

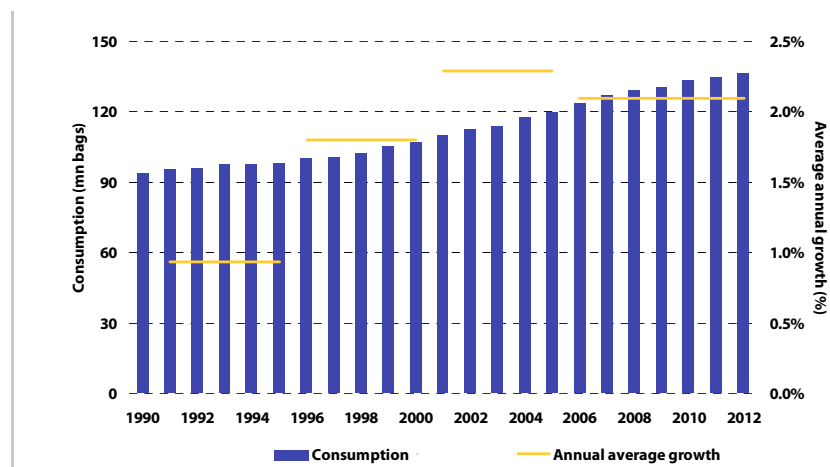
# Effect of new markets on the supply-demand balance



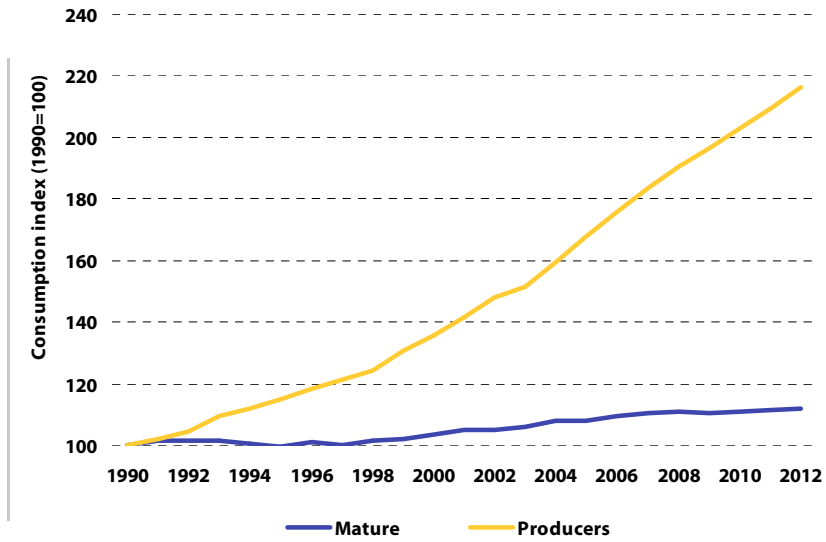
Presentation to ICO Seminar  
Robert Simmons,  
LMC International, Oxford, UK [www.lmc.co.uk](http://www.lmc.co.uk)



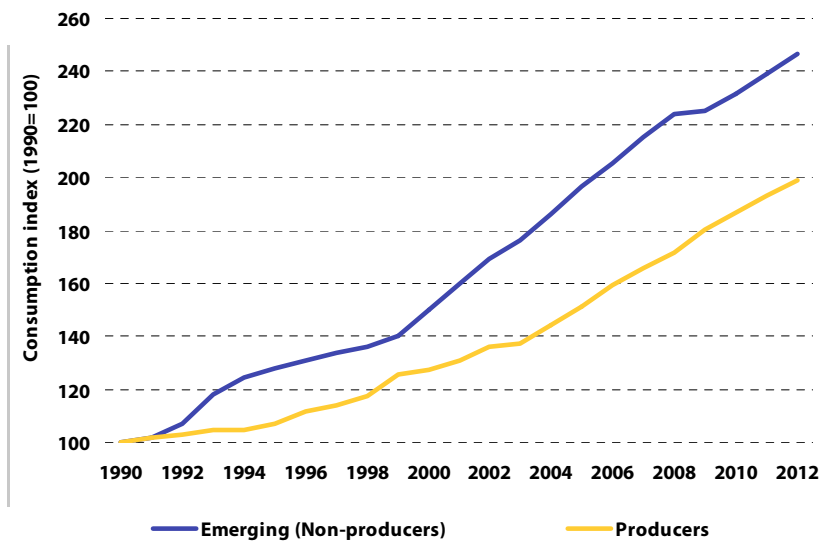
Global coffee consumption has grown at by over 2% per annum over the last decade to over 135 mn bags per annum



