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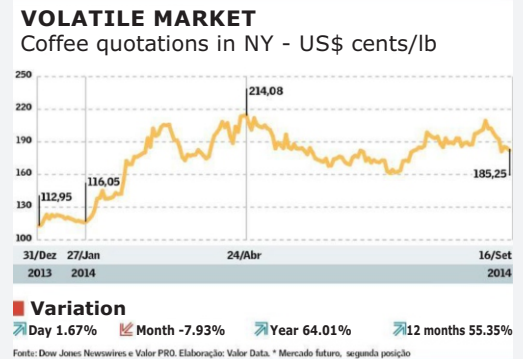
YOUR BEST SOURCE OF INFORMATION ABOUT THE BRAZILIAN COFFEE BUSINESS... AND MUCH MORE. THIS ISSUE:

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VOLATILITY ALSO AFFECTING DOMESTIC COFFEE TRADE

Coffee trading has been unusually "locked" for this time of the year in the domestic market due to high market volatility and low international demand, with growers holding their coffees waiting for better prices. A substantial part of sales were made in the first semester when coffee prices increased significantly after a long period of low prices. Good quality Arabica, for instance, was negotiated at R\$ 500 (US\$ 208) per bag compared to the current R\$ 440 (US\$ 183). Exporters are also shipping coffee sold earlier. According to experts, coffee sales in Brazil, physical and anticipated, reached 38% of the 2014/15 crop until July 15, much higher than the 21% in the same period of last year.

Source: Valor Econômico



ADVERSE CLIMATE LOWERS PRODUCTION OF PULPED NATURAL COFFEE

The dry weather and strong heat registered in Brazil in 2014 have accelerated coffee ripening and affected the "availability" of ripe cherries and the production of pulped natural coffees (CD, for Cereja Descascado in Portuguese). There has been a sensible reduction in the volume of pulped natural coffees that usually fetch better prices for growers due to their higher quality. This type of coffee generally accounts for 12 to 15% of the coffee output in Brazil. Brazilian pulped naturals, with lower body and higher acidity, are used as substitutes for washed Colombians and are mostly sought after for espresso preparations in the USA and Europe. Brazilian exports of specialty coffees increased 10% during the first semester, compared to the same period of 2013 with coffee buyers worried about product scarcity.

Source: Valor Econômico

GROWERS OBJECT TO GOVERNMENT'S 2015 CROP ESTIMATES

Coffee growers in Brazil, represented by the National Coffee Council (CNC) and the National Agricultural Confederation (CNA) strongly criticized the government's recently released estimate of 48.8 million bags for the 2015 coffee crop, claiming that not only it is overestimated but has been based on statistics alone, without actual field visits. CNC estimates an output between 40 and 43 million bags. The future crop will definitely be affected by the severe drought that hit Brazil during several months in 2014.

Source: Reuters

INDUSTRY FORESEES HIGHER PRICES FOR BRAZILIAN CONSUMERS

ABIC, the Brazilian Coffee Roasters' Association, may not be able to avoid a hike in prices for consumers next year like it did this year in case the 2015 coffee production is also affected by the drought. Roasters have reduced their profit margins in 2014 in order not to pass on to consumers the higher green coffee prices. Many Brazilian roasting companies have paid up to 80% more for green coffee this year but increased its product price by only 18% to 20%.

Source: Folha de São Paulo

INTERNATIONAL COFFEE WEEK CONSOLIDATES POSITION IN CALENDAR OF COFFEE EVENTS

The 2014 International Coffee Week, that took place in September in Belo Horizonte, Minas Gerais, and gathered 13,000 national and international visitors and 3,000 coffee growers, generated R\$ 85 million (US\$ 36 million) in business transactions – R\$ 25 million (US\$ 11 million) during the event and R\$ 60 million (US\$ 25 million) indirectly.

The event, the largest of the coffee sector in Brazil, included an extensive program with a trade fair, seminars, workshops and several coffee competitions. Thiago Sabino of Octavio Café won the first place at the 14th Brazilian Barista Contest and the Arabica coffee lot from Ninho de Águia Estate in the Matas de Minas region was the champion of the Coffee of the Year Award. The 2015 International Coffee Week is already scheduled for September 24-26 in Belo Horizonte. Please go to "Pictures of the Month" section for images of the event.

Source: Café Editora

NOVEL USE OF PINHALENSE SAMPLE SCREENS



São Paulo concept coffee shop Coffee Lab is using Pinhalense sample screens as trays to serve bread and other delicacies. Found in coffee grading and cupping facilities around the world and designed to grade samples of green coffee according to the size and shape of the beans, Pinhalense sample screens have now gained a new life and use in the gourmet food and beverage business thanks to Coffee Lab's owner Isabella Raposeiras' brilliant idea. What about a ristretto or a macchiato on a peaberry screen 11? Or a coffee shake and a brownie on a screen 18 tray?

