



ITALIAN TRADE AGENCY

U.S. SWEETS SECTOR: ICE CREAM - BAKERY AND PASTRY - COFFEE

MARKET REPORT



SWEETS



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Consumer trends

According to a recent TecnomiC survey on consumers and desserts

- 49% of post-restaurant meal dessert occasions are eaten at a different location than where the main meal was eaten
- **41%** eat dessert after a meal at least **once a week**
- **27%** say they eat indulgent **desserts more** now than two years ago
- 46 % eat fruit for dessert at least once a week
- 31% say they're more willing to try dairy free desserts than two years ago
- 34% say they'd be likely to order desserts that contain CBD from foodservice venues

Key points from the survey

- **32%** of consumers eat dessert after a meal at least **twice a week**
- **46%** of consumers' **dessert** occasions are **planned** (rather than impulse)
- **48%** of consumers say they are willing to pay more for **desserts made from scratch**

Source: TecnomiC



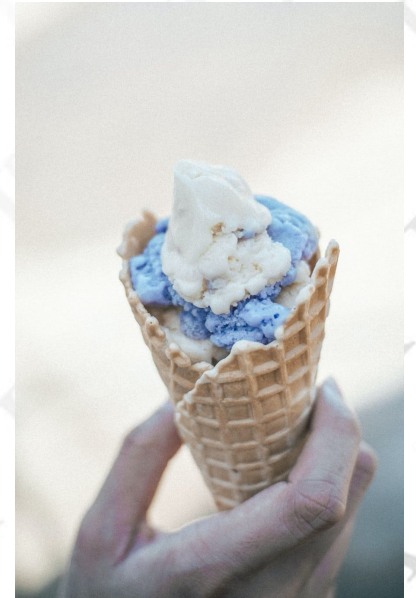
ICE CREAM OVERVIEW



Overview

- The average American consumes more than **23 pounds of ice cream** per year which equates 48 pints per person per year
- **98%** of all U.S. households **purchase ice cream**, with more sold on Sunday than any other day of the week, while **87% have ice cream in their freezer** at any given time. Regular ice cream is the most popular category of frozen desserts (vs. novelties such as the ice cream sandwich)
- **Primary customer group** for ice cream retailers: **families**
- **39% of millennials** buy frozen treats in a **specialized store**. Half as many baby boomer do so, preferring to purchase in a supermarket
- **Three-quarters** of Americans like to **top their frozen treats** with something **crunchy** (eg. wafer), women being twice as likely as men to eat crunchy topping
- **81%** Americans prefer eating a frozen dessert with **a friend vs. alone**

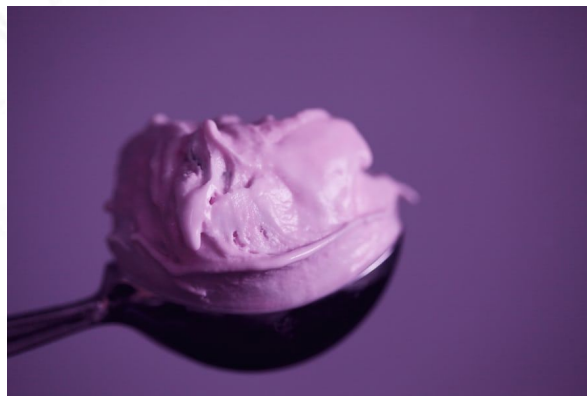
Source: National Frozen & Refrigerated Foods Association (NFRA) and Locker Ice Cream Study 2019



U.S. ice cream production

Key indicators 2018

- Revenues: \$8.7 bn
- Annual growth 13-18: 1.8%
- Annual growth 18-23: -0.2%
- Profit: \$574.5m
- Exports: \$198.8m
- Businesses: 430



Operators in ice cream production primarily manufacture

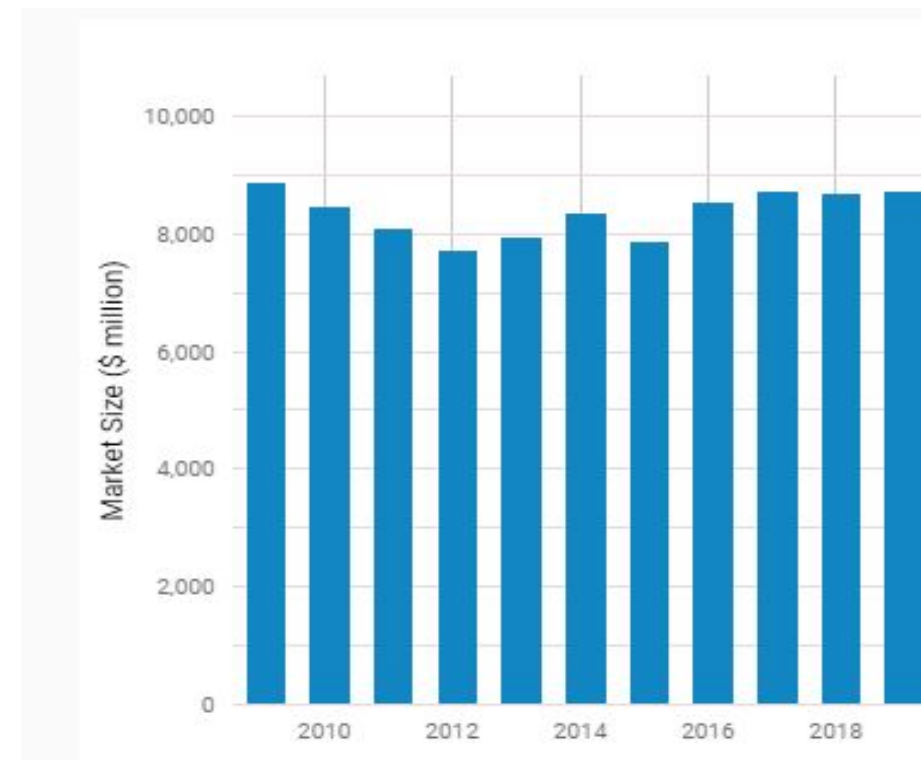
- ice cream
- frozen yogurt
- sherbet

Market channels include

- retailers
- food service establishments

Industry growth is now slowing as health concerns are rising (2018-23)

- growing demand for plant-based frozen desserts is the key factor driving the ice cream market
- sales of regular ice cream varieties are likely to continue dropping over the next five years
- export of ice cream and frozen food is historically low, still less than 3% of the industry



<https://www.ibisworld.com/industry-statistics/market-size/ice-cream-production-united-states/> Source: Ibisworld

U.S. ice cream production

Fluctuating costs of costs (milk, sugar) negatively impacted the industry performance in the past 5 years

- milk price increased by 19.4% in 2014 and by 28.8% in 2015 due to excess of offer and increase in price competition. Small manufacturers were cut out the market
- 2015-2018: consistent decline in key inputs' prices helped in boosting profit. Despite this, industry operators were able to sustain high selling prices for premium products

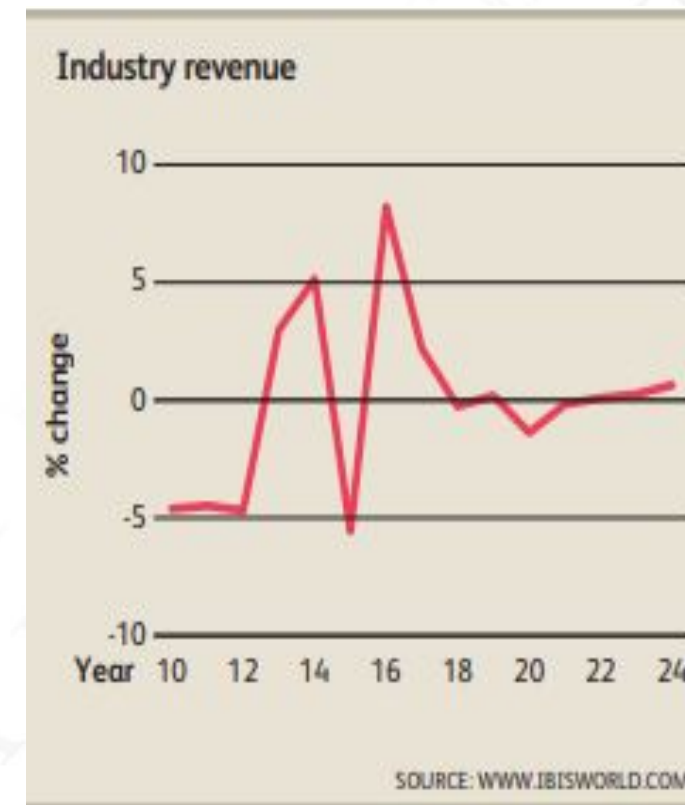
Industry **revenue** is expected to rise to \$8.7 billion (2018-23)

- **premium ice cream's share** of industry revenue is anticipated to **increase**. Large operators will continue introduce super premium products and novelties
- imports of ice cream and frozen food are anticipated to grow (boosted by the decrease in milk price)

Among **ice cream producers surveyed**

- two-fifths (**40%**) seeing an **increased demand for premium ice cream**
- **17%** seeing an **increase in gelato demand**
- **15%** seeing an **increase in sorbet**
- demand for low-fat or non-fat ice cream ranked the lowest at just 4%
- ice cream producers and retailers say the **Great Lakes region** (Illinois, Indiana, Michigan, Ohio and Wisconsin) is the **most successful ice cream market**

Source: IBIS



U.S. ice cream production by type

Regular ice cream

- Accounts for combined 51.8% of **industry revenue** in 2018
- Industry revenues 2013-18 in decline due to increase in health consciousness
- Competition mainly based on price → consumer preference to pay a premium for high quality products
- Premium ice cream is healthier (no added syrup or thickeners)

