

# CONFIDENTIAL

**YOUR BEST SOURCE OF INFORMATION ABOUT THE BRAZILIAN COFFEE BUSINESS... AND MUCH MORE. THIS ISSUE:**

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- **MACHINES TO DIVERSIFY THE QUALITY OF THE COFFEE YOU NOW OFFER (PAGE 4)**

## **TECHNOLOGY TAMING BIENNIAL PRODUCTION CYCLE IN BRAZIL**

As the Outlook section in our Confidential nº 43 concluded last February, the adoption of advanced technology by Brazilian coffee growers – such as irrigation, pruning and earlier harvesting – has generated yield increases at farm-level and narrowed the range between the country's typical on-year high and off-year low crops. A study by Conab indicates that the range got smaller over the last decade, with a drop of only 10% in production from 2010/11 (48 million bags) to 2011/12 (43 million bags). Behind the recent leaps in productivity are the renovation of coffee plantations, new and more resistant varieties, high density planting, and more intense use of irrigation. In Espírito Santo, for example, approximately 1/3 of the coffee area is already irrigated. See the Outlook section in Confidential nº 43 for more information.

Sources: Agencia Estado and P&A

## **COFFEE MORE EXPENSIVE IN SÃO PAULO THAN IN NEW YORK EXCHANGE**

A combination of tight supply, high demand and liquidity issues at BM&FBovespa led the São Paulo coffee futures market to a rare phenomenon called "inversion" in September. For the first time the commodity negotiated in São Paulo was more expensive than at ICE-Futures in New York and the Brazilian market started to pay premiums over international quotations. Coffee futures contracts generally operate at lower levels in São Paulo in relation to New York, which is a reference for Arabica coffee price formation worldwide.



Source: Valor Economico



## **LACK OF SEEDLINGS IN MINAS GERAIS**

Rising coffee prices in Brazil are motivating coffee growers to invest on the renewal of old plantations. The problem is that it is currently very hard not to say nearly impossible to find coffee seedlings in South Minas Gerais nurseries. Nursery operators are asking growers to order well in advance. The average price for a thousand seedlings is today R\$ 400,00 (US\$ 236.40), a 25% increase over the previous year.

Source: Globo Rural

## **BSCA AND ACE ANNOUNCE COMPETITION AND AUCTION FOR BRAZILIAN NATURAL COFFEES**

The Brazilian Specialty Coffee Association (BSCA), the Brazilian Trade and Investment Promotion Agency (APEX) and the Alliance for Coffee Excellence (ACE) announced their first contest for natural coffees. Coffee samples for the contest can be submitted from November 7th to December 4th. This is the first ACE natural coffee contest ever in the world. The winning lots will be sold at the Cup of Excellence - Natural Late Harvest Auction in March 2012.

Source: Ascom BSCA

## **SUSTAINABILITY SYSTEMS ON THE WAY TO INTEGRATION?**

The certified coffee market is expanding by 10 to 15% per year. Even though there are several types of certification programs available for Brazilian growers today, no more than 10% of the coffee production is certified. The Campinas Agronomy Institute (IAC) is currently evaluating programs, such as Rainforest Alliance, Utz Certified and Fair Trade, and reckons that it would be ideal to integrate the different systems under a uniform set of criteria.



Source: Canal Rural

## **ORGANIC SYSTEMS CHEAPER IN NEW COFFEE CROPS**

According to a study by São Paulo researchers, the implementation of new coffee crops following organic production procedures is cheaper than using conventional (non-organic) systems. Researchers compared total operational costs (TOC) of three systems: (1) organic; (2) organic in mountainous areas and (3) conventional. Organic had a TOC of R\$ 4.024,00 (US\$ 2,378.25) per hectare, while organic in mountainous areas reached R\$ 3.830,76 (US\$ 2,264.00) per hectare. The conventional system cost R\$ 4.501,43 (US\$ 2,660.41) per hectare, 11% higher than organic and 15% higher than the mountain organic. The objective was to compare biological and organic practices with non-organic ones.

