



Coffee 2013: Ready for Take-Off

Overview of Coffee Trends in New Consumer Markets



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Rabobank

Agenda

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Mr. Colbert joined Rabobank in January 2011 and is responsible for developing FAR's research portfolio and Rabobank's global view toward the beverage sector. Rabobank's FAR team provides information and analysis covering all of the major sectors throughout the food chain. The seven-member FAR Beverage team is part of Rabobank's global FAR group, which is comprised of approximately 70 analysts around the world.

Colbert joined Rabobank following an extensive career in the beverage industry. Most recently he was Managing Director of M&A Americas for Zenith International, which is one of the world's leading consulting, market intelligence and financial advisory firms focused on the global food and beverage industry. Prior to that, he was Managing Director and Chief Operating Officer for eight years at Beverage Marketing Corporation, which provides market intelligence and financial advisory services to the global beverage industry. Over his career he has served as an advisor to Pepsico, Coca-Cola Enterprises, Heineken, Nestle Waters, Snapple Beverages, and Seagram's as well as many independent, private beverage companies. Additionally, he began his career at Coca-Cola Bottling of Miami, then moved to Beverage Canners International and Cadbury Schweppes. He has his undergraduate degree in political science from the University of Hawaii, and a Masters in Business Administration from the University of New Haven. Additionally, Colbert completed an Executive Program in Corporate Finance and Mergers & Acquisitions from the University of Pennsylvania, Wharton School.



Introduction to Rabobank

Advisor of choice in food, beverage and agribusiness M&A

Global F&A leadership

- Over 160 transactions closed globally since 2003, with total deal value exceeding US\$40BN

Industry insight

- Understanding of effective strategies in food, beverage and agribusiness
- Over 100 years of banking history rooted in the F&A sector
- Long-term client relationship with industry leaders

Constant dialogue with decision makers

- Engaged and active industry relationships help spur credible strategic dialogue
- Robust proprietary deal flow in the F&A space

Senior level attention and involvement

- Dedicated senior M&A professionals
- Ability to manage complex situations and provide tailored solutions and think "outside the box"

Cooperation with Rothschild

- M&A and equity advisory for the entire food and agribusiness sector
- Worldwide coverage
- Joint advisory subject to client agreement

Benefits of the cooperation

- Complementary M&A advisory expertise, geographical coverage and client base
- Substantial industry knowledge, client relationships and execution skills
- Extensive geographic breadth and scale of dedicated resources
- Leverages Rabobank's F&A research
- Access to financing for originated transactions

Rabobank has direct access to key decision makers, owners/funders, CEOs and board members across the industry

Selected global F&A transactions

<p>Saputo</p> <p>Acquisition of Morningstar Foods for US\$1.46bn from Dean Foods</p> <p>Pending</p>	<p>Nestlé SA</p> <p>US\$11.85bn acquisition of Pfizer Nutrition</p> <p>2012</p>	<p>VION</p> <p>US\$256m sale of Banner Pharmaccaps to Pathenon</p> <p>2012</p>
<p>Kozy Shack</p> <p>Sale to Land O'Lakes</p> <p>2012</p>	<p>Barry Callebaut</p> <p>Divestment of its European consumer business Stolwerck to Baronié</p> <p>2011</p>	<p>Tilandic Capital Partners</p> <p>c €125m sale of Spunador to Retresco</p> <p>2011</p>
<p>Schreiber Foods</p> <p>Acquisition of Dean Foods' customer-branded yogurt business</p> <p>2011</p>	<p>Sara Lee</p> <p>€115m sale of the Spanish and Portuguese fresh bakery businesses to Grupo Bimbo</p> <p>2011</p>	<p>Brown-Forman</p> <p>US\$238m sale of Fetzer Vineyards and related assets to Viña Concha y Toro</p> <p>2011</p>



Strategic relationships throughout the global coffee, tea and cocoa sectors

Multinational coffee traders	Diversified traders and processors
Roasters, consumer packaged goods and OCS companies	

