

Judith Ganes-Chase
President
914-232-1360
914-232-1364 fax
judyg@jganesconsulting.com
www.jganesconsulting.com

The Soluble Coffee Market

An in-depth analysis of global supply and demand

Instant coffee accounts for nearly 1 in every 3 cups of coffee consumed.

Soluble Coffee

Summary and Conclusions

- While retail sales of instant coffee have been steadily declining in many industrialized countries, total world demand is experiencing resurgence in growth due to growing demand in emerging markets. We believe this segment of the world coffee market will continue to prosper, with opportunities for potential growth in Russia, India, and China, all traditional tea-drinking countries.
- Institutional sales of soluble coffee are experiencing exceptional growth due to growing demand for cappuccino and iced coffee beverages in the ready-to-drink market. This phenomenon is noted in both westernized and emerging nations.
- Major advertised brands are renewing their focus on instant coffee due to higher profit margins relative to green coffee.

Interpreting the Data

The majority of soluble coffee production is manufactured by less than a handful of multi-nationals that have processing plants in both countries of origin as well as in consumer nations. These companies, led by Nestlé and Kraft, as the dominant two, rely heavily on branding their product. Private label brands, on the other hand, range from small to medium size operations and usually have only local or regional appeal in the retail sector.

Nestlé dwarfs production and sales of soluble coffee. Data can often be misleading or skewed as a result, particularly since Nestlé will sub-contract out for bulk supplies of spray-powdered instant coffee, which they will then process into agglomerated coffee in the country or region of use. The contracting of supplies from outside sources is driven by financial considerations (cost of production, currency exchange rates).

The other difficulty in analyzing data is the conversions used from bean to soluble. The industry standard is an extraction rate of 2.6 kilograms green coffee to manufacture 1 kilogram of instant. This can vary significantly and efficient plants are known to extract at a ratio less than 2.1 and some even below 2.0. As a result production and consumption figures should all be deemed approximations with potential for wide margins of error.

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.

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 (Euromonitor, A.C. Nielsen, Mintel, Information Resources Inc, DMG/Coffee International File, Thomas Food guide) 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, and the All Japan Coffee Association. 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. In addition, a mass emailing and phone campaign was undertaken to obtain plant capacities from known soluble coffee manufacturers. Data for this soluble directory continues to be compiled as received.

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