

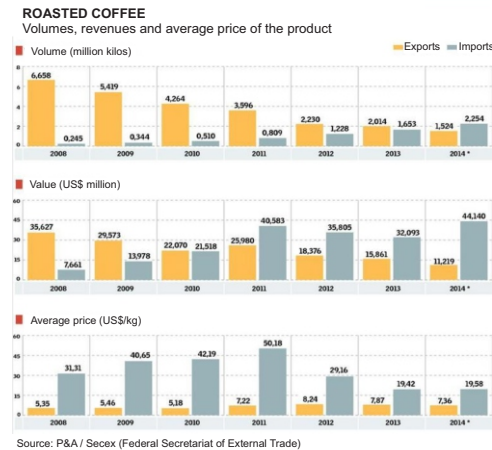
# CONFIDENTIAL

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

- SELECTION OF ARTICLES ABOUT THE COFFEE MARKET IN 2014 – OUTLOOK FLASHBACK (PAGE 3)
- ALL ABOUT PINHALENSIS MACHINES – MACHINE OF THE MONTH FLASHBACK (PAGE 4)

## **FOREIGN TRADE BALANCE FOR ROASTED COFFEE AFFECTED BY CAPSULES**

The increasing demand for coffee capsules in the Brazilian local market has led the balance of trade for roasted coffee to one of its greatest deficits in recent history. Imports of the industrialized product have skyrocketed in both volume and revenues and surpassed exports. From January to November 2014, the country imported 2,254 tons of roasted coffee, 46% more than in the same period of 2013, according to data supplied by the Federal Secretariat of External Trade and compiled by P&A. On the other hand, exports decreased 15% to 1,524 tons. P&A estimates that the average price of Brazilian imports of roasted coffee is currently US\$ 20 per kilogram whereas the average price of exports is only US\$ 7/kg; the main reason for this large price difference is the rise in the imports of capsules (high value added products). According to a survey by Nielsen, out of 2,254 tons of coffee imported by Brazil from January to November, 1,600 already came in the form of capsules (approximately 350 million units). The volume of coffee capsules consumed in the domestic market grew 52% from 2013 to 2014 with promising possibilities for the future: Nestlé and 3Corações/Strauss are already moving on their plans for capsule manufacturing in Minas Gerais apart from other small and mid-size local companies that already produce generic Nespresso capsules.



Source: Valor Econômico

## **NEW CAPSULE PLANTS ON THEIR WAY BUT DISCUSSIONS CONTINUE ABOUT GREEN COFFEE IMPORTS**

Although a new era for the coffee sector has started in Brazil with announcements that large companies will start to produce capsules locally, the matter of green coffee imports remains and divides opinions. For some representatives of the producing sector, imports of the raw material will force internal prices of green coffee to go down and equal those of the international market making the activity less profitable because of stricter labor laws and higher taxes and fees paid by growers in Brazil in comparison with other countries. On the other hand, the industry claims that the country will benefit from the generation of jobs and the exports of high value added products (capsules), and that only small amounts of high quality coffee should be imported annually. New capsule factories being built in Brazil such as that of 3Corações/Strauss will start production in 2016.

Source: Folha de São Paulo

## **NEW NESTLÉ CAPSULE PLANT WILL HELP BRAZIL TO BECOME DOLCE GUSTO'S MAIN MARKET**

Brazil, currently the 6th largest market for Nescafé's Dolce Gusto single-serve coffee that arrived in the country in 2009, may become its main market over the next five to ten years. The company has recently announced investments of R\$ 200 million (US\$ 74 million) for its first factory outside of Europe in the city of Montes Claros, state of Minas Gerais; the plant will supply capsules to the domestic and Latin American markets. The choice of Brazil for Dolce Gusto's new plant is linked to both increasing local demand and the local availability of the coffees the company needs. Nestlé informed that over 90% of the green coffee to be used will be produced in Brazil because the country offers a wide variety of origins, qualities and flavors.

