CIM

Chartered Postgraduate Diploma in Marketing (Level 7)

561 – Analysis and Decision

Case Study

July 2016

Mondelēz International/
Jacobs Douwe Egberts

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Analysis and Decision – Case Study

Important guidance notes for candidates regarding the pre-prepared analysis

The examination is designed to assess knowledge and understanding of the Analysis and Decision syllabus, in the context of the relevant case study. The examiners will be marking candidates' scripts on the basis of the tasks set. Candidates are advised to pay particular attention to the mark allocation on the examination paper and plan their time accordingly.

The role is outlined in the Candidate's Brief and candidates will be required to recommend clear courses of action. Candidates should acquaint themselves thoroughly with the case study and be prepared to follow closely the instructions given to them on the examination day. Candidates are advised not to waste valuable time collecting data outside of this case study. The cases are based upon real-life situations and all the information about the chosen company is contained within the case study. No useful purpose will therefore be served by contacting companies in the industry and candidates are strictly instructed not to do so as it may cause unnecessary confusion.

As in real life, anomalies may be found in the information provided within this case study. Please state any assumptions, where necessary, when answering tasks. The Chartered Institute of Marketing is not in a position to answer queries on case data. Candidates are tested on their overall understanding of the case and its key issues, not on minor details.

In preparation for the examination, candidates need to carry out a detailed strategic marketing audit of the case study. The audit allows candidates to demonstrate their ability to:

- apply the appropriate models and techniques to analyse information on a company/sector facing particular circumstances
- interpret the results of this audit to provide insights into the current situation and the conclusions they are able to draw
- utilise their own ideas and create their own models for interpreting the data.

When compiling their audit, candidates should only use the information found within the case, supported by their knowledge and understanding of the syllabus. Candidates are expected to bring individuality to their audit and submit their own work. In doing so, they must not attach essay-style descriptive work that could be considered as an attempt to gain unfair advantage whilst responding to the examination tasks.

The copying of pre-prepared 'group' answers, including those written by consultants/tutors, or by any third party, is strictly forbidden and will be penalised by failure. The tasks will demand analysis in the examination itself and individually composed answers are required to pass.

Candidates will then need to condense their strategic marketing audit into a **SIX** page summary (a maximum of six sides of A4, no smaller than font size 11. The content of tables, models or diagrams must be in a minimum of font size 9). The six sides must contain a summary of the audit only. It should not contain decisions, objectives or plans. The audit should be numbered for ease of reference when answering the examination tasks.

Although no marks are awarded for the audit itself, candidates will be awarded marks for how the audit is used and referred to in answering the tasks set.

Candidates are advised not to repeat or copy the audit summary when answering the exam tasks. It is important that candidates refer the examiner to the audit summary, where and when appropriate, when answering the tasks.

Candidates must hole-punch and staple their summary audit in the top left hand corner. They should have written their CIM membership number and examination centre name on the top of the right hand corner of each page of the audit. It should then be attached to the answer book on completion of their examination, using the treasury tag provided.

Candidates must take their original copy of the case study (not a photocopy) and summary audit into the examination room. The case study may be annotated with ideas for possible decisions or courses of action.

Candidates may not attach any other additional information in any format to their answer book. Any attempt to introduce such additional material will result in the candidate's paper being declared null and void.

The Chartered Institute of Marketing reserves the right not to mark any submission that does not comply with these guidelines.

Important Notice

The following data has been based on real-life companies, but details have been changed for assessment purposes and do not necessarily reflect current management practices of the industries or the views and opinions of The Chartered Institute of Marketing.

Candidates are strictly instructed **NOT** to contact individuals or companies mentioned in the case study or any other companies in the industry. Copies of the case study may be obtained from:

The Chartered Institute of Marketing, Moor Hall, Cookham, Berkshire SL6 9QH, UK or may be downloaded from the CIM student website www.cimlearningzone.co.uk.

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Scenario

You are a Marketing Consultant specialising in the global coffee industry, including the UK, and have been hired by Mondelēz International.

Mondelēz International has asked you to undertake a strategic marketing audit to analyse both internal and external factors that are impacting on the future of Mondelēz International and its joint venture with Jacobs Douwe Egberts (JDE).

You have also been given a particular remit to consider Mondelēz International's strategic position taking into account its strengths and weaknesses in relation to organisational culture, resource capabilities and competences, competitive position and the synergies and strategic benefits that drive from its new joint venture with JDE.

Finally, you will need to consider financial implications and the risks that would impact upon Mondelēz International. The company is seeking insights into how it can further develop and manage stakeholder relationships and work with key stakeholders for achieving growth and profitability in the coffee industry. Consideration should be given to the Mondelēz International's strengths and weaknesses, core competencies, value proposition and competitive advantage, financial position and its strategic challenges.

Mondelēz International

Global coffee sector

Background

Coffee is one of the world's favourite drinks. Over 2.25 billion cups of coffee – in all its various forms – are drunk around the world each day. Global coffee consumption has increased by 2.5% each year since 2011 and, while demand is strong in traditional markets such as Europe, Japan and the USA, the biggest growth potential is in emerging coffee-drinking nations such as Russia, South Korea and Turkey. Coffee's status in world markets and palates is much like its effect when drunk: lively and stimulating.

World coffee production is about 9 million metric tons per year. Top producers include Brazil, Vietnam, Colombia and Indonesia. Many coffee-producing countries are small, developing nations where coffee can account for more than 75% of **exports**, according to the International Coffee Organisation.

Mondelēz International and Jacobs Douwe Egberts

Mondelēz International ('Mondelēz') is an American food conglomerate employing over 107,000 people around the world. The company offers snack food and beverage products, including biscuits (cookies, crackers and salted snacks), chocolate, gum and candy, and various cheese and grocery products. It has operations in more than 80 countries and sells its products in approximately 165 countries. The company operates through five business segments, classified on a geographic basis: Europe; North America; Latin America; Asia Pacific; and Eastern Europe, Middle East and Africa (EEMEA).

Mondelēz has manufacturing and processing facilities located in 58 countries. As of December 31, 2014, it operated 170 manufacturing and processing facilities, of which 160 were owned and 10 leased. The company sells its products to supermarket chains, wholesalers, club stores, mass merchandisers, convenience stores, distributors, fuel stations, pharmacies, value stores and other retail food outlets.

Mondelēz consists of the global snack and food brands of the former Kraft Foods Inc after the October 2012 spin-off of its North American grocery operations. In 2014, Mondelēz International announced that it would merge its global coffee operations with Douwe Egberts Master Blenders, to create a new Joint Venture Company, Jacobs Douwe Egberts ('JDE'). This merger, creating the largest 'pure-play' (or single commodity) coffee company in the world, was completed in July 2015.

JDE is based in the Netherlands and holds market-leading positions in 18 countries globally, as well as a strong emerging market presence. It owns some of the world's leading coffee brands, such as Jacobs, Tassimo, Moccona, Senseo, L'OR, Douwe Egberts, Kenco, Pilão and Gevalia. Following the merger, and by having a significant stake in JDE, Mondelēz International continues to benefit from future growth of the coffee category.

Through the JDE merger, Mondelēz and Douwe Egberts joined Nestlé in becoming a dominant force in world coffee, between them accounting for 40% of global coffee sales. In certain mature western markets this figure is much higher; in the UK for example, Nestlé and JDE are now behind the retail sale of nearly nine in every ten cups of coffee.

Mondelēz – competitive advantage and value creation

While Mondelēz currently enjoys a strong market position in several regions, intense competition from other large players means it has to make continuous efforts to maintain and grow market share and margins in the medium and longer term.

Mondelēz has resources, capabilities and competences allowing value creation, distinct competitive advantage and good revenue and business growth prospects. Mondelēz is one of the largest snack companies in the world, with global revenues of over US$34 billion. The company was among the top 100 companies in America's top 500 largest corporations list released in 2015. Mondelēz holds the number one position in the coffee and powdered beverages market in a number of large emerging markets, including Russia and Brazil.

Mondelēz offers a broad product portfolio spanning five consumer sectors, namely biscuits, chocolate, gum and candy, beverages, and cheese and grocery. The company has well-known brands in several of these product categories. Mondelēz's portfolio includes nine billion-dollar brands, namely Oreo, Nabisco and LU biscuits; Milka, Cadbury Dairy Milk and Cadbury chocolates; Trident gum; Jacobs coffee; and Tang powdered beverage. In 2014, the company's power brands grew at a rate nearly double that of the company as a whole, and accounted for more than 60% of the total net revenues.

Mondelēz has a strong distribution network across the markets it operates. The company distributes its products through direct store delivery, company-owned and satellite warehouses, distribution centres and other facilities. At the end of 2014, Mondelēz had 216 distribution centres and depots worldwide, of which 51 were company-owned and 165 were leased. As mentioned above, products are sold through a wide range of outlets.

