

# CONFIDENTIAL

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

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- **IMPROVE YOUR LOGISTICS WITH NEW COMPACT BULK CONTAINER LOADER (PAGE 5)**

## **☞ BRAZILIAN COFFEE TO CONTRIBUTE TO CHINA'S NEW GREEN AGENDA**

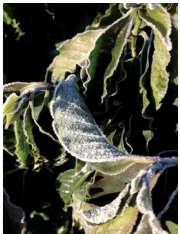
The alignment of China's food security policy with the green agenda will result in opportunities and challenges for agricultural exporting countries. The Brazilian coffee industry is ready to cooperate with the transition of Chinese society towards a more sustainable model. The Brazilian coffee sector is a natural candidate to extend its participation in this market due to its positive carbon footprint, good agricultural practices, etc. The Brazilian Coffee Exporters' Association (Cecafé) is preparing a campaign about the sustainability of Brazilian coffee production to be presented to Chinese consumers in coffee shops in the second half of 2021.

Source: Cecafé

## **☞ FROST AND DROUGHT MAY REDUCE BRAZILIAN COFFEE PRODUCTION IN 2022**

Although it is still early to quantify the negative impacts of the frosts that recently hit the South Minas and Mogiana coffee areas, they may add to the losses expected from the droughts and increased cultivation costs.

Source: Revista Cafeicultura



## **☞ COFFEE PRODUCTION COSTS 50% UP DRIVEN BY INPUTS**

Coffee growing in Brazil is becoming more expensive. The price of fertilizers, pesticides, and diesel increased 55%, 12% and 47%, respectively, in the last 12 months. The main inputs experienced substantial price hikes, above the average for the last five years. The price of urea and monoammonium phosphate is 15% and 27% higher over 2020, and 62% and 63% higher, respectively, compared to the last five-year average.

Source: Notícias Agrícolas

## **☞ LARGER VOLUME OF HOLLOW BEANS AND PEABERRIES IN 2021 BRAZILIAN COFFEE CROP**



An abnormal volume of hollow beans and peaberries is being observed during the 2021 harvesting season. Such abnormality is associated with three groups of factors: coffee plant genetics, coffee cultivation practices, especially nutrition, and environmental conditions, mostly water supply and temperature. Trials carried out recently on Procafé's Experimental Farms in Varginha and Franca showed that the occurrence of hollow beans reached 20% and 34%, respectively, to be compared with the usual 5%.

Source: Procafé

**CONILON GROWERS HOLD COFFEE BECAUSE OF REDUCED PRODUCTION AND HIGHER COSTS**

Cooabriel, the largest Conilon coop in Brazil, located in São Gabriel da Palha, Espírito Santo state, is concerned that this year’s coffee production in the area it covers may be reduced due to droughts. Higher costs of production may in turn affect the 2022 crop. Given this scenario and contrary to what is usually done in the harvesting season, coffee growers are not willing to sell their coffee.

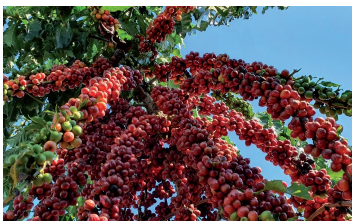
Source: Café Point

**BRAZILIAN EXPORTS SET NEW RECORD IN SPITE OF LOGISTICS ISSUES**

Brazilian coffee exports had a low performance last May due to logistics issues that the country is currently facing – lack of containers and space in ships – and due to the modernization of the certificate of origin issuance process. Compared to the same month in 2020, exports decreased 20.3% in volume and 13.2% in value. On the other hand, exports totaled 17.767 million bags in the first five months of 2021, an average of 3.5 million bags per month, which is a new record. Brazilian coffee exports to producing countries have increased 50.6% in the period, reaching 1.222 million bags. Brazil exported 2.652 million bags of differentiated coffees, that have higher quality or some type of sustainability certification; they accounted for 14.9% of total shipments and 19.3% of the total revenue in the same period.

Source: Notícias Agrícolas

**STUDY EVALUATES PERFORMANCE OF ROBUSTA AMAZÔNICO IN MATO GROSSO’S CERRADO**



The good performance in production, productivity, and cup quality of Robustas Amazônicos caught the attention of coffee growers in the Cerrado – Brazilian savannah – region of Mato Grosso state. As the region presents different environmental conditions from the Amazon area, research is being carried out by the Technical Assistance and Rural Extension Company of Mato Grosso (Empaer) with the support of Embrapa Rondônia to evaluate the performance of coffee clones under Mato Grosso Cerrado conditions. This 5-year field and lab study aims at indicating the correct genotypes with best overall performance. Such pilot areas will also serve as demonstration units that can be visited by coffee growers at any time.

