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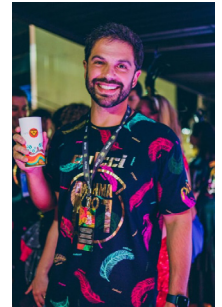
YOUR BEST SOURCE OF INFORMATION ABOUT THE BRAZILIAN COFFEE BUSINESS. THIS ISSUE:

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COFFEE AT THE HEART OF CARNIVAL 2023

Combining two Brazilian passions, coffee and Carnival, leading roaster 3 Corações offered iced coffee drinks in the most popular boxes at the official Rio de Janeiro Samba Parade. The versatility of the beverage and the typical aroma of coffee impressed the select group of people in the boxes. With presence in different regions across the country, 3 Corações also sponsored an electric trio in Recife (PE), Salvador (BA) and João Pessoa (PB) in the northeast region of Brazil.

Source: Revista Cafeicultura



PRICE INCREASE REDUCES COFFEE CONSUMPTION IN BRAZIL

According to the Brazilian Coffee Roasters' Association (ABIC), that became 50 years old on March 12, coffee consumption fell by 1.01% to 21.3 million bags in 2022 due to the price increase of 35.4%. A consolidated coffee market, Brazil has not experienced a drop in consumption since 2013 when the country consumed 20.1 million bags or 1.2% less than in 2012. Consumption also decreased in 2018 and 2019 but due to changes in the methodology to evaluate consumption. The volume of coffee consumed in 2022 represented almost 42% of the total Brazilian production considering CONAB's estimates. The high price of green coffee, which increased more than 100% in the last two years, explains the readjustment of product prices to consumers. ABIC states that there is still a need of an additional readjustment in product price of around 25%. It is not yet clear whether such adjustment will take place in 2023. Brazilian annual per capita consumption is 6kg of green coffee or 4.8kg of roasted coffee.

Source: Valor Econômico

NEW STANDARD FOR ROASTED COFFEE IMPLEMENTED IN BRAZIL

The new standard for roasted coffee, enacted by the Brazilian Ministry of Agriculture, Livestock and Food Supply (MAPA), came into effect in January 2023. Changes in the new standard can be already seen by consumers in coffee packages: type of coffee (Arabica or Conilon), degree of roasting, the denomination "out of type" (in case the product fails to reach the minimum sensory analysis score), volume of caffeine and aqueous extract established by the new standard. Although the coffee industry has one year and a half to adjust to the new standard, some companies are ready to meet the new requirements. This has been the latest step in a series of government and volunteer regulations. In 1989, the Brazilian Coffee Roasters' Association (ABIC) created the Purity Seal following a National Health Surveillance Agency (Anvisa) resolution that limited to 1% the natural impurities, i.e., the ones coming from the crop. In 2004, ABIC launched the Coffee Quality Program that classifies and differentiates coffee into four categories based on sensory analysis: gourmet, superior, traditional and extra-strong. The new standards and the two ABIC certification programs will be unified to grant a more rigorous control of quality. ABIC will continue to act as a certifier of roasted coffee and, in partnership with MAPA, will expand market monitoring to curb the practice of adulteration and fraud of products and will present to inspection bodies the products that do not comply with the legislation.

Source: Conexão Safra

DIGITALIZATION OF GEOGRAPHICAL INDICATIONS TO STRENGTHEN COFFEE MARKET

The Brazilian Agency for the Promotion of Small Business (Sebrae), the Brazilian Agency for Industrial Development (ABDI), and the National Agricultural Confederation (CNA) are together carrying out the Digitalization of Coffee Geographical Indications Project that will be implemented still in 2023, with the support of the Ministry of Development, Industry, Commerce and

Services (MDIC). This new tool will facilitate the control and traceability of coffees in producing regions and their relationship with the national and international market as well as promote the quality and origin of the coffees produced in the country. This tool will become the basis for digitalizing the Brazilian Geographical Indications for other products.

Source: CaféPoint

WIDE DIVERGENCES IN ESTIMATES OF BRAZILIAN PRODUCTION IN 2023

There is an atypical and much larger than usual disparity between the estimates of the size of Brazilian coffee production in 2023, after two years of severe damage caused by the climate. There have always been significant differences between estimates but this year the disparity is very high, reaching 20 million bags between the highest and lowest figures. After the damage caused by droughts and frosts, a good crop recovery is expected with the good amount of rain that has been falling during the cherry development period. Despite the divergences between estimates, there is a consensus that production in 2023 will be higher than in 2022 although it is an off-year in the biennial cycle.

