

CONFIDENTIAL

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

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☉ CACIQUE INVESTS US\$ 60 MILLION IN NEW SOLUBLE COFFEE FACTORY

Soluble coffee company Cacique, the biggest soluble coffee exporter in Brazil with sales in more than 85 countries, will invest US\$ 60 million in the construction of a soluble coffee plant in Linhares, Espírito Santo state. This will be the company's second factory; the first one is located in the municipality of Londrina, Paraná state. The choice of location for the investment is strategic since Espírito Santo is the leading Brazilian producer of Conilon, which is the main raw material for soluble coffee. The company may increase its current exports from 30 to 40 thousand tons per year as a result of the investment.

Source: Valor Econômico

☉ BRAZILIAN COFFEE HAS HIGHEST WORLD SCORE IN CUP OF EXCELLENCE RANKING

The winning coffee beans of the “Pulped Naturals” category, grown on Primavera Farm, in the Chapada de Minas region, were sold by US\$ 143.00/lb at the 2018 Brazilian Cup of Excellence auction. Besides reaching a new world record in sales value, Brazil also achieved the first place in the world ranking of quality, with the best evaluated coffee in the championship. The Primavera State beans got an incredible 93.89 points surpassing countries like Colombia, Costa Rica, El Salvador and Bolivia. This indicates Brazil's consistency to offer top quality coffees to the world, according to the Brazilian Specialty Coffee Association (BSCA).

Source: CaféPoint

Country	Lot	Points	Price	Lot Size	Total Price
Brazil - Pulped Natural	1a	93.89	\$143.00	5	\$47,288.67
Brazil - Pulped Natural	1b	93.89	\$120.10	5	\$39,715.87
Bolivia	1b	91.43	\$19.90	4	\$5,264.88
Bolivia	1b	91.43	\$19.60	5	\$6,179.10
Colombia	1a	91.35	\$43.50	7	\$20,199.20
Colombia	1b	91.35	\$50.10	7	\$23,194.80
Costa Rica	1a	91.29	\$300.09	8	\$158,780.62
Costa Rica	1b	91.29	\$111.21	8	\$58,842.32
El Salvador	1a	91.80	\$55.10	3	\$10,932.94
El Salvador	1b	91.80	\$55.10	3	\$10,556.06
Guatemala	1a	90.73	\$55.60	8	\$28,952.59
Guatemala	1b	90.73	\$60.00	7	\$27,778.20
Nicaragua	1a	91.80	\$31.60	6	\$14,288.57
Nicaragua	1b	91.80	\$32.09	7	\$12,734.27
Honduras	1a	93.43	\$80.60	5	\$26,653.61
Honduras	1b	93.43	\$80.10	5	\$26,376.93
Mexico	1a	90.70	\$100.20	4	\$26,507.91
Mexico	1b	90.70	\$39.10	4	\$10,343.91
Peru	1a	91.08	\$45.10	6	\$19,388.49
Peru	1b	91.08	\$45.10	6	\$17,879.03
Rwanda	1a	90.53	\$18.70	20	\$24,709.06
Rwanda	1b	90.53	\$18.70	20	\$24,048.39

Source: Alliance for Coffee Excellence

☉ EXPORTS OF “DIFFERENTIATED” COFFEES INCREASE 27%

Brazilian exports of “differentiated” coffees reached 5.64 million bags in 2018, a growth of 27.16% compared to 2017 that registered 4.43 million bags according to the Brazilian Coffee Exporters' Association (CeCafé). Differentiated coffees include specialty, sustainable, organic and other coffees above a given price floor. Such exports generated an income of US\$ 1,009 billion, with an average price of US\$ 178.98 per bag exported, 33.9% higher than average commercial coffee prices of US\$ 133.70 per bag.

Source: CaféPoint

☉ BRAZIL PRODUCES RECORD 61.65 MILLION BAGS IN 2018

Brazil has produced a record of 61.65 million bags of coffee in 2018 according to Conab that previously projected a crop of 59.9 million bags. This volume, that represents an increase of 37.1% compared to 2017, resulted from favorable climatic conditions that enabled excellent flowering, technological improvement with the use of more productive varieties such as clonal plants in Rondônia as well as the Arabica on-year in the biennial production cycle.

