

CONFIDENTIAL

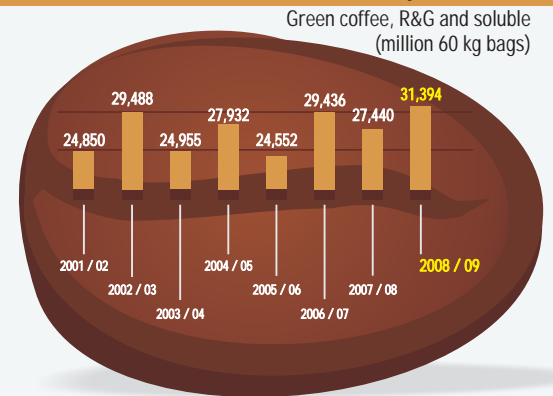
ISSUES NOS. 1 TO 24 OF COFFIDENTIAL CAN BE FOUND AT SITE www.peamarketing.com.br

COFFEE EXPORTS REACH NEW RECORD

According to official figures released by the Brazilian Coffee Exporters' Association (CeCafé), Brazilian exports of coffee – primarily green, but also soluble and roast and ground – have set a new record of 31.4 million bags shipped abroad in the 2008/09 season, which ended last June. This number surpasses the export performance of 2002/03, when the country harvested its largest crop in history.

Sources: CeCafé and Valor Econômico

Brazilian Coffee Exports



Source: Valor Econômico

COFFEE OPTIONS FOR 3 MILLION ARABICA BAGS FULLY SOLD

CONAB, an agency of the Ministry of Agriculture, Livestock and Food Supply (MAPA) held two auctions in July to sell to growers 300,000 option contracts, each one covering 100 bags. The buyers acquired the right to sell to the Federal Government 3 million bags of coffee divided into four lots, with strike prices ranging from R\$ 303.00 to R\$ 314.40 for delivery between the months of November 2009 and March 2010. In the first auction, on July 15th, 1 million bags were sold and the price rose to six times the opening price, or R\$ 9.50 per bag. In the auction held on July 22th, 2 million bags were offered and the three options were sold at R\$ 1.54 to R\$ 1.57 a bag, only slightly above the opening price. Growers are hopeful that they will not have to exercise the option contracts because coffee prices will react as a result of the Options Program.

Sources: Agência EFE, Agência Safras and Canal Rural

"COFFEE-BRANCH EATER" HELPS GROWERS LOWER HARVESTING COSTS IN MINAS GERAIS

A recently developed type of coffee thresher, nicknamed "branch eater", is helping coffee growers in Minas Gerais to reduce their harvesting costs. The process, to be used in conjunction with "zero-harvesting" (see Confidential No. 16), begins with "modified parrot pruning", i.e., pruning of the horizontal branches at about 20 cm (8 inches) from the vertical stem *with the cherries still attached to the branches*. The branches are then gathered and taken to the thresher that separates the cherries from leaves and branches. Branches are later chopped to be incorporated into the soil. A grower stated that he only needed 14 workers to harvest 50 hectares (123.5 acres) of coffee.

Source: Globo Rural



"PLANNED CYCLE PRUNING" TECHNIQUE LOWERS LABOR AND RAISES CONILON YIELDS

Because Conilon yields in Espírito Santo respond very well to pruning, the state's Agricultural Research and Extension Institute (Incaper) has devoted a lot of research to the subject over the years. Incaper is now strongly recommending and disseminating its Planned Cycle Pruning Program, developed in 2008 with the aim to increase coffee yields by 20% and to reduce labor in pruning by 30% over a period of 10 harvesting seasons.

Sources: Incaper and P&A

HIGH PHOSPHORUS DOSES INCREASE COFFEE PRODUCTION

For many years, it was thought that the coffee plant could not respond to high phosphorus doses in the soil in its productive stage. A recently published study by the Federal University of Lavras (UFLA) proved that the coffee plant responds well to phosphorus applications in low fertile soils, like the ones found in the Cerrado region of Brazil. The test plots with the highest phosphorus levels (400 kg/ha of P2O5) achieved a 6-year-average yield of 70 bags per hectare (1.7 ton/acre). The yield gains started with annual applications of 200 kg/ha of P2O5.

Source: Consórcio Pesquisa Café

ESPIRITO SANTO TO INVEST IN THE PRODUCTION OF HIGH QUALITY ARABICA

Espírito Santo, the largest Conilon coffee growing state in Brazil, will invest in the production of fine quality Arabica. Mostly cultivated by small holders in the mountainous areas of the state, Arabica has been suffering a decline in quality and productivity due to the advanced age of the trees. The program called “Renovar Arábica” – Renovate Arabica – launched recently in Espírito Santo intends to double the state's Arabica production, from 2.5 million to 5 million bags, 30% of which should be superior quality coffees. The program covers 49 municipalities and uses available technologies such as modern genetic material, soil analyses, rational fertilization and higher density planting to reach the goal of replacing all Arabica plantations by 2024.

