

CONFIDENTIAL

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

- VIETNAM, INDONESIA, AND INDIA: ECONOMIC WONDERS AND ROBUSTA COFFEE (PAGE 3)
- MINIMIZE DEFECTS AND LOSSES TO RETAIN QUALITY AT A TIME OF HIGH COFFEE PRICES (PAGE 4)

INTENSE COFFEE FLOWERING IN SOUTH MINAS IN SEPTEMBER

Intense flowering occurred in South Minas Gerais, the main coffee producing region in Brazil, last week of September due to recent rainfall that hit the area. This flowering may account for a substantial part of the crop to be harvested next year. Favorable rains are also expected to happen in the Cerrado Mineiro region in October. In spite of the occurrence of La Niña, normal climate conditions are expected for the next coffee crop in Brazil.



Source: Reuters

ARABICA COFFEE CROP RECOVERY SHOULD NOT BE SIGNIFICANT IN 2023

After two years of unstable climate conditions and despite the concerns about a third La Niña year, the next Arabica coffee harvest is expected to be higher than this year's but without the "exuberant" numbers previously projected by many sources. Coffee trees lost many leaves and the expectation of flowering and production is closely related to the level of foliage in this period. As the level is low, expectations are also low.

Source: Notícias Agrícolas

LARGER 2022 COFFEE CROP FIGURES

The 2022 Brazilian coffee crop is estimated at 50.38 million 60kg-bags. Arabica coffee represents 32.41 million bags or 64% of the total and Conilon 17.97 million bags or 36%. The figures represent an increase of 5.6% over the previous crop. The average productivity, including both Arabica and Robusta, was calculated at 27.4 bags per hectare, which corresponds to an increase of 3.7% compared to 2021.

Source: Embrapa Café



MECHANIZED HARVESTING FOR CONILON AREAS

Differently from what was registered in the Arabica coffee producing regions, climate conditions were favorable for Conilon growers this past crop. However, the lack of labor in Conilon areas has been the greatest challenge and it greatly delayed harvesting work. Bearing this in mind, much testing of mechanization of Conilon harvesting took place crowning research work that has been going on for at least 15 years. Results were satisfactory and positive in 2022 in areas where the work was carried out with both semi-mechanized harvesting machines and modified versions of the machines normally used for mechanical Arabica harvesting. Research and tests should continue in the next harvesting season.

Source: Notícias Agrícolas

HIGH LEVEL OF LEAF MINER RESISTANCE IN NEW GENERATIONS OF SIRIEMA VARIETY

Siriema, a genetic coffee material that has been developed to resist leaf miner attacks, has also been showing good productivity. Two of these selected Siriema progenies were placed in a larger-scale-planting observation field. The first one, with yellow beans, showed 82% of resistance. The second progeny, with red beans, presented 74% of resistance to leaf miner. The picture on the right-hand shows a Siriema coffee cultivar resistant to leaf miner (left) and a Mundo Novo cultivar susceptible to leaf miner (right). The trees in the picture are planted in a contiguous area.



Source: Fundação Procafé

BENEFITS OF COFFEE FOR HUMAN HEALTH

Studies reveal that the daily and balanced consumption of coffee can bring not only more flavor to one’s day but also many health benefits. It is proven that the benefits to the human organism appear in the short, medium and long term by drinking 2 to 3 cups of coffee every day. The main benefits of coffee consumption are heart disease protection, longevity, improved digestion, headache relief, reduced risk of Alzheimer and prostate cancer, concentration and memory enhancement.

Source: Hub do Café

MAPPING AND SALES OF SPECIALTY COFFEE PRODUCED BY WOMEN

The second edition of Expocaccer’s Women in Coffee Mapping held last September evaluated and sold lots produced by its women growers members. In addition to the Q-graders who participated in the processes of identifying the potential and quality of the coffee's sensory notes, the cooperative invited commercial partners to rank and acquire first-hand the 10 best lots during the event. The 10 best coffee lots will be offered by Dulcerrado, Expocaccer's coffee brand, in its Special Edition “Primavera” (Spring).

Source: Expocaccer

COFFEE LEADS GREAT RESULTS IN BRAZILIAN AGRI EXPORTS

Brazilian agribusiness exports have been on the rise in recent months and, according to the Ministry of Economy, they reached of US\$ 14 billion in August, an increase of 36.4% compared to the same month in 2021. The coffee sector is playing an important role in this current scenario. Total coffee exports reached 25.3 million bags from January to August 2022. This number represents a decrease of 5.3% over the same period in 2021 but a record income of US\$ 5.904 billion with a growth of 61.4%. Exports of differentiated coffees – that have superior quality or some type of sustainable practices certificate – generated an income of US\$ 1.292 billion, an expressive growth of 64.3%.

Sources: Comunica PR and Embrapa Café

Brazilian Prices

Main Producing Regions / Farm Gate

September 30, 2022

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	1275,00 ↓	Colatina-ES fair average price 736,00 ↓	
Mogiana	1270,00 ↓		
South Minas	1270,00 ↓		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	1365,00 ↓	Dec 2022	262,00 ↓
South Minas	1360,00 ↓	Mar 2023	257,65 ↓
		May 2023	255,95 ↓
		Real R\$ / Dolar US\$	
		Sept 30, 2022	5,39 ↑

+ 7.5%

Source: www.qualificafex.com.br

VIETNAM, INDONESIA, AND INDIA: ECONOMIC WONDERS AND ROBUSTA COFFEE

The recent Financial Times article “The Seven Economic Wonders of a Worried World”, by Ruchir Sharma, caught my attention because three of the economic wonders and the ones addressed first are relevant Robusta coffee growing countries. Vietnam is the largest Robusta producer in the world, Indonesia comes third and India is a well-known producer of washed Robusta.

