

# CONFIDENTIAL

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

- **LIVING WAGE AND LIVING INCOME (PAGE 4)**

- **BEYOND COFFEE: BEYOND COFFEE: EQUIPMENT FOR COCOA, MACADAMIA, BEANS, BLACK PEPPER, AND OTHER SEEDS, NUTS AND GRAINS (PAGE 5)**

## **NEW SELECTION cv 50 OF ACAUÃ COFFEE CULTIVAR PRESENTS RESISTANCE TO NEMATODE *M. EXÍGUA***

*Meloidogyne exigua* is the most widespread nematode that attacks coffee trees in Brazil causing severe negative impacts to crops. Its chemical control is however hampered by the difficulty to reach large volumes of soil and roots which reduces efficiency of treatment and increases application costs. Control through resistant varieties requires the development of materials that bring together resistance, vigor and productivity. Great resistance to the nematode *M. exigua* was observed in the selection of cv 50 from Acauã Novo cultivar. The experiment was conducted with usual cultivation practices, without chemical control of nematodes and an evaluation of the thick and thin roots of the plants was performed after 3.5 years. The conclusion was that the new cultivar has good resistance to this nematode besides its known features of good resistance to rust and good productivity.

Source: Procafé

## **DISEASE RESISTANCE AND GOOD PRODUCTIVITY ATTRACT GROWERS TO ARARA COFFEE VARIETY**

Increasingly well-known for its resistance – more vigorous coffee that does not require constant spraying or disease control –, Arara coffee is a variety that is attracting small and mid-size growers in South Minas Gerais who are betting on it for good profits. More than 40 million seeds of the variety have been sold in 2019 alone according to the Procafé Foundation.

Source: G1

## **COFFEE SECTOR SEEKS PROGRAM TO HOLD COFFEE AND INCREASE PRICES**

Brazilian coffee growers are mobilizing to convince government to launch a program to hold 10 million bags that will have the potential to increase international coffee prices. Members of the Parliamentary Coffee Front will present a bill for the implementation of the so-called Price Equalization Premium Paid to the Producer (Pepro, for its initials in Portuguese) in the inverted mode. According to the terms of Inverted Pepro, growers who sell their coffee above the reference price will receive a subsidy from government thus encouraging them to hold sales to receive such a premium. The program, that was already used in 2007, is applicable when market prices are below the official reference price of products.

Source: Notícias Agrícolas

## **EXPORTS OF DIFFERENTIATED COFFEES ACCOUNT FOR 20% OF VOLUME AND 30% OF VALUE OF SALES ABROAD**

Total Brazilian coffee exports reached 23.5 million bags from January to July 2019, with an average price of US\$ 124.8 per 60kg bag, generating an exchange revenue of US\$ 2.9 billion. Soluble and R&G coffee totaled 2.3 million bags and represented 9.9%, and green coffee represented 90.1%, reaching 21.2 million bags. Differentiated coffees, that have superior quality or sustainability certification, corresponded to 20% of the total of green coffee exports with an average price of US\$ 156 per bag, with a price premium of 37.5% compared to the US\$ 113 average paid for non-differentiated coffees. Total revenues of differentiated coffees reached US\$ 700.3 million and non-differentiated coffees' revenue represented US\$ 1.89 billion and accounted for 70.1% of total green coffee exports.

Source: Embrapa Café

## CLIMATE WILL AFFECT 2020 COFFEE CROP

Leading Brazilian coffee cooperatives have released a declaration stating that climate conditions that have been affecting coffee plantations in recent months will lead to a smaller crop than expected next year. It was verified that the volume of Arabica coffee to be harvested in Brazil may be affected based on studies and technical evaluations carried out directly in the field. In the statement, that includes Cooxupé and Minasul among its 19 signatories, the coops declared that the expectations of a record crop in 2020, the on-year of the Arabica biennial crop cycle, are not supported by the conditions seen in coffee fields. They added that this negative scenario could be worse if the weather is not favorable in the coming months.

Source: Notícias Agrícolas

## SIZE OF BRAZIL'S 2019 COFFEE CROP IS REDUCED

Brazil is expected to produce 52.1 million bags of coffee in 2019 according to the latest estimate of the Brazilian Institute for Geography and Statistics (IBGE), 1% below the previous month's estimate, with smaller than expected production in Minas Gerais and Paraná. Arabica production was estimated at 36.7 million bags, a decrease of 18.2% compared to the 2018 coffee crop. Robusta, however, is expected to produce 15.3 million bags, an increase of 2.3% compared to the previous year.