Source: O Estado de São Paulo

INDUSTRY TO PAY MORE FOR “CERTIFICA MINAS” COFFEES

The Secretary of Agriculture of Minas Gerais and the President of the Brazilian Coffee Roasters' Association, ABIC, have signed an agreement establishing that the industry will pay up to 25% above the market price for coffees coming from farms certified by the “Certifica Minas” Program. The price premium will be associated with the quality of the certified coffees, to be evaluated by a panel of cuppers. The Program, directed primarily at small coffee farms, will earmark 5% of its revenues to facilitate the inclusion of small growers. Certifica Minas aims to have 800 farms certified by the end of the year.

Source: Cafés do Brasil Network

COFFEE AND HEALTH CAMPAIGN'S SUPERCAFÉ IN HOTSITE AND COFFEE PACKAGES

As part of the coffee and health campaign launched by the Ministry of Agriculture, Livestock and Food Supply to promote consumption in Brazil, a new hotsite has been developed and is now available on the Internet. The hotsite www.porquecafe.com.br, whose address translates as “Why coffee?” and that is expected to be online for a period of 60 days, features myths and truths about coffee consumption; dynamic games with Supercafé, the campaign mascot; barista recipes and much more. Coffee consumers in Brazil and abroad will now have the chance to see Supercafé stamped on packages of industrialized coffee. This practice, made available to coffee industries, is intended to strengthen the campaign message and to stimulate consumption. Japan's Ueshima Coffee Company (UCC) has been already authorized to use Supercafé on its packages of Brazilian coffees.



Source: Cafépoint

COLD WEATHER BOOSTS ROASTERS' SALES AND CONSUMPTION

Sales of coffee in the Brazilian market have been exceeding roasters' expectations. According to ABIC, sales in May grew approximately 9% compared to the previous month, despite the current crisis. One of the main reasons for the increase is the fact that cold weather has arrived earlier in 2009, stimulating coffee consumption.

Source: Agência Estado

INDIAN BILLIONAIRE RATAN TATA PLANS TO INVEST ON COFFEE IN BRAZIL

Tata Tea – one of the largest tea manufacturers in the world, with annual sales worth US\$ 1 billion – has been studying ways to start operations in Brazil. One of the possibilities being analyzed is a joint venture with Pepsico, for the ready-to-drink juices and energetic beverages markets, which have had a remarkable growth in Brazil over recent years. Investments in the country are part of a vast project of Tata Tea to expand its international operation. In Brazil, other than tea, juices and energetic beverages, plans also include coffee production. Tata Coffee, which is controlled by Tata Tea, is the largest grower and one of the largest roasters in India today.

Source: Cidade BIZ

INFORMATION TECHNOLOGY TO CONNECT 11,000 COFFEE GROWERS



A new web-based technology is being developed to connect the 11,000 members of the largest coffee growers cooperative in Brazil, COOXUPÉ, by 2010. The new computational tools being developed by the Campinas State University (UNICAMP) and the FAPESP-Microsoft Virtual Research Institute in the project called “eFarms, a road-way for small farms to a networked world”, consist of software to access the cooperative's databases and a low-cost wireless network to connect small farmers and to enable their access to the Internet. The eFarms project is based on 3 pillars: research, development of well qualified human resources and the creation of a multi-level wireless infrastructure.

Sources: Agência FAPESP and Cafépoint

DIGITAL INCLUSION: COMPUTERS, INTERNET AND SMALL COFFEE GROWERS

The role that the Internet may play to disseminate information and to empower the coffee grower, specially the small one, is undeniable. However its actual use by small growers faces huge barriers that range from the cost of computers to the difficulties to extend Internet access to rural areas not to mention the requirement of a minimum formal IT education to enable digital inclusion.

Although ideally the target should be 100% digital inclusion, i.e., one computer for each grower family, as proposed by the Cooxupé-Unicamp-Fapesp-Microsoft program reported in the news section of this Confidential, alternatives should be developed to overcome the barriers above where conditions are less favorable. The Brazilian Coffee Exporters Council, CeCafé, has an on-going digital inclusion program that may be used as a model to connect small coffee growers at very reasonable costs and with excellent benefits.

Originally targeted at coffee growers' children the CeCafé program was subsequently enlarged to include the growers themselves. The involvement of multiple parties and the use of places where Internet access already exists ensure immediate benefits without the need to extend costly infrastructure. The program has a great multiplier effect, with few computers reaching a large number of growers.

