P&A COFFEE NEWSLETTER
Year 10 - No. 119 - June 12, 2017

COFFIDENTIAL

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

AFRICAN MINISTERS VISIT COFFEE PRODUCING AREAS OF BRAZIL

High-level delegations from Ethiopia and Uganda visited Brazil recently. Led by Minister of Trade Dr. Bekele Bulado, State Minister of Trade Dr. Ayana Zewde and the President of the Coffee and Tea Authority Ato Sani Redi, the 7-member Ethiopian delegation concentrated on Arabica production and milling in South Minas and Mogiana and visited the Campinas Agronomy Institute (IAC) and the CeCafé exporters' association. The Ugandan delegation visited the main coffee producing areas of Brazil and two of the country's major research institutes: IAC and Incaper. Led by the Minister of Agriculture Hon. Vincent Ssempijja and the Managing Director of the Uganda Coffee Development Authority (UCDA) Dr. Emmanuel Niyibigira its main goals were to benchmark best agricultural practices used in coffee production in Brazil and to seek partnerships with research institutes. The visits included Arabica and Conilon (Robusta) coffee farms and cooperatives in Mogiana and South Minas and Espírito Santo. Both delegations were hosted by P&A and visited the three plants where Pinhalense coffee machinery is manufactured.

Source: P&A

CQI COFFEE PROCESSING CERTIFICATE COURSE HELD IN MOGIANA REGION

The Coffee Quality Institute held the first Brazilian version of its weeklong Intermediate Processing Certificate Course on Fazenda Santana in Espírito Santo do Pinhal. Attended by 28 professionals coming from the South Minas, Mogiana and Cerrado regions and Colombia, the course was taught by CQI's Technical Director Mario Fernández and Processing Instructor Joel Shuler. Divided in classroom, practical hands-on and cupping activities, the course addressed on-farm milling and drying of washed, pulped natural / honey and natural coffees with the objective of enhancing coffee quality through processing. Two of the farm partners, Emilio Lopez, from El Salvador and Chairman of SCA's Roaster Guild, and Carlos Brando, a member of CQI's Board of Trustees, supported the course and shared their own processing experiences in specific activities.

Source: P&A

SPECIALTY COFFEE DEMAND ON THE RISE IN BRAZIL

The domestic demand for specialty coffee should grow between 6% and 7% in 2017 according to ABIC, the Brazilian Coffee Roasters Association, accounting for a total of 800,000 bags. Coffee consumption in Brazil is still largely dominated by traditional coffee qualities but the specialty category already represents 9% of total consumption, an expressive volume bearing in mind that the category was practically inexistent in the country in 2000. A strong reason behind the recent growth of the specialty segment is capsules whose sales should increase more than 24% in volume this year over 2016.

Source: ABIC

NEW MARKETING CAMPAIGN TO PROMOTE CONSUMPTION: QUALITY AND WELL-BEING

The Brazilian Coffee Roasters Association (ABIC) took advantage of the National Coffee Day on May 24 to launch its new marketing campaign focused on associating coffee consumption with healthy lifestyles and promoting coffee quality labels. The campaign uses a

dynamic and humorous line of communication to target upper-class youngsters and middle class 25-to-45-year-old women/housewifes via social media, such as Facebook and Instagram, Youtube and other Internet portals and will run from May to November, the months with higher coffee consumption.

Source: Tempo de Comunicação (ABIC)

OFFICIAL OPENING OF SÃO PAULO'S 2017 HARVESTING SEASON

The "Sabor da Colheita" (Taste of the Harvest) event marked the official opening of coffee harvesting in the state of São Paulo on May 24 when the Biological Institute, located in the heart of São Paulo City, was opened for the population to visit and harvest themselves the coffee cherries produced in the largest urban coffee plantation in the world. A special edition will be produced with the cherries harvested at that occasion from the Institute's 1,600 organically-grown Arabica coffee trees of the Mundo Novo and Catuaí varieties. The initial role of the plantation – to be a source of research material – has now become didactic, historical and cultural.

Source: São Paulo's Secretariat of Agriculture

COFFEE HARVESTING BEGINS WITH ESTIMATE OF OVER 45 MILLION BAGS

Brazil should harvest a total of 45.5 million bags of coffee in 2017 according to the latest estimate by Conab. Arabica output should reach 35.4 million bags, around 18% less than last season, due to the low year in the biennial cycle. Conilon/Robusta production, on the other hand, should increase and reach 10 million bags largely because of higher yields in Bahia and Rondônia states and higher use of technology in the field. The forecast of favorable climate during the next months indicates that the harvesting season should develop without incidents.

