



THE FARMER BROTHERS FAMILY OF COFFEE BRANDS

coffee bean™
INTERNATIONAL





A 97 YEAR-OLD COMPANY MOVES INTO A NEW ERA OF GROWTH



coffee bean™
INTERNATIONAL

THE FARMER BROTHERS FAMILY OF COFFEE AND TEA BRANDS



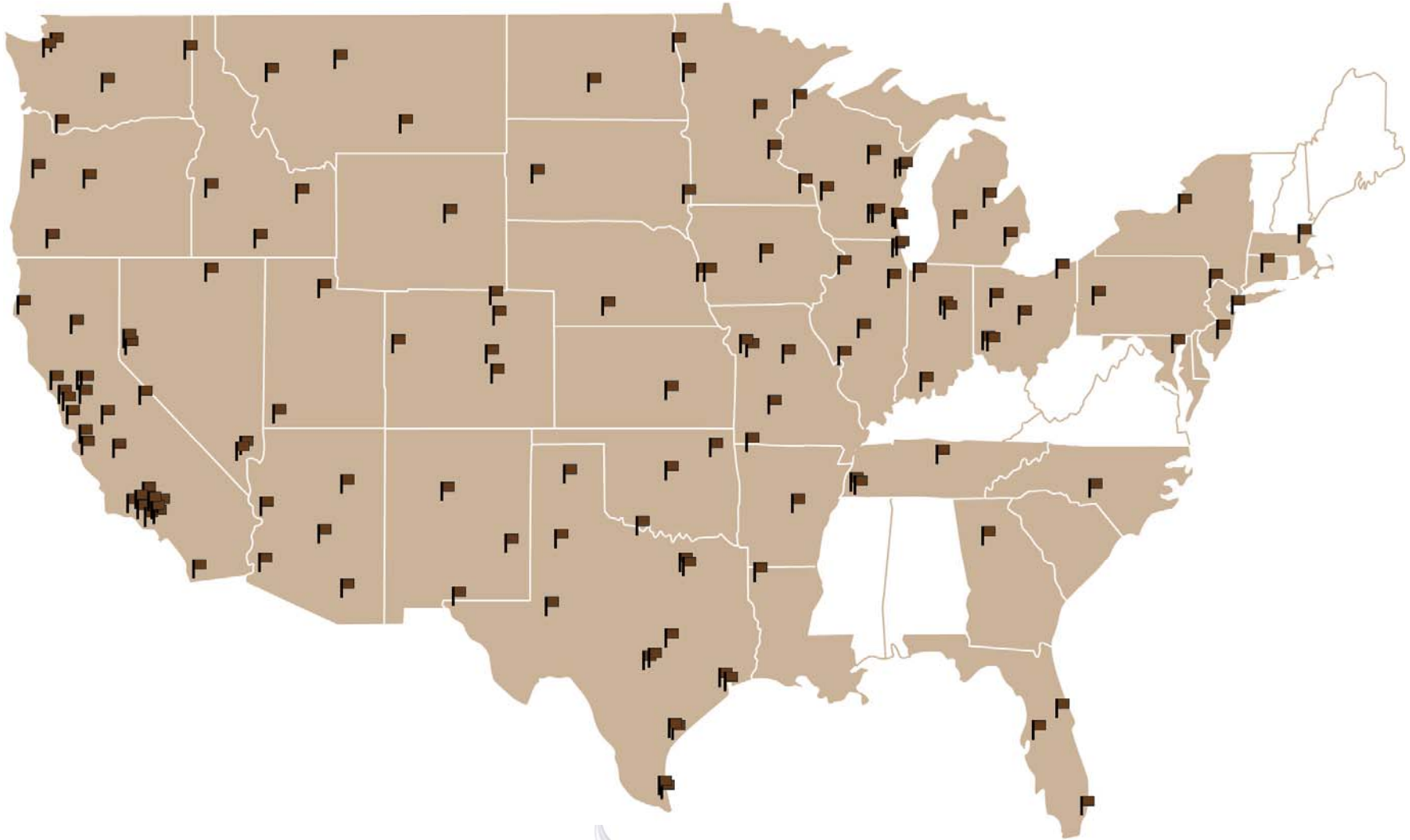
The Farmer Bros. Coffee Company

- Established in 1912
- Over **76,000** customers and customer locations
- Distribution in **50** states through **163** branches