However, Mondelēz has faced challenges, with potential damage to corporate reputation and value creation potential. For example, the company has been involved in several product recalls in recent years, including:

- in March 2015, packs of Christie brand Golden Oreo Cookies, owing to incorrect carbohydrate declarations
- in 2014, Jelly Popping Candy & Beanies Marvellous Creations chocolate, due to the presence of small pieces of plastic
- also in 2014, Cadbury Dairy Milk Hazelnut and Cadbury Milk Roast Almond, because pork DNA traces were found in products in Malaysia, a largely Muslim country
- in 2013, varieties of its BelVita breakfast biscuits in the US and Puerto Rico
- in 2012, Tassimo espresso T Discs, due to burn hazards.

Mondelēz operates in a dynamic business environment, with new trends emerging and affecting the future growth and performance of the company. For example, consumers across the world are showing an increased preference for fat-free and healthy food products. With this in mind, Mondelēz is tapping into people's growing health and wellness concerns by improving the nutritional profile of its snacks portfolio. It offers a line of 'Better Choices' options, which include products with category-specific nutrition criteria. In 2013, 22% of its revenue was derived from these Better Choices products.

Also, the market for confectionery, biscuits and beverages is expected to grow globally in the coming years. The global confectionery market is expected to reach a value of approximately US$187.5 billion by 2019, an increase of 14.3% since 2014. The global biscuits market is forecast to reach a value of US$52.8 billion by 2019, an increase of 23.4% since 2014. The global beverages market is expected to reach a value of US$2,245.6 billion by 2018, an increase of 22.3% since 2013.

Mondelēz generates approximately 40% of its revenues from the fast-growing emerging markets, mainly the BRIC countries (Brazil, Russia, India and China). It also continuously invests in these markets to further broaden its growth opportunities.

The company has recently expanded three of its 15 sites in Brazil. It already operates five plants in Russia, is now constructing another in Siberia, and has invested in new lines for Tassimo coffee discs and Jubilee biscuit production. In India, the company already operates five plants, and in 2013 invested more than US$190 million in a multi-category production facility in Andhra Pradesh. The company also has a strong presence in the Chinese market, with eight manufacturing sites.

Mondelēz faces fierce competition in all its segments from large national and international companies and numerous local and regional companies. Factors influencing its competitiveness include price, product quality, brand recognition and loyalty, service, marketing and advertising. The company faces stiff competition from Nestlé, the largest processed food company in the world, Danone (with a strong presence in the beverages markets) and also PepsiCo, which sells its products in more than 200 countries.

Workforce wages have been rising in the US, Europe and Canada. In recent times, tight labour markets, increased overtime, government-mandated increases in minimum wages and a higher proportion of full-time employees are resulting in an increase in workforce costs. The minimum wage rate in the US increased from US$5.15 per hour in 1998 to US$7.25 per hour in 2010. Similarly, minimum wages in Europe and Canada have been rising steadily. Hourly workforce costs in the euro area increased by 1.6% in the second quarter of 2015, compared to the same quarter of the previous year.

The company's global spread exposes it to the threat of foreign exchange rate fluctuations. The company generates revenue in many other currencies besides its domestic currency, the US dollar. In 2014, countries other than the US accounted for 82.1% of the company's overall revenue. Hence, the company's revenues are subject to fluctuations in foreign exchange rates of all applicable currencies. While a strong US dollar decreases the revenues of the company, the weakening currency would have the reverse effect.

Coffee industry trends

Coffee is still a growing global market, with more coffee being sold and consumed around the world each year between 2011 and 2015. 150.2 million 60kg bags of coffee were consumed in the calendar year 2014, representing a 2.5% annual growth rate since 2011. As an export, coffee grew at a similar rate over the same period for those who produce it. The value of global sales, however, compared with volume, grew much more significantly, by nearly 11% over the period, to a total of US$41 billion. This reflects the growing preference for speciality, premium coffee. Premium coffee includes not only higher quality beans but also organic, Fair Trade and unique origin coffees. Due to the increased demand for coffee, the market is expected to grow by 14% in volume throughout this decade, to US$47 billion, despite the fact that the global recession has impacted sales at the premium end of the market.

In the UK, as in many Western European markets, the retail coffee market's growth in volume terms masks a story of two halves. While instant coffee, still the dominant segment by far, continues to struggle, the rapid growth of pods has propped up the market as a whole. This switch towards premium formats like coffee pods and coffee beans has partly fuelled the volume growth, as these entail higher volumes per serving. Average prices have been pushed down in recent years by supermarket price wars, slowing inflation and the entry of new players into the market.

Instant coffee, which still accounts for almost three quarters of total retail value sales of UK coffee, saw a value decline of 3%, with a 2.4% decline in volume sales in 2014. Overall usage of instant coffee fell by 6 percentage points to 64% in 2015. On top of this, people are drinking instant coffee less frequently, with the proportion drinking it more than once a day falling from 27% in 2014 to 21% in 2015. Were it not for the performance of relatively popular microground instant brands such as Nescafé Azera and Kenco Millicano, the segment would likely be performing even less impressively. Younger coffee drinkers are shunning instant coffee for alternatives like pods, ground coffee and an extensive high street offering. This shows that, while companies such as Mondelēz do not participate directly in the coffee shop sector, their fortunes are likely to be significantly influenced by consumers' changing preferences for how they consume their coffee.

Ground coffee and coffee bean volume sales have remained unchanged for a number of years, with values dropping by 1.1% in 2014, impacted as with the other segments by the supermarket price war, and falling food and drink inflation.

While instant coffee remains the entry-level product in the UK coffee market, the logical trade-up is to ground or whole bean coffee. However, the jump from instant to fresh coffee is a big one. Brands have recognised that an immediate transition from instant to fresh coffee might be a step too far for some, and microground coffee is providing a bridge between the two.

The pods market continues to go from strength to strength, surpassing sales of £100 million for the first time in 2014, following value growth of 52%, with volume sales up 60% year on year. Pods accounted for 18% of all new coffee launches in the UK in 2014, up from just 4% in 2011.

With Nespresso's patent now expired, a number of companies have brought espresso-compatible pods to the market. These include Jacobs Douwe Egberts as well as various retailers, such activity bringing down prices in the market. This is likely to be significant, as 29% of people who don't own a pod machine cite the expense of the pods as a reason for not buying one.

The impressive performance of the segment shows no signs of halting, with sales of £177 million estimated in 2015, and sales forecast to reach £373 million by 2020. Increased penetration and more frequent usage will be the key drivers of volume growth, set to double to 24 million kilograms by 2020.

Customer behaviours and preferences

Fewer people are now drinking instant coffee. 64% of British consumers drank instant coffee in the four-week period to June 2015, down from 70% in April 2014. They are also drinking it less often, with those drinking instant more than once a day falling by 6 percentage points compared to the previous year. This is likely to be a slow decline, as instant coffee is, by some distance, the most common type of coffee drunk. By comparison, only 45% of consumers drink ground coffee.

Instant coffee remains reliant on older and less wealthy consumers. Younger consumers and the better-off are instead opting for alternative coffee formats, suggesting the long-term future of the segment is less than secure. This is in part being driven by these cohorts' exposure to coffee shop-quality coffee through high street chains in recent years. Indeed, 43% of coffee drinkers express an interest in making coffee shop-style coffee at home. Instant brands have thus sought to use microground as a way to grow value, positioning it as 'barista quality coffee in an instant'. This is paying off, with sales of microground brands Nescafé Azera and Kenco Millicano both performing strongly. Younger consumers are higher than average users of microground, helping smooth the age bias towards older drinkers in instant coffee.

Although half of consumers drink ground coffee, only 15% do so once a day or more. This is significantly less than instant coffee (35%), suggesting scope for volume growth. Weekly consumption is the most popular frequency for ground coffee, suggesting that it is still perceived as more of a treat than an everyday go-to option. Price matters, with ground coffee typically costing more; however as disposable income rises, the ground coffee segment should benefit. More than a third of people report ownership of a cafetière – the cheapest and simplest way to brew fresh coffee. However, time and convenience are likely to be barriers here, with time-pressed consumers being put off brewing fresh coffee on a working day.

Just 59% of people drink two or more types of coffee, demonstrating how people appreciate the different formats available to them and what they offer in terms of price, taste and convenience. Younger consumers are most likely to maintain broader repertoires – 34% of those aged 16-24 drink five or more types of coffee, compared to the average of 23%. This discrepancy is in part explained by the habits the older cohorts formed at an earlier stage in life, when the range of choice in coffee was far smaller than it is now.

16-34s are more likely than older age groups to buy hot drinks out-of-home, and to have bought hot drinks from a specialist coffee shop, with 81% and 67%, respectively, having done so in the three months to September 2015. With the size of the 16-34-year-old UK population forecast to be stagnant in 2015-20, against the 4% growth seen in 2010-15, this could result in slower growth in the sector going forward. Maximising custom from this group is therefore key. That tea and hot chocolate purchasing has a bias towards those aged 16-34, who are less interested in coffee itself, suggests a focus on hot drinks should encourage coffee usage by this age group.

Vision, strategic direction and organisation culture

Levels of gross domestic product (GDP) growth in each market in which the company operates, more people moving from rural areas to cities, and rising discretionary income levels within a growing middle class, particularly in emerging markets, are some of the factors that can affect Mondelēz's business performance.

In the long term, Mondelēz anticipates that such trends will lead to increased snacking occasions, greater use of convenience food, and migration to more frequent, smaller meals. In the shorter term, lower GDP growth, high unemployment and weak consumer confidence in Europe and emerging markets have slowed category and company growth.

