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PUT AND CALL PROGRAM: OVER 500,000 BAGS ALREADY DELIVERED

Growers and cooperatives had until the end of January to deliver their coffees to CONAB, the agency of the Ministry of Agriculture, Livestock and Food Supply, in order to meet the options contracts due at the beginning of 2010. By January 21, more than 500,000 coffee bags had already been delivered out of a total of 800,000 bags negotiated at the last put and call program. Cooperatives hold 80% of the contracts and have committed to deliver all of their lots.

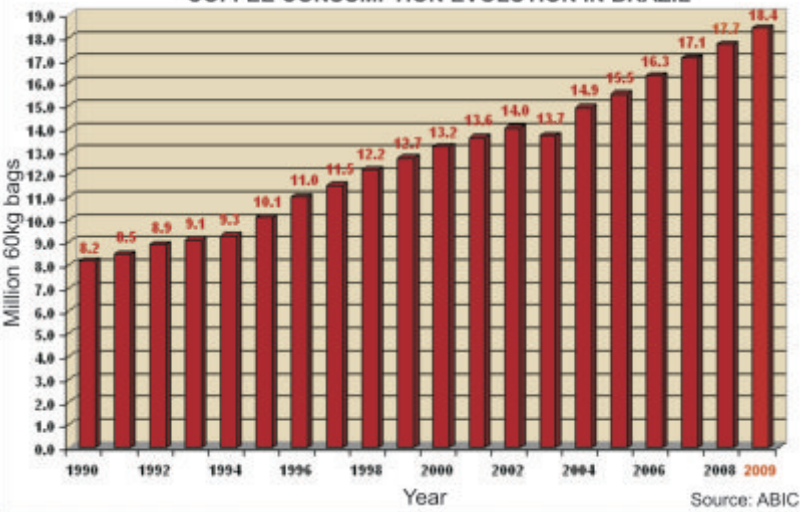
Source: Revista Cafeicultura

CONSUMPTION BEYOND 18 MILLION BAGS: FOCUS ON QUALITY TO BE RENEWED

Recent data collected by ABIC show that coffee consumption in Brazil increased 4.15% in 2009, surpassing 18 million bags. Although Brazilians are drinking almost 78 liters of coffee per year, 95% of that consumption refers to traditional products - sold at an average retail price of R\$10.00/kg (around US\$2.50/lb). The remaining 5% of consumption is divided between the superior and gourmet categories, with retail prices between R\$16.00 and R\$36.00/kg (US\$ 3.50 and US\$8.50/lb), respectively. In an effort to increase industry profitability, ABIC is now engaged in a series of actions directed at the HORECA and retail segments to stimulate the consumption of superior coffees. ABIC expects that by 2015, between 10% and 15% of consumption in Brazil will be of specialty coffees.

Source: Valor Econômico

COFFEE CONSUMPTION EVOLUTION IN BRAZIL



MINISTRY OF AGRICULTURE PROMOTING DOMESTIC COFFEE CONSUMPTION

The Brazilian Coffee Fund (FUNCAFÉ) invested R\$ 6.4 million (US\$ 3.4 million) to promote Brazilian coffee in 2009. The fund was used to promote national coffee consumption, to enhance coffee quality and to show to Brazilian consumers the social and economic benefits that the sector brought to Brazil throughout its history. Approximately R\$ 5.0 million (US\$ 2.7 million) were used in the coffee and health campaign, with the remaining R\$ 1.4 million (US\$ 740 thousand) going to a diversity of other marketing activities that also received sizable matching funds from the coffee industry.

Sources: Cafépoint and P&A

MELITTA AND DESIGNER TOGETHER FOR FASHION WEEK

Melitta, Brazil's market leader in paper coffee filters and the country's 4th largest roaster, sponsored the fashion show of the prestigious designer Isabela Capeto during the January 2010 edition of the São Paulo Fashion Week. An exclusive paper filter holder was designed for the occasion, by Isabela herself, to be distributed to show attendees. The partnership between Melitta and the designer will continue after the event. The new coffee filter holder will be available for sale at supermarkets around the country.

Source: Melitta



INVESTMENT GROWTH EXPECTED IN COFFEE INDUSTRY

Equipment suppliers to the coffee industry expect a warming up of the Brazilian market in 2010. The ever increasing consumption of coffee and the recent consolidation of the roasting sector - with smaller roasters being acquired by large groups - are the pillars on which the positive projections rest. Companies like Sara Lee and Melitta are now investing to renew and upgrade the industries recently incorporated into their groups. Leogap, which is part of multinational Probat and shares with Lilla the leadership of the coffee roasting equipment market in Brazil, expects a 25% growth this year.

Source: Valor Econômico

LAVAZZA TO OPEN FACTORY IN BRAZIL

The Italian company will invest R\$ 40 million (US\$ 21.3 million) to build a industrial facility in the state of Rio de Janeiro, Brazil. The new plant will be the industrial base of the company in Latin America. The primary focus will be the Brazilian market, but the company evaluates the possibility to supply also North America. The unit will start its operation in the second semester of 2011.

