

CONFIDENTIAL

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

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COFFEE HAS RECORD VALUE GROWTH AND CONTRIBUTES TO BRAZILIAN 31-YEAR RECORD

Brazilian total Gross Value of Agricultural Production (GVP) is now expected to reach R\$ 697 bn (US\$ 132.8 bn) in 2020, an increase of 8.6% in relation to the previous year and the highest figure in the 31-year-long historical series. Coffee had the most impressive performance with an increase of 35.4% followed by wheat (+ 31.3%), corn (+ 17.6%), and soy (+ 16%). Total coffee value may reach R\$ 28 bn (US\$ 5.3 bn), R\$ 23.2 bn (US\$ 4.4 bn) for Arabica and R\$ 4.85 bn (US\$ 924 m) for Conilon, 83% and 17% of total coffee GVP respectively. The Brazilian Southeast Region represents 89% of the coffee total followed by the Northeast Region with 4.5%.

Sources: Embrapa and Reuters

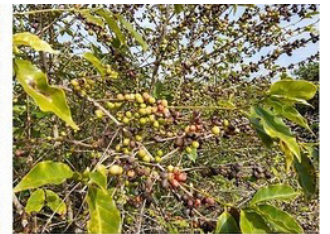
SHORTER RIPENING CYCLE AND HOW TO MINIMIZE ITS NEGATIVE EFFECTS

Coffee beans usually ripen during autumn in Brazil when there is a gradual reduction in daily sunlight and rainfall and most regions start to harvest. The shortening of the ripening cycle, with coffee cherries evolving very quickly to overripe and, in extreme cases, from unripe directly to dry cherries, is a subject that attracts growers' interest at this time of the year as it negatively affects coffee quality. The water loss in the fast drying cherries causes mucilage to dry resulting in a bean with a dark and wrinkled structure. Cultivation at high altitudes, preferably with longer exposure to the morning sun, late-maturation cultivars, shading, products that delay ripening, balanced fertilization and pest and disease control are ways to minimize the problem.

Source: Prof. José Donizeti Alves



A. Good nutrition and pest-and-disease control



B. Nutritional and phytosanitary problems: leaf loss and quick ripening

HIGH QUALITY COFFEES OBSERVED AS HARVESTING PROGRESSES

The Brazilian coffee crop will be larger this year but quality may also increase due to favorable weather conditions during the harvesting season. Favorable climate coupled with other site-specific factors mentioned in the article above helped support quality. Even though the Cerrado Mineiro region may produce a lower volume – 6.5 million bags – than previously estimated, it will be a high-quality crop. Minas Gerais' Coocupé cooperative also indicates that coffee quality is, so far, higher than last year's in the large region it covers. São Paulo's Alta Mogiana region is also having excellent quality and estimates production at 3.6 million bags.

Sources: Reuters and P&A

NEMATODE-RESISTANT ROOTSTOCK TO BE RELEASED BY IAC



Research on a new rootstock consisting of clones resistant to different species of nematodes, that has taken place at the Campinas Agronomy Institute (IAC) for almost 40 years now, is on its final stage. The new rootstock will be used in Arabica coffees that are susceptible to nematodes. Although there is no precise estimate of losses caused by nematodes, more aggressive species can progressively destroy the root system causing a decrease in plant growth, with leaves smaller and yellowish, and low productivity.

Source: Cana Rural

133 YEARS OF THE CAMPINAS AGRONOMICAL INSTITUTE

The renowned Campinas Agronomy Institute (IAC) celebrated its 133th anniversary on June 27. The institute is a reference in plant breeding that resulted in 1,103 cultivars of 100 species. Its other technological solutions run from planting to post-harvesting, including research on soil, climate, and pests and diseases that have contributed to higher productivity and quality of crops such as coffee, citrus, sugar cane, corn, rice, cotton, soybean and many others. IAC is headquartered in Campinas, in the state of São Paulo, and has operated non-stop since 1887.

