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## Italian coffee group steams ahead in China

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Italian fine-coffee producer illycaffè SpA has begun accelerating its business in China as it expects the market to sharply boom over the next few years, the company's chief executive said.

"The Chinese coffee market is expanding with the fastest growth in recent years. I believe coffee consumption in China will easily double over the next five years," said Andrea Illy, president and CEO of the Italian company.

"We hope the Asia market will represent 15 to 20 percent of our global sales in seven years," Illy said. "And China will become one of the world's top five coffee-consuming countries in one generation."

He told China Daily that his expectations for the Chinese market are based on the country's fast urbanization, economic growth and rising individual disposable incomes.

According to the Beijing Coffee Association, the Chinese coffee market has surged by 15 percent annually in recent years, far higher than the global average of 2 percent.

But the nation's annual coffee consumption of about 70 billion yuan (\$11.2 billion) is quite small in comparison with the global total of 12 trillion yuan.

Illy said the global coffee market will maintain 2 to 3 percent year-on-year growth during the next decade, "with China running much faster than that".

Moreover, the huge potential also comes from a low average consumption in China.

Average annual coffee consumption on the Chinese mainland is four cups per person, far lower than the global average of 240 cups, according to the Beijing Coffee Association.

"The coffee consumption per person per year in other Chinese-speaking areas in Asia like Singapore, Hong Kong and Taiwan is at least 20 times higher than that on the Chinese mainland," said Illy.

"But the lifestyle trend will boost the local consumption, especially among the fashionable young generation," he added.

Illycaffè has well established itself as a premium brand in China.

"By providing our coffee machines and products to more than 1,500 corporate customers, we have successfully kept our foothold here," Illy said.

Illycaffè opened its first mono-brand cafe in Beijing last weekend. It also began offering its products online through its Chinese website.

Though other global and local cafe chain operators like Starbucks, Costa Coffee and Pacific are aggressively expanding their stores, Illy said his company will be cautious about opening espressamente illy outlets.

"We are finding the right partners city by city. Our strategy is to find one partner in a single city to co-run our franchised Italian-style coffee bars," said Illy.

The company operates 230 espressamente illy coffee boutiques in 30 countries.

Though coffee is not part of traditional culture in Asia, Illy said that he has seen more and more young Chinese drink coffee.

"And one more thing to stress the importance of the China market is that we have added it into 15 countries where we source coffee beans," Illy said. "We have put high-quality Arabic coffee beans grown in Yunnan province into our unique blend, and sell it worldwide."

According to a report from the research company Euromonitor International, the Chinese mainland is expected to see a 35 percent increase in retail coffee consumption within four years, and total annual consumption could reach 45,900 tons by 2014.

Xiong Xiangru, secretary-general of the Yunnan Coffee Association, predicted that China's coffee consumption will reach 1 trillion yuan annually over the next decade, and the market could be worth as much as 3 trillion yuan a year by 2030.

Starbucks Corp, the world's biggest coffee chain by revenue, plans to triple its outlets in China to 1,500 by 2015.

Costa Coffee, from the United Kingdom, plans to have 500 cafes in China by 2016.

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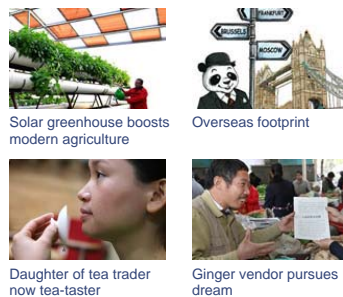
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