



CCS
COFFEE

The Asian Coffee Market

Trends in Production & Consumption

Euan Mann, 4th March, 2014

Overview

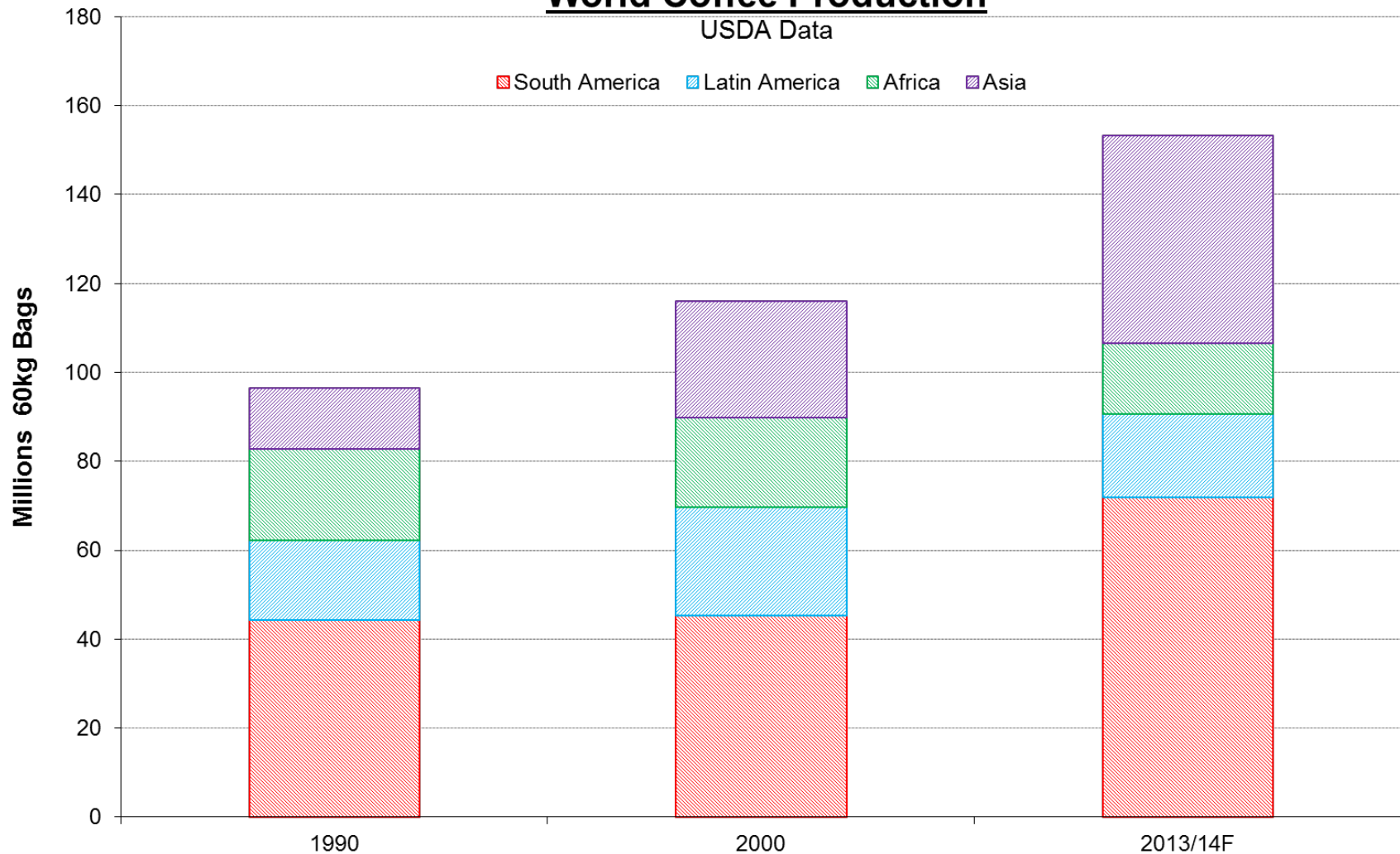


- Asian Production – in a Global context
- Vietnam – the driver of Asian Production growth, current crop prospects, and future potential
- China – still ‘the next big thing’ for Consumption???
- Asian Consumption Growth – ‘Traditional Markets’ & ‘Producer/Consumers’

