabica prices because in the absence of Robusta the demand for Arabica increases to complement blends. Cooxupé expects to receive 7.5 million bags of Arabica from its member growers in 2016, 1.3 million bags more than last season.

Source: Valor Econômico

FERTILIZER SALES ON THE RISE

Domestic sales of fertilizers to final consumers have increased in February. Sales totaled 2.2 million tons, 18.2% higher than the same month in 2015. Nitrogen fertilizers were the highlight with sales expanding 15.4% to 788 thousand tons due to increased demand for corn and coffee. The fertilizer market scenario is better in Brazil this year than in 2015 when the strong dollar restrained sales.

Source: Valor Econômico

Brazilian Prices

Main Producing Regions / Farm Gate

March 31, 2016

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	495,00 ↑	Colatina-ES fair average price	376,00 ↑
Mogiana	490,00 ↑		
South Minas	490,00 ↑		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	525,00 ↓	Mar 2016	143,45 ↑
South Minas	520,00 ↓	Sep 2016	153,60 ↑
		Dez 2016	156,10 ↑
		Real R\$ / Dolar US\$	
		Mar 31, 2016	3,56 ↓

+ 7.1%

Source:
www.qualificafex.com.br

GROWER-CENTRIC SUSTAINABILITY... AT LAST!

A simple definition of sustainability is the one that says that it is the ability to efficiently produce today without affecting the ability of future generations to also produce efficiently. This definition is often followed by the identification of the three pillars of sustainability – environmental, social and economic – usually listed in this order. Although no priority is necessarily attached to this list, it turned out that as sustainability and its certification and verification were progressively implemented the economic pillar, namely growers' profits, fell behind not to say last. This is surprising considering that without a minimum decent income it is unlikely that growers will, for example, avoid cutting trees to burn for cooking, afford to send their children to school or have access to health services.

During my six-year tenure at the UTZ board I have addressed the subject more deeply and found out that cost control and management practices that help growers to become more efficient and productive are not necessarily an important part of all sustainability standards or codes. These UTZ years also gave me the privilege to contact coffee growers whose sustainability it certified in several countries and who volunteered to say that the main benefit they had from being UTZ certified was that they became better managers, more efficient growers and as a result more profitable.

What I understood first as a side, collateral economic benefit, led me to question whether it should not be the main benefit if sustainability was to go mainstream. In addition, economic sustainability should not only be at the forefront but growers should be aware of this. My recent years with IDH's now Global Coffee Platform's Sustainable Coffee Program (SCP) in Brazil definitely convinced me that grower-centric sustainability is the only way to reach small producers and to take sustainability mainstream.

I am therefore very enthusiastic about recent sustainability initiatives that are proposing that the growers themselves must be the chief beneficiaries of becoming sustainable. The creation of the Global Coffee Platform (GCP) and the consolidation of the umbrella concept of Vision 2020, that brings together the Global Coffee Platform and the International Coffee Organization (ICO) in a world-wide private-public partnership that has already welcomed the new Sustainable Coffee Challenge (SCC) and is fully open for other coffee sustainability-minded organizations to join, will help tilt the balance further in favor of the grower as they have themselves proposed.

If this is not a paradigm change, it is at least a reorganization of concepts and recognition that the satisfaction of growers' needs is the first step to create a truly sustainable coffee world in economic, social and environmental terms, in this order, and paves the way to guarantee the future supply of coffee for a growing number of consumers ever more eager to drink the beverage. Names and acronyms apart, the will is there to coordinate actions, to avoid duplication of efforts and to achieve economies of scale in what is now clearly a grower-centric sustainability movement.



FREE UPDATING AND COACHING ON COFFEE PROCESSING TECHNIQUES AT PINHALENSE BOOTH 809 AT SCAA EXPO 2016: COME AND PARTICIPATE

If you think that coffee processing – wet, drying and dry milling – has not changed recently, you should read the text below and, if attending the SCAA Expo, come and see us in booth No. 809 for a free personal update. Much has indeed changed in the Pinhalense line of machines as summarized below.

- **Mechanical siphons:** a new, larger model.
- **Pulpers:** improved unripe cherry separators and lower water consumption.
- **Mucilage removers:** new rotor and screens.
- **Rotary driers:** divided drum and aerated overhead silo options and new heat exchanger.

All machines above offered in stainless steel optional version

- **Precleaners:** size sorting capability.
- **Destoners:** electronic control of vibration, new dust suction hood and several options of magnet.
- **Combined hulling units:** electronic speed control and optional versions with huller-polisher, size grader and/or micro-lot customization.
- **Hullers-polishers:** state-of-the-art husk and dust removal systems.
- **Size graders:** up to 10 sizes and upward-flow machines.
- **Gravity separators:** electronic speed control, new dust suction hood and low-noise fans.
- **Blending units:** rotary valves and variable speed conveyors.
- **Scales:** electronic, flow scale and for big-bags of different sizes.
- **Bulk container loaders:** multiple installation options.
- **Elevators:** three different lines for different coffee products including self-cleaning option; lower power consumption.
- **Conveyors:** screw and belt (inclined roller, tubular and flat) for parchment, cherry and green coffee, husk, bags and big-bags.
- **Silos:** multiple configurations, rectangular and round, dust cover, aspiration and innovative mechanization options.
- **Dust aspiration and disposal:** positive and negative pressure systems with aspiration at critical dust generation points of machines, transport equipment and silos, self-cleaning dust filters, disposal silos, conveyance and bag/big-bag filling devices.
- **Product flow and machinery layout:** complete projects that respond to the type of incoming raw materials, processing steps required and finished products requested by clients. Pinhalense projects incorporate the latest technological solutions that result from its lengthy experience with Arabica and Robusta coffee, parchment and cherry, high capacity, mid-size and micro-lots. Customized projects that respond to each and every client and market needs.
- **Drawings:** floor plan, cross-sections, foundations and location of motors to enable architects and civil and electric engineers to design the civil and electric works.
- **Site layout and civil works:** P&A cooperates with engineering companies that may advise clients and develop full architectural, civil and electric projects to accommodate Pinhalense equipment, storage areas required for bags, big-bags and silos, weighbridge, cupping area, office, parking, etc. according to the drawings in the previous item.

COME AND VISIT US AT BOOTH 809 – CARLOS BRANDO, JOÃO STAUT, JOAQUIM BRANDO AND SYLVIO PADILHA WILL BE THERE – TO DISCUSS HOW PINHALENSE CAN HELP YOU MAKE YOUR EXISTING MILL MORE EFFICIENT, DESIGN YOUR NEW MILL OR SUGGEST NEW EQUIPMENT.



Coffee Origin Trips

TravelBox, a tour company specialized in coffee tours in Brazil and abroad, will also be at booth 809. Come and talk to Maria Brando to learn more about TravelBox coffee origin trips.