Source: P&A

IMPROVING CONILON QUALITY IN SOUTHERN ESPÍRITO SANTO

INCAPER, the institute in charge of research and rural extension in Espírito Santo, is organizing capacity building events for small growers in the southern part of the state, focusing on improving the quality of Conilon (Robusta) coffee. In municipalities like Itapemirim and Jerônimo Monteiro, growers are being trained on issues such as good harvesting and post harvesting practices, sustainable production and understanding global market trends, among others subjects.

Source: CaféPoint

ENERGY REVOLUTION STARTING IN COFFEE AREAS

An innovative experiment that has already been proven successful in several countries of Central America is being introduced by UTZ Certified in coffee farms of Brazil and Peru. It helps to generate biogas from residues of coffee processing and protects water resources by avoiding environmental contamination. The project called "Energy from Coffee Residues" uses anaerobic biodigestors made from materials easily found in the coffee areas. In small farms, they are directly connected to the growers' houses, while in larger properties there are more complex installations. The impacts of the project were so positive – more than 5,000 people reached in Nicaragua, Honduras and Guatemala coffee areas – that UTZ is now replicating the experiment in other countries. The initiative, started in 2010, has led small farmers to treat the totality of the contaminated coffee waste water, save 60% to 70% of the water used during wet milling, and obtain a considerable volume of biogas. Larger growers have even better results. UTZ Certified now seeks industry support to expand the initiative to Africa and Asia as well.



Nicaraguan coffee farmer, Fátima Blandón, cooking with biogas. Yalí, Jinotega, Nicaragua

Source: UTZ Certified

Pictures of the Month: INTERNATIONAL COFFEE WEEK 2014



SINGLE-SERVE, OPPORTUNITIES FOR GROWERS AND VISION 2030

Single-serve is pushing coffee consumption in traditional and emerging markets alike. Coffee pouches have been around for decades but the single-serve revolution gained momentum with capsules, Nespresso mostly everywhere and Keurig in the US after the pioneering efforts of Senseo in the Benelux. A different type of single-serve – 3 in 1: soluble coffee, non-dairy cream and sugar – leads the process in emerging markets. Either type of single serve (e.g.: capsules in Brazil and 3 in 1 in Indonesia) or both are helping to expand consumption in coffee producing countries.

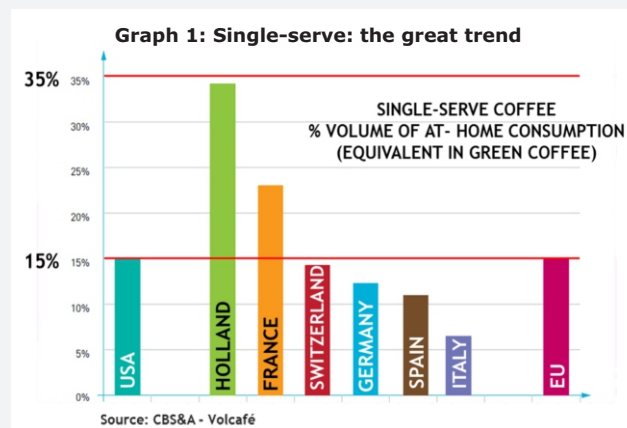
Will “closed” proprietary systems like Nespresso or “open” systems like Keurig dominate the market in the coming years? This may impact the degree of market concentration in the future. The picture is being blurred by the end of Nespresso patents and the surge of “generic” Nespresso-compatible capsules, on the one hand, and recent Keurig moves to restrict the access of capsules made by others to its machines, on the other hand. The picture is further blurred by espresso-based Nespresso's entry into filtered coffee in the US with a new type of machine and filter-based Keurig's move into espresso, let alone Nestlé's other single-serve line, Dolce Gusto.

Stakes are high and the success of Nespresso, Keurig and Senseo are attracting increasing competition from companies of all sizes, specially considering that single-serve penetration is still small in most markets as shown in Graph 1. Opportunities are therefore enormous to increase the market share of single-serve and the current leading brands will move to enter each other's most important markets, the EU for Nespresso and the US and Canada for Keurig. At the same time, they will be challenged by new entrants that are also growing in specific markets and are likely to gain scale.

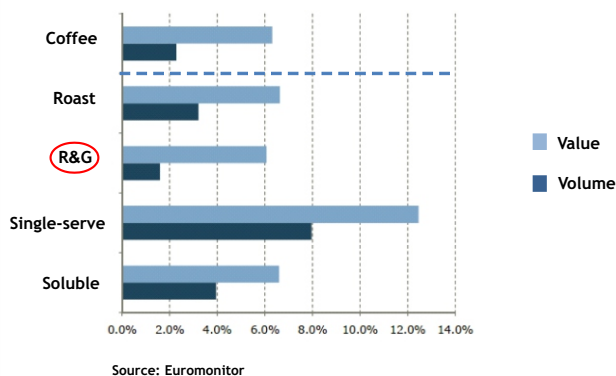
Above-the-average rates of consumption growth in the US and Europe bear witness to the importance of single-serve coffee and cast a shadow on the view that the loss of the *share of the drain* will cause single-serve to actually bring coffee consumption down. This pessimistic view, that denies the concept of *homo economicus* and assumes that left-overs from coffee brewed for several persons will be continuously and consistently discarded into the sink drain, is likely to remain only a view and not an actual fact as demonstrated by the association between single-serve and the expansion of consumption.