Asian Production – Global Context



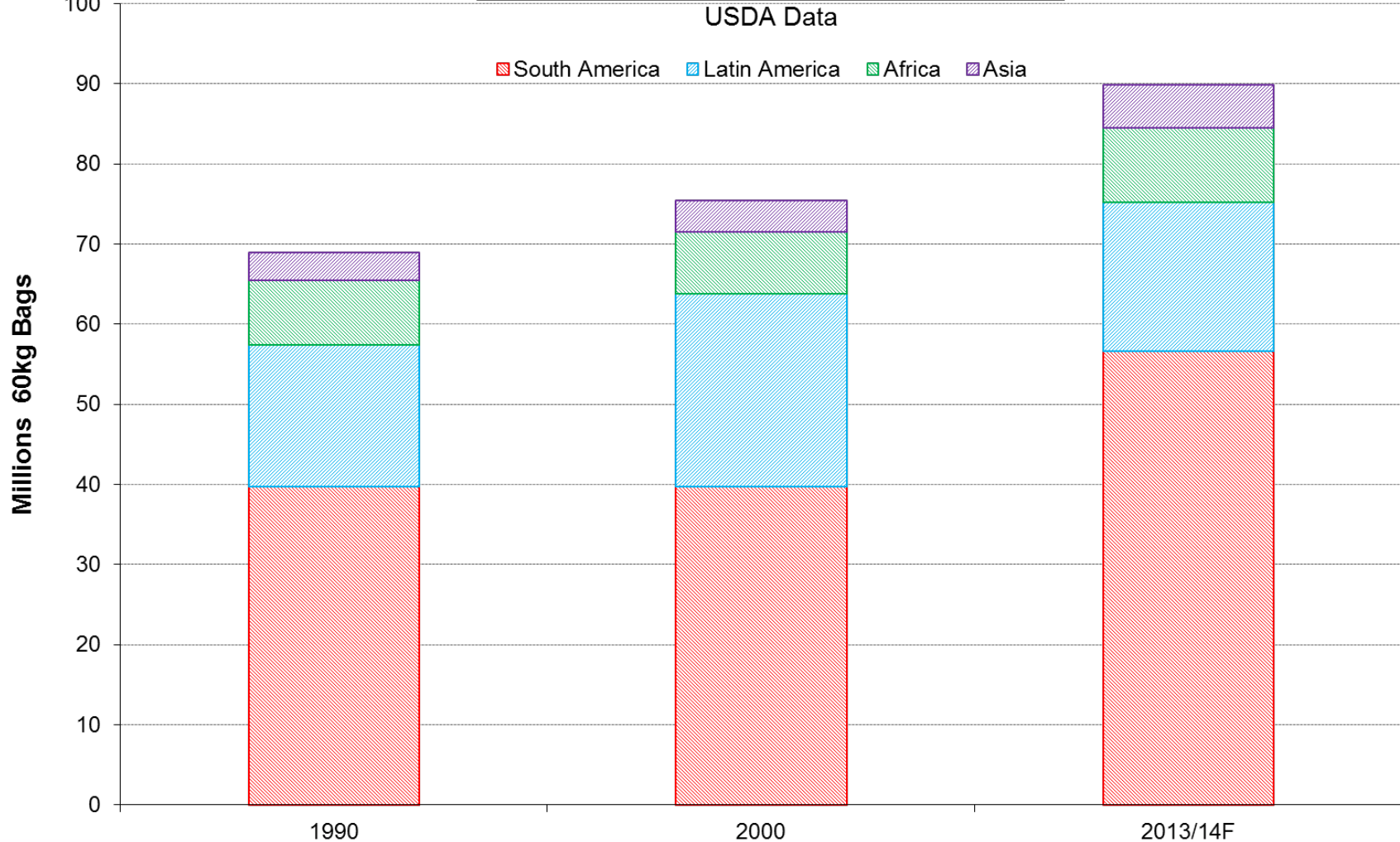
World Coffee Production



Asian Production – Global Context



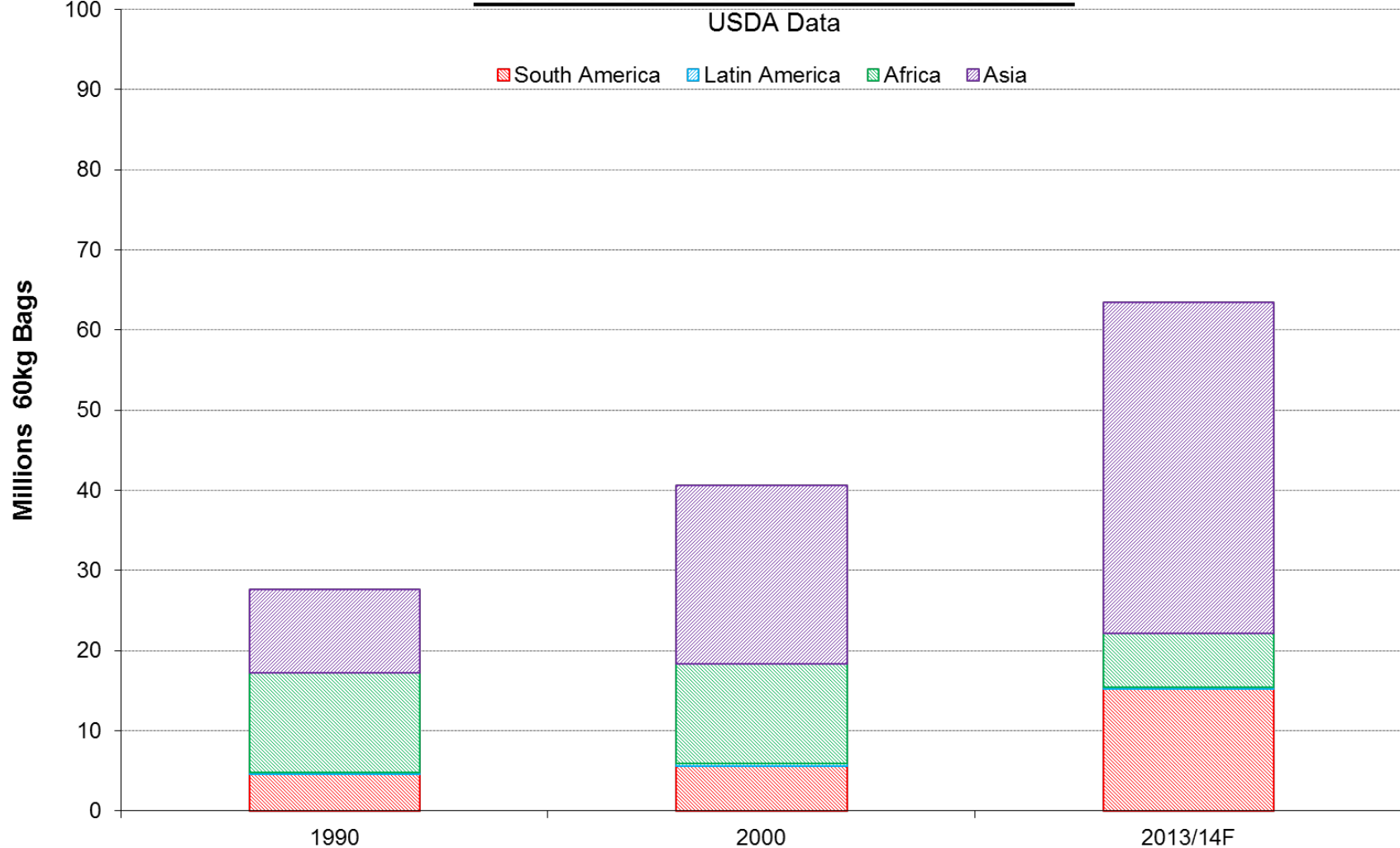
World Arabica Coffee Production



Asian Production – Global Context



World Robusta Coffee Production

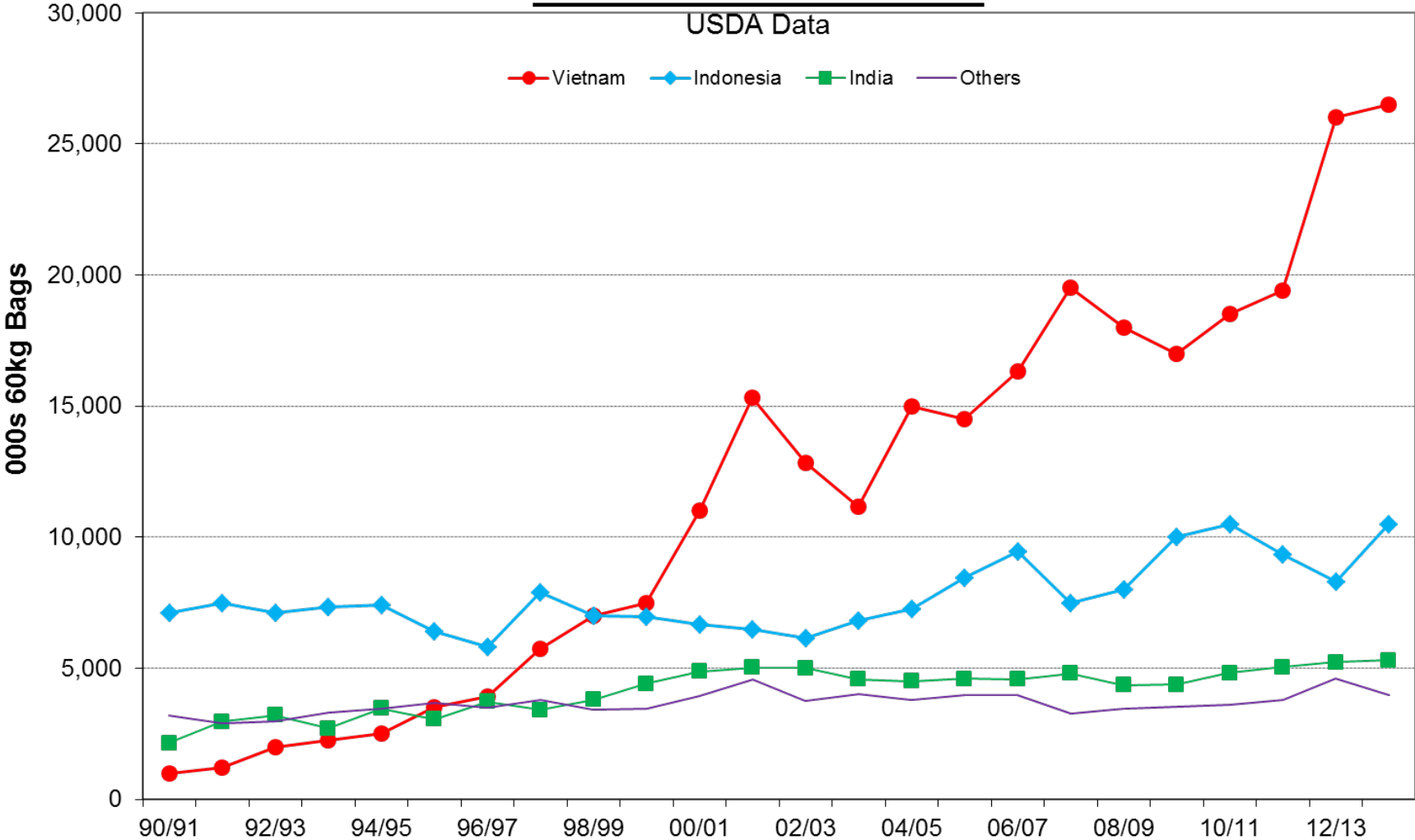


Asian Production



Asia Coffee Production

USDA Data

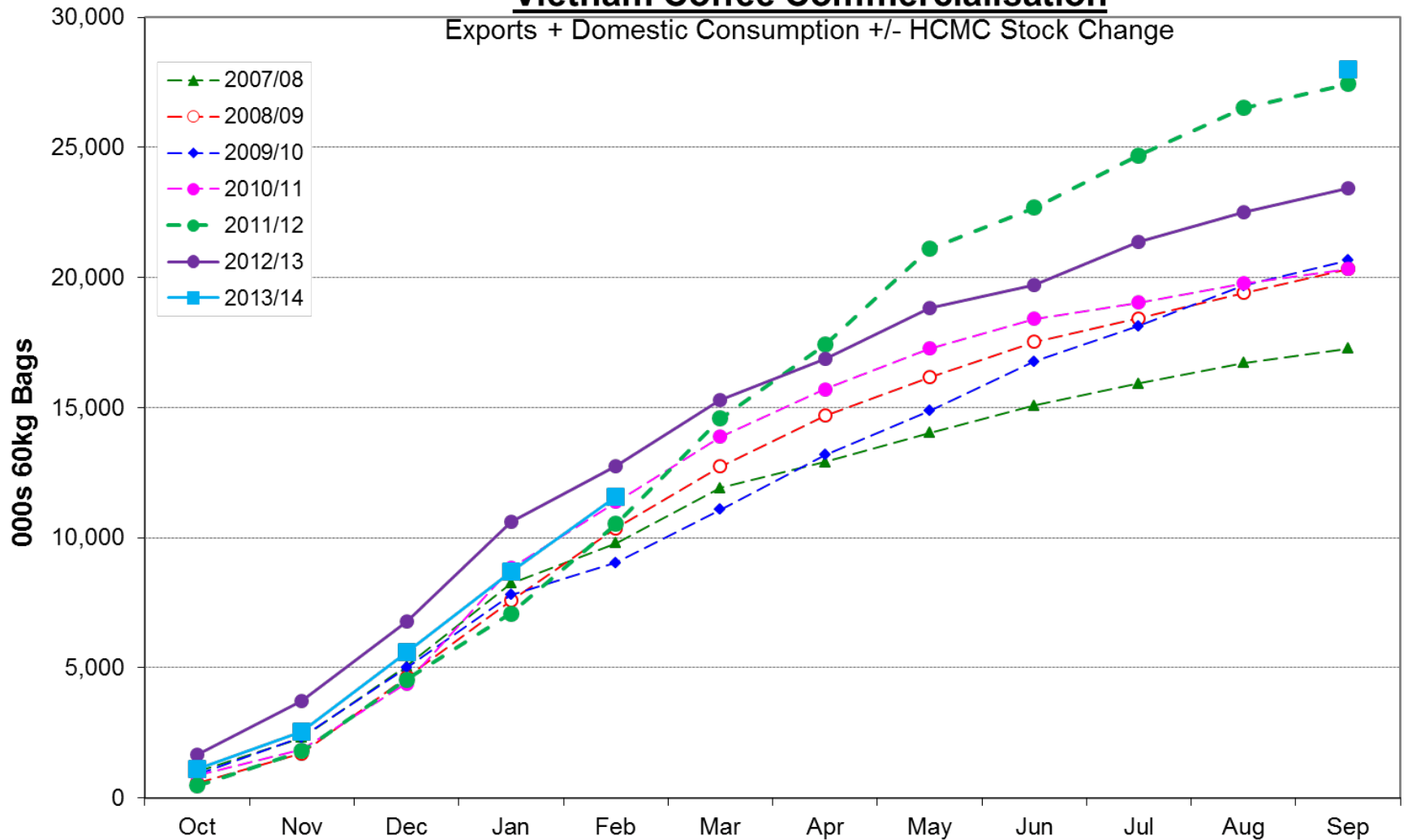


Vietnam Production



Vietnam Coffee Commercialisation

