

CONFIDENTIAL

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

- CONSULTING SERVICES AT P&A'S THINK-TANK (PAGE 3)
- QUALITY MATTERS EVEN MORE WHEN COFFEE PRICES ARE LOW (PAGE 4)

MINIMUM PRICES TO BE SET BELOW GROWERS' EXPECTATIONS

A much longer than usual negotiation between the Ministries of Agriculture and Finance came to a deadlock that called for the intervention of the President's office and the President's own authorization to set Arabica minimum prices at R\$ 307 (US\$ 153.50) per 60kg bag to be compared to CONAB's official production cost estimate of R\$ 336 (US\$168). Growers, backed by the Ministry of Agriculture, were defending R\$ 340 (US\$ 170) but the Ministry of Finance feared that such a hike could impact retail coffee prices in Brazil with adverse impacts on the government's ongoing efforts to curb inflation. The President's office argues that R\$ 307 is still above the current farm gate market price of R\$ 300 (US\$ 150). The minimum price for Conilon, to be set at R\$ 180 (US\$ 90), is also well below the farm gate average price. Minimum coffee prices are used as a reference for government policies and CONAB managed programs to support the sector, e.g., put-and-call public auctions, purchases for stocking, etc.

Source: O Estado de São Paulo

INNOVATIVE STUDY TO MAP ALL COFFEE AREAS IN MINAS GERAIS

Minas Gerais is starting to implement a broad project aimed at mapping the state's coffee areas both qualitatively and quantitatively. With the help of high resolution satellites and field analyses, the initiative will be able to catalog the different coffee varieties and different qualities produced in every micro region, helping to deliver more accurate crop estimates and assisting growers to identify less productive areas/varieties. The study, being conducted by the Federal University of Lavras (UFLA) in partnership with cooperatives and EMATER-MG (Technical Assistance and Rural Extension Agency of Minas Gerais), is expected to be concluded in one and a half year. Minas Gerais is the largest coffee growing state in Brazil with approximately 1 million hectares in production.

Source: Valor Econômico



PARTNERS OF SUSTAINABLE COFFEE PROGRAM VISIT BRAZIL

Several founding partners of IDH's Sustainable Coffee Program (SCP), including four of the world's largest coffee roasting companies, were in Brazil in the week of April 22-25 to promote the initiative among relevant players in the national coffee supply chain. Accompanied by IDH managers and P&A, the SCP Coordinator for Brazil, the group met stakeholders in Belo Horizonte, Vitória and Brasília, including government officials at MAPA (Ministry of Agriculture, Livestock and Food Supply) and the Secretariats of Agriculture in MG and ES, representatives of the production, industry and exporting sectors, extension services and sustainability standards. The Sustainable Coffee Program is a pre-competitive initiative based on cooperation between public and private sectors whose goal is to increase sustainability among coffee growers by means of capacity building, good agricultural practices and adoption of verification and/or certification. Additional information about IDH's SCP can be found at www.idhsustainabletrade.com/coffee

Source: P&A

LOW PRICES MAKE COOPS STOCK HIGHER VOLUMES



Source: Capebe



Source: Cooxupé

Low Arabica coffee prices and the record volumes received by Brazilian cooperatives in the last crop caused current coffee stocks to be much higher than in previous years. Even a large exporting coop like Cooxupé is going through this situation: 30% of the 2012 coffee crop is still stocked whereas in April 2012 stocks represented only 19.2% of the total volume received in 2011.

Source: Valor Econômico

COOPERATIVES TO ANNOUNCE THEIR COFFEE STOCKS

The National Coffee Council (CNC) has recently stated that Brazilian cooperatives will resume announcing their coffee stocks, a practice that had been abandoned by the sector in 2006. The data will help monitor supply in relation to demand and also give more transparency to the coffee market. Stock figures will be released every quarter.

Source: Reuters

BRAZILIAN GROWERS TO SELL GREATER VOLUMES THIS YEAR

Brazilian green coffee exports should reach 26.9 million bags this year, an 8% increase compared to 2012. This growth may compensate the production fall in Central America due to coffee leaf rust ("roya"). Since Brazilian coffee production in 2013 may exceed last year's output of 50.8 million bags, growers are selling higher volumes of coffee from the past crop to "make room" for the new one.

Source: CaféPoint

BRAZILIAN ROASTER ENTERS SINGLE-SERVE MARKET

One of the main Brazilian coffee roasters, based in Ribeirão Preto, state of São Paulo, recently announced its plans for the single-serve retail market. With investments of R\$ 1.2 million (US\$ 600,000) and a partnership with a Portuguese company, Café Utam expects to sell 4 million capsules still this year. Its capsules are compatible with Nespresso machines and also with the company's recently launched line of machines called Uno. This is the fourth brand to launch Nespresso compatible capsules in the Brazilian market in the last six months.

Sources: G1 and P&A



GERMAN ROASTERS USING MORE BRAZILIAN COFFEE

Germany is importing more green coffee from Brazil and Vietnam to support its position of world's largest exporter of roasted coffee and re-exporter of green coffee. Brazilian coffees that used to represent 12.9% of the total volume imported by Germany in the period 1990-1999 now have a 34% share of coffee imports (2011 data) and continue to grow. Vietnam is the second largest coffee supplier to Germany with 18% of the country's total imports. According to the ICO, German roasters are able to add up to 74% of value to coffee, on average, with the help of coffee processing, roasting, distribution and marketing operations.