Source: Embrapa Rondônia

**BRAZILIAN COFFEE SECTOR CLOSER TO ESG MARKET OPPORTUNITIES**

Brazil may attract financial resources associated with ESG goals by adopting low-carbon agriculture systems and conserving natural forests in rural properties. The coffee sector in Brazil is already a good example to be followed because its growers have been investing in agroforestry and integrated pest management practices. Scientific research has already proven the efficiency of sustainable practices for both carbon sequestration and coffee productivity increase. Bearing that in mind, the Brazilian Coffee Exporters' Association (Cecafé) has approved its 2021-2024 Strategic Plan that seeks to bring Brazilian coffee-growing closer to ESG market opportunities through concrete actions that enhance income and socio-environmental sustainability in the field.

Source: Canal Rural

**Brazilian Prices**

Main Producing Regions / Farm Gate

June 30, 2021

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	855,00 ↓	Colatina-ES fair average price	534,00 ↑
Mogiana	850,00 ↓		
South Minas	850,00 ↓		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	895,00 ↓	Jul 2021	188,35 ↓
South Minas	890,00 ↓	Sep 2021	190,25 ↓
		Dec 2021	195,30 ↓
		Real R\$ / Dolar US\$	
		June 30, 2021	4,97 ↓

+ 5.3%

Source: [www.qualicafex.com.br](http://www.qualicafex.com.br)

## PATHWAYS TO REACH OPTIMUM COFFEE PRODUCTIVITY AND TO INCREASE GROWERS' INCOME

The enabling environment is a set of business, organizational and legal conditions that help growers to produce more efficiently (more coffee at a lower cost) and to appropriate a larger percentage of the FOB export price of the coffee produced.

The enabling environment is composed of but not restricted to:

- availability of efficient extension and training services on Good and Sustainable Agricultural Practices;
- strong growers' organizations and supply chain associations;
- efficient markets for
  - inputs,
  - equipment, *and*
  - coffee;
- availability of financing at rates compatible with agricultural activities;
- a tax and fees system that does not interfere with the international competitiveness of the product;
- efficient logistics; and
- opportunities to earn money outside coffee production.

It is agreed that more competitive coffee producing countries have more efficient enabling environments. Therefore, less competitive producing countries should improve their enabling environments to increase the income of growers as a first step to have better social and environmental conditions.

However, it is not easy to address this challenge because of established practices, private and public interests, and limited resources available. In addition, it is difficult to evaluate improvement in the enabling environment. One can think of Key Performance Indicators (KPIs), like productivity and the percentage of the FOB export price that reaches farm gate, but how can one associate these improvements in KPIs with initiatives to improve the enabling environment that affect several of the components listed above?

It may perhaps be the case that separate indicators should be established for each of these components. Suggestions for these indicators are developed below along these lines.

### 1. Extension and training services

- number of technicians available
- number of farmers assisted by each technician
- total number and percentage of farmers receiving technical assistance
- productivity
- percentage of GDP spent on agricultural support services  
(this must be analyzed from both an in-person and digital perspectives where smartphones are available in coffee growing areas)

### 2. Growers organizations and supply chain associations

- number of coffee cooperatives
- number and percentage of cooperative members

### 3. Markets for inputs and equipment

- competitiveness (number of sellers per category – fertilizers, agrochemicals, equipment, etc.)

- price difference paid by small vs. large growers for fertilizers, agrochemicals, and most used piece(s) of equipment
- availability of barter deals

#### 4. Market for coffee

- competitiveness (number of buyers)
- price difference received by small vs. large growers
- time between coffee delivery and payment
- number of times coffee changes hands between farm and harbor

#### 5. Financing

- volume
- accessibility
- interest rate
- availability of land titles (for collateral)
- restriction on coffee sales tied to financial offers
- availability of barter of coffee for inputs and equipment

#### 6. Coffee supply chain associations

- number and sector(s) of associations
- percentage of sector participating in associations
- average age of associations

#### 7. Tax and fees

- rates/percentages
- comparison with international benchmarks

#### 8. Regulatory environment

- enforceable free-competition laws
- competitive markets for all coffee related activities (coffee itself, inputs, equipment, processing, transport, financing, etc.)

