

CONFIDENTIAL

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

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☉ CACAO TO BE CULTIVATED OUTSIDE ATLANTIC FOREST AND AMAZON BASIN

Cargill, the leading agribusiness company in the world, and Group Schmidt, one of the prominent agribusiness companies in Brazil, will invest R\$ 5 million (about US\$ 1 million) in the next 5 years to grow 400 hectares of cocoa in the “cerrado” (Brazilian savannah) region of western Bahia state. This will bring two innovations to the sector: first, cocoa cultivation outside the Atlantic Forest – mostly southern Bahia – and the Amazon Basin – state of Pará –, the two biomes that concentrate cocoa production in Brazil, – and, second, the establishment of a direct relationship with a large producer. The first cocoa trees have already been planted and the first harvest is expected to occur in the next two years, a much shorter time than in the Atlantic Forest and Amazon Basin areas where it usually takes 5 years for production to start.



Source: Valor Econômico

☉ RECORD BRAZILIAN FINANCING FOR AGRICULTURE

The 2022/2023 Agriculture Finance Plan will have a record credit volume of R\$ 341 billion (US\$ 64.3 bn), 36% above the figures of the previous crop. There was an increase in several credit lines including the Low Carbon Agriculture Plan that promotes the adoption of sustainable practices in Brazilian agriculture. The annual interest rates will be 5% to 6% for small growers, 8% for mid-size growers, and 12% for large growers and cooperatives.

Source: CNA

☉ BRAZILIAN COFFEE ROASTERS FORESEE 50% INCREASE IN SALES VALUE IN 2022

Brazilian coffee roasters expect revenues of R\$ 22.8 billion (US\$ 4.3 bn) for 2022 – an increase of 50% over 2021 – in spite of the current scenario of high inflation, lower income at the consumer end, and strong volatility of international coffee prices. This revenue growth will be a reflection of the 52% increase in the average price of R&G coffee on the shelves. Higher costs of the raw material for the industry/roasters in 2021 – 155% average increase – is the main factor behind the price increase to the final consumers. Despite the great price increase in 2021, consumption grew 1.7% in the country, to 21.5 million bags.

Source: Valor Econômico

☉ GREAT RISE IN LABOR COSTS TO HARVEST COFFEE IN MOUNTAIN AREAS OF BRAZIL

Coffee harvesting started later and is taking longer than expected in Brazilian mountain areas where labor costs have increased well above inflation, by an average of 60 to 70%. The difficulties to find labor caused the daily payment for coffee pickers to reach R\$ 300 to 400 (US\$ 57 to 76) in the current harvesting season. Lack of labor explains the high costs and slow harvesting in Arabica producing Matas de Minas and in Conilon areas of Espírito Santo state.

Source: Valor Econômico

BRAZIL'S PARTICIPATION AT WOC MILAN 2022 TO GENERATE US\$ 115.5 MILLION OF BUSINESS

Brazil's participation in the World of Coffee 2022, held in Milan, Italy, from June 23 to 25, may generate a total of US\$ 115.5 million in business. WOC, considered the main coffee event of the sector in Europe, was attended by more than 11 thousand people from 137 countries. The participation of Brazilian coffees in the previous events in Berlin and Dubai generated together approximately US\$ 50 million worth of business.

Source: BSCA



VERY SUCCESSFUL FIRST EDITION OF SÃO PAULO COFFEE FESTIVAL

The first edition of the São Paulo Coffee Festival had its tickets sold out and received more than 12,000 visitors on June 24 to 26. Among many other activities, the event hosted the National Barista Championship, organized by BSCA, and attendants had the chance to cup coffees from many regions of Brazil and other countries. The 2023 edition of the São Paulo Coffee Festival is already scheduled for June 23 to 25.

Source: Notícias Agrícolas

COFFEE PLANTATIONS GENERATE CARBON CREDITS IN THE AMAZON REGION



A carbon credit project involving organic coffee planting by small growers in the Amazon basin may become the largest in Brazil in terms of number of properties involved. The Institute for the Conservation and Sustainable Development of the Amazon (Idesam) negotiated a R\$10 million (US\$ 2 million) loan with the Amazon Biodiversity Fund Brazil to be repaid with carbon credits. Today 50 small coffee growers are participating in this project but the number will increase to 300 in 2026 and 600 in 2030. The credits will be generated by the expansion of the planted area and the first installment will already be paid in 2022.

Source: Valor Econômico

IAC CELEBRATES 135 YEARS

Founded on June 27, 1887, to carry out coffee research, the Campinas Agronomy Institute (IAC) is one of the icons of Brazilian agricultural research. IAC's Coffee Genetic Improvement Program has been developing and recommending Arabica coffee cultivars not only for the State of São Paulo but for the entire national and world coffee industry. The majority of the coffee planted in Brazil and a large percentage in the world are IAC cultivars.

Source: Valor Econômico

Brazilian Prices

Main Producing Regions / Farm Gate

June 30, 2022

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	1315,00 ↑	Colatina-ES fair average price	735,00 ↑
Mogiana	1310,00 ↑		
South Minas	1310,00 ↑		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	1415,00 ↑	Jul 2022	290,95 ↑
South Minas	1410,00 ↑	Sep 2022	283,40 ↓
		Dec 2022	283,15 ↓
		Real R\$ / Dolar US\$	
		June 30, 2022	5,23 ↑

+ 8%

Source: www.qualicafex.com.br

REPOSITIONING ROBUSTAS

As advanced in the Outlook article two months ago – The Rise in Robusta Production and Consumption (<https://bit.ly/3yt1ZFQ>) –, the improvement of the quality of Robusta green coffee is a sure way to retain the markets it gained during the pandemics and to open up new ones. The article added that there are many ways to improve Robusta quality but perhaps the quickest one lies on post-harvest processing.

