

CONFIDENTIAL

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

- **OUTLOOK FLASHBACK (PAGE 3)**
- **MACHINE OF THE MONTH FLASHBACK (PAGE 4)**

BIENNIAL PRODUCTION CYCLE FLATTENING IN MINAS GERAIS?

According to the Brazilian Institute for Geography and Statistics (IBGE), coffee growers in Minas Gerais are succeeding in reducing biennial production fluctuations. In the municipality of Manhuaçu, Matas de Minas region, the production in off-year 2011 reached 435.6 thousand bags, a 4.3% increase in comparison to 2010, the high crop on-year in Brazil. It is also possible to see this change in the region of South Minas Gerais. In the municipality of São Sebastião do Paraíso the average reduction from the on to the off year is now 25% (from 40 bags/ha to 30 bags/ha) to be compared to huge reductions of 75% considered normal in the past. The reasons behind this change were presented in the Outlook section of our Confidential nº 43.

Sources: SEAPA-MG and P&A



MINAS GERAIS LAUNCHES STATE COFFEE FUND

The governor of Minas Gerais signed and forwarded to the House of Representatives a bill establishing the State Coffee Fund (Fecafé) with the objective of promoting economic and social development, competitiveness and sustainability of the coffee chain. The permanent coffee fund will have resources from the state budget worth around R\$ 100 million (US\$ 54 million) over the next three years to be made available through the Development Bank of Minas Gerais (BDMG).

Source: Polo de Excelência do Café

HIGH-PRICE OF RAW MATERIALS FOR BRAZILIAN INDUSTRY IN 2012

ABIC estimates that prices of green coffee will remain high in the internal market throughout 2012, especially during the first months of the year. Coffee roasting companies in Brazil have been struggling with the high prices of raw material which have not yet been entirely passed on to consumers. From January to November the prices of the types of Conillons and Arabicas most used by the industry have increased between 33% and 38% on average while the retail prices at supermarkets have increased only around 15%.

Source: Tempo de Comunicação

"SUPER BAKERIES" ARE IMPORTANT MARKET FOR HIGH QUALITY COFFEES

As Brazilian bakeries diversify, they invest more in specialty and gourmet coffees. The "super-bakeries" in large cities are little gastronomical centers that offer a wide array of options, such as soups, pizzas and meals, besides bread, breakfast items and, of course, coffee. As a result they have become a major target market for coffee brands and also big companies, like Sara Lee. Apart from the traditional morning clients that order French bread and a cup of filtered

coffee, more and more bakery clients are demanding espresso, not only in the morning, but also during the afternoons and evenings. Many bakeries now have a coffee menu similar to that of coffee shops with preparations that use specialty coffees. Bakery owners in Brazil generally profit three times more from espresso preparations than from traditionally brewed coffee, which has been losing space in this sector.

Source: Revista Espresso



BRAZILIAN COUNTRYSIDE HAS ITS NEW MIDDLE CLASS TOO

Income increases over the last ten years have raised 30 million Brazilians to the new middle class. A good number of these upward moving Brazilians are to be found in the countryside: around 800,000 small grower families according to a new survey carried out by Getúlio Vargas Foundation (FGV) for the National Agricultural Confederation (CNA). In addition to growing purchasing power, this new rural middle class holds 15.4% of rural properties and 13.6% of the gross value of agricultural production in Brazil. These growers produce 39% of the milk, 17% of the beef and 19% of the coffee, cassava and other vegetables produced in the country.

