P&A COFFEE NEWSLETTER
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# COFFIDENTIAL

**YOUR BEST SOURCE OF INFORMATION ABOUT THE BRAZILIAN COFFEE BUSINESS. THIS ISSUE:**
**- MARKET SURVEY OF 10-YEAR TENDENCIES* (PAGE 3)**
**- THE MICRO-LOT-PROCESSING JIGSAW PUZZLE: QUALITIES + FLOWS + LAYOUTS + MACHINES FOR WASHED + HONEY + NATURAL COFFEES (PAGE 4)**

## CLIMATE IMPROVES IN ESPÍRITO SANTO BUT REGULAR PRODUCTION ONLY IN 2019

Climatic conditions have shown signs of improvement in recent months in Espírito Santo, Brazil's largest Conilon coffee growing state. Coffee volumes expected to be harvested between April and July will grow somewhat but usual figures are to be resumed only in 2019. Estimates have it that the 2017 crop should be equal to or slightly higher than 2016's. Cooabriel, Espírito Santo's largest coffee cooperative, expects to receive 750 to 800 thousand bags from its members, above the 600 thousand received in 2016. CONAB estimates that Conilon production in the state will reach between 4.6 million and 5.3 million bags. Brazil´s total production of Conilon should reach from 8.6 million to 9.6 million bags. Since 2014, when Espírito Santo had a Conilon record production of nearly 10 million bags, production has plummeted in the state due to adverse weather conditions.

Source: Notícias Agrícolas

## EARLY CONILON HARVESTING IN RONDÔNIA

Precocious Conilon/Robusta clones advanced the beginning of the harvesting season in Rondônia state, in northern Brazil. Although April 10 was the official start date for harvesting, there were areas planted with the P50 and 66 clones in advanced ripening stages in Nova Brasilândia d'Oeste and Alta Floresta in March. The weather has been favorable for coffee in Rondônia and 2 million bags of Conilon are expected to be produced this season, a 22% growth compared to last crop.

Source: CaféPoint

## FIRST TRIAL WITH CONILON AUCTIONS FAILS AND IMPORT STANDSTILL REMAINS

The Brazilian Coffee Roasters' Association (ABIC) and the Brazilian Soluble Coffee Association (Abics) have recently resorted to an electronic auction system run by CONAB in an attempt to acquire 168,500 bags of Conilon coffee for its blends but this first experience ended without any deals. Negotiations were opened for four kinds of Conilon coffee: type 7, type 7/8, between 400-600 defects, and up to 800 defects. There were no offers to sell from buyers who claimed they would eventually sell for a higher price whereas the industry repeated that they can source Vietnamese coffee under the price offered in the auction.

Sources: Valor Econômico and CaféPoint

## BRAZILIAN SOLUBLE EXPORTS FALL

Brazilian soluble coffee exports have dropped 26.4% in shipped volume in the first two months of 2017 compared to the same period last year. The equivalent of 429 thousand 60-kg bags were shipped abroad against 580 thousand bags in 2016. Revenue losses reached 10.9%.

Source: Notícias Agrícolas

## PRODUCTIVITY GAINS FOR COFFEE AND MACADAMIA GROWING TOGETHER

A study developed by the São Paulo Estate Agency for Agribusiness Technology (Apta) demonstrates that intercropping a specific variety of macadamia with coffee can improve productivity for both crops. Under irrigated conditions, there was a 60% leap in productivity for coffee and 250% for macadamia compared to the non-irrigated and independently grown crops. The HAES 816 macadamia cultivar developed in Hawaii was chosen for the study due to its smaller horizontal growth, less pruning required and higher industrial returns. The results were published in the November 2016 issue of the American Agronomy Journal, one of the world's main scientific periodicals in agriculture.

Source: Valor Econômico

## STEM DAMAGE IN COFFEE AND HOW TO AVOID IT

It is important to correctly identify the causes of stem damage that appears in young coffee trees in the first year on the field. These lesions are located in the lower third part of the stem, close to the ground. These types of damage can be caused by five distinct reasons: the two least common nowadays being (1) mechanical – due to hoes and other tools – and (2) cold weather/frosts or hailstones; (3) winds, the most common, leading to the thickening of the stem (while inside the tissues are weak because of constant movement) or even breakage; (4) diseases like Ascochyta coming from the nurseries; and (5) hot weather, that causes the stem to get in contact with the hot soil causing lesions and even the death of younger plants. Stem damage generally blocks sap flow and causes the lower part of the stem and sometimes even the root system to rotten. The plants become yellowish and there may be sprouts growing below the lesion. Ways to solve the problem: one should prune the plants immediately above the sprouts and let them grow or replant the trees if they died. Most importantly, one should avoid conditions that lead to the causes mentioned above by using wind breakers, healthy seedlings and good agricultural practices.