Source: Notícias Agrícolas

## COFFEE COOPERATIVES STAND OUT IN BRAZILIAN BUSINESS

Cooxupé ranked the 6th place in the Valor 1000 agricultural sector ranking of the 1,000 largest Brazilian companies in 25 economic sectors according to their performance in 2018. Cooxupé was in the 1st place in the state of Minas Gerais, took the 7th position in the Southeast region and the 175th position in the overall ranking of the 1,000 largest companies in the country. Coabriel is the 25th largest company in the state of Espírito Santo after it climbed 10 positions in the Instituto Euvaldo Lodi rank. Coabriel also stands out in the wholesale sector, holding the 5th position among the 100 largest such companies in Espírito Santo.

Sources: Cooxupé and Coabriel

## YELLOW CATUAÍ FLAVORED BEER

The Brazilian beer brand Sunset Brew launched recently a specialty beer line that combines the intense flavor and good acidity of Catuaí coffee with the bitterness and full body of the beer. It is Mystic Panther, an Imperial Coffee Porter of intensity, complexity and hints of chocolate and cocoa in its composition. Elected as the best Coffee Beer in Brazil at the 2019 Brazilian Beer Festival and Best Beer within the Family Stout in Latin America at the South Beer Cup, the new beverage surprises by its intense aromatic profile highlighting notes of espresso, vanilla, cocoa and nuts, which refer to Cappuccino. Rich in flavor, ideal for seasons with lower temperatures, the beer has as its main element coffee, from the region of Natércia in Mantiqueira de Minas, Minas Gerais state.

Source: Revista da Cerveja



## ROCK IN RIO TO HAVE OFFICIAL COFFEE BRAND

3 Corações will be the official coffee brand at the largest music and entertainment festival in Brazil and the world, Rock in Rio. The brand will be present in different ways during the festival, with specialty coffee cuppings, a menu of drinks prepared with coffee and the launching of a limited edition of "Rock in Rio" capsules compatible with the group's machine TRES for espresso and other beverages.

Source: 3 Corações

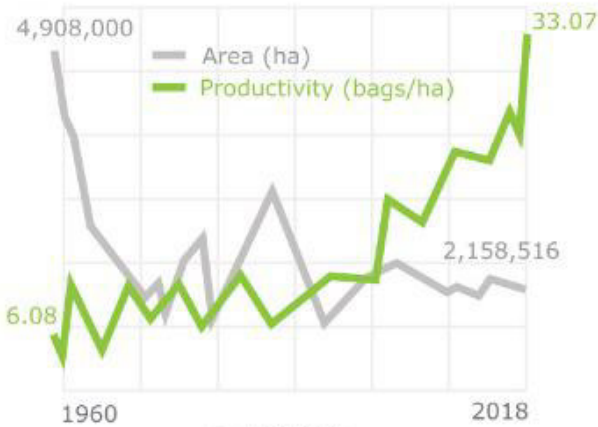
## SOME REASONS WHY COFFEES FROM BRAZIL ARE SUSTAINABLE

See on next page.

Source: CeCafé

# Some reasons why Coffees from Brazil are sustainable

Reduction of **51%** of the coffee planted area  
 Increase of **416%** of coffee crop productivity



Source: IBC/CONAB (2019)

Share of domestic price in FOB for Brazilian Arabica



Average in the last 4 years  
 Source: CECAFÉ (2019)

Brazilian Coffee smallholders (less than 20 hectares) = 86% of all farmers



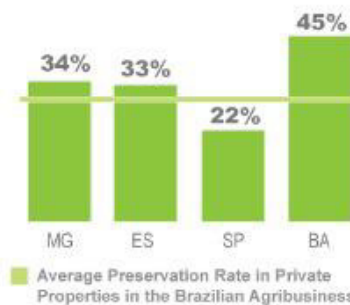
Farmers/Range  
 Source: Censo Agropecuario Brasileiro (2007)