Frozen novelties

Frozen fruit bars, popsicles and other single-serve ice cream packages

- Anticipated to continuously grow its market share
- On the rise and increasing from 2013 to 2018
- Usually more expensive than ice cream

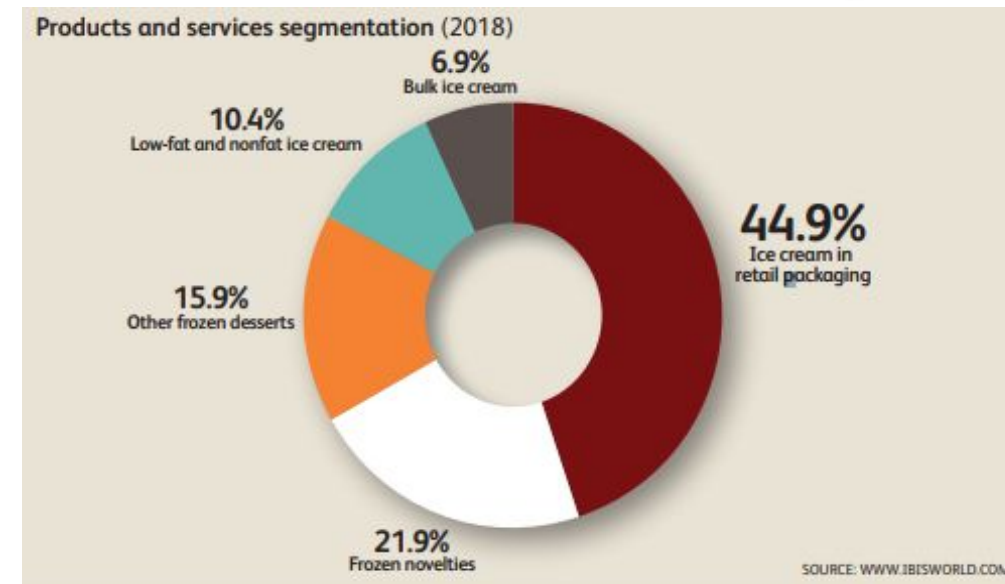
Low-fat and nonfat ice cream

- Low-fat and nonfat varieties ice cream total 10.4% of industry revenue in 2018

Other frozen desserts

Packaged frozen yogurt, gelato, sherbet, custards, flavored ice and frozen tofu desserts

- Generated remaining 15.9% of industry revenue in 2018
- Sales increases for packaged frozen yogurt and gelato have been driven by Greek yogurt trends and frozen yogurt chains, such as Pinkberry and Red Mango
- In the five years between 2018 and 23 frozen yogurt and gelato products are anticipated to outgrow mainstream ice cream products



Ice cream flavors

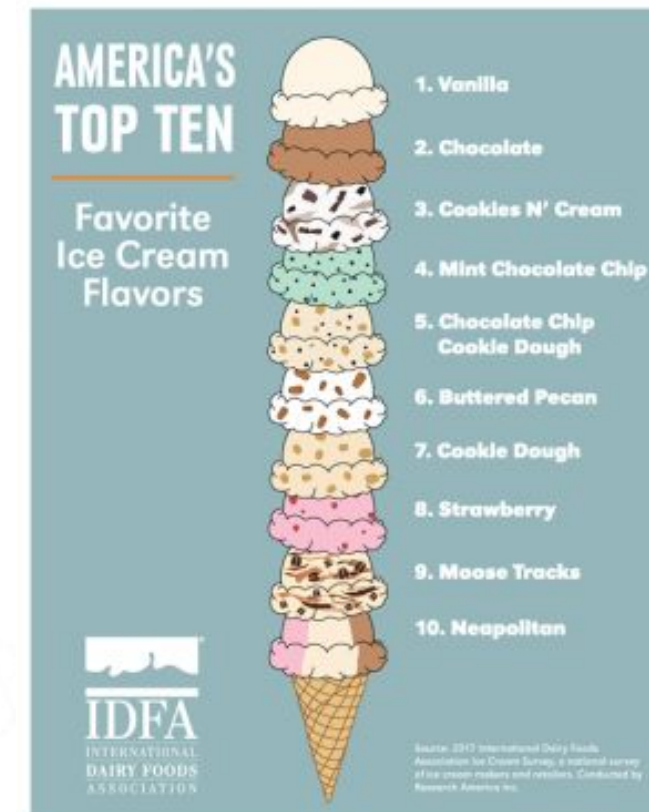
Ice cream shops are pursuing interesting and innovative flavors, but vanilla is the most popular ice cream flavor in the U.S. (in both retail supermarket and foodservice categories), also because it is easy to mix with other toppings, drinks and bakery desserts

Most popular ice cream flavors in the U.S.

- **vanilla (2/3 of Americans rank vanilla as their favorite flavor)**
- chocolate
- cookies 'n' cream
- mint chocolate chip
- chocolate chip cookie dough
- butter pecan
- cookie dough
- strawberry
- moose tracks
- neapolitan

Other topping trends

- **most popular fruit** in ice cream: **strawberry**
- **most preferred ice cream topping**: **chocolate syrup**
- **most popular nut** flavoring: **pecan**
- **most popular confection** with ice cream:
 - candy or chocolate pieces
 - cookies, brownies and cake
- ice cream sandwich is the best-selling ice cream novelty in America



Source: IDFA – International Dairy Foods Association

Forecast

The ice cream industry is forecast to slow over the next five years (19-23) due to a variety of factors

- shift in consumers preferences
- increased price-based competition among operators
- high volatility of milk and sugar prices
- downward pressure on industry revenues

Demand for premium and gourmet ice cream is expected to stay **strong** due to

- increase in U.S. disposable income levels
- increased attention to health

Following the **U.S. health trend**, producers will

- invest in **innovative technologies**
- focus on **healthier product offerings**

Shifting tastes towards healthier products lead to

- introduction of **new brands**
- reformulation of existing frozen lines with high quality ingredients
- **new flavor combinations**
- demand for frozen novelties to consume **on the go**



ICE CREAM TOP CHAINS AND PRODUCERS



Leading U.S. ice cream (frozen dessert) chains

Rank	Chain	2018 U.S. Sales (\$ million)	YOY Sales Changes	2018 U.S. Units	YOY Unit Change
1	Dairy Queen	3,654	0.3%	4,406	-1.1%
2	Baskin-Robbins	611	1%	2,550	-0.4%
3	Cold Stone Creamery	374	-2.3%	917	-0.7%
4	Braum's Ice Cream & Dairy Stores	246	-2.7%	265	-1.9%
5	Menchie's Frozen Yogurt	157	2.5%	440	1.9%
6	Yogurtland	136	-0.8%	273	-1.1%

- **Dairy Queen** is the market leader among Ice Cream chains with \$3.6 billion in sales in 2018 and over 4,000 units (stores), followed by **Baskin-Robbins** with \$611 million in sales and 2,550 units
- As with bakery chains, the ice cream chain category is also heavily dominated by the **franchise model** of ownership



ICE CREAM

U.S. MANUFACTURING

In ice cream manufacturing category: **private label companies** accounted for the most sales, followed by **Nestle/Dryers, Blue Bell, and Ben & Jerry's**

Among the top 20 companies, **Kemps, Mayfield, Tillamook, and Ben & Jerry's** had the **highest annual growth in 2018**



Top U.S. ice cream manufacturers	2018 Sales Millions of \$	Dollar Sales %Change vs 2017
PRIVATE LABEL - ICE CREAM	1000	-2.2%
NESTLE DREYERS ICE CREAM CO. - ICE CREAM	900	1.4%
BLUE BELL CREAMERIES L.P. - ICE CREAM	500	5.7%
BEN & JERRY'S HMDE INC. - ICE CREAM	490	4.7%
GOOD HUMOR BREYERS - ICE CREAM	485	-5.1%
WELLS ENT INC. - ICE CREAM	290	-9.0%
EDEN CREAMERY LLC (HALO TOP) - ICE CREAM	280	-20.9%
TURKEY HILL DAIRY - ICE CREAM	260	2.2%
UNILEVER - ICE CREAM	225	2.1%
GOOD HUMOR BREYERS - ICE MLK/FZ DAIRY DESSERT	165	1.8%
FRIENDLYS ICE CREAM LLC - ICE CREAM	150	0.3%
TILLAMOOK COUNTY CREAMERY - ICE CREAM	110	7.5%
DEAN FOODS - ICE CREAM	100	-4.0%
MAYFIELD DAIRY FARMS - ICE CREAM	80	8.2%
PRIVATE LABEL - SHERBET/SORBET/ICES	80	-4.0%
KEMPS LLC - ICE CREAM	65	9.1%
H.P HOOD INC. - ICE CREAM	60	-2.7%
BEN & JERRY'S HMDE INC. - FZ YOGURT/TOFU	60	0.4%
DANONE U.S. LLC - FZ YOGURT/TOFU	59	0.9%
PRIVATE LABEL - FZ YOGURT/TOFU	50	-5.2%

Source: IRI



Total ice cream category sales amount to over \$5 billion dollars in the U.S.

