

CONFIDENTIAL

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

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☉ BRAZILIAN COOPERATIVE CREATES COFFEE COIN CRYPTOCURRENCY

The Brazilian coffee coop Minasul, located in Varginha, Minas Gerais, and Microsoft established a partnership and created the cryptocurrency Coffee Coin. The coffee received by the coop from its members is converted into a monetized standard – one kilo of green coffee corresponds to one Coffee Coin, adjusted according to the New York ICE prices – and growers will be able to use it to purchase products at Minasul stores. The use of the cryptocurrency is restricted to coop members and Minasul plans to expand its use to the purchase of pesticides, tools, agricultural implements, etc. with payment due after the harvesting season is over.

Source: Coin Telegraph

☉ BRAZILIAN AGRONOMIST ALYSSON PAOLINELLI NAMED FOR NOBLE PEACE PRIZE

Alysson Paolinelli, the mastermind behind the creation of sustainable tropical agriculture in Brazil, has been named for the 2021 Noble Peace Prize. Paolinelli's leadership was important to place Brazil in its current role of major international food supplier and an important player in the alleviation of world hunger. Paolinelli, who was also a key contributor in the creation of the Brazilian Agricultural Research Corporation (Embrapa), was a professor and director at the Federal University of Lavras (UFLA), one of the most important agronomy schools in Brazil, where he also studied. A former Secretary of Agriculture of Minas Gerais and Minister of Agriculture of Brazil, today Paolinelli directs the Tropical Biomes Project, that articulates the technological foundations of what may become another agricultural revolution in the world.

Source: Portal Fator Brasil



☉ BRAZILIAN POST-OFFICE TO SUPPORT RECYCLING OF COFFEE CAPSULES

Coffee capsule users in the northeastern state of Ceará will be the first ones able to use the Brazilian Post Office Service to drop their capsules for recycling. Aiming at consumers' convenience and in order to facilitate their collection, Nespresso capsules can now be dropped at post offices in the state capital of Fortaleza to be sent to the Nespresso Recycling Center in São Paulo. Larger São Paulo state cities like São Paulo, Piracicaba and Santos will come next.

Source: O Povo

☉ ADVERSE CLIMATE AND ARABICA “OFF-YEAR” MAY REDUCE BRAZILIAN COFFEE PRODUCTION BY OVER 30%

The Ministry of Agriculture agency in charge of warehousing and crop estimates (CONAB) has released its first projection of the Brazilian 2021/22 coffee crop. Total production may range from 43.8 to 49.5 million bags, a decrease of 30.5% and 21.4%, respectively, in relation to the 2020/21 coffee season. The high temperatures and lack of rain that hit the main coffee producing areas and the off-year in the Arabica biennial crop cycle are behind such reduction. Arabica production is estimated at 29.7 to 32.9 million bags, a decrease of 39.1% and 32.4% compared to the previous year. Conilon, in turn, may have a record production and reach 16.6 million bags, an increase of 16% over 2020.

Source: Valor Econômico

FACTORS BEHIND DROP IN 2021 BRAZILIAN COFFEE PRODUCTION MAY ALSO IMPACT THE 2022 CROP

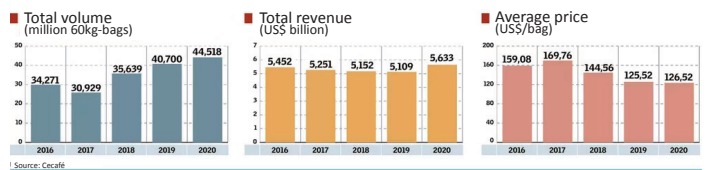
According to the Minas Gerais Federation of Agriculture and Livestock (FAEMG), the factors behind the crop losses expected in 2021 may also impact the crop after. FAEMG recommends that coffee growers rely on a range of available tools, such as credit lines and future sales, to be able to continue producing. The Ministry of Agriculture agency in charge of warehousing and crop estimates (CONAB), forecasts that Brazilian coffee production may fall up to 30.5% this year and the drop in Minas Gerais may be even higher. It is estimated that Minas Gerais will produce between 19.8 and 22.1 million bags, a reduction of 42.2% over 2020!

Source: Canal Rural

COFFEE EXPORT DEMAND TO BE MET IN 2021 IN SPITE OF SMALLER CROP AND HIGHEST EVER EXPORTS IN 2020

Although the estimates of 2021/22 coffee production in Brazil seem pessimistic, the Brazilian Coffee Exporters' Association (Cecafé) believes that the country will meet the foreign demand for its coffees. Brazil exported 44.5 million bags in 2020, an all-time record and 9.4% higher compared to 2019. Belgium had the largest increase (48.4%) in Brazilian coffee imports in 2020, followed by Germany (12.2%) and the United States (3.2%).

