

# CONFIDENTIAL

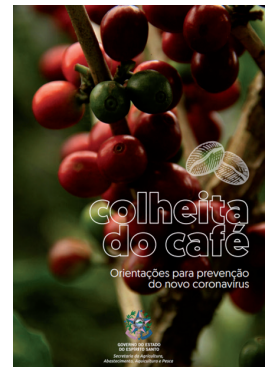
**YOUR BEST SOURCE OF INFORMATION ABOUT THE BRAZILIAN COFFEE BUSINESS. THIS ISSUE:**

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## **☞ HARVESTING STARTS WITH SPECIAL HYGIENIC MEASURES FOR PICKERS DUE TO CORONAVIRUS PANDEMIC**

Booklets with health and safety recommendations for coffee picking at COVID-19 times have been disseminated recently by various stakeholders such as the Secretariat of Agriculture of Espírito Santo (SEAG), cooperatives and traders. The materials are illustrated and contain useful information about hygienic measures and sanitation of equipment, transportation and workplaces. The Coronavirus crisis is expected to reach its peak between April and June in Brazil, when coffee harvesting will be in full force. With the 2020 production estimated at 62 million bags or more, farmers have to take extra precautions in order to safeguard the health of both their own workers and additional pickers coming to the farm from other municipalities, while creating awareness about the issue.

Sources: Coopercam, CCCMG and SEAG



## **☞ COOABRIEL CREATES ALTERNATIVE TRADING METHODS TO COPE WITH SOCIAL DISTANCING**

In order to remain active, Coabriel cooperative's Coronavirus Prevention Committee took several measures to facilitate the social distancing of its more than 5,000 members, employees and the community itself. In order to keep its members safely at home and to go out only in extreme cases, the cooperative created the Coabriel App and the Coffee Sales Center. Members can use these tools to quickly and safely sell their coffee and to check prices, other relevant market information, debts and credit limits. More than 43 thousand bags have already been traded through these two online platforms.

Source: Revista Cafeicultura

## **☞ BRAZILIANS STILL ABLE TO HAVE THEIR "CAFEZINHO"**

Coffee supply to retail outlets in Brazil continues normal in spite of the COVID-19 pandemic. Roasting industries are receiving raw material as usual and are able to deliver the roasted products to the market according to the Brazilian Coffee Roasters Association (ABIC). Changes in domestic consumption are expected but no drop in volumes with consumers currently drinking more coffee at home because shops, bakeries, restaurants and offices are closed in most Brazilian cities and towns.

Source: Globo Rural

## **☞ WOMEN'S PARTICIPATION IN COFFEE GROWING RESULTS IN HIGHER PRODUCTION AND INCOME**

Previously seen only as husbands' helpers, women's role in coffee growing has been increasing in northern Paraná state and their active participation has resulted in a specialty coffee production increase of 30% in the region since 2013. The Coffee Women Project, promoted by the Technical Assistance and Rural Extension Institute of Paraná (Emater-PR), gathers around 250 women growers and offers professional qualification on coffee growing and trading as well as personal development courses. The initiative has helped them to have higher incomes and strengthened their self-esteem and mutual cooperation. The Project has gained international recognition and their coffee has been exported to Japan and Australia. According to the Brazilian Institute for Geography and Statistics (IBGE), the number of Brazilian rural properties managed by women grew from 12% in 2006 to 18% in 2017, with a range of 12 to 25% in different states.

Source: Folha de S. Paulo

**BRAZIL'S 2020 SUPER CROP SHOULD NOT GENERATE MARKET SURPLUS**

The Brazilian Coffee Council (CNC), which represents cooperatives and growers, expects that the large 2020 coffee crop will help to replenish historically low stock levels with no actual surplus of production going to the market. With an expected crop of 57 to 62 million bags, including Arabica and Robusta/Conilon, there will be enough coffee to meet the needs of domestic consumption and exports. The sector expects that COVID-19 will not affect internal supply; however there may be transportation issues, specially with port and shipment restrictions around the world.

Source: CNC

**BRAZIL EXPANDS ITS LEADERSHIP IN THE COFFEE MARKET**

World production of Arabica and Robusta coffee may reach 169.3 million bags in 2020, a decrease of 3% compared to the previous year. Brazilian production may account for about 35% of world's production as the country is expected to produce between 57.2 million and 62 million bags, an increase from 15.9% to 25.8% over 2019. Vietnam, the second largest coffee producing country, may account for 19%, with 32 million bags. Colombia may produce 14 million bags and account for 8.3% of world's production. Minas Gerais remains the main Arabica coffee producing state in Brazil with an estimated production of 31 million bags. This volume represents 70% of Brazilian and 32% of world's Arabica production. Robusta is expected to reach 73.6 million bags, 43.4% of the world's total production. Vietnam will be the main supplier with 31 million bags, that corresponds to 42% of world production. Brazilian production of Robusta coffee is estimated between 14 and 16 million bags, representing about 20% of world production. Espírito Santo state alone may account for 66% of Brazilian Conilon production.

