

COFFIDENTIAL

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COFFIDENTIAL

VI SYMPOSIUM OF COFFEE RESEARCH CONSORTIUM ADDRESSES INNOVATION

The VI Consórcio Pesquisa Café - Cafés do Brasil Research Symposium, held between the 2nd and 5th of June, attracted over 700 researchers and scientists to Vitória's conference center, in the leading Robusta producer state of Espírito Santo. Promoted by the Brazilian Coffee Research Consortium, the event was again a major success. Besides the keynote presentations made by national and international experts, 389 scientific papers about innovation in the coffee production, processing and marketing chain were presented to the public. During the event, the Brazilian Coffee Research Consortium launched its new logo and name.



**Consórcio
Pesquisa Café**

Source: Cafépoint

IMPROVING QUALITY OF EARLY HARVESTED CHERRIES

Unripe (green) coffee cherries mixed with the ripe ones have always been a problem in coffee mills and usually meant losses to growers. Not anymore. According to a researcher specialized in post-harvesting processing at the Federal University of Lavras (UFLA), unripe cherries can also be pulped, *separately* from the ripe ones, thus improving the quality of the mix of products in the coffee lot. The researcher noticed that the astringency and the green taste associated with unripe cherries can be removed by pulping them *separately* using special techniques. The new system is indicated for growers who already have screen pulpers, i.e., pulpers that may separate unripe cherries as they pulp the ripe ones. First, fully ripe cherries are separated from the partially ripe and unripe ones; such cherries are specially treated to facilitate pulp removal. This process was described in detail in the Machine of the Month section of our Coffidential number 23. The researcher points out that the use of this technique allows the grower to start harvesting earlier and to improve coffee quality and milling efficiency.

Source: Globo Rural and P&A

WATER DUCT CARRIES COFFEE DOWNHILL

A simple idea, envisioned 30 years ago, has been transformed into an original device by a coffee grower in South Minas. The "coffeeduct" is a set of 5,250 feet (1,600 meters) of plastic pipes that carry recently harvested coffee from uphill growing areas to the drying patios and rotary driers located near the bottom of the valley. Two water springs were dammed so that water could carry the cherries down by gravity. The idea of the coffeeduct came after a visit to Israel. The system took a year to build because a large part of the piping is buried. Coffee is transported in the coffeeduct at the rate of 5 tons/hour with the help of water that is also used to separate floaters from ripe and unripe cherries and to wash coffee.

Source: O Estado de São Paulo

BRAZILIAN COFFEE FARM TO ESTIMATE TOTAL CARBON EMISSIONS

Cerrado region's Daterra Estate, that exports an average of 75,000 bags per year, equivalent to 99% of its production, has engaged a private company and the Agronomy School at São Paulo State University (ESALQ-USP) to calculate the exact amount of carbon dioxide emitted to plant, cultivate, harvest, process, transport, sell, ship, roast and finally serve its coffee to the final consumer. According to the estate, the study is complex and should take around 10 years to be fully implemented. Daterra has the ISO 14001 certification among others.

Source: Valor Econômico

GROWERS' DEMONSTRATION IN BRASÍLIA

Participants in the "SOS Coffee March" protested during a public hearing to analyze coffee production at the Congressional Committee on Finance. Demonstrators demand a government solution for the sector crisis, caused primarily by growers' indebtedness and outdated minimum coffee prices. The participants also included in their requests the exchange of their debts for coffee eradication in their own estates if all other measures fail. The Minister of Agriculture recognizes the gravity of the situation and is scheduling meetings with the growers' representatives.

Sources: Canal Rural, Zero Hora and Cafés do Brasil Network



BRAZILIAN COFFEE EXPORTS TO JAPAN AT RISK

The Japanese Food Safety Department has issued a warning about the levels of the substance pyraclostrobin (fungicide) detected in coffees coming from Brazil. It is the second time an incident like that occurs, causing Brazilian authorities and exporters to worry. If a new warning is issued, the Japanese government may forbid Brazilian coffee to enter the country, a measure similar to that already taken against Ethiopia. Some containers have already been retained at customs in Japan, waiting for a pesticide analysis report.

