

CONFIDENTIAL

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

- SELECTION OF ARTICLES ABOUT THE COFFEE MARKET IN 2012 – OUTLOOK FLASHBACK (PAGE 3)
- ALL ABOUT PINHALENSIS MACHINES – MACHINE OF THE MONTH FLASHBACK (PAGE 4)

BRAZILIAN COFFEE BLEND IN TAM FLIGHTS

TAM passengers of flights operating in Latin America, USA and Europe can now taste a blend of Suplicy Cafés Especiais in all classes. The blend is composed of specialty Arabicas grown in Minas Gerais (Cerrado and South Minas) and São Paulo (Mantiqueira and Alta Mogiana regions). Suplicy is a Brazilian chain of specialty coffee shops active in the states of São Paulo, Rio de Janeiro, Rio Grande do Sul and in Brasília.

Source: TAM Airlines



COFFEE GROWERS MAKING MONEY ONLY IN WESTERN BAHIA

According to a study carried out by CNA, the National Agricultural Confederation, Arabica growers in the municipality of Luís Eduardo Magalhães, in the western part of Bahia, are the only ones in Brazil making a profit – of around R\$ 21,50 (US\$ 9.50) per 60 kg bag – due to mechanization and irrigation technologies used in the region, usually in large properties. In places like Itabela (South Bahia) and Jaguaré (Espírito Santo), where Conilon is grown, growers had small losses, from R\$ 0,94 to R\$ 3,37 per bag (US\$ 0.40 to US\$ 1.43). But in general, Brazilian growers of Arabica surveyed by CNA had average losses of R\$ 148 (US\$ 63) per bag in 2013 due to increasing production costs and lower coffee prices.

Sources: Valor Econômico and CaféPoint

CONILON GROWERS NO LONGER PROFITABLE

Conilon (Robusta) growers in the state of Espírito Santo have registered losses over the past few weeks, following the same pattern experienced by their Arabica counterparts. Conilon coffee, which has lower production costs and higher yields than Arabica, was being negotiated at R\$ 250 (US\$ 106) per bag in the internal market since the beginning of 2013 but recent prices do not surpass R\$ 210 (US\$ 89), only slightly higher than average production costs estimated at R\$ 190 to R\$ 200 (US\$ 80 to US\$ 85) per bag.

Source: Valor Econômico

DIVERSIFICATION UNDER DISCUSSION



The Brazilian Ministry of Agriculture has announced a new package to support the coffee business, to become effective in 2014, that includes the creation of a credit line exclusively for coffee growers to diversify their production. The idea is that growers reduce the area planted with coffee but produce the same by using more productive varieties and efficient technologies while using part of the land to plant new crops such as grains and eucalyptus or to raise cattle in order to improve profitability. Resources for this line of credit will reach R\$ 1 billion (US\$ 425 million) over 10 years.

Source: Valor Econômico

GOVERNMENT PROGRAM BUYS COFFEE FROM FAMILY HOLDERS

The Federal Government has recently approved the acquisition of 25,000 bags of coffee in Espírito Santo in an effort to support small family holders. The investment of R\$ 7.5 million (US\$ 3.2 million) will directly benefit 1,400 small growers from five coffee cooperatives. This type of direct trade is part of a new package to support the coffee business in Brazil: the government will invest approximately R\$ 20 million (US\$ 8.5 million) to buy 70,000 coffee bags all over the country. Over 3,500 small coffee growers will be benefited in the producing states of Bahia, Espírito Santo, Minas Gerais, Sao Paulo and Paraná.

Source: Portal Brasil

☉ COFFEE SCHOOL FOR LOW INCOME KIDS



The specialty coffee shop chain Sofá Café will start its own "coffee school" in 2014 with free courses for low income youngsters. The chain, with 3 stores in São Paulo, opened its first unit outside Brazil in Boston, Massachusetts in May 2013. American clients are offered the traditional Brazilian delicacy "pão de queijo" (cheese bread) to be savored with the coffee preparations.

Sources: OESP and Veja São Paulo

☉ BRAZILIAN LIFESTYLE AND SPECIALTY COFFEE TO BE PROMOTED IN JAPAN

Buyers from Isetan Mitsukoshi, the largest Japanese retailing group, came to Brazil to select national products – food & beverage, fashion, footwear, design and furniture – to be promoted in Japan in 2014 as part of an Apex-Brasil partnership with 17 sectorial entities and the participation of 135 Brazilian companies. The activity aims at strengthening the position of high quality Brazilian products in the Japanese market, coffee included, and introducing the Brazilian lifestyle to customers of Isetan Mitsukoshi. The sales of the selected items will begin in April 2014 and continue throughout the year.



Sources: Brazilian Export Promotion Agency (Apex-Brasil) and Brazil Specialty Coffee Association (BSCA)

☉ PINHAL TO BECOME COFFEE AND WINE TOWN

Another step has been taken to place the traditional coffee town of Pinhal in the wine making map: its Guaspari Sirah Vista da Serra 2011 has been considered Brazil's best red wine in 2013. Made with grapes produced in high altitude coffee lands and processed at a state-of-the-art winery located in the outskirts of the town, Guaspari wines will be commercially launched in 2014.