Source: CaféPoint

## GROWERS CARD TO BOOST CERRADO DENOMINATION OF ORIGIN

“Cerrado Mineiro” was the first Brazilian region to obtain a Denomination of Origin for coffee. The Cerrado Coffee Growers Federation has now issued a Growers’ Card for the exclusive use of producers that belong to the protected Denomination of Origin area. The card strengthens the growers’ association with their origin: it has a QR code which gives exclusive access to an online growers´ page with traceability information about the farm, photos and georeferencing of the property. Other features will be added to the card gradually.

Source: CaféPoint

## MELITTA ACQUIRES NEW BRANDS IN KEEPING WITH MARKET CONCENTRATION TREND

German multinational Melitta has just acquired the coffee brands Barão and Forte D+ that belonged to the Mogyana Group, in Minas Gerais. The operation also involves the equipment to produce roast and ground coffee that should help the company to deliver an additional 9,000 tons of R&G coffee per year. The acquisition is part of Melitta’s strategy to strengthen its market position in Brazil by expanding its geographical reach. The multinational company is the coffee market leader in the southern part of Brazil and is among the three largest in São Paulo and Rio but still has a small participation in Minas Gerais and the Northeast. Melitta holds a 9% share of the Brazilian coffee market in volume, behind JDE’s Pilão brand and 3corações coffee. The company had revenues of R$ 1.36 billion (US$ 436 million) in Brazil in 2016, 19% more than the previous year.

Source: Valor Econômico

## JOSÉ DAUSTER SETTE IS ICO’S NEW EXECUTIVE DIRECTOR

A lengthy negotiation process to name the International Coffee Organization’s new Executive Director took place during its council sessions in London in March. Candidates presented their experiences, abilities and proposed agendas to the ICO delegations present that chose the Brazilian José Dauster Sette for the post. Currently in the position of executive director of the International Cotton Advisory Committee (ICAC) that he is about to leave, Sette was formerly the Head of Operations of the ICO where he also served as executive director ad interim for a short period. He will succeed Robério Silva who was in his second term when he passed away in Belo Horizonte in December 2016.

Source: CaféPoint

## Brazilian Prices

**Main Producing Regions / Farm Gate** — March 31, 2017

| Arabica Naturals (R$/ 60 kg bag) | |
|---|---|
| Cerrado MG | 475,00 ↓ |
| Mogiana | 470,00 ↓ |
| South Minas | 470,00 ↓ |
| **Arabica Pulped Naturals (R$/ 60 kg bag)** | |
| Cerrado MG | 505,00 ↓ |
| South Minas | 500,00 ↓ |

+ 7,4%

| Conilon / Robusta (R$/ 60 kg bag) | |
|---|---|
| Colatina-ES fair average price | 420,00 ↓ |

| BM&F (US$/60kg Arabica bag) | |
|---|---|
| Mar 2017 | 166,30 ↓ |
| Sep 2017 | 171,00 ↓ |
| Dec 2017 | 177,05 ↓ |

| Real R$ / Dolar US$ | |
|---|---|
| Mar 31, 2017 | 3,13 ↑ |

Source: www.qualicafex.com.br

## MARKET SURVEY OF 10-YEAR TENDENCIES*

* The survey below is also found in the e-mail that enclosed this issue of the Coffidential. If interested, please reply to the survey using the text in the e-mail where you can insert your replies directly with the following “grades”: 4 – Agree, 2 – Maybe, 0 – Disagree. Send it back to Coffidential’s e-mail (info@coffidential.com).

1. CONSUMPTION

- ☐ Emerging markets grow more than producing countries
  - ☐ soluble leads growth (“3 in 1”): more Robusta
  - ☐ coffee shops contribute: more Arabica
- ☐ New consumers will start switching from soluble to roasted, from Robusta to Arabica
- ☐ Traditional markets, except Europe, increase growth rate
  - ☐ single serve
  - ☐ reinvention of coffee shops / third wave
  - ☐ specialty and micro-lots
  - ☐ SCAA + SCAE = SCA will help Europe consume more
- ☐ “New” products: micro-lots, pulped natural / honeys, naturals “invade” washed world
- ☐ Differentiated coffees
- ☐ High-added-value products (e.g.: single-serve and soluble) grow faster but R&G leads growth in volume
- ☐ Market concentration increases

