

CONFIDENTIAL

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

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COFFEE GROWERS' OPINION

In spite of rains, that will hopefully come in the amount required, dry weather and high temperatures have already affected the size and quality of our coming crop. What we see on our farms and in our coffee trees bear witness to what coffee cultivation experts are saying.

B3 STARTS TRADING CONILON/ROBUSTA FUTURES CONTRACT

The Brazilian Exchange B3 started trading the futures contract for Conilon/Robusta last month. It includes the possibility of physical delivery, with lots deposited at the warehouses accredited by B3. The product will be traded in contracts of 100 bags of 60 kg of green beans for the months of January, March, May, July, September and November. Unlike the Arabica contract, the Canephora one will be quoted in the Brazilian currency, the Real (R\$), and not in US Dollars. Futures contracts allow producers, cooperatives, traders and industries to protect themselves against market price volatility by setting a price for future coffee trading.

Source: Agro Estadão

COOABRIEL IS FIRST TO TRADE CONILON AT B3 SÃO PAULO EXCHANGE

Espírito Santo's largest Conilon cooperative Coaabriel (Cooperativa Agrária dos Cafeicultores de São Gabriel) closed a contract of 100 bags of Conilon to be delivered in November and became the first coop to trade Conilon at B3. This is a benchmark for the coffee agribusiness in the state of Espírito Santo and reinforces its competitiveness in the national and international markets. Coaabriel increased its exports by 28% in 2023 when it made its first sale of Conilon to Egypt.

Source: Campo Vivo

ROBUSTA PRICES BREAK TWO RECORDS AT CEPEA INDEX

According to the Center for Advanced Studies on Applied Economics (Cepea) of the University of São Paulo's Luis de Queiroz Agriculture College (Esalq), Robusta prices closed at R\$ 1,483.95 (US\$ 273.30) per 60-kg bag against R\$ 1,448.24 (US\$ 266.70) for Arabica on August 30. It was the second time in history that Robusta prices surpass Arabica's in the Cepea coffee price series. The first time was in 2017 when the gap between both varieties reached R\$ 20 (US\$ 3.63). However, there is now a new record: it is the first time in history that the gap between them is over R\$ 35 (US\$ 6.35). The second record is that Robusta prices remained above Arabica's for a full month – September – for the first time in the history of the Cepea Index.

Source: Peabirus

BIOCHAR FROM COFFEE HUSKS

Automaker Stellantis will produce biochar from coffee husks in the state of Minas Gerais in order to achieve its goal of decarbonization. Coffee husk used as raw material in the production of biochar does not decompose in the atmosphere and therefore does not release methane, a gas that contributes to global warming as well as carbon emissions. While other companies prefer planting trees, Stellantis wants to take advantage of the large coffee production in the state to reduce its carbon emissions.

Source: Movimento Econômico

BRAZILIAN COOPS TO USE ARTIFICIAL INTELLIGENCE TO GRADE COFFEE

Singapore-based ProfilePrint has signed agreements with two large coffee exporting cooperatives in Brazil, Cooxupé (Guaxupé Coffee Growers' Cooperative) and Minasul (Coffee Cooperative from Varginha), as well as the National

Agricultural Confederation (CNA for its initials in Portuguese), a government-supported institution representing Brazil's agricultural sector. By adopting ProfilePrint's AI solutions, these Brazilian organizations can better support rural producers in rapid quality assessment of coffee samples in order to improve the efficiency and shorten the time of coffee grading. The company's analyzer captures digital fingerprints of food ingredients that are processed online via AI models on the ProfilePrint Ingredient Quality Platform to predict quality, flavor profiles, and even blend recommendations.

Source: ProfilePrint

COFFEE GROWERS IN CERRADO MINEIRO REGION USE REGEN AG TO FACE CLIMATE CHANGE

Regenerative Agriculture has become the best solution for the coffee in the Cerrado region in the state of Minas Gerais to deal with climate change. For growers, it enables plantations to face extreme weather events and for companies that buy their coffee beans Regen Ag is a big ally to achieve their goal of reducing carbon gas emissions. There are many sustainable practices that can be considered regenerative like cover crops that help protect coffee from overheating due to high temperatures.