ICE CREAM TRENDS



Guilt-free indulgence and Portion-controlled offerings

- “The trend toward wellness and healthy eating continues to affect the ice cream industry, with better-for-you brands outperforming the rest of the sector”
- Halo Top is one of the leading brands in the industry positioning themselves with fewer calories and higher protein without skimping on flavor
- Increased demand in portion controlled offerings like ice cream sandwiches and bars

Source: Dairyfoods.com



Innovative flavors

- “Each year, we continue to develop new and exciting ice cream flavors which help drive our sales and keep consumers coming back to the freezer in search of something new” - Sara Schramm, marketing brand manager at Blue Bell Creameries:
 - chocolate banana split
 - cereal and milk
 - s'mores
 - coffee and donuts
 - honey pistachio
- Innovation also in terms of use of higher-quality and artisanal ingredients
- Limited edition flavors for holidays and seasons

Source: Dairyfoods.com



Non-dairy

- Dairy-free and vegan industry are rapidly growing and taking over new industries
- Alternatives:
 - almond milk
 - oat milk
 - soy milk
 - rice milk
 - coconut milk
 - cashew milk
- The plant-based market is predicted to grow 9.1% from 2018 to 2023
 - 2018 sales: 1.9 billion dollars
 - 2023 sales: 2.9 billion dollars
- Key factor: increasing number of lactose-intolerant consumers

Source: Marketdataforecast.com



Alcohol infused

- The global alcoholic ice cream market is expected to post a compound annual growth rate of close to 6% by 2022 (Technavio)
 - 2015 partnership between Ben & Jerry's and new Belgium Brewing Co.
- Topsy Scoop launched a new range of alcoholic ice creams in October 2017
 - 6 locations
 - 12 flavors
 - must be 21 to enter

Source: Specialtyfood.com and Technavio



BAKERY AND PASTRY OVERVIEW



The total economic impact of the bakery industry and baked goods manufactured and sold in the U.S. is over \$400 billion and contributes around 2% to GDP. This industry generates more than \$30 billion in revenue each year and includes both retail and commercial bakeries.

Bakery Market Segments in the U.S.A

- bread: 32%
- rolls: 19%
- cakes: 15%
- retail bakery products: 10%
- soft cakes: 8%
- pies: 2%



Commercial vs. Retail Bakeries

- The bakery industry is made up of about 6,700 retail bakeries and almost 3,000 commercial bakeries
- 65% of all bakeries have less than 10 employees; 44% percent have 1-4 employees
- Most smaller retailers have 1 facility
- Retail bakery revenues: \$4.9 billion in 2018
- Commercial bakery revenues: \$31 billion in products
- Grupo Bimbo and Flowers Foods dominate the commercial baking industry



Challenges and future

Challenges for the bakery sector

- Consumers becoming more **health conscious**, causing increased demand for gluten-free, low-carbohydrate, whole grain, organic and paleo diet products
- Drive for **healthy diet** leads to substituting baked goods with nuts, yogurt and fruit bars
- Increasing **government regulations** (FDA and EPA) on in the food industry and bakery operations, increasing operation costs for bakers
- **Low profits** due to **rising costs of wheat and sugar**, as producers are not always able to pass increased costs on to consumers by raising prices

Future outlook

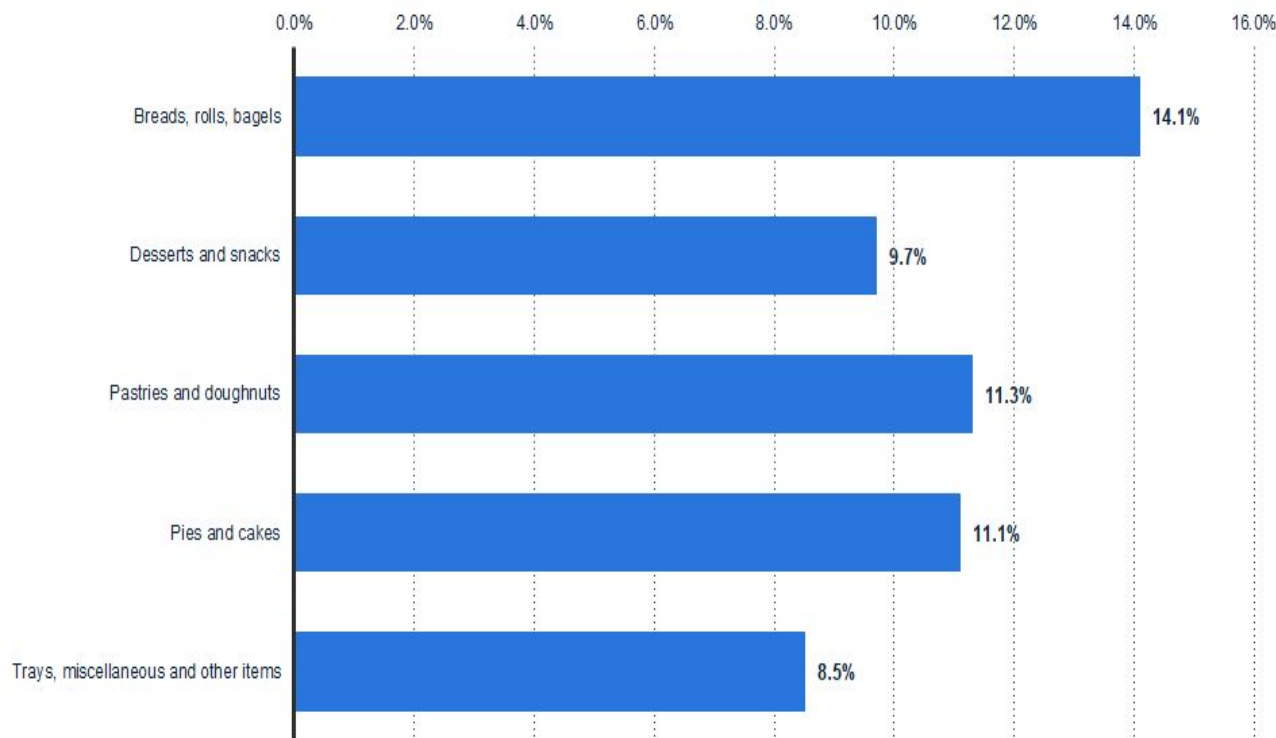
- The market is expected to **grow annually by 1.7%** (CAGR 2020-2023)
- **Retail bakery market** is expected to reach \$5.9 billion by 2022
- **Large commercial bakeries** will dominate the bakery market and grow by acquiring other brands and regional bakeries



Source: American Bakers Association

Bread & bakery products

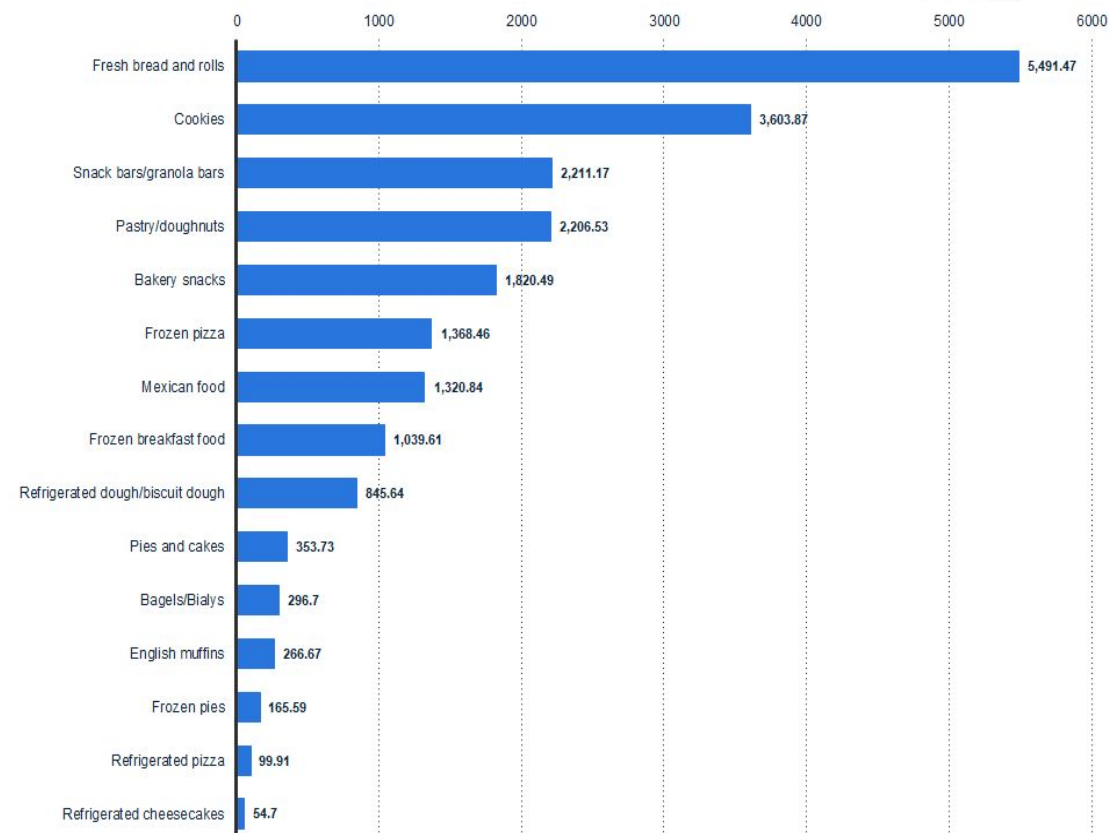
Sales growth of fresh bakery products in the U.S. by product type
(Dollar sales change, 2019)



Note: United States; Year to date June 16, 2019 Source(s): Winsight Grocery Business

In the June 2018 to June 2019 period, dollar sales in the **fresh bakery sector** for **pastries and doughnuts** increased by 11.3%, followed by **pies and cakes** growing by 11.1% and **desserts and snacks** by 9.7%

