

Trends in Demand and the Economics of Demand



World Coffee Conference 2010
Robert Simmons
LMC International

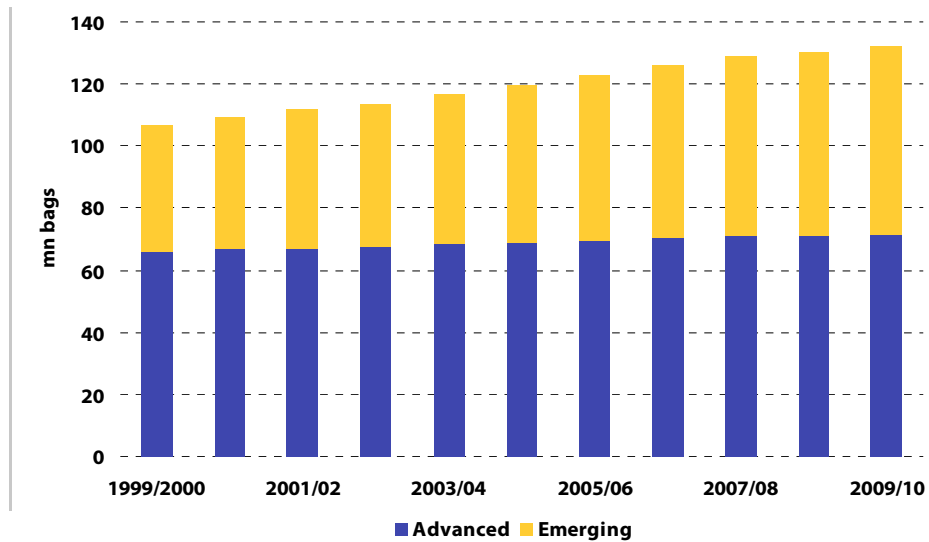


Overview

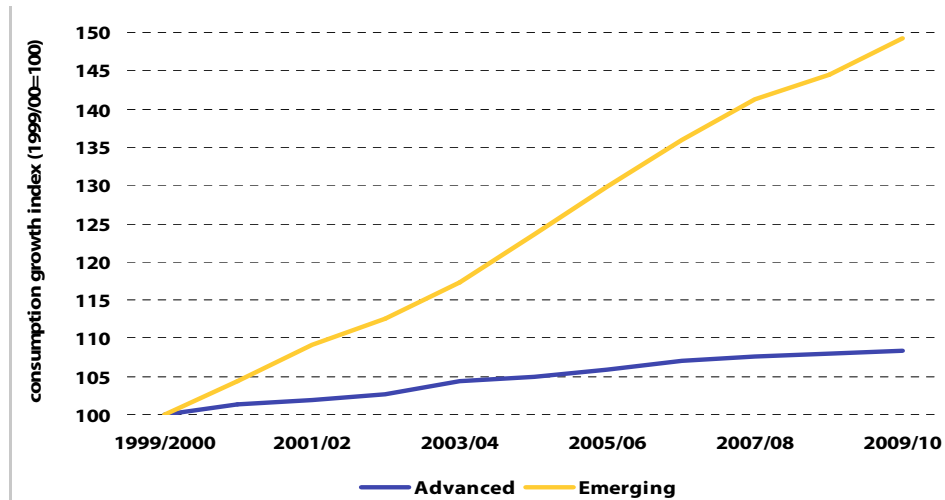


- General consumption trends
- Factors affecting consumption
- Conclusions

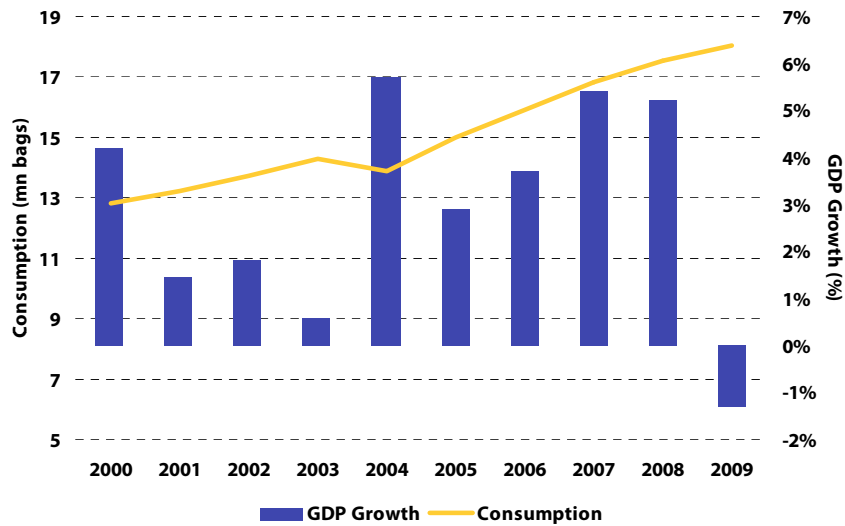
Global coffee consumption is in the order of 130 mn bags per annum. This has grown by 1.7% per annum over the last 20 years.