Rabobank's Food & Agri Research

Proprietary sector research

Food and Agribusiness Research overview

- Food and Agribusiness Research ("FAR") comprises a dedicated and specialized group of industry analysts
- FAR supports the bank's M&A clients with access to its proprietary research
- FAR has more than 80 research professionals in 14 countries and 17 offices around the globe
- Fundamental sector-based research covering the entire food and beverage and agribusiness value chain, from primary production to processors to retailers
- Output in the form of Industry Notes, F&A Reviews, Commodity Notes, Regional Banking Reports, World Maps and tailored presentations for internal and external clients
- Key role is to support the efforts of M&A, Leveraged Finance, Corporate Banking and Credit Risk

Recent activity in the coffee sector

- Client Advisory Project "Strategic Sourcing of Coffee & Tea: Global Assessment of Volatility, Scarcity and Sustainability", May-August, 2012
- Keynote Presentation "OCS Outlook – 2012" at Coffee, Tea & Water 2012; NAMA, Las Vegas, November, 2011
- Keynote Presentation "Single Joe – Coffee Trends 2013" at National Coffee Association Summit, Philadelphia, October 2012
- Keynote Presentation "Rethinking the Beverage Supply Chain", InterBev 2012, Las Vegas, October 2012
- FAR Industry Note "Raj-accino – India's Growing Coffee Culture", November, 2012
- Global Coffee Outlook: Sintercafe, Costa Rica, November, 2012
- "Thirsty for growth" 2013 Global Beverage Outlook, January 2013

Sector coverage

Alcoholic beverages	Confectionery	Fresh produce	Ingredients and sugar
Animal protein	Dairy	Grains & oilseeds	Non-alcoholic beverages
Bakery and snacks	Farm inputs, feed, biofuel	Grocery	Seafood

Strategic considerations in global coffee demand

Key coffee market drivers

Consumers now demand convenience, variety and premium/quality taste, both at-home and out-of-home

Changing consumption patterns and recent hardware innovations are helping to drive growth in the single-serve coffee market

Increasing consumption in emerging markets

Growing demand in emerging markets

- Emerging markets to reach 50% of global coffee consumption by 2020¹
- Growth in instant coffee driven largely by emerging countries

Regional differences in retail coffee value and volume

- Western Europe continues to lead both value and volume sales of coffee
- Asia Pacific second in value but trailing North America, Eastern Europe and Latin America in RTD retail volume

Shift from multi-serve to single-serve

- At-home and out-of-home consumption changed by single-serve systems
- Format innovations driving value growth in mature markets



Premiumization

- Growth focused on differentiation, brands and quality
- Premiumization within R&G
- Premium offerings also supported by fair trade, health benefits, organic and origin

Growing out-of-home offering

- Consumers willing to pay more for convenience
- Gourmet coffee shops continue to lose ground in specialty coffee to quick-service restaurants ("QSR")

Product innovation

- Innovation driving market share gains and gross profits
- Consumer preference for convenience and quality driving innovation in single-serve R&G brewing technology

Note 1: Source: P&A Marketing International



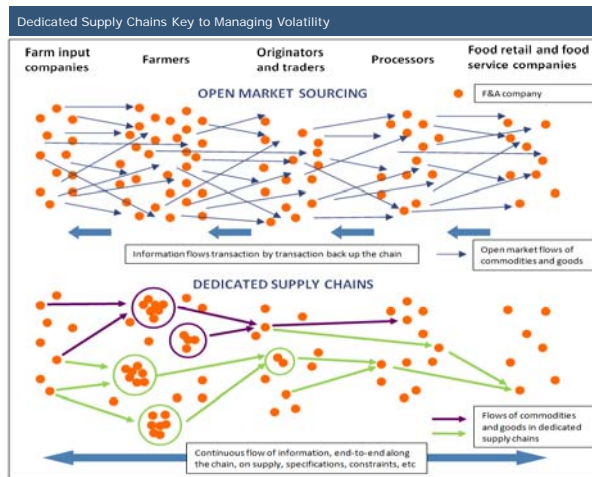
Security of Supply Becomes a Global Concern