Source: Valor Econômico

COFFEE IS HIGHEST VALUE AGRIPRODUCT IN MINAS GERAIS

The Gross Value of Production (GPV) for agriculture and livestock in Minas Gerais reached a record of R\$ 132.3 (US\$ 26.4 bn) billion in 2022, an increase of 8.6% compared to the previous year. Coffee is the product with the highest Gross Value of Production (GPV) in the state, totaling R\$ 29 billion (US\$ 5.6 bn) in 2022, 22% higher compared to 2021. In total volume, Minas Gerais accounted for 11.4% of the national VPB, ranking 4th place among the Brazilian states.

Source: Hub do Café

FEMAGRI 2023 BRINGS TOGETHER MORE THAN 30,000 COFFEE GROWERS

After two years in virtual format, the Cooxupé’s 2023 Machinery, Implements and Agricultural Inputs Trade Fair (FEMAGRI) was held in-person on February 8th to 10th. With the presence of over 34,000 coffee growers, the fair generated approximately R\$ 212 million (US\$ 41 million) in business through 9,500 requests for quotations. One of the benefits to Cooxupé cooperative members is the barter system – payment for equipment and inputs is made with coffee –, with 3 to 5 installments, one each year. Cooxupé has more than 18,000 members that produce Arabica coffee in the South of Minas Gerais, Cerrado Mineiro, Matas de Minas and Mogiana in the State of São Paulo regions. 80% of the cooperative’s activities correspond to the export of green coffee to customers in 50 countries.

Source: CaféPoint

WINNERS OF ERNESTO ILLY QUALITY AWARD PRESENTED

The 32nd edition of the Ernesto illy Quality Award for Espresso Coffee selected the Brazilian growers and regions that stand out in the Illycaffè’s world. The three big winners came from the state of Minas Gerais – Chapada Diamantina, Matas de Minas and Cerrado Mineiro regions. The growers received a cash prize and a trip abroad to participate in the 8th Ernesto Illy International Coffee Award that brings together 27 winning coffees from the 9 countries that supply the product to illycaffè. This edition also received for the first time the Seals of Neutral Event and I Am Zero Residue for offsetting its carbon emissions with support of regenerative agriculture projects and for disposing of all waste generated at the event in a sustainable way.

Source: illy

Brazilian Prices

Main Producing Regions / Farm Gate

February 28, 2023

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	1105,00 ↑	Colatina-ES fair average price	698,00 ↓
Mogiana	1100,00 ↑		
South Minas	1100,00 ↑		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	1205,00 ↑	Mar 2023	229,00 ↓
South Minas	1200,00 ↑	May 2023	235,00 ↓
		Sept 2023	224,00 ↓
		Real R\$ / Dolar US\$	
		Feb 28, 2023	5,23 ↑

