

The need of disruption to stay in the market

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THE NEED OF DISRUPTION TO STAY IN THE MARKET

- All coffee companies along the value chain will **have to make massive changes**, often redesigning their business model, **to be in the coffee business in 20 years' time.**
- **This affects every stage of the value chain**, from coffee farmers and green coffee traders to coffee roasters and consumers preferences.



NEED FOR ACTION AT EVERY STAGE OF THE VALUE CHAIN



CULTIVATION



GREEN
COFFEE
TRADE



ROASTING



PACKAGING



BREWING &
CONSUMPTION



CULTIVATION

- **To date:** Yield of coffee harvests with a suitable **price-performance ratio from mainstream to specialty**
- **Adaption to climate change:** Need for new locations, varieties, massive changes to current plantations, more shade, diversity¹
- **Climate-neutral cultivation**
- **Challenge with junior staff:** The average coffee farmer in Colombia and Kenya is 55 and 60 years old (Kebaso 2021)
- **Future challenges:** climate-neutral cultivation, adaption to climate change, labour

¹ P Imbach, Coupling of Pollination Services and Coffee Suitability from Climate Change, Proceedings of the National Academy of Sciences 114, Nr. 39, September 2017, S. 10438–10442.

Ahmed S, Brinkley S, Smith E, Sela A, Theisen M, Thibodeau C, Warne T, Anderson E, Van Dusen N, Giuliano P, Ionescu KE, Cash SB. Climate Change and Coffee Quality: Systematic Review on the Effects of Environmental and Management Variation on Secondary Metabolites and Sensory Attributes of Coffea arabica and Coffea canephora. Front Plant Sci. 2021 Oct 8.

Solymsi K. & Techel G. (2019). Brewing Up Climate Resilience in the Coffee Sector. IDH Sustainable Trade Initiative, Global Coffee Platform, Specialty Coffee Association, Initiative for coffee&climate implemented by Hanns R. Neumann Stiftung, Conservation International.

Christian Bunn; Peter Läderach; Oriana Ovalle Rivera and Dieter Kirschke, (2015), A bitter cup: climate change profile of global production of Arabica and Robusta coffee, Climatic Change, 129, (1), 89-101.

Grüter R, Trachsel T, Laube P, Jaisli I. Expected global suitability of coffee, cashew and avocado due to climate change. PLoS One. 2022 Jan 26;17(1).

GREEN COFFEE TRADE

- Previously, the **quality of the bean** and the **price were decisive**
- **In future**, in addition to the quality of the bean, **the quality of the data and due diligence will also be decisive**
- **In future**, the **pre shipment sample** will not only include **the bean but also the availability and quality of the data** on the bean
- Examples for this are CSDDD, EUDR, CSRD (footprint required): **without comprehensive data management, data quality and Due Diligence, there will be no green coffee trade**
- **Future challenges:** availability and quality of data of green coffee

 DEUTSCHER
KAFFEEVERBAND
WACH. HEISS. STARK.





ROASTING

- So far, coffee roasting is a “**processing step**”
- The aim is to become Co₂-neutral during roasting – this is possible with **electricity** or **green hydrogen**
 - both require **new technology**
 - both require **new infrastructure**
- To roast a batch of 750 kg, 3200 kW of heating power is required vs. large photovoltaic system on roaster roof 1485 m² ~ 250 kWp
- Theoretically, this is possible
- **Future challenges:** implementing new technology in roasting plants, a suitable infrastructure is required to provide the required volume

PACKAGING

- **So far:** shelf life/oxygen barrier; **in the future:** recyclability
- **Targets for the packaging reduction for member states:** 5 % by 2030; 10 % by 2035; 15 % by 2040
- Current **contradiction** between oxygen barrier and environmental friendliness
- For new types of packaging: **New machines required**
- Over the next 20 years, roasters will have to **invest millions of Euros in machinery in order to achieve climate neutrality regarding packaging**
- **Future challenges: recyclability of packaging versus rate of protection of packaging** (maintaining the previous level of protection) and **minimum shelf life** (ensuring the shelf life known today)