Structural Shifts in F&A Forcing a Supply Chain Response

Coffee moving into an era of tighter supplies and higher volatility

Much of demand growth to come from price-sensitive developing markets

Sustainability a key differentiator among premium coffees



Source: Rabobank 2012



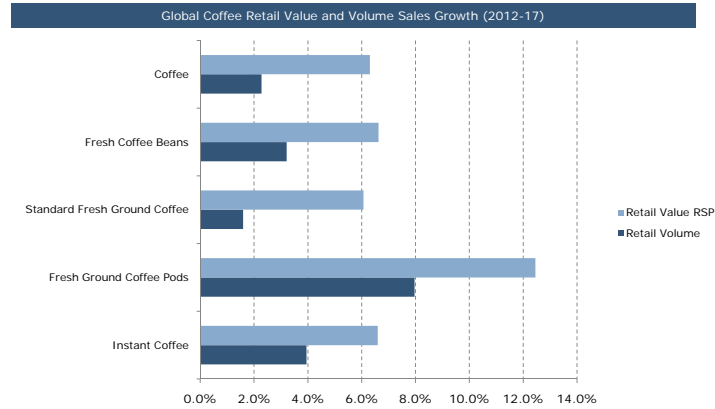
Strong volume and value growth expected

Coffee value, volume and premiumization trends

*Fresh coffee beans
a small but
growing segment,
bolstered by
premiumization*

*Tendency for
instant to be
popular in markets
where tea leads
coffee in volume*

*Overall trend
toward innovative
& higher-quality
products boosting
value growth in all
segments*



Source: Euromonitor

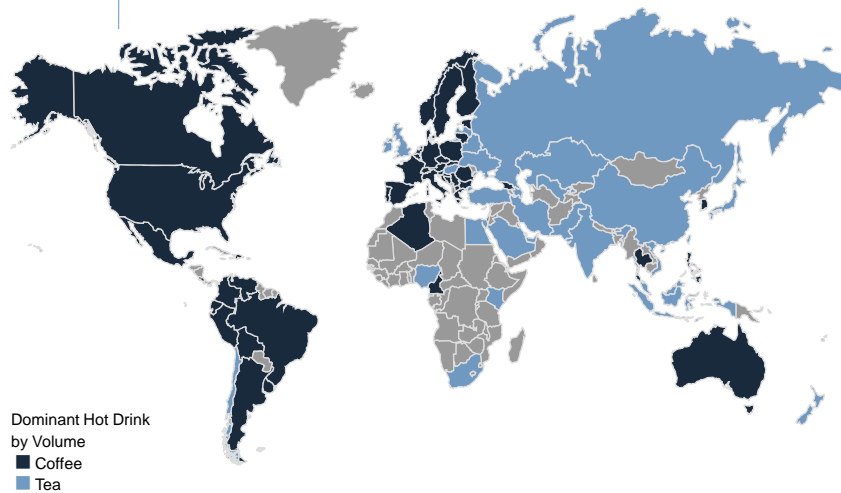


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GLOBAL PERFORMANCE

Tea-drinking cultures more receptive to instant coffee



Source: Euromonitor



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Traditional consumer markets won't drive growth

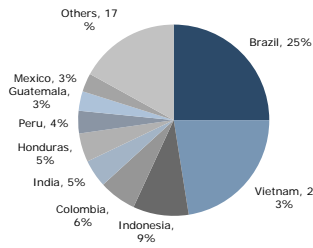
Demand growth mainly to be in developing countries

Very large Vietnamese crop in 2012, but likely to fall off in 2013

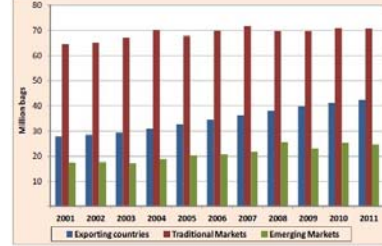
Brazil to become world's largest consumer before 2020

Future demand growth to come from exporter and emerging markets, though pods a mature market bright spot

