The Asian Coffee Market

*Trends in Production & Consumption*

Euan Mann, 4th March, 2014
Overview

- Asian Production – in a Global context

- Vietnam – the driver of Asian Production growth, current crop prospects, and future potential

- China – still ‘the next big thing’ for Consumption???

- Asian Consumption Growth – ‘Traditional Markets’ & ‘Producer/Consumers’
Asian Production – Global Context

**World Coffee Production**

USDA Data

- South America
- Latin America
- Africa
- Asia

<table>
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<th>Year</th>
<th>South America</th>
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Asian Production – Global Context

World Arabica Coffee Production

USDA Data

- South America
- Latin America
- Africa
- Asia

 Millions 60kg Bags

- 1990
- 2000
- 2013/14F
Asian Production – Global Context

**World Robusta Coffee Production**

USDA Data

- South America
- Latin America
- Africa
- Asia

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<td>Millions 60kg Bags</td>
<td>15</td>
<td>17</td>
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Vietnam Production

Vietnam Coffee Commercialisation
Exports + Domestic Consumption +/- HCMC Stock Change

- 2007/08
- 2008/09
- 2009/10
- 2010/11
- 2011/12
- 2012/13
- 2013/14

000s 60kg Bags

Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep
Vietnam New Planted Area
Vietnam Cost-of-Production

Basis average yield of 2.5 MT per ha, we estimate the following direct costs:

Fertiliser 2.0-3.0 MT per ha, per annum
12,000 VnD/kg
30.0m VnD per ha, per annum or $570 per MT

Irrigation 3 rounds of irrigation, per annum
3.0m VnD per ha, per round
9.0m VnD per ha, per annum or $165 per MT

Harvesting Two workers, 30 days per ha
175,000 VnD per worker, per day
10.5m VnD per ha, per annum, or $215 per MT

Direct Costs 49.5m VnD per ha, per annum

c. 20,000 VnD per kg or $950 per MT
China Coffee Consumption

Starbucks, Nov-13: ‘China will be “the largest driver of the approximately 750 new stores we plan to open across the region in 2014…by comparison, the entire hemisphere of the Americas will gain a total of only 600 stores next year.”

Dunkin’ Donuts, Apr-13: ‘Dunkin' Donuts Hits 10,000 Stores On China Push…opened its 10,000th global store as it looks to international expansion to fuel growth. With the latest opening, Dunkin’ Donuts has more than 80 stores in China.

Costa Coffee, Nov-12: ‘In a reversal of the 19th century trade that saw “clipper” ships sail east to bring tea back to Britain, the present day coffee business is roasting more coffee at its UK plant and exporting it around the world. It is now building a third roasting unit to supply its outlets in China, which are projected to more than double in number to 500 by 2016.’
China Trade Flows
Imports & Exports

China Coffee Consumption
China Customs, GBE

- Imports
- Exports

04/05 05/06 06/07 07/08 08/09 09/10 10/11 11/12 12/13 13/14F

000s 60kg Bags
-2,000 -1,500 -1,000 -500 0 500 1,000 1,500 2,000
Asian Consumption
Steady Growth in Importing Countries (+0.1m p.a.)

Japan & S. Korea Total Coffee Disappearance
(12-Month Rolling Shipments)
Asian Consumption
Rapid Growth in ‘Producer/Consumers’ (+1.0m p.a.)

World Coffee Production
USDA/CCS Data

- Vietnam
- Indonesia
- India
- Thailand
- Philippines
- China

Millions 60kg Bags

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Conclusions

- World market increasingly dependent upon Asian Production, particularly for Robusta coffee.

- Vietnam alone now accounting for 60% of green Robusta exports, Vietnam & Indonesia combined 75%. This is an enormous concentration risk.

- China still at the very early stages of a Consumption ‘revolution’, which took place over 30-40 years in Japan.

- The real story in Asian Consumption is the rise of the ‘producer/consumers’ – Vietnam/Indonesia/Thailand/Philippines – who are growing at a staggering rate of around 8% p.a. Total consumption in this block is now almost double that of Japan/South Korea.

- Luckily, Vietnam is still expanding, and with favourable price and good weather, can continue to feed at least this local growth.