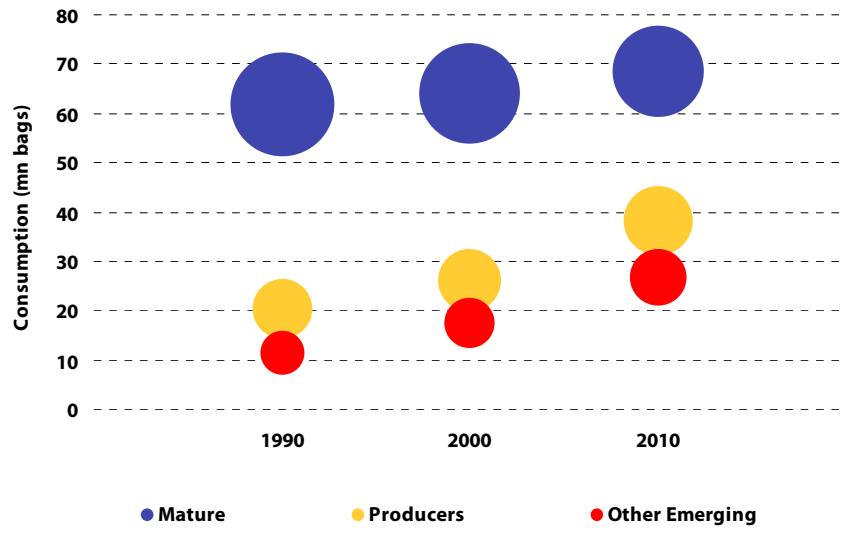
In recent years, consumption growth has been dominated by emerging markets



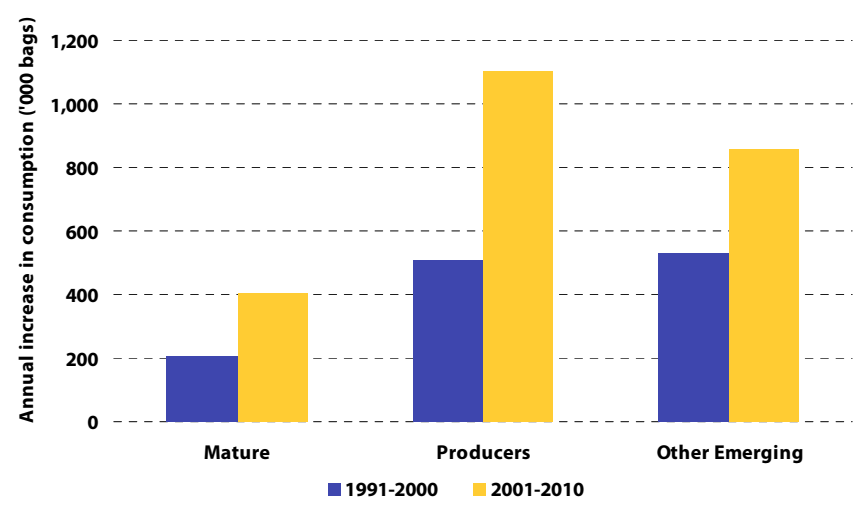
Growth has been strong in both coffee producing countries and non-coffee producing countries



