Instant Changes Still Take Time: Outlook for Soluble Markets

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Soluble Gaining World Market Share with Popularity in Fast Growing Markets

Source: USDA, J. Ganes Consulting
Global Trends

- Soluble market needs to capture more out of home use
  - Institutional Use
    - Instant coffee based vending machines popular especially in Europe
    - Present in convenience stores, offices as well as high-traffic public areas
    - Offer full range of beverages available in cafes and coffee-shops through 2-in-1, 3-in-1 offerings with no training needed
  - Liquid Extracts
    - Iced and refrigerated drinks available to meet the original on-the-go advantage of instant coffee
    - Steep competition for shelf space against energy drinks, functional waters, variety of teas

- Quality of Robusta Improving
  - Instant coffee traditionally made with low quality Robusta's helping create a reputation of inferior taste
  - Vietnam leading quality improvements
  - Stronger Robusta pricing reflective not only of high Arabica prices but also roaster flexibility

- Soluble Production Shifting to Origin
  - Strongest growth over last 10 years in South-East Asia. Led by Indonesia, Malaysia, Vietnam
  - Brazil, Ecuador, Mexico saw gains in Americas
  - Major Robusta producers Vietnam and Indonesia targeted for highest production growth through 2016

Source: USDA, J. Ganes Consulting
South-East Asian Soluble Output More than Doubling Over Last Decade

Million Bags (Green Bean Equiv.)

- South-East Asia
- South America
- North America and EU

Source: USDA, J. Ganes Consulting

In Mature Markets

- Single-serve coffee pods dominating growth prospects for at-home use
  - Y-o-Y growth in value terms for U.S. roast ground market drops from 14.7% to 2.5% when excluding K-Cups
  - Reduction in waste having negative effect on consumption

- Baby Boomers responsible for large coffee volumes
  - Younger generations consuming less and aren’t ready to take over for multi-cup per day drinking parents

- Super-Premium micro-granular segment successful but not changing consumer behavior
  - Starbucks Via: $250 million in sales in 2011
  - Nescafe “Barista Style Coffee”: popular in Japan, recently launched in UK, Brazil, Mexico

Source: Jefferies, Nielsen Scantrack
In Growth Markets

- At Home Instant Use Seeing Strong Growth in Asia, Eastern Europe
  - Tea drinking countries among fastest growing and largest
    - Rituals remain the same, lower incomes won’t allow for additional appliances exclusively for coffee
- Asian growth in population and GDP remains strong
  - While China forecasted to peak in population in 2025, GDP growth and population size represent largest potential market for soluble coffee
  - Population growth to be especially strong in South-East Asian markets where instant coffee is already dominant
    - Philippines (35%) and Malaysia (31%) will surpass world growth from 2010-2030 of 24%

Source: United Nations

Asian Retail Market Saw Volumes Double Over the Past Ten Years

- Thousand Tons (Retail)
  - Asia Pacific
  - Western Europe
  - Eastern Europe
  - Latin America
  - Middle East and Africa
  - North America

Source: Euromonitor
Asian Growth May Slow but Will Remain Stronger than Elsewhere

Growth From Base 100

2013 – 2016 Growth
Asia: 30%
World Excl. Asia: 18%

Source: Euromonitor

Questions?

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