

CONFIDENTIAL

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

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FUND MANAGER AND FINTECH COMPANIES TO FINANCE COFFEE GROWERS

Fund manager Suno and fintech Bigtrade have announced the creation of a fund to finance coffee growers with a focus on cultivation costs. The goal of the CAFE11 fund is to raise R\$ 50 million until the middle of the year. The project will rely on both Suno’s experience and the technology developed by Bigtrade to evaluate risks for coffee growers. Last year, Bigtrade financed R\$ 12 million worth of coffee trading for Grupo Montesanto Tavares. One third of CAFE11’s funds will be available for working capital and the rest for inputs. Investment financing may be added in the future.

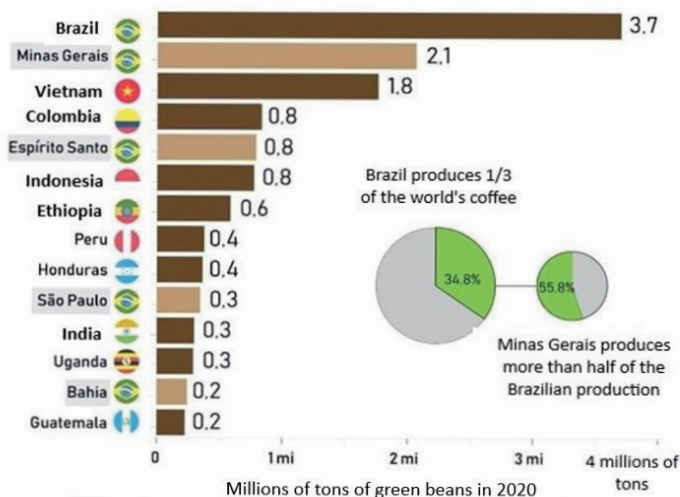
Source: Globo Rural

FARM IN MINAS GERAIS PRODUCES CARBON-NEGATIVE COFFEE

A coffee farm in Monte Santo, in the state of Minas Gerais, has been producing carbon-negative coffee. It means that it sequesters more carbon than it emits greenhouse gases into the atmosphere. In order to reach this result, Viola Farm adopts several sustainable practices like mulching, the use of biological products, composting, and native forest preservation. About 4 kg of carbon are sequestered from the atmosphere for each kilogram of coffee produced on the farm. The production of carbon-negative coffee is a promising initiative that is good for the environment and makes coffee plants more resistant to climate change.

Source: Planeta Campo

BRAZILIAN STATES ARE 2ND, 5TH, 10TH AND 13TH LARGEST COFFEE PRODUCING “COUNTRIES”



Sources: FAO UN and IBGE

@gzanlorenssi

Top 10 producing countries in the world compared to Brazilian states

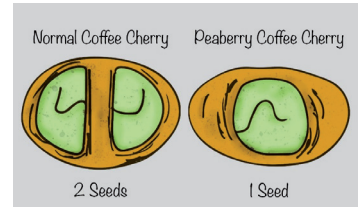
Brazil is one of the countries that most invest in technology and research to improve coffee quality and productivity. This has contributed to increase the competitiveness of the sector and the consolidation of the country as a global leader in coffee production. The analysis of the top 10 producing countries in the world compared to the 4 largest Brazilian producing states highlights the important role of Brazil in world coffee production. The largest producing state in Brazil is Minas Gerais, responsible for more than 50% of the national production and bigger than any other producing country besides Brazil. The state of Espírito Santo, main producer of Conilon/Canephora in Brazil, and the state of São Paulo would also be among the top 10 producing “countries” in the world and the state of Bahia would be among the top 15.

Source: Agroadvance / P&A

MORE PEABERRIES THIS CROP. WHY?

The round green coffee beans known as peaberries in English are considered a defect in some markets and sought after by others. The variety Mokka produces beans that are all similar to peaberries: round and small. That is why peaberries are called “mocas” in Portuguese. But, why do peaberries exist in all other coffee varieties? Normally the cherry of the

coffee plant contains two seeds that develop with flattened sides facing each other. However sometimes only one of the two seeds is fecundated and this single seed develops with nothing to flatten it and therefore becomes round. This happens all the time, at small proportions, but it can be intensified due to high temperatures and severe water stress. The higher than usual occurrence of peaberries in several regions of Brazil now results from adverse weather conditions that happened during flowering.



