

COMMODITY UPDATES

COFFEE

The global coffee market will see a smaller supply shortfall in 2017/18 than previously expected, partly due to stronger production in Vietnam and Honduras. The deficit forecast was trimmed for arabica and robusta coffee to 2.2 million 60-kg bags in 2017/18, revised down from a previously estimated shortfall of 4.4 million bags.

Consumption for 2017/18 was forecast at 157.6 million bags, revised up from 156.8 million bags. Production was seen at 157.3 million bags, up from a previous forecast of 155.5 million. However, **Marex noted exports from Brazil this season remain sluggish**, which has supported differentials and created some nearby tightness. "It does appear that the market is struggling to access exportable quality coffee."

For the 2018/19 season, the forecast is for higher Brazilian production as arabica areas benefit from strong pruning and conillon also rebounds after two years of drought.

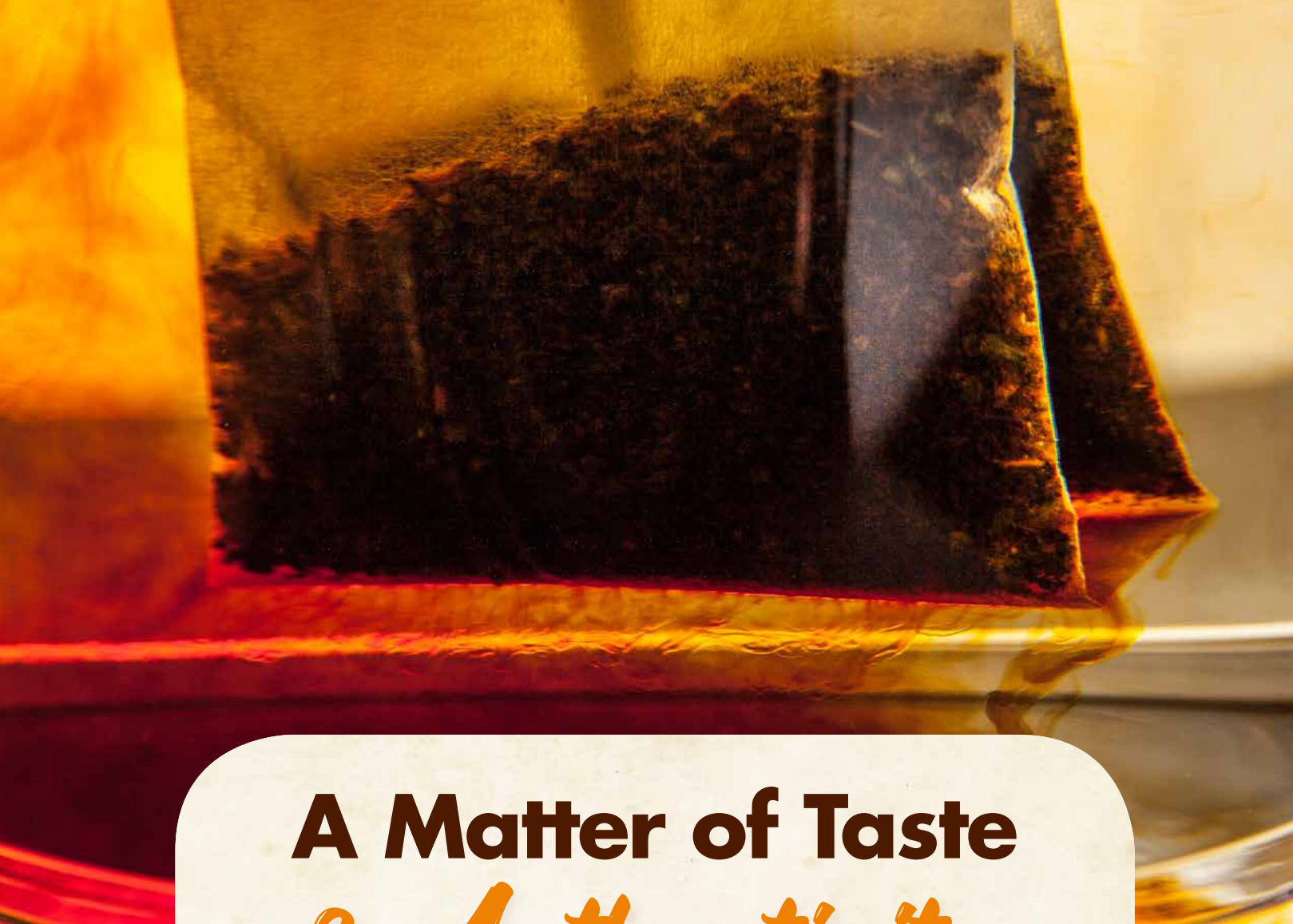
"There has been fresh planting in new areas and prices have been excellent," Marex said, noting flowering and crop development in the conillon areas has been good so far.

Source: Global coffee market to see smaller deficit in 2017/18, Reuters | Oct 25, 2017, 16:25

DAIRY

For 2017, butter and nonfat dry milk (NDM) prices are lowered on large supplies, but the whey price is unchanged at the midpoint and the cheese price forecast is raised on current demand strength. **For 2018, continued demand strength for cheese is reflected in a higher price forecast**, while butter, NDM, and whey prices are lowered on larger supplies and pressure from international prices. The Class III price is raised for 2017 on stronger cheese prices, but for 2018, lower whey prices are expected to more than offset the increases in cheese prices, and the price forecast is lowered. The Class IV price is lowered for both years due to lower forecast butter and NDM prices. The 2017 all milk price forecast range is \$17.75 to \$17.85 per cwt, unchanged at the midpoint, but the 2018 price is lowered to \$17.45 to \$18.35 per cwt.