Source: SouAgro



MYSTERIOUS GENETIC VARIABILITY IN COFFEE LEAF RUST UNVEILED

Researchers at the Phytopathology and General Biology Departments of the Federal University of Viçosa (UFV) discovered the "criptosexuality" behavior of the fungus *Hemileia vastatrix*, the coffee leaf rust disease agent. It was believed that the coffee leaf rust fungus only reproduced asexually but this does not explain why the fungus has a high genetic variability. Researchers have found that sexual reproduction of the fungus does occur inside its sexual structures, what remained unnoticed to researchers for more than a century. Source: Revista Cafeicultura

FAIR TRADE COFFEE ASSOCIATION LAUNCHED IN BRAZIL

Fifteen coffee cooperatives and associations of small growers in São Paulo, Minas Gerais and Espírito Santo states have joined hands to form BR Fair, the Brazilian Association of Fair Trade Producers. The official launching ceremony took place on December 9th, in Varginha, Minas Gerais, with the presence of FLO representatives. The Fair Trade label is still little known to consumers in Brazil although the majority of the country's coffee production comes from small holders, the base of the worldwide fairtrade organization. Source: Pólo de Excelência do Café

COFFEE FROM SÃO PAULO WINS NATIONAL QUALITY CONTEST

A coffee grower from the municipality of Tejuapá, in the state of São Paulo, won ABIC's 8th National Quality Contest held in November. The winning Arabica lot, a pulped natural of the Catuaí variety, scored 83.06 points at the SCAA green coffee grading scale. Source: CNC

WINNING COFFEES FROM MINAS GERAIS SOLD AT US\$ 2,700.00 PER BAG

One lot of natural coffee and another of pulped natural coffee, both from the municipality of Carmo de Minas, were sold for R\$ 5,000.00 (US\$ 2,700.00) each in the auction held as part of the 8th Coffee Quality Competition of Minas Gerais. Both coffees ranked top in their own categories at the state's quality contest. Source: SEAPA (Secretary of Agriculture, Livestock and Food Supply of Minas Gerais)

FURNITURE MADE OF COFFEE WOOD

The Young Learners and Woodwork Social Project at the Federal Institute of Machado aims to empower disadvantaged youth and small growers to learn a profession using coffee wood as raw material in the manufacture of furniture. The Institute enlisted support for the construction of a carpentry within the campus and now wants to start working with capacity building in prisons. Source: Peabirus



Pictures of the Month Flashback



Brazilian Prices

December 30, 2011

Main Producing Regions / Farm Gate

Arabica Naturals (R\$/ 60 kg bag)	
Cerrado-MG fair average quality T.6	505,00 ↓
Mogiana-SP fair average quality T.6	500,00 ↓
South Minas fair average quality T.6	500,00 ↓
Arabica Pulped Naturals (R\$/ 60 kg bag)	
Cerrado-MG	525,00 ↓
South Minas	520,00 ↓

+ 5%

Conilon/ Robusta (R\$/ 60 kg bag)	
Colatina-ES fair average quality	310,00 ↓
BM&F (US\$/ 60 kg)	
Mar 2012	301,95 ↓
Set 2012	286,50 ↓
Dec 2012	282,30 ↓
Real R\$/ Dolar US\$	
December 30	1,87 ↑

Source: www.qualicafex.com.br

FEB: CAN THE CYCLIC PATTERN OF BRAZILIAN PRODUCTION DISAPPEAR IN THE LONG RUN?

<http://peamarketing.com.br/coffidential/coffidential-043.pdf>

MAR: HOW LONG WILL HIGH PRICES LAST AND WHEN WILL OVERSUPPLY OCCUR?

<http://peamarketing.com.br/coffidential/coffidential-044.pdf>

APR: HOW AND WHEN BRAZILIAN COFFEE PRODUCTION MAY EXPAND

<http://peamarketing.com.br/coffidential/coffidential-045.pdf>

MAY: SCALING UP SPECIALTY

<http://peamarketing.com.br/coffidential/coffidential-046.pdf>

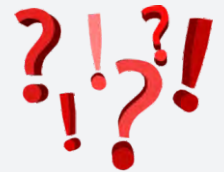


JUN: COFFEE CONSUMPTION IN PRODUCING COUNTRIES: CHALLENGES FOR THIS DECADE

<http://peamarketing.com.br/coffidential/coffidential-047.pdf>

JUL: HOW TO MAKE YOUR "COFFEE ID" REACH THE FINAL CONSUMER?

