



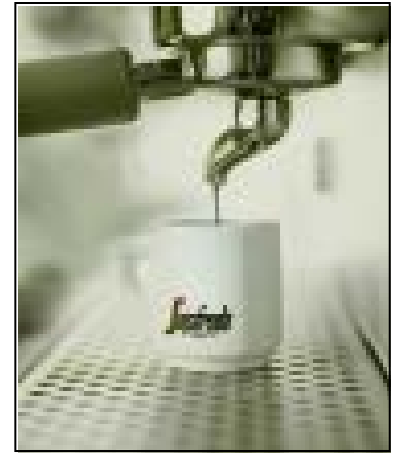
MANAGING GREEN COFFEE ARBITRAGE: A Roaster Perspective on Portfolio Usage & Consumption

Sintercafé
November, 2011



Massimo Zanetti

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BEVERAGE GROUP



Agenda

- Massimo Zanetti Beverage Group / MZB USA
- MZB USA Portfolio
- Green Coffee Market – 24 Months of Volatility
- MZB USA Changing Consumption
- Why Change? Complexity, Diversity, Volatility & Necessity
- Green Coffee Strategy
- Business Segment Decisions
- Q & A

Massimo Zanetti Beverage Group

- Italian-owned, privately held, vertically integrated *Coffee Group*
- Multinational group of nearly 50 companies
- Working in over 100 countries
- Global sales of US\$ 1.4 billion
- Growers:
 - Brazil, Hawaii (Kauai), Costa Rica
- Roasting plants in 11 Countries; nearly 140,000 tons Annually
- Processing & Milling: Brazil, Costa Rica, Honduras, Kauai
- Trading Operations: Switzerland, Vietnam, Indonesia
- Professional equipment: San Marco & Office Coffee Systems



Massimo Zanetti Beverage USA

- Coffee heritage dates to 1871:
 - Chase & Sanborn, Hills Bros., Chock full O' Nuts
 - The first Company to vacuum-pack coffee
- Headquarter Operations and Roastery in Virginia
- MZB USA created December 2005 following acquisition by the Group
- Primary businesses: Retail, Private Label, Foodservice and Cafés
- Manufacturing capabilities include: Canned, Flexible, Flavored
- Sourcing Coffees to meet all segments:
 - Estate, Single Origin, Fair Trade, Utz Certified, Rainforest, Organic
- Largest single producer of Hawaiian Coffee in the U.S. – Kauai Coffee



MZB USA Portfolio / Segments

- **Branded:** Chock full o' Nuts, Hills Bros., MJB, Chase & Sanborn
 - Comprise 40% of volume
 - Broad range of products, sizes, packaging, origins, quality segments to meet consumer demand
 - Cup quality and profile internally controlled
- **Corporate Brands / Private Label / Own Brand**
 - Comprise 50% of volume
 - Extensive range of products, sizes and qualities required
 - Cup quality determined by customer specification or NBE
- **Contract Manufacturing**
 - Comprise 10% of volume
 - Very specific specification and participative green buying
 - Large volume with limited SKU complexity, no variability



NY 'C' WEEKLY



LIFFE WEEKLY

%RC 2I-ENC O: 1860 H: 1889 L: 1855 C: 1869 Δ: 7



NY – LIFFE ARBITRAGE (cents/lb)

SPOTARB O: 141.06 H: 147.55 L: 141.29 C: 143.62 Δ: 2.13



5 YEAR ARBITRAGE CHART (cents/lb)

SPOTARB O: 141.06 H: 147.55 L: 141.29 C: 143.82 A: 2.33



20 YEAR ARBITRAGE CHART (cents/lb)

SPOTARB O: 141.06 H: 147.55 L: 141.29 C: 143.87 Δ: 2.38



Why Change?

Complexity, Diversity, Volatility & Necessity

1. Economic conditions have driven changes in coffee consumption
2. 24 months of unprecedented volatility in both cost and supply
3. MZB USA competes in all channels of North American coffee business
4. Manage in excess of 1600 SKUs
5. Provide opening price point (OPP) to single-origin estate-quality finished goods



Why Change?

Complexity, Diversity, Volatility & Necessity

6. Compete in the highly promoted, mainstream canned market (60% promoted sales)
7. Large % of volume (PL) is customer controlled via specification
8. Managing “cup profile” & acquisition costs of green is critical
9. Utilize multiple origins, qualities, and roasting methods to manage costs
10. Quality expectations balanced against final price to consumers

Green Coffee Strategy

- Cup Profile #1 Priority
 - Blend & Recipe Development
 - Differentials
 - Origin Availability
- Increased Robusta Usage (YTD +26%)
 - Customer Demand
 - New Products and Customers
 - Supply
 - Cost
- Risk Management
 - Volatile Markets drive delivery uncertainty
 - Higher risk of quality rejections
 - Strong supply chain relationships