Source: Valor Econômico

COFFEE EXPORTS TO REMAIN STABLE IN 2017

Brazilian exports should remain at similar levels as last year when the country exported a total of 34.2 million bags (including green coffee, soluble and roast and ground), despite estimates of smaller production and lower coffee stocks in 2017. Increasing coffee exports over the past years depleted stocks and climate problems affected production. With a domestic consumption of 22 million bags expected for 2017 and a total production of 45.5 million bags in the current crop, supply should be tight and will depend on private stocks whose figures have not yet been released by Conab.

Source: Valor Econômico

FEDERAL GOVERNMENT ALLOCATES US$ 1.5 BI TO COFFEE

The Brazilian government has announced that it will allocate almost R$ 5 billion (US$ 1.5 bi) to the coffee sector in the 2017/2018 harvest season. This figure is 6% higher than last year's. One third of the funds will be released via the cooperative system with interest rates not higher than 9.5% and expectations to fall to 6% by the end of the year. The amount will be allocated primarily to farming and commercialization followed by stocking.

Source: CaféPoint

LABOR OFFER FOR HARVESTING DOES NOT EXPAND AS A RESULT OF UNEMPLOYMENT

Coffee harvesting in South Minas Gerais should employ in excess of 300,000 people mostly in the fields but also in processing in coops and exporters' mills. However competition for harvesting jobs is not substantially higher than usual as one would expect from the on-going economic crisis that affects the country.

Sources: G1 South Minas and P&A

Brazilian Prices

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

Arabica Naturals (R$/60 kg bag)	
Cerrado MG	465,00 ↓
Mogiana	460,00 ↓
South Minas	460,00 ↓
Arabica Pulped Naturals (R$/60 kg bag)	
Cerrado MG	485,00 ↓
South Minas	480,00 ↓

+ 5.4%

Conilon / Robusta (R$/60 kg bag)	
Colatina-ES fair average price	430,00 ↑

[B]³ ex-BM&F (US$/60kg Arabica)	
Jul 2017	152,35 ↓
Sep 2017	156,50 ↓
Dec 2017	161,05 ↓

Real R$ / Dolar US$	
May 31, 2017	3,24 ↑

Source: www.qualicafex.com.br

HOW THE FEASIBILITY OF COFFEE GROWING IS AFFECTED BY PROCESSING

Discussions about the feasibility of coffee growing are gaining momentum as Arabica prices move down. Such feasibility, i.e., availability of healthy returns to growers, is strongly associated with productivity that is often dependent on factors beyond farm gate, as proposed at AFCA African Fine Coffees Review Magazine's article Reshaping African Coffee Industry for Productivity Improvement and Investment published last April*. What I add now is the role that coffee processing, especially on-farm, may have on improving or worsening the viabilityof the business.

Coffee takes 2 to 4 years after planting to start producing and bears fruit only once a year. However poor processing may jeopardize a year's work in a matter of hours! Drying is probably the processing phase where most losses are incurred if not properly performed followed perhaps by pulping, if used, and hulling.

Sun drying may be negatively affected by adverse weather, lack of or poorly trained labor, inadequate tools, etc. If excessive rain may prevent drying and cause unwanted fermentation, excessive heat can have several negative impacts on coffee quality from bleaching to turning unripe cherries into black beans. Overheating is not a risk restricted to mechanical drying, as many think, but happens just as often or even more frequently with sun drying if coffee is not revolved frequently.

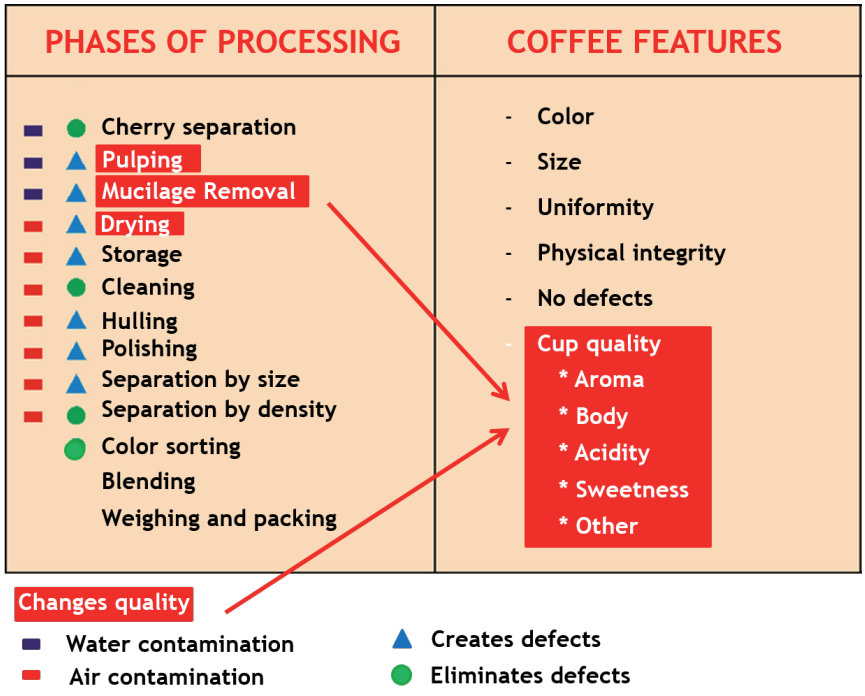
Mechanical drying requires good control of temperature, specially in the coffee mass, and good stirring/mixing to ensure uniform drying. The use of elevators to recycle coffee in vertical driers may damage coffee, specially parchment approaching the ideal moisture content. Quick drying may be welcome but only to the point it does not damage quality; this can be achieved with the use of right technology and operation. Mechanical drying may be more reliable and lead to the same quality as sun drying. An efficient drying facility is a good insurance policy against climate change!