Source: World Agricultural Supply and Demand Estimates, USDA, October 12, 2017



A Matter of Taste - & Authenticity - is Brewing

The moment a market is identified as mature, something comes along to make us all take notice. In the non-alcohol brewed beverage category, both coffees and teas are causing a stir. The reason? Anything that might have been recognized as standard and stable must now be nudged aside, because there are new players in town. Once you realize that there are interlopers on the horizon of a rather familiar landscape, you may be less surprised to know that these new players are the direct offspring of the old players we have come to respect, though we may have possibly come to take them for granted.

Premium and “super-premium” teas are growing, with a big push for focus on natural, fresh brewed, and clean

label. The category is seeing growth and new brand intros especially in kombucha/energy/recovery positioned drinks. We are also seeing more blending of tea types and herbals, plus interesting new flavor combinations. There is a big opportunity for positioning of blended tea varieties, origin claims/traceability, “fresh brewed” products and all natural/clean claims. Also a big opportunity for flavor push—creating flavor with blends of tea types (green, black, matcha, kombucha, white, herbals, etc.) plus layering of tea aromas and flavor additions. Finally there’s also a push for more functionality in tea products and focus on the health benefits of teas.

Coffees: Entering New Grounds

The competitive landscape of Ready-to-Drink (RTD) coffee is shifting, due to the influx of an ever-increasing range of flavor options, most notably among new players in the Cold Brew segment. Many new iterations are emerging, yet there remains ample room for innovation and product/ flavor development, creating new opportunities for RTD coffee overall. Witness the growth of Cold Brew variations such as nitro and sparkling – **not to mention previously unheard of flavor infusions like lemon.** But these bull’s-eye successes are not the result of blindly throwing darts on a board. They are far more likely to be from intense focus on unique processing techniques like cold pressing, ice brewing and barrel aging. With the door now

open, consumers are marching in – and buying in – to a widening category that still has lots of room to expand. The upside potential is particularly evident at the premium level, supported by authentic claims of origin and sustainability, specialty roasting and extraction, to name a few. Flavor development of coffee extracts – while maintaining the integrity of true coffee flavor – offers the best of both: indulgences such as sweeteners, dairy and flavors added to authentically brewed coffee. As flavor nuances of coffee become more important from a culinary development perspective, we will see further expansion of the super-premium coffee market.



Coffee & Tea: Cold Facts Indicate Hot Trends

Foodservice industry research reveals compelling facts that reveal emerging consumer trends, showing significant preferences for **flavored coffees and teas.**

Fact #1: Even as healthy consumption continue its strong, positive trends, 73% of survey respondents declare **flavor to be the most important driver of coffee purchase,** with nearly half preferring their coffee to be flavored.

Fact #2: 51% of consumers prefer sweet tea. Of those preferring unsweet tea, 59% add sweetener after purchase.

Fact #3: 35% of consumers prefer flavored vs. unflavored tea.

For more information, contact your KanPak representative.



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7 Questions about Quality Control

An Interview with KanPak's **Bill Glover**

1. TELL US ABOUT YOUR BACKGROUND AND YOUR ROLE AT KANPAK.

I've been at KanPak now for a little over a year, but my background covers over 25 years in quality control of packaged foods, including meats and liquids such as juices and dairy. As Director of Quality, my main role is to achieve the best possible protection of product integrity, and to interface with external clients and suppliers to ensure that outcomes are consistent.

2. WHAT ATTRACTED YOU TO JOIN KANPAK?

It's a great opportunity to be part of a new and exciting type of production process. It gives me the ability to get back to implementing systems for on-site quality at ground-level, so to speak. It's a good feeling to be part of a team that aims for perfection – it's a lofty goal, but it's a stimulating and rewarding pursuit!

3. WHAT IS THE MAIN FEATURE AND THE MAIN BENEFIT OF ASEPTIC PACKAGING?

Sterilized and hermetically sealed in a scientifically proven and verified process, aseptic packaging eliminates the need for expensive refrigerated shipping. And stackable, shelf-stable product reduces on-site space requirements for cold storage. Also, where establishments have consumer demand for fresh foods, it frees up more refrigerated space for perishables.

4. WHAT IS YOUR MAIN CHALLENGE?

Aseptic packaging gets more scrutiny than any other type – right down the line to the end-user – and that's a good thing. I call it a "100%-harsh" inspection cycle, and it's

both challenging and invigorating to know that we have robust checkpoints throughout the product's life cycle, from our high-tech operation to the hands-on consumer.

5. WHAT IS THE KEY TO CUSTOMER SATISFACTION?

It's important that our whole team is motivated by aligning our goals with customer expectations, even if we encounter a new and unforeseen challenge. That's the great thing about industry innovation and leadership in Quality Assurance – we don't shy away from problems; we're compelled to discover them before they arise.

6. TELL US AN "INSIDER" FACT ABOUT KANPAK'S SYSTEM.

We have a very active R&D team that is constantly testing and verifying our process, and how it supports and extends the product's life cycle. But that is not without inviting customer involvement. We learn from each other, because the more information we share, the better we perform. We also recognize that some customers can't contribute extensive resources, so we provide a totally transparent operation. Trust and confidence are essential elements of our relationship with our customers. They must be confident with as little or as much involvement as they choose.

7. WHAT'S THE BEST PART OF YOUR JOB?

I know it sounds like a cliché, but it's working with dedicated people who strive for perfection. I mean, if you don't have the right team in place, you can't reach your collective goals. And we have a very strong team – including dedicated suppliers and focused clients – so that's what keeps us going every day.



Call or email today and find out how KanPak can help drive your beverage and dessert business and profitability!

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