Source: Conab

☉ PRODUCTION GROWS 87.5% BUT VALUE ONLY 17.8% IN 13 YEARS

The estimate of Gross Production Value (GPV) of Cafés do Brasil, defined as total gross producers' revenues, reached R\$ 25.05 billion (US\$ 6.73 bi) in 2018. Conilon represented around 20% and Arabica 80%. GPV was R\$ 21.26 billion (US\$ 6.72 bi) in 2005, when Brazil coffee production reached 32.9 million bags. Although coffee production increased 87.5% in 13 years, its Gross Production Value increased only 17.8%.

Source: Embrapa Café

☉ COFFEE PRODUCTIVITY REACHES 35 BAGS PER HECTARE IN BAHIA

Bahia is the fourth largest coffee producing state in Brazil with a production of 4.55 million bags in 2018. The state reached its highest average productivity ever – 35 bags per hectare – due to the use of irrigation technologies and crop management that allowed the state to obtain a gross crop revenue estimated at R\$ 1.6 billion. The state produces coffees of the Arabica and Conilon species in three producing regions: Cerrado, which represents 11% of the volume produced, Planalto 30% and Atlantic 59%, with Conilon concentrated in the last region.

Source: Embrapa Café

☉ COFFEE PRODUCTION INCREASES 13.9% IN MATO GROSSO STATE

Mato Grosso state’s coffee production increased 13.9% in 2018 reaching 104.2 thousand bags. Planting of varieties that are more adapted to the region’s climate and investment in cultivation and irrigation systems are among the reasons for such increase. The state’s average productivity also increased from 9.6 bags/ha in 2017 to 11.2 bags/ha in 2018 still well below Brazilian average and therefore indicating good growth potential.

Source: G1

☉ NEW LOW-COST TOOL HELPS GROWERS COLLECT SOIL SAMPLES

The Technical Assistance and Rural Extension Institute of Minas Gerais (Emater-MG) has developed an alternative method to facilitate the measurement of soil density and moisture. The tool is being tested with the collaboration of small growers in the municipality of Jequitibá (MG), central Minas Gerais. The idea is to facilitate the collection of soil samples and to allow their analysis in a faster and more practical way by the growers themselves. This equipment will help to determine the amount



of water to be applied to optimize its use and also in the design of irrigation systems considering the particularities of each area. The cost of the alternative tool is around R\$ 30.00 (US\$ 8) while conventional tools cost about R\$ 3,200 (US\$ 862.5).

Source: Revista Agronegócios

☉ LOW-CAFFEINE LAURINA CULTIVAR WINS INTERNATIONAL BARISTA CHAMPIONSHIP

"Laurina" is again back in the news after a coffee lot of this variety was first place in the filtered coffee category (World Brewers Cup) in the International Barista Championship held during the 2018 International Coffee Week in Belo Horizonte, MG. This coffee was produced by Fazenda Daterra, in Patrocínio, Minas Gerais. The "Laurina" variety originates from the Reunion Islands, east of Madagascar, and was introduced in Brazil in the 19th century. From 1932 onwards it was investigated by the Campinas Agronomy Institute (IAC) and went through several rounds of genetic and agronomic studies. The "Laurina" plants have lower size, dense branching, excellent cup quality and only 0.6% of caffeine, i.e., half the content of the other commercial cultivars.

Source: Revista Agronegócios

Brazilian Prices

Main Producing Regions / Farm Gate

December 28, 2018

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	405,00 ↓	Colatina-ES fair average price	310,00 ↓
Mogiana	400,00 ↓		
South Minas	400,00 ↓		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	425,00 ↓	Mar 2019	123,95 ↓
South Minas	420,00 ↓	Sep 2019	126,30 ↓
		Dez 2019	131,60 ↓
		Real R\$ / Dolar US\$	
		Dec 28, 2018	3,87 ↑