Sources: P&A and Valor Econômico

📷 Picture of the Month Flashback



Brazilian Prices

December 31, 2013

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	280,00 ↑
Arabica Pulped Naturals (R\$/ 60 kg bag)	
Cerrado-MG	310,00 ↑
South Minas	305,00 ↑

+ 10.7%

Conilon/ Robusta (R\$/ 60 kg bag)	
Colatina-ES fair average quality	230,00 ↑
BM&F (US\$/ 60 kg)	
Mar 2014	138,95 ↑
Sep 2014	142,25 ↑
Dec 2014	148,85 ↑
Real R\$/ Dolar US\$	
December 31	2,34 =

Source: www.qualicafe.com.br

FEB: SUSTAINABILITY BEYOND FARM GATE

<http://peamarketing.com.br/coffidential/coffidential-067.pdf>

MAR: NEW TRENDS IN COFFEE LOGISTICS AND STORAGE: THE BIG BAG REVOLUTION

<http://peamarketing.com.br/coffidential/coffidential-068.pdf>



APR: NEW DYNAMICS IN COFFEE CONSUMPTION AND IMPACTS ON SUPPLY

<http://peamarketing.com.br/coffidential/coffidential-069.pdf>

MAY: CONSULTING SERVICES AT P&A'S THINK-TANK

<http://peamarketing.com.br/coffidential/coffidential-070.pdf>

JUN: WET MILLING WITHOUT WATER?

<http://peamarketing.com.br/coffidential/coffidential-071.pdf>



JUL: HOW PINHALENSIS AND P&A USE TECHNOLOGY TO ADD VALUE FOR CLIENTS

<http://peamarketing.com.br/coffidential/coffidential-072.pdf>

AUG: TIME, COFFEE QUALITY AND MONEY REVISITED

<http://peamarketing.com.br/coffidential/coffidential-073.pdf>



SEP: CHERRY SEPARATION AND COFFEE QUALITY: "ONE PLOT, MANY FLAVORS"

<http://peamarketing.com.br/coffidential/coffidential-074.pdf>



OCT: SUSTAINABILITY IN DRY MILLING

<http://peamarketing.com.br/coffidential/coffidential-075.pdf>

NOV: CAN BRAZIL'S PRODUCTION COSTS CREATE A FLOOR FOR ARABICA PRICES?

<http://peamarketing.com.br/coffidential/coffidential-076.pdf>

DEC: TRAVEL THE COFFEE WORLD WITH SMART AND EFFICIENT ITINERARIES

<http://peamarketing.com.br/coffidential/coffidential-077.pdf>

FEB: FINANCING POST-HARVEST PROCESSING EQUIPMENT

<http://peamarketing.com.br/coffidential/coffidential-067.pdf>

MAR: BIG-BAG SCALES AND FILLERS: SMARTBAG, FLOWBAG AND BALBAG

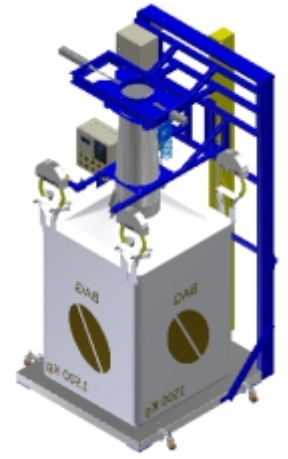
<http://peamarketing.com.br/coffidential/coffidential-068.pdf>

APR: COFFEE QUALITY AND DRYING AND WET MILLING OPPORTUNITIES: VISIT US AT SCAA

<http://peamarketing.com.br/coffidential/coffidential-069.pdf>

MAY: QUALITY MATTERS EVEN MORE WHEN COFFEE PRICES ARE LOW

<http://peamarketing.com.br/coffidential/coffidential-070.pdf>



JUN: IMMATURE CHERRY SEPARATION AND PULPING

<http://peamarketing.com.br/coffidential/coffidential-071.pdf>

JUL: HOW PINHALENSE AND P&A USE TECHNOLOGY TO ADD VALUE FOR CLIENTS

<http://peamarketing.com.br/coffidential/coffidential-072.pdf>

AUG: NEW TURBO HEAT EXCHANGERS FOR DRIERS

<http://peamarketing.com.br/coffidential/coffidential-073.pdf>

SEP: ecoflex PULPERS WITH IMMATURE CHERRY PRESSURE SEPARATORS

<http://peamarketing.com.br/coffidential/coffidential-074.pdf>

OCT: EQUIPMENT TO IMPROVE THE SUSTAINABILITY OF DRY COFFEE MILLS...

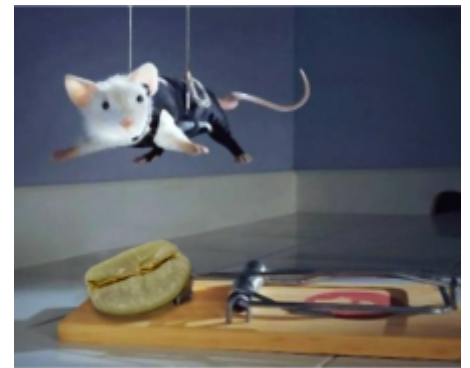
<http://peamarketing.com.br/coffidential/coffidential-075.pdf>

NOV: MAXIMIZE INCOME BY PULPING CHERRIES AT DIFFERENT STAGES OF MATURATION

<http://peamarketing.com.br/coffidential/coffidential-076.pdf>

DEC: A BETTER MOUSE TRAP... REVISITED

<http://peamarketing.com.br/coffidential/coffidential-077.pdf>



P&A wishes you a Prosperous and Happy Coffee Year!