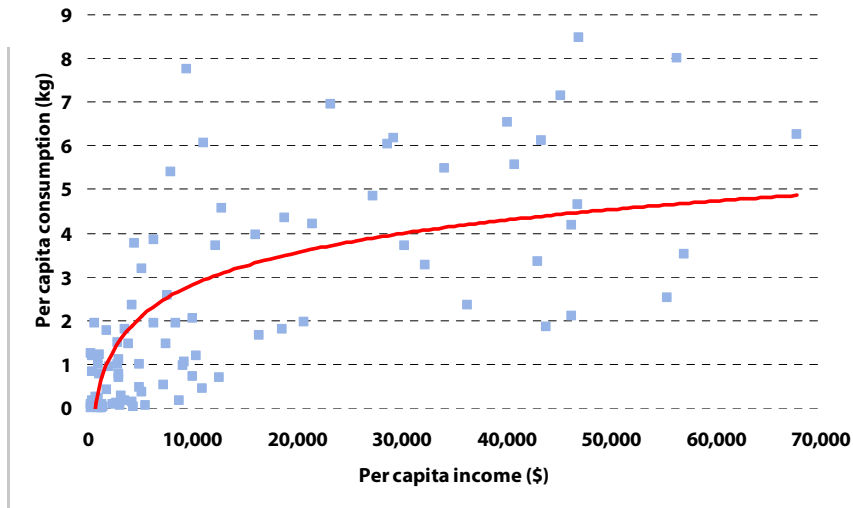
This has reduced the importance of mature markets, although they are still the largest segment of consumption



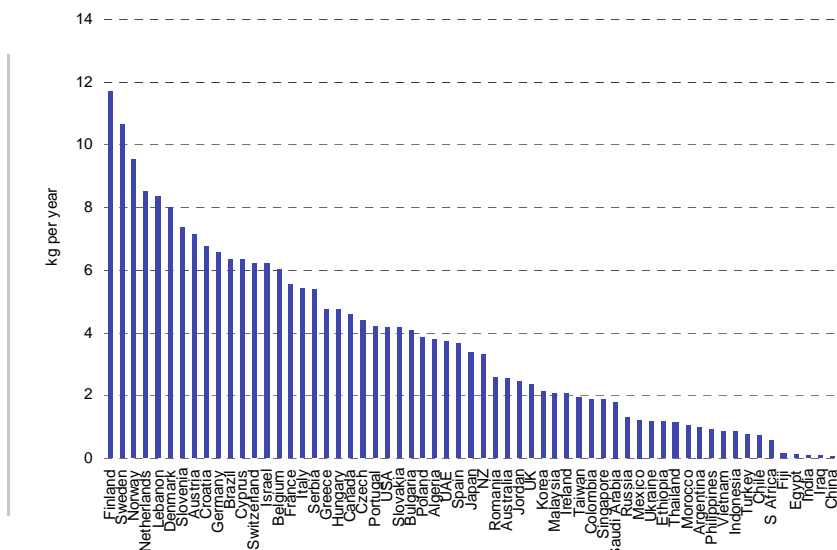
Around 2.5 mn bags are being added to consumption each year (80% of this growth is in the emerging markets)



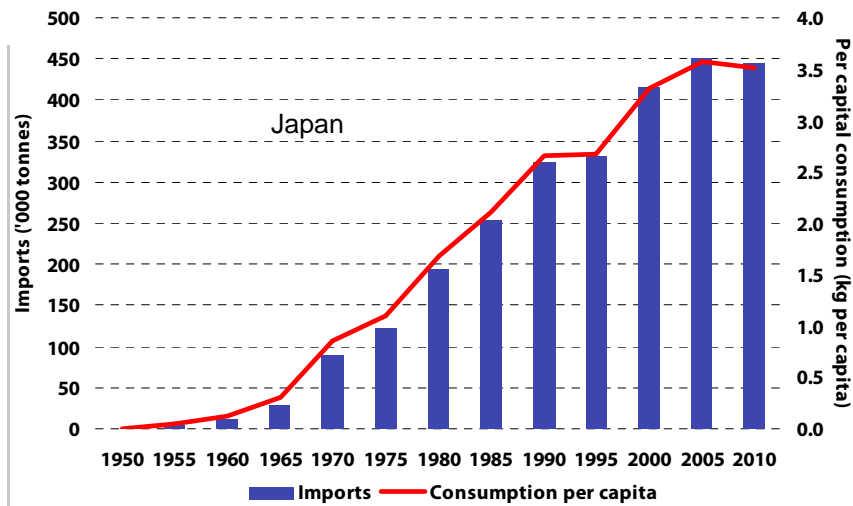
Rising incomes are driving this growth (along with a growing middle class and urbanisation)