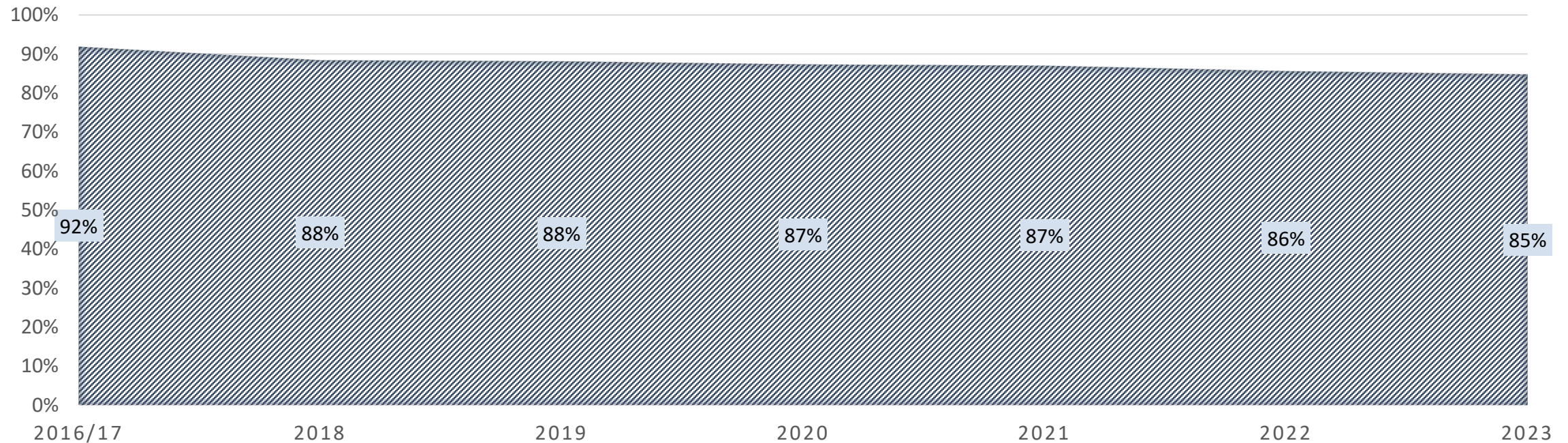
BREWING & CONSUMPTION

- Is the next generation a generation of coffee consumers?
- Which beverages are favoured by which generations?
- Which drinks could be the trend in the future?



How has the proportion of regular coffee drinkers developed over time?

Basis: Coffee Consumption Study 2016/17 to 2023 | N>90,000 | Proportion of the population aged 16 and over | in %

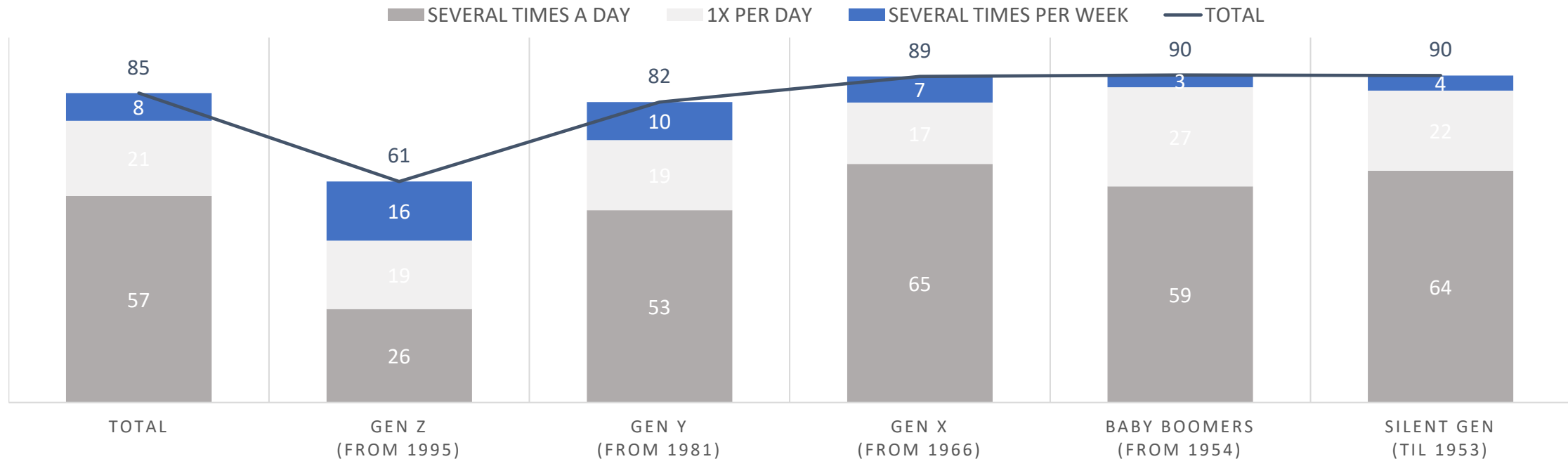


- Over the past seven surveys, the proportion of regular coffee drinkers (at least several times a week) in the German-speaking population has fallen slightly but steadily - by 7 percentage points overall.



