LESSONS FROM THE CRISIS
"SEIZING THE OPPORTUNITY"

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Content

• INTRODUCTION

• LOW PRICED PERIODS
  – Post Quotas 1989-1992
  – Free Market 1999-2003
  • CAUSE - EFFECT - RESULT - CORRECTION

• CONSUMPTION
  – What has been the impact of low prices on consumption?
  – Where has growth occurred?
  – What type of products, where they are consumed and by whom?
  – Where will consumption be in 10 years time?

Cause

• Mid 1990’s supply shortfall and high prices

Effect

• Significant production increase

Result

• Over production creates structural surplus
• Prices fall

Correction

• Supply declines and demand strengthens
• Prices recover
Coffee Consumption: Actual Prices

- Low prices have helped to accelerate growth

Coffee Consumption: If prices had remained at 100c/lb

- Periods of low prices are essential to stimulate NEW DEMAND

Coffee Consumption: The income driver

- Income effects the base

Where has the Increase Occurred?

- Eastern Europe up by +50%
- ...or 3-4 Mil Bags
- Western Europe UNCHANGED

Global All Channel Coffee Consumption (2004 vs. 1994)

- Growth in demand has been led by Soluble

Coffee Growth Opportunities

- “Sophisticated” (1cup/day and plus)
  World Population: 19%  World Coffee: 73%
- “Intermediary” (1cup/week - 1cup/day)
  World Population: 20%  World Coffee: 22%
- “Starting” (1cup/week and less)
  World Population: 61%  World Coffee: 5%

(source: Nestle internal statistics)
Nestlé’s role in increasing demand in mature, high income markets

- Nestlé’s Gourmet / Speciality coffee involvement
- Roast & Ground
- Individual one cup servings
- Linking specific high quality coffees with a Nespresso product
- Traceability

Projected World Demand
Assumption Global GDP +3.5% p.a and Coffee Prices 80¢/lb

- 2014/15 World Green Coffee 130 mil bags

THANK YOU FOR YOUR ATTENTION

During this presentation close to 5 million cups of Nescafé have been enjoyed around the world.