

# CONFIDENTIAL

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## OUTLOOK FOR 2010 BRAZILIAN COFFEE CROP

The multinational Syngenta held a meeting of its Coffee Technical Group (GTEC), composed of researchers, consultants and agronomists from five different Brazilian coffee regions. Gathered in the city of Ribeirão Preto, state of São Paulo, around 200 coffee professionals discussed their perceptions of the recently finished crop and their expectations for the next crop in Brazil. Generally, all coffee regions showed problems with well above average rainfall during the harvesting period, with delays on picking and quality losses. As a result of low fertilizer application in 2008, plantations in most areas are less vigorous than in previous years. The experts also presented their concerns with high coffee berry borer infestation levels and the growth of leaf rust. Excessive rainfall induced multiple flowerings that will cause quality losses in many regions because the high costs of labor in Brazil require only one picking round of cherries with uneven degree of maturation.



Source: Polo de Excelência do Café and P&A

## SAFE COFFEE PRODUCTION PROGRAM LAUNCHED BY CECAFÉ

The Brazilian Coffee Exporters' Council (CeCafé) launched the website [www.cafeseguro.com.br](http://www.cafeseguro.com.br) to inform coffee growers about the importance of good agricultural practices and the correct use of agrochemicals. The initiative is part of the "Safe Coffee Program" that includes other actions like workshops, TV programs, folders and booklets. The program is a direct result of coordinated actions developed by many Brazilian coffee institutions since last June, when Japan detected unwanted chemical residues in coffee containers coming from Brazil.

Source: Café Seguro website

## PARANÁ AND BAHIA CARVE SPACE IN QUALITY COMPETITIONS

The 2009 Brazilian Cup of Excellence was won by a farm in the municipality of Piatã, Bahia, with a score of 91.08 points at the SCAA cupping scale. ABIC's 6th National Coffee Quality Competition was won by two farms, one in the municipality of Mandaguari, Paraná, in the natural coffee category, and the other in the municipality of Machado, South Minas Gerais, in the category pulped natural (semi-washed). The different tastes due to the wide geographical and climatic distribution of the winners – almost 2,000 km (1,200 miles) apart, at altitudes from 600 to 1,000m (2,000 to 3,300ft) above sea level – bear witness to the slogan "One Country, Many Flavors" used in Cafés do Brasil marketing campaigns.

One of the winners of the São Paulo state competition also came from a non-traditional coffee producing region, the municipality of Amparo, in the pulped natural category, whereas the winning natural coffee came from traditional Espírito Santo do Pinhal, where P&A and Pinhalense are located. The special edition of the São Paulo winning coffees was launched by the Governor himself in the State House in December.

Sources: BSCA, Tempo de Comunicação, ABIC and P&A

## BRAZILIAN COFFEE "JUICE" SOLD IN THE USA

A young Brazilian entrepreneur has created a cold coffee beverage by mixing fresh coffee pulp – which is discarded during the processing of the beans – with "pitanga" and "acerola", two native Brazilian fruits that are rich in vitamin C. The sweet and slightly citric beverage, called ONE Coffee Fruit Drink, has been available at supermarkets across the United States since 2008. The coffees used to manufacture ONE come from three farms located in the state of São Paulo.

Source: Rede Cafés do Brasil



**SARA LEE LAUNCHES COFFEE FOR THE SUMMER SEASON**



The multinational Sara Lee launched a new roast and ground coffee in its Pilão line of products. The new "Café Pilão Sabor de Verão" - translated as Taste of Summer Pilão Coffee - is promoted as a milder coffee, ideal for the warmer days. Sara Lee is the leading coffee roaster in Brazil, with 40% of the market in São Paulo and Rio de Janeiro. Pilão, the company's strongest brand, had a 9% sales growth in 2009.

Sources: Brasil Econômico and Café e Mercado

**COFFEE MUSEUM IN SANTOS PRESENTS EXHIBITION ABOUT FRANCE**

The Museu do Café, in Santos, is celebrating the Year of France in Brazil with an exhibition about the interchange between the two countries in relation to coffee. The French-Brazilian relationship began in the 18th century, when the Brazilian explorer Francisco de Melo Palheta brought to Brazil the first coffee seeds, on his way back from the French Guyana. The interaction between Brazil and France regarding coffee has evolved and diversified over the years and is today spearheaded by the exchange of knowledge in the field of genomics aimed at the development of new and enhanced coffee varieties. To this day France continues to be an important market for Brazil: it is the country's 9th largest coffee buyer and Brazil is France's main coffee supplier.



Source: Museu do Café

**CECAFÉ'S "COFFEE CHILDREN IN SCHOOL" PROGRAM REACHES ITS 100TH SCHOOL**

The Brazilian Coffee Exporters Council, CeCafé, opened its 100th Coffee Children in School Computer Center. CeCafé's program was created to promote access to computers and the Internet for children and youngsters in coffee producing regions. Since 2004 the program has already benefited more than 30,000 people. The project, developed with the collaboration of partner companies and entities, specially coffee exporters, has so far received investments of approximately R\$3.7 million (US\$2 million). The 100th computer room, established in a rural school in the state of Espírito Santo, will reach more than 600 students.

Source: CeCafé

**EMBRAPA LAUNCHES BOOK ABOUT ROBUSTA PRODUCTION IN RONDÔNIA**

Researchers at Embrapa are launching a book about production techniques for Conilon and Robusta coffees in the state of Rondônia, located in the Northern part of Brazil. The publication is directed at growers and contains technical information about production systems adapted to the state's specific edafoclimatic conditions. Researchers believe that if growers adopt the technologies mentioned in the book, they may see improvements in their yields of at least 50%. Although Robusta coffee is the state's main agricultural product, high temperatures, low altitudes and high moisture make it difficult to produce coffee efficiently.