If not properly performed with modern high-tech machines, pulping brings profits down due to physical damage to parchment and beans and the loss of coffee with the pulp that is discarded. These unwanted effects can and should be avoided in machines that also refrain from pulping unripe cherries that should be separated. Fermentation after pulping, said to enhance quality and gaining increasing support from experts, can cause weight losses that are avoided by mechanical removal of mucilage that in turn may cause physical damage to parchment and beans. Can the quality gains from fermentation outweigh the weight losses?

The way coffee is pulped or not, fermented or not, and dried affects cup quality and price as explained in the Outlook section of last May's Coffidential. How these three processing steps are performed may be key to ensure the feasibility of coffee growing.

Without having the potential beneficial impact of the previous three processing steps, hulling may cause physical damage to coffee beans. Even modern efficient hullers will do so if coffee is over dried under 10% moisture level. Most other processing steps are designed to enhance coffee value by removing impurities and defects but without altering intrinsic bean quality.

The chart on the right is a good primer on how coffee processing may affect the feasibility of coffee farming.



* The article can be accessed at: https://afca.coffee/wp-content/uploads/2014/08/AfricanFine-CoffeesReviewMagazineApr-Jun2017.pdf.

HOW TO GET RID OF QUAKERS (or why to use an unripe cherry separator *before* the pulper even with selective harvesting)

Quakers are discolored roasted beans that derive from cherries that are picked unripe or partially ripe and cause unwanted astringency in the cup and as such bring down the value of the coffee lots in which they are found. Quakers should in theory not be present in lots that derive from 100% ripe cherries picked selectively. However in practice it is very difficult to ensure that a lot that has been selectively picked is free from partially ripe cherries that are likely to become quakers and cause astringency in the cup. The unripe cherry separator developed by Pinhalense and used *before* the pulper can do a better job than human eyes or electronic sorters and make a major contribution to the elimination of quakers for several reasons.

First, the Pinhalense unripe cherry separators not only separate the unripe cherries but also pulp the ripe ones in the most delicate and gentle pulping process available in the market today. These so called “screen pulpers” remove the pulp of only ripe cherries as they pass through the slots of a screen that does not damage parchment or coffee beans. All unripe or partially ripe cherries are held inside the screen and separated for further processing separately.

Second, the unripe cherry separator *cannot* be placed after a pulper because the pulper will have pulped some unripe cherries and most partially ripe cherries that cause astringency in the cup and cannot be separated after they have been pulped.

Third, the use of an adjustable counterweight in the unripe cherry outlet enables the operator to decide the extent of ripeness desired in the lot, from 100% ripe cherries for top quality and highest prices to some partially ripe cherries allowed for less-quality-demanding clients. The flexibility of the system allows quality to be aligned with market demand in order to maximize profit. This cannot be done with unripe cherry separators placed *after* the pulper.

Fourth, the vertical drum below the Pinhalense unripe cherry separator is not a conventional pulper but both a repass pulper that pulps small cherries that pass through the slots of the screen unpulped and especially a *pulp separator* that separates from parchment the pulp that was removed by the screen pulper/unripe cherry separator.

The recently launched ECO SUPER pulper offers this unique combination of two high-tech Pinhalense machines that now operate without water. In other words, the well known advantages of the Pinhalense pulping system are now offered by a zero-water-requirement machine. The ECO SUPER follows up on Pinhalense’s tradition of being the pulping system in the market with the *least* damage to parchment and coffee, the *least* parchment lost with the pulp and the *least* pulp mixed with parchment now with the added advantage of zero water consumption.

Pinhalense’s ECO SUPER is the ideal pulping system not only for cherry lots “contaminated” by unripe cherries that are harvested in response to lack of labor and its increasing cost but also for lots whose composition is apparently 100% ripe cherries but always have some less than-ripe cherries! And it has a by-pass for cherries to go directly into the vertical drum.

Last but not least, the unripe cherries that have been separated can and should be pulped separately in Pinhalense pulpers specially adjusted to get the most quality out of these less-than-ripe cherries that can make a greater contribution to wet milling revenues and profits if pulped before drying.

ECO SUPER