

CONFIDENTIAL

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BRAZIL WILL NOT IMPORT ROBUSTA TO COUNTER EFFECTS OF DROUGHT IN MAIN CONILON GROWING AREAS

The Foreign Trade Chamber (CAMEX) DECIDED NOT TO AUTHORIZE the imports of Robusta coffee to be reexported as soluble. Imports would be limited to 20% of current soluble exports and subject to a commitment by the soluble industry to increase its exports. The limit of 600,000 bags/year should be compared to an expected 2010 crop of 10 to 12 million bags. The plan to import Robusta aimed at defending the market share and competitiveness of the Brazilian soluble industry threatened by a shortage of raw materials and domestic prices consistently above international Robusta prices. Soluble makers claim that the long drought will be still another blow on the industry's access to raw materials at prices that make Brazilian soluble competitive internationally.

Source: Cafépoint, P&A and CNC



TOUGH COFFEE HARVEST TIMES EXPECTED IN MINAS GERAIS

The coming coffee harvest period in Brazil promises to be very tough for growers. Harvesting will start sooner and end later than usual and will be very costly. Although this is the "on-year" of the biennial cycle, losses are expected in yields and quality due to multiple flowerings last year. At lower altitude coffee regions of Minas Gerais, 5 to 10% of the beans will be ripe by the beginning of April. If growers choose to harvest those beans, they will have to resort to costly selective picking rather than stripping. If growers choose to wait longer, there is a risk of losses from fermentation of cherries in the trees. Higher altitude Minas Gerais' regions will start harvesting by the end of April and beginning of May. It is a consensus among experts that this crop will produce green and black beans above the usual average.

Source: Agência Safras

INTERNATIONAL BUYERS LOOKING FOR BRAZILIAN ROBUSTA

Representatives of an American coffee company have recently visited the state of Rondonia, in the Northern part of Brazil, to make studies regarding Conilon (Robusta) production there. They intend to buy good quality Conilon that is about to be harvested. Harvesting in the state will begin by mid May when approximately 70% of the beans will be ripe. Conilon from Rondonia is considered one of the best in the world if appropriate harvesting and drying techniques are employed. Other Brazilian companies have also shown interest in acquiring coffee from this producing region.

Source: Folha de Rondônia

RIO DE JANEIRO STATE CAN INCREASE COFFEE PRODUCTION

Rio de Janeiro was the first region to cultivate coffee at a large scale in the Brazilian southeast. The first coffee shipments started on 1779, with just 1,185 kg (2,612 lb). Since then, coffee migrated to other regions of Brazil and Rio de Janeiro lost its importance as a coffee producer. Researchers at the Brazilian Institute for Agricultural Research (EMBRAPA) started mapping the state to identify areas with low climate risk and major potential to produce coffee. According to them, coffee is a good opportunity for small and medium size farmers that today use the land primarily as pasture.

Source: Agência Brasil



SPECIALTY CONILON PROJECT IN ESPÍRITO SANTO

The municipality of Jaguaré, the largest Conilon (Robusta) grower in Espírito Santo state and Brazil, launched a program to stimulate the production of a better quality product. The program called "Specialty Conilon" aims to add value to coffee and to tap international markets as Conilon production increases beyond the demands of the Brazilian market in coming years. The program will start with 30 growers who will have to follow production procedures related to sustainable practices and to participate in capacity building seminars that will go beyond technical and agronomic aspects to also include marketing.

Source: Cafépoint

COFFEE TECHNICIANS MEET TO DISCUSS NEMATODES

Around 50 technicians that belong to the Institute of Rural Extension and Technical Assistance of Minas Gerais, EMATER-MG, met in March to discuss the risk of dissemination of the nematode *Meloidogyne paranaensis*, one of the most harmful of its kind. The subjects included how to recognize its symptoms and how to avoid its dissemination, since this nematode is currently found only in a few spots around Minas Gerais. Dissemination can occur by contaminated seedlings, machinery with infested soil and rain water.