Source: O Globo

ASIANS CONFIRM PREFERENCE FOR BRAZILIAN SPECIALTY COFFEES

The most recent Cup of Excellence auction held in Brazil confirmed the preference of Asian buyers for Brazilian specialty coffees. The winning coffee lot was bought by the Japanese consortium Time's Club, composed of five companies from Japan, one from Korea and one from Thailand, for R\$5,631.00 per bag (around US\$3,000.00/bag of 132 lbs). This is to be compared with an average price of R\$290.00 (US\$155.00) for a bag of high quality Brazilian Arabica. The winning lot was grown by Ouro Verde farm in the town of Piatã, state of Bahia.

Source: CaféPoint

ARABICA CLONING WILL REDUCE TIME TO DEVELOP NEW VARIETIES

The first Arabica clone seedlings produced in large scale will be distributed to coffee growers on 2010. The initiative is supported by the Coffee Research Consortium and its affiliated institutions. Generally, Arabica coffee is multiplied by seed, but a pilot-biofabric is producing clone seedlings via somatic embryogenesis. The technique is being used to select Arabica plants of special agronomical interest, e.g.: those resistant to leaf miner and leaf rust, presenting good cup quality and/or high yields. Brazilian researchers expect to reduce the time to develop a new variety from 30 to only 10 years with the use of this cloning technique.

Source: Coffee Research Consortium



RESISTANCE INDUCER COMPOUND TO PROTECT COFFEE PLANTS

A biofabric located in the Federal University of Lavras (UFLA) and supported by the National Institute of Coffee Science and Technology (INCT) is working on alternative methods to induce coffee plant resistance against diseases. The new formula, developed from coffee crop residues like leaves, husk and pruned branches, acts directly on the plant defense system and not on the disease-causing agents. It works as a vaccine against important coffee diseases like leaf rust, phoma and cercosporiose. The compound is currently waiting for the approval from the Ministry of Agriculture to be commercialized.

Source: Pólo de Excelência do Café

SELECTION OF DROUGHT RESISTANT COFFEE VARIETIES

In order to cope with global warming, the Brazilian Institute for Agricultural Research (EMBRAPA) and the Coffee Research Consortium are selecting and developing drought resistant coffee varieties that are also able to produce under abnormally high temperatures. Other techniques to shield coffee from the adverse affects of temperature increases include shading, irrigation, fertilization, and water stress. One important adverse impact of global warming is expected to be flower abortion due to high temperatures.

Source: Coffee Research Consortium



Pictures of the Month

ROBUSTA (CONILON) HARVEST IN BRAZIL Harvest period starts on April/ May 2010



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Photo by: Dimas Marques de Sousa - Itamogi, MG.
Source: Cafepoint

OBATÃ - ARABICA COFFEE VARIETY 2 years and 9 months coffee tree



Photo by: José Roberto da Rocha Bergamo - Londrina, PR.
Source: Cafepoint

COFFEE CONSUMPTION: BRIC OR BIIC?

The recent global crisis has brought to the limelight the BRIC group of countries – Brazil, Russia, India and China – for helping to avoid a worldwide depression and leading the recovery. If we look at coffee consumption in these countries, we see that Brazil leads the group by far, with about 18.5 million bags per year, followed by Russia, with almost 4 million, India, on the way to 2 million, and China, over half-a-million bags per year. All BRIC countries have large populations and, except for Russia, have weathered the global crisis well and should retain their strong rate of increase in coffee consumption.

Since Russia is not a coffee producing nation, let's replace it with Indonesia and coin the BIIC acronym, to indicate the exporting countries with the highest rate of consumption growth. Coincidentally, the BIIC countries – Brazil, India, Indonesia and China are the producing countries that have the largest population, adding to more than 2.5 billion people. The BIIC countries hold a tremendous potential to expand consumption in this new decade.

Whereas world consumption is expected to grow around 2% per year in coming years, perhaps only 1% in importing countries, the BIIC countries should together grow 4 to 5% per year. The share of world consumption held by the BIIC countries can grow from the current 18% to over 25% in the next 10 years, and their growth should not stop there. Although Brazil's current 4 to 5% per year growth rate should stabilize or even fall as the country becomes a mature coffee market, the current rates of more than 5% in each IIC country – India, Indonesia and China – are likely to accelerate as coffee is consumed by larger numbers of people and becomes fashionable, as it is on the verge of happening in Indonesia, where some sources claim that the growth rate is 10% per year.

The BIIC's current annual consumption of 24 million bags may exceed 35 million bags in 2020, with the IIC countries moving from 5 to 10 million, which is still far from their potential. Considering that India, Indonesia and China together have a population who can today afford to consume coffee of about 500 million, a target per capita consumption of 2 kilograms per year, which is about one third of the current Brazilian figure, would require about 19 million bags per year, i. e., nearly twice as much coffee to be consumed than our 2020 estimate above, of 10 million for 2020. This, of course, will take a longer time to happen but it ignores the fact that the IIC population will grow and the number of people with access to coffee will increase substantially toward and after 2020.

