

CONFIDENTIAL

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

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COFFEE GROWERS' OPINION

It is quite unusual that coffee prices have not fallen before the harvesting season in Brazil!

☐ COFFEE PRODUCTION IS THE LEAST RESPONSIBLE FOR DEFORESTATION IN BRAZIL

A study led by the International Institute for Sustainability (IIS) shows that coffee production is the least responsible for deforestation in Brazil. The index analyses and shows the risks for the exports of Brazilian commodities based on the new EUDR (European Union Deforestation Regulation). In order to create a Compliance Index according to the new rule, the study shows indicators that are considered incentives (participation of the production exported and percentage of exports to the EU) and obstacles (low coverage of voluntary standards of sustainability, presence of smallholders, total and relative deforestation) for the supply chain of six products to comply with the new requirements. The coffee sector presents more conformity and is close to maximum compliance with an index of 0.89 followed by soybeans (0.64), wood (0.46) and palm oil (0.44). The cocoa (0.32) and livestock (0.3) sectors face more challenges to comply with the new regulation.

Source: Peabirus

☐ COFFEE GROWING COUPLED WITH REFORESTATION BRINGS LONG-TERM BENEFITS

Research has demonstrated the economic viability of reforestation in coffee-producing areas located in the Atlantic Forest region. The study was developed by researchers at the University of São Paulo (USP) in partnership with the SOS Mata Atlântica Foundation and published in the science magazine One Earth. The results show that the increase in ecosystem services driven by reforestation, including pollination, can lead to greater coffee productivity and offset the costs related to reforestation. The researchers analyzed different native forest restoration scenarios on coffee-producing farms to estimate cost compensation which should occur over a period of 20 years.

Source: Globo Rural

☐ RECORD CONILON EXPORTS

Brazilian Canephoras reached a record of 570.6 thousand bags shipped last February. According to Cecafé, in the same month last year shipments of Canephoras added to only 87.5 thousand bags. This increase reflects the competitiveness of Brazilian Canephoras in the international market. Besides the greater demand for Conilon due to the fall in production in Vietnam and Indonesia, the shipping challenges that Vietnam has been facing due to the attacks in the Red Sea also contributed to the export hike.

Source: Valor Econômico

☐ ROASTERS CHANGE COFFEE BLENDS DUE TO RED SEA ATTACKS

Brazilian roasters generally use around 60% of Arabica coffee in their blends and the other 40% of Conilon to enhance the beverage's consistency. However, the Arabica share in these blends has fallen since the end of last year due to a surge in the price of Conilon in the international market. The difference between the price of Conilon and Arabica, that used to be around 20%, is now only about 4%. Therefore, some roasters have adjusted their blends to include up to 65% of Arabica. The main reason behind this are the problems that Vietnam, the leading global producer of Robusta, has been facing to ship its coffee through the Red Sea due to attacks by Houthi rebels from Yemen. The price surge has stimulated exports of Brazilian Conilon.

Source: Globo Rural

ARABICA OR ROBUSTA TO BE DISPLAYED ON THE PACKAGE

Coffee roasters in Brazil will have to display the type/species of coffee – Arabica and/or Robusta – on their coffee packages from July on. The new classification standards have been in effect since January 2023 and companies have 18 months from this date to use their stocks without informing the species. According to the Brazilian Coffee Roasters' Association (ABIC for its initials in Portuguese), 35% of the products certified with their seals are 100% Arabica and only 2% are 100% Robusta. In the case of blends with the two species, 49% are mostly Arabica and 14% are mostly Robusta.

Source: Globo Rural

BRAZILIAN PRODUCTION CONSISTENTLY BREAKING THE ON-OFF CYCLE

Brazil is expected to register its third annual coffee production increase in a row, something seen only seven times in the last 144 years. Experts say that this positive sequence may extend for another year in 2025 due to the rising production of Canephoras. This rare sequence happened after extreme weather events like droughts and frosts that hit Brazil some years ago and resulted in more investment in irrigation. The possibility of four years of continuous production increases would match something that happened only once in history, from 1989 to 1992.

Source: Reuters

ESPÍRITO SANTO STATE INVESTS TO SUPPORT COFFEE GROWING

The government of Espírito Santo granted R\$ 8.5 million for research and sustainable development of coffee growing in the state. The projects include the implementation of sustainability actions in 8 thousand rural properties, the encouragement of women participation in coffee growing, the identification of the agent that causes canker in coffee branches and technologies to face this new disease, and the incidence and monitoring of fruit fly in plantations of coffee intercropped with papaya.

Source: Globo Rural

GCP BRAZIL ADVANCES ALIGNMENT ON REGENERATIVE AGRICULTURE IN THE FIELD

The third meeting in a series of field days organized by the Global Coffee Platform (GCP) in Brazil offered its members and partners a hands-on deep dive on regenerative agriculture practices and promoted Good Agricultural Practices and sector alignment. The meeting brought together 70 people from 43 institutions including cooperatives, associations, rural state extension services, certification organizations and national and international exporters. The attendees had the opportunity to see key regenerative agriculture practices adopted by small producers in the region and to talk to family producers about the opportunities and challenges they face. This was complemented with technical lectures by experts and a round of discussion on how to increase the number of producers effectively adopting regenerative agriculture practices.