Source: Brasilagro

DIGITAL PLATFORM TO MEASURE SUSTAINABILITY OF COFFEE PRODUCTION LAUNCHED

Yara, a global plant nutrition company, is launching the Champer platform in Brazil and Colombia simultaneously. It is a solution that gathers information captured in the field and cross-references it on a digital platform in order to deliver intelligence data for the food industry related to productivity, profitability, and sustainability of field production. In this initial phase, the platform is focused on coffee and offers a performance evaluation of coffee farms for roasters and the entire industry. Based on field data and soil analysis, among other factors, the solution provides a solid and accurate basis for the implementation and monitoring of regenerative practices.

Source: FTH News

WORLD COCOA FOUNDATION PRESIDENT VISITED PARTNERS IN BRAZIL

Chris Vincent, president of the World Cocoa Foundation (WCF), was in Brazil in September for several strategic meetings and visits to key partners, producers, government and industry. He witnessed progress on the ground of the CocoaAction initiative and also engaged with stakeholders in the supply chain. Chris visited the Cocoa Innovation Center (CIC), met Ceplac's researchers, Belterra Agroflorestas's large-scale agroforestry systems that are recovering degraded land with cocoa, and smallholders assisted by different programs that are boosting cocoa productivity with continued technical assistance, which leads to improved farmer income in cocoa communities.



Sources: Cacau e Chocolate / CocoaAction Brasil

Brazilian Prices

Main Producing Regions / Farm Gate

September 30, 2024

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	1,425.00 =	Colatina-ES fair average price	1,390.00 ↓
Mogiana	1,420.00 =		
South Minas	1,420.00 =		
Arabica Pulped Naturals (R\$/ 60 kg bag)		B3 (US\$/60kg Arabica bag)	
Cerrado MG	1,475.00 ↓	Dec 2024	323.05 ↑
South Minas	1,470.00 ↓	Mar 2025	322.50 ↑
		May 2025	326.65 ↑
		Real R\$ / Dollar US\$	
		Sep. 30, 2024	5.44 ↓

+ 3.9%

Source:

www.qualicafex.com.br

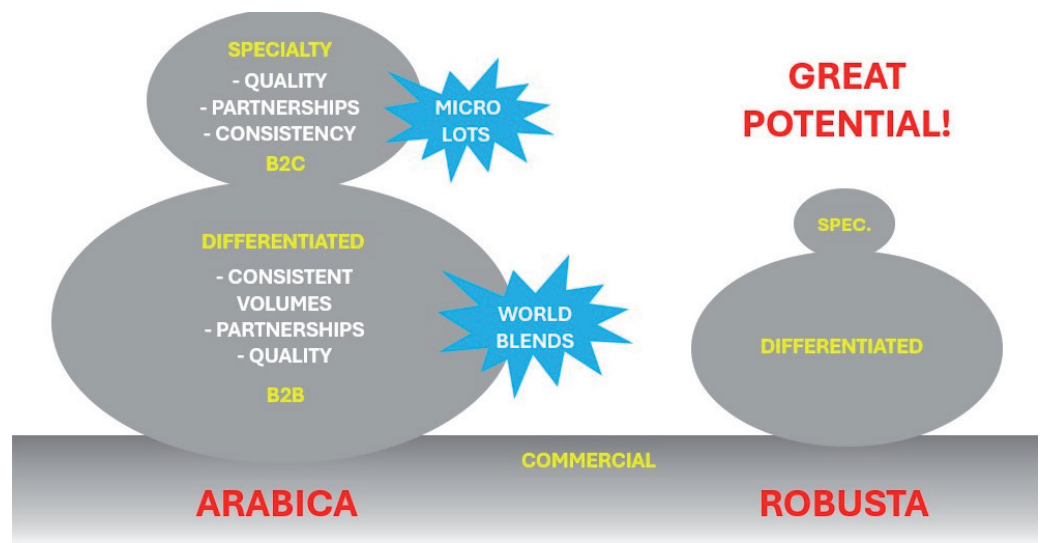
WHAT IS BEHIND CURRENT ROBUSTA PRICES?