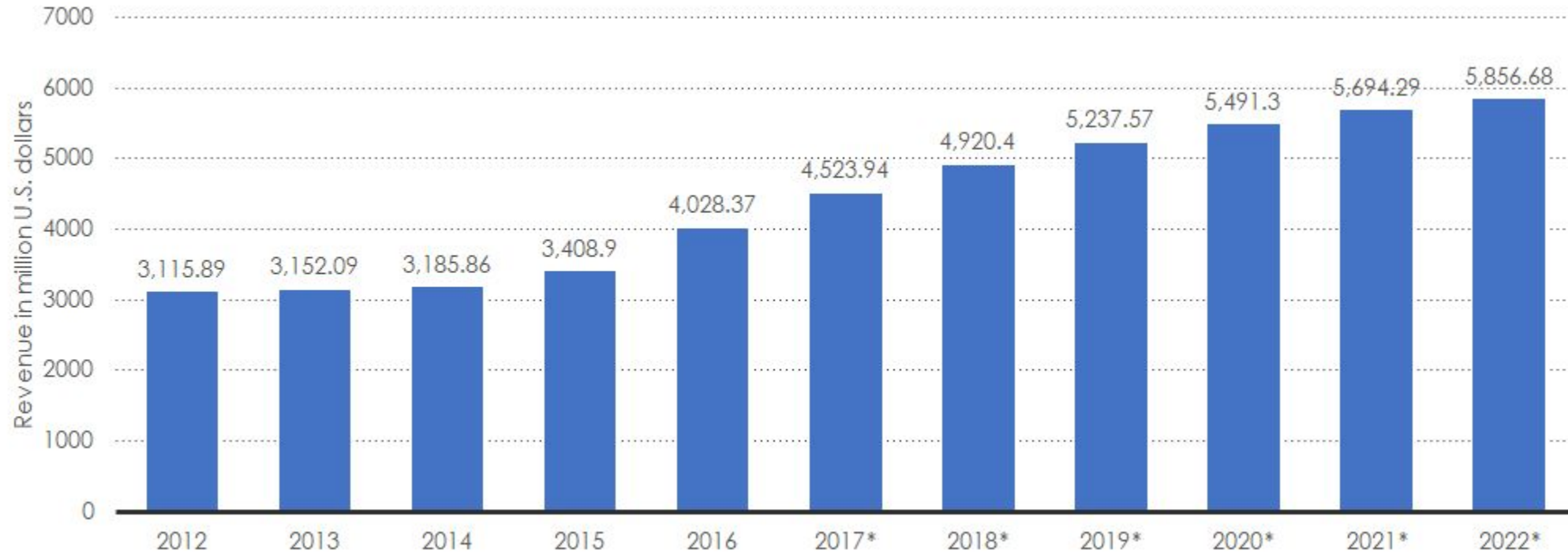
Unit sales of bakery products in the U.S. by category
(In millions of units)



Note: United States; Year to date March 24, 2019 Source(s): Winsight Grocery Business

By unit sales, behind the bread category, **cookies** lead the way, followed by snack bars, pastry and doughnuts

Retail bakeries revenue in the U.S. 2012-2022



Source(s): U.S. Census Bureau and Statista [ID 884893](#), forecast data from 2017 to 2022

BAKERY AND PASTRY TOP CHAINS AND PRODUCERS



Key indicators 2018

- revenues: \$11.2 bn
- annual Growth 19-24: 1.0%
- profit: \$583.8m
- businesses: 7,945

Characteristics of the bakery and cafes segment

- composed of establishments that offer menus consisting of baked goods, including breads, cakes, pastries, donuts, and pies. Many, such as Panera Bread and Corner Bakery, also offer complimentary sandwiches, salads and soups
- heavily dominated by franchising model of ownership
- the largest bakery and café chains are now under the umbrella of JAB Holding Co. (JAB), including those in the top 10: Panera Bread, Krispy Kreme Doughnuts, Einstein Bros Bagels, Bruegger's Bagels, and Pret a Manger
- much of the sector revenues comes from coffee and beverages as most establishments serve coffee along with bakery and pastry goods



Forecasts for growth and increased revenues

- the number of operators in the industry is expected to grow due to opportunities associated with **niche markets and franchising**
- annual industry **growth is forecast** to reach **1%** for 2019-2024
- industry growth for the sector is supported by **growing per capita disposable income** and increased coffee consumption
- future growth should also come from continued **consolidation of industry** (mergers and acquisitions)
- **operator revenue will increase** due to **higher quality product offerings** and a **growth** in consumer **coffee orders**

Challenges for the industry

- offering healthy eating options as consumers become more concerned about weight, obesity and unhealthy and fatty foods, which are risks of particular relevance to food and beverages served in the bakery and cafes segment

Leading U.S. bakery chains

Rank	Chain	2018 U.S. Sales (\$ million)	YOY Sales Changes	2018 U.S. Units	YOY Unit Change
1	Panera Bread	5,760	4.7%	2,074	1.5%
2	Krispy Kreme	805	4.5%	355	5%
3	Auntie Anne's	558	-0.3%	1,295	-1.2%
4	Einstein Bagels	516	-3.2%	690	-1.1%
5	Corner Bakery Cafe	362	-3.4%	182	-2.7%
6	Au Bon Pain	339	-1.7%	213	0.5%
7	Pret a Manger	240	11.7%	92	2.2%
8	Cinnabon	190	7.2%	917	4%
9	Le Pain Quotidien	172	1.7%	98	2.1%
10	La Madeleine Country French Cafe	170	2.6%	87	1.2%

Panera Bread (sweets, sandwiches, soups, salads, and coffee) dominates the Bakery chain sector with over 2,000 units (stores) and \$5.7 billion in sales

Other top players include Krispy Kreme (donuts and coffee), Auntie Anne's (pretzels and drinks), Einstein Bagels (bagels, sandwiches, sweets and coffee) and Corner Bakery (sweets, sandwiches, soups, salads, and coffee)

Bakery and cafes under **JAB Holding** include:

- Panera Bread
- Krispy Kreme Doughnuts
- Einstein Bros Bagels
- Bruegger's Bagels
- Pret a Manger

Leading U.S. commercial bakeries

Rank	Company	2017 Sales (including bread and rolls)
1	Grupo Bimbo	\$14.3 billion
2	Flowers Foods	\$3.9 billion
3	McKee Foods	\$1.4 billion
4	Franz Bakery	\$1 billion
5	H&S Bakery	\$877 million
6	Hostess Brands	\$776.2 million
7	Perfection Bakeries / Aunt Millie's Bakeries	\$274.4 million

- **Grupo Bimbo** dominates the U.S. Commercial Bakery market with over \$14 billion in sales in 2017
- Other key players include **Flowers Foods, McKee Foods and Hostess brands**



Source: Snack Food & Wholesale Bakery

BAKERY AND PASTRY

The top 10 commercial bakeries for the bakery snacks and donuts segments include **McKee Foods**, **Hostess Brands**, **Grupo Bimbo**. Private label producers also play a big role in the bakery sweet segment

Commercial bakeries Top 10 Bakery snacks

Top 10 Suppliers	Dollar Sales	Dollar Sales % Chg Vs Ya	Dollar Share
BAKERY SNACKS	\$2,585,162,858	-0.2%	100.00
McKee Foods Corp.	\$699,305,599	2.3%	27.05
Private label	\$613,465,963	-6.9%	23.73
Hostess Brands, LLC	\$422,546,047	-0.5%	16.35
Grupo Bimbo	\$207,005,197	13.8%	8.01
Flowers Foods, LLC	\$187,805,040	0.9%	7.26
Give & Go Prepared Foods Corp.	\$99,642,861	-0.7%	3.85
General Mills, Inc.	\$60,087,051	-17.3%	2.32
Table Talk Pies, Inc.	\$35,748,896	72.4%	1.38
Starbucks Coffee Co.	\$33,689,987	1.7%	1.30
JTM Foods Inc.	\$33,645,230	-5.5%	1.30

Commercial bakeries Top 10 Doughnuts

Top 10 Suppliers	Dollar Sales	Dollar Sales % Chg Vs Ya	Dollar Share
DOUGHNUTS	\$1,234,969,239	-8.4%	100.00
Private label	\$317,810,447	-17.4%	25.73
Grupo Bimbo	\$284,702,337	-3.4%	23.05
Hostess Brands, LLC	\$162,012,518	-1.6%	13.12
JAB Holding (Johann A. Benckiser)	\$156,137,379	-9.0%	12.64
McKee Foods Corp.	\$135,121,154	-5.6%	10.94
Flowers Foods, LLC	\$70,411,560	-12.4%	5.70
United States Bakery	\$17,066,864	9.7%	1.38
Clyde's Delicious Doughnuts	\$16,323,226	1.0%	1.32
Carolina Foods, Inc.	\$16,303,749	9.4%	1.32
Maple Donuts, Inc.	\$7,929,825	4.0%	0.64

Source: Market Advantage; IRI Liquid Data.52 weeks ending May 19, 2019

BAKERY AND PASTRY

Top “sweet” product categories for U.S. commercial bakeries include **donuts, cakes, pastry, danish and coffee cakes, muffins, cookies and pies**

Commercial bakeries
Top 10
Cakes (excluding snack/coffee cakes)

Top 10 Suppliers	Dollar Sales	Dollar Sales % Chg Vs Ya	Dollar Share
CAKES (NO SNACK/COFFEE CAKES)	\$1,382,673,729	-7.0%	100.00
Private label	\$893,874,436	-13.7%	64.65
Grupo Bimbo	\$89,110,582	-3.6%	6.44
Cafe Valley Bakery	\$52,419,269	9.9%	3.79
CSM Bakery Products North America	\$37,420,663	12.6%	2.71
Niche Bakers Corp.	\$24,091,929	87.5%	1.74
Rich Products Corp.	\$21,309,392	20.8%	1.54
Olson Baking Co.	\$15,820,231	4.8%	1.14
The Original Cakerie Ltd.	\$14,381,969	44.8%	1.04
Old Home Kitchens	\$14,260,401	-10.4%	1.03
Bauducco Foods, Inc.	\$11,015,021	2.6%	0.80

