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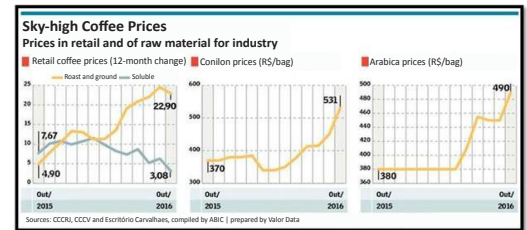
YOUR BEST SOURCE OF INFORMATION ABOUT THE BRAZILIAN COFFEE BUSINESS. THIS ISSUE:

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☉ COFFEE CONSUMPTION GROWS IN SPITE OF HIGHER PRICES

Domestic coffee consumption has grown in Brazil despite the higher prices of raw materials that were only partially transferred to the final consumer. Coffee consumption grew 3.4% resulting in a total demand of 21.2 million coffee bags in the 12 months up to October 2016. Ironically, the Brazilian economic crisis is one of the reasons behind this growth because it stimulated higher home consumption. The prices of Conilon/Robusta have grown over 40% in the local market over the past 12 months and those of Arabica almost 30% while the retail price of roast and ground coffee increased only about 20% and affected the margins of the roasting industry and caused companies to use more Arabica in their blends, a change that may last until 2017.



Source: Valor Econômico

☉ GREEN COFFEE IMPORTS BACK ON THE BRAZILIAN AGENDA

The Brazilian soluble coffee industry, one of the most affected by the current scarcity of Conilon in the local market, has again brought up the polemical discussion of green coffee imports. The Brazilian Soluble Coffee Association (ABICS) has been meeting with several members of the coffee chain to discuss the matter. The proposal is to import limited volumes of green Robusta coffee exclusively for the industry to process and to export as soluble coffee to respond to the supply crisis. Possible green coffee export origins could be Vietnam and Indonesia but, political resistance aside, the approval of imports depends on phytosanitary risk analysis by the Ministry of Agriculture. The soluble industry demands 4.5 million bags of Conilon per year and exports the equivalent of 3.6 million bags with the remaining volume consumed in the local Brazilian market.

Sources: Valor Econômico, CaféPoint and P&A

☉ COFFEE PRODUCTION 30% HIGHER IN THE CERRADO

Coffee production in the Cerrado area of Minas Gerais state had a 30% plus increase in the 2016 crop. Exports have also grown due to the high quality of the coffee harvested. Climate favored uniform flowering and maturation; despite the high temperatures throughout the productive cycle, rains were well distributed and helped the development of sound cherries. High quality is not only a reflection of climate but also of other factors such as genotype, processing technology, drying and storage.

Source: Canal Rural

☉ TECHNOLOGY HELPS RONDÔNIA IMPROVE PRODUCTIVITY

Coffee production in Rondônia may reach 1.6 million bags, with productivity estimated at 18.5 bags per hectare, making the state the second Conilon/Robusta producer in Brazil. The coffee sector in Rondônia has undergone positive changes that improved its production, productivity and quality; over the past six years, the area under production decreased 42.9% while productivity increased 100%. This improvement can be attributed to technology developed by Embrapa Rondônia and partners and shared with growers such as superior cultivars, clonal seedlings with better genetic material, adequate crop management and better agricultural practices.

Source: Embrapa Café

☉ DUST FACILITATES LEAF MINER ATTACKS

It has been noted that coffee trees that are more exposed to dust, usually those located on the outer lines of plantations, near roads for example, have a greater chance of being attacked by leaf miner, a pest that causes sharp defoliation. Although this has not yet been scientifically proven, it is clear that there is a direct correlation between dust on the leaves and the intensity of leaf miner attacks. Dust

reduces moisture thus facilitating the attack. One can also say that less moisture also affects the leaf miner's natural enemies, such as fungus and other parasites, reducing their action against this pest. Building vegetal barriers and/or changing the crop location can avoid excess dust and therefore reduce attacks.

Source: AgroDBO magazine

BSCA CELEBRATES ITS 25th ANNIVERSARY

The Brazil Specialty Coffee Association (BSCA) commemorated its 25th anniversary last November. The association, known for its work promoting Brazilian specialty coffees around the world, held an event in São Paulo City that honored its founders and past presidents and included an award ceremony for BSCA's Quality Contest 2016. The winning lots received prices between R\$ 2,181 (US\$ 641) and R\$ 2,619 (US\$ 770) per bag. In addition to the cash prizes, the winner of the pulped natural category received a recently launched zero-water consumption pulper from Pinhalense. BSCA also presented its updated visual identity during the event.