Growth in Mondelēz's global food and drink categories has slowed from approximately 4% in 2013 to 3.6% in 2014, a slowdown the company considers to be temporary, particularly in emerging markets. It expects category growth to return to levels more in line with the expected growth of consumer spending in those markets. As a consequence, Mondelēz is continuing to invest in its brands and build strong routes to market, to address the needs of consumers in emerging and developed markets. This, the company anticipates, will stimulate demand and grow its position in those markets.

Mondelēz looks to use its core strengths, such as global presence and market leading positions with iconic brands, to achieve two overall goals: 'deliver top-tier financial performance and be a great place to work'. It has five long-term strategies to achieve these goals, which it calls:

- 'Unleash the power of our people': recruiting the best people and offering the best development opportunities

- 'Transform snacking': innovating by quickly adapting successful brands from one market to many others

- 'Revolutionise selling': heavily investing in routes to market and sales capabilities, especially through digital and social media channels

- 'Drive Efficiency to Fuel Growth': working to reduce annual operating costs by at least US$1.5 billion by the end of 2018

- 'Protect the Well-being of our Planet': offering safe foods and balanced snacking choices, and safe environments for staff and communities.

Seven core values underpin Mondelēz's corporate culture as the company aims to become the best employer and top tier performer company (financially). These values direct the company in its goals, decisions and actions:

- INSPIRE TRUST: valuing every human connection
- ACT LIKE OWNERS: giving every employee responsibilities
- KEEP IT SIMPLE: because 'complexity crushes the human spirit'
- DISCUSS DECIDE DELIVER: making things happen…now
- TELL IT LIKE IT IS: with honest discussions and direct feedback
- OPEN AND INCLUSIVE: valuing different perspectives
- LEAD FROM THE HEAD AND THE HEART: with passion and personality.

Mondelēz boasts a meticulously worked employer development programme, with the aim of enabling each employee to enjoy timely guidance, feedback, and assistance at different stages of their career so as to achieve higher performance. Mondelēz also appreciates that its success depends upon the well-being of its employees, and therefore implements extensive employee care programmes.

Mondelēz's Global Diversity and Inclusion Strategies provide guidelines to its employees, making diversity relevant to its priorities and opportunities.

There are synergies and benefits to drive from the new joint venture. The strapline for Jacobs Douwe Egberts – the new joint venture for Mondelēz and Douwe Egberts – is 'A Coffee For Every Cup'. This emphasises two central aspects of the new JDE brand: it produces coffee and just coffee, yet offers considerable diversity through its product range.

JDE goes on to say that 'It's Amazing What Can Happen Over A Cup Of Coffee', stressing that coffee is with us for occasions throughout our life, both large and small. Coffee is at the centre of the conversation, wherever in the world that takes place.

JDE's vision then claims that coffee is an expression of enjoyment and personal taste, and everyone should be free to enjoy their coffee, their way. Good coffee should not be an exclusive experience but a simple pleasure available to everyone, 'no matter where they are, who they are or how they take it.'

JDE has a responsible sourcing programme based on three pillars:

- supporting global partnerships and origin programmes to address the most challenging coffee and tea sustainability issues

- purchasing certified coffee and tea meeting internationally recognised standards, such as UTZ, Rainforest Alliance and Fair Trade

- partnering directly with suppliers to improve working conditions and protect natural resources where coffee and tea are grown.

Current and past business and marketing strategies

Mondelēz began its operations in 1903, when James L. Kraft opened a wholesale cheese business in Chicago, Illinois. In 1909, J.L. Kraft & Bros. Company was incorporated, and in 1914 J.L. Kraft opened its first plant and began to manufacture cheese products. In the 1920s the company made a number of acquisitions, including that of Phoenix Cheese, maker of Philadelphia brand cream cheese. Two years later, Kraft Cheese was purchased by National Dairy Products Corporation, but continued to operate as a separate entity.

In 1969, National Dairy Products Corporation changed its name to Kraftco Corporation, again to Kraft Inc. in 1976 and in 1989 – having been bought by Philip Morris Companies – to Kraft General Foods.

During the 1990s, Kraft General expanded into new markets in central and eastern Europe and made a number of acquisitions, including Jacobs Suchard, Freia Marabou, Terry's of York, and the US and Canadian ready-to-eat cereal business from RJR Nabisco. Re-named Kraft Foods in 1995, it made a number of further acquisitions, including Lacta in Brazil, and Mova, a snacks business in Ukraine.

In 2001, shares of Kraft Foods stock began trading on the New York Stock Exchange. In the same year, Kraft Foods strengthened its coffee businesses in central and eastern Europe and north Africa through the acquisition of brands such as Nova Brasilia in Bulgaria; Nova Brasilia, Classic Brasilier and Prestige in Romania; and Samar and Gaouar in Morocco.

In 2004, Kraft Foods acquired Veryfine Products, a privately held beverage manufacturer. Later in 2004, the company entered into a licensing and distribution agreement with Tazo Tea, a subsidiary of coffee giant Starbucks.

Three years later, Kraft Foods launched several new initiatives to further fuel the growth of its proprietary Tassimo hot beverage system. As part of this, it formed an alliance with

Starbucks Coffee Company to add select varieties of popular Starbucks coffee to the Tassimo beverage lineup in the US and Canada. Later in 2007, Kraft Foods sold its Fruit2O water and Veryfine juice brands and related assets to Sunny Delight Beverages, a producer of juice-based drinks in North America and Western Europe.

In 2009 Kraft Foods made a proposal to Cadbury, one of the UK's leading confectionery and beverage businesses, to combine the two companies. The board of Cadbury initially rejected the proposal. By the end of the year, Kraft Foods revised its offer to acquire Cadbury and got competition clearance from the US government.

The following year, Kraft Foods announced arbitration proceedings to challenge Starbucks Coffee's attempt to end the agreement between the two companies. Kraft Foods sought a preliminary injunction in the US District Court for the Southern District of New York against Starbucks Coffee, for violating terms of the roast and ground coffee agreement. The company was denied a preliminary injunction against Starbucks Coffee in the beginning of 2011. This decision was later upheld by the US Court of Appeals for the Second Circuit. Kraft Foods launched its Gevalia Coffee brand across the US later in the same year. The company also opened a new manufacturing facility in Brazil to produce chocolate and powdered beverages.

In 2011, Kraft Foods announced plans to form two independent public companies: a global snacks business and a North American grocery business. In 2012, Kraft Foods proposed Mondelēz International, Inc. as the new name for its global snacks business. In the same year, the company partnered with Costa Coffee, the world's second largest coffee chain, to offer Costa's beverages in the UK with the Tassimo system.

With the deal producing two independent companies confirmed, the North American grocery business would be an independent, public company operating as Kraft Foods Group, Inc. At the same time, the shareholders of Kraft Foods approved Mondelēz International, Inc. as the new name for the global snacks business. In 2012, Kraft Foods transferred its stock exchange listing from the New York Stock Exchange to the NASDAQ Global Select Market.

Later in 2012, Kraft Foods completed the spin-off of its North American grocery business, Kraft Foods Group, Inc., by distributing all outstanding shares of Kraft Foods Group common stock to its shareholders. Simultaneously, Kraft Foods changed its name to Mondelēz. Mondelēz began trading on the NASDAQ Global Select Market using the abbreviation MDLZ. In the same year, Mondelēz announced plans to invest nearly US$200 million to help coffee farming entrepreneurs.

Also in 2012, Mondelēz announced plans to invest US$400 million over the next 10 years to improve the livelihoods and living conditions of more than 200,000 cocoa farmers and about one million people in cocoa farming communities.

In mid-2013, Mondelēz launched a new range of Nespresso compatible espresso capsules with the Jacobs and Carte Noire brands in Austria, France, Germany and Switzerland.

In the same year, Mondelēz signed a global partnership with Twitter to deliver marketing solutions. As part of this, Twitter will have dedicated teams for Mondelēz in Brazil, India, the UK and the US to collaborate with local marketers and leverage Twitter's analytics capabilities.

Also in 2013, Mondelēz announced plans to expand its global coffee footprint, by entering the Dutch and Australian markets through its Carte Noire and Velours Noir brands. The company also planned to expand its new Nespresso-compatible espresso capsule product line to Spain.

In May 2014, Mondelēz and D.E Master Blenders 1753 B.V. announced that they would combine their respective coffee businesses to establish a pure-play coffee company with annual revenues of more than US$7 billion. The new company, to be named Jacobs Douwe Egberts, was to be based in the Netherlands. Upon the completion of all proposed transactions, Mondelēz would hold a significant equity interest in Jacobs Douwe Egberts. On the other hand, Jacobs Douwe Egberts could leverage the product offering, brand portfolio and the geographic reach of both the companies, and attain strong market positions in various geographies.

In June 2014, Mondelēz announced plans to invest US$50 million in its Banbury factory in the UK, to build two new lines for manufacturing Tassimo beverage capsules.