Sources: Canal Rural and Agência Safras

SÃO PAULO STATE EXPORT PROGRAM TO FOCUS ON COFFEE

Since 2004 the Development Secretariat of the State of São Paulo runs a program to develop exports with the participation of micro, small and medium-sized enterprises. From the third quarter of 2009 on, the project "Exporta, São Paulo" will be based on a sectorial approach and will include the coffee sector. The goal of the program is to help small growers to gain scale in export operations while diversifying import markets and the range of products exported by the state.

Source: Revista Globo Rural

PRESENTATIONS AND BARISTA COMPETITION AT THE 4TH EDITION OF ESPAÇO CAFÉ BRASIL

The Espaço Café Brasil, an area dedicated to coffee within the Fispal International Food Service Fair, in São Paulo, has grown a lot since last year and occupied an area of 54,000 sq.ft. (5,000 m²) with dozens of exhibitors. During four days, the public had access to several presentations about the latest tendencies in the coffee business and could participate in workshops and cupping classes. The 2nd Barista Competition was held during the event and had well known cuppers as judges.

Source: Revista Espresso

INTERNATIONAL WORLD CRISIS HAS NOT AFFECTED COFFEE CONSUMPTION

According to the executive director of ABIC (the Brazilian Coffee Roasters' Association), the financial crisis has not affected the Brazilian coffee market. During his presentation at the Espaço Café Brasil, he mentioned that Brazilian coffee consumption has registered a 3.5% growth in the last 12 months. ABIC informed that industry sales rose 12% but profitability fell in the first 5 months of 2009.

Source: Revista Cafeicultura and ABIC release

PORTINARI'S COFFEE WORKS EXHIBITED AT CONSÓRCIO PESQUISA CAFÉ'S SYMPOSIUM

João Cândido Portinari, son to one of Brazil's most renowned artists, opened the VI Embrapa Symposium with an exciting presentation about the Portinari Project, created 30 years ago with the goal of locating the artist's paintings, mostly in the hands of private collectors, in order to share them with the Brazilian people. Many of Portinari's works feature coffee, its plantations and workers. So far the Project has been able to access more than 5,000 paintings that were scattered worldwide and whose reproductions are now used for expositions, like the one held during the Symposium.

Source: Cafépoint



Picture of the month



Éder Ferreira is the 2009 Barista Cup champion. 4° Espaço Café Brasil.

Brazilian Prices

June 30, 2009

Main Producing Regions / Farm Gate

Arabica Naturals (R\$/ 60 kg bag)	
Cerrado-MG fair average quality T.6	250,00 ↓
Mogiana-SP fair average quality T.6	250,00 ↓
South Minas fair average quality T.6	250,00 ↓
Arabica Pulped Naturals (R\$/ 60 kg bag)	
Cerrado-MG	275,00 ↓
South Minas	275,00 ↓

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

Colatina-ES fair average quality	175,00 ↓
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BM&F (US\$/ 60 kg)

Jul 2009	130,60 ↓
Sep 2009	134,75 ↓
Dec 2009	137,85 ↓

Real R\$/ Dolar US\$

June 30	1,96 ↓
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THE FUTURE OF COFFEE CONSUMPTION: AFFORDABLE QUALITY?

Coffee growers have all reasons to be concerned with the future of consumption amidst the current global crisis whose negative impacts on consumer behavior are likely to go beyond its own duration. Consumer choices define whether to produce Arabica or Robusta, the quality of coffee to be produced, and the way it is processed into products that reach the consumer.

The growth of world consumption in the decade before the crisis was not evenly distributed around the world as a result of market dynamics that were markedly different in traditional consuming markets (US, EU and Japan), emerging markets (Russia, Eastern Europe, Korea, China, etc) and producing countries. In this period, improved coffee quality and value addition were important factors in traditional consuming countries; the attraction of new consumers to coffee was the main driving force in emerging markets, often as part of embracing “western habits”; all dynamics above played a role, not necessarily together, in producing countries, with a further push from institutional promotion of consumption in a few of them. The discussion of future consumption trends has to take into account how the crisis affected and will affect the consumption drivers above.

