

CONFIDENTIAL

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GOVERNMENT TO RELEASE US\$ 1.12 BILLION TO COFFEE SECTOR

The Brazilian Government will release US\$ 1.12 billion for the coffee sector until June 2010. The funds will be directed at the rescheduling of debts, creation of new credit lines, reduction of interests rates and other programs. The measures approved by the National Monetary Council (CMN) on September 16th aim at withdrawing from the market 25% of the current crop. The government expects to improve growers' revenues, create new coffee stocks and balance supply and demand.

Source: Ministry of Agriculture and Cafépoint

COFFEE SECTOR MUST FIND WAYS TO REPLACE ENDOSSULFAN

The Brazilian Sanitary Surveillance Agency (Anvisa) is holding public hearings on Endossulfan. The use of the chemical to control the coffee berry borer pest has been questioned due to its high toxicity to humans and the environment. According to Brazilian coffee researchers, there are no current available alternatives to this pesticide in the domestic market. The International Coffee Organization (ICO) states that the berry borer is the worst pest attacking Robusta crops and the second worse in the case of Arabica. The decision to ban Endossulfan or not will be taken after the hearings are over on November 3rd.

Source: Embrapa Café



IRRIGATED COFFEE IN BRAZILIAN SEMIARID

The Coffee Research Consortium will support projects being coordinated by Embrapa Semiárido to evaluate the technical and economic feasibility of growing irrigated Robusta and Arabica coffee in the São Francisco Valley, located in hot and dry Northeast Brazil. Researchers at INCAPER, the Agricultural Research and Extension Agency of the State of Espírito Santo, believe that coffee can be an interesting option for growers in the São Francisco Valley, where it can be shaded and/or intercropped with bananas and palm trees, for example, to create a sustainable environment.

Source: Coffee Research Consortium

BUSINESS UNIT INCREASES COMPETITIVENESS OF PARANÁ STATE GROWERS

Growers belonging to the Specialty Coffee Association of Paraná's North Pioneer Region are creating a Business Unit whose aim is to benefit from economies of scale in the purchase of inputs and sales of coffee. The first operations, involving the purchase of lime and fertilizers, enjoyed savings in excess of 10%. The Business Unit will be also a place to exchange ideas on how to better use inputs and to discuss technical issues. The Business Unit Program is supported by the Brazilian Agency for the Promotion of Small Business (SEBRAE).

Sources: SEBRAE and P&A

CAPACITY BUILDING FOR SMALL GROWERS' CHILDREN

Children of small coffee growers in the Cerrado region are learning new techniques to improve coffee production. From September 2009 to January 2010, these youngsters will be trained on ways to improve coffee yields and quality and learn management and sales skills. Capacity building is part of the Cerrado Coffee Growers Training Program, developed by the Cerrado Coffee Development Agency (Fundaccer) in partnership with the Ministry of Agriculture, Livestock and Food Supply (MAPA).

Sources: Globo Rural and Fundaccer

NEUMANN FOUNDATION IN VARGINHA, MINAS GERAIS

The town of Varginha, state of Minas Gerais, is now home to the non-profit foundation Hanns R. Neumann Stiftung. The foundation – sponsored by Germany's Neumann Coffee Group, represented in Brazil by Stockler Comercial e Exportadora – aims to support small growers towards sustainable coffee production. The initiative is being developed in 12 other producing countries as well and involves more than 70,000 growers. Stockler is one of Brazil's main coffee exporters, trading approximately 2 million bags per year.

Source: Valor Econômico

SUPERCAFÉ TO BE FEATURED IN MAGAZINE DIRECTED AT CHILDREN

SuperCafé, the official mascot of the recent Brazilian Coffee and Health Campaign, will now star a children's magazine to be distributed in elementary schools in Brazil. The educational magazine will address the health benefits of coffee, like its effect on students' concentration and learning. The magazine will have an edition of 100,000 issues, financed by the Brazilian Coffee Fund (Funcafé).

Source: ABIC



BRAZILIAN FAIR TRADE COFFEE AT SAM'S CLUB IN US

A partnership among Walmart, TransFair USA, USAID and the Brazilian Agency for the Promotion of Small Business (SEBRAE-MG) will enable two types of Fair Trade certified coffees from Brazil to be available for sale in more than 600 Sam's Club outlets in the United States. The project, called Partnership for a Responsible Supply, will benefit growers' cooperatives in the states of São Paulo, Minas Gerais and Espírito Santo.