MY 2011/12 Share of World Coffee Exports



Consumption Growth by Country Category, 2001-11



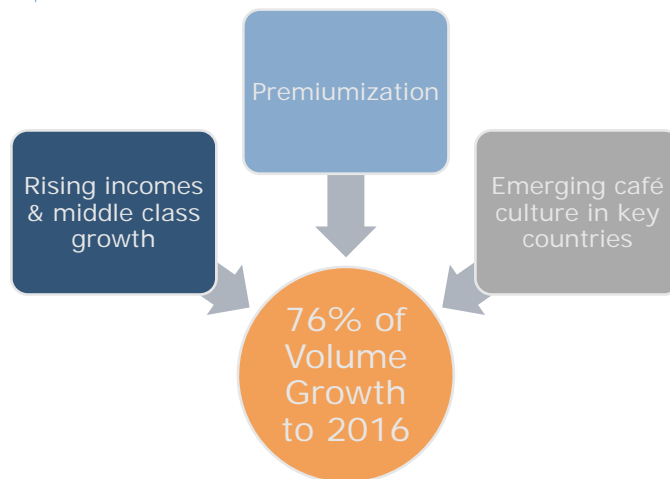
Source: ICO, Rabobank Research

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The three key drivers of future demand growth

What's driving demand in exporter and emerging markets?



Source: Rabobank, Euromonitor

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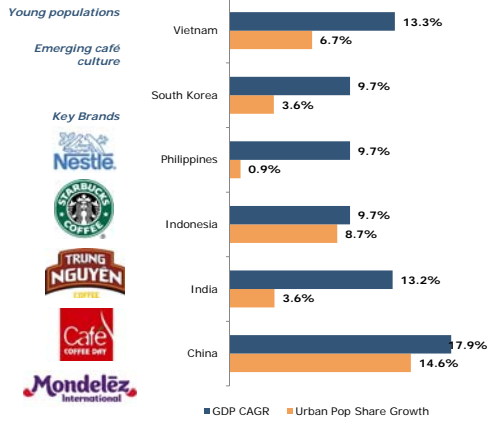


Asia: Young Urban Professionals Key to Success

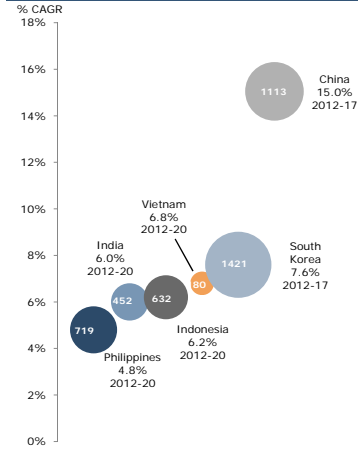
Economic development, premiumization driving demand growth

Growing middle class
Young populations
Emerging café culture

Selected Macro Indicator Performance, 2000-11



2012 Retail Market Value and Forecast Growth Rates



Source: World Bank

Source: Rabobank Analysis, Euromonitor



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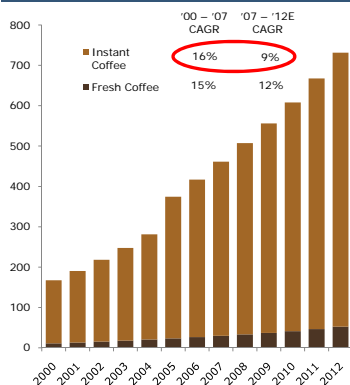
China: Booming Coffee Shop Industry

Significant consumption growth driven by instant and coffee shops

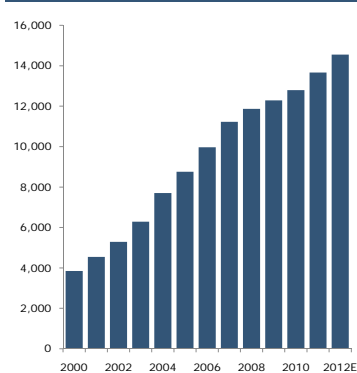
Domestic Chains



Chinese Coffee Consumption by Segment (000 bags)



Rapid Expansion of Coffee Shops (# of Outlets)



Source: Euromonitor, Rabobank analysis



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India: Café Culture Growing Fast, Lead by CCD