<http://peamarketing.com.br/coffidential/coffidential-048.pdf>



AUG: BACK TO BASICS: COFFEE YIELDS AND SUSTAINABILITY

<http://peamarketing.com.br/coffidential/coffidential-049.pdf>



SEP: CREATING A VIABLE FUTURE FOR ROBUSTA PRODUCERS

<http://peamarketing.com.br/coffidential/coffidential-050.pdf>

OCT: THE FUTURE OF COFFEE CONSUMPTION

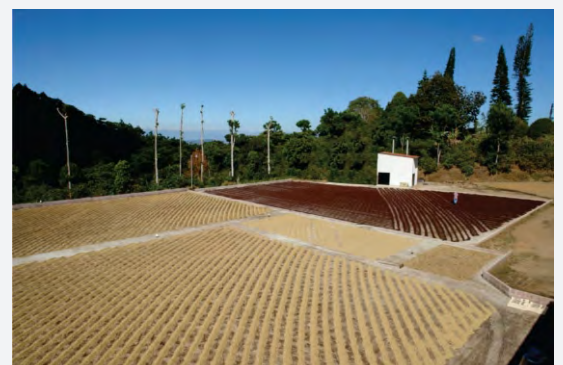
<http://peamarketing.com.br/coffidential/coffidential-051.pdf>

NOV: A (DIFFERENT) WORLD OF COFFEE CHOICES

<http://peamarketing.com.br/coffidential/coffidential-052.pdf>

DEC: CLIMATE CHANGE AND COFFEE PROCESSING

<http://peamarketing.com.br/coffidential/coffidential-053.pdf>



FEB: NEW WET POLISHERS FOR ROBUSTA (AND ARABICA TOO)

<http://peamarketing.com.br/coffidential/coffidential-043.pdf>

MAR: PINHALENSE WEEDING EQUIPMENT GOES ABROAD AS NEW FACTORY IS OPENED

<http://peamarketing.com.br/coffidential/coffidential-044.pdf>



MVF DENSIMETRIC SEPARATOR

APR: PINHALENSE, P&A AND SPECIALTY COFFEE: AN IMPORTANT DIFFERENTIAL AND ADDED VALUE FOR CLIENTS

<http://peamarketing.com.br/coffidential/coffidential-045.pdf>

MAY: MACHINERY TO SCALE UP SPECIALTY: QUALITY, QUANTITY AND SUSTAINABILITY

<http://peamarketing.com.br/coffidential/coffidential-046.pdf>

JUN: GLOBAL WARMING, CLIMATE CHANGE... AND MVF GRAVITY SEPARATORS

<http://peamarketing.com.br/coffidential/coffidential-047.pdf>



PRE-DRYER FOR COFFEE



PRE-SECADOR DE CAFÉ



FCCI HEAT EXCHANGER WITH HUSK FEEDER

ROTARY DRIER SRE FOR SMALL GROWERS

JUL: A SIZE (AND SHAPE) GRADER FOR EACH ORIGIN?

<http://peamarketing.com.br/coffidential/coffidential-048.pdf>



AUG: MICRO LOTS AND MICRO MILLS

<http://peamarketing.com.br/coffidential/coffidential-049.pdf>



State-of-the-art sustainable manufacturing of machinery for coffee, cocoa, nuts and other agricultural products

SEP: HOW TO AVOID... AND/OR TO SEPARATE DEFECTS IN ROBUSTA PROCESSING

<http://peamarketing.com.br/coffidential/coffidential-050.pdf>



ecoflex - 8 WET MILL

OCT: PROCESSING ONE HALF OF THE WORLD'S COFFEE?

<http://peamarketing.com.br/coffidential/coffidential-051.pdf>

NOV: MACHINES TO DIVERSIFY THE QUALITY OF THE COFFEE YOU NOW OFFER

<http://peamarketing.com.br/coffidential/coffidential-052.pdf>



DEPOS HULLER-POLISHER



C2DPRC HULLER, POLISHER AND GRADER



PII-4 SIZE GRADER



CPC BULK CONTAINER LOADER

DEC: PINHALENSE LINE OF COFFEE PROCESSING EQUIPMENT

<http://peamarketing.com.br/coffidential/coffidential-053.pdf>

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