

SPECIALITY COFFEE

# European Coffee Market Situation

Mick Wheeler

ASSN. OF EUROPE



## Coffee in Europe

The UN classifies Europe as comprising 49 countries, with an estimated population of 728 million, but wikipedia lists 50 countries with a population of over 800 million, while others go as high as 53 depending upon your definition of a sovereign state

27 countries belong to the European Union with an estimated population of 497 million.

So there is a need to be careful with generalisations about “Europe”. In the main I will concentrate on the EU plus Switzerland and Norway, but will also cover Eastern Europe where I can.



## Coffee in Europe

So let me start by giving you a snapshot of the coffee situation in Europe

Consumption in Western Europe amounts to 40.3 million bags (2.4 million tons).

Consumption in Eastern Europe amounts to 6.6 million bags (396,000 tons)



## Coffee in Europe

### Coffee Consumption in Europe

	2005	2006	2007	2008	2009
<b>Western Europe</b>	<b>42,124</b>	<b>42,863</b>	<b>42,479</b>	<b>41,571</b>	<b>40,302</b>
<b>Of which</b>					
France	5,113	5,278	5,628	5,152	5,568
Germany	8,913	9,151	8,627	9,535	8,897
Italy	5,484	5,593	5,821	5,892	5,835
<b>Eastern Europe</b>	<b>6,120</b>	<b>6,195</b>	<b>7,211</b>	<b>7,589</b>	<b>6,586</b>
<b>Total</b>	<b>48,244</b>	<b>49,058</b>	<b>49,690</b>	<b>48,160</b>	<b>46,888</b>



## Coffee in Europe

Gross Imports of all forms of coffee into Western Europe totalled 51.6 million bags including inter regional trade;

However re-exports to countries outside this area totalled approximately 4.5 million bags.

Cross boarder trade within the EU makes individual country statistics somewhat suspect, although Eurostat and ICO figures are reasonably good , but you must always accept are never complete.

Inter EU trade of all forms of coffee total around 12 million bags



## Coffee in Europe

### EU IMPORTS AND EXPORTS OF GREEN COFFEE AND (SEMI) FINISHED PRODUCTS FROM NON-EU ORIGINS TO NON-EU DESTINATIONS – 2009 (‘000 Bags)

	Import	Export
Green Coffee	44,756	256
Green Coffee – Decaffeinated	42	1,350
Roasted Coffee	409	1,175
Roasted Coffee – Decaffeinated	42	54
Soluble	684	654
<b>Total</b>	<b>45,934</b>	<b>3,498</b>