Sources: CaféPoint

COSMETICS MADE OF ROBUSTA AMAZÔNICO COFFEES

Besides promoting social and economic development in the region, Robustas Amazônicas are also being used by the cosmetic industry due to their rich nutritional and chemical components. A group of women entrepreneurs initiated in 2015 the project Saboaria Rondônia, that combines environmental preservation, female empowerment, and local socio-economic development. They produce cosmetic products with essences of the rich Amazon biodiversity. Being the main agriproduct in the state, coffee soon migrated from cup to soaps that attracted great interest from consumers. The product has already been exported to the United States, Portugal, South Korea, France, and Switzerland.



Source: Embrapa

NEW COFFEE HARVESTING MACHINE DEVELOPED FOR MOUNTAIN AREAS



Researchers at Viçosa Federal University (UFV) have created an articulated harvesting machine that allows operation in areas with slopes as high as 50%. Its chassis enables the articulation of the machine's part so that the harvesting "fingers" are kept at a constant distance from the ground. The new machine can also be used for harvesting olives and grapes. UFV has patented this invention and was granted rights to its manufacturing, use and sales.

Source: Viçosa Federal University (Universidade Federal de Viçosa)

NEW DENOMINATION OF ORIGIN GRANTED TO MANTIQUEIRA DE MINAS

The Mantiqueira de Minas region has just been recognized as a Denomination of Origin (DO), which indicates that the coffees produced there have unique features due to natural conditions and social factors such as climate, soil, altitude, and also tradition and growers' history. Located in the southwestern portion of Minas Gerais state, in the Mantiqueira Mountain range, the area covered by the new Denomination of Origin comprises 25 municipalities, 8,200 coffee growers, the majority of them smallholders, and 56,000 hectares dedicated to coffee mostly grown in mountainous areas above 1.000 meters (3,200 feet). Coffees from Mantiqueira de Minas have become known for their high quality and complex sensorial features; substantial percentages of them are pulped natural (honey) and washed coffees, having won several quality awards in recent years.

Source: BSCA

Brazilian Prices: Main Producing Regions / Farm Gate

June 30, 2020

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	495,00 ↑	Colatina-ES fair average price	353,00 ↑
Mogiana	490,00 ↑		
South Minas	490,00 ↑		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	585,00 ↑	Jul 2020	115,10 ↑
South Minas	580,00 ↑	Sep 2020	109,65 ↑
		Dec 2020	111,95 ↑
		Real R\$ / Dolar US\$	
		June 30, 2020	5,44 ↑

+ 19.4%

Source:

www.qualicafex.com.br

COFFEE CONSUMPTION *WHERE IT IS PRODUCED*: COUNTRYSIDE AND SMALL TOWNS

A lot has been written, also here, about coffee consumption in producing countries, including the current ICO sponsored programs in Latin America and Africa and the updating of the ICO Step-by-Step Guide to Promote Coffee Consumption in Producing Countries that P&A prepared about 15 years ago. We have also insisted here and elsewhere that the main targets for these programs to promote consumption in producing countries are the more populated urban areas, not the countryside, and the lower income population whose numbers exceed by far the upper middle and high income classes who can afford specialty coffee.

It may therefore seem contradictory to talk about promoting coffee consumption in the countryside, where coffee is produced, and the towns in these areas. However, it is not contradictory because it may serve three purposes: to increase consumption, to provide extra income for growers, and to educate them about the quality of their product. This may have short-run impacts on consumption and income figures and mid-to-long-term impacts on how coffee is produced, and trigger much needed rural-urban integration and diversification.

Roasting of coffee by growers to sell in their towns and region is something that has been done in Brazil for many years and specially at times of low coffee prices. Some growers either buy a small roaster or have someone roast for them and then deliver their R&G coffee to clients or supply it to the informal and formal retail sectors, usually without a brand. They do it because it enables them to get better relative prices than they would for their green beans due to low international prices. When prices go up, some of them abandon this practice but a surprising number remains in the market and develop their own brands. Growers who roast coffee in Brazil are not necessarily mid-size or large and cooperatives also do it.

The way for smallholders to roast their coffee in countries other than Brazil may be to get together to do it or to have it done by their coops or associations. This initiative may be more difficult where there is no habit of drinking coffee, e.g., in most Asian and many African producing countries. On the other hand, it may be even more important there because it will attract new consumers to the product instead of competing with existing coffee brands for the same consumers.