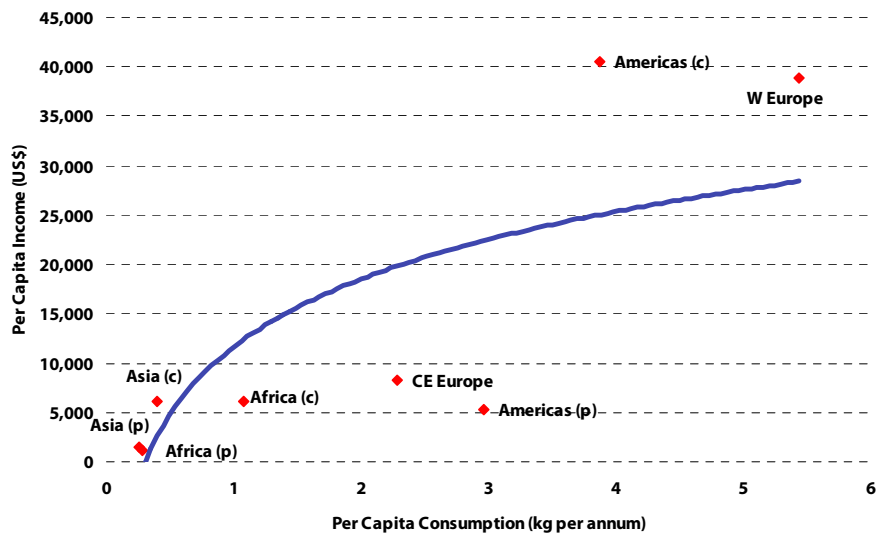
In recent years, consumption growth has been dominated by the emerging markets. This has been helped by rising incomes and lower real prices