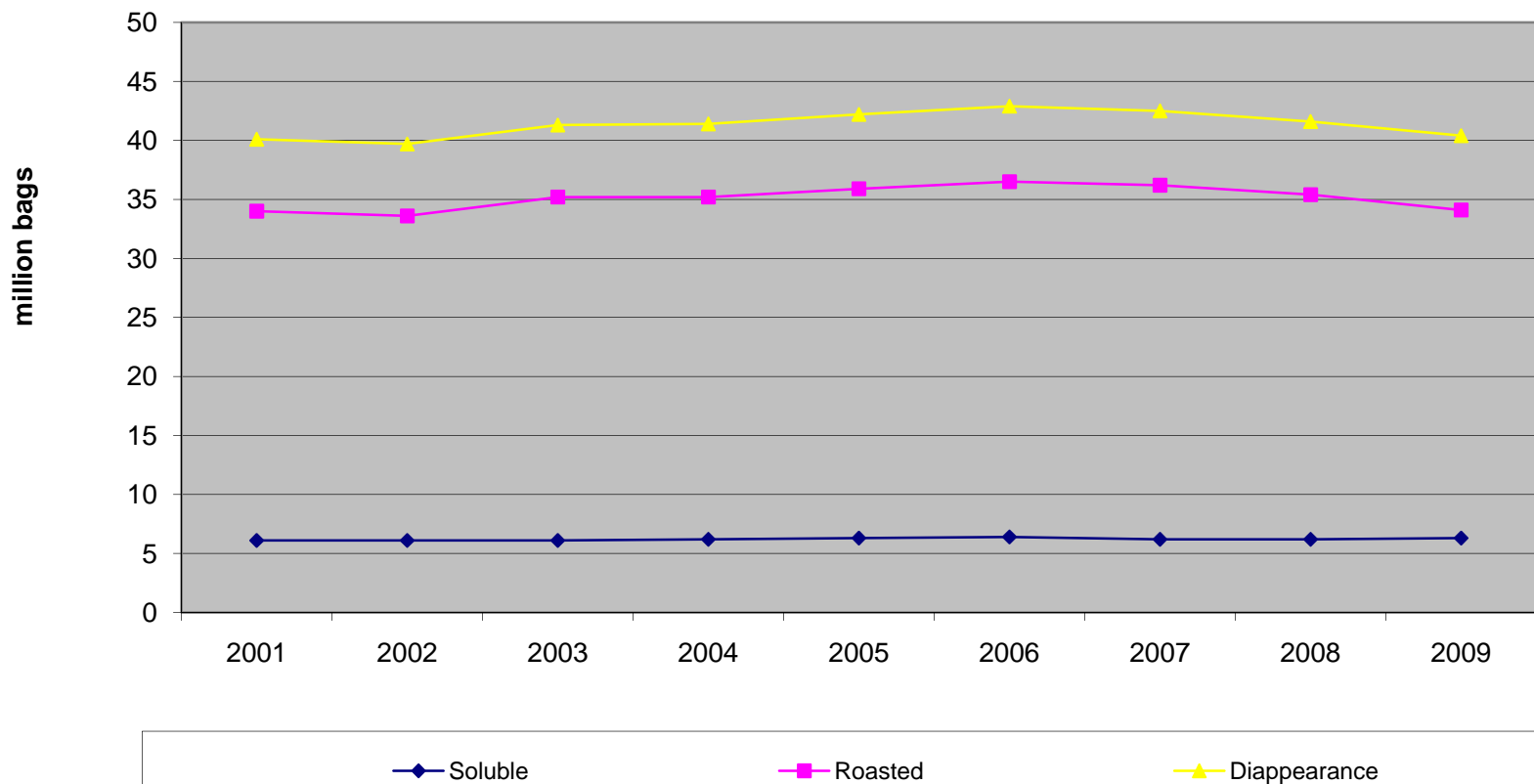


## Coffee in Europe

Consumption in Western Europe is dominated by roasted coffee, which accounts for around 85% of consumption.

Soluble coffee consumption has remained relatively steady at around 6 million bags for the past 10 years

### Consumption in Western Europe







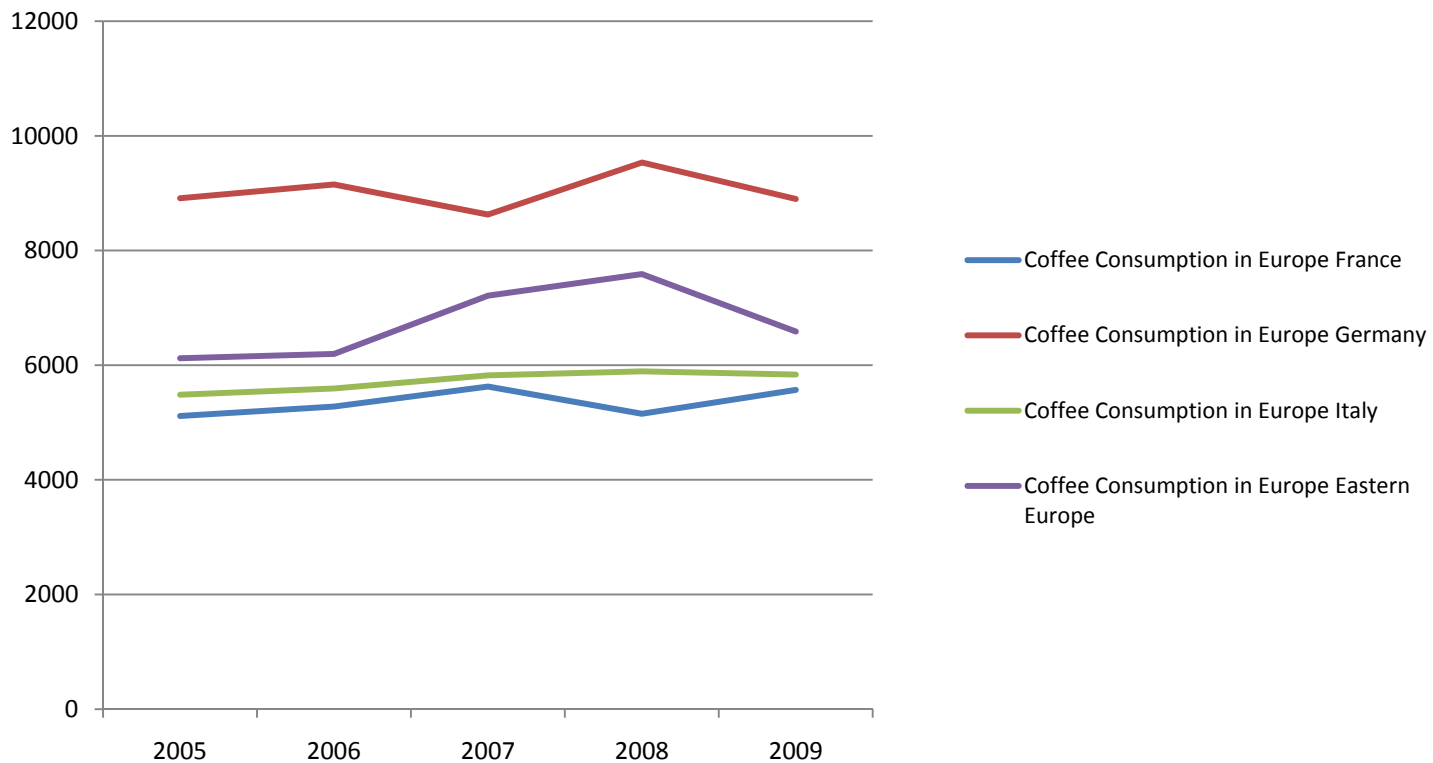
## Coffee in Europe

Consumption varies from country to country;  
As does blending, preparation, and usage;  
Depends on tradition, habits taste and historical ties;  
However the situation is changing as smaller roasters  
become larger and challenge established market  
brands throughout Europe.