Brazilian coffee exports - Jan-Dec 2020



Source: Valor Econômico

EXPORT RECORDS: MINAS GERAIS AND CONILON IN ESPÍRITO SANTO IN 2020

Minas Gerais coffee exports in 2020 had the best performance since 2014, both in value and volume. The state shipped 25 million bags with revenues of US\$ 3.83 billion. Espírito Santo's total coffee exports in 2020 represented the third-best volume in history reaching 6.4 million bags, an increase of 11% compared to 2019. Conilon exports broke the 2015 historical record with a total of 4.8 million bags exported and grew 22% over 2019. Soluble coffee exports also had a positive performance and increased 12% over the previous year.

Sources: Revista Cafeicultura and Centro do Comércio de Vitória

SMALL COFFEE GROWERS FROM NORTE PIONEIRO DO PARANÁ EXPORT DIRECTLY FOR THE FIRST TIME

COENPP, the coffee growers cooperative in Paraná's oldest coffee region – the Pioneer North (Norte Pioneiro, in Portuguese) – exported directly, without the intermediation of traders, natural and pulped natural / honey coffees from seven small growers in the region for the first time. The cooperative had the support of the Brazilian Trade and Investment Promotion Agency (APEX) and the Brazilian Agency for the Promotion of Small Business (SEBRAE) to carry out this operation. The seal of the North Paraná Coffee Indication of Origin was printed in all packaging exported, whose final destination was Barcelona, Spain.



Source: Notícias Agrícolas

Brazilian Prices

Main Producing Regions / Farm Gate

January 29, 2020

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	645,00 ↑	Colatina-ES fair average price	428,00 ↑
Mogiana	640,00 ↑		
South Minas	640,00 ↑		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	715,00 ↑	Mar 2021	142,50 ↑
South Minas	710,00 ↑	May 2021	141,70 ↓
		Jul 2021	141,90 ↓
		Real R\$ / Dolar US\$	
		Jan 29, 2021	5,47 ↑

Source: www.qualicafex.com.br

COFFEE AND PANDEMIC IN 2021... AND BEYOND: THIRD WAVE?*

In spite of all worries and concerns when the pandemic reached coffee producing countries at the end of the first and in the second quarter of 2020, its impact on coffee-related activities and production itself was smaller than expected, Brazil included. Procedures to protect all persons involved in the supply chain were required, specially in harvesting, that involves the largest number of people. Uncertainties related to the pandemic caused large export processing projects to be postponed but did not affect post-harvesting investment as much.

The largest and more evident impact of the pandemic was in coffee consumption with a sudden and strong fall in out-of-home and an increase in at-home consumption. Statistics are yet to show whether the latter offset the former. This seems unlikely and it is obvious that specialty coffee is the segment that suffered the most. Even if total consumption has not fallen in 2020, the average prices consumers paid were smaller.

The good news on the consumption side is that in spite of the second wave of the pandemic now under way in consuming countries, an adaptation process is taking place in many markets with coffee pick-up at shops and even delivery in some countries. There is also a strong process to improve coffee preparation at home, purchase of equipment included. This may help the recovery of the specialty coffee sector but not necessarily its shops, that are suffering the impacts of new lockdowns.

Coffee production in 2021 is again unlikely to be affected by the pandemic. The second wave, now spreading in many producing countries, will not coincide with the harvesting season, even in Brazil that harvests earlier, if it loses momentum before April or May, as expected. In spite of the higher intensity of the second wave, producing countries are now better prepared to cope with its impacts, specially those that suffered the most in the first wave, like mid-size producers Peru and China.

Global coffee production will fall in 2021 not because of the continuation of the pandemic but due to climate problems, besides other coffee-culture-related and cycle of production factors, e.g., the “off-year” in Brazil. This is an extra-pandemic process that is being discussed at length by experts in crop projections.

On the other hand, the pandemic may hinder production growth or jeopardize production beyond 2021 in countries that stopped investing in new planting or renovation. In the same way that investment was postponed in large export projects, uncertainty related to the pandemic may weaken the growth of production capacity even in large producing countries. The time still required to control the pandemic may bring a temporary halt in the historic growth tendency of world production.

A great question for 2021 is if vaccination will avoid a third Covid-19 wave, bring the pandemic to its end and allow for a more normal life. If vaccination does not advance fast enough in 2021, which is a strong possibility in several producing countries, and assuming that the time between waves will be the same, a third Covid-19 wave may take place exactly when most of the world will be harvesting coffee, except for Brazil and a few other countries. This coincidence may cause unforeseen problems because few producing countries experienced the peaks of a Covid-19 wave and the harvesting season simultaneously! The few examples of where this happened were dramatic not to say disastrous.