Profile of Brazilian Differentiated Coffees Exports



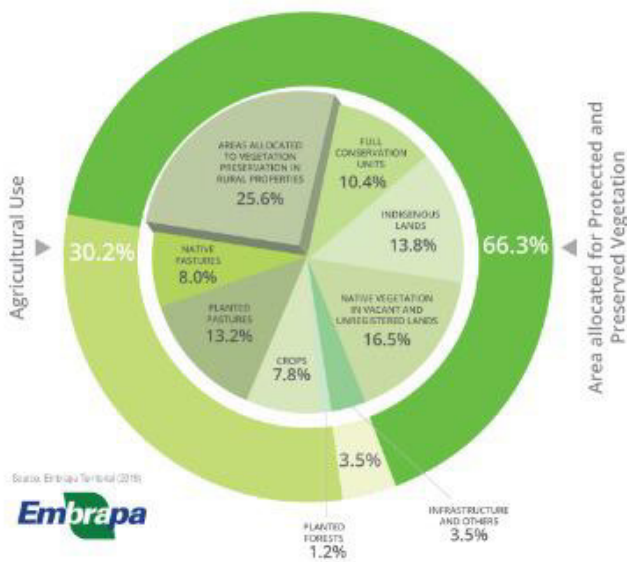
Source: CECAFÉ (2019)

Coffee Growing Regions: Areas dedicated to conservation



Source: Embrapa Territorial (2019)

Brazilian Land Use



Source: Embrapa Territorial (2019)



Brazilian labor and environmental law are considered one of the strictest in the world



94% of Agrochemicals packages are disposed in an environmentally correct way

Source: INPEV (2019)



Cecafé and its members make major efforts and investments in training coffee producers, such as the Digital Coffee Farmer Program, which has been training more than 6,000 producers in digital inclusion, environmental protection and best agricultural practices in the 7 major coffee producing regions.

The Sustainability Seal along with the Code of Ethics and Conduct demonstrate the commitment of exporters to social environmental and ethical issues.



According to recent events, the coffee exporting sector rejects any and all illegal practices that may endanger the integrity of the environment. All actions of Social Responsibility and Sustainability of Cecafé and its partners demonstrate that environmental management and correct land use is the real sector's commitment.



**Cecafé**

Conselho dos Exportadores de Café do Brasil



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## LIVING WAGE AND LIVING INCOME

Following up on the Outlooks in Confidential nos. 128 and 129 (<https://bit.ly/2lEdvd4> and <https://bit.ly/2ktzumQ>), that address productivity and the feasibility of coffee production, what is the social impact of increasing productivity? How to measure it?

There is today a strong interest by all in the coffee supply and consumption chains to identify *sustainability parameters* to evaluate the real impacts of sustainable coffee production. This journey, that is just starting, is likely to play a key role in the development of the market for sustainable coffees.

*Living wage* for rural workers and *living income* for small holders are essential social parameters whose discussion is under way to ensure the sustainable production of coffee and other products like cocoa. These parameters have a much wider scope and are more meaningful than *minimum wage* because they take into account adequate living conditions and go beyond the wages earned by rural workers and the profitability achieved by small growers.

The central idea behind these new concepts is that the cost of living changes widely between coffee producing regions and therefore the actual social impact of wages and profitability must be calculated in the economic context of these main coffee producing regions in each country. A methodology to measure them has been proposed by Anker & Anker in 2015 using the following premises:

- living wage is a basic right recognized by the international coffee community;
- it must take into account specific space and time contexts; and
- it must guarantee basic and decent living conditions based on the income obtained from usual work journeys.

This methodology determines the cost of living considering the costs of food, housing, other basic needs, and of dealing with some unpredicted conditions. Living wage is then equal to the cost of a basic living pattern divided by the numbers of workers per family.

Adequate nutrition aspects and housing conditions, and expenses with health, transport and clothing besides usual in-kind benefits must be evaluated regionally to ensure that well-being conditions are achieved. The maximum sustainable economic productivity level must of course guarantee that the regional parameters above are achieved with the use of adequate management and environmental practices.

In the case of smallholder growers, who account for over 80% of the world's coffee production, the evaluation of living costs is similar, based on well-being conditions, considering that growers and workers live in the same coffee producing areas. However, the concept of living income includes items like minimum sustainable productivity and minimum farm size to achieve the profitability associated with such living income.

For example, studies in South Minas Gerais, Brazil, suggest that smallholder family production becomes viable at a minimum farm-size level of 5ha and productivities of 30 to 40 bags (1,800 to 2,400kg) per hectare. This allows the family to enjoy decent living conditions bearing in mind the local costs of living described above. In addition, it must be considered that a minimum level of savings must be set aside to make investments that ensure the continuity of the activity.

