

# CONFIDENTIAL

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

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## RECORD COCOA PRODUCTION IN STATE OF BAHIA

Cocoa production in Bahia reached 141 thousand tons in 2021, an increase of 40% compared to 2020 and the best result since 2017. Expansion of planted area, good agricultural practices, research, and technological improvement were behind the growth in production. The state of Bahia accounted for about 71% of all cocoa produced in the country. Today, 70% of Bahia's 45,000 producers use the cocoa and forestry system called "cabruca" that helps to preserve the Atlantic Forest and reduces the amount of carbon dioxide in the environment.



Source: Mercado do Cacau

## ADVERSE WEATHER LIMITS EFFECT OF FERTILIZER CRISIS ON COFFEE PRODUCTION

Minasul, the country's second largest coffee exporting cooperative, registered a strong demand for fertilizers in its units as soon as the war in Ukraine began. The volume of fertilizers sold in just two days was equivalent to sales in the entire month of January. However, coffee growers were not the main buyers. Most fertilizer was acquired by growers of soybeans, corn, beans, and wheat, crops that have been gaining ground in South and Southeast Minas Gerais. Coffee growers are expected to consume less fertilizer in 2022 as a result of pruning and uprooting of trees due to adverse weather last year.

Source: Valor Econômico

## CONILON COSTS AND PRICES ON THE RISE

Conilon coffee prices have increased significantly due to the drop in Arabica coffee production. Conilon, that was negotiated at R\$ 540 (US\$ 106) per 60kg bag at the beginning of 2021, is now being sold for R\$ 820 (US\$ 162) per bag. However, the cost of production has also risen substantially. According to Coabriel, the Conilon cooperative located in São Gabriel da Palha, Espírito Santo state, production costs increased from R\$ 222 (US\$ 44) per bag in 2021 to R\$ 517 (US\$ 102) in 2022, a rise driven by the prices of fertilizers and other agricultural inputs. Thanks to the state's high average production of 40 bags (2.4 tons)/ha, an average profitability of about R\$ 328 (US\$ 65) per bag has been retained.

Fonte: Notícias Agrícolas

## ANTICIPATED SALES OF 2022 CROP MUCH LARGER THAN YEAR BEFORE

Anticipated sales of the 2022 Brazilian coffee crop are well advanced and reached 32% of the total production expected. This is to be compared with the 21% registered in the same period last year. South and Cerrado of Minas Gerais and the Mogiana region of São Paulo are the areas that responded for most advanced sales of their 2022 coffees. Anticipated sales of Arabica represented 37% and Conilon 19% to be compared with 28% and 9% in the same period in 2021, respectively.

Source: Forbes

**PROJECT TO MEASURE GREENHOUSE GAS EMISSIONS IN MINAS GERAIS COFFEE AREAS**

Cecafé’s Carbon Project, that aims at measuring the net balance of greenhouse gas emissions in the Arabica coffee producing regions of Minas Gerais – Cerrado, Matas de Minas, and South Minas –, is almost finished and its results will be published soon. The goal of the study is to estimate average greenhouse gas emissions in the main Brazilian coffee producing state. Coffee and soil from those areas were sampled for laboratory analysis in order to measure and compare the contribution of different coffee production systems for carbon sequestration and the consequent mitigation of climate change.



Source: Notícias Agrícolas

**CLEAN AND EFFICIENT ENERGY SEAL RECEIVED BY COOXUPÉ**

Although Cooxupé’s quest for energy efficiency began in 2010, the cooperative has only now received the seal of 100% renewable energy. The initiative contributes to the achievement of Cooxupé’s sustainability goals and strengthens the adoption of ESG practices that are already part of the cooperative management. Cooxupé no longer uses electricity from fossil fuel and polluting materials but instead uses clean electricity derived from renewable sources: wind, solar, biomass, etc.

Source: Cooxupé

**PRODUCTION OF SPECIALTY COFFEE COURSE DESIGNED FOR WOMEN HELD IN ESPÍRITO SANTO**



The Secretariat of Agriculture, Food Supply, Aquaculture and Fishing (Seag), the Espírito Santo’s Federal Education, Science, and Technology Institute (Ifes), the Agricultural Research and Extension Services Institute of Espírito Santo (Incaper) and the Rural Union and the Agriculture Department of Colatina municipality held a course on production of specialty coffees designed exclusively for women and called “Café com Elas” (Coffee with Women). The course, which is part of the Women in the Field and Fishing Project, contributes to the improvement of the methods, techniques and quality of coffee produced in the state in order to increase the income of rural families.

Source: Incaper

**IS NEW “SOCIAL” CEREAL BAR A GOOD EXAMPLE FOR COFFEE?**

Nestlé launched its first social product in the world in partnership with the NGO “Gerando Falcões” (Creating Falcons): a line of cereal bars whose profits will be used to contribute to poverty reduction in Brazil. Both the product and the package design have been co-created together with talents from poor suburbs. The funds will support the “Favela 3D – Digna, Digital e Desenvolvida” (Slum 3D – Decent, Digital and Developed) – Project, an initiative by the NGO that seeks to restructure the “favelas” (slums) and to promote better living conditions for their residents through education, economic development, and citizenship. The 10-year initiative Gerando Falcões has already attracted the attention of important investors in the market, including Fundação Lemann, construction company Cyrela, medicine manufacturer EMS, language school Wise Up, bank Itaú and Microsoft and is present in over 700 “favelas” in Brazil.