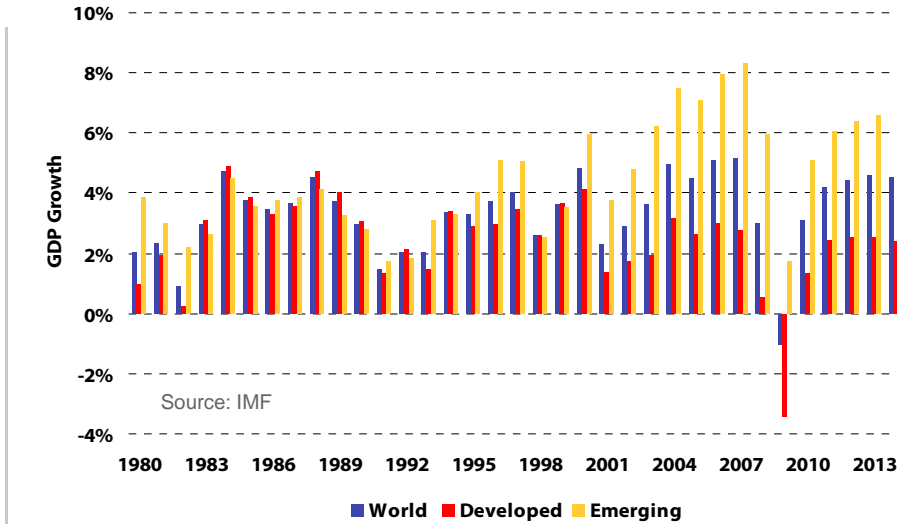
Brazil has been the star performer



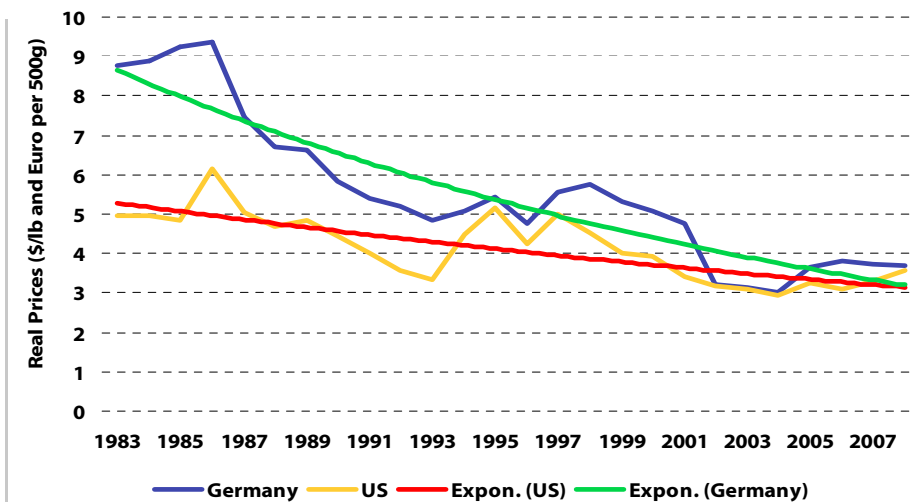
As per capita incomes rise, so does consumption. There is a stronger effect for lower income countries.



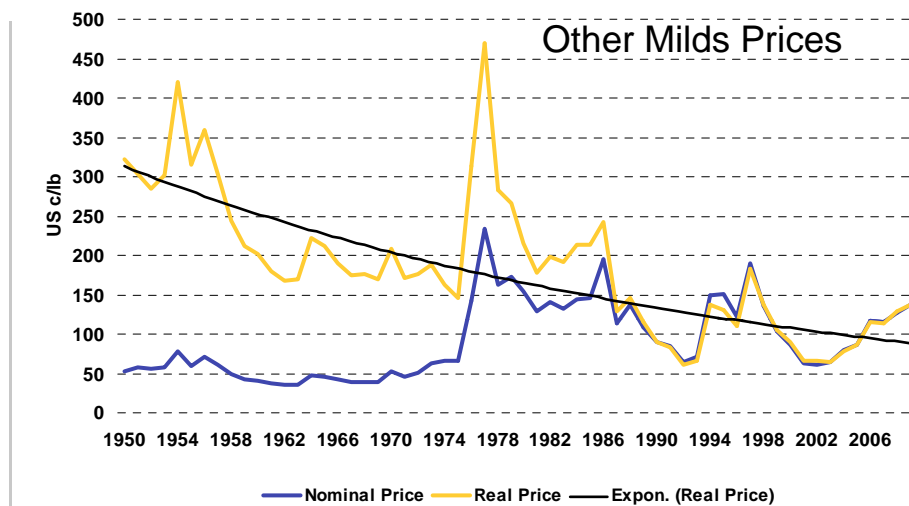
GDP has risen strongly in emerging markets over the last decade encouraging consumption.



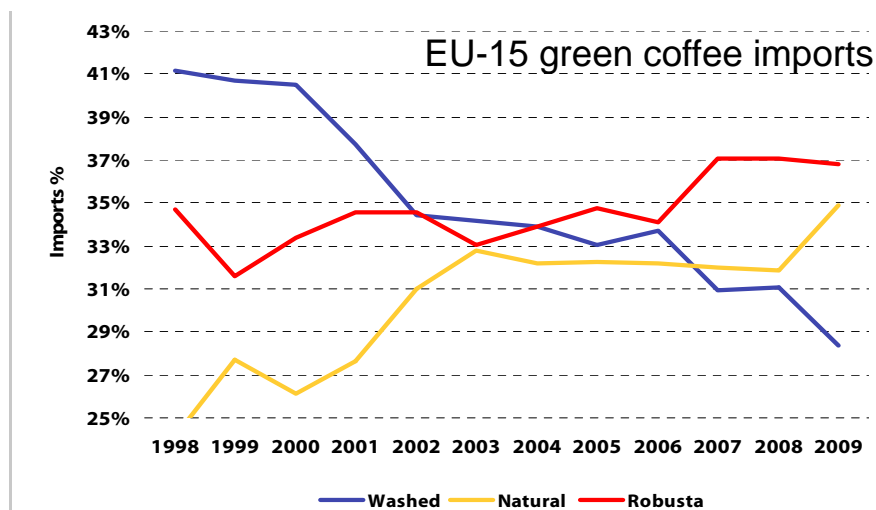
In addition, real (inflation adjusted) retail prices have fallen, increasing the affordability of coffee