# Coffee in Europe

## Disappearance

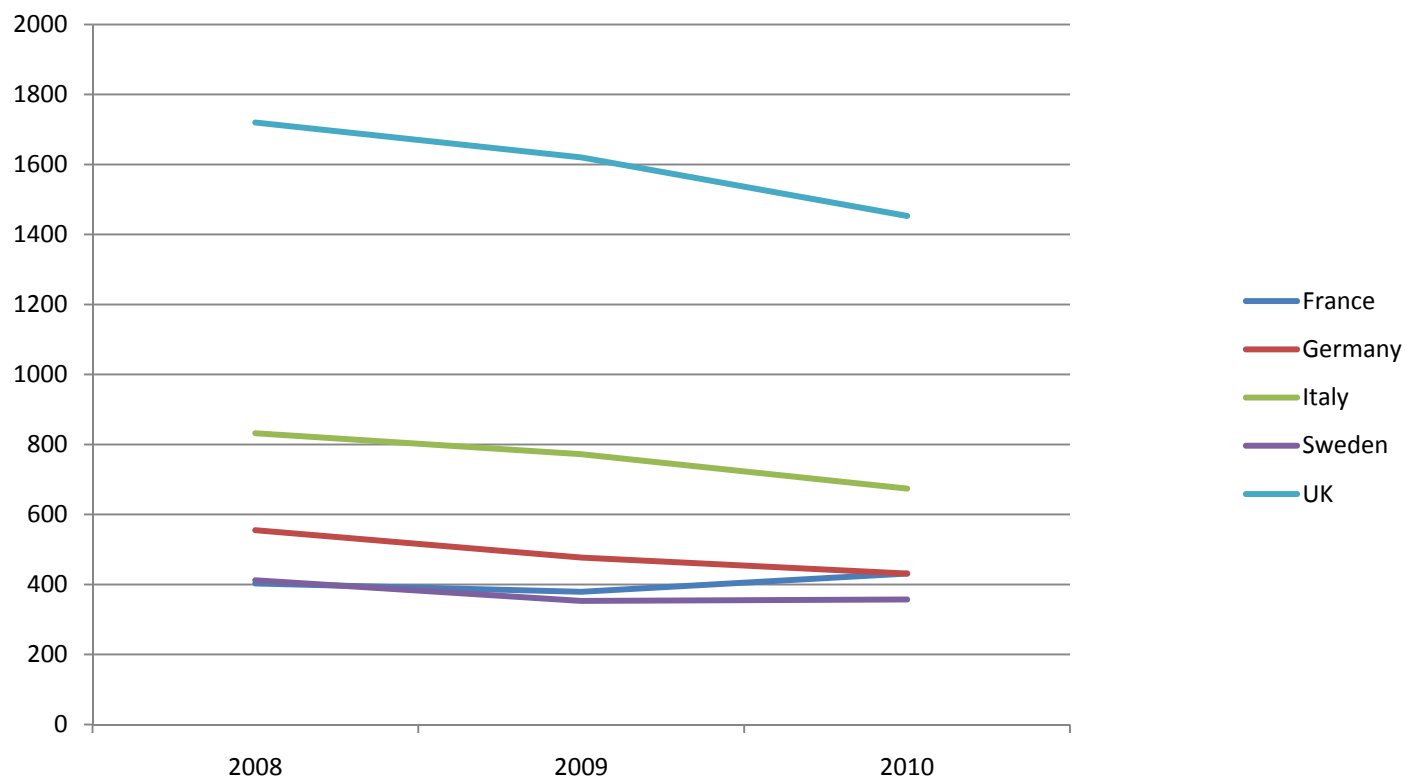




## Coffee in Europe

Per Capita Consumption in Europe					
	2000	2003	2006	2008	2009
European Community	5.14	5.05	5.00	4.83	4.67
Finland	11.26	11.19	11.94	12.62	11.92
Denmark	8.81	8.08	9.09	7.71	7.89
Sweden	8.00	7.91	8.66	8.29	7.35
Germany	6.70	6.64	6.66	6.95	6.50
France	5.50	5.45	5.16	4.98	5.36
Italy	5.36	5.73	5.69	5.98	5.85
Latvia	2.84	4.38	4.76	3.06	2.35
United Kingdom	2.37	2.21	3.03	3.01	3.14

## Retail Prices in selected markets – June





## Coffee in Europe

The statistics clearly show that consumption in the Western European coffee market is at best stagnating, but at worst, in a state of real decline. Nevertheless the situation is mixed and there are some bright spots, unfortunately too few.