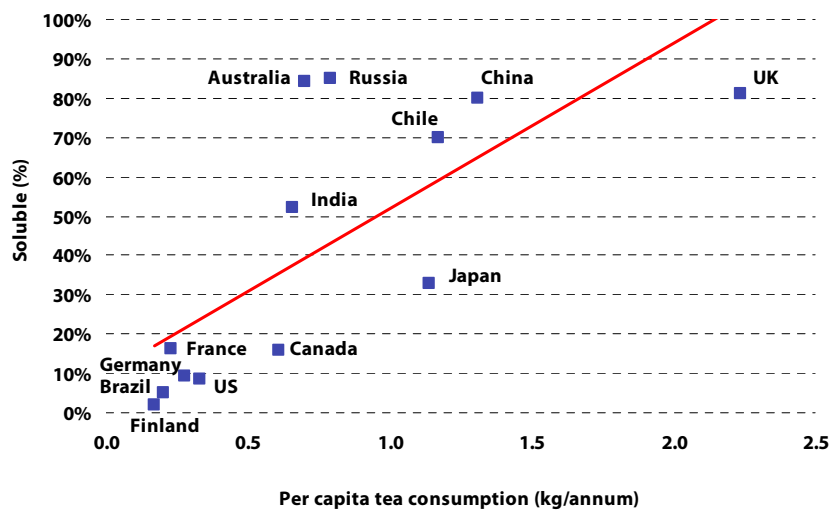
but per capita consumption levels remain relatively low in the emerging markets



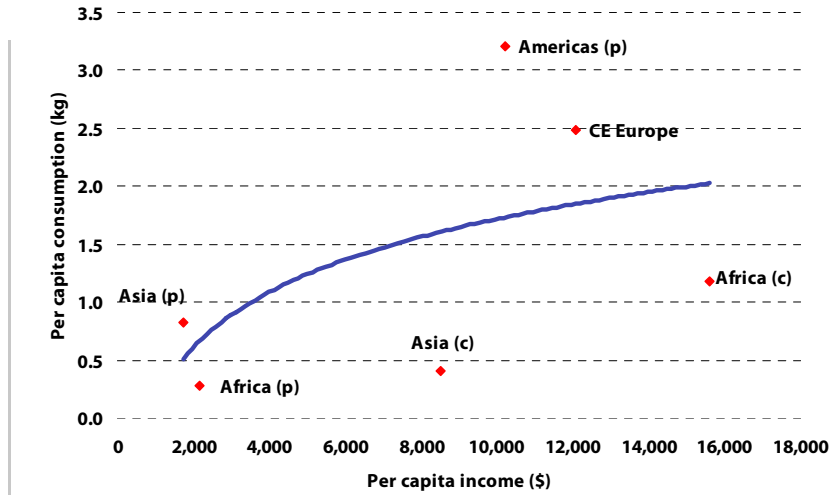
Consumption growth tends to follow an “S” curve: slow start, rapid acceleration, stagnation



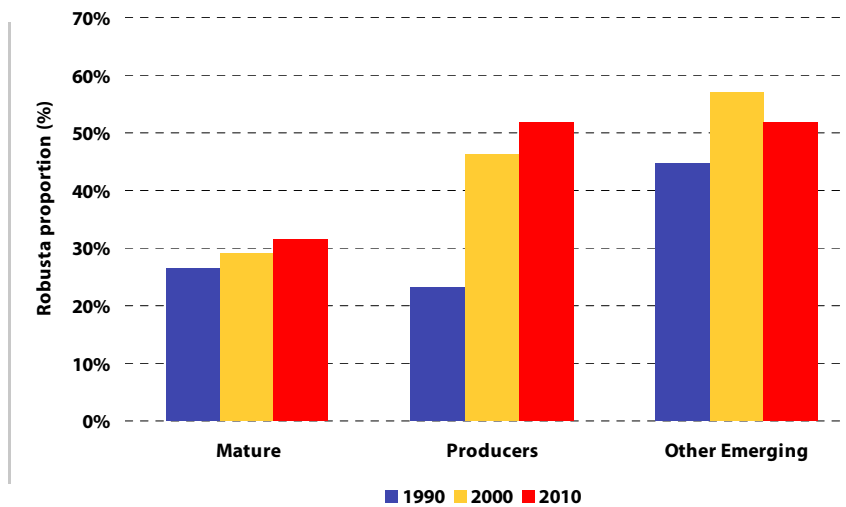
Tastes are also important, high soluble consumption is linked to high per capita tea consumption.