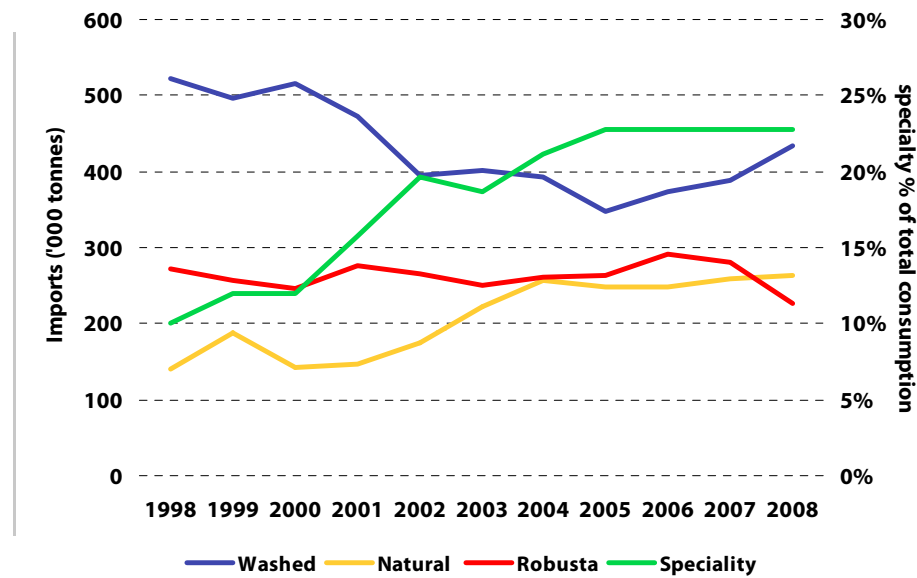
The fall in retail prices is largely due to lower real green coffee prices...



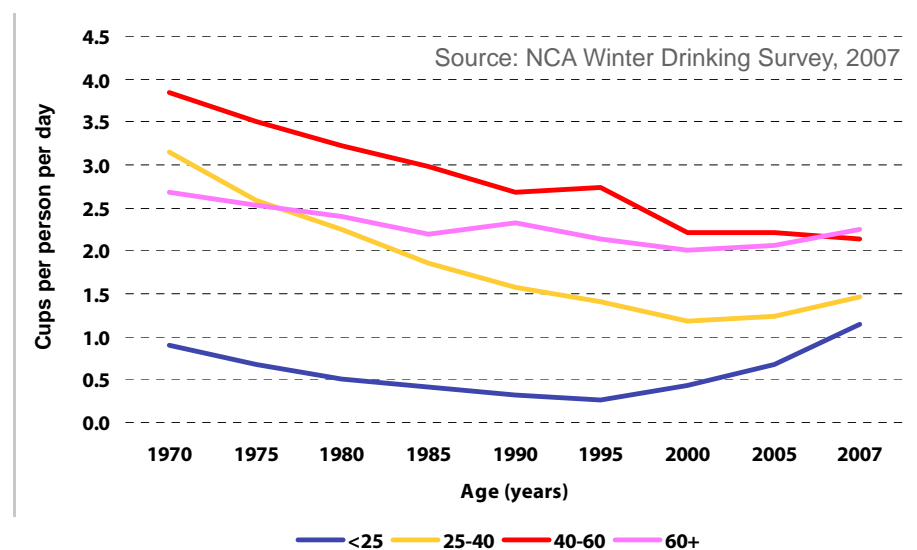
but also due to changes in the composition of blends and increased robusta use