2. PRODUCTION

- ☐ Productivity growth is greatest challenge (except Vietnam and Brazil)
- ☐ Climate change
  - ☐ adaptation and resilience easier in growers that have access to technology and financing
- ☐ Decent income for growers is greatest guarantee of future supply
- ☐ Technology and labor
  - ☐ start replacing each other outside Brazil too, harvesting in particular…
  - ☐ … and enable better working conditions
- ☐ Ten countries may account for over 90% of world production
- ☐ Brazil’s production will increase but Vietnam’s not so sure
- ☐ Substantial production increase to come from Colombia, Honduras, Ethiopia and Peru in this order
- ☐ Larger growth rates for Robustas than Arabicas to fall

# THE MICRO LOT PROCESSING JIGSAW PUZZLE

COME TO OUR BOOTH 919 TO SOLVE THE PUZZLE

Specialty Coffee Association

## QUALITIES + FLOWS + LAYOUTS + MACHINES FOR WASHED + HONEY + NATURAL COFFEES

Micro lots, a firm tendency in today's coffee market, pose specific processing and logistic challenges due to their small size and high quality. At the same time that there is a growing tendency toward large central wet mills and processing for exports – dry mills grow bigger and bigger – and shipments of coffee in bulk expands, micro lots go in the opposite direction and require separate handling and traceability. How to do it?

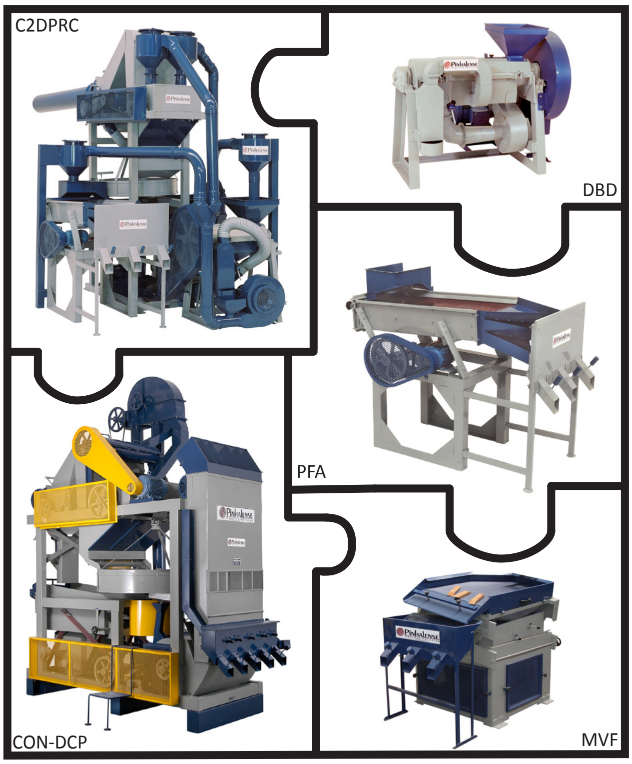
Pinhalense is particularly well positioned to perform the tasks listed above. It has created exclusive customized equipment layouts – wet milling, drying and dry milling – that use its specially designed machines for small lots to address the specific challenges of processing micro lots in different countries. These layouts, that have peculiarities that depend on coffee types and producing regions, are supplied free of charge to clients as part of Pinhalense's turnkey technical solutions.


INGREDIENTS / RAW MATERIALS
↓
MARKET REQUIREMENTS
↓
PROCESS FLOWS
↓
EQUIPMENT LAYOUTS
↓
EQUIPMENT / MACHINES
↓
HIGH-QUALITY / COST-EFFECTIVE RESULTS
↓
**PINHALENSE KNOWS IT ALL**

**MACHINES SPECIALLY CONCEIVED AND DESIGNED TO PROCESS MICRO LOTS**

- Wet milling
  - LSC-5
  - ECOSUPER
  - DMPE-1
- Drying
  - small driers
  - divided drum driers
- Cleaning, hulling and separation
  - C2DPRC
  - CON-DCP
  - CON
- Hullers-polishers
  - DBD
  - DEPOL
  - DEPOS
- Size graders PFA
  - different screens
  - different capacities
- Gravity separators MVF
- Batch and flow scales
- Self-cleaning elevators
- Silos and conveyors
- Dust aspiration systems
- Ancilary equipment

**PINHALENSE OFFERS IT ALL**




More about this subject is fount at Coffidentials Nos. 104, 98 and 82. You can access them at www.peamarketing.com.br.