Source: Valor Econômico

## **59-KG BAG TO BE STANDARD IN COFFEE SHIPMENTS**

Coffee exporters are discussing the possibility of using 59-kg bags in exports since the Brazilian Labor Laws (CLT in Portuguese) define that a single worker can carry a maximum of 60 kg. Coffee is currently bagged into jute bags with a total weight of 60.5 kg, being 500 grams the weight of the jute bag. Cecafé, Brazil's Coffee Exporters' Association, is ahead of these discussions, assisting the member exporters to implement the change to be soon standardized in all coffee producing states as well as in customs. In addition, exporters seek to standardize the volume exported in a 20-ft container: 325 bags of 59 kg instead of the current 320 bags of 60kg.

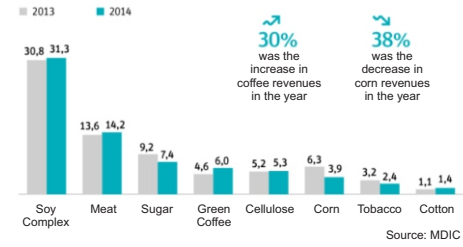
Source: CaféPoint

## COFFEE SETS NEW EXPORT RECORD AND SOY NOW LEADS BRAZILIAN EXPORTS

Soybean has surpassed iron ore for the first time since 2009 and now leads Brazilian exports. The soy complex (bean, bran and oil) totaled US\$ 31.3 billion in exports to be compared with US\$ 25.8 billion for iron ore in 2014. The rising star was green coffee that granted US\$ 6 billion in export revenues for the country, a value 30% higher than that of 2013. The favorable scenario for coffee exports allowed Brazil to set a new record of 36 million bags of coffee sold to foreign markets last year.

Source: Folha de São Paulo

### SOY LEADS Exports in US\$ billion



## NEW ROBOT TO PERFORM SOIL ANALYSIS



Embrapa Instrumentation and the University of São Paulo have designed a robot that can optimize the work in plantations. The device quickly analyzes soil features with a scanning light and indicates areas that need correction thus helping farmers to know precisely which plots require specific amounts of inputs. This technology, similar to what NASA uses in Mars, can reduce costs and increase production. The robot was launched during the National Symposium of Agriculture Instrumentation (SIAGRO) in the city of São Carlos, state of São Paulo, along with five other technologies that may help farmers produce more with sustainable practices.

Source: Revista Attalea Agronegócio

## MULTIPLE STEMS CAUSED BY DROUGHT?

Under normal circumstances, the Arabica coffee tree maintains its single-stem characteristic with dormant gems that can eventually develop buds under stress and create new stems. With the stress and defoliation caused by the severe drought of 2014, sunlight is now able to reach the plant stem and to stimulate the dormant gems that grow and increase budding, a phenomenon currently underway in Brazilian coffee plantations. Since new stems can "drain" resources from the main stem, growers are oriented to eliminate them, in a labor intensive operation that if not done now will require corrective pruning in the future.

Source: Revista Attalea Agronegócio



## Picture of the Month Flashback



## Brazilian Prices

December 30, 2014

### 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	555,00 ↑
South Minas	550,00 ↑

+ 11%

Conilon/ Robusta (R\$/ 60 kg bag)	
Colatina-ES fair average quality	267,00 ↓
BM&F (US\$/ 60 kg)	
Mar 2014	212,95 ↓
Sep 2014	220,20 ↓
Dec 2014	222,20 ↓
Real R\$/ Dolar US\$	
December 30	2,66 ↑