The answers to the question above are many but, at the bottom line, is it increasing demand or short supply? Maybe both!

Demand is increasing due to the entry of new consumers used to tea into the large Asian market and the need to make the prices of coffee blends more affordable everywhere as a result of high Arabica prices.

In addition, the improvement of Robusta processing in several origins allows its participation to be increased in most blends. There is a lot of talk now about Robusta specialty but actual demand for 100% Robusta specialty coffees is only starting to develop. Along the same line, efforts to reposition instant coffee led by the Brazilian instant coffee industry may delay or avoid the migration from instant and Robusta to Arabica coffees.

The analogy between coffee types and a snowman, that I have been using for many years in spite of coffee being primarily a hot beverage, makes more sense now that cold brew is increasing so much in the US! To our point here, Robusta, that is mostly associated with commercial coffees – R&G and instant –, is moving up from the first to the second wave of differentiated products served in coffee shops and even starting to enter the third and fourth waves where specialty coffee dominates.



What I call “world blends”, e.g.:

the blends in best selling capsules and the house blends of leading coffee shop chains, may have relevant Robusta participation, that may be growing for the reasons mentioned above. Specialty Robustas may be also sold as micro-lots but actual cases are still few.

The scenario above is attractive for Robusta growers and may not change in the short run considering that Arabica production is not growing much. Except in Brazil and Uganda, there is also little growth in Robusta production. It is starting to develop in Latin America ex-Brazil but in a way that is still incipient. In the opposite direction, it is stable or falling in Vietnam and not growing much elsewhere. It is therefore not surprising that Cepea’s Brazilian coffee price index has had Conilon more expensive than Arabica for the full month of September.

Logistics is not helping Robusta supply from Uganda and Vietnam into Europe either with problems in the Red Sea. This may change suddenly but the question is when.

The last piece of the puzzle is that, considering that it costs less to produce Robusta than Arabica, is the moment ripe for a sharp increase of Robusta production ex-Brazil and Uganda and for growth to continue in these two countries? This may be a mid-term trend – it takes time to increase production – even if Robusta prices fall from this current high level but remain profitable for growers. The extent of this expansion and the prices of Arabica may tell what will happen with Robusta prices then.

Further information about Robustas may be found in the previous Outlook articles:

The Rise in Robusta Production and Consumption - May 2022

https://www.peaconsult.com.br/imgs/pa_coffidential__178__may2022.pdf and

Vietnam, Indonesia, and India: Economic Wonders and Robusta Coffee - October 2022

https://www.peaconsult.com.br/imgs/pa_coffidential__183__october2022.pdf

ROBUSTA PROCESSING RE-REVISITED

NATURAL ROBUSTAS: RETAIN QUALITY AND INCREASE PRICE

Most Robusta coffee cherries – immature, ripe and over-ripe – are dried together after harvesting. A great opportunity to avoid defects is missed when this is done. Coffee cherries with moisture contents from 40 to 60% are dried together, often faster than it is technically recommended, with the obvious result that the final product is not evenly dried. Worse yet, the unripe and partially ripe cherries tend to become black beans in the process. A simple way to avoid unevenly dried and black beans is to use a mechanical siphon, a machine invented and patented by Pinhalense that separates over-ripe and partially dry cherries from unripe and ripe cherries. Each of these two groups of cherries has very different moisture contents and should then be dried separately, under the sun or mechanically, with savings in labor and fuel and the avoidance of black beans.