Source: Forbes and P&A

## FERTILIZER CRISIS AFFECTS RELATIVE COMPETITIVENESS OF FARMERS AND COUNTRIES AND CREATES OPPORTUNITIES FOR REGENERATIVE AGRICULTURE

The large rise in fertilizer prices brought about by the war between Russia and Ukraine will cause major increases in the cost of producing coffee but this impact is likely to be very different depending on the country and size of the farm. Can this be a relative market opportunity for small holder growers who use less fertilizer? Can this be an opportunity for growers of all sizes to increase their reliance on regenerative agriculture?

The use of fertilizers is much more intensive in high productivity countries like Vietnam and Brazil, where average coffee yields are around 2 tons per hectare, than in lower productivity countries whose average productivity may be as low as 500kg per hectare. But even in Brazil and not so much in Vietnam, small holder growers tend to use less fertilizer than their mid-size and large counterparts. Small farms use much less or no fertilizer in many if not most other producing countries. As a result, their cost of production will be less impacted by the on-going fertilizer crisis and they may gain competitiveness in relation to larger farmers.

This above may not be the ideal way for small farmers and some countries to become relatively more competitive but it will be a fact as a result of higher fertilizer prices. On the other hand, this will be an incentive for farmers of all sizes to increase their reliance on regenerative agriculture to ensure that maximum economic productivity is achieved.

The pursuance of high productivity without due consideration of its costs has to be questioned and the productivity that provides the greatest profit, i.e., maximum economic productivity, should be pursued at all times. Regenerative agriculture may be a path to be pursued by growers of all sizes at all times and specially when fertilizer prices are high.

Regenerative agriculture, a conservation and rehabilitation approach based on topsoil regeneration, improving the water cycle, increasing biodiversity, enhancing ecosystem and supporting bio sequestration, relies on many practices that are easier to implement on small farms, e.g.: recycling of farm waste, agroforestry, restoration ecology, etc. This may favor the competitiveness and increase the resilience to climate change of small holder coffee growers providing that they have access to these technologies.

The fertilizer crisis should provide incentives for coffee farms of all sizes to rely on regenerative agriculture and to create a virtuous cycle. For example, as soil health improves input requirements may decrease, fertilizers included, resilience to climate change may increase and so may productivity.

Let's not however treat the current high prices of fertilizers and the opportunities they create as a panacea for the reduction of their use. Fertilizers remain a key input for farms of all sizes to achieve maximum economic coffee productivity in many producing environments and countries, more so the less fertilizers cost.

## Brazilian Prices

Main Producing Regions / Farm Gate

February 28, 2022

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	1365,00 ↓	Colatina-ES fair average price	775,00 ↓
Mogiana	1360,00 ↓		
South Minas	1360,00 ↓		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	1385,00 ↓	Mar 2022	290,25 ↑
South Minas	1380,00 ↓	May 2022	292,55 ↑
		Jul 2022	293,05 ↑
		Real R\$ / Dolar US\$	
		Feb 28, 2022	5,16 ↓

+ 1.8%

Source:  
www.qualicafex.com.br

## ROTARY DRIERS FOR COFFEE AND COCOA, BLACK PEPPER, BRAZIL AND OTHER NUTS, AND BEANS AND OTHERS GRAINS

With about 30,000 machines in operation in over 30 countries, Pinhalense rotary driers have become the state-of-the-art coffee drier and are used for several other products, as indicated in the title above.

These Pinhalense driers are perhaps the single type of coffee machine that has the largest number of units in operation around the world. Less known is the fact that Pinhalense rotary driers are available for a range of other products with technical and design changes to suit the specific drying requirements of each product.

The table on the right-hand side shows the capacities of the single and divided drums available for different lots of the same product or different products. The drums, usually made with regular metal sheets in the case of coffee, can also be supplied in galvanized or stainless-steel metal sheeting in response to product or client requirements.

The design of the drums and their power trains as well as the heat exchangers are specific to the product to be dried. Changes refer not only to the material used, as indicated above, but also to air distribution, speed of rotation and the size of the holes, to mention a few.

Not all drum sizes and types are necessarily suitable for all products. Also, the overhead pre-drying silos may not be recommended for some products. The CSP digital control system can be designed for any product.

MODEL	CAPACITY (m <sup>3</sup> )
<b>SINGLE DRUM</b>	
016X	1.6
025X	2.5
033X	3.3
050X	5.0
066X	6.6
075X	7.5
090X	9.0
150X	15.0
<b>DIVIDED DRUM</b>	
025/50X	2 x 2.5 = 5.0
033/66X	2 x 3.3 = 6.6
050/100X	2 x 5 = 10.0
075/150X	2 x 7.5 = 15.0
090/180X	2 x 9.0 = 18.0

While the features of the standard SRE rotary driers for coffee can be found in the Pinhalense website and catalogs, the specification of the rotary driers for other products are usually provided upon request and as part of the respective project and/or quotation. Please contact your P&A/Pinhalense agent or P&A directly to learn more about Pinhalense rotary driers for all products listed above or even to discuss the drying of another product you may have in mind or require.



Overhead pre-drying silo  
(<https://bit.ly/3q9sVV7>)



Divided drum rotary drier  
(<https://bit.ly/3CIElyS>)



Small drum rotary drier  
(<https://bit.ly/3CIElyS>)



Digital control system  
(<https://bit.ly/3q9sVV7>)