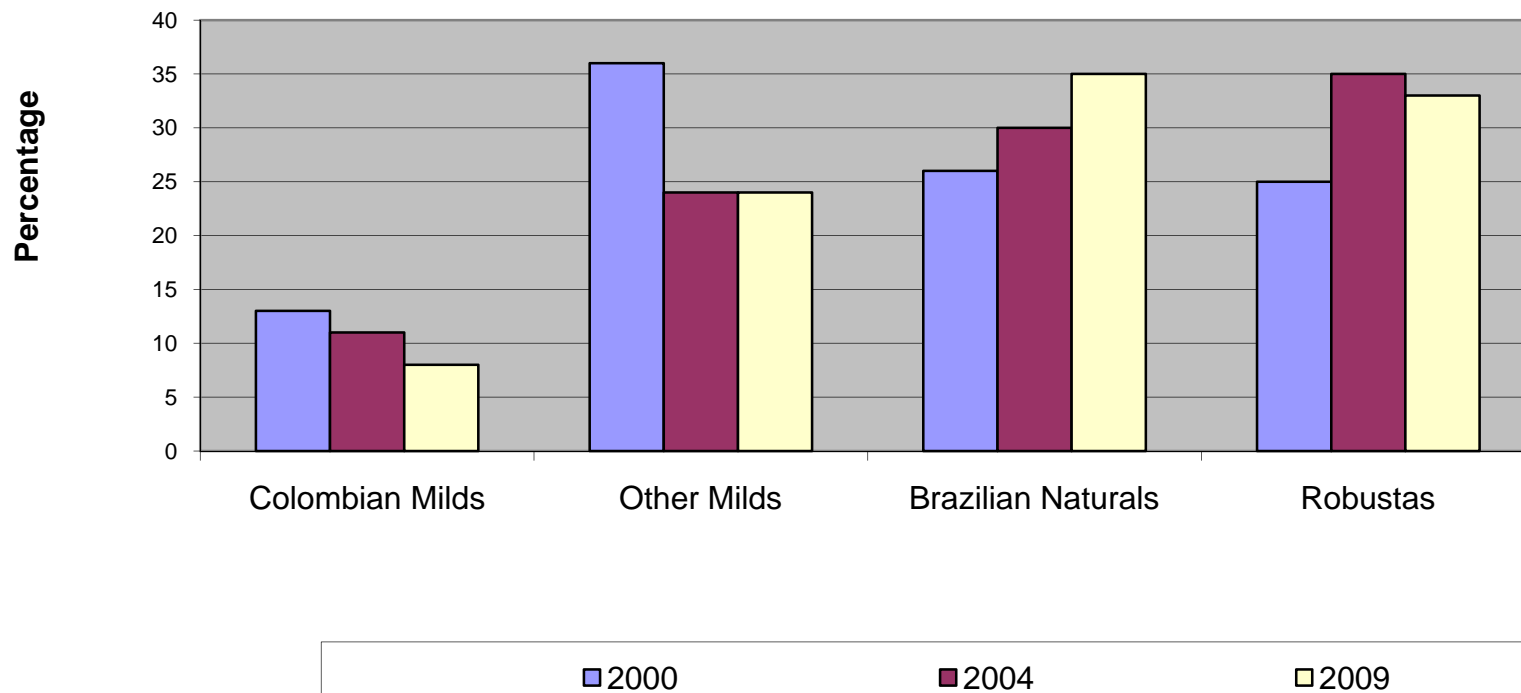
Many analysts argue that the decline in consumption can be attributed to a deterioration in quality. And the evolution of retail prices suggests that quality is being compromised in the pursuit of lower Prices.