In the following May, Mondelēz and D.E Master Blenders 1753 B.V. received conditional approval from the European Commission for combining their respective coffee businesses and creating Jacobs Douwe Egberts. As part of the approval, Jacobs Douwe Egberts was required to divest the Carte Noire brand throughout the European Economic Area, the Merrild brand in Denmark and the Baltics, and license the Senseo brand to a third party in Austria.

In the same month, Mondelēz entered into a global partnership with ChannelSight, in order to significantly improve e-commerce sales across various digital media touch points, including brands' product pages, social media, video advertising and customer relationship management campaigns.

A month later, in June 2015, Mondelēz renewed its global strategic partnership with Facebook, one of the world's largest discovery platforms, with a focus on creating and delivering video content and driving impulse snack purchasing online. Through this partnership, the companies aimed to work together to leverage and innovate around two of the fastest growing consumer behaviours on social media platforms: video consumption and mobile commerce.

In the following month, Mondelēz and D.E Master Blenders 1753 B.V. completed the transactions to combine their respective coffee businesses, including Mondelēz's coffee portfolio in France, to create Jacobs Douwe Egberts, which would own some of the world's leading coffee brands (see page 8).

Technology and innovation issues

Mondelēz, in common with most major coffee brands and retailers, is looking to embrace a number of key innovative trends, not just technological but also the cultural impact across the world of the coffee café culture and perception of coffee as a 'quality', rather than 'every-day', consumer experience.

A major technological trend is in the rise of pods and capsules as a way of delivering and consuming coffee, both raising consumer perceptions of coffee as a quality experience.

One in five UK consumers now own a coffee pod machine. Ownership is heavily biased towards those with a higher income, however, with 24% of owners in the high or very high income brackets. Rising consumer confidence could, therefore, lead to an increase in the level of pod machine ownership in the UK and similar markets. However, evidence to date shows a mixed picture: with the parallel trend over the last decade for more high street coffee shops, consumers in many cases have opted to splash out on pods in a bid to recreate the coffee shop experience at home, and save money in the long term after the initial investment in the machine. Positively for the market, a further one in three say they are interested in a machine. However, as mentioned previously, cost remains a barrier for some. Roughly a third of those that say they are interested in buying a coffee system cite price as being the reason for not having done so.

The cultural impact of high street coffee shops in many western markets, including the UK, is a pressing factor for Mondelēz's traditional retail coffee brands. The UK coffee shops market is in good health, with growth estimated at 6% in 2015, taking the market to £2.9 million. This has been fuelled, in part, by the increase in real incomes and consumer confidence seen during the year, which has benefited the price-sensitive coffee shops market, with consumers spending more per visit. Meanwhile, the continued expansion of their store estates by the large coffee shop chains continues to boost the market. The coffee shop market is expected to achieve growth of 26% in 2015-20, similar to the 28% growth seen in 2010-15. Coffee shops will be exposed to several inflationary factors now and in the years ahead, such as the introduction of the UK Living Wage, which has fuelled value growth in the market. This will compound growth likely to come through store openings and increased usage frequency, thanks to rising real wages.

Just under three quarters of all UK consumers bought coffee out of the home in the three months to September 2015, indicating that purchasing hot drinks out-of-home is ingrained in the modern British food culture. Those aged 16-34 are more likely to buy any hot drink out-of-home than all older age cohorts, and usage declines with age. This reflects the fact that older consumers tend to eat out less frequently overall, and when they do, it tends to be more for special occasions.

Costa Coffee remains the coffee shop used most by the British, with two in five using this chain in the three months to September 2015. This largely reflects the fact that Costa has a much larger number of stores than its rivals. Despite this dominance over competitors, it should be noted that 58% of the British buy hot drinks out of the home from non-specialist coffee shops (ie outlets other than Costa, Starbucks, Caffè Nero or other specialist/branded coffee shops), reflecting how ubiquitous coffee culture has become.

As a global company with over 80% of its net revenues generated outside the United States, Mondelēz is exposed to changes in global economic conditions and currency movements. In 2014, as the US dollar strengthened relative to other currencies, these currency movements had a significant negative effect on Mondelēz's operations. Net 2014 revenues were US$34.2 billion, down 3.0% from 2013, including a negative 5.1 percentage point impact from currency translation. While some net investment hedges offset the translation of certain overseas investments, Mondelēz generally does not hedge against currency translation, but primarily seeks to hedge against economic losses on cross-currency transactions. During 2014, Mondelēz recognised US$167 million of currency devaluation charges in pretax earnings related to the re-measurement of net monetary assets in Venezuela, for example. The economy, monetary policies and other business restrictions in Venezuela, as well as in other countries such as Argentina and Russia, have created a challenging business environment in which to operate. While Mondelēz works to mitigate exposure to these currency risks, factors such as continued global market volatility, actions by foreign governments, political uncertainty and other external developments could lead to further unfavourable currency impacts in the future.

Global issues

There remains considerable volatility in global markets. Mondelēz's growth strategy depends in part on its ability to expand operations, particularly in emerging markets. Some of these markets have greater political and economic volatility and vulnerability to infrastructure and labour-force disruptions, such as those experienced in 2014/15 in markets including Russia, Ukraine, Venezuela and Argentina. Volatility in these markets affects demand for and the costs of Mondelēz products, and means the company has to frequently change how it operates its business. With such volatility likely to continue, Mondelēz is focused on aggressively managing its costs as it continues to invest in brand building and routes to market.

Mondelēz operates in highly competitive markets that include global, regional and local competitors. Its favourable geographic footprint, operating scale and portfolio of brands all significantly contribute to building market-leading positions across most of the product categories in which it sells. To grow and maintain market positions, Mondelēz focuses on product quality, bringing new products and innovations to market and effectively meeting consumer needs and preferences. It pursues significant growth opportunities, such as expanding global operations and growing its portfolio of power brands and innovative products. Mondelēz is committed to improving the efficiency of its manufacturing and other operations, and investing in brands through ongoing research and development, advertising and marketing consumer promotions.

Ethical issues in coffee production continue to play a significant role in consumer perception, and media coverage earlier this year linked both Mondelēz and Nestlé with the possibility of slave labour being used on plantations in Brazil. Both companies were approached with independent report findings and said they could not rule out human rights abuses in their supply chain because they don't know the names of all the plantations that grow their coffee.

The media and research centre Danwatch, based in Denmark, claimed workers were trafficked for little or no pay, forced to live on rubbish heaps and made to drink water alongside animals. Some of these employees, Danwatch claimed, may have harvested beans for Nestlé and Jacobs Douwe Egberts because the firms sometimes bought from middlemen in a muddled supply chain.

The report said: 'This means that when you buy coffee in the supermarket, you risk taking home beans that were picked by people whose accommodations lack access to clean drinking water. Both companies admit that coffee from plantations where working conditions resembled slavery may have ended up in their products.'

Mondelēz, together with other global coffee operators, has recently voiced concern over the future supply of coffee beans. In the short term, the International Coffee Organisation (ICO) has expressed worries over the potential effect of *El Niño* on coffee bean crops in the 2015/16 crop year. In the autumn of 2015, an ICO report warned that in the longer term, rising coffee consumption, particularly in emerging markets, will mean production needs to increase by around 40 to 50 million bags over the next decade, adding: 'we don't know where this coffee will come from'. Other trade voices, meanwhile, expect higher-grade coffee prices to increase over the longer term, as interest in coffee continues to increase. As a globally traded commodity, any coffee bean shortages on international markets are likely to affect the price at which UK coffee roasters and coffee shops can buy in their coffee.

Those operators in the coffee industry with strong, long-term relationships in place will be in a better position in the event of shortages, being shielded from rising prices.

Main competitors

Nestlé is one of the largest food and beverage companies in the world, with a product portfolio including baby foods, bottled water, cereals, chocolate and confectionery, coffee, culinary, chilled and frozen foods, dairy products, drinks, food service, healthcare nutrition products, ice creams, pet care products, and weight management services. The company offers more than 2,000 global and local brands. Nestlé operates a network of 442 factories located in 86 countries. The company's products are sold in 197 countries around the world.

The key products in the powdered and liquid beverages category include coffee, and chocolate-based and malted drinks. Its key coffee product brands include Nescafé and Nespresso. Nescafé is a well-known brand of soluble coffee product, while Nespresso is an espresso coffee in capsules. Nestlé also produces chocolate-based and malted drinks, under brands such as Nesquik and Milo. The company produces iced tea under the Nestea brand name.

Nestlé is number one in coffee in key markets across the world, and is quite clearly Mondelēz's main competitor. In the UK, for example, Nestlé's Original and Gold Blend instant coffee labels account for 35% of total sales in the year to June 2015, with Nestlé products capturing more than half the total market at 53%. In the US market, Nestlé and Mondelēz/Kraft brands were responsible for nearly half of instant coffee sales. In the Chinese instant coffee market – growing but still relatively small compared to traditional western markets – Nestlé products captured a huge 70% of sales as recently as 2013.

Nestlé's best-selling microground brand, Azera, has been the standout performer in the UK with value growth of 32%, bringing its share of the instant coffee segment to 5%. This has helped to offset the poor performances of the company's more traditional instant products, with both Nescafé Gold and Nescafé Original seeing sales continue to fall.