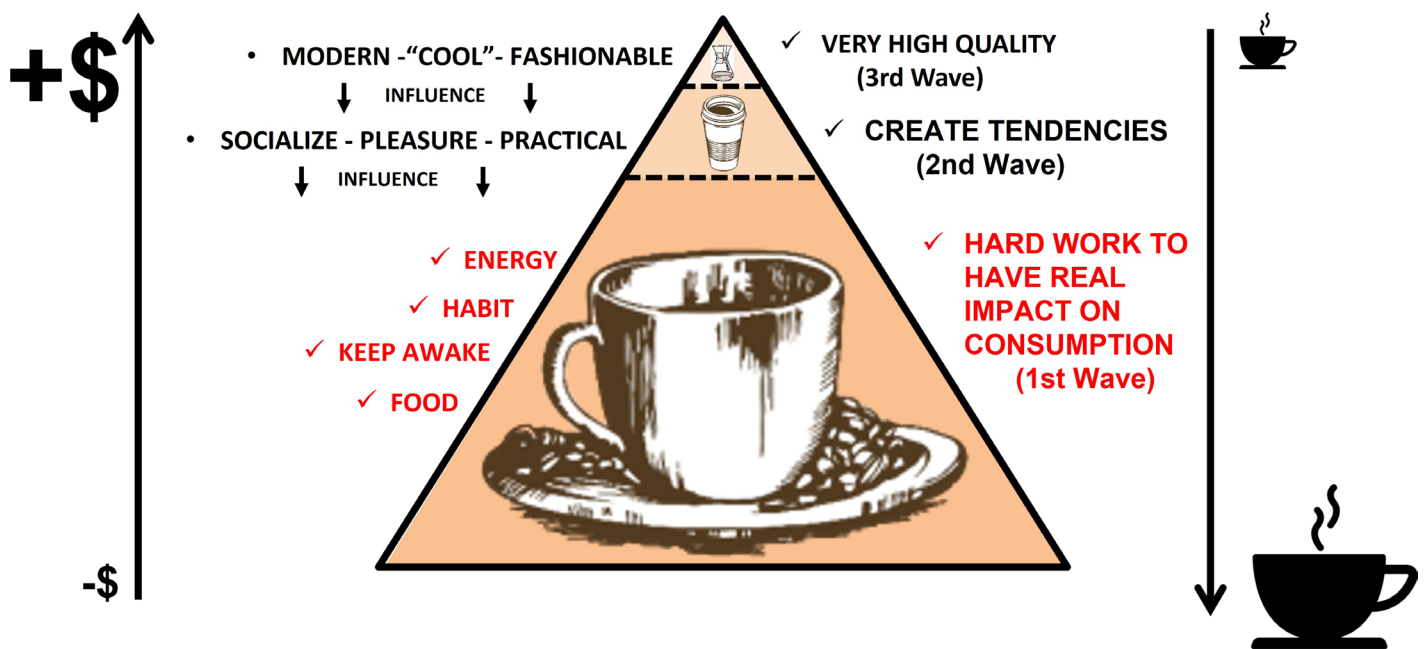
+ 9.6%

Source: www.qualicafex.com.br

MASS COFFEE CONSUMPTION IN PRODUCING COUNTRIES

At the recent AFCA event in Kigali, I was pleased to attend the panel Developing the Domestic Coffee Consumption in Africa - Challenges & Opportunities, with the participation of Abdullah Bagersh, Primus Kimaryo, Amir Hamza and Mbula Musau and moderated by Bosco Munga. I was very impressed that the four very knowledgeable panelists mentioned, in different ways and from their own business perspectives, that for the conditions of African producing countries, it is fundamental to promote coffee consumption at the base of the income distribution pyramid where, I add, the vast majority of current and potencial consumers are.

I must add that this is valid for consumption in all coffee producing countries as it has been repeatedly shown in the case of Brazil and a few other producing countries that have targeted their promotion efforts at the mass of consumers at the base of the income pyramid. These countries have not neglected promotion of coffee consumption to the higher income groups, including the top of the pyramid, even though the share of the total population in these income groups is relatively very small. Promotion further up in the income pyramid makes coffee fashionable and influences consumption at the lower segments of the pyramid as indicated in the drawing below.



The notes around the income pyramid explain that promotion of consumption has to take place for all income segments. However mass consumption can only be achieved with strategies and actions focused on the lower segments of the pyramid. Education for quality and increases in income will make consumers move up the pyramid with higher prices then paid for coffee because the quality of coffee consumed is largely associated with income.

Coffee producing countries have consumers in all three (or four) coffee waves. As the drawing above indicates, there is a good association between coffee waves and income segments. However, it may be possible to offer higher quality coffee to lower income consumers in the villages and towns that produce coffee if growers get together to process and roast their own coffee and sell it locally. It is interesting that the same process that works at the top of the income pyramid, with high-end specialty coffee shops, may work at the base of the pyramid in areas where coffee is produced!

PROCESSING AND ROASTING COFFEE IN SMALL PLANTS

Groups of coffee growers, mid-size and large coffee growers, cooperatives, and small and mid-size companies can today dry process parchment or cherry coffee into green coffee and roast and sell it to consumers. Pinhalense and Carmomaq offer the machines needed to do this.

Pinhalense's COMPACTA is easy to assemble and install, it has a unique coffee cleaning system with built-in pre cleaner and destoner equipped with an aspiration system, and requires little power and floor space. The COMPACTA is an efficient combined coffee huller specially developed for micro and small lots, with the advantage of an updated design and, very important, a built-in coffee cleaning system.

Carmomaq's SPECIATTO and CALORATTO roasters can handle batches up to 2kg and from 5 to 60kg respectively. While the SPECIATTO delivers the roast precision and quality that make it ideal for small roasters in producing regions, coffee shops and micro-roasteries, the CALORATTO can be used for roasting larger batches of coffee in small plants and coffee shops. Both roasters combine high technology, precision and thermal efficiency.



COMPACTA



SPECIATTO



CALORATTO

Learn more about COMPACT at <https://bit.ly/3JenkWi> and SPECIATTO and CALORATTO at <https://bit.ly/3JxYwtW>.