- Roasting and production facilities in Oregon, California, Texas, and Oklahoma
- Specialty coffee, traditional coffee, and ancillary products
- Direct store delivery and national distribution
- Acquired Coffee Bean Intl in 2007 and Sara Lee DSD in 2009





Farmer Bros National Distribution



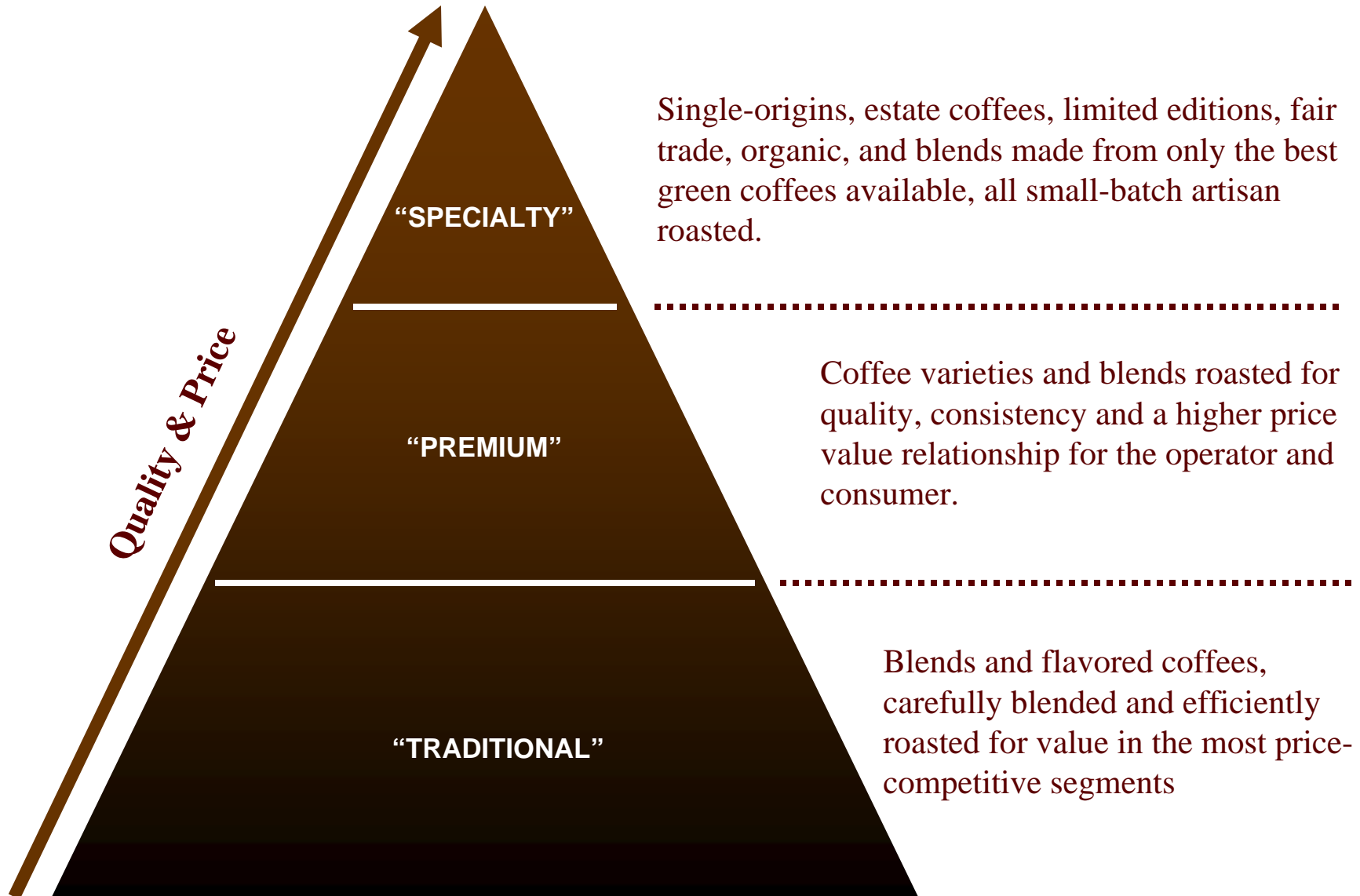
THE FARMER BROTHERS FAMILY OF COFFEE AND TEA BRANDS