CeCafé's program "Coffee Children in School" was created to promote access to computers and the Internet for children and youngsters in producing regions. The results were so positive since its first edition in 2004 that the project has evolved and today embraces practically all coffee producing regions of Brazil. With the collaboration of partner companies and entities — coffee exporters, roasters, computer suppliers, and schools and municipalities of producing regions — thousands of children and youngsters are now able to participate in this large program of digital and social inclusion.

The Coffee Children in School Program equips the coffee farming community with a computer facility of at least 10 interconnected machines and full access to the Internet, besides support material, books and training for the students. It is an opportunity to quickly access the modern world of knowledge. The program contributes for more and more youngsters and children of the coffee communities to have access to technology and information. This helps not only to increase the time children spend at school but also to endow the students with more resources for their studies.

As of today the program has close to 1,000 computers in operation in 91 digital inclusion centers located in all coffee producing regions of Brazil. The program reaches 28,000 children directly and many more indirectly. In its early years, the success of the program and the availability of the IT infrastructure already led to its expansion to the children's families, specially the growers themselves.

The "Connected Grower Program" reaches the coffee children's families and the coffee workers themselves, who can use the same facilities and computers and access the Internet in the evenings and weekends. The program allows coffee growers to learn how to use computers and to access useful information for their everyday lives, such as production techniques, weather forecast data and news about the coffee market. Besides enhancing their own knowledge, growers are able to apply to their business what they learn and the information they access.

The programs above, that may be replicated elsewhere in the coffee producing world, are a rural version of "Internet cafés", "cybercafés", "LAN houses" and community initiatives that allow the low income segments of the urban population to access computers and the Internet. Organization and creativity, not costs, are the real barriers for IT and the Internet to reach the small growers.



Brazilian Prices

July 31, 2009

Main Producing Regions / Farm Gate

Arabica Naturals (R\$/ 60 kg bag)	
Cerrado-MG fair average quality T.6	247,00 ↓
Mogiana-SP fair average quality T.6	245,00 ↓
South Minas fair average quality T.6	250,00 =
Arabica Pulped Naturals (R\$/ 60 kg bag)	
Cerrado-MG	300,00 ↑
South Minas	295,00 ↑

Conilon/ Robusta (R\$/ 60 kg bag)	
Colatina-ES fair average quality	173,00 ↓
BM&F (US\$/ 60 kg)	
Sep 2009	141,55 ↑
Dec 2009	146,40 ↑
Mar 2010	149,35 ↑
Real R\$/ Dolar US\$	
July 31	1,86 ↓

*** HIGHEST PREMIUM OVER NATURALS IN MANY YEARS!**

The exports of Pinhalense equipment have been managed by P&A since 1995. Our P&A team has a wide range of professionals — agronomists, engineers, economists, etc. — many with graduate work in Brazil and abroad and all with lengthy experience in the coffee business. All P&A professionals have undergone intensive training in coffee processing and have a diversified experience with the subject in the part of the world where they currently operate and elsewhere.

The picture below shows P&A's team, describes briefly the traders that are in direct contact with clients and lists their assistants. The other team members perform support activities, such as logistics and finance, besides consulting in coffee and agribusiness.

P&A's national and international consulting activities both benefit from and support our equipment trading activities. Likewise, P&A's associate companies — coffee advertising agency GSB2 and specialty coffee expert Qualicafex — also support the exports of Pinhalense equipment whenever their expertises are required.

João Staut

Economist. Professional experience: import manager of multinational equipment maker, general manager of coffee growers' cooperative, marketing manager at Pinhalense. Coffee cupper. With Pinhalense - P&A since 1990.

Joaquim Brando

Agronomist. Professional experience: management of coffee farms, distribution of agricultural and livestock supplies, import and sales of pruning and harvesting equipment. With P&A since 1997.



João Moraes

Agronomist (best coffee student in his class) and business administrator. Professional experience: management of coffee farms, specialty coffee from seed to cup in Brazil and abroad. With P&A since 2005.

João Brando

Agronomist. Professional experience: sales of agricultural supplies, Pinhalense regional sales manager in Cerrado area of Minas Gerais, import and distribution of machinery and equipment in East Africa. With Pinhalense - P&A since 1992.

P&A and Pinhalense are represented in over 50 coffee producing countries by a network of agents that negotiates, sells, installs and services our coffee processing equipment.

PLEASE CONTACT US IF THERE IS NO ACTIVE P&A - PINHALENSE AGENT IN YOUR COUNTRY AND IF YOU ARE INTERESTED TO BECOME ONE.

We are permanently expanding and improving our network of representatives around the world.