Source: Valor Econômico

EMBRAPA COMMEMORATES 40TH ANNIVERSARY



Created on April 26th, 1973, Embrapa (the Brazilian Agricultural Research Corporation) is now 40 years old. Embrapa is the main organization dedicated to agricultural research in Brazil. Embrapa played a crucial role in the country's recent "agricultural revolution" that made Brazil one of the world's leading agricultural powerhouses. Embrapa manages the Brazilian Coffee Research Consortium.

Sources: Embrapa and P&A



Pictures of the Month

ARABICA HARVESTING STARTS IN BRAZIL



Early harvest and processing of Yellow Bourbon on Santana Estate, Mogiana region of the state of São Paulo

CONSULTING SERVICES AT P&A'S THINK-TANK

P&A International Marketing decided to expand its consulting division in order to respond to clients' demands and to address challenges faced by the agricultural sector in areas ranging from business strategy to marketing and including technology and sustainability.

Founded in 1995, P&A's original proposition was to outsource the management of Pinhalense's exports of processing equipment for coffee and other products. This proved to be a great success with annual exports growing 4 times and reaching 90 countries to be compared with less than 30 when P&A started operations. This achievement resulted from the firm's ability to develop and coordinate projects in different environments, to respond to specific requirements, and to manage the whole export process in a professional way, from discussions of clients' needs to supply of equipment, to training and after-sales service.

The international exposure of its executives during the past 18 years became an important asset that P&A progressively made available to the coffee sector. The knowledge that P&A accumulated has been much sought after by the main coffee events around the world in the last 15 years and is largely identified with the firm's partner Carlos Brando. But P&A is not only about conference presentations and Carlos Brando. P&A's team has been offering consulting services for a long time to clients as diverse as the World Bank, the International Coffee Organization and private companies and governments in countries like the US, Mexico, Colombia and India besides Brazil. International clients have profited from P&A's skills and know-how in marketing, strategy and technology as well as from its unique methodology to seek strategic consensus in complex organizational environments to support decision making and to understand and take advantage of market trends.



P&A's consulting and resource teams at headquarters

P&A's network of representatives in 35 countries on the 5 continents is the firm's eyes and ears in foreign markets. The foreign agents are constantly collecting market information, sharing with P&A their own updated strategic views, facilitating access to relevant actors in the public and private sectors, and pursuing business opportunities in their areas of operation. As a result, over and beyond the capabilities available at its headquarters, P&A consulting activities benefit from unique country specific insights and a reliable network of professionals that can be accessed and grouped together to form a team according to the nature of the project. P&A also offers to clients aboard its deep understanding of how to do business in Brazil and how to enter these competitive and sophisticated markets for agricommodities and their associated equipment and retail products.

Its growing track record in the provision of consulting services led P&A to empower this division to become more active in the sector. The wide set of capabilities that is one of P&A's strengths was recently boosted by hiring new professionals. P&A's team members have diverse backgrounds in economics, business, engineering, agronomy, international affairs and public relations and are fluent in English, Spanish and French besides Portuguese.

When it comes to defining P&A's business positioning, it may be fitting to call it a think-tank of its own kind, a think-tank for the world coffee business. In addition, by hiring new professionals the firm is now prepared to apply the lessons learned in coffee to support a wide range of sectors working with agricultural products, especially those that are differentiated by physical and/or sensorial attributes. In other words, if there is room for product differentiation, P&A is the right advisor to create strategies and to develop new opportunities in the markets you are considering, be it a producing or consuming country.

Contact us at peamarketing@peamarketing.com.br to learn how we can help you.

Brazilian Prices

April 30, 2013

Main Producing Regions / Farm Gate

Arabica Naturals (R\$/ 60 kg bag)	
Cerrado-MG fair average quality T.6	310,00 ↑
Mogiana-SP fair average quality T.6	305,00 ↑
South Minas fair average quality T.6	305,00 ↑
Arabica Pulped Naturals (R\$/ 60 kg bag)	
Cerrado-MG	325,00 ↑
South Minas	320,00 ↑

6.5%

Conilon/ Robusta (R\$/ 60 kg bag)	
Colatina-ES fair average quality	268,00 =
BM&F (US\$/ 60 kg)	
May 2013	155,95 ↓
Sep 2013	164,40 ↓
Dec 2013	168,10 ↓
Real R\$/ Dolar US\$	
April 30	2,00 ↓


Source: www.qualicafe.com.br

QUALITY MATTERS EVEN MORE WHEN COFFEE PRICES ARE LOW

In response to the current low prices of Arabica coffee and aware of the even greater impact that proper drying has on coffee quality and growers' profits when prices are low, Pinhalense has decided to extend its AFCA - SCAA special discount on driers until June 15.

Even though the sales already made in response to the discount campaign have depleted stocks, Pinhalense will keep the discount below for driers that are yet to be manufactured.

30% discount on Rotary Driers for coffee and cocoa *



Come and visit us at booth #522 at SCAA in Boston and get a special discount on rotary driers.


BBTC DRYING MILL - INDIA

Pinhalense SRE rotary driers, the best technology for coffee drying:

- uniform drying
- fast loading and unloading
- no damage to parchment

 **PINHALENSE**

peamarketing@peamarketing.com.br

 **P&A**
International marketing

* Valid until June 15 for 100% advanced payment. Consult P&A for discounts applicable to other payment conditions