As the coffee world increasingly discusses a *2020 vision*, it is worth asking what the impacts will be of single-serve on coffee production. Many theories may be proposed here. First, growers may have better opportunities to add value to their product via single-serve than via coffee shops because the intrinsic characteristics of coffee are more valuable in the former than in the latter, which also adds value to coffee with the help of ambiance, service, etc. Second, consumers will shift from a single blend (and brand), that is consumed day after day, to a variety of blends as offered by the different single-serve options. Third, if a few companies dominate the global single-serve market, regional coffee preferences will be weakened in favor of “world blends”, i.e., what goes into the leading capsules, with a preference emerging for coffee suppliers that can provide growing volumes with consistent qualities.

It seems too early for all this to happen before 2020. Considering that we are approaching the middle of the decade and that the single-serve market will have to make major moves before it becomes mainstream, it may be better to look into 2030. In spite of the phenomenal growth rate of the capsules and 3 in 1 in many markets, Brazil and Indonesia respectively for example, it will take a long time to grow on a small base and even longer until a good percentage of Asian 3-in-1 consumers shift to capsules. Meanwhile the projections in Graph 2, consumption growth (volume and value), confirm that the market will definitely move away from roast and ground coffee and into other more technology-intensive forms of consumption, with single-serve leading the trend.



Graph 2: Projections of world consumption growth 2012-17: value and volume



Brazilian Prices

September 30, 2014

Main Producing Regions / Farm Gate

Arabica Naturals (R\$/ 60 kg bag)	
Cerrado-MG fair average quality T.6	475,00 =
Mogiana-SP fair average quality T.6	470,00 =
South Minas fair average quality T.6	470,00 =
Arabica Pulped Naturals (R\$/ 60 kg bag)	
Cerrado-MG	535,00 ↓
South Minas	530,00 ↓

+ 13.8%

Conilon/ Robusta (R\$/ 60 kg bag)	
Colatina-ES fair average quality	260,00 ↑
BM&F (US\$/ 60 kg)	
Dec 2014	229,30 ↓
Mar 2015	238,40 ↓
Sep 2015	241,50 ↓
Real R\$/ Dolar US\$	
September 30	2,45 ↑

Source: www.qualicafex.com.br

CLIMATE CHANGE AND COFFEE CHERRY SEPARATION REVISITED

What seemed a likely possibility when this article was first published in 2010 is now a fact: climate change has come to stay. There is growing evidence of erratic rainfall patterns and increasing average temperatures around the coffee producing world. What is yet to be determined is how widespread these changes will be and how often they will occur.

Erratic rainfall interferes with coffee flowering and causes the maturation of cherries to be less uniform. As a result, chances are that more cherries that are not fully ripe will be picked, along with the ripe ones, irrespectively of the harvesting system used. This requires the separation of cherries with different degrees of maturation and the separate pulping of these cherry fractions in order to produce top quality washed coffee from the fully ripe cherries and to get the best possible quality and price out of the other fractions.

Pinhalense has mastered the techniques of mechanical cherry separation and the separate pulping of cherries with different degrees of ripeness at a level that is unparalleled still today. This is achieved with the help of the mechanical siphon, developed and patented by Pinhalense, and Pinhalense's unique screen pulper that enables the separate pulping of fully ripe, partially ripe and unripe cherries, if so required.

The mechanical siphon LSC separates over-ripe and partially dry cherries from the fully ripe, partially ripe and unripe ones. The screen pulper that equips the ecoflex pulpers and compact ecologic wet mills can pulp only the top quality ripe cherries and discard the partially ripe and unripe ones. These discarded, less than optimum quality cherries – partially ripe and unripe – can then be pulped, together or separately, by the same screen pulper, using special techniques and procedures developed by Pinhalense.

The advantages of this multiple stage separation and the separate pulping of the different cherry fractions are many:

- water and labor are saved in mechanical siphons that replace conventional siphon tanks;
- cherries are cleaned prior to pulping (leaves, twigs and impurities smaller or larger than coffee as well as stones are removed);
- separation of cherries in the mechanical siphon may avoid fermented cups;
- the innovative screen pulper enables the elimination of astringency in the cup;
- the screen pulper ensures that the best is obtained from each cherry fraction;
- different products are created for different markets, with different organoleptic features and prices; and
- Pinhalense pulping systems avoid physical damage to parchment and beans, the loss of coffee with pulp, and pulp mixed with parchment.

The advanced Pinhalense wet milling systems make it possible to cope with multiple flowerings, to handle cherries with different degrees of maturation and to improve the efficiency of harvesting without losses in coffee quality and with additional gains from getting the most out of each cherry fraction picked.



**LSC-10PX
MECHANICAL SIPHON**

**ecoflex-4x
SCREEN PULPER, REPASSER AND
MUCILAGE REMOVER**