Nescafé has continued to invest heavily in the Azera brand, with a spend of £2.3 million in 2014 and £1.4 million in the first half of 2015. The company has continued to position the brand as coffee-shop quality coffee, with its recent TV campaign encouraging consumers to 'be your own barista' helping to raise awareness and drive up usage.

Behind Nestlé and Mondelēz/JDE products, **supermarket own-label** products are often the most significant minor players in many traditional brand-dominated markets. In the UK, in 2014/15, own-label products captured just 10 pence in every £1 spent on coffee. Furthermore, the falling price of branded instant coffee and increased competition have squeezed sales of own-label instant coffee, these dropping by 10% in the year to June 2015.

Strong marketing campaigns and new products introduced by the leading instant brands are also taking the spotlight off own-label. In addition, own-label is likely to be impacted by sales of coffee via the discounters and poundstores, with brands like Nescafé Gold often available through the latter at a steep discount. Retailers have expanded their branded ranges significantly, and not just within the instant coffee segment. The increasing number of operators playing in the pods segment means that instant coffee is having to fight harder for visibility in the coffee aisle.

In the ground coffee segment – a much smaller market than that for instant coffee – UK company **Taylors** took the largest market share in 2014/15, with 25% compared with 17% for Lavazza (see below) and just 4% for Douwe Egberts (which now forms part of the Mondelēz/Douwe Egberts JDE joint venture). Established in 1886 and based in the north of England, Taylors prides itself on remaining a family-based company with niche appeal. As consumer preferences shift away from instant products, and increasingly embrace traditional roots and ethical causes – more than just 'fair trade' – brands like Taylors offering specialist, quality products are well placed.

Lavazza is going from strength to strength in ground coffee. Accounting for 17% of the segment in value terms, the brand is, however, still some way off catching up with Taylors. Lavazza partnered with the world-famous Wimbledon tennis tournament for the fifth year running in 2015, as the official coffee supplier for the tournament. Lavazza offered fans free espressos and cappuccinos as they queued to enter. During the tournament the brand worked with women's tennis star Caroline Wozniacki, and Judy Murray, mother of British number one and former Wimbledon champion Andy Murray, to promote the coffee.

Lavazza has also entered the microground instant segment for the first time, looking to extend the brand to instant coffee drinkers at an early stage, hoping to retain their loyalty if and when they trade up to ground coffee.

The J.M. Smucker Company is a minor but significant competitor to Nestlé and Mondelēz/JDE in the North American markets, with products taking market share of between 15 and 20%. As well as beverages, The J. M. Smucker Company makes and sells fruit spreads, peanut butter, ice cream toppings, sweetened condensed milk, and health and natural foods – making it a household name across the US and Canada. In these markets the company plays heavily on its heritage and descent from the legend of Johnny Appleseed, who 'wandered the Ohio countryside, sowing apple seeds and securing a place in American history'. The J.M. Smucker Company's current coffee brands include Folgers, Millstone, Kava and Café Bustelo/Café Pilon. It is also licensed to manufacture Dunkin' Donuts coffee products in the retail grocery market.

China's retail coffee market is dominated by multinational brands, and has become more consolidated in recent years, squeezing the share of smaller players. Nestlé and Mondelēz/JDE products secured over 85% of the instant – or 'non-liquid' – coffee market in China in 2013. The largest domestic coffee maker, **Dehong Hogood**, which holds a 2.7% segment share with the brand Hogood Coffee, was only founded in late 2007 and operates mostly in Yunan Province. Coffee is not a part of Chinese traditional drinking culture, so consumers are more inclined to go for famous international brands, which are perceived to be an easy and safe choice given the lack of knowledge about coffee products.

Future outlook and risks

Three years ago, global coffee sales increased by only 1% in volume but nearly 11% in value to US$41 billion. This increase in value reflects the growing preference for speciality, premium coffee. Premium coffee includes not only higher quality beans but also organic, Fair Trade and unique origin coffees. Due to the increased demand for coffee, the market is expected to grow by 14% in volume throughout this decade to US$47 billion, despite the fact that the global recession has impacted sales at the premium end of the market.

In the 1980s and '90s there was an explosion of new coffee shops opening and serving speciality beverages. The number of coffee stores is approaching saturation in many developed countries. However, the past couple of years have been characterised by a reduction in chain coffee stores in developed markets, most notably the US and UK. The number of independent coffee shops has remained flat, while corporate chain stores such as Starbucks are closing stores and have a net loss in the number of shops.

Although coffee shops are suffering, growth in speciality coffee has come from three main areas: home consumption, new venues such as Fast Food (or Quick Service) restaurants, and new products aimed at young people. The growth of coffee at home is derived from the huge number of home coffee-making machines now available to consumers. Single serve and pod coffee makers such as Senseo and Kruerig are present in most department stores. High-end coffees with internationally recognised brand names, such as Illy, are available in all major grocery stores. Finally, challenged by ageing populations and market maturity, coffee and tea marketers have focused on increasing consumption among younger consumers.

Speciality coffee beverages such as cappuccino and lattes are available in more locations and sales channels than ever before. Fast Food outlets are now adding speciality coffee beverages to their menus in a big way. For example, McDonald's has launched a range of speciality coffee beverages aimed directly at Starbucks' customers.

Simply the novelty of coffee in rapidly growing developing markets such as Russia, India and China will lead to growth in coffee volumes. The rising number of middle class consumers who aspire to try new coffee and tea beverages will impact the value side of the coffee industry positively.

In future, today's trends in the global coffee market are likely to be accelerated. More new speciality coffee beverages are being developed and marketed, and there will be more venues selling these products. For example, McDonald's is now marketing espresso beverages and smoothies. Seattle's Best Coffee is being tested in Subway sandwich shops. Other venues such as offices and schools will offer more speciality coffee beverages. Concern over the environment and sustainability will continue to be an issue with consumers, and hence marketers will exploit this trend. Finally, the planned expansion of chain coffee shops in large tea-drinking markets (India, Russia, China) is likely to contribute significantly to growth in speciality coffee awareness and consumption.

APPENDIX 1

UK retail value and volume sales of *instant coffee*, 2010-20

	Total £million	Index	Annual change	£million at 2015 prices	Index	Annual change	Total m kg	Index	Annual change
Year			**%**			**%**			**%**
2010	698	91	N/A	783	102	N/A	42	102	N/A
2011	748	97	7.2	792	103	1.1	42	102	-
2012	812	105	8.6	833	108	5.1	42	102	-
2013	806	105	-0.7	797	104	-4.3	42	102	-
2014	782	102	-3.0	773	100	-3.0	41	100	-2.4
2015 (est)	770	100	-1.5	770	100	-0.4	41	100	-
2016 (fore)	758	98	-1.6	739	96	-4.1	40	98	-2.4
2017 (fore)	750	97	-1.1	725	94	-1.9	40	98	-
2018 (fore)	735	95	-2.0	698	91	-3.7	40	98	-
2019 (fore)	718	93	-2.3	675	88	-3.4	39	95	-2.5
2020 (fore)	700	91	-2.5	648	84	-3.9	39	95	-

Note: est = estimate; fore = forecast

Source: Mintel Report - Coffee - UK, August 2015

APPENDIX 2

UK retail value and volume sales of *ground coffee/coffee beans*, 2010-20

	Total £million	**Index**	**Annual change**	**£million at 2015 prices**	**Index**	**Annual change**	**Total m kg**	**Index**	**Annual change**
Year			**%**			**%**			**%**
2010	152	82	N/A	171	92	N/A	14	100	N/A
2011	173	94	13.8	183	99	7.4	14	100	-
2012	187	101	8.1	192	104	4.7	14	100	-
2013	185	100	-1.1	183	99	-4.6	14	100	-
2014	183	99	-1.1	181	98	-1.1	14	100	-
2015 (est)	185	100	1.1	185	100	2.3	14	100	-
2016 (fore)	186	101	0.5	181	98	-2.2	14	100	-
2017 (fore)	190	103	2.2	184	99	1.8	14	100	-
2018 (fore)	192	104	1.1	182	99	-1.0	14	100	-
2019 (fore)	189	102	-1.6	178	96	-2.4	14	100	-
2020 (fore)	184	99	-2.6	171	92	-4.0	14	100	-

Note: est = estimate; fore = forecast

Source: Mintel Report - Coffee - UK, August 2015

APPENDIX 3

UK retail value and volume sales of *coffee pods*, 2010-20

	Total £million	Index	Annual change	£million at 2015 prices	Index	Annual change	Total m kg	Index	Annual change
Year			%			%			%
2010	36	20	N/A	40	23	N/A	2	18	N/A
2011	43	24	19.4	46	26	12.7	2	18	-
2012	56	32	30.2	57	32	26.1	3	27	50.0
2013	79	45	41.1	78	44	36.1	5	45	66.7
2014	120	68	51.9	119	67	51.8	8	73	60.0
2015 (est)	177	100	47.5	177	100	49.2	11	100	37.5
2016 (fore)	217	123	22.6	237	134	33.8	13	118	18.2
2017 (fore)	261	147	20.3	306	173	29	16	145	23.1
2018 (fore)	310	175	18.8	373	211	22.2	20	182	25.0
2019 (fore)	360	203	16.1	441	249	18.2	23	209	15.0
2020 (fore)	373	211	3.6	512	289	15.9	24	218	4.3

