

CONFIDENTIAL

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

- UNVEILING BRAZIL'S HIDDEN COFFEE QUALITY SECRETS (PAGE 3)
- PROCESSING AWARD-WINNING COFFEES (PAGE 4)

CUP OF EXCELLENCE WINNER SOLD FOR WORLD'S HIGHEST PRICE

The specialty coffee produced by Fazenda Bom Jardim in the municipality of Patrocínio, Minas Gerais state, that won BSCA's 2017 Cup of Excellence contest in the Pulped Natural category, received the highest value ever paid for a coffee lot in its auctions around the world: R\$ 56,457.00 (US\$ 17,222.00) per bag of 60kg or US\$ 130.20 per pound. The coffee grower who produced the winner lot took the Q Processing Course taught by the Coffee Quality Institute (CQI) and applied the knowledge acquired to process the winning coffee. All coffees offered in the auction were purchased by companies from 12 countries – Germany, Saudi Arabia, Australia, Bulgaria, Canada, South Korea, United States, France, England, Japan, New Zealand and Taiwan – and generated total sales of R\$ 1,151,092 (US\$ 357,459). The average bid was also a record in Brazil at US\$ 12.75 per pound which is equivalent to R\$ 5,431.00 (US \$ 1,686.00) per bag. The contest was organized by the Brazilian Specialty Coffee Association (BSCA) in partnership with the Brazilian Trade and Investment Promotion Agency (Apex-Brasil) and the Alliance for Coffee Excellence (ACE).

Source: Revista Cafeicultura

BRAZILIAN INDUSTRY ADAMANT TO RETURN TO PREVIOUS CONILON USAGE IN BLENDS

After reaching record prices due to production shortages, Conilon coffee has returned to its usual price level. According to the Brazilian Coffee Roasters' Association (ABIC), Conilon hit R\$ 522 (US\$ 162) per bag in October 2016, while Arabica was sold domestically for R\$ 490 (US\$ 152) at the time. Today, Conilon's price is R\$ 355 (US\$ 110) while Arabica's is R\$ 440 (137). Even though Conilon prices have decreased substantially, the industry is not yet willing to use this raw-material in their blends in the same proportion it used before – 50% Conilon and 50% Arabica – and is still using more Arabica – around 80% – to compose the blends.

Source: Valor Econômico

COFFEE ROASTERS EARN THREE TIMES MORE THAN GROWERS DO

According to the World Intellectual Property Organization (WIPO), coffee roasters usually earn three times more than coffee growers do. The conventional segment – consumption at home – currently accounts for 65% to 80% of total coffee, or US\$ 90 billion per year that represents 45% of the commodity's global market value. In that case, 453 grams of coffee are sold by the grower for US\$ 1.25. In importing countries, the roaster sells the same 453 grams of coffee for US\$ 4.11, i.e., 228.8% more. In the coffee segment in which consumers are socially concerned and are ready to pay a premium for a better quality product that meets social standards, roasters' gains are larger. The same 453 grams of this type of coffee are sold by the grower for US\$ 4.11 while the roasters sell them at US\$ 17.45, i.e., 324.5% more.

Source: Valor Econômico

GLOBAL COFFEE PLATFORM RELEASES CATALOG OF SUSTAINABILITY INITIATIVES IN BRAZIL

In order to improve the income of coffee growers, preserve and protect natural resources and ensure good living conditions for workers in the segment, entities, companies and institutions have been devoting efforts to create initiatives that help growers to achieve sustainable production. Many of these initiatives are listed in the Global Coffee Platform's Sustainability Catalog, just released by GCP's Brazil Program. The Catalog presents a summary of the main initiatives of 36 GCP member institutions and partners to promote coffee sustainability at different levels. The actions listed show that it is possible and worthwhile to produce coffee preserving the environment and ensuring growers' health and well-being. The material brings together 116 initiatives/projects that have a potential to reach 236,500 growers. The objectives of the Catalog, as well as GCP's itself, are to reduce duplication of efforts, increase synergies and partnerships in the supply chain, share and disseminate success stories and inspire new actions and innovations to accelerate the process of continuous improvement. The digital version of the Catalog can be found at: <https://goo.gl/vGRiQg>. To obtain the printed version, please contact Tamara Barim at tamarabarim@peamarketing.com.br.