What is the proportion of regular coffee drinkers in the different generations today?

Basis: Coffee Consumption Study 2023 | N=15,543 | Percentage of the population aged 16 and over

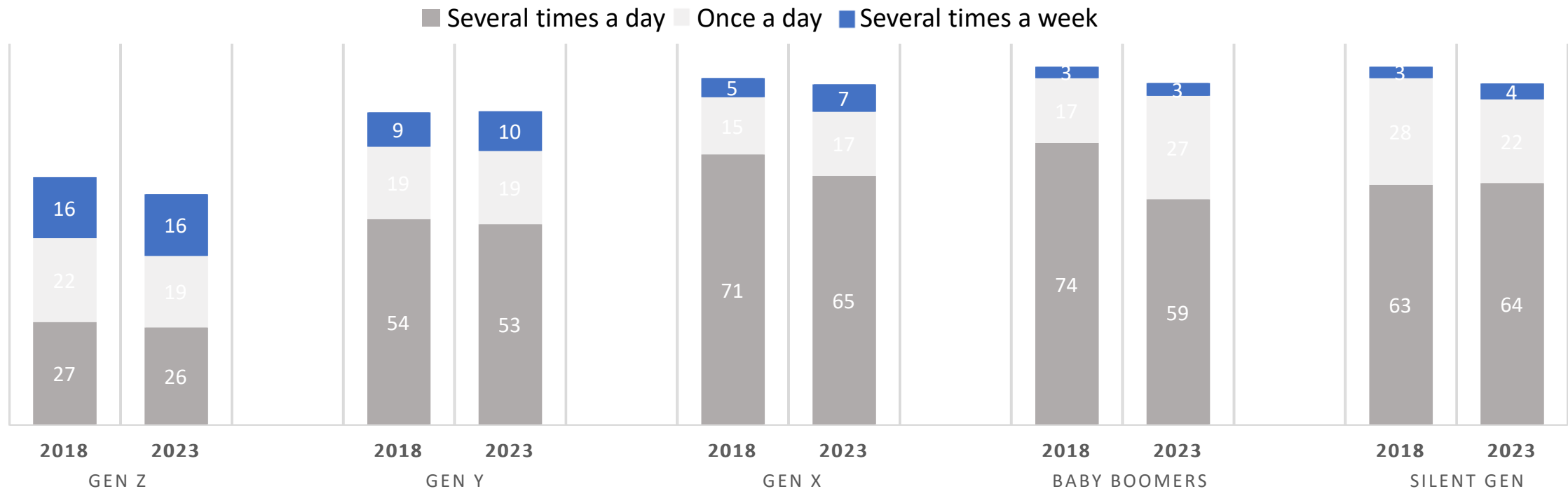


- The two younger generations Z and Y in particular drink coffee less frequently: 82 % of Generation Y still drink coffee regularly, compared to just 61 % of Generation Z. However, the youngest members of Generation Z included in the study are only 16 years old. It therefore remains to be seen whether they will enter the category at a later date.



How have the proportions of regular coffee drinkers in the generations changed compared to 5 years ago?

Basis: Coffee Consumption Study 2018 & 2023 | N=15,158 & N=15,543 | Percentage of the population aged 16 and over

