The Global Soluble Market Through 2016

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Convenience and premiumization are the leading determinants behind consumer decisions as markets become increasingly polarized and segmented vis-à-vis quality, price, and format. Single-serve coffee pods now the fastest growing segment in the global coffee industry with competition intensifying.

Summary and Conclusion

- One-third of all soluble coffee produced is consumed at origin. While global production continues rising to meet export demand with the top-10 producing countries expanding output by 30% since 2008, domestic consumption has climbed over 40% and is expected to continue growing.
- The Asia-Pacific region is leading global growth with emerging market opportunities most pronounced in China, Indonesia, Malaysia, and even Vietnam. Each market is characterized by its own particularities, and domestic producers or manufacturers with a significant local presence are likely to be more receptive and able to adapt to consumption trends and by consequence, better positioned to exploit new opportunities.
- The health and wellness trend has gained a foothold in key markets where consumers are becoming more conscious of their consumption habits and are favoring *in 3-1* instant coffee blends that provide some form of functional health benefit. This is leading to increased segmentation in the retail domain.
- Last year's price increases and changing consumer trends are leading to a polarization in prices with more premium products being offered that protect overall manufacturer margins but more importantly, correspond to more sophisticated consumer palettes. This is particularly pertinent in the more matured markets of Western Europe and North America.
- Competition has escalated over the review period with manufacturers consolidating operations or entering new markets through key acquisitions of domestic operators.
- The North American market remains stagnant, notwithstanding the introduction of new premium instant coffee products, and is likely to replicate the Western European experience where consumers have traded up from instant, to fresh, to single-serve coffee pods. Although more expensive per cup, consumers prefer the added convenience of preparing a premium coffee within the comfort of their own home or office. Competition is expected to intensify now that patents expired on GMCR Keurig brand single-serve technology allowing new competitors to enter this market, namely Starbucks. Institutional use of soluble coffee remains the most attractive segment for growth in mature markets as instant coffee tries to capture more out-of-home coffee demand.

Interpreting the Data

For this report when referring to quantities of soluble coffee in bags it is without exception green bean equivalent, based on 23 kilograms soluble per bag. The industry standard extraction rate is 2.6 kilograms green coffee to manufacture 1 kilogram of instant. However, this can vary significantly depending on the efficiency of the plants and as a result all production and consumption figures should be deemed as approximations with potential for some margin of error.

Data obtained for the report is from a wide variety of sources, including reports published by the major brands (annual reports, industry meetings, reports to shareholders, internal distributions made public), studies carried out by database firms in the food/beverage sector (Datamonitor, A.C. Nielsen, Mintel, Information Resources Inc, DMG/Coffee International File, Thomas Food guide, Beverage Marketing Corporation) which incorporates data scanned by retailers and mass merchandisers, as well as various government(Census and Labor Bureaus) and Industry Association reports from many countries, particularly the International Coffee Organization, the US National Coffee Association, the US Specialty Coffee Association, the European Coffee Federation, ABICS, All Japan Coffee Association, German Coffee Association and the Coffee Board of India . Research reports from Wall Street brokerage houses were also obtained that covered the beverage industry. When there were conflicts in data, the most recent figures were utilized and assumed more accurate. In addition, extensive interviews were conducted with those in the trade. In most cases opinions were rendered, but actual statistics were not forthcoming simply because they were not known rather than not wanting to provide or share the information, with few exceptions.

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CHARTS

TABLES (Numbering restarts at Table 1 for Appendix)

APPENDIX