Sources: Revista Cafeicultura and P&A

INCAPER RELEASES NEW VARIETY RESISTANT TO DROUGHT

As a result of 30 years of research, the Agricultural Research and Extension Services Institute of Espírito Santo (Incaper) recently introduced a new Conilon coffee variety resistant to drought, the Marilândia ES8143. Twelve resistant plants were selected to develop this new variety from a universe of more than one thousand plants evaluated during the trials.

Sources: G1 ES and TV Gazeta ES

COFFEE PLANTATIONS COMBINED WITH NATIVE SPECIES TO AVOID AMAZON DEFORESTATION

The Institute of Conservation and Sustainable Development of the Amazon (Idesam) has been working for five years in order to strengthen the coffee chain in the Amazon region to generate alternative income for growers and to control deforestation. Coffee trees are being planted in the rural areas of the municipality of Apuí, almost 800 kilometers from Amazon state capital of Manaus, in an agroforestry system that combines coffee trees with native species. With Idesam's assistance, farmers learned techniques such as foliar fertilization with bio fertilizers, homemade traps against coffee berry borer, pruning, etc. Conilon trees were selected since they are resistant to high temperatures. Productivity has increased from 9 to 24 bags per hectare in spite of the shading provided by natural regeneration and the planting of native species. Although Apuí's coffee production is low, it has already reached points of sale in São Paulo and Rio de Janeiro.

Source: Valor Econômico

THREE ROASTERS DOMINATE BRAZILIAN R&G COFFEE MARKET

Three large coffee roasters – Grupo 3Corações, Jacobs Douwe Egberts (JDE) and Melitta – account today for over 50% of the roast-and-ground coffee market in Brazil. Grupo 3Corações and JDE have acquired brands that belonged to Cia Iguazu and Cia Cacique and are very popular in the southern region of Brazil. As a result, the two largest roasters in the country gained space in a region where Melitta has a strong presence. JDE also plans to double its market share in the super premium coffee segment with the launch of the L'OR coffee brand, the company's most recent investment in Brazil. Melitta in turn announced that it will strengthen its strategic base in Southeast Brazil with the acquisition of the brand Café Barão, located in the municipality of Piumhi, Minas Gerais, and that it will build its fourth roasting plant – to start operating in 2018 – in the municipality of Varginha, also in Minas Gerais. Cooxupé cooperative has also been consolidating itself as a strong roaster and is today one of the ten largest in Brazil. Cooxupé has important competitive advantages such as the infrastructure to receive millions of green coffee bags per year from its members and the fact that it does not depend directly on sales of R&G coffee since the cooperative's main business is the trade of green coffee.

Source: Bureau de Inteligência Competitiva do Café

NEW PINHALENSE ROASTER TL2 WAS PRIZE FOR WINNER OF AROMA CONTEST



A traditional sponsor of the BSCA Aroma Contest, Pinhalense offered its new sample roaster TL2 to the winner of the competition, Fazenda Sertãozinho. Located in the municipality of Botelhos, Minas Gerais, the farm won the competition in its two categories, wet processing and naturals, with 91.7 and 94.2 points respectively. The new TL2 roaster, launched during the International Coffee Week held last October at Expominas in Belo Horizonte, Minas Gerais, has automatic firing with safety system, gauge for gas pressure monitoring, improved roasting control, sensor in the coffee mass, independent controls of flame, temperature and airflow, and quick cooling system, among others.

