(8oz) bag with a label, has slowly reduced as a percent of the tonnage. In our observation, this is a common size at vacation/destination locations, but it has lost appeal in traditional retail/specialty shops.

f) The 12-16 oz category, commonly a twelve ounce (12oz) bag with a label (1), has held steady at the local/regional level. This category has been impacted in the past five years by conversion from “stock bag” to “custom printed bags”, as companies are fighting against the “big guys” for retail shelf and differentiation.

g) The 2 - 3lb category sold though warehouse stores, and internationally as 1KG, is growing. The stock bag volume remained constant, but custom printed bags in this weight category consistently grow.

h) The 5lb bag is ubiquitous. Regional/local roasters consistently dedicate over 60-65% of tonnage in this format. Obviously, local restaurateurs and coffee stands are loyal to “local roasted specialty coffee”.

Conclusion:
The market is much more competitive today than it was back in the 1990’s. On the positive side consumers are more educated about coffee, and they search for the coffee they like. Local roasters who service their community still create strong demand and loyalty. Specialty coffee consumers want good fresh coffee, good service, and a personalized experience!

Good luck!

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Specialty Coffee

a short and long perspective.

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Specialty Coffee — *a short and long perspective*

By Mark Howley

I graduated college in 1982, and within a few years of graduation I landed a sales job in packaging...coffee packaging! I swore to myself in 1985 that packaging sales would be a launching pad for some other dashing career. That was not to be. I turned fifty in 2010, I have been in the business since 1985 and I am passionate about packaging, especially specialty coffee packaging.

The market has changed in many ways and stayed the same in other ways. Coffee roasters continue to market coffee through retail, wholesale, mail order and now the web, competition is fierce and demand remains strong. In the early years everyone was talking about vacuum brick packaging; high speed packaging machines making 12-16oz brick packs at 40-80 bags/min. The brick pack gathered market share and then faded somewhat, but in the interim consumers learned about "coffee and flexible packaging". Specialty coffee, as we know it today, was still a tiny subset of the market. Starbucks was just starting to gain some momentum.


Vacuum brick packs started the movement to flexible packaging in specialty coffee

In a matter of five years the coffee world changed dramatically. Roast and grind coffee sold through retail quickly lost share to specialty selected and roasted whole bean "gourmet coffee". The introduction of the one-way degassing valves, the catalyst that allowed roasters to extend shelf life and compete outside their region, along with the advent of sophisticated "cafes" erupted on the scene (i.e Starbucks!). Investment and creativity poured into the development of "specialty coffee". The explosion of specialty coffee packages in 8-16oz side gusseted bags with a one-way valve, 2-ounce bricks packs, tin tie reclosure, easy opening films and other creativity spurred a surge in demand for specialty coffee. It seemed, at times, like anyone with a roaster could throw coffee in a bag, call it "specialty/gourmet", and create revenue. In a short span of time, specialty coffee lovers, those who appreciated "good fresh coffee", created a new standard. They demanded, and they would pay for "fresh specialty coffee" roasted to meet specific palates; specific experiences (i.e. at finer restaurants and café's), specific regional roasts, and mobility (i.e. Drive-thru stands).


Coffee drinkers seek out coffee spots they like

When I step back and observe the flexible coffee packaging over the years, the changes are subtle, and interesting. The ubiquitous "café", as we know it today, was not entrenched in the American landscape and culture until later in 1990's. At different times, it seemed like Starbuck's and the other heavy hitters would dominate the market and create a "Coke/Pepsi-like" market; slowly crushing specialty roasters. Nestle spent huge sums on specialty coffee with "Sarks" brand and GF/Kraft tried to nationalize bulk bean at retail through their Private Selection. Most of these failed because "specialty coffee", catered to a specific region or consumer group, is unique. Coffee drinkers, we learned, will seek out coffee they like and remain loyal. They appreciate the environment where they enjoy their cup, mail order, drive through stands, or espresso/lattes in the home, restaurants etc. The small/regional roasters did not miss this opportunity. They were attentive and responded, and cemented regional/local specialty coffee into the mainstream of our society.


The four horsemen did not trample upon our specialty coffee community.

In 2009, specialty coffee proved its resilience. Most businesses, including PBi, experienced a sense of panic in the early part of 2009. The economic news was horrible and it seemed there was no bottom in sight. The four horsemen of the Apocalypse were upon us; fear reigned. Fortunately, the doom and gloom of the real estate markets and financial markets did not adversely disrupt the demand for specialty coffee roasters. The market did not boom, but the four horsemen did not trample upon our specialty coffee community.

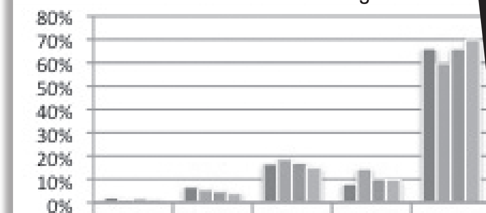
I personally called and spoke with hundreds of small roasters in the USA over the past year. I needed to hear from the market on a personal level, and the input was surprising and encouraging. Cautious optimism and excitement prevailed, and most of the roasters I spoke with discussed the difficult economic climate, then added comments ranging from, "we're off a little, but we cut corners and we will get along" to "don't tell anyone, but we're doing pretty well". In short, the regional/specialty coffee roasted catered to specific consumers or markets has strong demand. It is a part of our culture; the collective zeitgeist. At PBi, 2009 was tough, but coffee bag volume was "flat" versus 2008. Amazing, given the climate!

As I mentioned earlier, changes in packaging are slow, so I decided to step back and look at "stock bag " coffee packaging trends since the year 2000, as opposed to focusing on the recent two/three years. The results are interesting.

We decided to divide STOCK BAGS (side gusseted) package sizes into five classifications. We estimate total pounds of coffee based on bag units sold, then calculated the percent of coffee sold through the various bag sizes:

• 2-4 oz. • 6-10 oz. • 12-16 oz.
• 2/3 lb. • 5 lb.

Premade Coffee Stock Bags



	2-4oz	6-10oz	12-16oz	2/3 lb	5 lb
2001%	2%	7%	17%	8%	66%
2005%	1%	6%	19%	15%	60%
2008%	2%	5%	17%	10%	66%
2009%	1%	4%	15%	10%	70%

It's important to understand a few critical points as you review the data. First a foremost and most encouraging, the recent down turn in the economy has proven to us, and hopefully to local/specialty roasters, there is loyal and consistent demand for a well roasted and prepared cup of coffee. Specialty coffee is here to stay!

a) This data represents "stock bags with side gussets," not custom printed bags or rollstock laminates. Many customers achieve a volume then convert to custom printed premade bags or rollstock laminations, based on volume.

b) Trends are important, as some spikes, like the 2/3lb spike in 2005 are anomalies. We know the reasons (i.e. conversion to rollstock).

c) The amount pounds of coffee sold through "unprinted stock bags"(1) has been stable-even slightly up - over the period 2001-2009.

d) The 2 oz category struggles, but remain alive. The cost of the package and packaging manually create problems. In addition, many specialty coffee consumers know the coffee they prefer, and buy larger quantities.

e) The 6-10oz category, commonly an eight ounce