HONEY AND WASHED ROBUSTAS: DIFFERENT QUALITIES, GREATER PARTICIPATION IN BLENDS AND PRICE PREMIUMS

The long experience with washed Robustas in India, more recently in Uganda, and now in Brazil, with pulped natural Conillons, shows that a price premium of up to 30% or even more can be obtained by washing Robustas. Pinhalense’s wet milling line – mechanical washer LSC, pulper ECO SUPER and mucilage remover DMPE – can get the best qualities out of Robustas no matter how they are harvested.



DRYING: BETTER AND UNIFORM QUALITY, FEWER DEFECTS AND BETTER PRICES

Fast drying and/or the use of vertical or static machines that do not distribute heat well in the coffee mass also cause the final moisture to be uneven, with overdried and underdried beans. The overdried beans are likely to be broken at hulling while the underdried (“wet”) beans may ferment in storage. In addition, the use of hot air that is not clean and free from smoke transfers unwanted odors to coffee beans. A simple way to avoid black, broken and fermented beans is to use

Pinhalense’s SRE rotary driers with heat exchangers. The speed of drying can be fully controlled at Pinhalense rotary driers, that supply the same amount of heat to all beans in a process that ensures that the final product is evenly dried. The use of Pinhalense fuel-efficient FTD heat exchangers avoids the risk of unwanted odors in coffee beans.



Last but not least, when drying green/hulled Robusta coffee that is received partially dried, which is the case in dry mills of many Robusta producing countries, there is a further benefit from using Pinhalense SRE rotary driers: green beans are polished to some extent, their appearance is improved and, some claim, astringency in the cup is reduced.

ROBUSTA CHERRY AND PARCHMENT HULLING ON FARMS AND IN DRY MILLS

Hulling of Robustas is usually done where or close to where it is produced, on larger farms themselves or in small to mid-size hulling units located in coffee gathering points and belonging to middlemen, cooperatives, traders or exporters. Hulling can be the source of important inefficiencies and major losses if it is not performed properly. Losses are associated with physical damage to beans, overheating and low moisture levels, discharge of coffee beans with husk, etc. Pinhalense cold cross-beater hullers have been specially designed to avoid the problems

above that affect yields, coffee aspect and, most importantly, cup taste. Pinhalense hullers are known to increase coffee yields by 1 to 2%, which is enough to pay for the costs of the machine in one or two years, depending on the intensity of use, quality gains notwithstanding. The CON family of combined hulling sets offers a pre-cleaner (optional), a fluid-bed destoner, Pinhalense high-efficiency hullers and a multiple-channel catador all assembled in one single structure. The youngest member of the family is the COMPACTA that, as the name says, is smaller and easier to install. More information about the COMPACTA is found at Confidential No 173



COMPACTA



CON

https://www.peaconsult.com.br/imgs/pa_coffidential__173__december2021.pdf . At a time when consumption in producing countries may become a strong driver of world consumption and Robustas are likely to gain market share, the line of combined hullers comes to the forefront for its ability to process efficiently all types of coffees, from specialty to commercial, with major gains in yields, quality and price.

DRY MILLING: SEPARATION TO IMPROVE QUALITY AND PRICE AND TO ACCESS DIFFERENT MARKETS

If defects cannot be avoided and Robusta coffee with defects arrives at the dry mills, as it is the case most of the time, defects must be then separated. The first step is to remove all impurities, including stones, from incoming green coffee using Pinhalense pre-cleaners PRELI and destoners CPFBNR with their respective dust aspiration systems. The next step is the separation first by size, using Pinhalense graders PI, PII and PFA to respond to clients' needs and to access different markets, and then by density ("weight"), using Pinhalense gravity separators MVF to remove defects (e.g.: light, hollow and malformed beans). The role of size grading in the separation of Robusta defects is often not well understood. Pinhalense size graders have the ability to enhance in different ways the separation of density and color defects from Robusta coffee. The different sizes can be blended back, if necessary, to be shipped to different markets.

CONCLUSION

P&A/Pinhalense experts can address all your needs to avoid and remove defects and to refine the quality of your Robusta coffees. The Pinhalense machines above are offered in different models and available in different sizes to meet the needs of micro, small, medium and large growers as well as millers and traders of all sizes.