Source: BSCA



HIGHLIGHTS OF SÃO PAULO AND MINAS GERAIS COFFEE QUALITY CONTESTS

Coopinhal, the Pinhal coffee coop, participated in the auction of São Paulo's 15th Coffee Quality Contest and was noted for the highest investment in quality and for the highest amount paid per bag, R\$ 5.758,00 (US\$ 1,693/bag) in the case of a lot from União Estate in Pinhal. All the 68 coffee bags in the Natural (32), Pulped Natural (32) and Micro Lot (4) categories were sold in the auction, with total sales of R\$ 141.000 (US\$ 41,472). The 6th edition of the Cerrado Mineiro Region Award had winners divided in two categories: natural and pulped natural. Caixetas Estate, winner in the pulped natural category, scored 88.8 points and received R\$ 1.000,00 per bag (US\$ 530/bag). Paiolino Estate won the natural category with 92.2 points and sold each bag for R\$ 3.511,00 (US\$ 1,033). The winning coffee lots will soon be available to consumers.

Sources: Globo Rural and CaféPoint

FIRST 100% BRAZILIAN EDITION LAUNCHED BY DOLCE GUSTO



Nescafé's Dolce Gusto has recently launched the limited edition "Catuaí do Cerrado", the first one made exclusively with Brazilian beans to integrate the brand's portfolio worldwide. The lot used for this edition, grown in Coromandel in the Cerrado of Minas, was the winner of Dolce Gusto's Prized Harvest Competition in the natural Arabica category. Catuaí is a coffee variety created in Brazil by the Campinas Agronomy Institute as a result of the crossing of the Mundo Novo and Caturra varieties. It is now cultivated in several countries around the world.

Source: Espresso Magazine/Café Editora

JUAN VALDEZ LANDS ON BRAZILIAN SOIL

The Juan Valdez coffee brand has formally arrived in Brazil and will be available at Pão de Açúcar supermarkets, the largest retail chain in the country, initially at 108 points of sale, with a potential to reach more than 2,000 according to FNC, the Colombian Coffee Growers Federation. The move is part of the brand's international expansion strategy that includes 118 coffee shops outside Colombia but none in Brazil yet.

Source: Valor Econômico

Brazilian Prices

Main Producing Regions / Farm Gate

November 30, 2016

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	535,00 ↓	Colatina-ES fair average price	495,00 ↓
Mogiana	530,00 ↓		
South Minas	530,00 ↓		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	605,00 =	Dec 2016	174,10 ↓
South Minas	600,00 =	Mar 2017	179,80 ↓
		Sep 2017	186,45 ↓
		Real R\$ / Dolar US\$	
		Nov 30, 2016	3,40 ↑

+ 14.2%

Source:

www.qualicafex.com.br

BrexiTrumPT and Coffee

Referenda and elections that took place in 2017 may mark this year as a tipping point or water divider in recent history. Starting with Brexit in the UK, continuing with the Peace Referendum in Colombia and municipal elections in Brazil, and finishing with Donald Trump's election in the US, the outcomes have a common background that goes beyond country borders and the objectives of the referenda themselves. Although much has been written about the commonalities between Brexit and the Trump election, no analysis seems to have been made of the four referenda above together let alone of their relationship with coffee.

The common background behind the four referenda can be summarized in three items: large population groups dissatisfied with the current state of affairs, difficulties of opinion pollers and the media to measure and anticipate this discontentment and its potential to affect the referenda, and the inability of governments to respond to the needs of these supposed minorities that turned out to be no longer silent majorities. If these commonalities are easy to identify in the Brexit - Trump case and this has been done to exhaustion, the analogies are less evident between them and the Colombian and Brazilian cases.

The unexpected outcomes in the UK and the US resulted from similar causes: large segments of the population whose income, well-being, access to public services and even values were eroded by globalization, meaning the transfer of production and jobs abroad and immigration into their own countries without government policies and programs to compensate for the ensuing losses. Income and well-being erosion, prospective or actual, were also behind the referenda outcome in Colombia and Brazil. In the former, the expected integration of ex-guerrilla fighters into the local economies will mean competition for jobs and services and even for the market served by small businesses. In Brazil, poorer voters were deeply disappointed with politicians, felt in their own pocket the economic crisis created by the populist policies advanced by the Labor Party (PT) and the lack of solutions for their day-to-day problems: inflation, income loss and falling access to health and education services. This resulted on a shift from left to right leaning candidates in a process that was much more pragmatic than ideological in the hope that "new faces" or even wealthy entrepreneurs, like in São Paulo city, could address their problems in a more efficient way.

What does this all mean for the coffee business? It sends different at times conflicting signals.

The incoming inward-looking Trump administration as well as the growing xenophobic trends in Western Europe may curb funding for foreign aid, for example with a diminishing role for important USAID projects in Latin America, Africa and Asia. On the other hand, control of illegal immigration and the return home of illegal immigrants may ease labor shortages in Mexico and Central-America albeit with increasing violence and drug trade.

In Colombia there are plans to settle ex-guerrilla members to produce coffee in several areas in a clear trend to increase production over and above the growth expected from escalating productivity due to renovation and technology.