Sources: APTA and Cafépoint

## **SOLID REPUTATION IN TRANSGENICS, COFFEE EXCLUDED**

Over a five-year-period, Brazil became the world's second largest producer of transgenic seeds, only after the USA. The country approved 33 genetically modified seeds during that time. The National Technical Committee of Biosecurity (CTNBio), created in 2005, currently takes less than one year to approve the commercial production of transgenic products, a reference in the sector. No transgenic coffee product has ever been submitted to the analysis of CTN Bio.

Sources: Notícias Agrícolas and P&A

## **SÃO PAULO'S BEST 2011 COFFEES ANNOUNCED**

The best coffees of São Paulo were announced last month and will now go to auction from November 1st to 3rd at the Coffee Museum in Santos. The winning lot is a pulped natural from the municipality of Tejupá, Piraju Region, with 9.1 points in a 1 to 10 scale. In the natural category, the winning lot is from the municipality of Divinolândia, Vale da Grama region, with 8.7 points. In the micro-lot category (under 10 ha), the winner was also from the Vale da Grama region, with an 8.7 score. Potential buyers must send an email to: [sindicafesp@sindicafesp.com.br](mailto:sindicafesp@sindicafesp.com.br) in order to participate in the auction

Source: Sindicafé-SP

## **"THE COFFEE FLOWERING" WILL BE EXHIBITED AT THE LARGEST ARTS FESTIVAL IN EUROPE**

Brazil will be the main theme of the 23rd Europalia, the largest art festival in Europe. One of the paintings that will be exhibited is "The Coffee Flowering", by Italian painter Antônio Ferrigno (1863-1940). The painting belongs to the "Sociedade Rural Brasileira" collection.

Source: Peabirus



## **ILLYCAFFÈ SHOP ARRIVES IN BRAZIL**

Italian coffee roaster Illy has recently opened its first Brazilian store in the city of São Paulo. The coffee shop will sell its exclusive blend in different formats – wholebean, roast and ground, capsules and pods – apart from the brand's signature cups and espresso machines.

Source: Folha de São Paulo

## **BRAZILIAN GROWER WINS CUPPING CONTEST AT LET'S TALK COFFEE**

Luiz Roberto Saldanha Rodrigues, a large coffee grower in the State of Paraná and president of ACENPP, the specialty coffee association of the state's most traditional growing region, won the cupping competition at Let's Talk Coffee. The sixth edition of this event gathered almost 400 coffee growers, traders, roasters and experts in a resort in El Salvador on October 11 to 16, the same period when the country had the heaviest rainfall in the last 20 years.

Source: P&A



## Pictures of the Month

### FLOWERING IN COFFEE PLANTATIONS



Altinópolis - Minas Gerais State



Alto Jequitibá - Minas Gerais State



Northwest of Espírito Santo State - Conilon

Sources: CaféPoint and Wordpress

by Carlos Henrique Jorge Brando

When I entered the conference room and saw on the screen the contrast below of beige and black coffee drying under the sun I was sure it was a presentation about Brazil. Much to my surprise it was not.



Source: Emilio López Díaz

It was a coffee event in El Salvador and the speaker was a local grower, processor, roaster and exporter of some of the country's best coffees. The slide was from his farm and showed not only washed and natural coffees, parchment and cherries, but three different types of parchment: fermented, mechanically demucilaged and semi-washed (pulped natural). What a new world of choices and excitement to be compared with a dull world still divided in washed and natural coffees!

It is true that Brazil started to "break the rules" in a stubborn and consistent way in the 1990s and ended up becoming a major source of

coffees that will be deliverable at New York's ICE Futures in 2013. Ethiopia is evolving in the same way Brazil is, from dry to wet processing, and India has offered washed and natural Arabicas, not necessarily from the same farm, for decades and even centuries. But the washed coffee world, specially Central America, seems to be now awakening to the challenge of questioning rigid divisions and exploring alternatives to fully washed coffee.

Costa Rica has for some time offered pulped natural semi-washed coffees, that it calls "honey coffee", a name that is sometimes adopted by its neighbors. Mexico, that always produced natural coffees in Guerrero, now offers the same product from other regions. The demand for cherry hullers, to be compared with hullers-polishers for parchment coffee, is developing in unexpected places and countries. But the presentation I saw in El Salvador showed that, climate allowing, there is a huge unexplored potential for the diversification of on-farm processing away from the "straight-jacket" of fully washed coffee in the so called washed coffee world.