Note: est = estimate; fore = forecast

Source: Mintel Report - Coffee - UK, August 2015

APPENDIX 4

Leading brands' sales and shares in the UK retail *instant* coffee market, by value, 2013/14 and 2014/15

	2013/14*		2014/15**		% change
Brands	**£million**	**%**	**£million**	**%**	
Nescafé Original (Nestlé)	173	22	161	21	-6.9
Nescafé Gold (Nestlé)	113	14	108	14	-4.4
Douwe Egberts (D.E. Master Blenders)	53	7	71	9	34.0
Nescafé Speciality (Nestlé)	68	9	68	9	-
Kenco Really (Mondelez)	49	6	56	7	14.3
Nescafé Azera (Nestlé)	28	4	37	5	32.1
Carte Noire (Mondelez)	40	5	35	5	-12.5
Kenco Millicano (Mondelez)	31	4	33	4	6.5
Kenco Eco (Mondelez)	38	5	28	4	-26.3
Nescafé Origins (Nestlé)	17	2	18	2	5.9
Own-label	84	11	76	10	-9.5
Other	93	12	86	11	-7.5
Total	**787**	**100**	**777**	**100**	**-1.3**

Note: Following the creation of the Mondelez and Douwe Egberts joint venture, approved by the European Commission in May 2015, Douwe Egberts, Kenco Really, Kenco Millicano and Kenco Eco now fall under Jacobs Douwe Egberts

** 52 weeks to 21 June 2014*

** 52 weeks to 20 June 2015*

Source: Mintel Report - Coffee - UK, August 2015

APPENDIX 5

Leading brands' sales and shares in the UK retail *ground* coffee market, by value, 2013/14 and 2014/15

	2013/14*		2014/15**		% change
Brands	**£million**	**%**	**£million**	**%**	
Taylors (Taylors of Harrogate)	45	25	45	25	-
Lavazza (Luigi Lavazza S.p.a)	29	16	31	17	6.9
Douwe Egberts (D.E. Master Blenders)	9	5	8	4	-11.1
Cafedirect	6	3	8	4	33.3
Illy	7	4	7	4	-
Costa	7	4	7	4	-
Own-label	66	36	63	34	-4.5
Others	14	7	14	8	-
Total	**183**	**100**	**183**	**100**	

Note: Following the creation of the Mondelez and Douwe Egberts joint venture, approved by the European Commission in May 2015, Douwe Egberts, now falls under Jacobs Douwe Egberts

** 52 weeks to 21 June 2014*

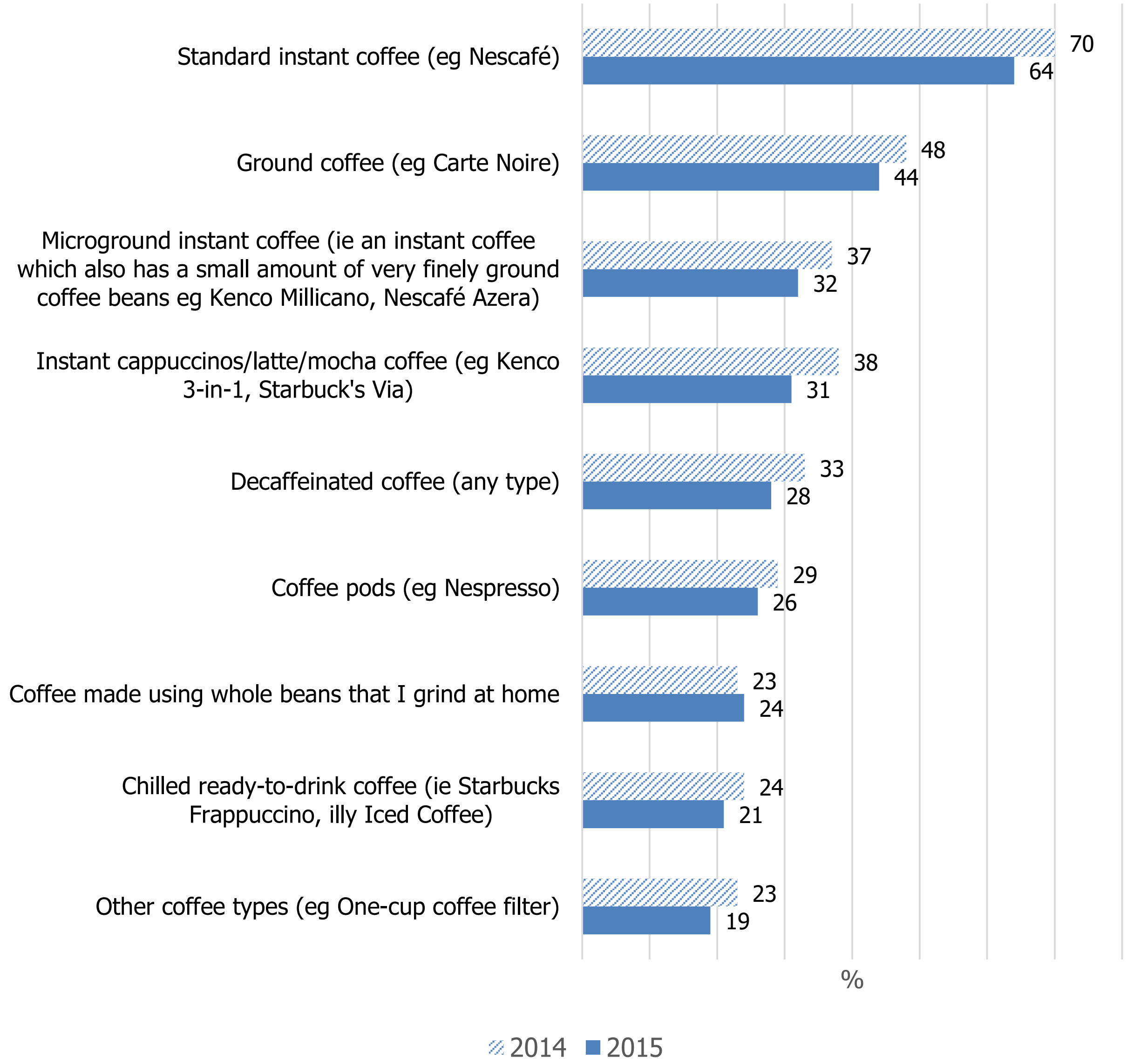
*** 52 weeks to 20 June 2015*

Source: Mintel Report - Coffee - UK, August 2015

APPENDIX 6

Types of coffee drunk at home, April 2014 and June 2015

"How often, if at all, have you drunk the following types of coffee at home (ie not drunk in coffee shops, at work, or on-the-go) in the last month?"