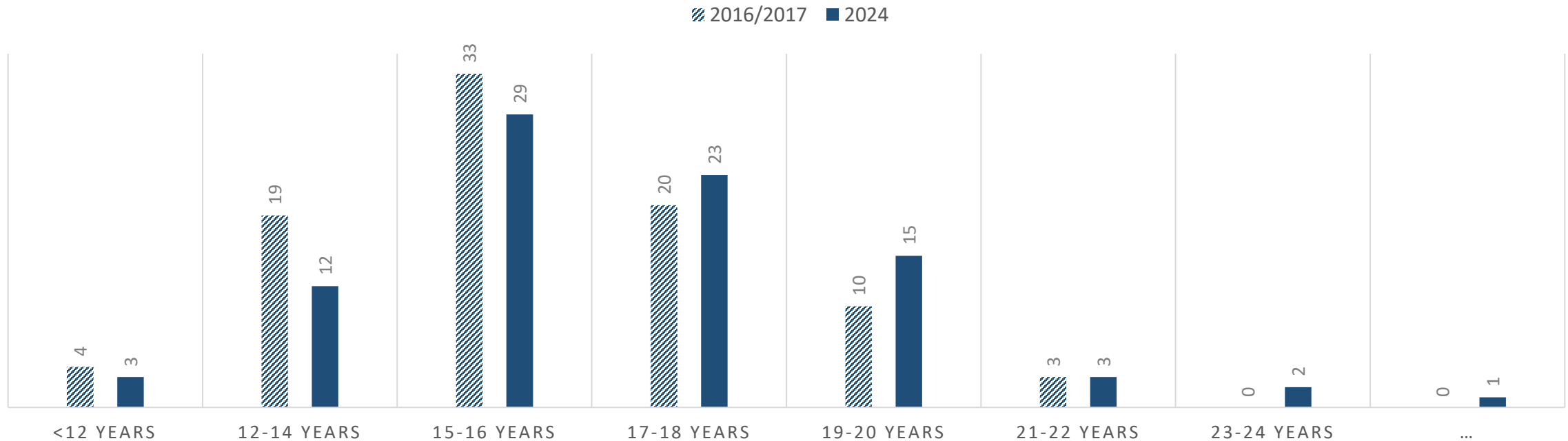


- In Gen Z, the proportion of regular coffee drinkers was 5 percentage points higher in 2018, although the members of this generation were also 5 years younger 5 years ago.
- The proportion of baby boomers who drink coffee several times a day has fallen since 2018. Hypothesis: Habits change as people retire from working life.



How old are consumers when they drink coffee for the first time?

Basis: Coffee Consumption Study 2016/17 (N=37,059) | Coffee Consumption Study 2024 (special module "Generations", N=2,505) | Starting age of regular coffee drinkers | in %

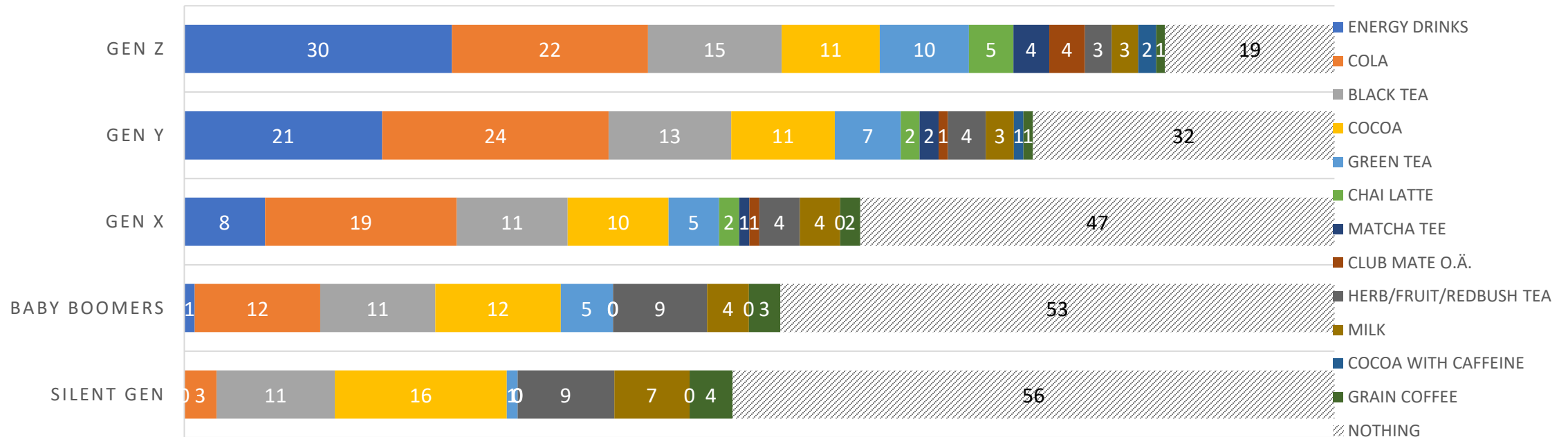


- One reason why there are still fewer regular coffee drinkers in Gen Z overall may be that the age of entry into the category is shifting backwards: in 2018, 19 % of 12-14-year-olds were already drinking coffee, compared to just 12 % in 2023.