Source: PEC/Café blog

NEW MIDDLE CLASS DRIVES CONSUMPTION IN BRAZIL

The recently disclosed coffee consumer survey shows a consistent growth of consumption among Brazilians. Currently 97% of the population drinks coffee on a regular basis, totaling 18.4 million bags of coffee per year. The results of the study also showed that the middle class (families with monthly income between US\$1,000 and US\$2,500) now represents 42% of coffee consumption, compared to only 14% in 2003. This type of consumer has also been drinking more coffee out of home as a result of higher incomes and greater offer of coffee in bakeries, restaurants and coffee shops. Filtered coffee remains the preferred and most drunk beverage among Brazilian consumers. The Coffee Consumption Trends Survey carried out in January interviewed a sample of 1,703 people.



Sources: Agência Estado and P&A

SOUTH AMERICAN COUNTRIES IMPORTING MORE BRAZILIAN ROASTED COFFEE

Even though total exports of Brazilian roasted and ground coffee suffered a decline of 14% in 2009, it was a good year for the expansion of sales in South America. In 2009, six out of the ten largest buyers of Brazilian roasted and ground coffee were South American countries: Colombia, Argentina, Uruguay, Chile, Bolivia and Paraguay, in this order. This group of countries, known as "South Cone", imported three times more coffee than in the previous year, surpassing traditional R&G buyers such as Portugal and Japan.

Source: Valor Econômico

SUPERMARKET CHAIN IN BAHIA TO REQUIRE MINIMUM QUALITY FOR COFFEE

Cesta do Povo, which can be translated as People's Basket, is the first supermarket chain in Brazil to demand a minimum level of quality from the suppliers of roast and ground coffee that it buys to offer in its 293 outlets. The retail company will adopt the technical specifications already established and used by ABIC in its Coffee Quality Program. Cesta do Povo sells approximately 77,000 kilograms (170,000lb) of roast and ground coffee per month.

Source: Correio da Bahia



ILLYCAFÈ TO OPEN SUBSIDIARY IN BRAZIL

The Italian company illycaffè announced that it will soon open a distribution branch in São Paulo to coordinate its operations in South America. The subsidiary will be responsible for the distribution and sales of illy's products in Brazil and neighboring countries and will also manage new coffee stores owned by the company. Illycaffè intends to broaden its performance in Brazil by introducing products other than coffee in its portfolio: chocolate, teas and wines. South America currently accounts for 4% of illycaffè's global sales.

Source: Valor Econômico



AT BOOTH #2506



Pinhalense will be at the SCAA trade fair in Anaheim on April 15-18, 2010. Visit our booth #2506 and bring your friends. We will be pleased to see you there.

THE COFFEE TECHNOLOGY PARADOX: DEVELOPMENT VS. DIFFUSION



Climate change, environmental pressures, labor scarcity and a host of other constraints are forcing coffee growing and processing technology to evolve faster than ever. However, the implementation of new technologies that become available is much slower than their own development. This may be a paradox because at first sight it seems much more complex and costly to develop than to implement coffee technology. But reality has it the other way around: implementation of change in the coffee growing world is a difficult process that faces several types of barriers, behavioural and practical. The process is even more complicated when the target of change is small coffee growers who produce the majority of the coffee we consume.

The behavioural barriers are tradition, conservatism, fear of change and losses, level of education and misconceptions. The practical barriers are access to technology dissemination of reliable results, training and financing, to mention only a few. These barriers are so strong that, with a good degree of exaggeration, one may compare the state of coffee technology to an empty library: a lot of books/technology available on the shelves but not as many readers/users around as it would be desirable!