Source: Peabirus

GROWTH IN CONILON PRODUCTION ATTRACTS SOLUBLE COFFEE INDUSTRY TO ESPÍRITO SANTO STATE

Coffee Canephora accounts for 80% of the raw material of soluble coffee and Espírito Santo state has 67.7% of its coffee area covered with this variety. Brazil moved from a productivity of 18.8 bags per hectare in 2016 to 41.7 bags in 2023 in this cultivar. This is an increase of 135.6% in productivity in eight years. According to the Ministry of Agriculture Agency in Charge of Warehousing and Crop Estimates (Conab), Brazilian production will be around 17.3 million of bags of Conilon and 40.5 million of Arabica this year. Big soluble coffee makers, like ofi and Café Cacique, have opened new plants recently in Linhares, Espírito Santo, and are now working full force. Those two new industries have made Linhares the biggest economic development hub in the state and added to the soluble coffee production of Realcafé, the pioneer industry in this field in the state.

Source: O Novo Normal / P&A

DUTCH MULTINATIONAL BUYS 4TH LARGEST BRAZILIAN COFFEE COMPANY

The Dutch multinational company JDE Peets, owner of the brands Pilão and L'OR, bought the coffee and tea assets of the JAV group. Last month, the giant multinational informed that the brand Café Maratá will be part of its portfolio which will increase its presence in the North and Northeast regions of the country. JDE is vice-leader in the Brazilian coffee market while the company it acquired holds the 4th place. With the acquisition, JDE will be in a stronger position to compete against the market leader 3corações that currently offers 30 different brands.

Source: Revista Oeste

RONDÔNIA APPROVES LAW THAT STIMULATES PRODUCTION OF QUALITY COCOA FOR FINE CHOCOLATE

Keeping an eye on the fine chocolate market, the government of Rondônia approved a law that stimulates the production of quality cocoa by stablishing guidelines and goals for the development of the supply chain. It also stimulates more demanding market-oriented cocoa growing and adds value to smallholders' production. The new law supports environmental, social and economic sustainability, technological development, diversity (cultural, environmental, soil and climate), governmental adjustment to regional peculiarities, value addition and access to new markets. Rondônia state is the fourth largest cocoa producer in Brazil, behind Pará, Bahia and Espírito Santo.

Source: Globo Rural

COCOA FARMING INCREASING IN NORTHWEST SÃO PAULO STATE

Smallholder rubber, orange, and sugarcane farmers decided to invest in crop diversification attracted by the opportunity to sell a higher value-added product. According to CATI-SP (Coordination of Technical Assistance in the State of São Paulo), 30 municipalities in the state's northwest region now grow cocoa trees and the plan is to have 300 hectares planted by June 2024 using cloned seedlings coming from the state of Bahia.

Source: Globo Rural

Brazilian Prices

Main Producing Regions / Farm Gate

January 31, 2024

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	1,015.00 ↑	Colatina-ES fair average price	853.00 ↑
Mogiana	1,010.00 ↑		
South Minas	1,010.00 ↑		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	1,055.00 ↑	Mar	238.00 ↑
South Minas	1,050.00 ↑	Sep	232.00 ↑
		Dec	231.60 ↑
		Real R\$ / Dollar US\$	
		Jan. 31, 2024	4.93 ↑

+ 4.45%

Source:

www.qualicafex.com.br

VALUE ADDITION: FROM FARM TO (LOCAL AND REGIONAL) CONSUMERS

In many Brazilian coffee towns there are small roasters who provide services to growers who then sell their roast-and-ground and whole-bean coffees in the local market. Larger growers and cooperatives can either rely on outside services or do it themselves and may go beyond the local market and reach the regional and even national markets.

The fact that in Brazil coffee is hulled on the farms where it is produced makes this operation easier than in other countries where coffee is sold by the producer not as green coffee but as parchment and hulled in traders' mills. In Brazil growers have access to their own green coffee beans that they can get roasted to be sold by themselves to local and regional consumers with interesting value addition and profits.

It is possible to do the same thing in countries that produce washed coffee. Small and mid-size enterprises that roast coffee can also have their own equipment to receive and hull parchment – an extra service to be provided! – and larger farms and cooperatives can do it themselves using both compact, easy to install combined hullers and small roasters, grinders, etc.

I have witnessed this being done in washed coffee producing countries as diverse as India and Colombia, Kenya and Honduras. Why can't it be done in other countries and more widely in these countries themselves in order to add value to growers' coffee?