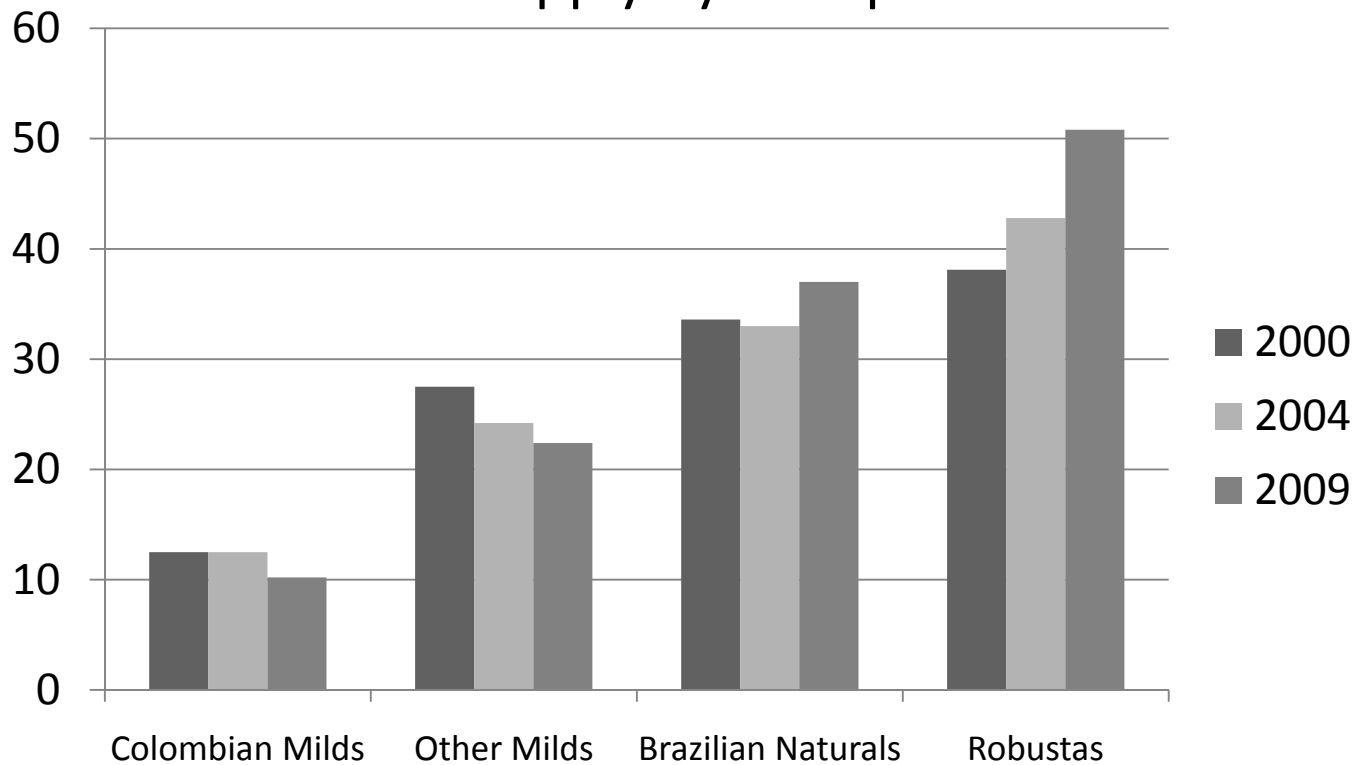
## Coffee in Europe

However is there any evidence to support this claim?

### Percentage of European Imports by type



## Supply by Groups







## Coffee in Europe

Yes, the pattern of consumption in Europe has reflected changes in the pattern of supply, but only partially so, for there can also be no doubt that at the same time there has been a definite shift towards the greater use of robusta and Brazilian Natural coffees.

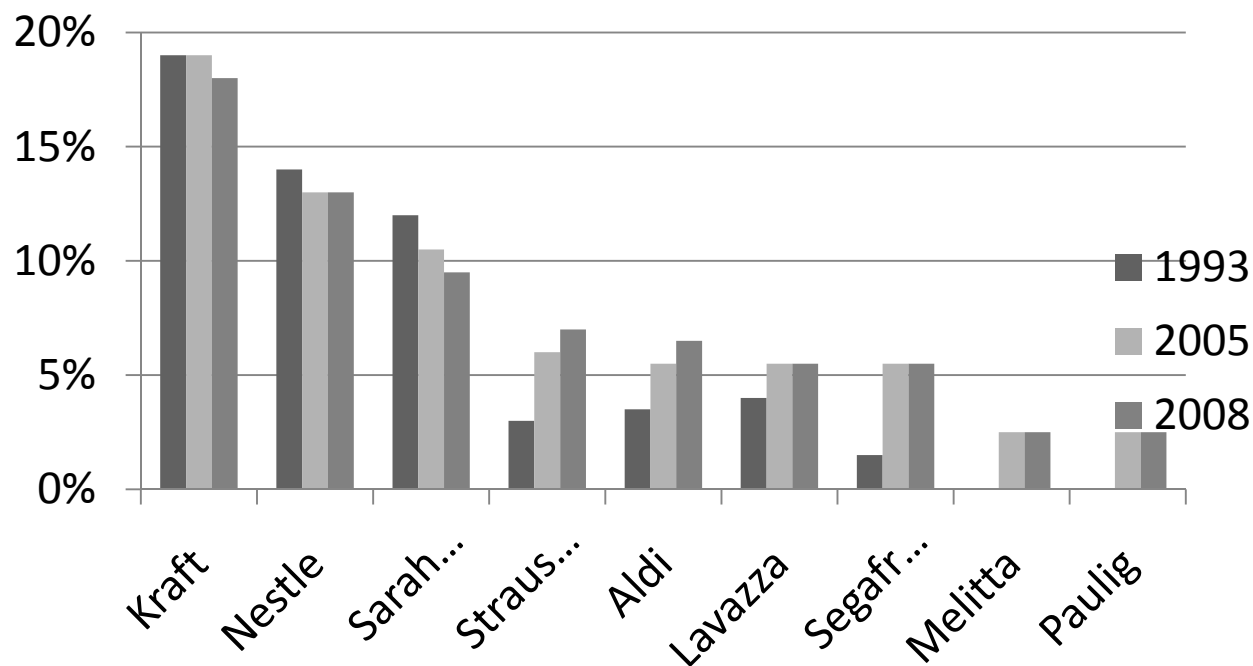
But this is not the whole story.



## Coffee in Europe

- The market has in fact become more divided
- with an increase in the consumption of lower priced mainstream products
  - but at the same time a clear move towards more value added products.

## European Market Shares 1993 – 2008





## Coffee in Europe

The evidence that there has been a clear shift towards valued added products or maybe I could use the term speciality, is, unfortunately, not particularly concise.

In fact, it is a bit of a mish-mash, but put together, they help to paint a picture of a sector, which is showing clear signs of vibrant growth, mainly at the expense of mainstream.



So what statistics are actually available

- Individual country statistics
- Market Segments in Germany
- Coffee Bar trends in the UK
- Speciality Coffee company data
- Organic Coffee Imports
- Decaffeinated coffee



## Coffee in Europe

Let me start off by highlighting some interesting fact about consumption in Russia.

