

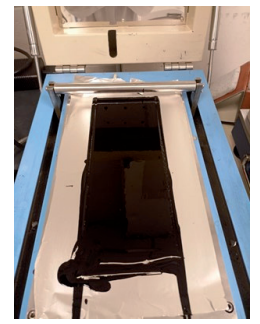
CONFIDENTIAL

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

- RECORD COFFEE PRICES AND SUSTAINABILITY (PAGE 3)
- BBB – BAGS, BIG-BAGS AND/OR BULK? (PAGE 4)

☉ COFFEE HUSK MAY REPLACE MATERIALS USED TO MAKE BATTERIES

Since batteries are still made mainly with materials that contaminate the environment, e.g.: graphite, a study with coffee husk carried out by the Federal University of Lavras (UFLA) sought a more sustainable and economic alternative. Coffee husk was used to substitute graphite in the so-called anode, where the chemical reactions responsible for producing energy happen. Coffee husk is rich in carbon like graphite. Using coffee husk for this purpose contributes to reducing waste and contributes to the circular economy.



Source: UFLA

☉ STUDY SHOWS IMPACT OF SHADING ON CONILON PRODUCTIVITY AND QUALITY

Growing Conilon using agroforestry systems can increase the production of specialty coffees and the resilience to climate change according to a study carried out by the Agricultural Research and Extension Services Institute of Espírito Santo (Incapar). The experiment, that analyzed 31 clones of *Coffea Canephora* for 25 years, evaluated three shading conditions: no shade, morning shade and afternoon shade. The clones cultivated in the afternoon shade areas showed smaller productivity per plant but heavier beans and higher quality whereas the more productive plants were developed under the other conditions. Some samples reached over 80 points using the Coffee Quality Institute (CQI) cupping protocol and presented sweetness, balanced acidity and low astringency. Productivity apart, the agroforestry system enabled greater resilience to unfavorable and extreme weather conditions.



Source: Incapar

☉ AGRI EXPORTS FROM MINAS GERAIS BEAT HISTORICAL LEADER MINING

For the first time in history, Minas Gerais' agribusiness exports surpassed those of the state's mining sector, that gave the state its name. Minas Gerais means "mining of many minerals". The main protagonist of this change was coffee. Coffee exports accounted for US\$ 7.9 billion in 2024, representing 46.1% of the total for the agribusiness sector, which was US\$ 17.1 billion. The number of countries that buy Minas Gerais coffee jumped from 65 in 1997 to 88 last year. All coffee segments saw increases in exports: green coffee (41%), roasted coffee (22%), instant coffee (556%) and essences and extracts (191%). The inception, then postponed, of the new European regulation was one of the reasons for the 47% increase in exports to ensure stocks of the product in consuming countries.

Source: Notícias Agrícolas

“CAFAKE” SALES WORRY BRAZILIAN COFFEE INDUSTRY

The sale of “fake coffee” known as “cafaka”, a product prepared with “coffee flavoring” but which does not contain coffee, has raised concerns in the Brazilian coffee industry at a time when roast and ground coffee is being sold at high prices at supermarkets. The Brazilian Coffee Roasters' Association (ABIC) has identified sales of a kind of powder produced from coffee husks, straw, leaves, sticks or any other part of the plant but not from the actual coffee seed. Although there are no indications that the product is roast and ground coffee, consumers may be deceived by the similar package and low cost. This is not the first time ABIC identifies the so-called cafaka in the market. The last time was in 2022.

Source: InfoMoney

COFFEE ROASTERS TO USE MORE CONILON IN BLENDS DUE TO HIGH PRICES

Coffee industries are considering the use of more Conilon in their blends in order to avoid further price increases to consumers. The “average country blend” may return to 60% Arabica and 40% Conilon this year. The perspective of an increase in Brazilian Conilon production and a fall in the Arabica production reinforces the possible change in blends. Last October the price difference between Arabica and Robusta was only 7%. Now it is already 16% and it may grow due to the rising prices of Arabica. Harvesting in Vietnam and Indonesia have also contributed to widen this difference. The increase in the global supply of Canephora may help stall the growth of its price.

Source: Globo Rural

MINAS GERAIS PLANTING MORE CONILON AND ESPÍRITO SANTO INCREASING ARABICA AREA

The traditional Arabica producing state of Minas Gerais has increased its area planted with Conilon whereas leading Conilon producer Espírito Santo State has increased its Arabica area. According to the Ministry of Agriculture Agency in Charge of Warehousing and Crop Estimates (Conab), Minas Gerais increased 47% of its Conilon area and Espírito Santo 20% of its Arabica area last year.