Sources: SEBRAE and CaféPoint

BETTER COFFEE FOR HOTEL GUESTS IN RIO DE JANEIRO

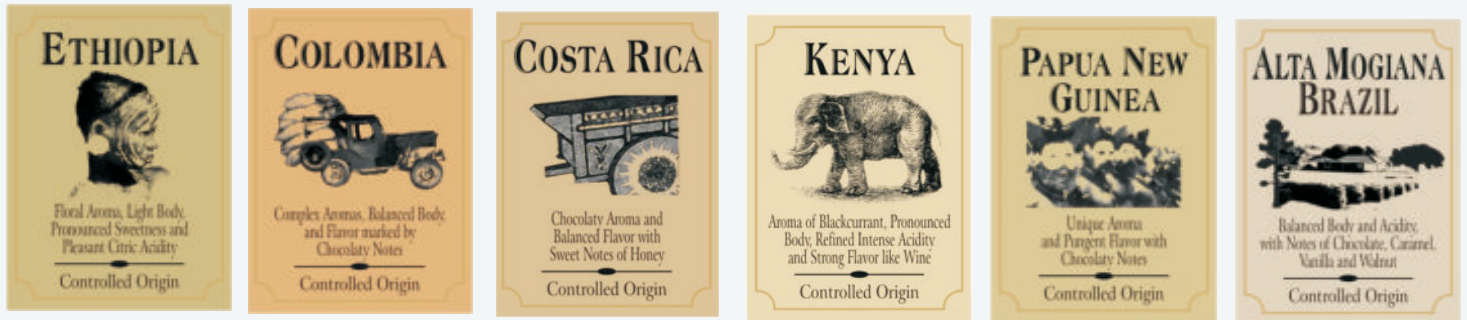
The Brazilian Hotel Industry Association (ABIH) and the Brazilian Coffee Roasters' Association (ABIC) signed a cooperation agreement to enhance the quality of the coffees served in hotels in Rio de Janeiro. The program will train hotel personnel on coffee preparation in order to improve the quality of the product offered to guests. This pilot project may be extended to other states afterwards.

Sources: Mercado&Eventos and P&A

INTERNATIONAL BLENDS LAUNCHED BY OCTAVIO CAFÉ

Octavio Café is the first Brazilian roaster to have foreign blends of estate coffees offered in the local market. The five single origin blends, prepared with estate coffees from Colombia, Kenya, Ethiopia, Costa Rica and Papua New Guinea, are made solely with high quality Arabica coffee, imported already roasted from the company's subsidiary in New York.

Source: BaresSP



Picture of the month

PULPED NATURAL COFFEE DRYING ON PATIO



São Domingos Farm, city of Muzambinho, Minas Gerais
Photo by Bruno Ribeiro, Brazil.
Source: Cafépoint

Brazilian Prices

September 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	247,00
South Minas fair average quality T.6	250,00
Arabica Pulped Naturals (R\$/ 60 kg bag)	
Cerrado-MG	290,00
South Minas	290,00
Conilon/ Robusta (R\$/ 60 kg bag)	
São Gabriel da Palha-ES fair average	178,00
BM&F (US\$/ 60 kg)	
Dec 2009	147,50
Mar 2009	151,00
Mai 2010	153,30
Real R\$/ Dolar US\$	
September 30	1,78

BEAN COLOR, COFFEE QUALITY AND THE CONSUMER

The color of dry green beans derives from a large number of factors, ranging from coffee variety to processing method, but owes most significantly to the beans' moisture content and how they have been dried. Bean color affects the trade's perception of coffee quality, perhaps beyond the actual impact of the tone on the cup. Needless to say that consumers, the ultimate quality referees, do not know the color of the green beans blended to produce the concoction they drink.

The color of green coffee is strongly influenced by the moisture content of the beans, with darker grayish colors indicating moisture levels above the standard 12% and pale, faded colors indicating over-dried beans. In this sense, the color of the beans does transmit important information to coffee traders and processors. However this information is more relevant to trading and processing yields and losses than to actual coffee quality. To the best of my knowledge, there are no major scientific studies that associate bean color and coffee quality although there is a lot of industry tradition on the subject, perhaps without the empirical evidence that would justify it. If, dear reader, you know of such studies, please inform us so that we may share the findings with your fellow readers.