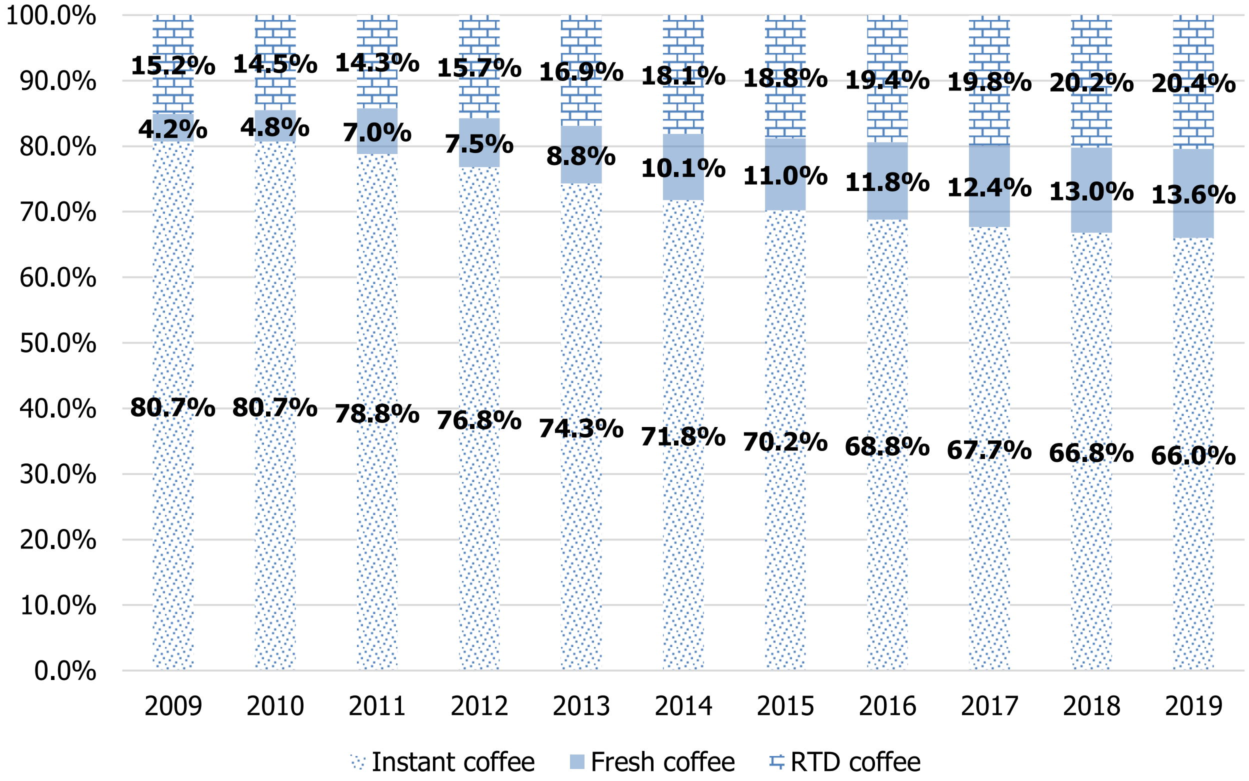


Base: 1,500 internet users ages 16+

Source: Mintel Report - Coffee - UK, August 2015

APPENDIX 7

Share of China's coffee market segment on value, 2009-19



** Figures for 2014 are estimated and figures for 2015-2019 are forecasted by Mintel.*

** RTD coffee = Ready-to-drink coffee*

Source: Mintel Report - Coffee – China – UK, August 2014

APPENDIX 8

Share of value in China's non-liquid coffee retail market, by company, 2012-13

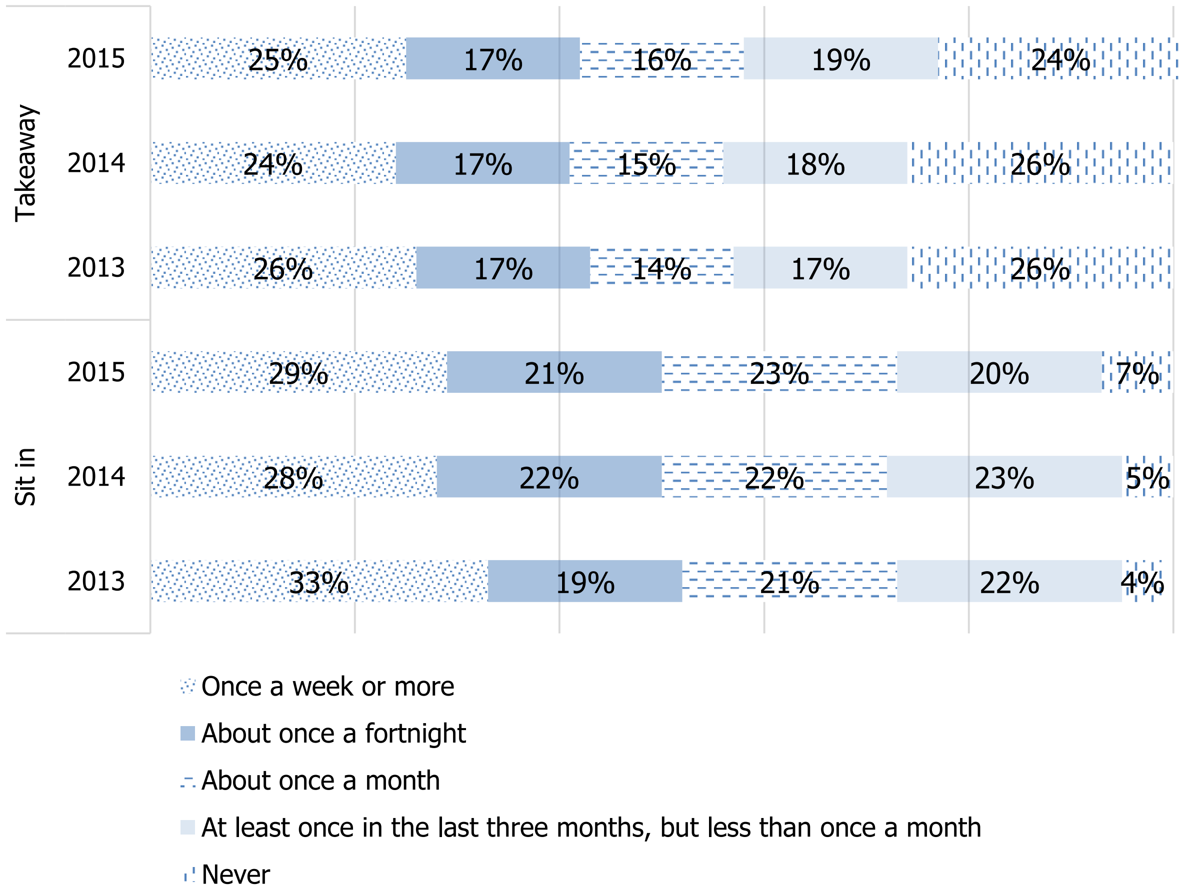
	2012 (%)	2013 (%)
Nestlé S.A.	71.2	70.8
Mondelēz International	14.8	15.3
Mocca Foods Co., Ltd.	7.9	8.0
Dehong Hogood Coffee Co., Ltd.	2.7	2.7
Super Group Ltd.	0.5	0.6
Ueshima Coffee Co., Ltd.	0.4	0.4
Others	2.5	2.2

Source: Mintel Report - Coffee – China – UK, August 2014

APPENDIX 9

Frequency of using coffee shops, July 2013, September 2014 and September 2015

"You've said that you've visited a specialist coffee shop (eg Starbucks) in the last 3 months. How often do you visit coffee shops to sit-in or takeaway? Please select one per type."



Base: internet users aged 16+ who have visited a specialist coffee shop: 2013 (1,084); 2014: (1,013); 2015: (1,054)

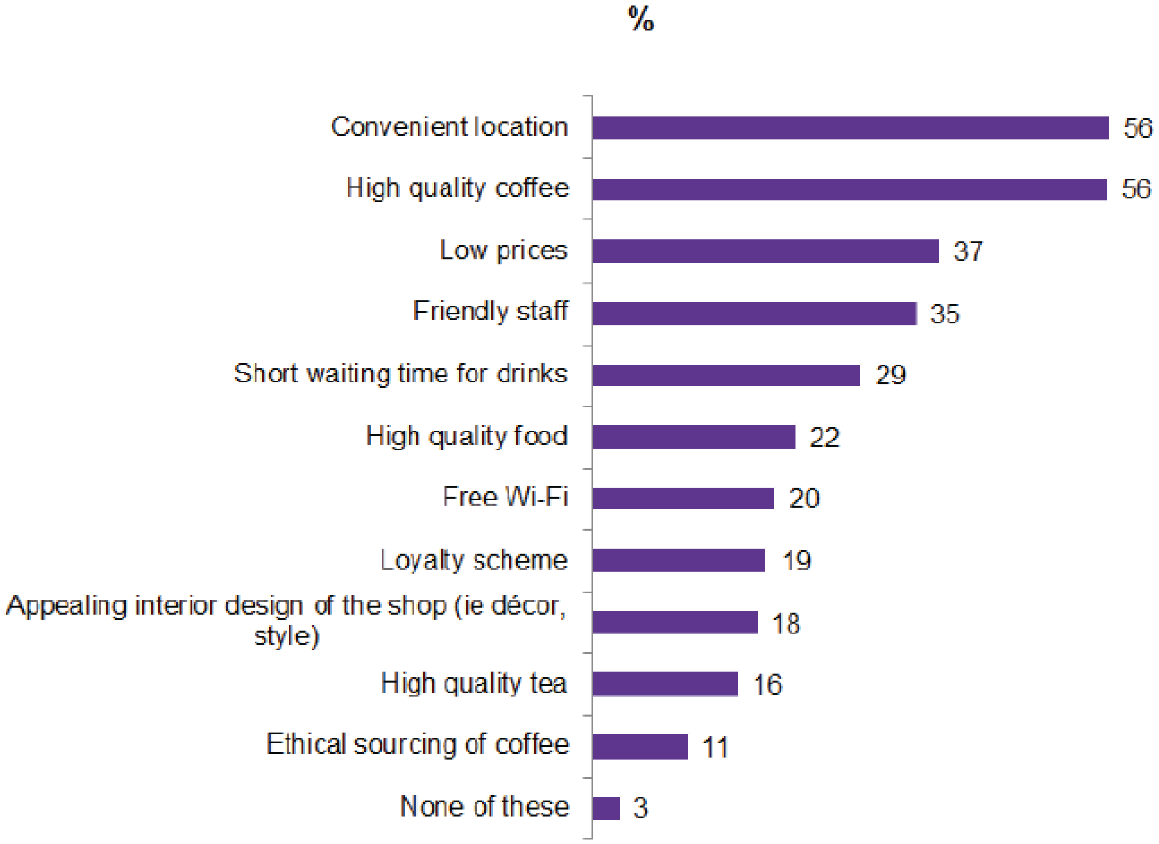
Note: 'Sit in' percentages do not equal 100% due to rounding

Source: Mintel Report – Coffee Shops – UK, December 2015

APPENDIX 10

Factors influencing where hot drinks are purchased out-of-home, September 2015

"Which, if any, of the following factors are most important in influencing where you buy tea/coffee/hot drinks out-of-home? Please select up to 5."