Growers who roast and sell their coffee become much more sensitive about consumers needs and preferences and start to learn how what they do, specially at post-harvest processing, affect quality and prices. They also start to cup which further develops their understanding of the factors that influence quality, not only processing but also choice of varieties, degree of exposition to the sun, cultivation practices, etc. This education of growers about coffee quality and consumer preferences may have a great impact on their ability to make their business more profitable.

I have seen the phenomenon above happen in Brazil and Colombia, where the FNC implemented cupping centers in coffee producing regions for the very reason mentioned above: to help growers understand the qualities that they produce. Cupping in coffee producing regions is a century-old practice in Brazil but it has become much more sophisticated as the specialty coffee business developed and the country became a major supplier of this product. Roasting by growers adds the more commercial dimension of consumers' preferences and opens up new channels for different types of coffee.

If now and the New Normal are times to reflect, rethink and reinvent, I challenge growers in producing countries to consider how to create grass-roots consumption in the countryside and small towns of the coffee regions where it is produced. A personal note: this will also avoid the embarrassment that I at times witnessed when coffee growers offered me tea or a soft drink at breakfast in their coffee producing regions...

SMALL INVESTMENTS AND GREAT RETURNS

These difficult times may bring opportunities to make small investments in existing dry mills. There are improvements that can be made at specific stages of processing to bring interesting returns. Some of these opportunities are described below.



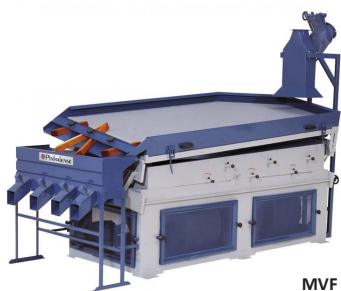
PRELI

Improved cleaning of coffee with **PRELI precleaners** and **CPFBNR destoners** may substantially expand the useful life of machines like polishers and color sorters that can be damaged by hard impurities like stones and metal pieces. Many processors in countries that produce washed coffee still insist that parchment arrives clean at the dry mill because it results from selective picking and pulping. Reality is it arrives with several types of impurities.



CPFBNR

Improved bean size separation with **graders P and PFA** can be used to increase the capacity and efficiency of gravity separators and color sorters whose performance improves – quality and precision – when operating with beans of the same or similar sizes. To separate the coffee lot in more sizes can also be useful to direct different grades to different markets, e.g., specialty, commercial and domestic consumption, in order to maximize prices and profit.



MVF

Densimetric separation of defective beans in the **MVF gravity tables** is perhaps the processing stage where more money can be made if machines are properly adjusted to the characteristics of both the incoming coffee and the final product to be sent to clients. MVF tables are also often added to mills today to cope with the increasing spread of berry borer. They separate beans that become lighter because of the holes made by the insect. Pinhalense's MVFs are today the state-of-the-art density separators for coffee offered anywhere in the world!



PFA

Clients who use **DBD polishers** say that recovery of good coffee beans rejected by color sorters is up to 2 or even 3%. Beans whose silver skin has not been fully removed at the hulling-polishing stage may be rejected by color sorters adjusted to discard beans coming from unripe cherries. Polishers DBD with the correct capacity can be used to polish these good beans that would otherwise be discarded and are then returned to the process, accepted by the sorters, and incorporated into the good product with relevant gains for the miller.



DBD

Other individual pieces of equipment that can be added to existing mills at little cost for great gains are the **CAP automatic coffee samplers**, the new **VEDP valve-and-belt blending systems** and **SMARTSAC electronic bag** and **SMARTBAG big bags scales**, all of which point to the arrival of IT and AI to coffee processing and have been introduced in an earlier Machine of the Month (<https://bit.ly/3iMKBAQ>). The SMARTBAG is a key piece of equipment to enable pre- and in-processing storage of coffee in big bags to save labor and space. More conventional but also welcome additions to reduce labor and contact between workers at these Covid-19 times are the **TSM mobile bag conveyors** to unload trucks, make stacks and load trucks and containers, the **EMPS bag stackers**, and the **CPC bulk container loader** (<https://bit.ly/2ZfDgC9>).

Talk to the P&A/Pinhalense agent closest to you or to ourselves at P&A to find out how to insert the items above in your existing facilities.



EMPS