What has been replaced by coffee?

Basis: Coffee Consumption Study 2024 | special module “Generations” | N=2,505 | regular coffee drinkers | in %

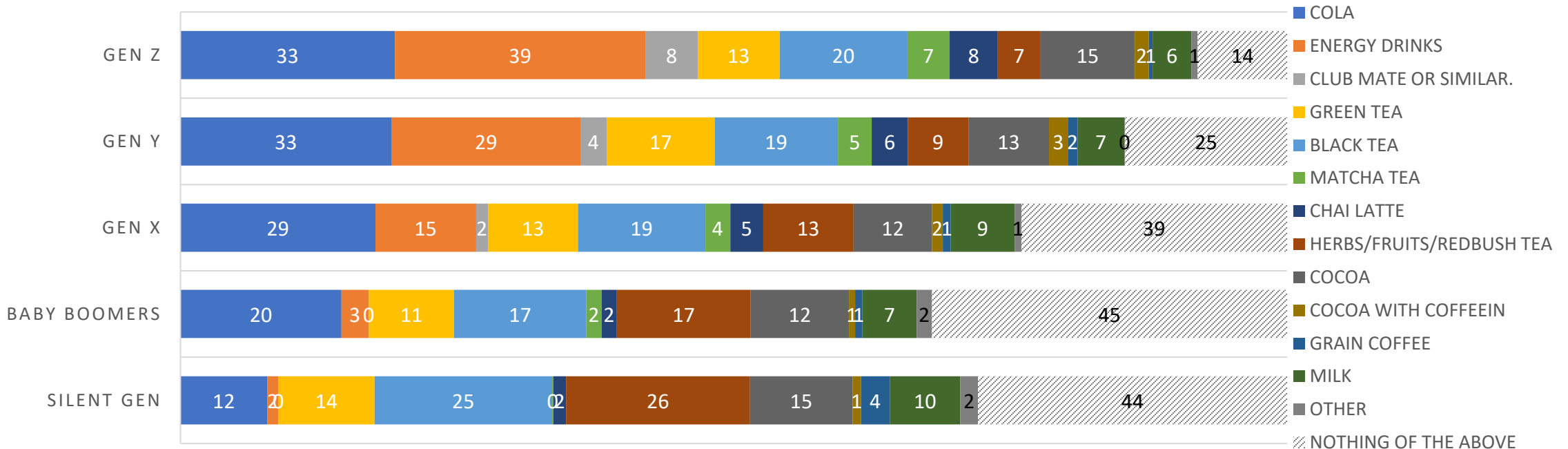


- The drinks that are being replaced by coffee have become increasingly diverse: The Silent Generation still substituted tea or milk/drinks significantly or had no alternative at all. In Generation Z, on the other hand, only 19 % had no alternative; and for the first time, energy drinks overtook cola in Gen Z.
- Coffee is also frequently replacing tea-based drinks such as green tea, chai, matcha or mate.



Which drinks are drunk at least occasionally to replace coffee?

Basis: Coffee Consumption Study 2024 | special module “Generations” | N=2,505 | regular coffee drinkers | in %