In summary, in a world going through a second pandemic wave and still uncertain about finishing vaccination in 2021, specially in producing countries, one can hope for some increase in coffee consumption and a smaller production in relation to 2020. Consumption has been learning from the hardships and limitations in 2020 and is better prepared to face the problems that are occurring again, often in a more intense way. Production will fall for reasons primarily not related to the pandemic but may be made even lower by a third wave. Current and future coffee prices seem to confirm the vision above.

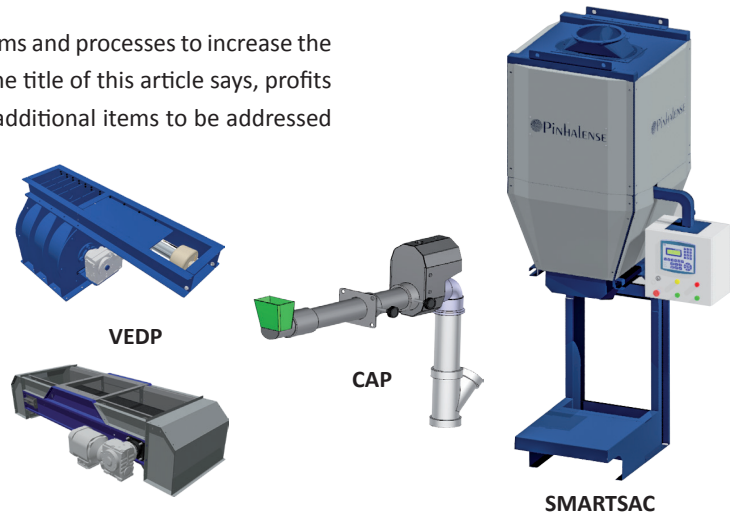
*This is a translated and abridged version of an *Espresso* article in Portuguese. *Espresso* is the magazine published by *Café Editora*, the promoter of the *International Coffee Week (SIC)* in Brazil.

BEYOND “CORE MACHINES” IN DRY MILLING FOR EXPORTS: THE DEVIL AND THE PROFITS ARE IN THE DETAIL

It is well known that a lot of the success – processing efficiency and cost-benefit – of a dry milling operation to export coffee depends on what is here called “core machines”. There are the machines that perform the main processing operations required, as their own names indicate: PRELI pre-cleaner, CPFBNR destoners, CON, DEPOS, DBD-15 and DEPOL hullers or huller-polishers, PI, PII and PFA size graders, MVF gravity (defective bean) separators and color sorters. These machines are complemented by transport equipment (elevators and conveyors), to feed and unload them, and silos that work as buffers or for short-term in-process storage.

Nevertheless, modern dry export mills also have to rely on other items and processes to increase the efficiency of the operation and the profitability of the project. As the title of this article says, profits are often in the details of both the machines themselves and the additional items to be addressed here. These additional items run from

- the **CAP pneumatic samplers** to
- the **VEDP valve-and-belt blending systems** and include
- the **electronic scales SMARTSAC and SMARTBAG**, specifically designed for coffee bags and big-bags, respectively, besides
- the **CPC bulk container loaders** and
- the **negative pressure dust suction systems**, not to mention
- **automation** of either the whole mill or critical parts of it and
- specific **repass facilities**, like the recovery of good coffee beans found in the rejects of color sorting.



Coffee samplers enable the evaluation and control of either full processing or sections of the mill, e.g.: cleaning or before and after a specific machine, say a gravity separator or a color sorter. Strategically located CAP samplers can make major contributions to the efficiency and profitability of coffee mills.

Improved and more precise blending with the VEDP system have the dual purpose of delivering the product the importer wants and making sure that clients are not receiving more than they paid for. Whereas the former is good for exporters’ reputation, the latter is critical to increase profitability.

Similar arguments – reputation and profitability – hold for precise weighing. The SMARTSAC and SMARTBAG electronic scales are not only more precise but they enable connection to the mill control and automation system, with obvious gains in personnel and operating costs.



The high efficiency and the design features of the CPC bulk container loaders – 350 bags of 60kg loaded into a 20’ container in under 20 minutes – make it sustainable in the economic, environmental and social fronts: energy consumption, dust-free work environment, elimination of the need to hand carry bags, etc.

This list could be extended with repassing, etc. but the important point is that, in a nutshell, these “additional items” together with the “core machines” make Pinhalense latest technology dry milling projects unbeatable when proper net present value (NPV) and return on investment (ROI) calculations are duly made. But economic feasibility is not alone because it is complemented by environmental sustainability (e.g., efficient dust suction) and social responsibility (e.g., mechanical rather than manual handling of coffee).

Further details about the machinery mentioned here are found in the Machine of the Month sections of earlier *Coffidentials*, specially those of numbers 156 (<https://bit.ly/3jv8Cqt>), 143 (<https://bit.ly/2Njw2JG>), 86 (<https://bit.ly/2Z8vcCc>) and 68 (<https://bit.ly/3acAgvM>), but not restricted to them.