Finally, to achieve what is proposed above depends greatly on having a favorable enabling environment, as presented in the Outlooks mentioned earlier. It is the enabling environment that, for example, creates the necessary conditions for the competitive purchase of inputs and sale of coffee and for growers to develop a long-lasting mutually-beneficial commercial relationship with trade and industry.

## Brazilian Prices

Main Producing Regions / Farm Gate

August 30, 2019

### Arabica Naturals (R\$/ 60 kg bag)

Cerrado MG	415,00 =
Mogiana	410,00 =
South Minas	410,00 =

### Arabica Pulped Naturals (R\$/ 60 kg bag)

Cerrado MG	475,00 ↑
South Minas	470,00 ↑

+ 15.8%

### Conilon / Robusta (R\$/ 60 kg bag)

Colatina-ES fair average price	287,00 ↑
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### BM&F (US\$/60kg Arabica bag)

Sep 2019	112,70 ↓
Dec 2019	117,05 ↓
Mar 2020	120,15 ↓

### Real R\$ / Dolar US\$

Aug 30, 2019	4,14 ↑
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Source:  
[www.qualicafex.com.br](http://www.qualicafex.com.br)

# MACHINE OF THE MONTH

## BEYOND COFFEE: EQUIPMENT FOR COCOA, MACADAMIA, BEANS, BLACK PEPPER, AND OTHER SEEDS, NUTS AND GRAINS

Well-known for its *coffee* processing machinery, Pinhalense also makes complete lines of equipment for products like *cocoa*, *macadamia* and *Brazil nuts* besides drying, cleaning and grading equipment for *seeds* and *grains*, e.g., *black pepper*, *quinoa*, *beans of all types*, *sesame seed*, *corn*, *rice* and *brachiaria grass*.

Pinhalense **rotary driers** have specific versions for several products: *cocoa*, *black pepper*, *beans*, *quinoa*, *palm oil*, *corn* and *others grains*. The specific features required for each product may be combined into one single drier to handle for example *cocoa* and *coffee* or *black pepper* and *coffee* that are popular combinations. Another frequent use of *cocoa*, *black pepper* and *coffee* driers is to process *grains* (e.g., *beans*, *corn* or *rice*) off season. The use of Pinhalense rotary driers for *beans* may enable the planting of one more crop per year in specific environments.

The Pinhalense lines of **pre-cleaners and size graders** have models with specific features developed for each product. Not only screen sizes and hole shapes change from product to product but also the speed and frequency of vibration and the way dust is extracted. The same thing happens with **destoners and gravity separators** whose deck design, pressure system and vibration change to handle each *seed*, *grain* or *nut* efficiently. These Pinhalense cleaning, grading and separation machines can be sold separately or as part of lines that include elevators and conveyors with specific features for each product (e.g.: low impact or food handling capability), silos, dust control and others items. Pinhalense is well-known today for specific solutions for specific products such as *quinoa* and other *local grains*, *beans*, *sesame seed*, etc. besides other *grains*, *nuts* and *seeds* from around the world.

The Pinhalense line of **cocoa processing equipment** starts with a very innovative *cocoa* pod breaker, a machine developed and patented by Pinhalense that has far reaching social and safety impacts because it eliminates the need to break *cocoa* pods by hand with large knives. A *cocoa* mucilage remover is now available as well as equipment to tilt fermentation boxes. Standard components of the *cocoa* line are the best-selling rotary driers, that come in sizes from 1 to 13 tons of wet *cocoa*, pre-cleaners, destoners, size graders, gravity separators and ancillary equipment (elevators, conveyors, silos, dust suction, etc.).



COCOA POD BREAKER

One of the “stars” of the **line of equipment for macadamia** is the nut cracker that is said to be one of the most efficient machines in the market today. Pinhalense designs and supplies complete mills for *macadamia* nuts, including driers, crackers with shell separators, and cleaning and grading machines besides conveyance and storage equipment.



MACADAMIA NUT CRACKER - QM-300

The **Brazil nut line** also includes a unique nut cracker, again developed in-house and known for its high efficiency. *Brazil nut* hulling and further processing poses special challenges because it requires either freezing or boiling the nuts and delicate handling throughout cleaning, grading and separation in order to avoid damage that causes the quick formation of mould in the affected areas of the *nut*.

Please contact the Pinhalense / P&A agent in your country or P&A directly if you have specific processing challenges for the products mentioned above. **P&A and Pinhalense engineers will be pleased to identify and recommend the equipment you require or to develop solutions to meet new challenges.**