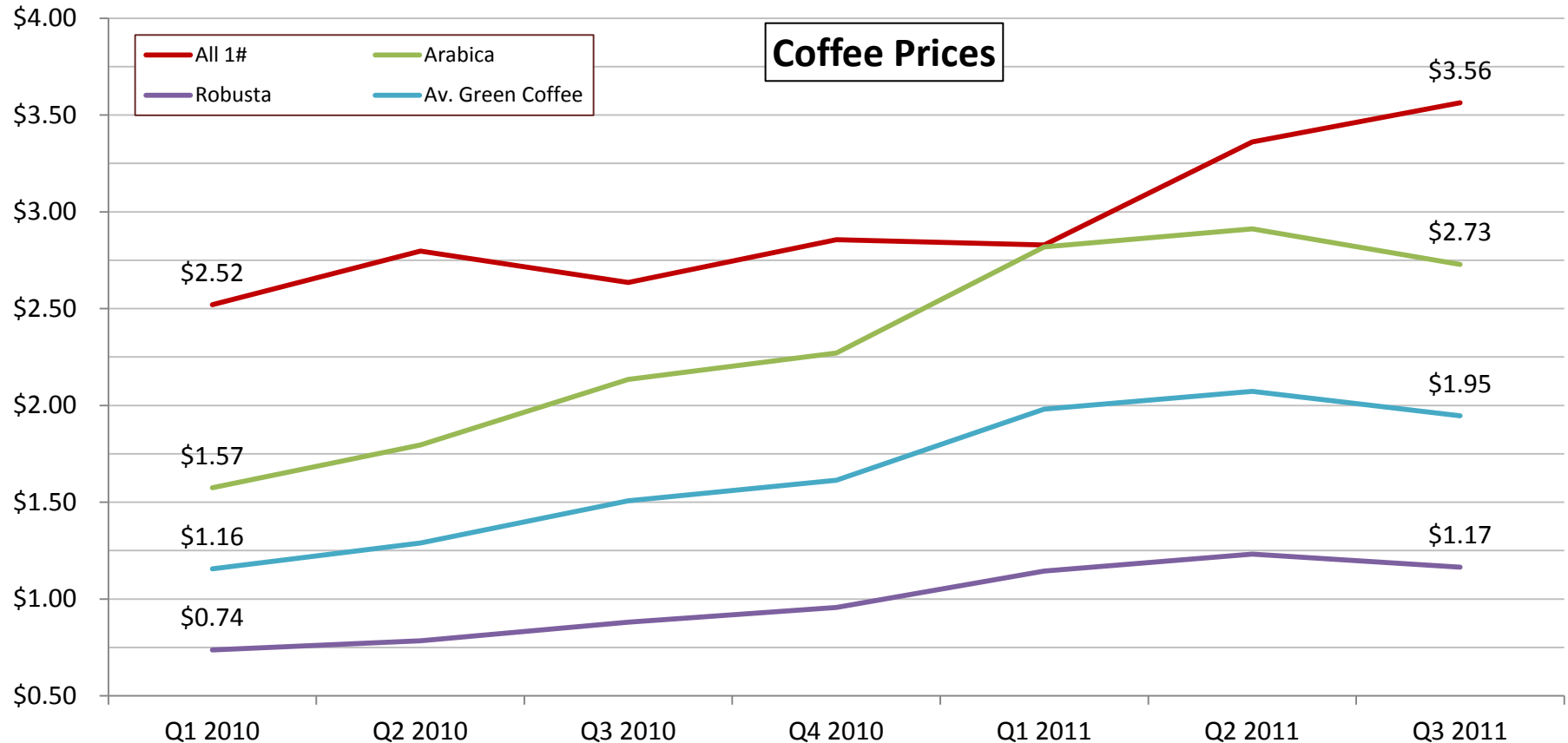
Business Segment Decisions & Drivers of Change

- **Branded**

- Package downsizing across much of the category (10-15%)
- Introduction of value blends to manage customer cost
- Blends composition – Type & Origin – Manage the “CUP”
- Multiple price advances across the category
- Green Coffee increases have outpaced promoted pricing



NY Retail Market: Can Pricing vs. Green Pricing



- Consumers pay 38% more for coffee today than in Q1-2010 on promotion
- Meanwhile Arabica prices have risen 80% while Robusta prices are up 57%

Source: Nielsen ScanTrak, NY \$2MM and indexmundi.com



Business Segment Decisions & Drivers of Change

- **Corporate Brands/Private Label**
 - Downsizing packages to meet the National Brands
 - OPP offering now required in mix (Extreme value)
 - Value positioning for a certain consumer segment
 - Blend optimization to manage cost & cup
- **CAFÉS**
 - Out of Home quality remains unchanged
 - Added menu items and promotion to attract customers



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Thank You. Questions & Answers