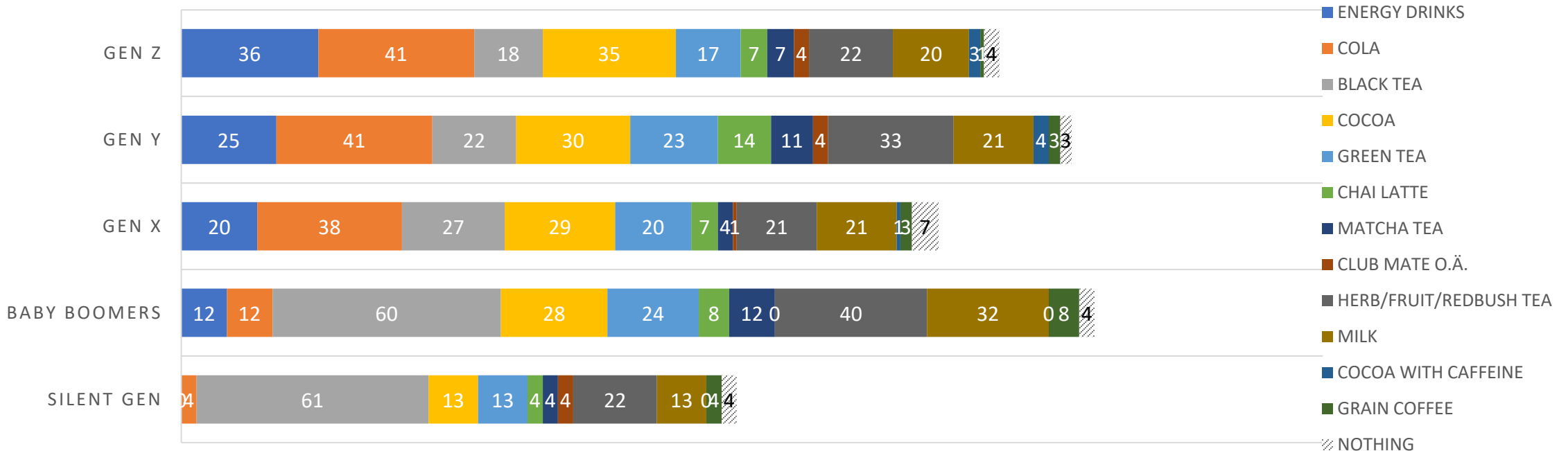


- The Silent Generation had very limited alternatives when they started drinking coffee. Today, however, they too make use of the wide range of alternative drinks, at least from time to time.
- In Gen Z and Y, the biggest alternatives to coffee are cola and energy drinks.



What do those who rarely or never drink coffee drink instead of coffee?

Basis: Coffee Consumption Study 2024 | special module "Generations" | N=1,004 | rarely or never drink coffee | in %

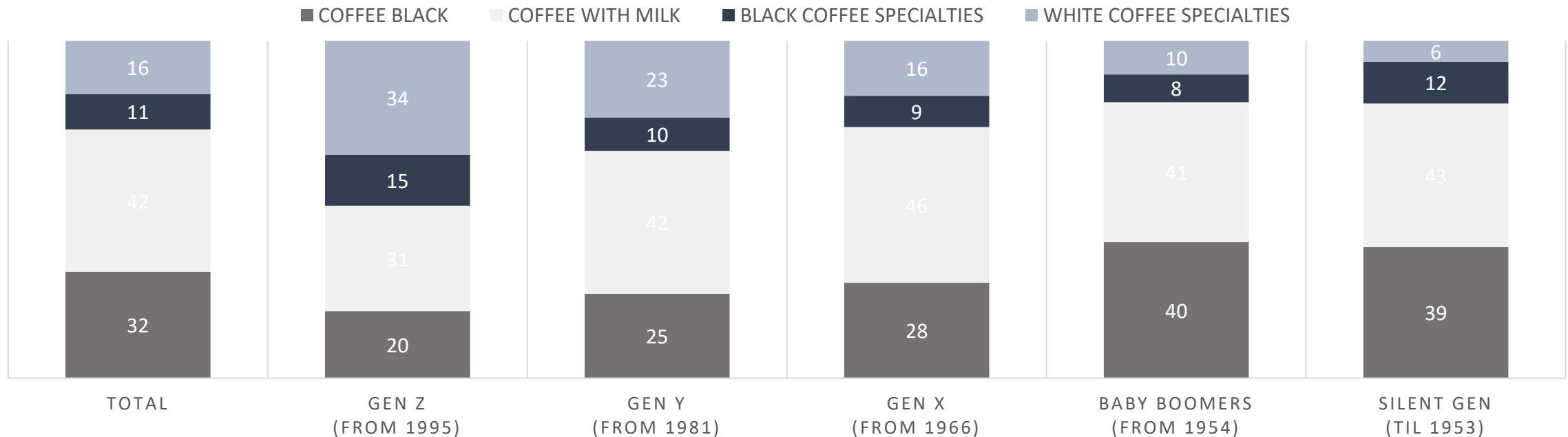


- While black tea drinkers make up the largest group of non/rare coffee drinkers in the Silent Generation, their share decreases drastically after the Baby Boomers.
- On the other hand, the proportion of those who drink cola and energy drinks instead of coffee is steadily increasing among the younger generations.



What kind of coffee do the age groups drink?