In Brazil the austerity policies already implemented and those planned have already meant higher interest rates for growers and less favorable conditions for crop financing, renovation and technological change. It is still early to evaluate if this will curb production growth but an immediate retraction has been felt in the sale of equipment, specially to small growers, and inputs – fertilizers and pesticides – to most segments of the business.

Less foreign aid and the resilience of large growers like Brazil, Vietnam and Colombia may accelerate supply concentration with Honduras and Peru expected to weather a possible foreign aid reduction better than other producing countries.

If crisis and concern lead to coffee consumption growth, as many think, this may be at least one great positive outcome of what I call BrexiTrumPT – Brexit, Trump and a much reduced influence of the Labor Party (PT) in Brazil. Consumption is indeed growing in Brazil and at an increasing rate and the austerity measures may in the mid-run create an environment for larger production growth specially if a likely stronger dollar coupled with the Brazilian economic and political crises weaken the Real beyond the currencies of other producing countries and makes Brazil more competitive.

PINHALENSE HIGH-EFFICIENCY SELF-CLEANING SUSTAINABLE ELEVATORS

SELF-CLEANING - One of the main competitive advantages of Pinhalense dry mills are the self-cleaning elevators that enable the processing of different coffee lots without the need to clean elevators as products are switched. Coffee mills have always handled different coffee qualities; however, the variety of coffee products has greatly increased in modern mills because of multiple origins, specialty coffees, micro lots, certification, traceability, etc. At the same time that the capacity of the mills increased, more flexibility was called for. In order to process large and small lots efficiently, a modern mill has to be able to switch products quickly, which is not possible with conventional elevators. When coffee products are changed, the base of each and every elevator has to be thoroughly cleaned in a cumbersome and time consuming process. If this is not done, different lots and qualities can be mixed, yields cannot be measured, and traceability is not possible. This is what happens in conventional coffee mills. Pinhalense self-cleaning elevators enable the switching of coffee types without the need to clean elevators bases resulting in no time loss between lots. The use of these elevators greatly increases the efficiency of coffee mills because many hours of idle time are avoided.

SUSTAINABLE - Labor safety has always been a major Pinhalense concern in the design of both the machines themselves and the equipment layout (product flows). All Pinhalense elevators come with belt protectors, service ladders, catwalks with safety railings and other safety items. The layout of Pinhalense coffee mills takes into account minimum safety distances between machines, elevators and other pieces of equipment in order to ensure the free, unencumbered transit of operators and visitors alike. Still another area where Pinhalense minimizes or avoids the use of labor in tedious and unhealthy conditions is in the cleaning of the base of elevators every time coffee types or lots are changed in a processing line.

COFFEE SPECIFIC - Pinhalense offers coffee elevators specifically designed for each and every processing stage. Fresh cherries, wet parchment, dry coffee with impurities and beans of different sizes and qualities pose different design challenges because they require specific features such as perforated buckets and bases, low-shock intake hoppers, low-friction discharge heads, self-cleaning devices, etc. Pinhalense elevators are equipped with a wide array of different pulleys for specific coffee products and processing conditions. All coffee elevators supplied by Pinhalense are selected according to specific needs and requirements when the processing lines are designed or individual machines are quoted. Sometimes different types of elevators are used in the same project or mill to cope with specific processing challenges.

DESIGN - Elevator design and construction require specific skills and technologies as well as sophisticated product development and field trials, specially so when the product to be transported is coffee. What makes the manufacturing and supply of elevators for coffee more challenging than for other products is that coffee has a much higher value and physical damage causes substantial price losses. In addition, margins in the coffee business are small which makes efficiency critical at all stages of processing. Besides the use of poorly designed or low-tech elevators available in many markets, another mistake is the use of grain elevators whose speed is much higher than acceptable to handle coffee. These elevators lack the specific features required to handle the different coffee products found along the processing chain, from recently harvested cherries to export quality green beans.

IMPORTANCE - Elevators are often treated as a secondary component in the purchase of a coffee mill, with the focus resting only on the choice of the processing machines themselves. This is a big mistake because poorly designed and wrongly chosen elevators can impair the proper operation of the machines, cause damage to coffee, increase power consumption and negatively affect the performance of the full mill. It is not uncommon for clients to complain that their machines are not performing to satisfaction and, upon verification, Pinhalense has to explain to the client that the fault is with the non-Pinhalense elevator that is not feeding the machine properly and reducing its capacity or causing the coffee damage that has been mistakenly blamed on the machine, or else.

CONCLUSION - Whenever you buy Pinhalense machines and mills with their respective elevators, you can rest assured that the elevators have been carefully selected and customized for your specific needs and the specific requirements of the machines that the elevators feed. Do not run the risk of using elevators that may affect negatively the performance of your state-of-the-art Pinhalense machines and mills.