Source: Embrapa Rondônia



**Season's Greetings!**



## BRAZILIAN ARABICAS AT A CROSS-ROADS

With the exchange rate of the US Dollar to the Brazilian Real in the range US\$1.00 = R\$1.70 to 1.75 and current production costs, Arabica growers are enjoying very small profits, if any, in Brazil. Less efficient growers may indeed be losing money. The profitability of Robusta producers has fallen too, but is still sizable as a result of prices above London in the local market due to strong demand from Brazilian roasters and soluble makers. Although it costs more to produce Robusta in Brazil than in Vietnam, profitability is practically identical in the two countries thanks to the high demand from Brazilian industry. In the face of the above scenario, it comes as no surprise that there are no new plantations of Arabica and even some neglect of existing areas. In contrast, Robusta is being planted in both traditional growing areas and new "frontier lands", in a process that may cause Conilon production to reach 15 million bags per year sooner than expected.

Since current macroeconomic forecasts point to an even stronger Real and labor costs are expected to continue rising in real terms, Brazilian growers of Arabica must increase their efficiency, seek alternative crops or do both. In the short run, the best option lies in improved management, especially before the farm gate (for example, cost control and benchmarking with efficient growers), but also beyond the farm gate with forward sales, better marketing, etc. In the medium term Brazilian Arabica will have to undergo a new and radical round of technological evolution to ensure the sustainability of the business. Whereas coffee policy makers are today rightly concerned with past debts caused by the progressive impoverishment of the sector since the 2001-2004 crisis and how to improve present prices to growers, the resources of the Coffee Fund (Funcafé) must be also invested in the implementation of a new managerial and technological platform for Arabica cultivation in Brazil. If this is not done, the capital of the Funcafé may be exhausted in taking care of the past and the present; the future will then be neglected because no lasting solution will have been created to address the underlying problem: the lack of competitiveness of the activity.

Fortunately, most of the technology required is already available because the Brazilian Coffee Research Consortium, which brings together the main coffee research centers in the country, has done a great job in cooperation with the private sector, especially the fertilizer, agrochemicals and equipment industries. The great obstacle is how to make this technology reach the largest number of Arabica growers quickly and at a reasonable cost. What may be required is the creation of management and technology "packages" adapted to the main Arabica producing regions, including financial support for reconversion and renovation. Technological items that will have to be included in the packages are mechanization (with emphasis on harvesting), irrigation, pruning and diversification (intercropping, shading and different products) either to persuade chronically inefficient growers to leave the coffee business or to improve the income of those who stay.

At the same time, the Brazilian coffee sector as a whole should be looking for ways to add value to the share of its coffee production that is today exported as green coffee. Considering that Brazilian coffees are key components of most blends around the world, Brazil should open its frontiers to imports from other origins to enable the country to become an export platform for finished products – roast and ground as well as soluble – to be made by the private sector, i.e., existing or new national and multinational companies. This export platform might eventually create for Arabicas the same price protection "shield" that today exists for Conilons.

Radical as some of the solutions proposed above may be, they contain the roots of long-term solutions for a coffee sector that will have to deal with the costs implicit in the new position that Brazil is assuming in the world. Of course, some will argue that if nothing is done to improve the lot of Arabica growers in Brazil and world consumption continues to increase, prices will go up in the next small crop because no other country can provide the volumes that Brazil does. Then it will be business as usual... if the Funcafé is still around!

Complacency or change? That is the question.



JAN - PRECLEANERS PRELI AND DESTONERS CPFBNR FOR PARCHMENT, CHERRY AND GREEN COFFEE

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FEB - **ecoflex**am MOBILE COMPACT WET MILLING UNIT

<http://www.peamarketing.com.br/coffidential/coffidential-020.pdf>

MAR - A BETTER MOUSE TRAP...

<http://www.peamarketing.com.br/coffidential/coffidential-021.pdf>



APR - DMPE MUCILAGE REMOVER REVISITED

<http://www.peamarketing.com.br/coffidential/coffidential-022.pdf>



MAY - **ecoflex**: CHALLENGING PARADIGMS IN WET MILLING

<http://www.peamarketing.com.br/coffidential/coffidential-023.pdf>



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

<http://www.peamarketing.com.br/coffidential/coffidential-024.pdf>



JUL - TEAM OF THE MONTH

<http://www.peamarketing.com.br/coffidential/coffidential-025.pdf>

AUG - GREEN (UNRIPE AND SEMI-RIPE) SEPARATION: PAST, PRESENT AND FUTURE

<http://www.peamarketing.com.br/coffidential/coffidential-026.pdf>



SEP - A COMPLETE LINE OF HULLERS AND POLISHERS

<http://www.peamarketing.com.br/coffidential/coffidential-027.pdf>



OCT - QUALITY COMPETITION OF THE MONTH

<http://www.peamarketing.com.br/coffidential/coffidential-028.pdf>

NOV - ROTARY COCOA DRIER

<http://www.peamarketing.com.br/coffidential/coffidential-029.pdf>

For further information, please contact us  
P&A International Marketing  
E-mail: [peamarketing@peamarketing.com.br](mailto:peamarketing@peamarketing.com.br)

Phone 55-19-3651-3233 Fax 55-19-3651-2887  
Praça Rio Branco, 13 - Caixa Postal 83  
13.990-000 - E. S. Pinhal - SP - Brazil