The food and beverage sector in traditional coffee consuming countries is witnessing a strong shift toward lower cost products and brands, with a specific phenomenon happening to coffee: the shift from out-of-home to in-home consumption, specially in the US. The consumer is not necessarily moderating its coffee intake but, instead, is lowering the cost per cup by moving from coffee shop to home brewing with very obvious negative impacts on value addition but not so obvious impacts on coffee volumes consumed. It may not be foolish to speculate that in spite of the crisis, consumption may increase as coffee becomes less expensive *per cup* as a result of this change in consumer behavior. The impact on the quality of coffee imported is somewhat more difficult to predict although increased sales of roasted specialty coffee to American supermarkets have already been detected. Can this be a new opportunity for coffee growers? Total expenditures with coffee may fall but the volume consumed may indeed increase, with a realignment of types and qualities of coffees to be imported by traditional consuming countries.

Coffee producing countries are about to reach 30% of world consumption, from a meager 10 to 15% only two decades ago. Pushed by a 20-year-old institutional program to promote consumption, Brazil has been the major driving force in this segment, at times accounting for over 80% of the yearly growth in all producing countries and 50% of total world growth. The Brazilian growth rate, that fell last year, has already showed signs of recovery in the first semester of 2009. Coffee consumption growth is likely to remain sound elsewhere as more producing countries embrace promotion programs — Mexico and India earlier, Costa Rica and Colombia about to start, and other countries preparing themselves — and the effects of the crisis have so far been less acute than in importing countries.

Emerging markets have purposefully been left for the end because it is the segment where coffee consumption may suffer the most. Past vigorous growth in Russia and other Eastern countries, supported by expanding incomes and modernization, is now suffering from the crisis that hit some of these countries particularly hard. The transition from soluble to roast-and-ground coffee that was taking place in higher income countries, Russia ahead, will be delayed. High percentage growth in China and other Asian markets is not likely to offset the losses above because their consumption is still relatively small.

Affordable quality — the quality the consumer can pay to retain or even expand coffee intake — may be the key concept to weather the crisis. Coming years may witness the consolidation of modern, efficient coffee brewing technology for home use, pod machines included, in traditional markets, create interesting opportunities for soluble coffee products in all markets, and require more intense efforts from producing countries to develop their own domestic markets. Hopefully, the crisis and its aftermath will confirm again that coffee consumption is inelastic, as economists say, meaning that when incomes fall, coffee consumption does not fall accordingly. Perhaps this concept will be confirmed with one qualification: the consumer looks for lower cost coffee products to retain the volume consumed, i.e. affordable quality will be sought, even where incomes are higher and coffee expenditures are relatively small, like in the US.



LINE OF COMBINED HULLERS FOR NATURAL COFFEES... AND PARCHMENT TOO

It is crucial to control processing costs at crisis time, when *affordable* quality becomes a very relevant concept. 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 product 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 precleaner (optional), a fluid-bed destoner, Pinhalense high-efficiency hullers and a multiple-channel catador all assembled in one single structure. The sets can be driven by separate electric motors or a single diesel engine, that is mandatory in the case of the CONAM mobile units. The COB units use pneumatic conveyors instead of cup-and-belt elevators in order to save space and building height.

Capacities range from 0.5 to 1.8 tons of green coffee per hour, with simpler versions, without all components, for 0.3 tons/hour. Some hulling sets (e.g., C2DPRC) combine cross-beater hullers, hullers-polishers for parchment and small size graders in the same structure. All combined sets can be a small coffee "mill" for growers who want to export their coffee directly from the farm. Alternatively, they can be major components of full-fledged coffee mills, used in single or multiple lines.

At a time when consumption in producing countries may become a strong driver of world consumption and natural 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.

COB



CON



CONAM



C2DPRC