Exports + Domestic Consumption +/- HCMC Stock Change



Vietnam New Planted Area



Vietnam Cost-of-Production



Basis average yield of 2.5 MT per ha, we estimate the following **direct** costs:

Fertiliser	2.0-3.0 MT per ha, per annum 12,000 VnD/kg 30.0m VnD per ha, per annum or \$570 per MT
Irrigation	3 rounds of irrigation, per annum 3.0m VnD per ha, per round 9.0m VnD per ha, per annum or \$165 per MT
Harvesting	Two workers, 30 days per ha 175,000 VnD per worker, per day 10.5m VnD per ha, per annum, or \$215 per MT
Direct Costs	49.5m VnD per ha, per annum c. 20,000 VnD per kg or \$950 per MT

Vietnam Local Market Price



Vietnam Farmer Price
Robusta (VnD/kg)



China Coffee Consumption



Starbucks, Nov-13: *'China will be "the largest driver of the approximately 750 new stores we plan to open across the region in 2014...by comparison, the entire hemisphere of the Americas will gain a total of only 600 stores next year.'*

Dunkin' Donuts, Apr-13: *'Dunkin' Donuts Hits 10,000 Stores On China Push...opened its 10,000th global store as it looks to international expansion to fuel growth. With the latest opening, Dunkin' Donuts has more than 80 stores in China.'*

Costa Coffee, Nov-12: *'In a reversal of the 19th century trade that saw "clipper" ships sail east to bring tea back to Britain, the present day coffee business is roasting more coffee at its UK plant and exporting it around the world. It is now building a third roasting unit to supply its outlets in China, which are projected to more than double in number to 500 by 2016.'*