The geopolitics of coffee, marked in the last two decades by the ascension of Vietnam to the position of number two producer and Brazil to number two consumer, may witness even more dramatic changes in the next two decades:

- producing countries will respond for a much larger share of consumption;
- the definition of producing and consuming countries itself will become blurred, as India and China will certainly become net coffee importers (and Indonesia may as well);
- consumption will shift eastward, from its current heavy concentration on the Atlantic basin (Europe, US and Brazil) to a much greater participation of the Pacific-Indian basin; and,
- the bulk of this additional consumption will initially be soluble coffee.

Two other countries not yet considered in this analysis – Vietnam and the Philippines –, both coffee producing countries endowed with sizable populations, may further support all or most of the trends above. Vietnam's consumption is approaching 1 million bags per year and its almost 90 million people is only acquiring the taste for coffee now. The Philippines have already made the transition from coffee exporter to a net importer of the product.

The forces driving consumption in East and South Asia go beyond actions by the coffee industry – soluble makers and roasters – and also include the support of and the favorable environment created by the local coffee production and trade sectors that understand and welcome the value added and the market security created by consumption within their own borders. This local support includes existing institutional promotion programs, like the one in India, specific actions, like in Indonesia, or a future promotion program, as envisaged by Vietnam.

Brazilian Prices

January 29, 2010

Main Producing Regions / Farm Gate

Arabica Naturals (R\$/ 60 kg bag)	
Cerrado-MG fair average quality T.6	28300 ↑
Mogiana-SP fair average quality T.6	279,00 ↑
South Minas fair average quality T.6	280,00 ↑
Arabica Pulped Naturals (R\$/ 60 kg bag)	
Cerrado-MG	310,00 ↑
South Minas	305,00 ↑

Conilon/ Robusta (R\$/ 60 kg bag)	
São Gabriel da Palha-ES fair average	196,00 ↑
BM&F (US\$/ 60 kg)	
Mar 2009	161,00 ↓
May 2010	165,00 ↓
Jul 2010	159,50 ↓
Real R\$/ Dolar US\$	
January 2010	1,88 ↑

MVF DENSIMETRIC SEPARATOR REVISITED

We answer here some of the most frequently asked questions about Pinhalense's MVF densimetric separators, also known as gravity tables, which have become state-of-the-art for the coffee processing industry.

1. Why to use a gravity separator instead of a catador (air-column separator)?

Because a gravity separator does a much better job of separating light and defective beans and consumes much less energy (fewer HPs per ton of product processed) than a catador does. In addition, the Pinhalense MVF gravity separator has multiple adjustments available in order to achieve the degree of separation required by clients.

2. Why to use a Pinhalense MVF gravity separator instead of similar machines available for grains?

Because coffee is a rather uniquely shaped grain, with one flat and one curved surface. This required a special development effort from Pinhalense to adapt to coffee the standard grain separators used for beans, corn, rice, etc. Pinhalense's development produced a revolutionary deck made of perforated metal sheet (instead of wire mesh) and an innovative system to control the air layer that causes coffee flotation. As a result, the MVF offers a finer degree of separation and a greater precision of adjustment made possible by additional controls not available in conventional gravity separators.

3. Why should positive pressure gravity separators, like the Pinhalense MVF, be preferred over negative pressure machines?

Because no matter the types of adjustments available, the suction/aspiration machines create uniform pressure over all the deck area and do not allow for air-directioning. This prevents efficient separation, that requires different pressures at the rear, center and front of the deck in order to enable product separation in layers first and separation of the different layers later. Negative pressure machines also require much more energy to operate because it is always easier to blow than to suck any grain.

4. Can the Pinhalense MVFs be used to separate stones?

Even though Pinhalense gravity separators have been designed to separate "light" and defective coffee beans from the sound ones, they will separate stones too. In this case, they must be equipped with a lateral outlet for stones, supplied upon request. However there are specific machines – for example, the Pinhalense CPF and CPFBNR destoners – to separate stones earlier in the process flow. The MVF should only be used to separate stones that failed to be separated earlier or are found in a lot that has not been pre-cleaned and destoned for some reason.

5. Why doesn't a size grader separate light and defective beans?

Because a size grader works by sieving the beans in progressively smaller screens, meaning that all beans of the same sizes specified are kept together irrespectively of how sound they are. Beans with berry borer "tunnels", hollow beans, shells or ears, some over-fermented beans and all other beans with defects that lower their density cannot be separated by sieving because they have the same size as the sound, solid beans of that same grade. However they can be separated in the MVF gravity separator with the help of flotation, that causes the "light" defective beans to "float" and the good "heavy" ones to "sink".

6. Why is repassing required when a gravity separator is used?

Because no matter how efficient the gravity separator is, there will always be a central fraction where beans of different densities and qualities are mixed. It is this mixed fraction that must be repassed in order to ensure adequate separation. Pinhalense MVF separators may be supplied with an optional built-in repasser that enables for automatic repassing in the same machine if so desired.

Pinhalense offers 4 sizes of MVF densimetric separators with capacities from 1 to 7 tons of green coffee per hour. Except for the smallest MVF-0X model, all others can be supplied with optional automatic repasser, dust suction hood and electronic adjustment of the intensity of vibration.

