CONSUMPTION OVERVIEW: PRODUCING COUNTRIES

Carlos H. J. Brando
P&A International Marketing
March 2010

CONSUMPTION OVERVIEW

CONSUMPTION 2008/2009

<table>
<thead>
<tr>
<th>MARKETS</th>
<th>MILLION BAGS</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSUMERS</td>
<td>94</td>
<td>72</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>18</td>
<td>14</td>
</tr>
<tr>
<td>OTHER PRODUCERS</td>
<td>18</td>
<td>14</td>
</tr>
<tr>
<td>WORLD TOTAL</td>
<td>130</td>
<td>100</td>
</tr>
</tbody>
</table>
ECONOMIC PERSPECTIVES ARE BETTER FOR DEVELOPING COUNTRIES

GDP growth rate - Projection

Source: IMF WEO Jan 2009

COFFEE CONSUMPTION (2008/09)

<table>
<thead>
<tr>
<th>Producing countries</th>
<th>Thousands of bags</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>18.200</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3.300</td>
</tr>
<tr>
<td>Mexico</td>
<td>2.200</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>1.800</td>
</tr>
<tr>
<td>Central America</td>
<td>1.500</td>
</tr>
<tr>
<td>India</td>
<td>1.400</td>
</tr>
<tr>
<td>Colombia</td>
<td>1.400</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1.000</td>
</tr>
<tr>
<td>Philippines</td>
<td>1.000</td>
</tr>
<tr>
<td>Others</td>
<td>4.700</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36.500</strong></td>
</tr>
</tbody>
</table>

WORLD CONSUMPTION

2007: 127 MI BAGS
2008: 130 MI BAGS
CONSUMPTION INCREASES AT ORIGIN

Million bags of 60 kg

- Others
- Brazil

Source: J. Ganes Consulting

ICO AND PROMOTION IN PRODUCING COUNTRIES

- Sponsored Step-by-Step Guide to promote coffee consumption - methodological basis for programs
  - India
  - Mexico
  - Indonesia
  - El Salvador
  - Costa Rica
  - Colombia

- Set up CoffeeClub Network
- Education and training, workshops
CONSUMPTION PROGRAMS IN PRODUCING COUNTRIES
UPDATE

- Colombia
  • program ready to be launched next week
  • industry + FNC
  • 4 initial strategic lines
    . benefits of coffee
    . occasions and places of consumption
    . revaluing coffee in retail channels
    . support network
  • total investment 2010: US$ 3million
  • goal to reach 3kg/capita (today 1.8kg/capita)

© Copyright P&A

COFFEE CONSUMPTION: BRIC OR BIIC?
BRIC CONSUMPTION

- Brazil - 18.2 million bags/year
- Russia - 3.7 million bags/year
  ___ not a coffee producing country
- India - 1.4 million bags/year
- China - 500 thousand bags/year
  • large populations
  • high rates of consumption growth
  • weathered the crisis well (except Russia)

© Copyright P&A
COFFEE CONSUMPTION: BRIC OR BIIC?

BIIC CONSUMPTION

BRAZIL · INDIA · INDONESIA · CHINA

- Highest rates of consumption growth — estimated 5 to 6% per year
- Coffee producing countries with largest population (2.6 billion people / 800 million consumers)
- Share of world consumption: 18% → 25% in 10 years (from 24 to 35 million bags in 2020)
- Coffee more and more consumed (fashionable)
- High potential to expand consumption (20 million bags at 2kg/capita/year)

ESTIMATED POTENTIAL TO INCREASE CONSUMPTION

© Copyright P&A
VIETNAM AND PHILIPPINES

- Consumption over 1 million bags...
- ... but only 0.7kg/capita
- Sizable populations
- Potential to increase consumption with new trends
- Philippines: already net importer of coffee

CHANGES TO THE GEOPOLITICS OF COFFEE

- Producing countries will respond for larger share of consumption
- India and China to become net coffee importers
- Consumption to shift eastward (Pacific - Indian basin)
- Additional consumption: soluble coffee initially
NEW IDEAS ABOUT PROMOTING CONSUMPTION

- Markets where coffee is novelty
  • natural enthusiasm
  • industry “creates” consumption by itself (Indonesia / China)

- Markets where coffee is traditional
  • need to generate enthusiasm
  • institutional programs are vital (Brazil / Colombia / Central America / Mexico)

- Mix of both
  • India
  • Africa

EMERGING MARKETS CONSUMPTION OVERVIEW

- Large population / growing fast
- Tea is traditional beverage in many countries
- Soluble coffee as market driver
- Barriers to coffee consumption:
  • cultural
  • economic
- Coffee is considered luxury
- Western way of life motivates consumption
- Expansion of coffee shop chains
- Impact of global crisis?

© Copyright P&A
# CONSUMPTION IN EMERGING MARKETS (2008)

<table>
<thead>
<tr>
<th>Emerging countries</th>
<th>Thousands of bags</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>3,700</td>
</tr>
<tr>
<td>Ukraine</td>
<td>1,700</td>
</tr>
<tr>
<td>Poland</td>
<td>1,200</td>
</tr>
<tr>
<td>Romania</td>
<td>800</td>
</tr>
<tr>
<td>Serbia</td>
<td>700</td>
</tr>
<tr>
<td>Hungary</td>
<td>600</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>500</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>500</td>
</tr>
<tr>
<td>Croatia</td>
<td>400</td>
</tr>
<tr>
<td>Bosnia - Herzegovina</td>
<td>400</td>
</tr>
<tr>
<td>Slovakia</td>
<td>350</td>
</tr>
<tr>
<td>Lithuania</td>
<td>200</td>
</tr>
<tr>
<td>Latvia</td>
<td>100</td>
</tr>
<tr>
<td>Slovenia</td>
<td>200</td>
</tr>
</tbody>
</table>

5 million bags

**THANK YOU!**