Huge growth in coffee shops, café culture

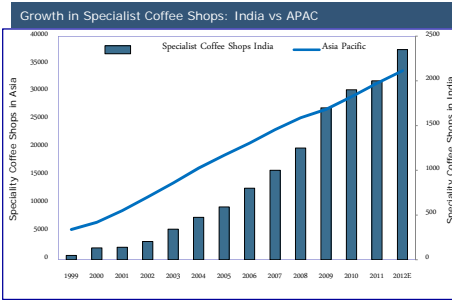
Leading specialist chains



Leading off-trade retailers



Planned Chain Expansion		
Café Coffee Day	IND	2000 shops by 2014
Starbucks	US	JV with Tata, targets undisclosed
Dunkin' Donuts	US	100 shops in next 5 years
Costa Coffee	UK	300 shops by 2015
Gloria Jean's	AUS	100 shops in next 3 years
Di Bella	AUS	50 shops in next 3 years
Krispy Kreme	US	80 shops in next 5 years
Coffee Republic	UK	In talks, but no plans yet



Source: Industry sources, news, 2012

Source: Euromonitor, Rabobank Analysis

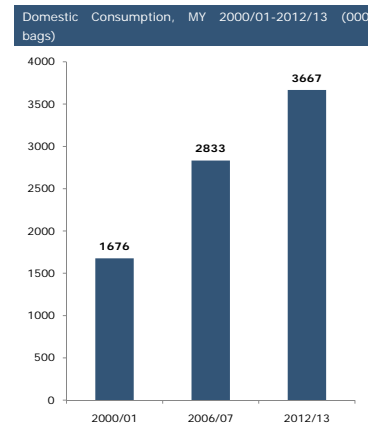
Indonesia: Burgeoning Middle Class Thirsts for More

Local brands compete with internationals by tailoring products

Off-trade leaders

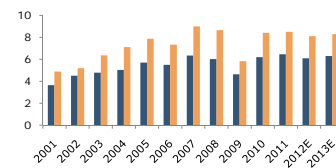


Specialty Retailers



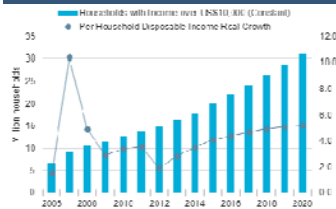
Source: ICO

Annual Growth %: Overall GDP vs Service Sector



Source: World Bank, Rabobank analysis

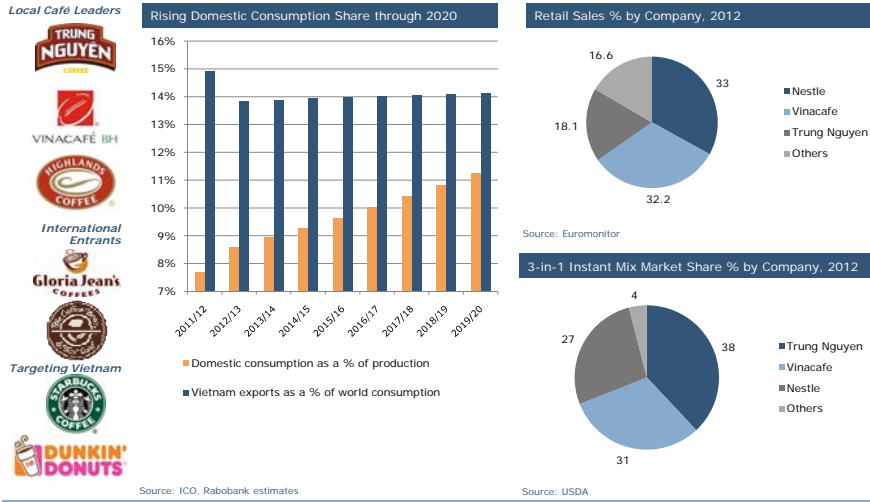
Middle Class Growth Expected to Continue



Source: Euromonitor

Vietnam: Local Brands Compete Through Targeting Local Tastes

Big growth in instant coffee and café culture



Key Points to Consider

What does this mean going forward?

- International brands have the muscle, but local firms can compete through locally-tailored product offerings, or “localvation”
- Mid-sized, growing cities may provide untapped expansion opportunities
- Strategic sourcing, especially through integrated supply chains, provides opportunity to add value and manage supply risk

Thank You ICO!

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