

Grounds for Discussion

Q2 2025

Welcome to **Grounds for Discussion**, the TreeHouse Foods quarterly newsletter designed to keep you, our loyal customer, in the loop about everything coffee! Whether you're a seasoned coffee aficionado or just starting your journey, there's something here for everyone. So, grab a cup of your favorite TreeHouse Foods brew, get comfortable, and enjoy the read!

TreeHouse Foods Happenings

Q2 began with a trip to Colombia to visit some of the farms in our Intentional Sourcing program.

Morale there was high, as the prices paid during the main harvest served a good purpose on the farms. Debts were paid, families took well-deserved vacations, coffee trees were pruned and replaced, and infrastructure investments were made in preparation for the next harvest.

We continue to see the impacts of our investments on these farms. In 2024, Intentional Sourcing installed 57 mechanical washers. Beneficiaries have seen an 80% reduction in processing time, and a 95% reduction in water usage, without sacrificing quality. At a time when climate pattern unpredictability is bringing a shift toward water protection, this not taken for granted. Additionally, the efficiency gains eliminate the need for wastewater treatment systems, which are costly and risk land movement on steep terrain.



Farmer Ober Davila, from "La Gabriela" farm in Concordia, Antioquia, explaining the operation of the mechanical washer next to him



The six proud winners of the quality contest held on April 10th in Colombia

To further celebrate those in our Intentional Sourcing program, first established in Colombia in 2013, we gathered once more and held our second annual quality contest. The coffee households took great pride in showcasing their best crops.

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TREEHOUSE FOODS HAPPENINGS (CONT.)

Among more than 40 samples presented, 17 finalists were selected to be cupped by Q-Graders at TreeHouse Foods, the National Coffee Federation, both cooperatives, and RGC Coffee. Results were combined to select the six best coffee.

Many of producers who have been eager to adopt new practices, try new equipment, and participate in trainings were among the finalists, demonstrating how quality-of-life improvements over the last decade show up in the cup!

FLAVOR CORNER

Summer Flavors Go International

Coffee shop launches and LTOs of the past couple months indicate that summer flavors are going abroad!

Horchata is a beverage, often made from rice and flavored with cinnamon and sugar, that is popular in **Mexico** and **Latin America**. On U.S. menus, it has **5.1% penetration** and is predicted to **grow 19%** in the next four years. This summer, coffee drinks with horchata can be found at **Starbucks**.

Dulce de Leche is a caramel-like sauce, made by cooking milk and sugar, that is a popular in **Latin America**. On U.S. menus, it has **2.7% penetration** and is predicted to **grow 13%** in the next four years. This summer, coffee drinks with dulce de leche can be found at **Dutch Bros Coffee**.

Ube is a purple yam, known for its vibrant color and unique flavor, that is native to **Southeast Asia** and popular in **Filipino** desserts. On U.S. menus, it has **1.2% penetration** and is predicted to **grow 107%** in the next four years. This summer, coffee drinks with ube can be found at **The Coffee Bean & Tea Leaf**.

SOURCE: Datassential

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THE DRIP

Increased At-Home Consumption

Today, **84%** of coffee drinkers **prepare their coffee at home**, and that number is expected to rise.

Foodservice inflation has driven consumers **toward at-home preparation**. Many coffee-drinkers now have the skills and equipment to be their own baristas, plus a **willingness to experiment**. In fact, sales of **espresso machines** are forecasted to **rise 20%** this year as consumers elevate their daily routines and create **café-like experiences** in their own homes.

The pricing pressure will continue to **favor retail** coffee over foodservice, with **19% of U.S. foodservice** coffee consumers **buying less**, and **58%** of those doing so **to save money**. In this environment, there is an opportunity to remind consumers that **premium coffee is an affordable luxury**. Those who switch to treating themselves to great coffee at home perceive it as a **good value** vs. the foodservice price.

Looking further into the future, **AI technology** could take **at-home coffee to the next level**. Smart coffee machines, facilitated by AI, have the potential to learn about **preferences**, recommend **recipes**, guide **preparation**, and understand user **feedback**. With these developments on the horizon, this is only the beginning of **increased at-home consumption**.

SOURCE: NCA, Mintel, Food Navigator, Country & Town House

Tell Us Your Thoughts!

What do you think about Grounds for Discussion?

This is our second installment of the newsletter, and we're committed to bringing you interesting content with the right level of detail, but we're still evolving.

Are there any topics you'd like to see in upcoming newsletters? Are you getting the breadth and depth of coverage you'd expect? Please reach out to your sales representative with ideas and feedback.

Ok, on to the rest of the second page! (Should we stick to two pages moving forward? Let us know!)

Grounded in Costs

Since we connected last quarter, coffee commodity prices have experienced significant volatility.

In April, adverse weather conditions in major producing countries and looming uncertainty around tariffs drove upward pricing pressure:

- Brazil, the world's leading Arabica producer, faced its worst drought in over 70 years, leading to a forecasted decline in the 2025/26 crop yield.
- Vietnam's Robusta coffee production suffered a drop due to drought, followed by flooding.
- The Trump administration's threats to impose a 25% tariff on Colombian imports prompted a surge in Arabica coffee futures.
- Passing the "Fair and Reciprocal Plan" initially dropped the C-market levels, but after the dust settled, prices climbed back above \$4.00.

+4% *April C-market increase* **-7%** *June C-market decrease*

The month of June has been good to coffee buyers, with the C-market falling below key resistance levels of \$3.30 as crop forecasts started to improve:

- While drought plagued Brazil last summer, timely rains in Q4 and again in Q1 have improved outlook, as has above-average rainfall in May and June.
- Arabica crop will be smaller year-over-year, but the Robusta crop has potential to be a record.
- Vietnam has seen adequate weather so far this year, and forecasts estimate an increase of Robusta production for their 25/26 crops.

Looking ahead, there is likely pricing to take from a retail perspective. Both Keurig Dr. Pepper and Starbucks have warned of potential price increases in the latter half of 2025, attributed to rising cost of greens and tariffs on imported goods. From a C-market standpoint, any frost or freeze event in Brazil these next few months would cause concern and drive up price.

SOURCE: The U.S. Sun, ICE C-Market: 4/1 (\$3.85), 4/30 (\$4.01), 6/2 (\$3.44), 6/20 (\$3.19)