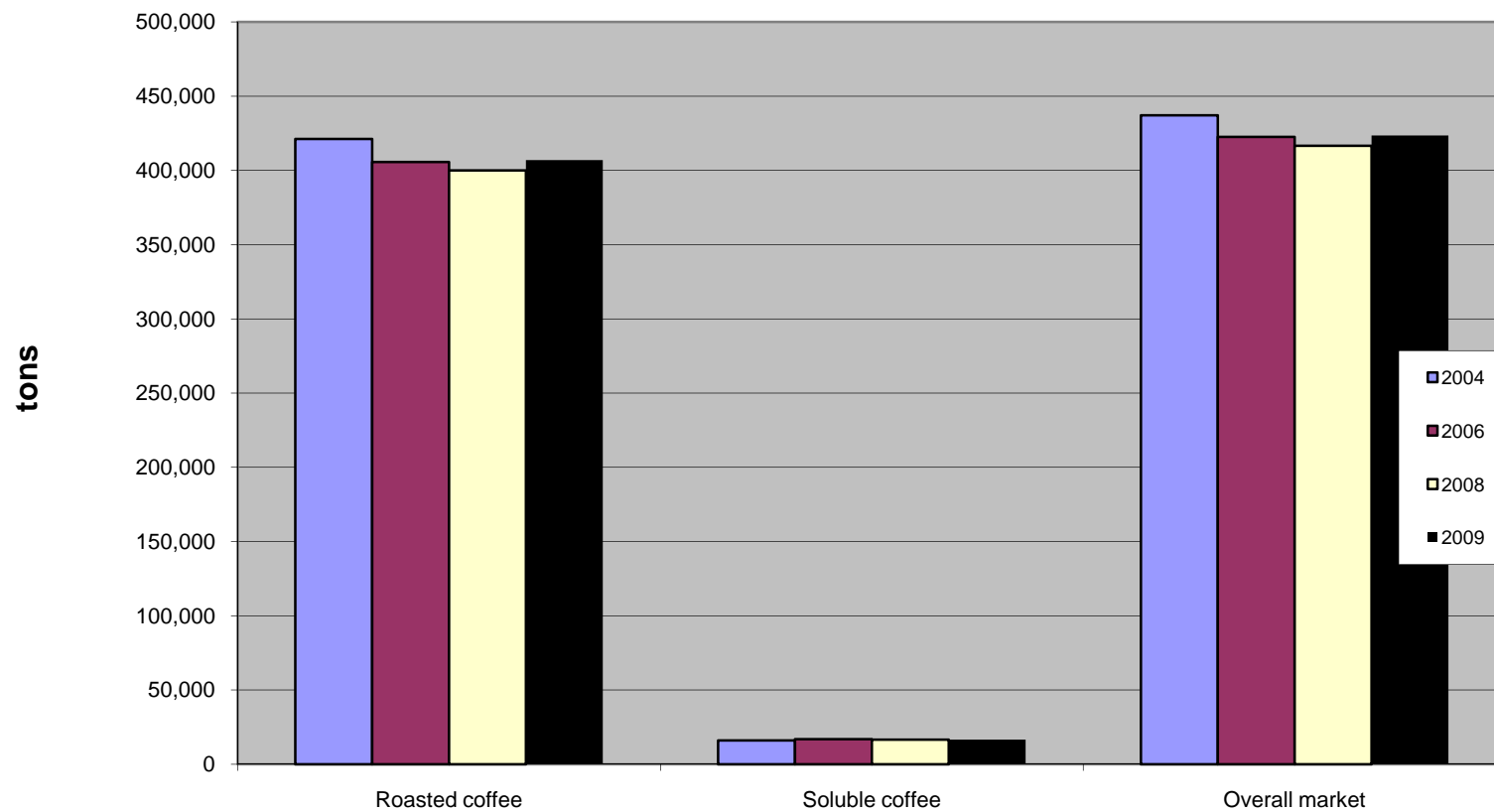
Consumption of Roasted coffee now accounts for 20% of total consumption up from 15% in 2005

Soluble coffee consumption accounts for the remaining 80%, but freeze dried accounts for 40% of that consumption up from 25% in 2005.