Source: Brasilagro

CERRADO MINEIRO CERTIFIED COFFEE INCREASES BY 160% IN 2024

The Cerrado Mineiro Region registered a growth of 160% in the number of coffee bags certified with the Denomination of Origin (DO) seal, from 115 thousand bags in 2023 to over 300 thousand in 2024. This growth is the result of a series of strategic and innovative measures adopted to improve the traceability of coffees from the region, improve the certification process and promote their brand. The Cerrado Mineiro Region has a well-structured chain of custody with six cooperatives, six exporters and seven warehouses.

Source: Diário do Comércio

Brazilian Prices

Main Producing Regions / Farm Gate

January 31, 2025

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	2,605.00 ↑	Colatina-ES fair average price	2,130.00 ↑
Mogiana	2,600.00 ↑		
South Minas	2,600.00 ↑		
Arabica Pulped Naturals (R\$/ 60 kg bag)		B3 (US\$/60kg Arabica bag)	Real R\$ / Dollar US\$
Cerrado MG	2,805.00 ↑	Mar 2025	464.35 ↑
South Minas	2,800.00 ↑	May 2025	458.80 ↑
		Jul 2025	457.10 ↑
		Jan 31, 2025	5.83 ↓

+ 7.88%

Source: www.qualicafex.com.br

RECORD COFFEE PRICES AND SUSTAINABILITY

It may seem at first sight that high coffee prices are a strong incentive to increase the production of sustainable coffees. Reality is that things may be different!

The additional income generated by record coffee prices does have a very important impact on the sustainability of coffee growers. This income may be used to pay debt, to make overdue investment and to improve the living conditions of growers in different ways. Whether this extra income will be used to make existing coffee production more sustainable and/or to produce more coffee that is environmentally sustainable is a different story.

When coffee prices are high, the premiums for sustainable coffee become less relevant because they fall, at least percentwise if not in actual value. Even though growers may have money to invest in sustainable production, they do not see a price incentive to do so.

Growers' education is required to show that this price incentive will be there and will be more relevant a few crops later when the investment in sustainability will mature and prices are likely to return to average ("normal") levels. This argument makes even more sense when one considers that most investment in sustainability requires time to mature, regenerative agriculture included.

The current market situation is ideal to promote the implementation of regenerative agriculture for several reasons. Its positive impacts are likely to be felt the most when coffee prices are closer to historical average and it will then be more relevant to obtain the premium for sustainable coffee. In addition, regenerative agriculture will increase resilience to climate change, the main cause of current lower production figures. In this sense, regen ag will "guarantee" production and therefore contribute to growers' sustainability in a different way.

The table below summarizes the elements of the regenerative agriculture concept that the Global Coffee Platform Brazil arrived at as a result of a process of consultation that involved the most relevant coffee players in the country and whose results have been validated by its coffee supply chain. The table below is now being used by GCP as a reference for other countries where it operates.

7 Elements and respective practices for implementing regenerative coffee farming

ELEMENTS	THEMATIC AREAS	REGEN COFFEE PRACTICES
<ol style="list-style-type: none"> 1. CONSTRUCTION OF SOIL FERTILITY IN DEPTH AND RATIONAL USE OF FERTILIZERS 2. HUMUS AND ORGANIC MATTER INCREASE 3. INTRODUCTION & ADMINISTRATION OF BIOINPUTS AND MICROORGANISMS 4. WATER HOLDING CAPACITY AND SOIL ADEQUATE PHYSICAL RESTRUCTURE 5. CONSERVATION & ENVIRONMENTAL SERVICES 6. ECOLOGICAL & INTEGRATED PEST AND DISEASE MANAGEMENT (MIPD) 7. LIVING INCOME, FAIR LIVING CONDITIONS, DECENTE WORK, AND INTEGRATION WITH RURAL COMMUNITIES 	Soil	<ul style="list-style-type: none"> ▪ Physical, Chemical and biological diagnosis ▪ Correction of soil deficiencies (acidity, fertility and compaction) ▪ Cover crops ▪ Weed management ▪ Bioinputs (macro & microorganisms) ▪ Efficient and balanced use of fertilizers ▪ Rational use of Nitrogen ▪ Construction of soil fertility in depth ▪ Increase in organic matter ▪ Minimum tillage
	Biodiversity	<ul style="list-style-type: none"> ▪ Conservation of Permanent Preservation Areas ("APPs") ▪ Use ecological corridors, windbreaks and connect conservation areas ▪ Efficient use of agrochemicals for pest and disease control (MIPD) ▪ Cover Crops
	Water	<ul style="list-style-type: none"> ▪ Efficient and management water use ▪ Wastewater management
	Enabling Environment	<ul style="list-style-type: none"> ▪ Technical assistance and rural extension ▪ Technical Assistance related to the Internal Sustainability Management System ▪ Access to credit and the market ▪ Associativism, cooperativism and developed institutional environment ▪ Access to inputs, equipments, services and technology ▪ Efficient logistics ▪ Family succession and social inclusion