Commercial bakeries
Top 10
Pastry/danish/coffee cakes

Top 10 Suppliers	Dollar Sales	Dollar Sales % Chg Vs Ya	Dollar Share
PASTRY/DANISH/COFFEE CAKES	\$1,275,645,677	-1.3%	100.00
Private label	\$409,912,720	-1.2%	32.13
McKee Foods Corp.	\$179,974,048	1.0%	14.11
Grupo Bimbo	\$136,789,768	-1.8%	10.72
Hostess Brands, LLC	\$96,057,985	5.8%	7.53
Flowers Foods, LLC	\$56,848,668	-2.6%	4.46
Svenhard's Swedish Bakery	\$40,609,527	-5.0%	3.18
The James Skinner Baking Co.	\$32,274,915	-8.4%	2.53
Patti's Good Life, Inc.	\$31,199,556	10.2%	2.45
Give & Go Prepared Foods Corp.	\$24,897,032	-1.3%	1.95
General Mills, Inc.	\$23,947,758	-14.2%	1.88

BAKERY AND PASTRY TRENDS



Convenience & Snacking

- Millennials, aged between 15-34, are leading the way for new consumption patterns and culinary trends. According to Lantmannen-unibake.com, three attributes stand out as key drivers for this young generation of foodies
 - freshness
 - variety and exotic flavors
 - convenience
- Sales of snacks account for a whopping 40% of the \$370 billion U.S. packaged food market and are set to grow 2% annually through 2019 (Euromonitor)
- Snacking as a meal replacement is on the rise
 - portion control
 - on the go
 - single-serving packages



Gluten-free

- Bakery products, which include cookies, crackers, cakes, cereal and other baked goods, are the single highest grossing packaged good category in the gluten-free market
- Well over 15% of consumers are eating gluten-free as part of a healthy lifestyle not just due to dietary restrictions
- Perception by consumers that gluten-free foods are healthier
- 13% of consumers are eating and/or buying gluten-free food to treat other health conditions or symptoms (The Gluten Free Agency)
- Gluten substitutes
 - amaranth
 - buckwheat
 - flax
 - millet
 - quinoa
 - teff



COFFEE OVERVIEW



Coffee industry overview

- The **total economic impact** of the coffee industry in the U.S. is over \$200 billion
- U.S. coffee related economic activity makes up around 1.6% of total GDP
- The coffee industry is responsible for over 1.5 million jobs in the U.S. economy
- The U.S. coffee market has grown by 3.8% (in volume) in 2019
- **Americans drink** about 400 million cups of coffee every day (equalling 146 billion cups of coffee a year)
- **Consumers spend over \$80 billion on coffee annually**
- The **average price** of a cup of coffee in the U.S. is \$3.28



Source: Beverage Daily / ncausa.org / coffeestatistics.com/ Allegra
World Coffee Portal 2019 Project

U.S. coffee industry

- The U.S. coffee shop market grew to **\$47.5 billion in 2019**
- The **annual coffee retail sales** in the U.S. are worth about \$5.2 billion
- The U.S. **imports** in excess of \$4 billion worth of coffee per year
- Nearly 60% of U.S. consumers visited a **branded coffee shop chain** at least once a month in 2018
- The following 3 largest coffee chain cafes represent 68% of the market
 1. Starbucks (40%)
 2. Dunkin' Donuts (25%)
 3. Tim Hortons (3%)
- Around ¼ of consumers surveyed considers coffee quality as the most important reason for repeated coffee shop visits

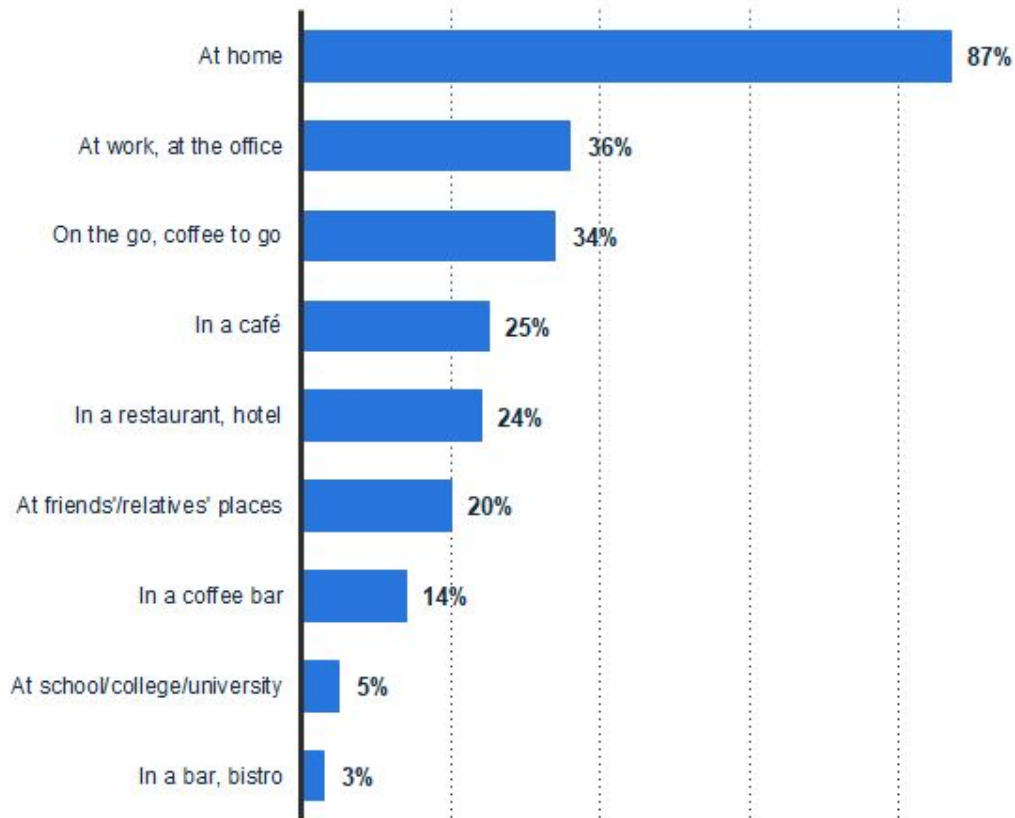


Source: National Coffee Association

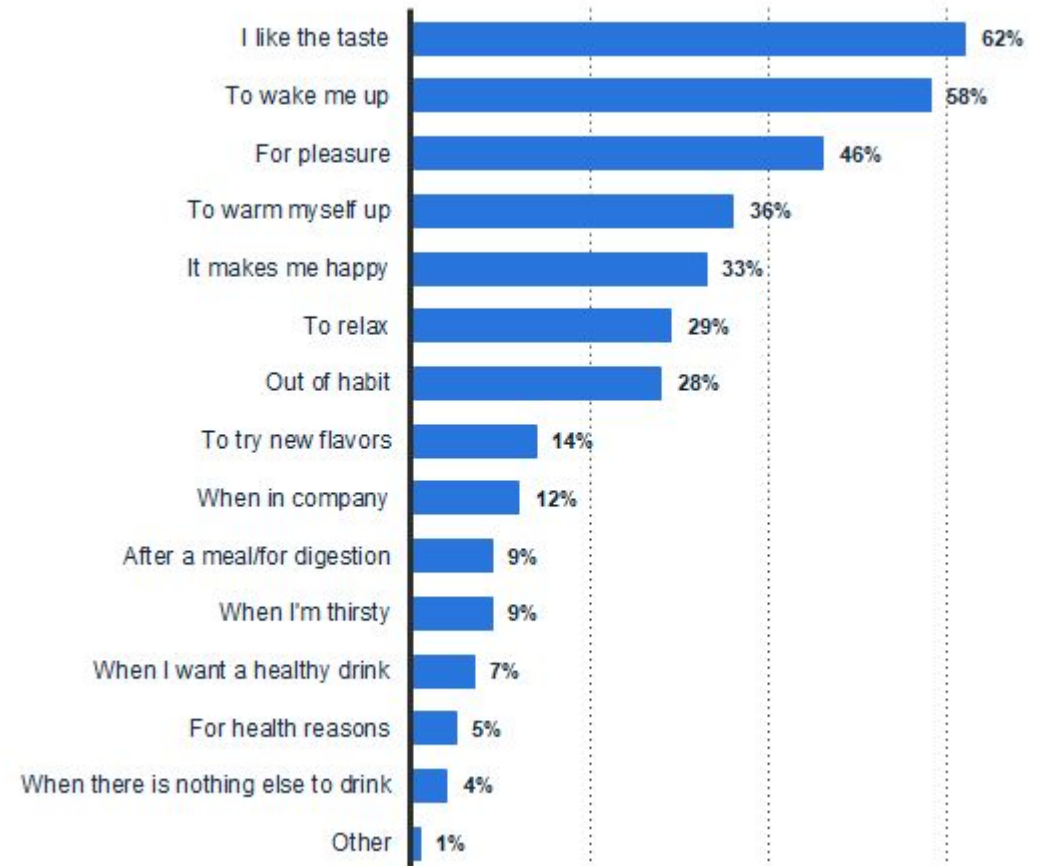
COFFEE

According to a Statista survey among U.S. coffee drinkers, most consume coffee at home or at the office, as well as in a **café (25%)**, **restaurant (24%)** and **coffee bar (14%)**. Most of those surveyed drink **for the taste (62%)** but also **to wake up**, followed by **for pleasure**

Where do you usually drink coffee?