Source: O Estado de S. Paulo

**US IS TOP IMPORTER OF BRAZILIAN SOLUBLE AND COFFEE PRODUCER INDONESIA IS 4TH**

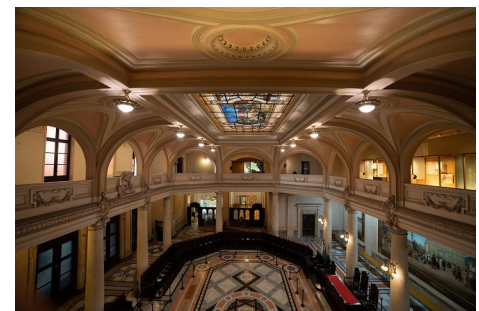
Brazilian soluble coffee exports reached more than 606 thousand bags in the first two months of 2020, a growth of 9.17% over the 555 thousand bags in the same period of 2019, according to the monthly survey of the Brazilian Soluble Coffee Industry Association (ABICS). The main destinations were the United States, that imported 119,760 bags (+ 29.1%) and generated a revenue of US\$ 16.4 million, followed by Russia, with 69,031 bags and US\$ 10.5 mi; Japan, with 45,961 bags and US\$ 8.2 million; Indonesia, with 34,001 bags and US\$ 3,987 million; and Ukraine, with 27,459 bags and US\$ 4,226 million. The figures above show that large coffee consuming countries like the US and Japan are among the main destinations for the Brazilian product but producing countries like Indonesia and Mexico also stand out as major importers of Brazilian soluble coffee.

Source: ABICS

**BRAZILIAN COFFEE MUSEUM OBTAINS HIGHEST AWARD IN STATE**

The Santos Coffee Museum is the first one in São Paulo to reach Level 2 in the state's Museum Registry System that establishes management, operations, visiting and maintenance standards for museums, their collections, buildings and infrastructure. To reach Level 2, the Coffee Museum had to meet the technical requirements described by 24 standards, 8 of them in Collection Conservation, 7 in Governance and 9 in Communication & Services. Efforts related to inclusion and democratization of access also contributed. This unique achievement resulted from the work and dedication of the museum's team and initiatives and actions implemented over the past 20 years.

Source: SISEM-SP



**Brazilian Prices: Main Producing Regions / Farm Gate**

March 31, 2020

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	585,00 ↑	Colatina-ES fair average price	334,00 ↑
Mogiana	580,00 ↑		
South Minas	580,00 ↑		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	645,00 ↑	May 2020	124,40 ↓
South Minas	640,00 ↑	Jul 2020	142,05 ↑
		Set 2020	131,00 ↓
		Real R\$ / Dolar US\$	
		Mar 31, 2020	5,19 ↑

+ 11.2%

Source: www.qualicafex.com.br

## CORONAVIRUS AND THE COMING BRAZILIAN CROP: A FAIR VIEW\*

The on-going discussion about the potential impacts of the pandemic on the coming Brazilian harvesting season is very active these days for the obvious reason that coffee picking is about to start for Conilon and is 30 to 45 days away for most Arabica. Experts believe that the dissemination of COVID-19 is yet to reach its peak in Brazil while most of the country remains in a horizontal social distancing mode that is likely to last longer than first expected in many if not most areas. Both Conilon and Arabica harvesting can be affected if the current social distancing lasts until May or June.

The question behind the debate is whether labor to pick coffee will be available where it is needed. The answer to this question depends on the distances to be traveled by labor and how social distancing will affect its mobility. Let's see if and how existing data can help. According to the latest IBGE Agricensus figures, in 2017 coffee farms larger than 500ha accounted for 16% of total production while those under 500ha and above 100ha accounted for 27%. The same Agricensus states that large farms produce predominantly Arabica.

The large farms are the ones that either rely on mechanical harvesting using big machines that do the work of about 100 coffee pickers each or use large numbers of people who often come from far away and are lodged on the farms themselves. Sales of mechanical harvesters have increased recently, probably for fear of a smaller labor offer due to the pandemic. It is usually said that 20 to 30% of Brazilian Arabica is today harvested by these machines and considering that mechanical harvesting is much more prevalent in large farms it may be possible to assume that at least 50%, perhaps 70%, of the large farms rely on this technology today and use few people to harvest a large volume of coffee.