Together these three Asian countries account for almost two-thirds of Robusta production and one-fourth of all coffee produced in the world. They are also strategically located to supply to what may eventually become the largest coffee market in the world, Asia itself, that today consumes mostly instant coffee whose basic raw-material is Robusta beans.

Vietnam, a relatively new relevant coffee and Robusta supplier if compared to the other two countries, has had an astounding growth in coffee production. It went from non-significant production to world leader in less than half a century: largest Robusta producer and exporter today! Local coffee consumption is also growing, pushed by a growing café culture and instant coffee. Foreign and local instant coffee industries are expanding not only to supply the Vietnamese but also and specially the export markets.

Indonesia is rather unique because local coffee consumption is growing faster than production and as a result exports are either stable or falling. The country is a great example of growth in coffee consumption without an institutional program to promote it. Three-in-one – single-serve envelopes with instant coffee, non-dairy milk and sugar –, the coffee brands themselves and coffee shops are doing it. In spite of having a strong instant coffee industrial park, the country imports it.

India is increasing its Robusta production at the expense of Arabica. This should not be surprising considering the huge potential of the Indian instant coffee market, that is still very small vis-à-vis the size of the country’s population. India may indeed become an importer of instant products if coffee becomes trendy as it did in China and Indonesia. India is also a pioneer in the production and exports of washed Robusta coffee.

May these three Asian Robusta producing countries, that defy the prevailing economic pessimism in the world as the article argues, benefit from these conditions and increase their coffee production, tilt the balance of world production further toward Robusta, and become a threat for other coffee producing nations?

A strong case in favor of increasing production is their proximity to China, whose rate of growth of coffee consumption is likely to return to the high pre-pandemics levels sooner or later. Vietnam and India share borders with China and Indonesia is closer to it than most other coffee producing countries. These three countries may eventually become key sources of supply of green and instant coffee to China given their logistics advantages.

The same argument may hold in response to growth in domestic consumption in these countries. The cases of consumption in Indonesia and Vietnam have already been mentioned above and their populations are large. The most populous Muslim country in the world, Indonesia has a population of 275 million while Vietnam is about to reach 100 million. Consumption may now increase faster in India whose population is huge and whose economy is one of the fastest growing in the world.

The real question is whether these three countries can competitively expand their Robusta production, if they have crops that compete for the same land and offer the same or better returns, and if the political will is there to bring it about. Recent trends in their production figures do not support the argument of increasing production but high recent prices may change that.

In any case, higher Robusta production in Vietnam, Indonesia and India, that will support the increase of Asian coffee consumption, may be beneficial for coffee production around the world. The bulk of the additional production required by this additional consumption may have to come from Africa and Latin America, Arabica coffee included, because of the availability of land to grow more coffee and evolving consumers’ tastes that may favor greater use of Arabica. At the bottom line, what may happen with and to coffee in the three economic wonders of this post-pandemics world – Vietnam, Indonesia and India – may be beneficial for the whole coffee producing world and the coffee supply chain.

MINIMIZE DEFECTS AND LOSSES TO RETAIN QUALITY AT A TIME OF HIGH COFFEE PRICES



PFA-1-3

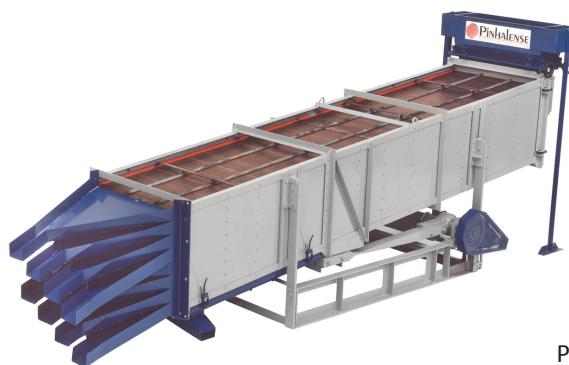
Green coffee is separated by size to facilitate the removal of defective beans, to improve quality, to meet clients' demands and to enable uniform roasting. This is even more important at times of high coffee prices like now!

Correct coffee grading and reliable size distribution of beans can ensure that right quality coffees are not rejected at gravity separation and color sorting. Pinhalense experts will show to you how the use of the right Pinhalense grader can help you improve the efficiency of densimetric separation and color sorting in order to remove defects, refine quality and to further grade your coffee according to quality and clients' requirements.

Pinhalense today offers lines of graders with either downward or higher-precision upward flow, single or double box for single or double load, 2 to 9 grading screens (round, slotted or special) arranged in a multitude of ways, and capacities ranging from 0.3 to 14 tons/hour. From capacity to grading precision to solutions for specific problems, Pinhalense offers graders that fit all clients' needs.



PFA-3-4



PI-4

Latest demands are at the two ends of the market: small capacity machines for micro-lots and large capacity graders for "world blends" and ever larger commercial lots. Irrespectively of size or capacity, the Pinhalense graders use the same advanced technology that granted Pinhalense more patents for these machines than for any other in its wide line of products.

Please contact the Pinhalense expert nearest to you if you are confused by the multitude of options above. The Pinhalense representative will analyze your own coffee grading needs and, together with Pinhalense's Technical Department, provide the best solution and recommend the right Pinhalense grader for your specific conditions and challenges.



PFA-II-5



PII-4

It is for all reasons above that most coffee drunk in the world today goes through a Pinhalense size grader.