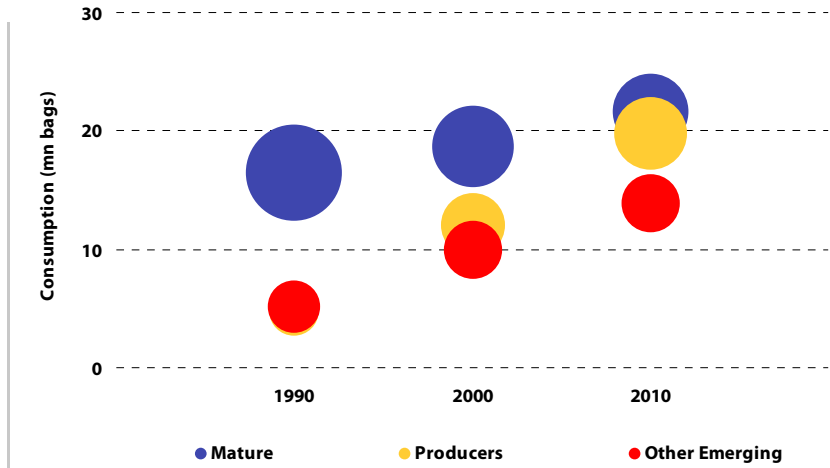
Per capita consumption is higher in the coffee producing countries than other emerging markets. Producers have a "taste" for coffee.



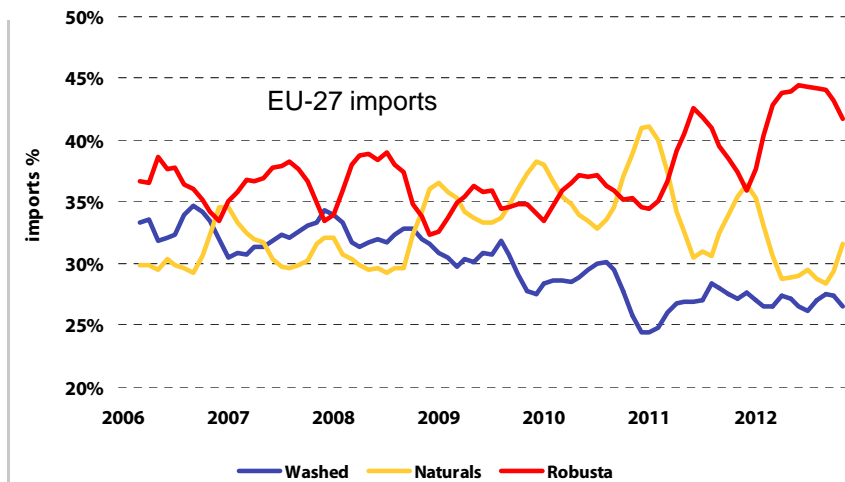
Growth in emerging market demand has seen a large increase in robusta demand both as a proportion of total consumption



and in absolute volumes. This is due to growing conillon use in Brazil and higher soluble consumption



There is greater flexibility in terms of blend formation in the mature markets. Least flexibility in the coffee producing countries.



## Conclusions



- Coffee consumption is growing at around 2.5 mn bags per annum.
- 80% of this demand is in emerging markets
- Growing incomes are a key driver of this growth
- Robusta accounts for over half of this growth



**Oxford (HQ)**  
4<sup>th</sup> Floor, Clarendon House  
52 Cornmarket Street,  
Oxford OX1 3HJ  
UK

T +44 1865 791737  
F +44 1865 791739  
info@lmc.co.uk

**New York**  
1841 Broadway  
New York, NY 10023  
USA

T +1 (212) 586-2427  
F +1 (212) 397-4756  
info@lmc-ny.com

**Kuala Lumpur**  
B-03-19, Empire Soho  
Empire Subang  
Jalan SS16/1, SS16  
47500 Subang Jaya  
Selangor Darul Ehsan  
Malaysia

T +603 5611 9337  
info@lmc-kl.com

**Singapore**  
16 Collyer Quay #21-00  
Singapore 049318

T +65 6818 9231  
info@lmc-sg.com

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