Assuming that half of the coffee farms above 500ha still use labor that travels large distances, sometimes crossing state borders, and that this labor is lodged at on-farm dormitories; considering that in 2017 about three-fourths of the total production was Arabica; and assuming that 90% of such large farms grow Arabica, the crop at most risk would be about 5% of the Arabica production. This is not negligible considering the size of the coming Arabica crop but it is of the same order of magnitude of other losses that can always occur, e.g.: hulling losses.

Does the rough ballpark estimate above justify the current debate? Perhaps not, even considering that a number of farms in the range of 100 to 500ha, that account for 27% of the Brazilian coffee crop, may also rely on labor that travels long distances. It is known that this labor cannot be supplied locally in normal conditions but perhaps *some of the urban population currently at home because of horizontal social distancing can be used to pick coffee*. Is this feasible? Is this speculating beyond reason? It can be assumed that towns in many coffee growing areas do have a sizable percentage of the population, specially those in the informal sector or untrained labor, that may be now attracted to coffee picking as a way out of the income shortage caused by the social distancing that does *not* include agricultural activities. Is this a solution to be further explored without risk of further spreading the virus? The next months will let us know.

Brazilian extension services and coops have been busy developing guide books on how to harvest coffee at Coronavirus times, covering items like transport to and from farms, eating on the farms, symptoms to be identified to isolate workers, and specially the coffee picking activity itself: distancing, personal protection equipment, sharing and cleaning of tools, equipment and machines, etc. Labor housing, that has been progressively improving to comply with the legislation, must have its capacity lowered but fewer workers are required nowadays as the use of handheld harvesters increases. Altogether, the coffee picking activity may be more COVID-19-protection-friendly than most indoor work.

There is also a lot being written about the mobility of labor between coffee towns themselves and from town to farm and vice-versa. This is not only a much smaller problem but it has already been addressed by authorities who recognized the importance of coffee availability. Also, this is different from bringing labor from far away non-coffee areas and applies not only to the majority of Arabica harvesting but also to almost all Robusta.

**\* This article is entitled "a fair view" because only time can hopefully show that it is not optimistic but actual. At the time of writing, Coronavirus dissemination was strong only in large cities – primarily in São Paulo but also in Rio de Janeiro and other state capitals including Vitória, in Conilon land – and was starting to move out to regional cities closer to coffee areas. Depending on when and how strongly the pandemic reaches coffee towns, the main risk may not necessarily be availability of people to pick coffee but more difficult to replace scarce inputs such as trained labor that supervises harvesting crews, drives tractors and mechanical harvesters, manages post-harvest processing (e.g.: drying), etc.**

## A MICRO LOT PROCESSING STAR... AND MORE

The growing demand for micro lots in recent years has made Pinhalense's combined unit C2DPRC to become the processing star for this top-level segment of the specialty coffee market.

The C2DPRC, with a capacity from 40kg up to 300kg of green coffee per hour, brings the following items together:

- feed hopper,
- pneumatic elevators,
- huller for washed coffees,
- huller for natural and honey coffees,
- oscillating screen to separate unhulled coffee to be reprocessed, and
- customizable size grader

in one single machine that occupies little space and is in itself a micro lot processing mill. There is also a version without the parchment huller – the C2DRC – ideal for natural coffees or for those interested in the cold hulling of parchment with green coffee left with the silver skin, i.e., not polished.

A new addition to Pinhalense's micro lot processing line is the huller D-100, with a capacity from 40kg up to 300kg of green coffee per hour, and recommended for naturals and cold hulling of parchment coffee. The D-100 has the following components:

- feed hopper,
- elevator,
- huller and
- oscillating screen to separate unhulled coffee to be reprocessed.

The D-100 comes handy for small growers and processors who want to have a low-cost solution to hull their own coffee and to deliver a mixed-size lot that retains all the original features of the coffee lot harvested.

The three units – C2DPRC, C2DRC and D-100 – are well known for 100% hulling of incoming coffee that leaves the machine free of husk, that is blown outside by the machine itself, and with the least physical damage in the market, a critical feature when processing highly priced specialty coffees.



C2DPRC dry mill unit in India. Access the video here: <https://bit.ly/2XhEJHg>



D-100

For more ambitious growers and processors who receive coffee that has not been properly cleaned and want to separate it in different qualities, the C2DPRC and C2DRC machines above can be preceded by a small pre-cleaner, a CPF destoner and be followed by an adequate-size MVF gravity separator, that is another Pinhalense state-of-the-art machine, known for adding value to the coffees it processes.

You can learn more about these machines and larger ones at <https://bit.ly/2JLgppk> - The Micro Lot Processing Jigsaw Puzzle: Qualities + Flows + Layout + Machines and <https://bit.ly/34lBwrE> - Hullers for Natural, Pulped Natural and Honey Coffees. Your further questions can be replied and prices supplied by the Pinhalense/P&A agent nearest to you or by P&A itself.