What kind of coffee do the age groups drink? Basis: Coffee Consumption Study 2023 | N=10,011 | At home (incl. home office) and OOH | Proportion of cups | in %

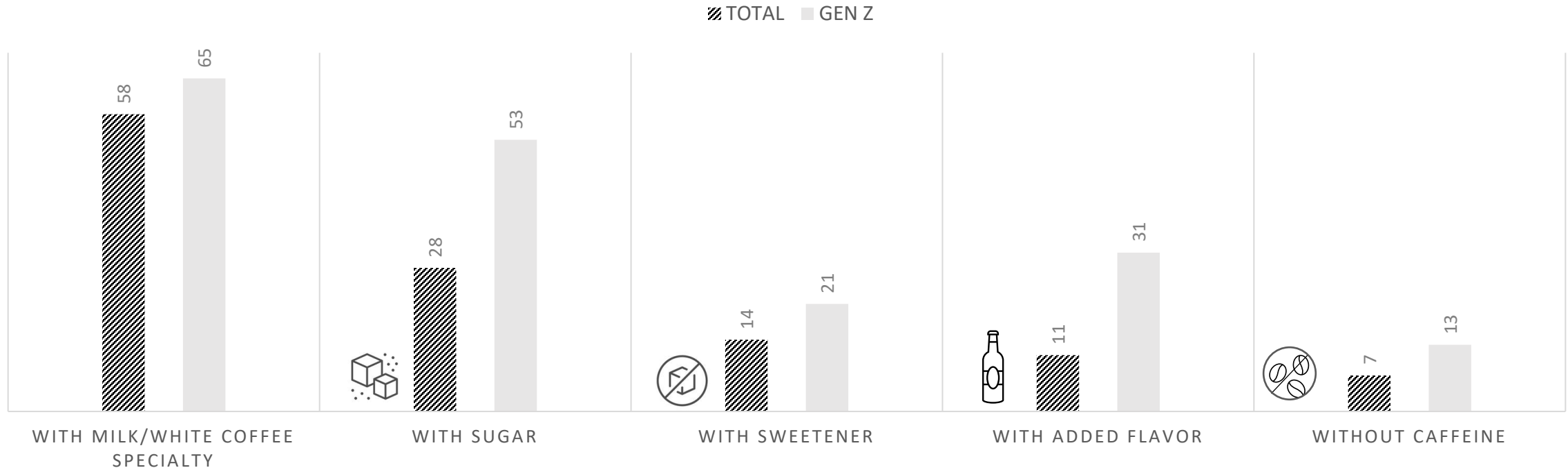


- The younger the cup, the greater the proportion of cups drunk as a white specialty. The proportion of these specialty drinks is highest in Gen Z overall.
- In the Baby Boomers and Silent Generation, on the other hand, cups of classic coffee clearly predominate.



With sweetness, added flavor and caffeine: How does Gen Z drink its coffee?

Basis: Coffee Consumption Study 2023 | N=10,011 | At home (incl. home office) and OOH | Proportion of cups | in %



- Gen Z drinks a particularly large number of cups sweetened and with added flavor.
- Almost twice as many cups are also decaffeinated compared to all regular coffee drinkers.



Why do younger people like it sweet? Why not bitter?

- The younger, the sweeter: sweetness signals high calorie density, which is important for growth
- **Bitter signals are possible toxins – protection against poisoning**
- “Hypersensitivity” is lost with age, tastes can be learned; Coffee is an “acquired taste”

Physiology & Behavior
Volume 152, Part B, 1 December 2015, Pages 502-507

ELSEVIER

The sweetness and bitterness of childhood: Insights from basic research on taste preferences

Julie A. Mennella  , Nuala K. Bobowski 

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<https://doi.org/10.1016/j.physbeh.2015.05.015> [Get rights and content](#) 

Highlights

- Children's [liking of sweet and dislike of bitter reflect their basic biology](#).
- Preferences for sweets and sensitivity to bitter change during adolescence.
- Levels of sweet taste most preferred have remained stable during the past

<https://www.sciencedirect.com/science/article/abs/pii/S003193841500298X>

SCIENCE THAT MATTERS

all,” says Mennella. “They’re really seeking out that energy source. We didn’t evolve in an environment that had low-calorie sweeteners that provide sweetness with no energy or refined sugars.”

On the other hand, we tend to steer clear of bitter-tasting foods as children. In fact, some researchers think that kids have a hypersensitive sense of taste — particularly when it comes to bitterness. Much like sweetness is nature’s alarm bell for caloric density, bitter flavors act as a **biological skull-and-crossbones**, protecting us from ingesting potential toxins during childhood.

