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A Storm in Every Cup: How Coffee's Crisis Is Brewing

by Lorenzo Colantoni

When, in February 2025, coffee prices hit 4.40 US dollars per pound for arabica futures,[1] his was for many players in the sector an ominous sign: it was the highest price coffee ever recorded, even higher than the extraordinary situation of 1977, when a deadly mix of snow in Brazil and political tensions in Angola and Colombia drove price to a sky-high (for the time) 3.39 dollars per pound.[2] Many feared that such an extraordinary spike in futures prices, which also followed a significant, years-long trend of increase, would soon reflect on what is paid by consumers for their coffee cup worldwide. Then, prices started decreasing, reaching a remarkable -51 per cent between February and July 2025.[3] Many hoped that the spike had simply been a once-in-a-lifetime event, and it was now over. Truly, the storm is not over yet – and it is likely to stay.

Indeed, there are contingent elements that threaten another surge in the near future (particularly Trump's tariffs against Brazil, the world's largest producer), as well as many other factors suggesting that this increase is at least to some extent a structural one. The growing impact of the climate crisis, higher energy, agrochemical and labour costs, a new structure of global production, the fragility of supply chains, as well as the impact of new legislation – above all the EU-Deforestation Free Regulation (EUDR) – are all contributing not only to further increasing the price of coffee, but also to significantly changing the structure of the sector, especially to the detriment of smallholders. If not properly addressed, this dynamic could lead to even higher prices and a decrease in the quality and variety of coffee.

[1] Trading Economics: *Commodity - Coffee*, https://tradingeconomics.com/commodity/coffee.

[2] H.J. Maidenberg, "There's Worse to Come in Coffee", in *The New York Times*, 16 January 1977, https://www.nytimes.com/1977/01/16/archives/theres-worse-to-come-in-coffee.html.

[3] Trading Economics: *Commodity - Coffee*, cit.

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Skyrocketing prices

The recent surge in prices is probably the best indicator of the changing conditions of the coffee market. The trigger was particularly bad weather conditions in Brazil and Vietnam, which together account for more than half of the world's production.[4] One of the worst droughts ever recorded hit the Sao Paulo and Minas Gerais states, crucial for coffee production, leading to a 1.6 per cent decrease in production (instead of a 5.5 per cent expected increase) and to storage reaching the lowest levels ever recorded.[5] Vietnam and Indonesia (the second and fourth global producers, respectively) were hit even worse: as a consequence of droughts and heavy rains, production decreased by 20 per cent in the former and by 16.5 per cent in the latter.

Yet, these events were just the final straw. Costs associated with coffee production have indeed been growing for years, for a variety of reasons. Increasing costs for energy and agrochemicals have had a considerable impact; fuel price increases have raised transportation costs (a relevant factor, considering the concentration of coffee production), and fertiliser and pesticide prices are still significantly higher than pre-pandemic levels (because of Russia's invasion of Ukraine and a tightening of Chinese phosphate exports). Some producing regions, such as Chiapas and Veracruz in Mexico, have been facing greater labour costs and less availability of workforce, in most cases because of insufficient generational change and rural abandonment, which are in turn caused by the decreasing economic appeal of growing coffee. Indeed, while prices are indeed high at the moment, this comes after years of prices that were below production costs for many farmers:[6] coffee prices touched a ten-year low in 2019 that was almost five times lower than the February 2025 peak, and still more than three times lower than current prices. These fluctuations are a much-appreciated bounty for financial speculation, but hit farmers particularly hard: especially in remote areas where buyers' competition is small, intermediaries have a strong power on producers, and only a few (cooperatives particularly) have an interest in protecting them from dramatic price variations. This is worsened by the fact that more than 60 per cent of global coffee is produced by smallholders, with most of them living just above the poverty line,[7] having very little bargaining power.

The harsh weather events in Brazil and Southeast Asia are also likely to be less of an exception and more of a norm in a world increasingly ravaged by

[4] US Foreign Agricultural Service (FAS) website: *Production - Coffee*, https://www.fas.usda.gov/data/production/commodity/0711100.

[5] Roberto Samora and Marcelo Teixeira, "Brazil's Coffee Stockpiles Dwindle as Prices Hit Record Highs", in *Reuters*, 3 March 2025, https://www.reuters.com/markets/commodities/brazils-coffee-stockpiles-dwindle-prices-hit-record-highs-2025-03-03.

[6] Anna Canning, "Low Coffee Prices – A Dire Call to Action", in *Fair World Project Blog*, 8 May 2019, https://fairworldproject.org/?p=16498.

[7] Pablo Siles, Carlos R. Cerdán and Charles Staver, "Smallholder Coffee in the Global Economy—A Framework to Explore Transformation Alternatives of Traditional Agroforestry for Greater Economic, Ecological, and Livelihood Viability", in *Frontiers in Sustainable Food Systems*, Vol. 6 (April 2022), Article 808207, https://doi.org/10.3389/fsufs.2022.808207.

the climate crisis. Coffee also requires specific conditions to grow, which are threatened by climate change: by 2050, the areas available for coffee production could be half what they are today,[8] and this will disproportionately affect the arabica variety, the most popular globally. Furthermore, climate change favours the spread of pests and diseases, such as the deadly coffee rust which heavily damaged 70 per cent of plantations in the Caribbean and Central America in 2011. Clonal plants (that is, all grew from cuttings of a single parent, usually heavily selected) are more resistant to weather variation, but flower in a shorter timespan, putting additional pressure on the demand for seasonal workers.