Coffee Bean International

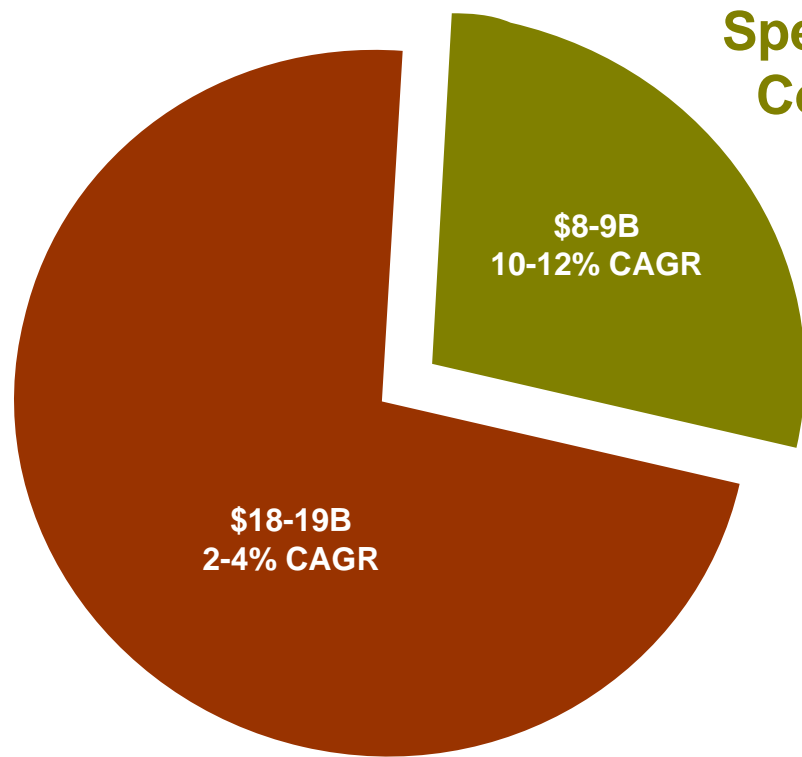


Moving Up the Quality Pyramid



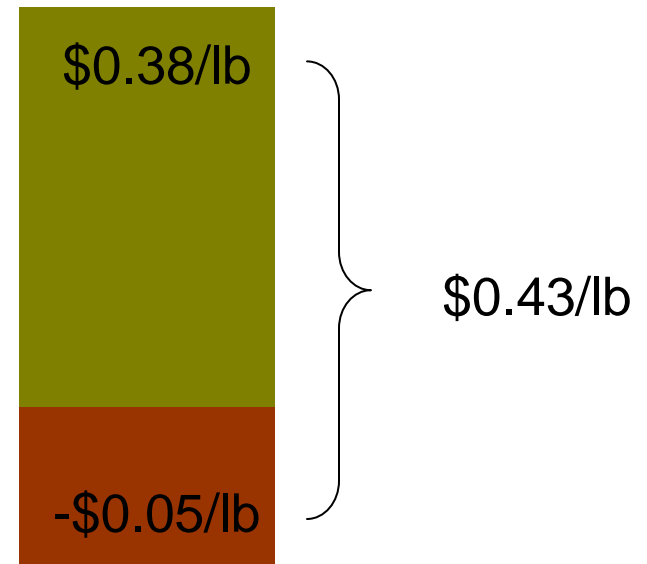


U.S. Retail Coffee Sales



**Traditional
Coffee**

Differential Gap



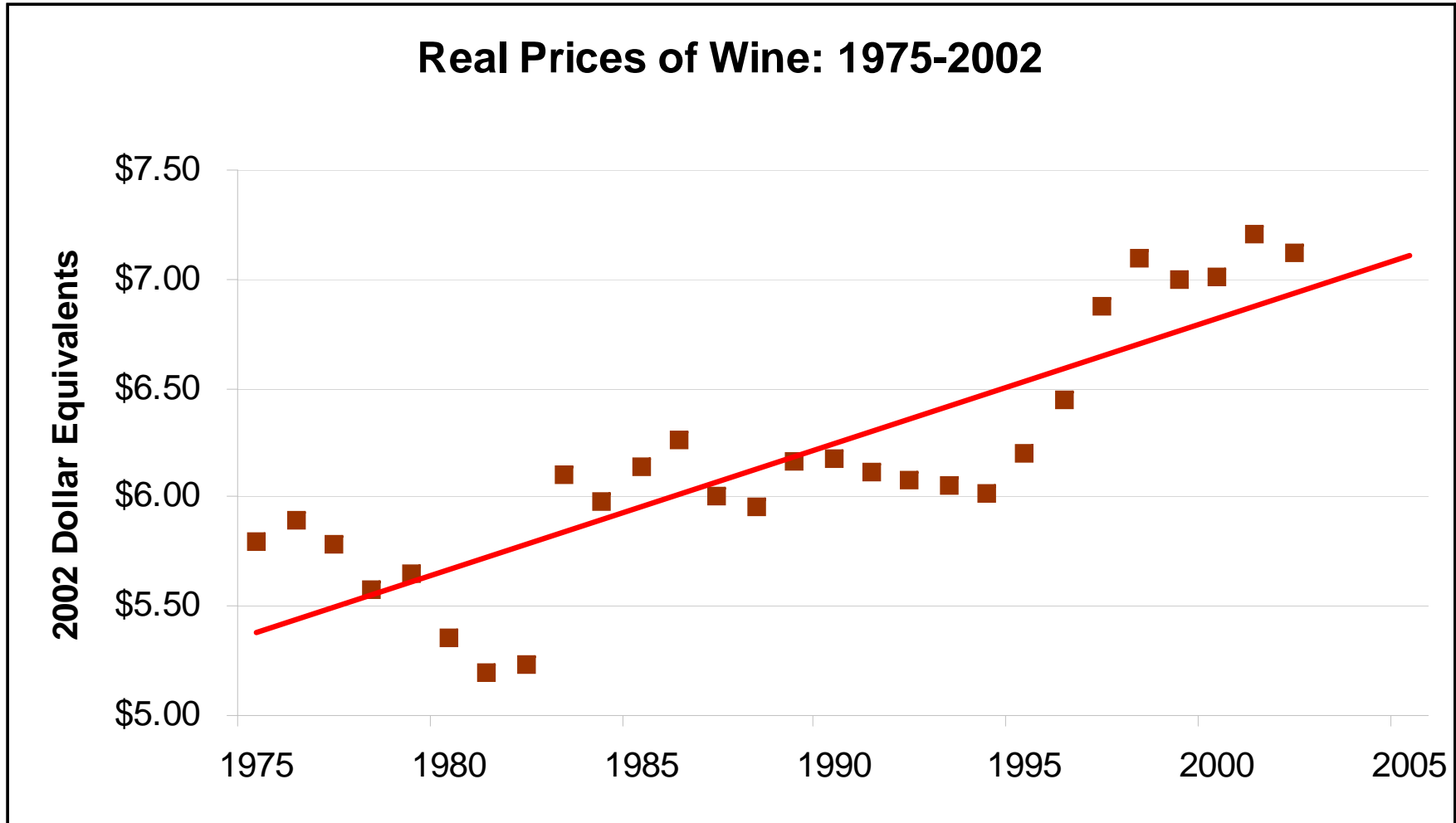


“Premiumization”: U.S. Wine Industry

ERA	PREMIUM CONSUMER	PREMIUM PRODUCERS	RETAILERS
1960s-1970s The “Jug” Years	Upper echelon only; Europeans	France, Italy, Spain	Specialty stores
1980s-1990s The Renaissance	Baby boomers, upper middle class	Add California	Specialty + Limited Grocery
2000s Mass Premiumization	Mainstream	Add Chile, Australia, Argentina, South Africa, Pacific Northwest, etc	Everywhere



“Premiumization”: U.S. Wine Industry





“Premiumization” & Value Exchange

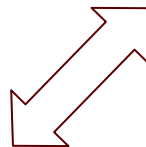
- Premiumization drives improved value exchange from U.S. to coffee growing countries, and is enabled by U.S. consumers’ increasing willingness-to-pay for higher quality.
- Current indicators of growing premiumization in U.S.
 - Wider acceptance of “exotic,” more expensive coffees in mature coffee markets (e.g. San Francisco and Chicago)
 - Increased competition among roasters to “own” the consumer’s perception of quality
 - Average retail price of coffee is up 50% in last six years (Mintel)



Premiumization Model

Suppliers

