

Coffee farmers are hurt by single-serving pods revolution in U.S.

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By Luzi Ann Javier 23 hours ago



In this photo taken Wednesday, March 4, 2015 John Rogers displays single-serve coffee pods at the Rogers Family Company in Lincoln, Calif. The Rogers company, coffee roasters who among other products, makes biodegradable single-serve coffee pods for use in the Keurig Green Mountain's single-serve coffee machines. The Rogers company is one of more than a dozen coffee-makers and other businesses suing Keurig over what they claim is Keurig's unfair trade efforts to shut out competing single-serve coffee rivals. (AP Photo/Rich Pedroncelli)

Call it the most-disruptive development in the business since Starbucks Corp. began the coffee-shop boom in the late 1980s. It might even be the biggest thing since Luigi Bezzera patented the espresso machine in 1901.

Either way, single-serve brewing machines popularized by Keurig Green Mountain Inc. are now used by more than one in four Americans and are altering the way coffee is consumed. Almost every brand, from Folgers to Dunkin' Donuts, is sold in disposable 2-inch-by-2-inch plastic pods that yield just one serving. They're more efficient than drip-brewing pots capable of making 10 cups, some of which isn't consumed and gets dumped.

While Americans still drink more coffee than any beverage except water, expanded use of single-serve machines has slowed demand growth for a \$52 billion market in the U.S., the world's biggest consumer. That's hurt sales at a time when ample inventories of the commodity have sent prices tumbling.

"The coffee market has lost its best consumer: the kitchen sink," said Hernando de la Roche, a senior vice president at INTL FCStone Inc. in Miami. "Roasters are telling us that single-cup coffee has been reducing demand."

Sales Slide

Consumption growth in the 12 months through September probably will slow to 1.8 percent in the U.S. and Canada, down from a 4 percent a year earlier, said Kona Haque, head of commodities research at ED&F Man in London.

“There has been volume erosion in the overall coffee category,” said John Boyle, chief operating officer at Portsmouth, Virginia-based Massimo Zanetti Beverage Group USA, which makes Hills Bros., Chock full o’Nuts and Kauai coffees. “It is clear that the development of the single serve business over the past years has had a definite impact on volumetric consumption of retail coffee,” he said in an e-mail.

About 27 percent of consumers own single-serve brewers, the most ever, the New York-based National Coffee Association estimates, based on survey data. An additional 12 percent of respondents said they have “definite” or “probable” plans to buy the machines.

Waterbury, Vermont-based Keurig Green Mountain, which estimates 20 million of its brewers are in use across the U.S., says spending on [coffee](#) per buyer is up more than any other beverage since 2010, and that its brewed packs are up more than three times as much as energy drinks.

[Single-cup pods](#) account for 12 percent of coffee sold by U.S. retailers, but they represent 36 percent of total sales, according to data from IRI, a Chicago-based researcher. That’s because they cost more per pound than beans or grounds.

By some measures, demand is dropping. Sales at supermarkets, drug stores and other retail outlets, excluding restaurants and coffee houses, fell 1.4 percent in the 52 weeks through March 22, IRI estimates. Except for single-serve, sales declined in every category, from ground and instant coffees to whole beans, the data show.

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