

CONFIDENTIAL

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

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- NEW FLOW SCALE SMART-FLUX (PAGE 04)

☉ MICROTERRACING TO LOWER COSTS OF MOUNTAIN GROWN COFFEE

Microterracing is a new technique being adopted in mountainous coffee areas of Brazil. So far used in a few small areas in Minas Gerais, the technique seems very promising because it enables mechanization in areas where high slopes do not allow the use of machines and harvesting becomes very costly. The technique consists in the opening of 1.5-meter wide terraces between coffee rows – as shown in the pictures – in order to create flatter paths where narrow tractors can easily travel, facilitating husbandry, weed control, fertilizing, pruning and harvesting. The high initial investments required to implement the microterraces are quickly offset by lower production costs. Brazil has 700,000 hectares of mountainous coffee areas and microterracing will be very important to make the activity more competitive and sustainable.



Source: CNC

☉ BRAZIL SURPASSES MARK OF 36 MILLION BAGS EXPORTED

Brazilian coffee exports set a new record of 36.49 million bags exported in the 2014/15 coffee year that ended on June 30, a 6.9% volume increase over the previous period. Robusta exports accounted for 4.53 million bags, 133% more than in 2013/14, an expressive result and also a record. Arabica exports totaled 28.45 million bags. Total revenues from coffee exports grew 28% to US\$ 6.85 billion in 2014/15, according to CeCafé.

Source: Valor Econômico

☉ RONDONIA TO HARVEST 1.8 MILLION BAGS OF ROBUSTA THIS YEAR

Rondonia state is expected to produce approximately 1.8 million bags of Conilon/Robusta coffee in 2015, according to Conab, a 25.7% increase – 379,000 bags – over the previous season. The results reflect the state strategy to increase production in a smaller cultivated area. Rondonia’s performance is the result of several factors such as the use of technology in all stages of production and, especially, the use of clonal material to produce seedlings. The state has a long tradition in the production of Conilon coffee, currently cultivated in an area of 95,000 hectares.

Source: Correio Pimentense

☉ ADVERSE WEATHER DELAYS COFFEE HARVESTING AND IMPACTS QUALITY

Dry weather at flowering time last year coupled with rainfall in the past months – typical of the El Niño phenomenon – are causing delays in harvesting in most Brazilian producing areas. Irregular flowering caused by adverse weather in 2014 generated different ripening stages and, consequently, different times to harvest coffee at its best stage of maturation. According to Cepea, the Center for Advanced Studies in Applied Economics, the volume harvested is varying widely from region to region, as shown in the table. The unfavorable weather has also affected the size and quality of cherries.

Coffee Harvesting in Brazil in July		
Region	2015	2014
Paraná	40%	50%
Cerrado, MG	35% to 40%	> 60%
South, MG	30%	50%
Matas de Minas, MG	30%	60%
Mogiana, SP	20% to 30%	≈ 50%
Garça, SP	< 40%	≈ 50%
Espirito Santo	≈ 100%	100%
Rondonia	100%	100%

Source: CNC

Source: Cepea / Prepared by CNC Conselho Nacional do Café

SMALLER CHERRY SIZE TO LOWER 2015 ARABICA CROP

A survey with Red Catuaí - 144 samples grown on the Procafé Experimental Farm in Varginha, Minas Gerais, measured the effects of adverse weather on cherry size. The analysis of ripe cherries revealed that 65% had normal size and 35% were smaller. In the case of unripe cherries, 26% were normal and 74% smaller. The average weight difference of 39% between normal and smaller cherries will impact the weight of processed coffee beans. Based on these numbers, the technicians estimated a probable decrease in coffee production of 21.8%.

NORMAL



SMALLER



Source: CaféPoint

NEW HIGH-YIELDING CULTIVAR ARANÃS LAUNCHED

A new coffee cultivar launched by the Agricultural and Livestock Research Institute of Minas Gerais (Epamig) shows great potential for higher productivity and cup quality. Named "Aranãs", it was presented at the official opening of Expocafé 2015, in July. With average productivity of 55 bags per hectare, the cultivar is resistant to coffee leaf rust and produces large high-quality beans. Aranãs means "birds that come from the South" in one of the dialects spoken by the original indigenous population that inhabited the area.

Source: CaféPoint

ALTERNATIVE TRAP TO FIGHT BERRY BORER

The Technical Assistance and Rural Extension Institute of Minas Gerais (EMATER-MG) is testing a trap to attract the coffee berry borer (*Hypothenemus hampei*). The technique, developed by the Paraná Agronomy Institute (IAPAR), has been adapted to the characteristics of the Matas de Minas region. Initial tests done on a small farm in Muriaé, Minas Gerais, managed to reduce the berry borer infestation level by 80%. The trap, made from a simple PET bottle, is attached to the coffee plant, attracting the insect with the smell of a mixture of methanol, ethanol and roast and ground coffee. Once inside the bottle, the borer ends up falling into a mixture of water and detergent that kills it. Technicians recommend the placement of 25 of these traps per hectare, with 20 meters between them, at the time when the cherries begin to develop.