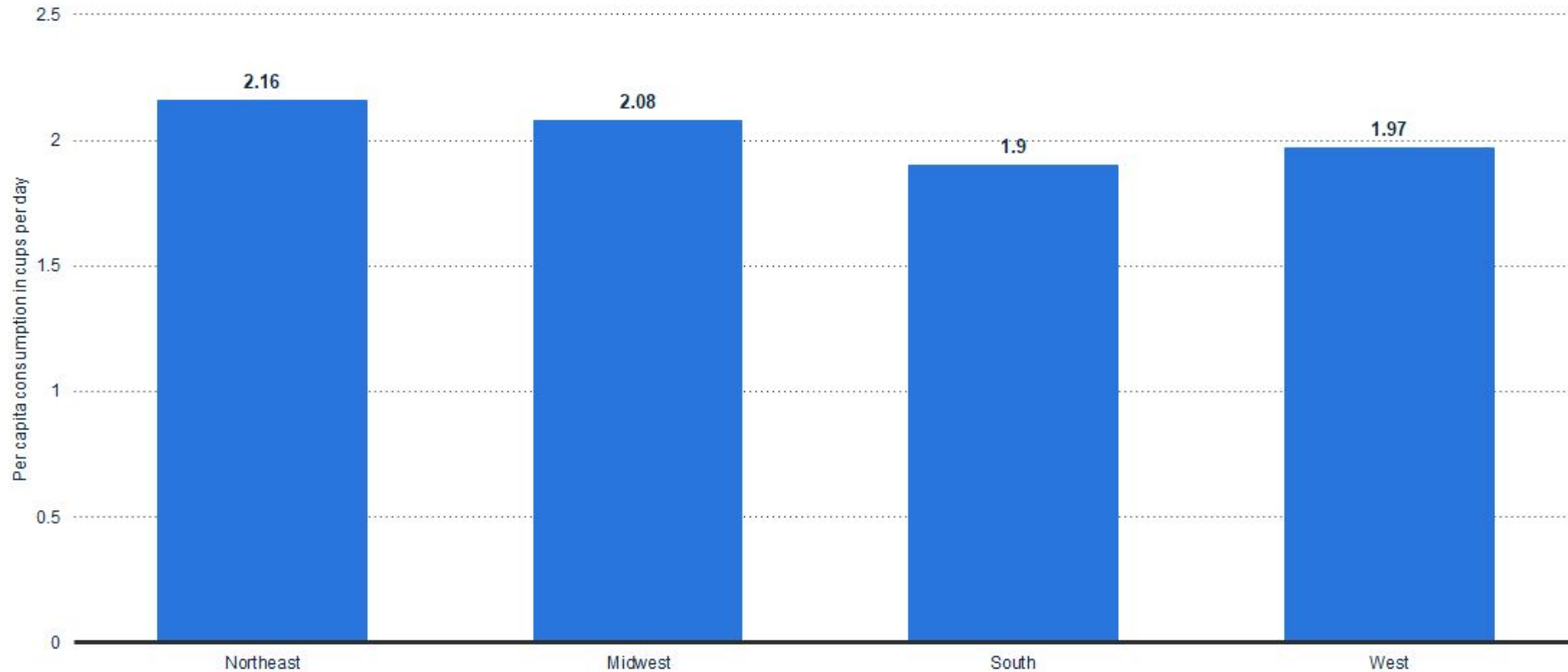
Why do you usually drink coffee?



Note: 18 years and older; 857 Respondents; respondents that drink coffee at least sometimes
Source: Statista survey

COFFEE

Total coffee per capita consumption in the U.S. in 2019 by region
(in cups per day)



Coffee consumption in the U.S. varied slightly by geographical region, with the **Northeast** averaging 2.16 cups per day and the **Midwest** 2.08 cups. The **South** drank slightly less coffee.

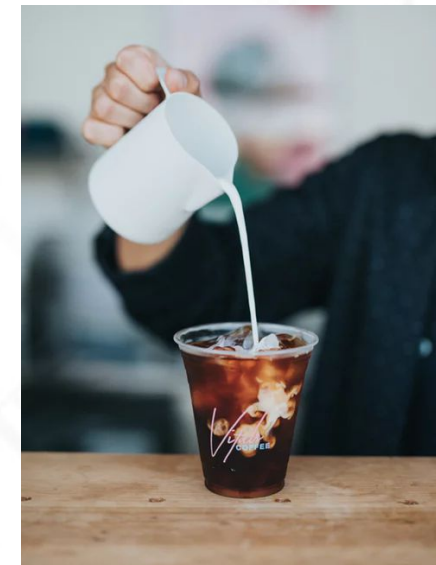
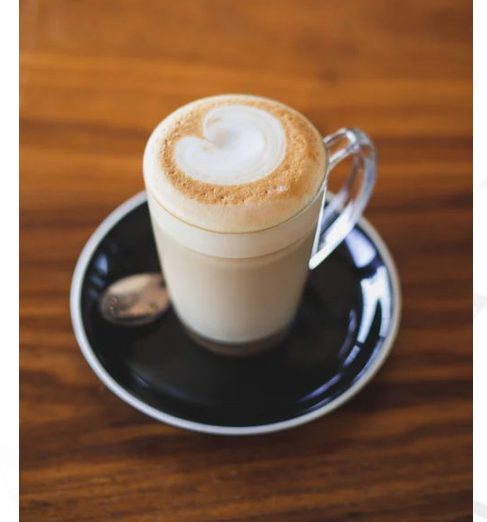
Consumer trends

- In 2019 a coffee survey by the Specialty Coffee Association reported that 64% of Americans **drank coffee on a daily basis**, representing over 150 million daily drinkers, the highest number since 2012
- The U.S is a leading consumer of coffee with Americans **drinking 400 million cups of coffee daily**
- **30%** of the population drinks coffee **occasionally**
- **65%** of U.S. adults drink coffee with **breakfast**
- Older adults (55 and over) are the category which drinks most coffee; **74%** of Americans drinks at least **one cup every day**
- Coffee drinkers under **40 years old** are **driving growth** in the **ready-to-drink** and **cold brew categories**
- **40%** of **18 to 24 year olds** and **54%** of **25 to 39 year olds drink coffee daily**
- Men consume an average of 2.2 cups of coffee per day, while women consume 1.7 cups
- Among coffee drinkers, the average consumption in the United States is between 2 to 3 cups of coffee per day



Consumer trends

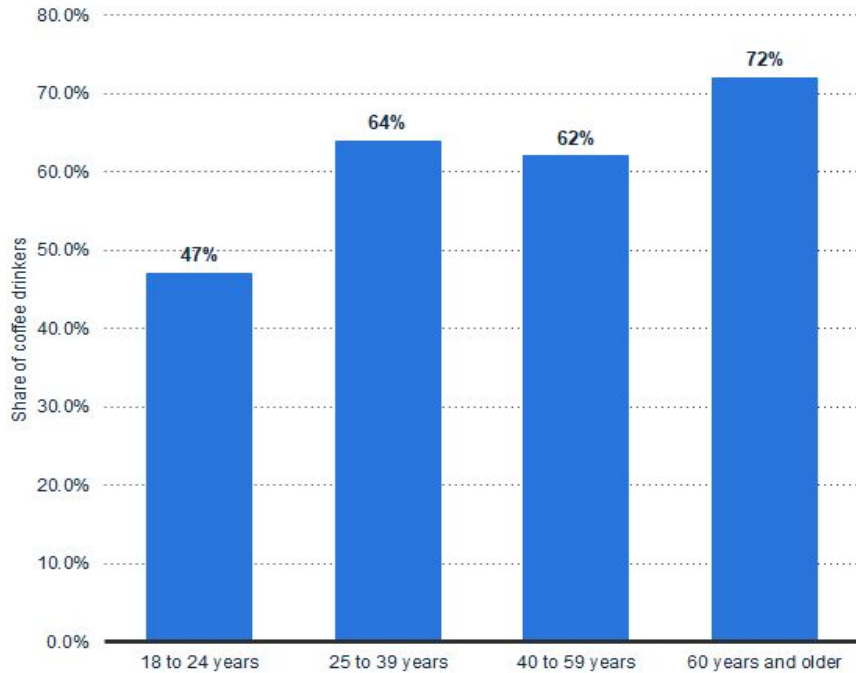
- **Latte** was the most popular specialty drink in the U.S. in 2018
- **Cold brew** coffee has become more popular than iced coffee
- 30 million americans (adults) drink **specialty beverages daily**, e.g. mocha, latte, espresso, cappuccino, frozen or iced coffee beverages
- **35%** of coffee drinkers **prefer black coffee**
- **65%** prefer to **add sugar and/or cream**
- 62% of Americans are aware of **CBD** as an ingredient, but only 20% of adults surveyed (3,000,) 18+ reported a positive association about adding CBD to coffee
- The youngest group (18-24) were the most likely to try CBD and other new trends



Source: Specialty Coffee Association Survey

COFFEE

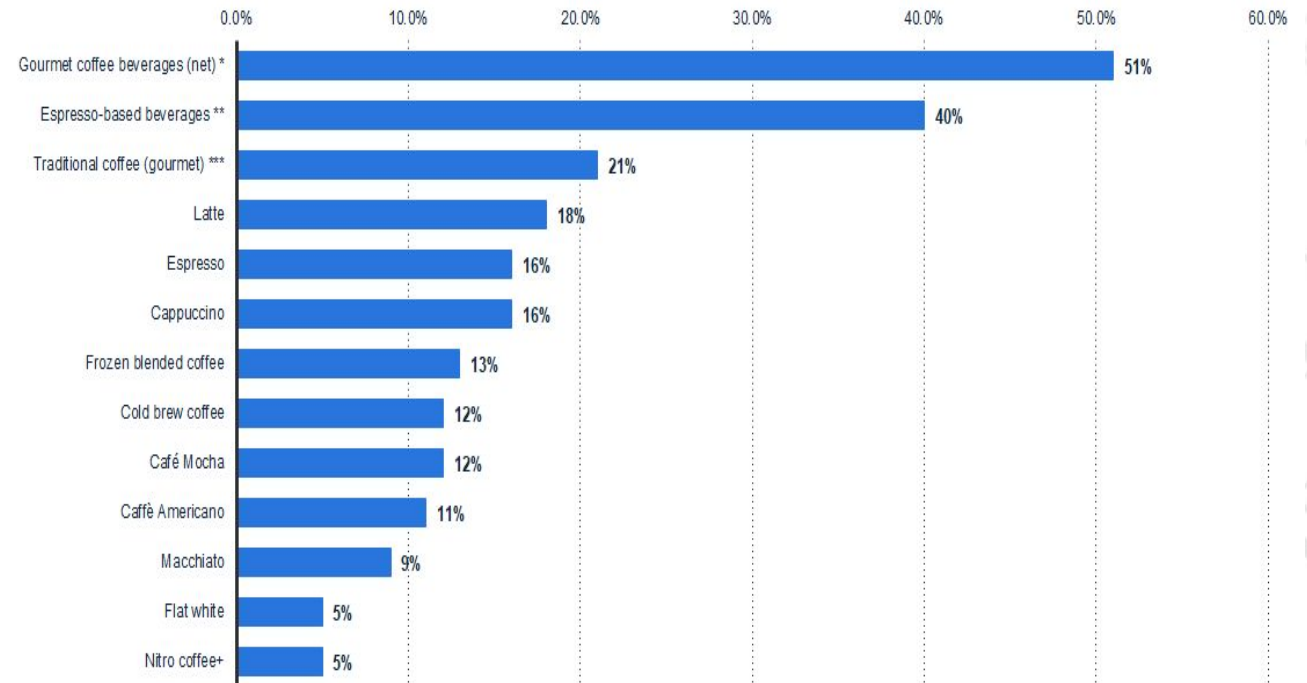
Share of coffee drinking consumers in the U.S. in 2019, by age group