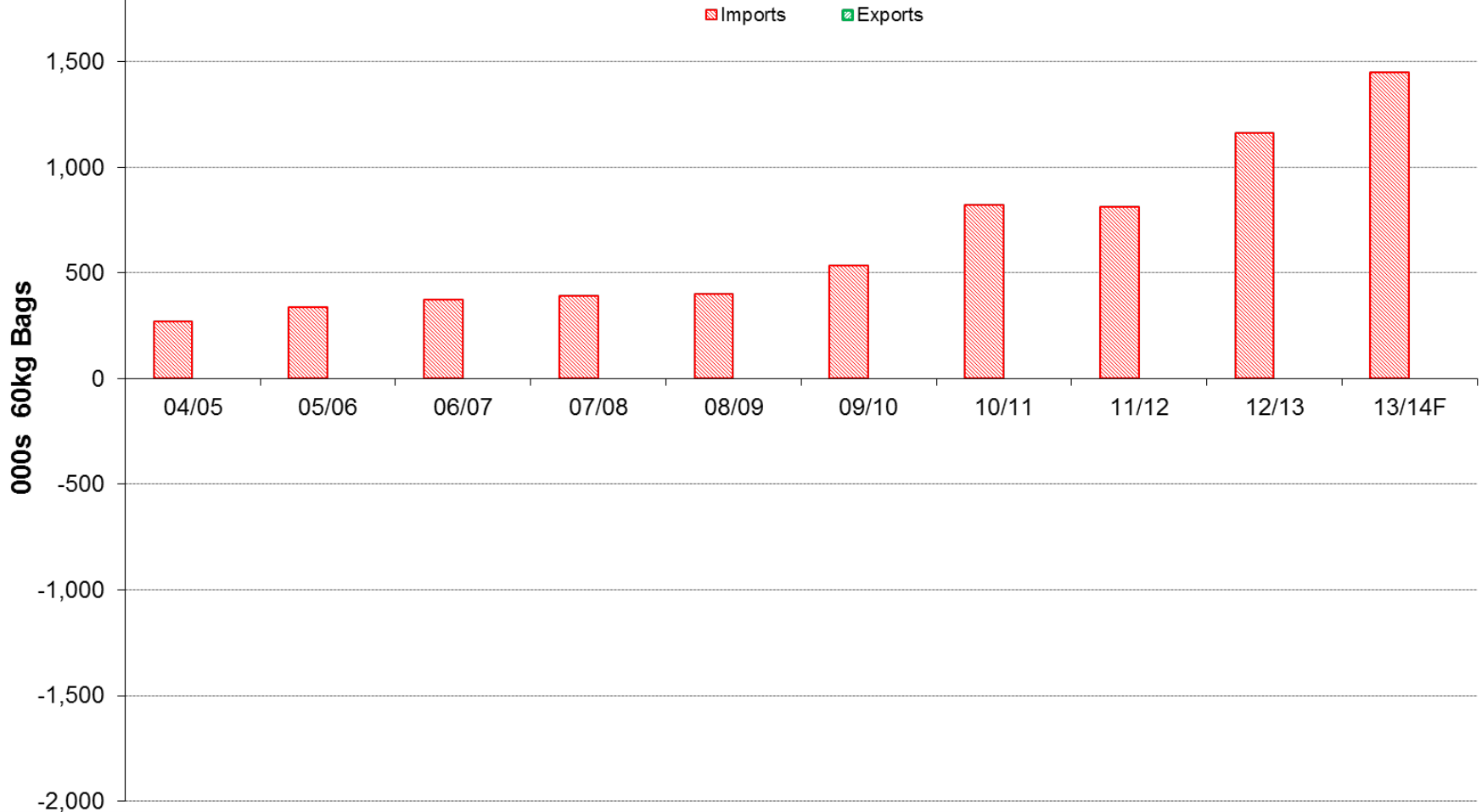
China Trade Flows

Imports



China Coffee Consumption

China Customs, GBE



China Trade Flows

Imports & Exports



China Coffee Consumption

China Customs, GBE

