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Chinese Coffee Demand May Increase 20% Annually, Marubeni Says

By Aya Takada and Ichiro Suzuki



Feb. 3 (Bloomberg) -- Coffee demand in China, the fastest-growing major economy, may keep expanding by 20 percent a year if roasters offer products suited to local consumer budgets and tastes, Japanese trading company Marubeni Corp. said.

The number of coffee roasting companies in China has increased to 30 from 25 a year earlier as sales rise to consumers in Shanghai and other coastal cities, Kazuyuki Kajiwara, general manager in Marubeni's coffee section, said in an interview in Tokyo yesterday.

Starbucks Corp., the world's largest coffee-shop chain, said last year China had the potential to become its largest market outside the U.S. as the number of middle-class consumers rises. Japanese roasters such as Tokyo-based Unicafe Inc. are targeting sales in the country as opportunities decrease in a mature home market with a gradually declining population.

We estimate coffee consumption in China is growing by 20 percent on year, or at the same pace of increase in roasters, Kajiwara said. The Chinese market will probably keep expanding at a similar pace as potential coffee drinkers in China are as many as 200 million people, he added.

China's coffee consumption is probably 30,000 metric tons a year, about 7.5 percent of Japanese demand of more than 400,000 tons, Kajiwara estimated. Marubeni established a coffee-roasting subsidiary in Shanghai in 2006.

Aroma Coffee (Shanghai) Co. started production in October 2007 with roasting capacity of 300 tons a year. Marubeni aims to boost sales in China after gaining a 15 percent share in South Korea's coffee market of 100,000 tons a year, Kajiwara said.

Flavor Preference

We believe the Chinese market has a potential to grow depending on the quality and price of coffee products, Kajiwara said. Coffee at some upmarket stores costs 40 yuan (\$5.85) in China, as expensive as in Tokyo, while Chinese roasters also failed to meet local preferences for a strong flavor, he said.

Aroma Coffee roasts imported and domestic beans, Kajiwara said. China produces 25,000 tons of beans a year, of which 5,000 tons are the robusta variety, grown in Hainan and mainly used in instant coffee, and the rest are arabica beans produced in Yunnan and preferred by coffee house operators.

China sells about 60 percent of its coffee output overseas, and half of the exports are directed to Japan for production of soluble coffee, Kajiwara said. China also imports about 15,000 tons of coffee a year, including instant coffee, he added.

Japan, the world's third-largest coffee importer, purchased 387,538 tons of green coffee beans in 2008, down 0.6 percent from a year earlier, according to the Ministry of Finance. The country also imported 6,652 tons of roasted coffee beans last year, up 14 percent from 2007, the ministry said in its Web site.

Japan's Imports

Japanese imports, including soluble and liquid coffee, peaked at 458,507 tons in 2006 and then retreated to 425,778 tons in 2007 because of rising international prices, according to All Japan Coffee Association, a roasters' organization.

Of the total imports, one-third is used for production of canned coffee, Kajiwara said. Half of the remaining volume is used to produce instant coffee, he added.

I don't see Japan's recession hurting domestic coffee consumption, Kajiwara said. Consumers may be drinking less coffee at shops, but they should be brewing it at home or having cheaper instant coffee.

Marubeni is Japan's largest coffee importer with a 25 percent share in the domestic market. The company aims to boost sales by increasing shipments of roasted coffee or processed products to end-users, Kajiwara said. Globally Marubeni sells 3 million bags of coffee a year. One bag weighs 60 kilograms (132 pounds).