Source: National Coffee Association survey
Base survey: Total sample aged 18+ - 2018; 18-24 (n=380), 25-39 (n=762), 40-59 (n=928), 60+ (n=667)

A 2019 survey showed that 72% of those 60 years and older and 64% in the 25-39 year age group drink coffee

Share of gourmet coffee consumption in the U.S. in 2019, by type of coffee



Gourmet coffee and espresso based beverages were the most consumed. When the survey asked “What did you drink yesterday”, 51% had had a gourmet coffee beverage, while 40% had consumed an espresso based beverage.

COFFEE TOP CHAINS



Leading U.S. coffee chains

Rank	Chain	2018 U.S. Sales (\$ million)	YOY Sales Changes	2018 U.S. Units	YOY Unit Change
1	Starbucks	19,660	8.3%	14,606	4.9%
2	Dunkin' Donuts	8,786	3.9%	9,419	3%
3	Tim Hortons	750	-5.1%	738	-6.3%
4	Dutch Bros. Coffee	494	16.2%	328	12.3%
5	Caribou Coffee	286	2.2%	394	-0.3%
6	Peet's Coffee & Tea	282	1.8%	244	0.8%
7	The Coffee Bean & Tea Leaf	162	3.4%	315	1.6%
8	Bigby Coffee	138	5%	265	2.7%

In the “coffee consumed out of home” category, main players include **Starbucks**, **Dunkin Donuts**, **Tim Hortons**, **Peet's Coffee**, and **Caribou Coffee**. **Panera Bread** in the bakery and cafe segment also sells a high volume of coffee

Starbucks and **Dunkin' Donuts** experienced both **sales growth** and an increase in number of stores in 2018

Coffee chains under **JAB Holding Co.** include:

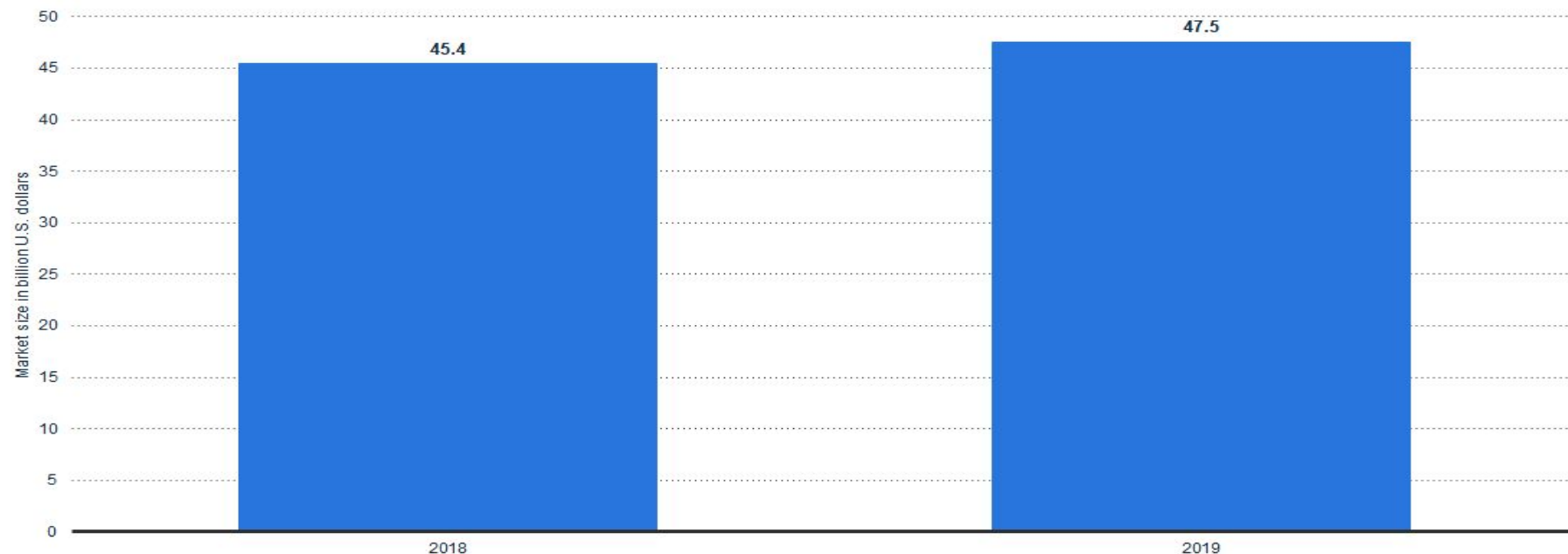
- Caribou Coffee
- Peet's Coffee



Source: restaurantbusinessonline.com

COFFEE

Market size of the coffeehouse industry in the U.S. 2018-2019
(in billion U.S. dollars)

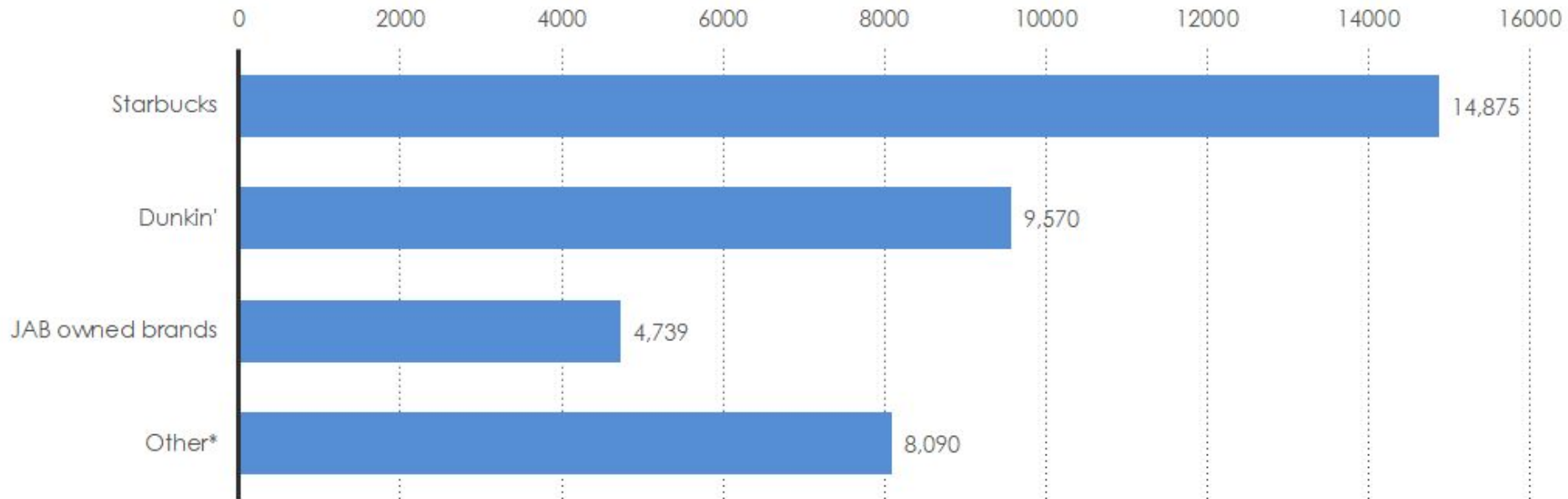


Source(s): Beverage Daily; Allegra World Coffee Portal

The **coffee shop market** reached sales of **\$47.5 billion** in 2019.