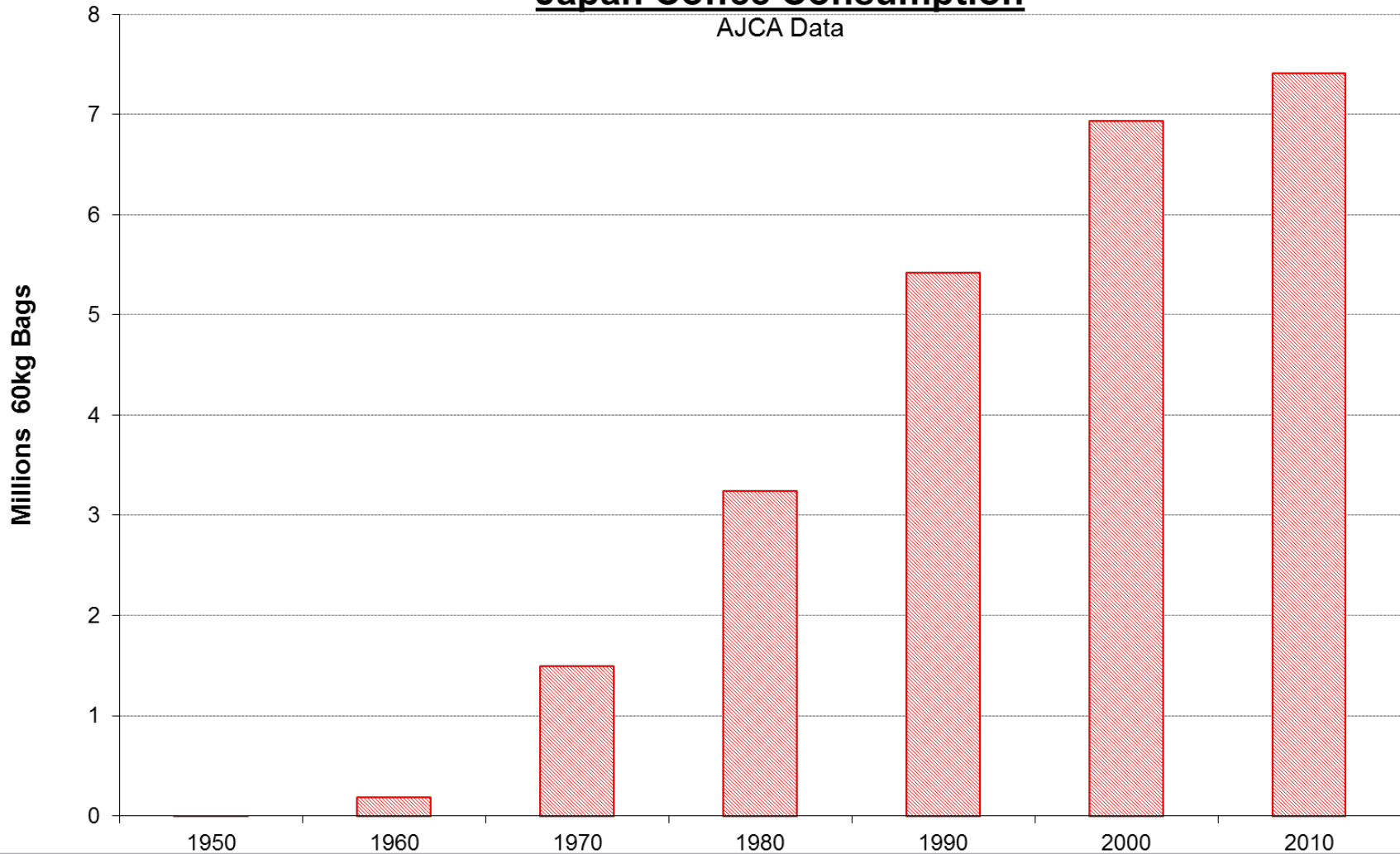


Japan Coffee Consumption Trend



Japan Coffee Consumption

AJCA Data

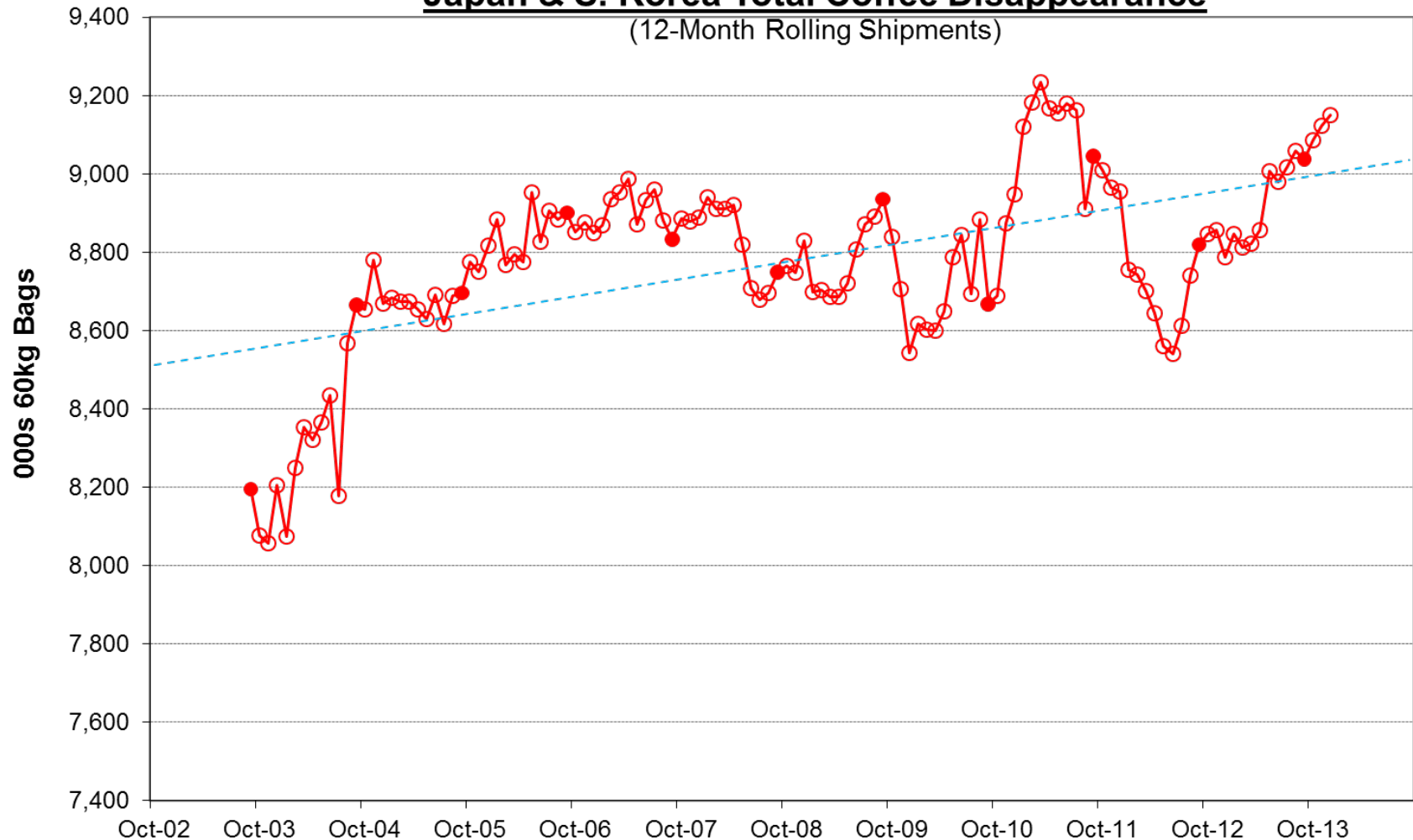


Asian Consumption

Steady Growth in Importing Countries (+0.1m p.a.)



