

Strauss: World's Second-Largest Growth Rates in Coffee

A report by Giza consulting firm, obtained by "Calcalist", identifies Strauss as the most growing coffee company among food companies in the world with the second-largest coffee growth rates in the world, after Starbucks

Source: "Calcalist", [Gali Berger](#) 11.05.09, 10:44

Seven years after Strauss Group launched its international coffee activity, it now ranks sixth in the world in terms of quantitative sales volume and eighth in terms of financial sales revenues. Strauss Group, that aims to be a global company, has been developing its international activity in recent years with the coffee company being its main international arm.

Strauss' coffee sales totaled NIS 3.2 billion in 2008, including coffee company sales in Israel. Though ranking well behind the world's top-ranking company – Swiss Nestlé, whose coffee revenues stood at \$9.8 billion in 2008 – the Strauss share presented performance similar to other coffee companies in the world, according to a recent analysis by Giza-Singer-Even.

Giza's analysts, Kobi Feldman and Uri Marilus, analyzed the performance of Strauss' share over the past year, comparing it with Nestlé, Kraft - whose coffee revenues stood at \$5.4 billion in 2008, Sara Lee and Starbucks. As the graph shows, despite the fact that Starbucks is the only company that focuses solely on retail coffee activity while the rest are food companies, all shares performed similarly over the last year.

The analysis further suggests that Strauss is the most growing coffee company among food companies and has the second-largest growth rates in the world, after Starbucks which had some rough two years operation-wise. Since 2004 Strauss recorded the second-largest average annual growth rate in the industry- about 16.5%, and 10% organic growth rate (neutralizing new acquisitions and impact of currency exchange rates). The growth rate in the entire coffee industry during these years, incidentally, was a mere average of 2.3%.

Strauss Management has repeatedly mentioned that in order to become a global company it must utilize small scale economies and enter locations that would not be targeted by global giants. One of their strategic decisions was to focus on developing countries, while large enterprises are focusing mainly on the U.S. and Europe. In the case of Strauss, 82% of its coffee sales are generated in Brazil, Eastern European countries such as Poland and Russia, and former-Yugoslavia countries.

Giza analysts also indicate that Strauss' various coffee distribution channels abroad – both away-from-home restaurants and in-home consumption – enable the company to supply products at various price levels and continue to develop even in times of economic slowdown.

Moreover, company figures suggest that in such times of recession consumers tend to replace AFH coffee-drinking with coffee-buying for home use, which balances decreased sales to coffee chains.

However, since any assessment about how well will developing countries cope with continuous recession is still vague at this point, the challenge facing the company is to retain its sales volumes in these countries and continue to record growth rates even during an economic slowdown.

Last week, Strauss completed a successful capital raise of NIS 500 million in bonds, which join more than NIS 700 million in cash as a result of entering TPG as a partner to the coffee company. It is safe to assume that the company will be looking for various acquisition opportunities worldwide that will serve as a platform for further growth in the future.