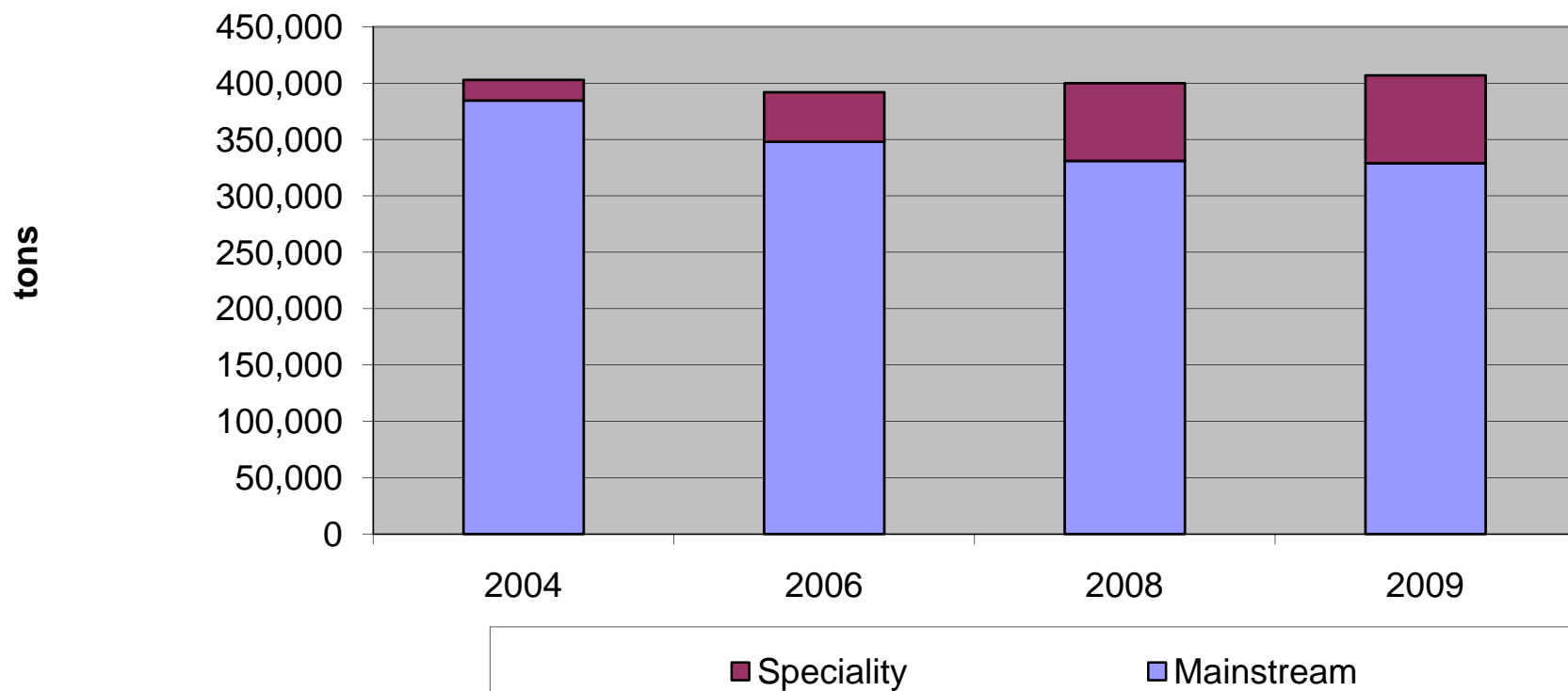
But per capita consumption has fallen from 1.73 kg in 2007 to 1.33kg in 2009

So they are drinking less, but those who are consuming are drinking better quality coffee