Source: CaféPoint



CONSUMERS TO EVALUATE QUALITY IN COFFEE COMPETITIONS

ABIC, the Brazilian Coffee Roasters' Association, has announced changes in the 2015 edition of its National Quality Coffee Competition. The event that selects the best coffees produced in Minas Gerais, São Paulo, Paraná, Bahia and Espírito Santo states will now have the participation of a group of consumers that will help to evaluate the quality in the cup of the finalist lots. The technical jury composed of cuppers and experts will work alongside a consumer panel, an innovation in coffee contests. Sustainable farm practices will also be taken into account this year, with the sustainability grade to be included in the Global Quality Grade. ABIC's 12th National Quality Coffee Competition will take place in November.

Source: CaféPoint



EXPANSION OF COFFEE MUSEUM IN SANTOS

The Coffee Museum in Santos, located in a heritage listed building opened in 1922, the year of the 100th anniversary of the Brazilian independence, to host the Coffee Exchange, will soon expand its facilities with the incorporation of the building next door, currently empty and abandoned. The museum will undergo extensive renovation: all of its technical department will be transferred to the new area to open more exhibition space in the historic building and an air-conditioning system will be added, among other safety and accessibility changes. The reopening of the restaurant, a room with great historical value that has been closed for years, is also expected.

Source: A Tribuna via CCCMG

LEARN MORE ABOUT THE BRAZILIAN COFFEE BUSINESS WITH TRAVELBOX - CUSTOMIZED (COFFEE) TRIPS

TravelBox has recently organized a coffee origin trip to Brazil in partnership with AFCA. A delegation composed of 9 stakeholders from Tanzania, Kenya and Uganda – coffee growers, researchers, fund managers and directors of multinationals – was here for over a week this past July. The objective of the trip was to witness the ongoing coffee harvesting, to learn about new technologies used in harvesting and processing and also to see what Brazil is doing to increase its productivity in both Arabica and Robusta.

TravelBox hosted the group and accompanied them to a series of field visits and meetings with relevant stakeholders in Mogiana and South Minas, the most important Arabica producing areas, and also in Espírito Santo, the largest Conilon/Robusta producing state in Brazil. The group had the opportunity to see harvesting done with hand-held harvesters on an Arabica farm in Mogiana; this technology makes the pickers' work less strenuous and much more productive with gains on both sides – growers conclude harvesting in less time and pickers are better paid because the more they pick, the more money they receive. The delegation witnessed all stages of coffee processing, including wet milling, on-farm drying and dry milling, and the three different processing methods used in Brazil: natural, pulped natural, and washed. The visitors learned the implications of each system on coffee quality and cup profile during visits to small and medium-sized farms.

The program continued with interesting visits in the Pinhal area of the Mogiana region. They visited Pinhalense, the world's leading coffee processing equipment manufacturer, where the delegates saw the production lines and assembly of machines such as pulpers, rotary driers and size graders, and also had the chance to meet the engineers of the Projects Department, where small, mid-size and large mills for Africa, Asia and Latin America are designed. Another visit was to P&A, the company that manages Pinhalense exports to more than 90 countries, including several African markets. Carlos Brando made a comprehensive presentation about the Brazilian coffee sector. The visits continued with Cooxupé, the largest coffee cooperative in Brazil, with more than 12,000 members/growers, and 32 branches in different municipalities plus headquarters, where a coffee quality lab analyzes and grades as many as 1,500 coffee samples per day during peak times! The highlight of the Cooxupé visit was the cooperative's Japy Complex, a state-of-the art fully automated operation with capacity to mill up to 5 million bags of coffee per year. The group was dazzled by how much coffee was stored in big bags, each one containing the equivalent of 1,200 kg or twenty 60kg-bags, and how it was dry processed and prepared for exports without manual handling. In fact, we only met a few workers, a dozen at most, inside the mill.

In Espírito Santo, the group met with the Coffee Department of Incaper (the state's Research and Rural Extension Institute) and had an informative meeting with several directors, researchers and technicians about Conilon, the Brazilian Robusta, and the research work developed in regard to highly productive and resistant varieties, that can have an average productivity as high as 80 bags/hectare! Highly productive small Conilon growers were visited to witness their achievements first hand.

Come see it for yourself! Learn what Brazil is doing to increase coffee yields and quality, see the new (and affordable) technologies and sustainable production techniques, meet renowned professionals and expand your coffee horizons. And also have fun!