Source: CaféPoint

Brazilian Prices

Main Producing Regions / Farm Gate

November 30, 2017

Arabica Naturals (R\$/60 kg bag)		Conilon / Robusta (R\$/60 kg bag)	
Cerrado MG	455,00 =	Colatina-ES fair average price	372,00 ↑
Mogiana	450,00 =		
South Minas	450,00 =		
Arabica Pulped Naturals (R\$/60 kg bag)		[B] ³ ex-BM&F (US\$/60kg Arabica)	
Cerrado MG	495,00 ↑	Dec 2017	157,30 ↑
South Minas	490,00 ↑	Sept 2018	161,75 ↑
		Dec 2018	163,75 ↑
		Real R\$ / Dolar US\$	
		Nov 30, 2017	3,27 =

+ 10%

Source:

www.qualicafex.com.br

UNVEILING BRAZIL'S HIDDEN COFFEE QUALITY SECRETS

Exotic and little known locations apart – e.g.: the southern highlands of Ceará state and the mountains in northern Pernambuco state – or even better known Caparaó, recent coffee quality competitions are showing that great quality secrets may be unveiled in the major Brazilian producing regions themselves with the help of novel processing approaches. This has been again demonstrated, this time in a unique way, by the world's highest price ever paid in a Cup of Excellence auction that went to a coffee lot produced on Fazenda Bom Jardim, owned by the Nunes family in the Cerrado region of Brazil.

Long interested in different processing possibilities, Gabriel Alves Nunes took CQI's Q Processing Certificate Professional Course on Fazenda Santana, Espírito Santo do Pinhal, Mogiana region, last May, when he was exposed to a wide range of processing variations within and beyond the well-known natural, pulped natural and washed systems. One concludes from Nunes' statements that the course gave him both theoretical and practical background and the confidence to move even further with his processing experiments and the results have now become history!

Although the high price obtained is indeed surprising and noteworthy, the ability to differentiate through processing is not new for this writer. I witnessed a much simpler example with the prosaic three usual processing system mentioned above when we bought a small specialty roasting operation in São Paulo that relied on three farms in South Minas to make its blend. We managed to offer the same quality blend with coffees from Mogiana's Santana Farm alone by using different processing systems. What we then learned at the Q Processing Course and from the outcome of the Brazil 2017 Cup of Excellence competition and auction demonstrated that our prosaic example could be carried much further with more sophisticated processing techniques.

Young Nunes stated that "my father has worked with coffee for 30 years and I started only four years ago. Since I returned to the farm, we have been investing in infrastructure and other improvements to get better quality because we know that coffee is on the same path as wine, with more demanding consumers all the time". Innovation in processing is helping growers break quality paradigms because, as Nunes added, "we grow this (award-winning) Bourbon at 935m (3,070ft) while other countries produce at much higher altitudes that here to now granted them a competitive quality advantage. However our (winning) coffee has shown that one can search for excellence in quality at lower altitudes too".

From a practical standpoint it is important to make sure that the quality achievements of award-winning coffees are not restricted to the few bags that win competitions. That is why the downsizing and the development of other features of post-harvesting equipment are gaining increasing importance in order to ensure that this top quality obtained by award winners can gain scale and become either micro-lots or larger specialty lots or even differentiated coffee lots.

The altitude and other quality paradigms can indeed be challenged by using processing techniques as shown by recent results of coffee quality competitions. However the challenge is still there to take this new paradigm to scale and, most importantly, to change the respective price differentials accordingly in order to bring about the production of greater volumes of these coffees and to ensure the sustainability of supply of these new excellent qualities.



PROCESSING AWARD-WINNING COFFEES

Because award-winning coffees are usually part of a micro lot, the processing of such small lots requires high efficiency, low-capacity equipment. Aware of this, Pinhalense has developed a line of micro-lot processing machines that have the same top performance of its larger pieces of equipment.

The producer of the most expensive Cup of Excellence coffee ever, Fazenda Bom Jardim in the Brazilian Cerrado, uses Pinhalense machines from the reception of coffee to the delivery of green coffee: wet milling, drying and dry milling. The same applies to coffee quality competition winners in many other countries.

Micro lots 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.

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.

MACHINES ESPECIALLY DEVELOPED 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 and CON DCP
- 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
- Ancillary equipment



ECO SUPER



LSC



DMPE



SRE DIVIDED DRIER



C2DPRC



CON-DCP



DBD



PFA



MVF