Perhaps the coffee technology paradox explains why some countries produce so much per unit of area planted and others produce so little. Is it not amazing that there are *large* countries that produce an average of 20 bags/ha (1.2 tons/ha)* and *small* countries whose average yields are under 5 bags/ha (0.3 tons/ha)? It may be argued that different countries have different conditions and use different technologies which causes the disparities above. The counter argument is that such disparities exist within producing countries too, take the example of Brazil, where *average* yields are about 20 bags/ha (1.2 tons/ha) for Arabica and 27 bags/ha (1.6 tons/ha) for Conilon (Robusta). Efficient Brazilian growers of Arabica have average yields of 40 to 50 bags/ha (2.4 to 3.0 tons/ha) but there are many growers with yields of only 10 bags/ha (0.6 tons/ha) or less. Similar figures for Conilons are as high as 100 bags/ha (6.0 tons/ha) for highly efficient growers and as low as 6 bags/ha (0.36 tons/ha) for an entire region.

Although Brazil has developed a successful coffee research system, it has not been able to apply new technologies as quickly as they are created. This indeed seems paradoxical because, we repeat, in theory it should be more complex and take much longer to develop new technologies than to use them. But reality is, again, that a better coffee extension service is required if technology is to be implemented as quickly as it is generated. At a time when the international competitiveness of Brazilian coffee is threatened, the issue of improving the country's coffee extension service should be at the heart of the debate. One valid proposal is to replicate the model used for coffee research – a “consortium” of the leading coffee research institutions in the country – in the case of diffusion of coffee technology and coffee extension services. Brazil does have the technology to recover its competitiveness but the country is yet to create the tools to apply such technology widely, beyond specific “centers of excellence”.

The situation is similar to Brazil's or worse at world level, with few exceptions. It is in fact worse in most countries that suffer not only from an underdeveloped extension service but also rely on technology created elsewhere, that must be adapted to local conditions. Even the exceptions – countries that have efficient coffee extension services – had to curtail them as a result of shrinking budgets and the price crisis of the beginning of the decade.

Extensions services may be a “loser” of the liberalization of the coffee business started in the early 1990s. The private sector, governments and the NGOs (civil society) are yet to mobilize to correct this market imperfection.

* Conversion factors for coffee yields

	bags	kgs	lbs	tons	qq
ha	1	60	132	0,06	1,3
acre	0,4	24,3	53,4	0,024	0,53
manzana	0,7	42	92,4	0,042	0,91



Brazilian Prices

March 31, 2010

Main Producing Regions / Farm Gate

Arabica Naturals (R\$/ 60 kg bag)

Cerrado-MG fair average quality T.6	290,00	↑
Mogiana-SP fair average quality T.6	280,00	↑
South Minas fair average quality T.6	285,00	↑

Arabica Pulped Naturals (R\$/ 60 kg bag)

Cerrado-MG	305,00	↑
South Minas	305,00	↑

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

São Gabriel da Palha-ES fair average	175,00	↓
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BM&F (US\$/ 60 kg)

May 2010	168,50	↑
Sep 2010	161,25	↑
Dec 2010	163,50	↑

Real R\$/ Dolar US\$

March 2010	1,78	↓
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Source: Qualicafex

Knowing that there is a gap between product development and production, on one side, and field applications, on the other, Pinhalense counts on its network of agents around the world to define and fine tune clients' needs, to sell its equipment, to perform or support assembly and start-up, to train users, and to service the machines over their lifetime. There is always a Pinhalense agent near the users of its equipment in all coffee producing regions of the world.



The names found on this page are certainly known to Pinhalense clients. They belong to coffee processing experts that may be contacting you next if you are not yet a client. These are the Pinhalense collaborators in your country, the team that ensures that Pinhalense equipment will work to clients' satisfaction irrespectively of country, culture, language and coffee growing, processing and trading practices. These are the men and women that ensure that Pinhalense technology does not remain on the shelf but, instead, is used to help coffee growers and processors around the world to become more efficient and to make more money.

Please contact us at peamarketing@peamarketing.com.br if you need to reach the Pinhalense agent nearest to you. Do the same if you would like to collaborate with us because your nearest agent is not so near. Many of our agents will be available to meet you at the SCAA Conference and Trade Fair. Pinhalense's booth is # 2506, where you can talk to us, learn more about Pinhalense equipment, learn our agents' directions or discuss how our agency works.