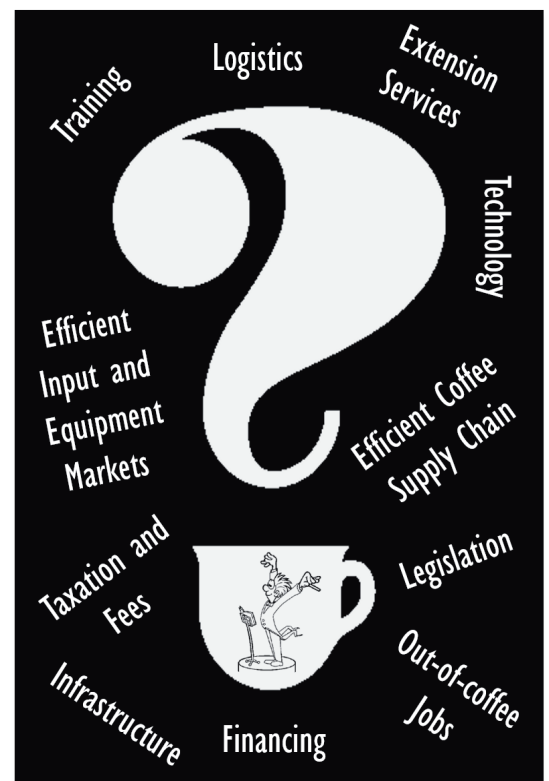
#### 9. Logistics

- processing costs
- cost of transport from farm to harbor
- cost of harbor services
- time taken from farm to harbor
- waiting time (availability of trucks, trains and ships)

#### 10. Earning money outside coffee

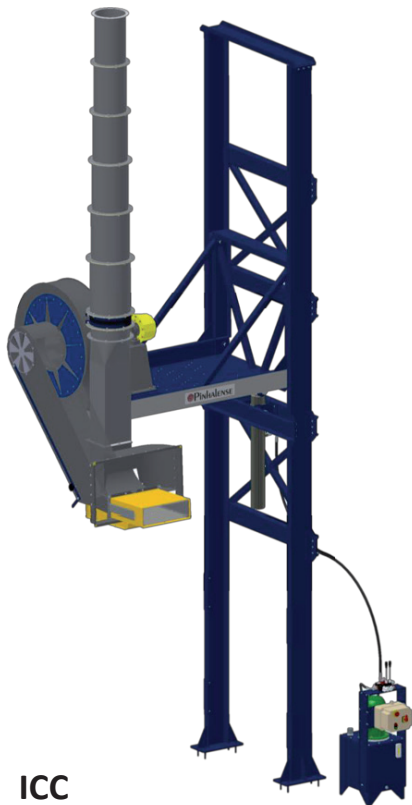
- feasibility of growing other agri-products
- feasibility of other non-coffee businesses (e.g.: tourism)
- availability of non-coffee and urban jobs, full or part-time

\* This Outlook derives from my professional experience in most coffee producing countries and the work carried out by the Global Coffee Platform (GCP), whose board I have chaired lately. The framing of concepts and specially the list of indicators above has been enriched by several professionals associated with GCP.



## IMPROVE YOUR LOGISTICS WITH NEW COMPACT BULK CONTAINER LOADER

Fast loading of containers in bulk has become a must at a time when containers are in short supply and the demand is for quick filling and turning around of the containers available. In response to this need, Pinhalense has launched a compact version of its CPC bulk container loader that is widely used around the world.



ICC

The ICC compact container loader has been developed in response to the need to load 20' containers in two trailers pulled by the same truck and also for warehouses that do not have much space around. The ICC compact bulk loader

- costs less,
- takes less space, and
- is easier to operate.

The ICC is a stationary machine with a hydraulic motor to adjust the level of the coffee blower. The fan and its coffee outlet are raised above the level of the container on the trailer so that the container can go under the blower and to the point where the truck parks in the right position. Once that happens, the blower is lowered so that its coffee outlet is placed at the proper height in front of the container door. The container liner is then fastened around both the coffee

outlet and the dust intake that aspirates air from inside the container. Once the container has been bulk loaded, the blower is raised so that truck, trailer(s) and container(s) can move out.

The CPC container loader remains in Pinhalense's line as a more versatile option

- that fills 20' containers in a shorter time,
- can rotate and be moved around on rails, and
- has a dust aspiration system.

It however requires more space.

Please contact your local P&A/Pinhalense representative or P&A itself to learn which alternative – ICC or CPC – meets your needs and delivers the best results in your own specific conditions.



CPC