Must decide to invest in infrastructure to improve product quality



Retailers

Market-based investment decisions to better compete



Consumers

Mass acceptance of higher quality products that better meet needs & wants



Example: Carbon Footprint

Suppliers

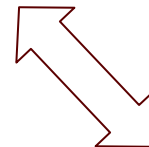
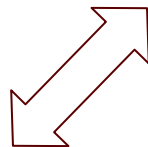
Previously very limited activity; now many reacting to Wal-Mart initiative

Retailers

Wal-Mart announces carbon footprint disclosure initiative

Consumers

Initially small and growing interest; now interest validated and becoming more widespread





The Coffee Industry

Roasters

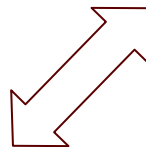
Work with producers to develop better coffees; educate retailers & consumers

Retailers

Allocate shelf space, promote, provide more product information

Consumers

More and more coffee aficionados, increased willingness to pay





Coffee Example: CBI / Target[®] COE

Producers &
Coffee Bean International

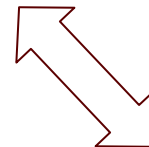
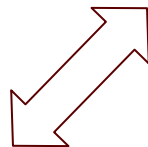
COE program results in
high price paid to
growers for exceptional
coffees

Target[®] Corp.

Offers #1 & #2
Colombian COE at
significant value in
1,600 locations

Consumers

Many exposed to COE
and micro-lot quality
coffees for the first time





The Roaster's Role

Promote Quality through Higher Prices

- Above-market prices paid for higher quality coffees
- Tiered pricing (Micro-lot to AAA to AA)
- Work closely with farmers to improve cup quality

Farm and Regional Stability

- Commitment to multi-year direct producer relationship, providing stability and incentive for investment in quality practices
- Investment in communities and regions: health, basic services, economic and ecological sustainability

Build Specialty Programs at Retail

- Create retail environment and communication that educates consumers about coffee, unique characteristics and quality
- Tiered product strategies, ultra-premium packaging, and specialty brands that facilitate consumer choice to higher quality

Consumer Education

- Bringing individual farmers and quality of life stories to the consumer, driving consumption and higher prices at retail



The Next 97 Years

- The U.S. coffee market continues to evolve toward broader appreciation and demand for better coffees.
- Together, producers, roasters, and retailers must work together to move consumers up the quality spectrum.
- Farmer Bros., now with national reach and specialty coffee capability, is committed to leading the consumer trend toward premiumization through strong retail and consumer education programs.