TravelBox is a travel company specialized in curated itineraries, in Brazil and abroad. For consulting services and specialized coffee itineraries, please contact Maria Brando:

Email: contato@travelbox.com.br

Telephone/whatsapp: +55 11 9 9738-8089

Skype: [maria.fernanda.peres.branda](https://www.skype.com/name/aria.fernanda.peres.branda)

Website: www.travelbox.com.br (in Portuguese)

TravelBox

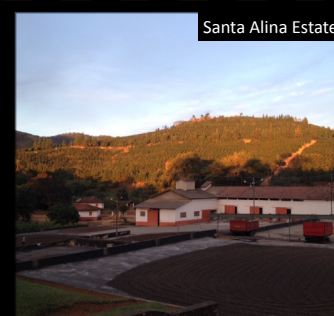
Santana Estate



Pinhalense Headquarters



Santa Alina Estate



NEW FLOW SCALE SMART-FLUX

TECHNICAL SPECIFICATIONS

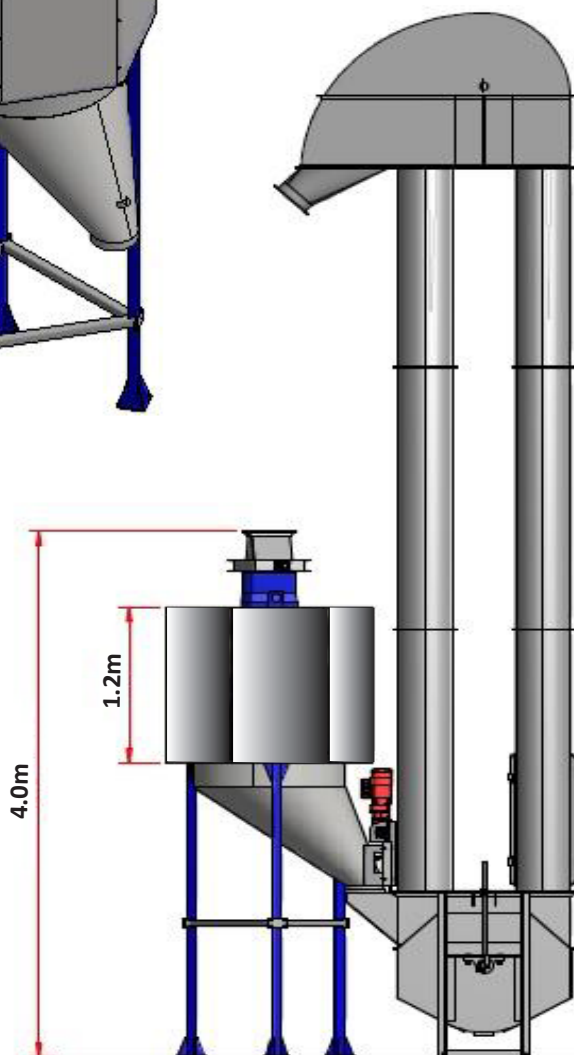
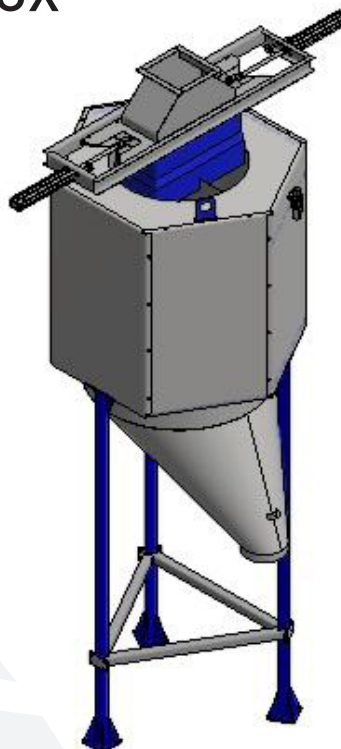
- coffee, grains, seeds, nuts, etc.
- 100% automated
- electronic and pneumatic control
- batch size: up to 180kg
- single weighing chamber with two compartments (loading and unloading)
- three load cells
- Touch Screen control panel
- three operating possibilities:
 - manual
 - stop at end of product
 - stop at programmed total weight
- compatible with Internet connection

ADVANTAGES

- compact size and reduced height
- direct connection to foot of elevators (no need for silo to receive weighed product)
- no need for strong supporting structure
- simple man-machine interface
- control panel with Internet connection for remote operation and software maintenance / update
- intelligent and 100% automated

OPTIONAL EQUIPMENT

- pneumatic product sampler connected to flow scale panel and control,
- elevator integration module with flow sensor and adjustable inlet valve connected to scale control system to harmonize product flow in scale and elevator



Brazilian Prices

Main Producing Regions / Farm Gate

July 31, 2015

Arabica Naturals (R\$/ 60 kg bag)

Cerrado MG	465,00 =
Mogiana	460,00 =
South Minas	460,00 =

Arabica Pulped Naturals (R\$/ 60 kg bag)

Cerrado MG	525,00 ↑
South Minas	520,00 ↑

+ 14.1%

Conilon / Robusta (R\$/ 60 kg bag)

Colatina-ES fair average price	315,00 ↑
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BM&F

Sep 2015	156,00 ↓
Dec 2015	154,85 ↓
Sep 2016	153,70 ↓

Real R\$ / Dolar US\$

Jul 31, 2015	3,39 ↑
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Source:
www.qualifacex.com.br