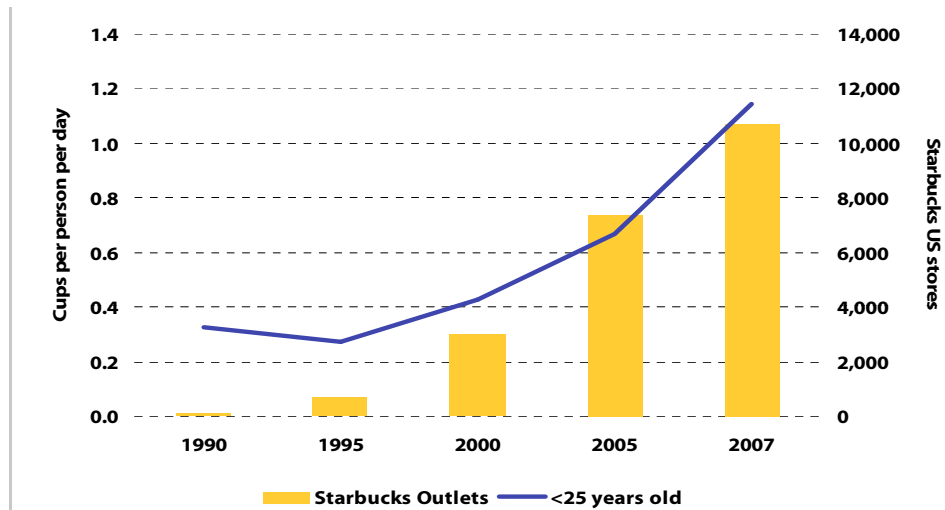
(The same is true of the US once imports are adjusted for speciality which are washed arabica imports)



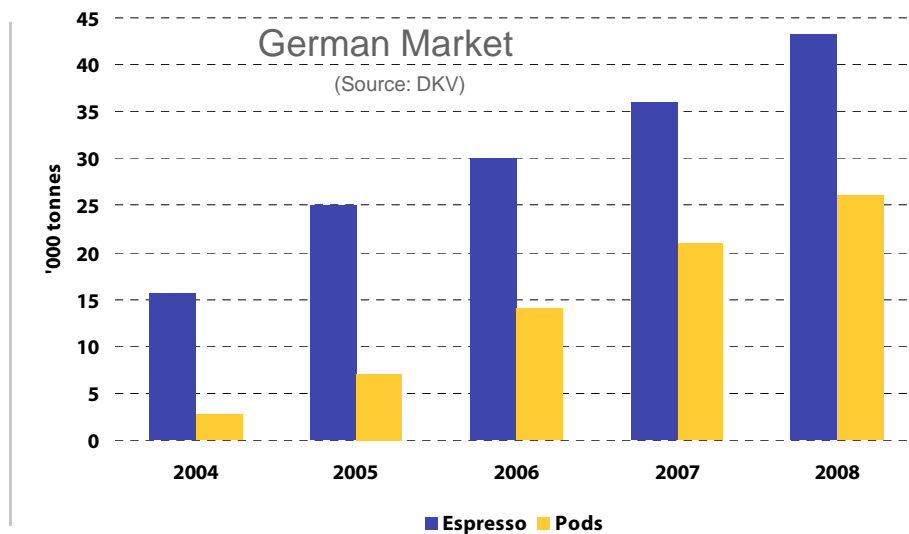
Tastes are also important determinants of consumption. In US, as is true of many developed markets, consumption is higher among older consumers.



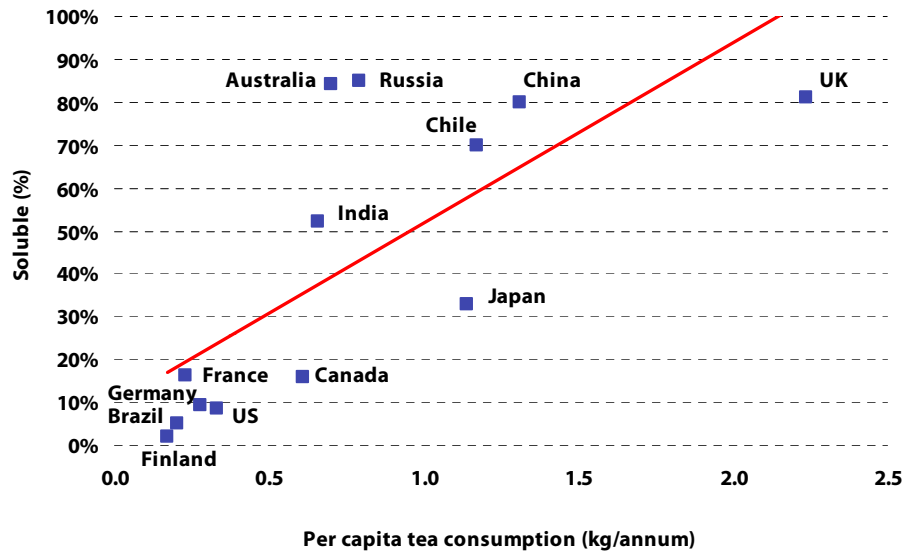
However, in recent years, the speciality market has encouraged consumption among younger consumers. Out-of-home consumption has also grown.