The Coffee Quality Institute (CQI) held a Workshop last June on Kaweri Coffee Plantation, in Uganda, to advance the design of its Q Processing 2 Robusta Course. Coffee processing experts, instructors and cuppers from 10 different countries and with coffee experience in 3 or 4 times as many countries met for a week under the leadership of CQI’s Manager of Post-Harvest Processing Program to discuss and improve the course materials. Slides, videos, technical information and orientation for instructors for the modules that will comprise the new CQI Q Processing 2 Robusta Course are now being finalized.

The Workshop also included visits to the farm’s coffee processing facilities, processing trials with samples and cupping sessions of Robusta coffees processed using different methods: natural, pulped natural / honey and washed, inoculated or not. Coffees from the trials as well as samples of micro, small and large lots from origins as diverse as Vietnam, Brazil and the host farm in Uganda were cupped and scored from 80 to 89 points, which shows that there is still much to be demystified about the quality of Robusta coffees that are properly processed.

A further CQI-led activity to position Robusta coffees as a quality product was the cupping session held at the Specialty Coffee Association’s World of Coffee in Milan later last June. Over 50 people attended the session that included Latin American, Asian and African samples that again surprised and impressed cuppers for the high quality and scores of the coffees. The cupping was said to have been the starting point for sales of high quality Robusta coffees with substantial price premiums.

Post-harvest processing is an important way to emphasize key quality features of Robusta coffees. The challenge is to identify the processing systems that best fit the terroir and to use them in a consistent way to enable similar qualities to be produced year after year, with the score variation expected for a product that is climate dependent.

There is room in the market for high quality and high score Robusta micro and small lots of single origin specialty coffees that are breaking established paradigms. Likewise there is much room for large volumes of differentiated quality Robusta coffees that may occupy additional space in blends that are well known to coffee drinkers, from single-serve capsules and breakfast blends in coffee shops to traditional roast-and-ground and instant coffee brands offered in retail shelves. There is much space available in the market for well-produced and properly processed Robusta coffees with benefits to all in the supply chain, from producers to consumers.

This Robusta quality revolution that started quietly in India many years ago is gaining momentum and spreading to other Robusta coffee producing countries. First promoted by the pulping/washing of Robusta coffees, quality improvement now includes inoculation and fermentation processes that may also change the quality of natural Robustas. The market is far from saturated for these novel products that are most likely to support the continuation of the historical growth of the participation of Robustas in world coffee production.



INDUSTRIAL ROASTERS FOR COFFEE, COCOA, PEANUTS AND GRAINS

MASTERATTO®

MASTERATTO is a convection type ecological roaster that uses a heat exchanger and a unique system to recirculate air. This allows only hot air into the roast drum while burning coffee chaff and other impurities in the process.

MASTERATTO is a sturdy equipment designed to withstand long working hour and to have great thermal efficiency. Combining cutting edge technology, high performance and great precision, it is the ideal roaster for specialty coffee roasting.

An equipment with bold design and stainless-steel finishing, MASTERATTO is equipped with an integrated software that enables the programming and control of the roasting variables. This is a must for processes standardization and coffee quality consistency.

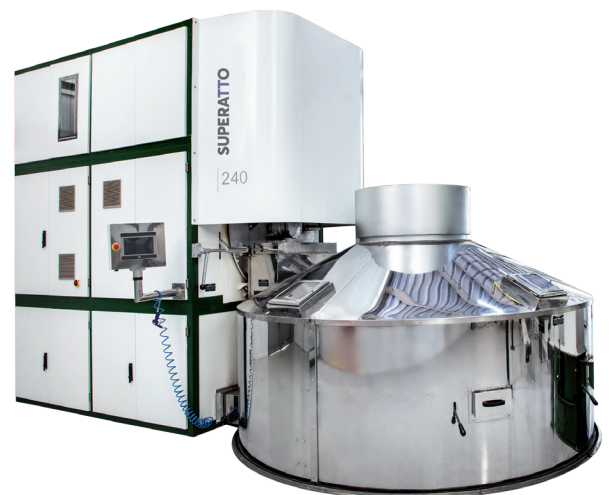


SUPERATTO®

SUPERATTO is an industrial roaster that is able to handle long working hours. Its reinforced structure and smart automation allow high productivity and fine precision in roasting.

SUPERATTO is equipped with an ecological system, in which the smoke and coffee chaff released during the roasting process are incinerated by a modulating burner. It is the ideal setup for large industries and industrial lines in urban areas.

Carmomaq also designs and supplies the complete roasting line integrated with the SUPERATTO: reception, storage, conveyance, grinding and packaging. Automation solutions are also available.



ROASTER TYPE	CAPACITY PER BATCH	ROASTING TIME	CONTROL PANEL	SOFTWARE	FINISHING	FUEL	POWER REQUIRED
MASTERATTO	10 kg and 15 kg	12 to 18 minutes	Touchscreen panel with automatic controls of temperature, drum speed and flow of air	Compatible with roasting software	Stainless steel and electrostatic coating	Natural or propane gas	1.5 up to 4 HP
SUPERATTO	30, 60, 120, 240 and 480 kg	12 to 20 minutes				Natural gas, liquid propane or wood	18 up to 50 HP

Learn more about Carmomaq roasters – industrial, shop and small sizes – at the company’s website (<https://www.carmomaq.com.br/en/>) or contact P&A (carmomaq@peamarketing.com.br) for more information about these and other Carmomaq products or to request quotations. The Stratto roaster was featured at Coffidential No. 144, July 2019 (<https://bit.ly/3O2k9l1>), and the Speciatto and Caloratto at No. 161, December 2020 (<https://bit.ly/3axYZ0m>).