COFFEE

Market share of the leading coffee chains in the U.S. in 2019, by number of outlets



Source: Statista estimates; Daily Coffee News; Allegra World Coffee

- Two coffee chains dominated the U.S. market: as of October 2019, **Starbucks** had the highest number of stores in the U.S., with almost 15,000, followed by **Dunkin' Donuts** with 9,570 stores
- Independent coffee shops also play an important part in the market, accounting for \$12 billion in sales in 2019
- The number of Coffee Shops is forecast to surpass the 50,000 mark in the next 10 years

COFFEE TRENDS



Non-espresso-based beverage consumption

This category, introduced in 2017, includes frozen blended coffee drinks, nitro coffee and cold brew. Trends include

- past-day consumption for the entire category jumped from 7% in 2018 to 11%
- past-week consumption by drink type was 13% for frozen blended coffee, 12% for cold brew and 5% for nitro-infused
- as was the case in 2018, consumption of non espresso-based beverages skewed towards younger patrons, with the highest consumption found in the Western U.S.
- 80% of adults (18+) said they were aware of cold brew
- consumption of cold brew skews younger (under 40)
- 12% of all coffee drinkers reported drinking cold brew within the past week

Source: Statista



Ready-to-drink coffee

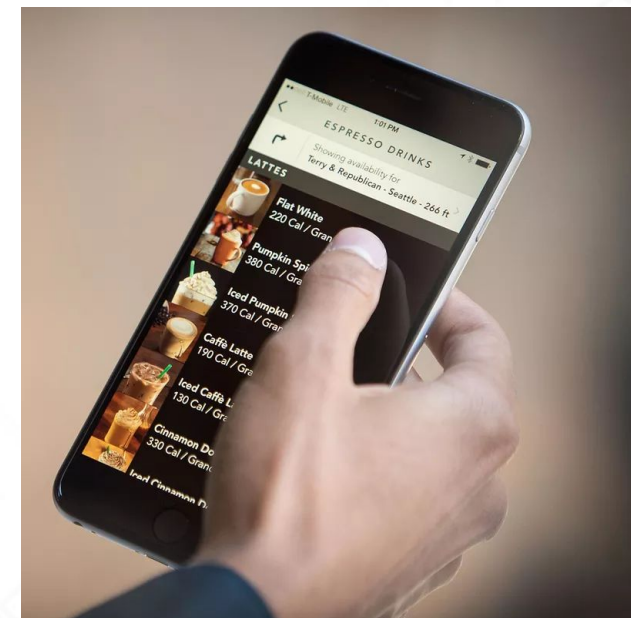
- The ready-to-drink (RTD) market is gaining a deeper foothold at a time when convenience stores are taking center stage for U.S. consumers and retailers
- RTD remains the fastest growing segment of the coffee category, growing 31% since 2016
- More than two in five consumers of RTD coffee say their ideal bottled or canned cold coffee drink would help them relax, 35% seek those products with added protein
- Coffee is now being seen as an indulgence, a moment to take a break from busy schedules and immerse in the experience (fooddive.com)
- The U.S. RTD market is expected to reach almost \$2.5 billion in sales in 2018 and is expected to increase by \$2.6 billion in 2023 (Mordor Intelligence)



Source: Statista

Drive-through, apps and delivery

- Among people purchasing coffee within the previous day, outside their home (including fast food restaurants, cafes, convenience stores, donut shops or gas stations), 46% of respondents reported using a drive-through, compared to 44% the year before
- Among people who bought their coffee drink at a retail location but did not use a drive-through, 17% reported making the purchase through an app, up 2 points from last year. Past-week use of app ordering came in at 27%, up five points for the year
- The average espresso drive-thru business sells approximately 200-300 cups of espresso and coffee based drinks per day



PURCHASING POWER OF MILLENNIALS



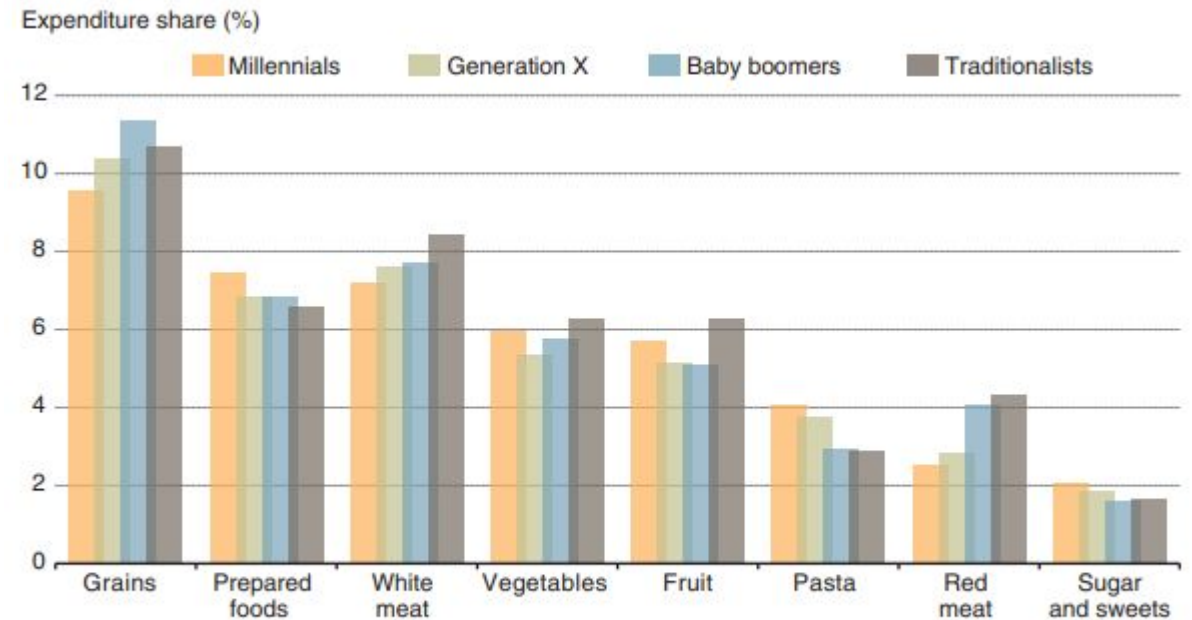
Overview

Millennials

- born between 1981 and the mid-2000s
- now the largest, most diverse living generation (surpassing Baby Boomers) in the U.S.
- purchasing behavior heavily influences the current retail landscape
- this generation is demanding healthier and fresher food and spending less of their expenditures on food at home (FAH)
- they allocate more money to prepared foods, pasta, and sugar and sweets than any other generation
- their preference for prepared foods boils down to convenience, a positive for restaurants, especially advantageous for those offering delivery and to-go

Source: ers.usda.gov and inc.com

Average household expenditure shares by food category and generational cohort, 2014



Source: USDA, Economic Research Service using Information Resource Inc. data, 2014.

Note: Figure 3 shows the average percentage of the total household budget that was allocated to each selected food group by generation cohort.

Ice cream

- Growing millennials population is among the key factors supporting the U.S. organic ice cream industry growth
- The introduction of organically-processed sweeteners and preservatives will continue to be the key factors propelling product demand. In addition, the rising demand for private-label ice creams, advancement in take-home segments, innovative marketing strategies and the availability of numerous flavors will substantially enhance the industry
- The revenue of the organic ice cream market was over \$300 million in 2017

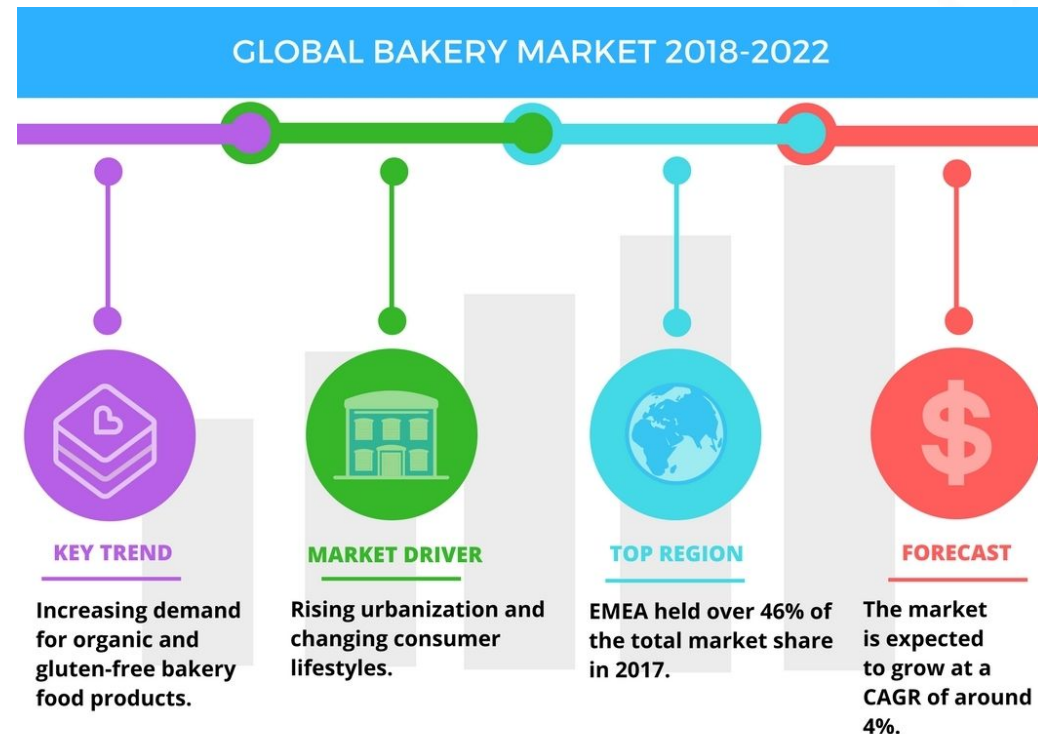
Source: reportsgo.com



Bakery and pastry

- Most Millennials (78%) eat carbohydrates in their regular diet and have positive nutritional associations with many types of baked goods
- 75% of younger consumers are not dissuaded from consuming baked goods because of a concern about carbohydrates
- When it comes to bread, in particular, food waste is the main concern that inhibits purchases, nearly three quarters of consumers are bothered by wasting bread and having to throw away bread deters future purchases
- How to attract millennials:
 - whole grains
 - freshness
 - natural ingredients

Source: Americanbakers.org and Technavio



Coffee

MILLENNIAL BEHAVIOR AND ATTITUDES



- Millennials account for approximately 44% of the demand for coffee in the U.S.
- They are gravitating away from hot coffee toward canned cold brew and nitrogen-infused beverages
- Manufacturers need to look to differentiate their offerings if they want to attract millennial attention by
 - adding additional caffeine
 - promoting ethical or sustainable sourcing
 - experimenting with new ingredients like protein powder, nootropics or CBD

Source: Cbsinsights.com and nationalcoffee.com