Source: www.qualifacex.com.br

**FEB:** PRODUCTIVITY, MINIMUM WAGE, SUSTAINABILITY AND SYSTEMIC SOLUTIONS

<http://www.peamarketing.com.br/imgs/coffidential079.pdf>

**MAR:** SEATTLE: HOW ABOUT A CUP OF COFFEE?

<http://www.peamarketing.com.br/imgs/coffidential080.pdf>

**APR:** DROUGHT AND DAMAGE TO COFFEE PRODUCTION IN BRAZIL

<http://www.peamarketing.com.br/imgs/coffidential081.pdf>

**MAY:** MICRO LOTS AND THE FUTURE OF THE SMALL GROWER

<http://www.peamarketing.com.br/imgs/coffidential082.pdf>

**JUN:** NEW HARVESTING OPTIONS

<http://www.peamarketing.com.br/imgs/coffidential083.pdf>

**JUL:** DEMYSTIFYING THE ACTIONS OF FUNDS IN THE COFFEE MARKET

<http://www.peamarketing.com.br/imgs/coffidential084.pdf>

**AUG:** DROUGHT AND DAMAGE TO COFFEE PRODUCTION IN BRAZIL: AN UPDATE

<http://www.peamarketing.com.br/imgs/coffidential085.pdf>



**SEP:** PRESIDENTIAL ELECTIONS, COFFEE SUPPLY AND PRICES

<http://www.peamarketing.com.br/imgs/coffidential86.pdf>

**OCT:** SINGLE-SERVE, OPPORTUNITIES FOR GROWERS AND VISION 2030

<http://www.peamarketing.com.br/imgs/coffidential87.pdf>

**NOV:** CLIMATE CHANGE, BRAZILIAN CROPS AND THE CEILING DISCREPANCY: A LAYMAN'S VIEW

<http://www.peamarketing.com.br/imgs/coffidential88.pdf>



**DEC:** COFFEE ECONOMICS – HOW INCENTIVES SHAPE THE COFFEE MARKET AND CULTURE

[http://www.peamarketing.com.br/imgs/coffidential\\_089.pdf](http://www.peamarketing.com.br/imgs/coffidential_089.pdf)

**FEB: INNOVATIVE WAYS TO ACQUIRE COFFEE MACHINERY**

<http://www.peamarketing.com.br/imgs/coffidential079.pdf>

**MAR: ARABICA AND ROBUSTA WASHING AND DRYING: ECHOES FROM A WORKSHOP IN INDIA**

<http://www.peamarketing.com.br/imgs/coffidential080.pdf>

**APR: DIVIDED-DRUM ROTARY DRIERS**

<http://www.peamarketing.com.br/imgs/coffidential081.pdf>

**MAY: PROCESSING OF MICRO LOTS**

<http://www.peamarketing.com.br/imgs/coffidential082.pdf>



**JUN: PINHALENSE SELF-PROPELLED COFFEE HARVESTER P1000**

<http://www.peamarketing.com.br/imgs/coffidential083.pdf>

**JUL: PINHALENSE HIGH-EFFICIENCY, SUSTAINABLE BUCKET ELEVATORS**

<http://www.peamarketing.com.br/imgs/coffidential084.pdf>



**AUG: CREATING OPPORTUNITIES AND ADDING VALUE WITH DRY CHERRY HULLERS AND SMALL GRADING EQUIPMENT**

<http://www.peamarketing.com.br/imgs/coffidential085.pdf>

**SEP: EFFICIENT AND SUSTAINABLE BULK CONTAINER LOADING**

<http://www.peamarketing.com.br/imgs/coffidential86.pdf>

**OCT: CLIMATE CHANGE AND COFFEE CHERRY SEPARATION REVISITED**

<http://www.peamarketing.com.br/imgs/coffidential87.pdf>

**NOV: UNDISPUTED WORLD LEADER IN DRY MILLING EQUIPMENT, LARGE AND SMALL**

<http://www.peamarketing.com.br/imgs/coffidential88.pdf>

**DEC: DUAL-PURPOSE COMBINED HULLER FOR PARCHMENT AND CHERRY COFFEE**

[http://www.peamarketing.com.br/imgs/coffidential\\_089.pdf](http://www.peamarketing.com.br/imgs/coffidential_089.pdf)



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