Japan & S. Korea Total Coffee Disappearance
(12-Month Rolling Shipments)



Asian Consumption

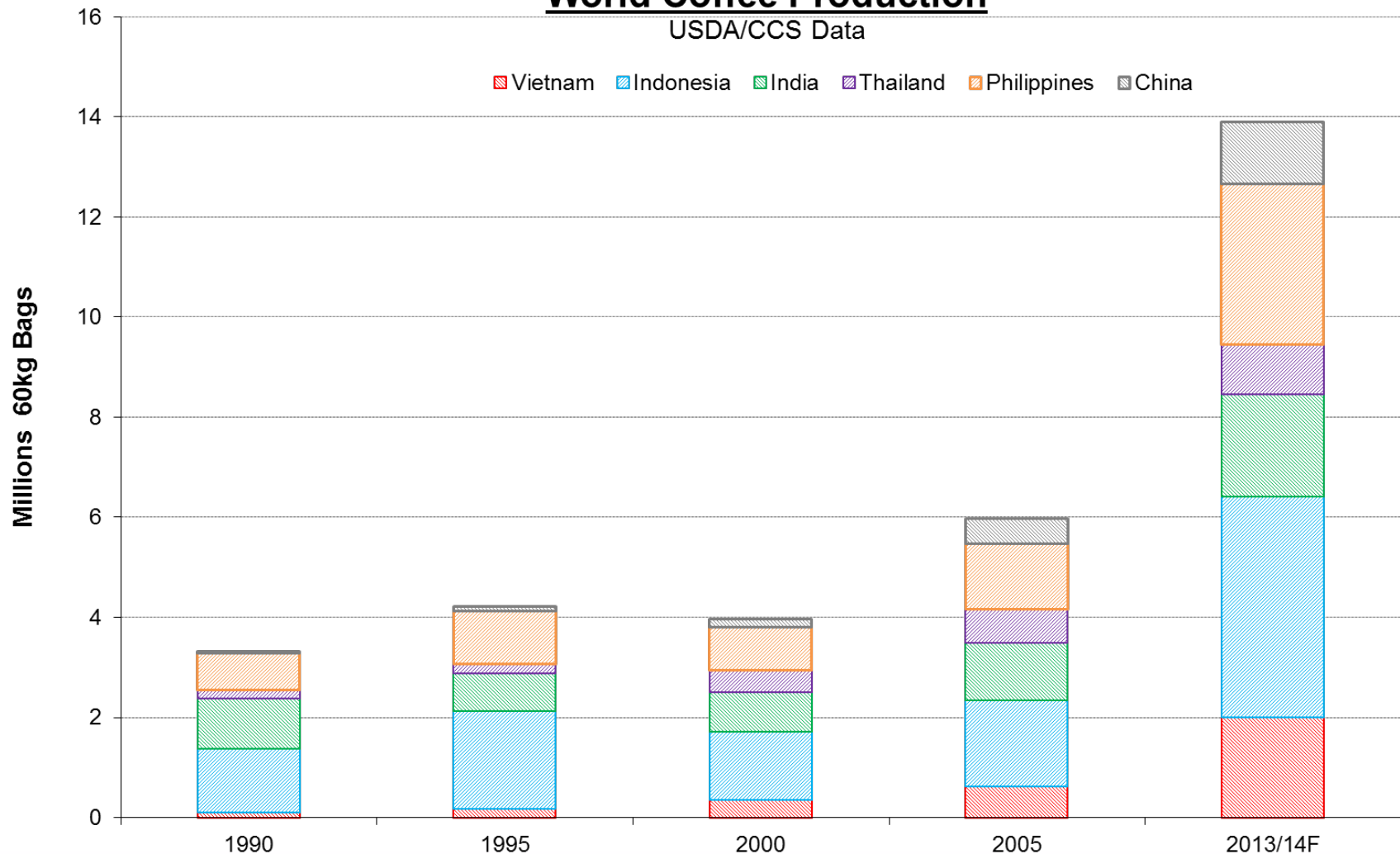
Rapid Growth in 'Producer/Consumers' (+1.0m p.a.)



World Coffee Production

USDA/CCS Data

■ Vietnam ■ Indonesia ■ India ■ Thailand ■ Philippines ■ China



Conclusions



- World market increasingly dependent upon Asian Production, particularly for Robusta coffee.
- Vietnam alone now accounting for 60% of green Robusta exports, Vietnam & Indonesia combined 75%. This is an enormous concentration risk.
- China still at the very early stages of a Consumption 'revolution', which took place over 30-40 years in Japan.
- The real story in Asian Consumption is the rise of the 'producer/consumers' – Vietnam/Indonesia/Thailand/Philippines – who are growing at a staggering rate of around 8% p.a. Total consumption in this block is now almost double that of Japan/South Korea.
- Luckily, Vietnam is still expanding, and with favourable price and good weather, can continue to feed at least this local growth