There are at least two relevant instances of bean color sending wrong signals: dark green washed Arabica coffee and greenish Robusta beans.

The dark grayish-green color of washed Arabica often results from overheating during hulling which causes water to move from the center to the periphery of the bean and to make its color darker. This is not an indication of quality; much to the contrary, overheating in hulling is associated with off-tastes and quality losses. The resulting darker tone will not be durable because it will fade as the newly acquired surface moisture is lost to the environment. Overheating during hulling may be mistakenly used to correct for poor, uneven drying and, as such, to conceal other problems, e.g., coffee stored at higher than ideal moisture contents or lots that have acquired moisture in storage.

Some of the techniques to wet polish and to steam Robusta beans change the color from the usual brown to some shade of green. This is however a "side effect" and definitely not the main objective of the polishing techniques that were conceived to eliminate unwanted off-tastes and to emphasize the positive features of Robusta beans. There is often a misunderstanding that by changing the color of the beans into an Arabica-looking green, it is possible to have more Robusta in the blends. Wet polished or steamed Robusta finds more space in blends with Arabica not because of its color but due to the removal of unwanted features.

The final color of Arabica and Robusta beans is also affected by the removal of the silver skin, accomplished in the operation called polishing, that may be performed together with or separately from hulling. Washed coffees are traditionally polished whereas naturals are not, which in itself contributes to make their colors different. Considering that the silver skin detaches from the beans during roasting, it is fair to ask why green coffee should have its silver skin removed at all, given that such removal/polishing consumes substantial electricity and introduces the risk of overheating in exchange for little if any benefit to trade or consumer. Although João Staut, of P&A and QualicafeX, and other experts claim that polishing and silver skin removal impact positively the quality of coffee, it is questionable if benefits offset costs in the case of mainstream coffees.

Silver skin removal is one of the idiosyncrasies of the coffee business, that fortunately does not reach the consumer, but should be challenged for the benefit of all involved. Another idiosyncrasy, that mistakenly does reach the consumer, is the undue association of quality in the cup with labor intensive activities like selective picking and sun drying. This tends to make technological evolution and economic sustainability more difficult to achieve in coffee than in other crops.



A COMPLETE LINE OF HULLERS AND POLISHERS

Growers, processors, traders and exporters can rely on Pinhalense's complete line of hullers, hullers-polishers and polishers to meet any need they may have. Latest technology enables cold and controlled-heating hulling of washed, pulped natural (semi-washed) and natural Arabica and Robusta coffee. The cold hullers that are part of the combined sets CON, CONAM and C2DPRC have exclusive features that increase coffee yields by 1 to 2%. The line of DEPOS hullers-polishers offers a husk aspiration system that produces the cleanest parchment of any machine currently in the market. The small compact C2DPRC has a cold huller, a huller-polisher and a 3-size grader that enable the grower or small processor to supply coffee directly to the micro-roasters that are flourishing today. The wet polishers can add value to Robusta (and Arabica) coffee by removing the silver skin from green beans. Please check the models, sizes and features in the table and pictures below and contact us for additional information about the machine you need.

MODEL	SIZES	FUNCTIONS						CAPACITY (TONS/HOUR)	TYPES OF COFFEE		
		PRE-CLEANER	DESTONER	HULLER	HULLER POLISHER	POLISHER	SIZE GRADER		CHERRY	PARCH	GREEN
CON	4 / 6 / 8 / 12	CON-B	X	COLD				0.6 to 1.8 (2.2)	X	X	
CONAM	8 / 12	X	X	COLD				0.9 to 1.8 (2.2)	X	X	
C2DPRC				COLD	X	X	X	0.3	X	X	X
DBD	5 / 15				X	X		0.3 to 0.9 (1.2)		X	X
DEPOL	1 / 2				X	X		1.0 to 2.0		X	X
DEPOS	2 / 4 / 6			X	X	X		2.0 to 6.0		X	X
WET POLISHER						WET		0.6 to 2.0			X