+ 6.25%

Source:

www.qualicafex.com.br

FEB: THE CHALLENGES OF MAKING CHINA A LEADING COFFEE CONSUMER

http://www.peamarketing.com.br/imgs/pa_coffidential__127__february2018.pdf

MAR: PROFITABLE SUSTAINABLE PRODUCTIVITY AND THE FEASIBILITY OF COFFEE FARMING - PART 1

http://www.peamarketing.com.br/imgs/pa_coffidential__128__march2018.pdf

APR: PROFITABLE SUSTAINABLE PRODUCTIVITY AND THE FEASIBILITY OF COFFEE FARMING - PART 2

http://www.peamarketing.com.br/imgs/pa_coffidential__129__april2018.pdf

MAY: THE SIZE OF THE BRAZILIAN CROP

http://www.peamarketing.com.br/imgs/pa_coffidential__130__may2018.pdf

JUN: THE ROLE OF NATIONAL SUSTAINABILITY CURRICULA IN ADVANCING SUSTAINABILITY

http://www.peamarketing.com.br/imgs/pa_coffidential__131__june2018.pdf

JUL: HOW TO COUNTERACT THE FALL IN DEMAND FOR SUSTAINABLE COFFEE?

http://www.peamarketing.com.br/imgs/pa_coffidential__132__july2018_180725092821.pdf

AUG: HOW DROUGHTS AFFECT COFFEE TREES AND THEIR PRODUCTION

http://www.peamarketing.com.br/imgs/pa_coffidential__133__august2018_180808084436.pdf

SEP: LOW PRICES, ECONOMIC SUSTAINABILITY AND POVERTY: IS THERE A WAY OUT?

http://www.peamarketing.com.br/imgs/pa_coffidential__134__septiembre2018.pdf

OCT: LOW PRICES, THE FEASIBILITY OF COFFEE GROWING AND THE ROLE OF PROCESSING

http://www.peamarketing.com.br/imgs/pa_coffidential__135__october2018.pdf

NOV: CAN COCOA LEARN FROM COFFEE?

http://www.peamarketing.com.br/imgs/pa_coffidential__136__november2018.pdf

DEC: THRIVING BRAZILIAN CONSUMPTION AND THE ECONOMIC VIABILITY OF COFFEE FARMING

http://www.peamarketing.com.br/imgs/pa_coffidential__137__december2018.pdf

PINHALENSE SUPPLIES LARGE CUTTING-EDGE TECHNOLOGY ECOLOGICAL WET AND DRYING MILL IN COLOMBIA



Leading Colombian coffee cooperative de los Andes Cooperativa opened last December a state-of-the-art ecological wet mill and drying facility supplied by Pinhalense. The La Chaparrala Mill, the cooperative's third and largest regional mill, has been designed by Pinhalense bearing in mind current and future harvesting systems at a time when Colombia is seriously considering the mechanization of coffee picking.



Located in the municipality of Andes in the Department of Antioquia, the new mill will process coffee from over 800 farms that have an estimated total production of about 45,000 bags of 60kg of green coffee. The cooperative sees the new mill as a strong supporter of sustainability in the project area by providing a modern and efficient centralized processing facility that will add value to farmers' coffee and protect the environment around the river that supplies water to the town of Andes.

The latest low-water consumption, ecological Pinhalense wet milling line separates incoming cherries according to their degree of maturation and processes them separately in order to get the most out of each product, quality and price wise. Different products will be pulped, dry fermented, washed and dried separately, in order to grant the highest possible returns to growers. Driers will use coffee husk as a fuel and all waste water will be treated to ensure that all three pillars of sustainability are addressed.

The combination of mechanical siphons LSC and low-water consumption ECO SUPER pulpers introduce the ability to pulp only 100% ripe cherries irrespectively of the cherry mix received in the mill. These will be top quality coffees free from the unwanted tastes of unripe cherries that are being picked in ever larger quantities. Semi-ripe and over-ripe cherries, that have their own specific qualities and markets, will be pulped separately to maximize returns without jeopardizing the quality of the top product. Latest technology, low-temperature horizontal rotary driers are used to retain the quality of all coffee products. Divided drum driers are provided to handle the smaller volumes of washed unripe and over-ripe coffee not to mention naturals whose percentages tend to increase towards the end of the harvesting season.

The La Chaparrala Mill required an investment of over US\$ 5.5 million coming from the cooperative along with private partners, including a donation from F. Gaviña & Sons, an American importer and roasters, and project financing by Belgian Incofin. Brazilian Pinhalense technology and equipment help make this a truly international – Colombian, Brazilian, American and Belgian – project, as mentioned by de los Andes general manager Juan David Rendón at La Chaparrala's opening.

Additional pictures and information about the new mill and its opening can be found at:

- Visit to the mill: www.peamarketing.com.br/pdf/andes_fotos.pdf

- Video: https://www.youtube.com/watch?v=S1eo_ujbq4w