Source: GCP Brasil

Brazilian Prices

PRICES SELDOMLY SO CLOSE

Main Producing Regions / Farm Gate

March 29, 2024

Arabica Naturals (R\$/ 60 kg bag)

| | |
|-------------|------------|
| Cerrado MG | 1,085.00 ↓ |
| Mogiana | 1,080.00 ↑ |
| South Minas | 1,080.00 ↑ |

Arabica Pulped Naturals (R\$/ 60 kg bag)

| | |
|-------------|------------|
| Cerrado MG | 1,155.00 ↑ |
| South Minas | 1,150.00 ↑ |

+ 6.9%

Conilon / Robusta (R\$/ 60 kg bag)

| | |
|--------------------------------|------------|
| Colatina-ES fair average price | 1,050.00 ↑ |
|--------------------------------|------------|

B3 (US\$/60kg Arabica bag)

| | |
|----------|----------|
| May 2024 | 235.75 ↓ |
| Sep 2024 | 230.35 ↑ |
| Dec 2024 | 228.90 ↑ |

Real R\$ / Dollar US\$

| | |
|--------------|--------|
| Mar 28, 2024 | 5.01 ↑ |
|--------------|--------|

Source: www.qualicafex.com.br

THE COFFEE CUPPER OF THE FUTURE

Last month the Brazilian Specialty Coffee Association (BSCA) invited me to speak at their Webinar “Knowing the Professional Coffee Cupper”. One of the questions that came up after the presentation was about my vision of the cupper of the future.

My reply addressed recent developments in Artificial Intelligence (AI) in the areas of green coffee defects identification and coffee quality evaluation and how they can “compete” in a positive way with coffee cuppers. I assume that equipment using AI will be able to carry out basic cupping and the cupper of the future will have to concentrate in the fine tuning and the matching between market requirements and the products available, including blending advice.

This raises the question of whether fewer graders will be required in the future. I believe not because there is space for a lot more quality screening throughout the coffee supply chain, especially outside Brazil, where, unlike in most other countries, cupping has been part of coffee trading from the moment it leaves the farm and is offered to buyers not to say on the farm itself for larger growers. But even in Brazil there is much room for more sophisticated coffee cupping focused on the high quality and specialty segments of the market.

I also had the idea to pose the same question, about the cupper of the future, to Michael Sheridan, the CEO of the Coffee Quality Institute (CQI). Michael has a long experience working with coffee cuppers in companies and institutions and is a cupper himself.

Michael wrote to me that “the cupper of the future will be an able technologist. We have seen the paper, pencil, and clipboard technology in the lab eclipsed by mobile phone apps linked to cloud-based databases, and lots more tech is coming in the form of AI-powered green grading, digital imaging, chemical fingerprinting, and predictive modeling. I believe that these technologies will not replace cuppers, but do believe that over time cuppers will need to adopt these new technologies in the way they have done with the technologies that have emerged in the last 10-15 years. I hope and trust we can be in dialogue with this new technology to leverage its promise to make our supply streams more efficient and enable us to invest more in the people who deliver quality.”

Michael also believes that “the cupper of the future will have a vastly expanded field of knowledge about coffee, a broader and deeper perspective on the coffees they are evaluating in the lab. The extraordinary pace of innovation in post-harvest processing in recent years has pushed the frontiers of practice faster frankly than science can keep up. Our post-harvest processing program helps people in the supply stream understand what good post-harvest processing looks like and how it can impact flavor. It is one of the best examples I can think of to illustrate what I mean by “deeper” perspective: more cuppers will know more about how post-harvest processing affects coffee chemistry and flavor, even those well-removed from the places where coffee is processed. That is a wonderful thing.”

Michael adds “that the proliferation of standards and protocols will broaden the knowledge base: the SCA’s new CVA form brings valuable new perspectives to the table that we are all still learning about, ABICS in Brazil has developed a separate standard and protocol for instant coffee that is gaining traction, there are efforts underway to develop a Liberica standard, and this year we will update the Robusta standard CQI developed more than a decade ago as Robusta makes more inroads into market segments that have historically been Arabica-only. I believe more and more cuppers will become conversant in multiple standards in ways that expand their perspectives and the value they can bring to evaluation and communication upstream to the farm and downstream to the market. Our own experience, with a growing number of Q Graders opting for both Arabica and Robusta certifications, is in my mind an early indicator of this very healthy direction.”

My final comment is that researchers have tried to associate terroir – soil, altitude, latitude, climate, etc. – with coffee quality without arriving at a reliable methodology or solution. AI is now occupying that space! Only the future will tell how far AI will go and how it may redefine the scope of work and role of the cupper of the future.

IMPROVE WET MILLING, DRYING AND HULLING

Meet the P&A/Pinhalense experts at the Chicago Expo, learn how to improve your post-harvest processing facilities and benefit from **special discounts** for:

- **ECO SUPER 3** pulping and demucilaging sets,
- all sizes of **SRE** rotary driers (**with drying control system**) and
- **COMPACTA** combined hullers.



12th-14th
April 2024

visit our
booth 1127

📍 Chicago

UPGRADE YOUR COFFEE