## German Coffee Market

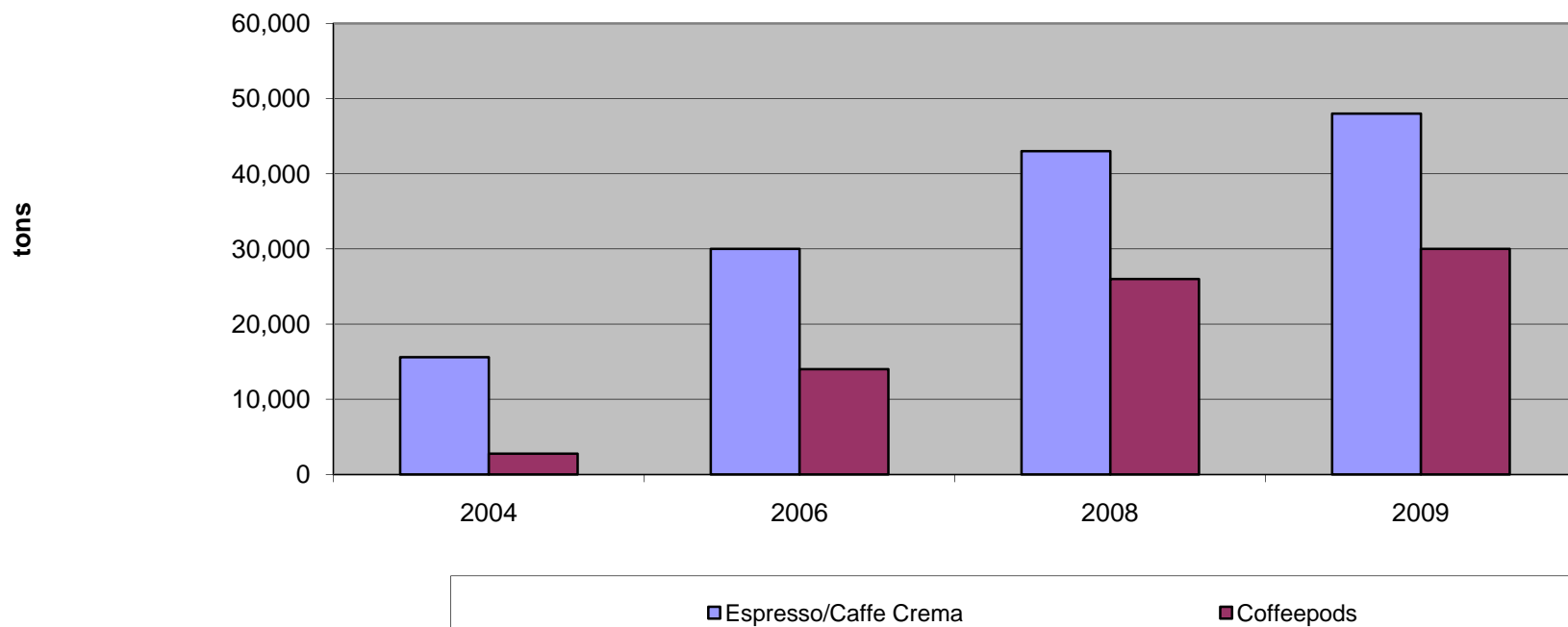


## Germany Roasted Coffee Segment





**Germany: Roasted Coffee Speciality segments**



# Coffee in Europe

**THE LEADING COFFEE SHOP GROUPS IN THE UK, 2008**

	Owner	2008	2007	2006	Selected brands
		outlets	outlets	outlets	
1	Whitbread	750	600+	405	Costa Coffee
2	Starbucks	650	549	506	Starbucks
3	Caffè Nero	360	292	261	Caffè Nero
4	Marks & Spencer	239	213	202	Café Revive
5	BB's	172	140	110	BB's
6	Segafredo Zanetti	130	91	94	Puccino's
7	SSP	124	179	135	Caffè Ritazza
8	Nestlé	103	75	103	Caffè Nescafé
9	Tchibo	84	74	38	Tchibo
10	Welcome break	71	64	-	Coffee Primo
11	Coffee Republic	48	40	36	Coffee Republic
12	Druckers	40	44	33	Druckers
13	Esquire	22	20	14	Esquire

Source: Horizons/Wordsmith & Company

### UK Continued

- Dec 2009, Costa Coffee reported that it had increased its number of outlets to 970;
- 2009, Caffe Nero reported that it had increased its number of stores to 404 and that sales had increased 10%;
- According to Allegra Strategies there will be in excess of 4700 branded coffee outlets in the UK in 2012 up 7% p.a.;
- Anecdotal evidence suggests UK Coffee bar sales in 2010 are holding up well



## Coffee in Europe

- Elsewhere
  - Nespresso report a 30% increase in sales year-on-year since 2006
  - Starbucks report a 10% growth in sales volume worldwide during FY09/10 and a 6% increase in the number of stores in Europe
  - Allegra report that an additional 734 branded coffee shops opened up in Europe during the course of 2009
  - McDonalds McCafe now has 889 outlets in Europe and is the market leader in Austria, France, Germany, Hungary and Italy.



## Coffee in Europe

### Sales of Fairtrade certified products in the UK Estimated UK retail sales by value 1998-2009 (£ million)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Coffee	15.5	18.6	23.1	34.3	49.3	65.8	93.0	117.0	137.3	157.0
Tea	5.1	5.9	7.2	9.5	12.9	16.6	25.1	30.0	64.8	68.1
Cocoa products*	3.6	6.0	7.0	10.9	16.5	21.9	29.7	25.5	26.8	44.2
Honey products*	0.9	3.2	4.9	6.1	3.4	3.5	3.4	2.7	5.2	4.6
Bananas	7.8	14.6	17.3	24.3	30.6	47.7	65.6	150.0	184.6	209.2
<b>Total</b>	32.9	50.5	63.0	92.3	140.8	195.0	286.3	493.0**	712.6	799.0

## Consumption of Decaffeinated Coffee as a Percentage of Total Consumption 2000/01 - 2007/08

Country	2000	2009	Country	2000	2009
Austria	12%	9%	Netherlands	12%	14%
Belgium/Luxembourg	12%	10%	Norway	Low	1%
Denmark	Low	3%	Portugal	Low	4%
Finland	1%	1%	Russia	Low	1%
France	9%	7%	Spain	10%	17%
Germany	11%	8%	Sweden	Low	1%
Greece	Low	1%	Switzerland	5%	4%
Italy	3%	7%	United Kingdom	13%	13%



## Coffee in Europe

Trends in Decaffeinated Coffee Consumption in Europe have been mixed, but overall relatively static.

What is interesting is that there is no clear pattern. Consumption in Austria, Belgium and Germany all high consumers of decaffeinated coffees has fallen but in the Netherlands and Spain, again high consumers in 2000, it has increased



## Speciality Coffee in Europe

Exports of Organic Coffee to Europe						
Country		2005/06		2008/09		Increase
Austria		426		316		-26%
Belgium		15,002		44,424		196%
Denmark		2,580		3,114		21%
Finland		1,601		1,319		-18%
France		9,755		3,449		-65%
Germany		46,667		91,398		96%
Italy		4,718		5,870		24%
Netherlands		16,649		8,121		-52%
Norway		600		1,626		171%
Spain		9,286		1,040		-89%
Sweden		16,762		40,773		143%
UK		13,493		22,904		70%
Others*		622		5,797		63%
Total		138,661		230,151		66%
* Ireland, Poland, Portugal, Slovakia, Slovenia & Switzerland						





## Coffee in Europe

- These are ICO figures and certainly not complete, Other analysts put the figure 3 times higher at around 700,000 bags, Nevertheless assuming the data is consistent (and that cannot be guaranteed) - they do show a positive upward trend. However it is not uniform across Europe.

- To Summarise
  - Consumption is declining in Europe, but the situation varies from country to country
  - Nevertheless, as a general trend, there have been radical changes in the pattern of consumption in most European countries over the last 10 years; where market divisions are becoming more pronounced
  - Greater consumption of lower quality blends;
  - But also significant growth in higher value coffee products.



Coffee in Europe

THANK YOU