Modern, efficient, good cost-benefit technology is currently available for, on the one hand, cleaning and hulling parchment coffee and separating green coffee and, on the other hand, roasting, grinding and packing coffee for consumers. In addition, this hulling and roasting technology can be supplied together, with the machines integrated to create small mills like the one in the picture above but today more mechanized and compact.

Since many producing countries are interested to develop domestic consumption, like Brazil did and all countries should, there may be room for local coffee authorities and governments to either buy themselves these compact hulling-roasting plants to provide services to coffee growers or create financing/funding instruments for the private sector – groups of growers, larger growers, cooperatives or entrepreneurs – to acquire the plants and provide the services.

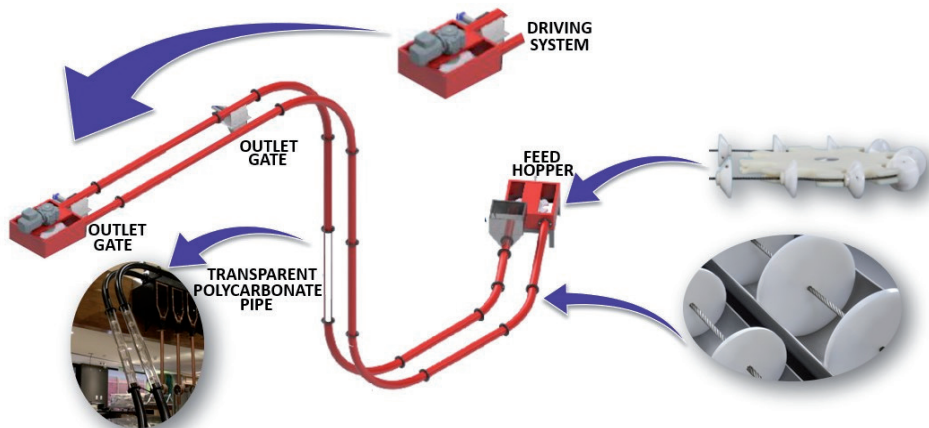
Growers, specially smallholders, do need to add value to their coffee but they obviously cannot afford to buy the hulling-roasting equipment reason why it makes sense for them to either use the services provided by third-parties or to get together to buy the equipment and do it themselves. Consumers in coffee producing areas are eager to consume the locally produced coffee and to learn about their qualities. There is much room to occupy this space and to increase growers' incomes and profits, which is much needed, specially for smallholder ones.

MACHINE OF THE MONTH

CABLE (AND DISK) CONVEYORS

Last March, the Machine of the Month (https://www.peaconsult.com.br/imgs/pa_coffidential__188__march2023.pdf) proposed to combine Pinhalense's Compact huller with Carmomaq's Speciatto or Caloratto roasters in order to have a combined hulling and roasting unit that can receive parchment or dry cherry coffee and deliver a finished product to consumers. The addition of a grinder and packing unit, not mentioned there, is possible if required.

What was not mentioned in the March Machine of the Month either was how to feed coffee from one machine to the other in order to have a small turn-key operation. This we present here: the Carmomaq tubular cable conveyors. These conveyors are also known as cable-and-disk or drag conveyors.



The Carmomaq cable conveyors transport coffee inside smooth metallic and/or polycarbonate pipes, transparent or not. The cable with disks is driven by a motor with gear box installed at one of the ends of the conveyor whose cable is stretched by a tensioning system at the other end.

Coffee may enter or leave the Carmomaq cable conveyors at several positions and therefore multiple inlets and outlets are possible in the same conveyor. The conveyor pipes can be installed in horizontal, vertical or inclined positions which makes the installation compact and attractive to consumers, especially the transparent pipes, when used in coffee shops.

The small diameter of the pipes coupled with the possibility to use curves enable the Carmomaq cable conveyors to go through small roles in walls and roofs when necessary. In addition, because the components of the conveyor are modular, coffee inlets and outlets may be moved, added or eliminated according to needs. Likewise, the modular system allows for rearrangement or expansion of parts of or the whole set of machines if required.



The main advantages of Carmomaq cable conveyors are:

- no damage to coffee,
- flexible layouts,
- low power consumption, noise and maintenance.

You can watch the Carmomaq cable conveyors in operation *without* coffee, in order to see their parts better, at https://www.peaconsult.com.br/video/trasnacable_buquebus-arg.mp4. For more information about these and other Carmomaq products please contact P&A or the P&A/Carmomaq agent closest to you.