2030 GCP Collective Action Plan • GCP Brazil

According to GCP Brazil's concept, regenerative coffee farming is a production system where the practices implemented increase the resilience and adaptation of crops to the effects of climate change through the promotion of soil health, crop productivity, carbon stock, water conservation and biodiversity, ensuring ecosystem services and contributing to growers' prosperity and social well-being.

The implementation of regenerative coffee farming is a win-win situation to promote both sustainability and climate change resilience. The time to do it is now with record coffee prices and income available for growers.

BBB – BAGS, BIG-BAGS AND/OR BULK?

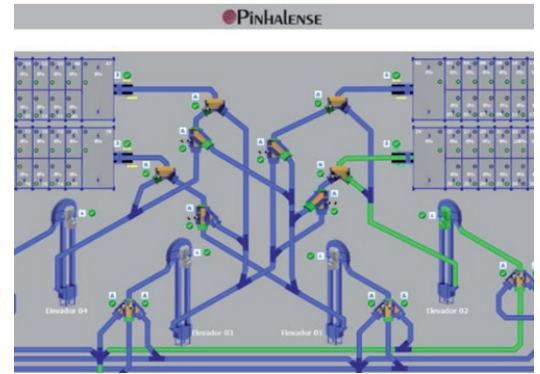
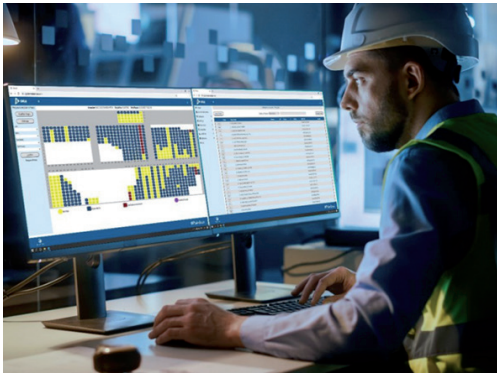
Raw materials (incoming coffee), in-process products, and finished coffees, that have traditionally been stored in bags in coffee processing mills, can now be stored in bags, big-bags or in bulk, in silos. The decision depends on several factors that range from type of coffee and size of the lots to be stored to operating costs and efficiency.

Brazilian mills have pioneered the evolution from bags to big-bags first and to silos later even though the three systems still coexist with bags restricted to small mills and micro-lot processing. Larger mills moved on to big-bags and the trend is now bulk storage in silos to maximize processing efficiency, cut down operating costs and improve accountability to clients and certification systems.



The move from bags to big-bags and/or bulk storage in silos is now starting abroad, with larger mills in the forefront. Pinhalense has just sold its first full-fledged bulk storage system abroad. Bulk storage facilities usually include:

- hardware – silos and conveyance and control equipment, with sampling and blending in some cases (<https://bit.ly/3WP07Sk>), and
- software – the SIGA Integrated Automation System for Coffee Storage and Milling (<https://bit.ly/3Qdn9OR>).



In spite of and as part of this tendency, scales of all types are now required: the SMARTSAC for regular bags, the SMARTBAG, EASYBAG or FLOWBAG for big-bags, and the SMARTFLUX flow scale for weighing without necessarily bagging coffee.



SMARTSAC



SMARTBAG



SMARTFLUX

Several Pinhalense mills abroad already rely on big-bags for coffee storage at the several stages of processing, often “blended” with regular bag storage and/or bulk storage in silos. However, micro and small specialty coffee lots apart, the tendency seems to be towards bulk storage everywhere, in Brazil and progressively abroad, with reliance on integrated automation systems for both storage and milling.