I have to admit that being the Salvadoran speaker both a roaster and exporter, he had unique access to the qualities demanded by consumers in his country and abroad. It is perhaps this knowledge of qualities that enabled him to move away from the paradigm that he had to produce washed coffee only and as result he now offers to his clients a variety of tastes and aromas that are not to be found in washed coffee alone. Fascinating, isn't it? Perhaps the ability to create sophisticated blends is no longer the sole realm of roasters, specially those in importing countries that have access to many origins. Perhaps this ability is also to be found, in due proportion, on the farms themselves if they use different processing systems to bring out different organoleptic features.

Looking at this from a different perspective, the offer of more than one product, more than one type of process, helps to decrease risk because it allows growers to tap different markets. It may also enable growers to offer coffee products sought after by roasters in their domestic markets that are in many cases growing faster than importing markets. I know that this may seem farfetched and over-optimistic. I know there are climatic barriers (that modern driers may address), the need to invest on suitable equipment and the requirement to adapt the coffee trading chain to these "new" products, but the presentation by this Salvadoran "paradigm breaker" was such a strong eye opener to me that I could not resist sharing it with you. The opportunity lies in your hands, washed coffee producers, to go beyond the production of washed coffees only.

## Brazilian Prices

October 31, 2011

### Main Producing Regions / Farm Gate

Arabica Naturals (R\$/ 60 kg bag)	
Cerrado-MG fair average quality T.6	485,00 ↓
Mogiana-SP fair average quality T.6	480,00 ↓
South Minas fair average quality T.6	480,00 ↓
Arabica Pulped Naturals (R\$/ 60 kg bag)	
Cerrado-MG	445,00 ↓
South Minas	440,00 ↓

+ 7.9%

Conilon/ Robusta (R\$/ 60 kg bag)	
Colatina-ES fair average quality	250,00 ↑
BM&F (US\$/ 60 kg)	
Dec 2011	321,65 ↑
Mar 2012	321,65 ↑
Set 2012	321,65 ↑
Real R\$/ Dolar US\$	
October 31	1,69 ↓

Source: www.qualicafex.com.br

## MACHINES TO DIVERSIFY THE QUALITY OF THE COFFEE YOU NOW OFFER

The ability to process washed, semi-washed/pulped natural and natural coffee does not lie on a single machine but on a series of three innovative machines – the mechanical siphon, the screen pulper and the progressive action mucilage remover – and the way they are combined.

Irrespectively of the way coffee is harvested – selectively, stripping or mechanically – the mechanical siphon and the screen pulper together allow for the selection of cherries according to their degree of maturation with a precision that human eyes and fingers cannot achieve. The progressive action mucilage remover in turn allows for the choice of the amount of mucilage to be removed. It is the interplay of these machines that will determine if the final product will be washed, semi-washed / pulped natural or natural coffee with their different cup features.



SCREEN PULPER / IMMATURE CHERRY SEPARATOR



MECHANICAL SIPHON



PULP SEPARATOR / REPASSER



MUCILAGE REMOVER

Even to produce naturals only, the *mechanical siphon* is required to ensure the high cup quality that can only be obtained by drying separately cherries with different moisture contents. Separation in the mechanical siphon, patented by Pinhalense, is the first processing step irrespectively of the type of coffee to be produced.

The *screen pulper (immature cherry separator)* developed and perfected by Pinhalense is at the heart of the process to separate cherries according to their degree of maturation and to pulp only the cherries that are at the desired stage of ripeness. The screen pulper, responsible for the “rebirth” of quality in yellow coffee varieties that now command higher prices, is the key machine to avoid astringency in the cup.

The progressive action Pinhalense *mucilage removers* offer options to adjust for the quantity of mucilage to be removed in order to produce fully washed or semi-washed / pulped natural coffee. These machines can also be used after partial fermentation to complete the removal of mucilage or to wash parchment coffee that has been fully fermented.

By using the machines above the coffee grower will no longer be restricted to the type of coffee that his or her region usually supplies, be it natural or washed. Instead, the coffee grower will be able to experiment with different products and to offer different qualities to a market that is hungry and thirsty for diversity. Higher profits and less risk will follow....



Source: Emílio López Díaz