Base: 1,475 internet users aged 16+ who buy tea/coffee/other hot drinks out-of-home

Source: Mintel Report – Coffee Shops – UK, December 2015

APPENDIX 11

'The current state of the global coffee trade', International Coffee Organisation

The Current State of the Global Coffee Trade | #CoffeeTradeStats

The State of the Global Coffee Trade

The latest facts and figures about the global coffee trade from the International Coffee Organization.

Updated monthly. Latest update: 31 March 2016

Monthly Trade Stats: Exports

+2.0%

Exports in the first five months of coffee year 2015/16 (Oct/15 to Feb/16) increased by 2.0% compared with the first five months of the last coffee year

9.21 million bags

were exported in the month of February 2016, compared with 9.05 million bags in February 2015

70.98 million bags

of Arabica were exported in the twelve months ending February 2016, compared to 68.59 million bags the previous year

41.86 million bags

of Robusta were exported in the twelve months ending February 2016, compared to 45.80 million bags the previous year

Statistics

- #CoffeeTradeStats Infographics
- Coffee Prices
- Historical Data
- Trade Statistics Tables
- About Statistics

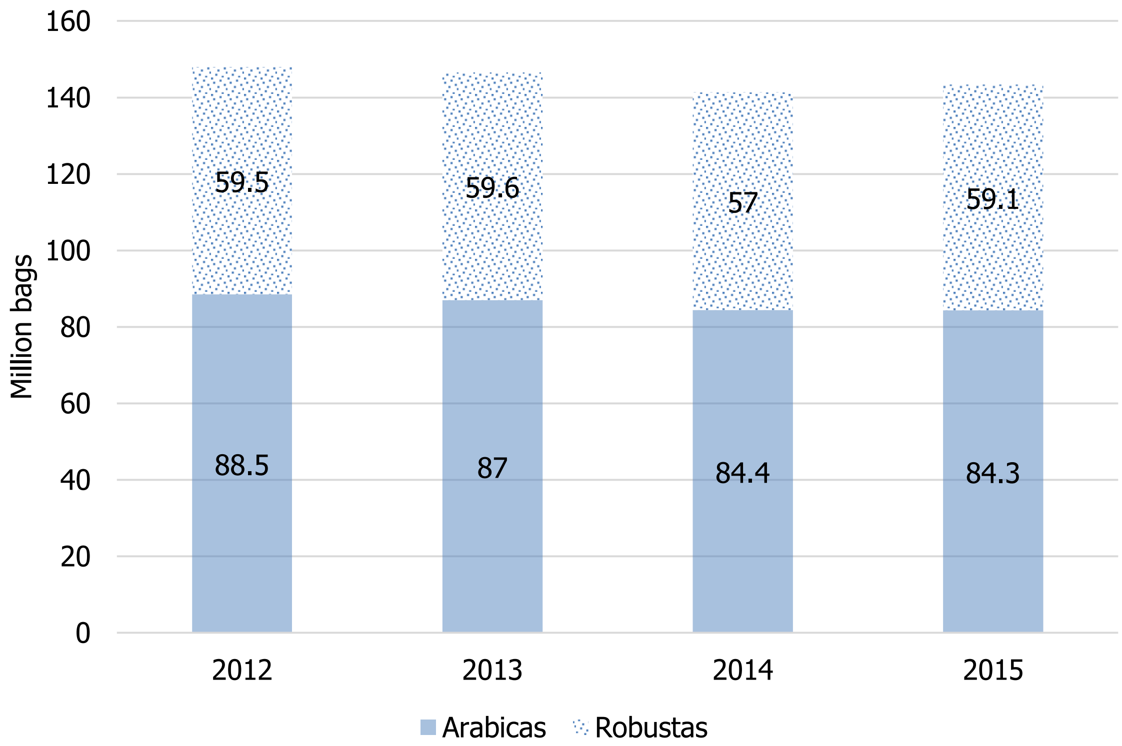
Global Coffee Production

143.4 million

Estimated number of 60 kg bags of coffee produced in 2015/16

+1.4%

Estimated increase in global coffee production in 2015/16 compared to 2014/15



-0.1%

Estimated reduction in global production of Arabica coffees in 2015/16

+3.7%

Estimated increase in global production of Robusta coffees in 2015/16

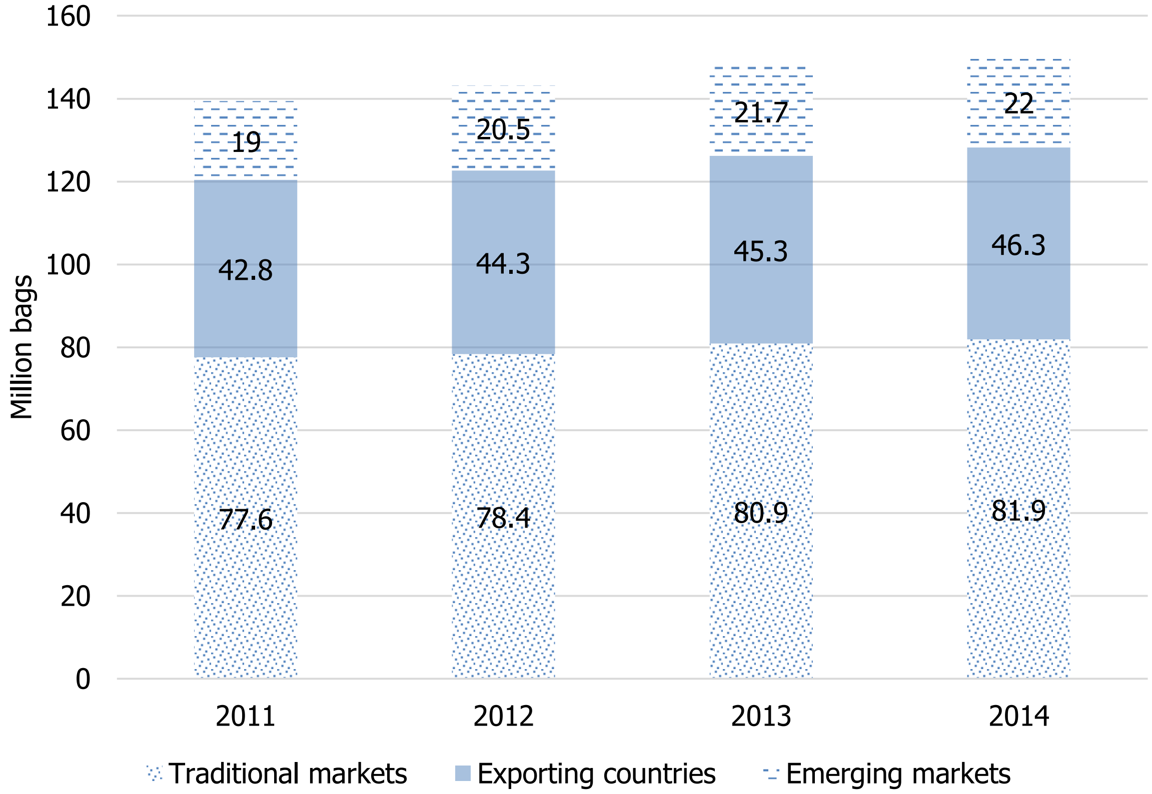
Global Coffee Consumption

150.2 million

Estimated number of 60 kg bags of coffee consumed in calendar year 2014

2.5%

Average annual growth rate in global coffee consumption since 2011



Demand is Strong

in many countries, particularly in traditional markets (Canada, EU, Japan, Norway, Switzerland, USA, others) but the biggest potential is in emerging markets (Algeria, Australia, Russia, South Korea, Turkey, others) and coffee exporting countries

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APPENDIX 12

Mondelez and D. E. Master Blenders 1753 complete transactions to create Jacobs Douwe Egberts, New Food Magazine

White, V. (2015) Mondelez and D. E. Master Blenders 1753 complete transactions to create Jacobs Douwe Egberts. *newfoodmagazine.com,* 7 July 2015. http://www.newfoodmagazine.com/18420/news/industry-news/mondelez-and-d-e-master-blenders-1753-complete-transactions-to-create-jacobs-douwe-egberts/

APPENDIX 13

Coffee shops stir £7.9bn into market as café culture dominates

telegraph.co.uk, 13 December 2015, by Laura Davidson

Davidson, L. (2015) Coffee shops stir £7.9bn into market as café culture dominates. *telegraph.co.uk,* 13 December. http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/12048234/Coffee-shops-stir-7.9bn-into-market-as-cafe-culture-dominates.html

APPENDIX 14

Coffee in crisis: The bitter end of our favourite drink?

bbc.com, 29 July 2015, by David Robson

Robson, D. (2015) Coffee in crisis: The bitter end of our favourite drink? *bbc.co.uk,* 29 July 2015. *http://www.bbc.com/future/story/20150728-coffee-the-bitter-end-of-our-favourite-drink*

APPENDIX 15

The craft coffee trend: it's pricey, but farmers aren't getting rich

theguardian.com, 16 October 2014, by Amy Westervelt

Westervelt, A. (2014) The craft coffee trend: it's pricey, but farmers aren't getting rich. *theguardian.com,* 16 October. https://www.theguardian.com/sustainable-business/2014/oct/16/chocolate-coffee-fair-trade-certification-price-ebola-starbucks-ghana-philippines-ecuador

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