“Bitter is often a signal for things that could be poisonous or that we should be wary of,” says Mennella. “But that’s not to say that you can’t learn to like bitter foods once you know that they’re safe.”

These food preferences may begin before birth, as well. For starters, women often become more sensitive to bitterness during pregnancy. A mother’s diet can even directly impact her unborn child. Thanks to ultrasound scans, scientists have observed fetuses **grimacing in the womb** when their mothers consumed a kale capsule, according to a 2022 study in *Psychological Science*.

Why Do Taste Buds Change?

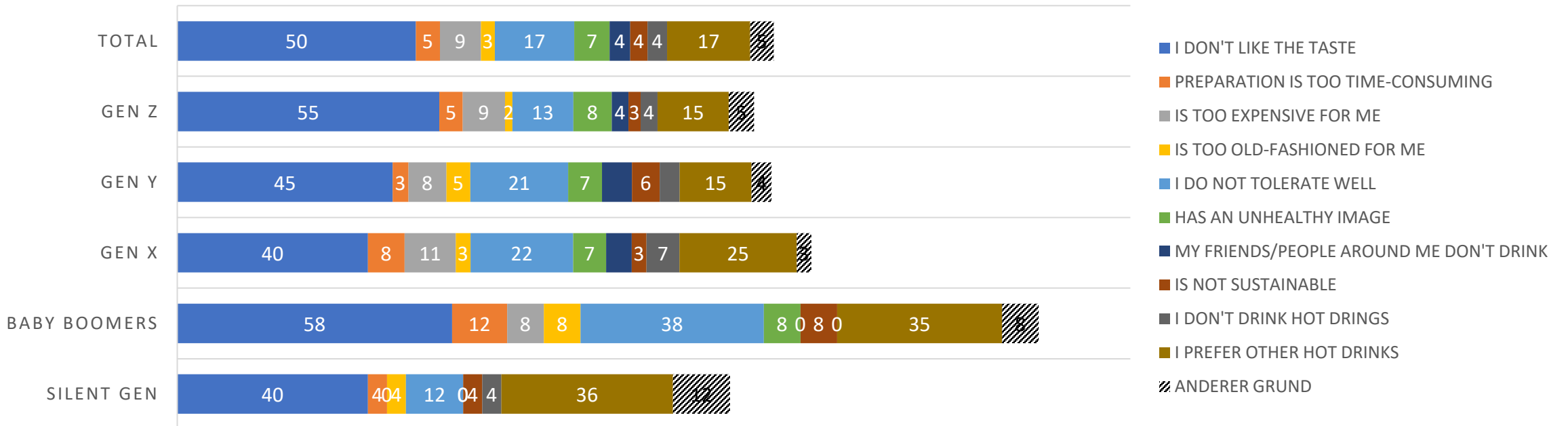
As we march through childhood and into adolescence, our senses lose that ultra-sensitivity to certain flavors. And as our bitter sensitivity — and preference for sweet and salty — diminishes, we become bolder and less picky, broadening our tastes through exposure and experience. It’s during this period that we might find we actually *like* once-despised foods like beets and broccoli.

<https://www.discovermagazine.com/health/why-does-our-sense-of-taste-change-as-we-get-older>



Why do you never or only rarely drink coffee?

Basis: Coffee Consumption Study 2024 | special module “Generations” | N=929 | rarely or never drink coffee | in %



- For the youngest, it is mainly the taste that discourages consumption. As they get older, it is stated more frequently that other hot drinks are preferred. The issue of tolerance becomes more important with age up to the Baby Boomers, while it plays less of a role for the Silent Generation.



BREWING & CONSUMPTION

- **Young generation drinks less coffee** than previous generations.
- **Why?** Energy drinks, new availability of other products.
- Which brands will develop this market in Europe? **Huge investment is needed in new products, new target groups and new marketing** to ensure that coffee remains the most consumed beverage in the future.
- **New cold brew trend?** In the USA, the younger generation already drinks more cold coffee than hot coffee.
- **Future challenge:** If the coffee range does not **become more attractive** to the younger generation, they will **never again become heavy consumers** like previous generations.

THE NEED OF DISRUPTION TO STAY IN THE MARKET



EVERY DISRUPTION COMES WITH GREAT
POTENTIAL → TAKE THE CHANCE OF THE
UPCOMING DISRUPTION OF THE COFFEE SECTOR



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