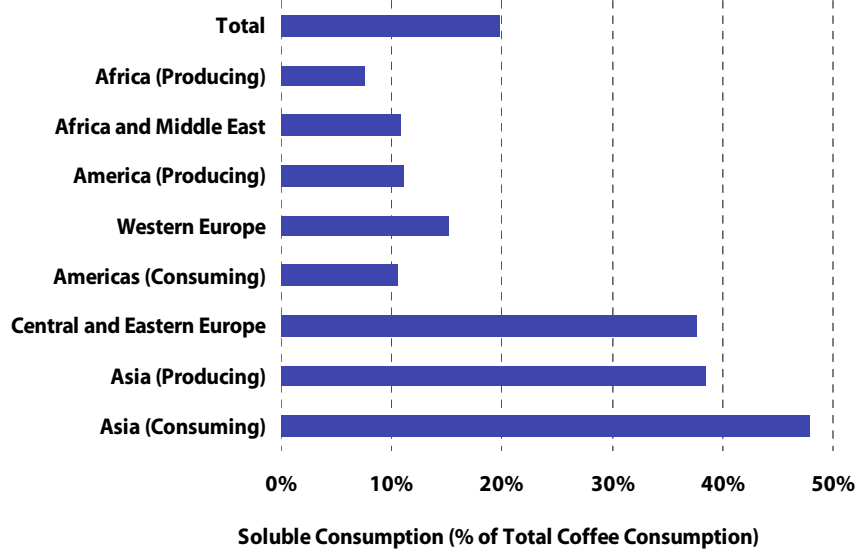
Espresso and pod sales have further aided consumption



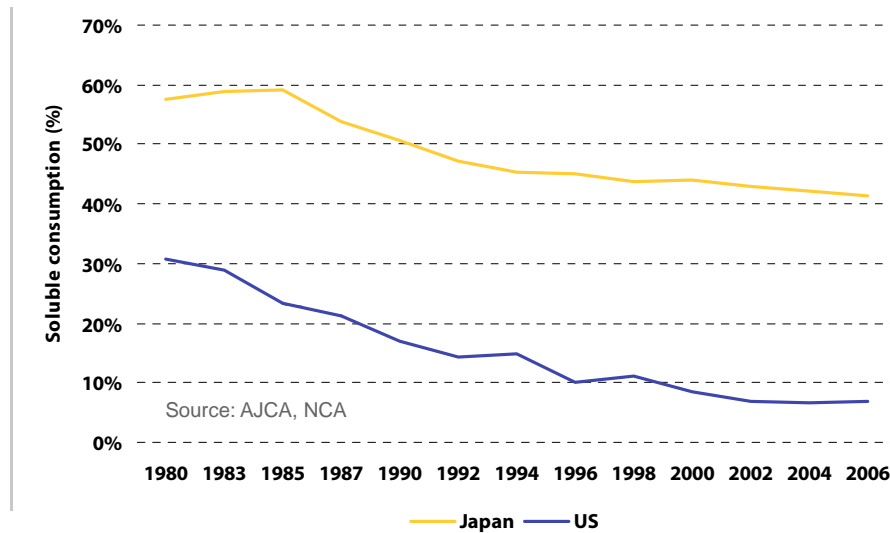
High soluble consumption is linked to high per capita tea consumption.



Soluble consumption is highest in the Asian region



History suggests that as a market matures, so the soluble proportion of consumption falls



Conclusions

Coffee consumption has grown at close to 2% per annum over the last 20 years.

Despite the recession demand has held up well.

The emerging markets have been, and will continue to be, the engine of growth.

Demand is determined by income, prices and tastes.

In terms of tastes, increased competition between beverages means that innovation is required to maintain consumption in the developed markets

Thank You

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