The EUDR and the fragility of the coffee supply chains

It is not just the climate crisis and international markets that put pressure on the already challenged coffee farmers though – it is also the EU. The EUDR is indeed close to entering the phase of application, expected for December 2025 after a one-year delay because of widespread protests from partner countries. The Regulation demands that all importers into the EU of seven agricultural commodities – coffee included – prove that production did not cause deforestation. This is the most ambitious attempt ever made to address the issue, and the first to deal with its root cause, that is, agriculture; the EUDR's success is thus vital for the global fight against deforestation.

The Regulation has however a number of implications, above all the need to structure effective tracing mechanisms and secure environmentally sustainable suppliers. This is relatively easier for coffee than for other commodities, such as palm oil or beef, since it is the most traced and certified globally after cocoa. And yet, still, only circa 30 per cent of production is certified:[9] expanding these systems to cover the whole EU demand will have a cost, which may be more or less significant, but which will anyway lead to changes in companies' procurement and in the supply chain. There is a risk that some buyers will transfer a part of the EUDR compliance cost to smallholders (such as those for the geolocalisation of farms), further adding to an already strained situation. When intermediaries will bear such expenses, in most cases they will also become the owners of the tracing data they collect for farmers; in turn, this may further lock in farmers with specific buyers, thus limiting their choice and decreasing their negotiating power: if producers want to keep selling to the European market but with another buyer, they will have to find someone willing to pay again for tracing costs. The EUDR will also induce European procurement of coffee to shift towards countries that are readier for the Regulation, such as Brazil, potentially interacting with another major element of disruption: Trump's tariffs.

[8] Vanessa Bauzá, "'We're Just Trying to Adapt': Coffee Farmers Face Down Climate Change", in *Conservation News Blog*, 24 March 2025, https://www.conservation.org/blog/we-re-just-trying-to-adapt-coffee-farmers-face-down-climate-change.

[9] Foodcom, *Global Report: Coffee Market Overview 2024*, 23 January 2025, https://foodcom.pl/en/global-report-coffee-market-overview-2024.

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The aggressive trade agenda of the second Trump administration is indeed bad news for coffee, but it is not clear exactly what its impact will be. The US President first proposed draconic tariffs against Vietnam (46 per cent), which he then lowered to 20 per cent once a trade deal was reached in early July 2025 – a deal however whose details are yet nowhere to be seen. Meanwhile, Trump is threatening Brazil with a massive 50 per cent tariff in retaliation for the alleged persecution against former president Bolsonaro by the current Lula government. No exclusion for coffee has been discussed so far; if such tariffs enter into force, they may have a variety of effects, perhaps even greater than the EUDR, from increasing the already high cost of coffee for American consumers (and perhaps global, due to a spillover effect), to changing US procurement of the commodity towards the countries that will be less penalised.

The way forward

It will be necessary to take action – and quickly – to avoid not only further price fluctuations, which will hit hard producers, coffee companies and consumers alike; factors such as the impact of the climate crisis and the fragility of supply chains may even lead to the disappearance of many traditional producers in countries known for the variety and quality of their production (as in the case of Mexico, which is particularly suffering from labour shortages and climate change). Bigger producers or those in countries where national support and regulations are better structured are more likely to survive such troubles, which may reduce the variety of production and lead to a standardisation of coffee. Ultimately, failing to protect the coffee market will impact not only quantity, but also quality.

Something is moving, though. The 2024 Italian presidency of the G7 paid significant attention to the agrifood sector, particularly coffee; the launch of the Apulia Food Systems Initiative (AFSI) in June 2024 saw a significant focus on the commodity,[10] which resulted in the creation of a dedicated Global Coffee Sustainability and Resilience Fund in October 2024.[11] These projects aim at boosting production and building resilience across the whole supply chain, mostly through leveraging private investment through public capital (although many details are not available yet). They are continuing while maintaining an Italian leadership and strong African focus, as Rome seeks to match them with its Mattei Plan (also through a recent partnership with the United Nations Industrial Development Organization, UNIDO, on African coffee).[12] This is much needed, since African production is among the most fragile in the world and yet the one with more potential for growth, although still accounting for only 10 per cent of global production (with Brazil alone accounting for 38 per cent).

[10] G7, *Apulia G7 Leaders' Communiqué*, 14 June 2024, https://www.g7italy.it/wp-content/uploads/Apulia-G7-Leaders-Communique.pdf.

[11] International Coffee Organization, *G7 Endorses Global Coffee Sustainability and Resilience Fund, Ushering in a New Era for the Coffee Industry*, 25 October 2024, https://ico.org/documents/cy2024-25/pr-358e-g7-pescara-october-2024.pdf.

[12] UNIDO, *Transforming Africa's Coffee Sector: UNIDO and Italy Drive Climate-Resilient Solutions*, 25 March 2025, https://www.unido.org/node/9664445.

Protecting the coffee sector from these challenges will require coordinated international action, as well as interventions by national governments, which in several cases have offered little support to coffee production compared to other commodities (such as soy or palm oil). A revived version of the International Coffee Agreement (ICA) could be one of the tools, particularly building on its recent expansion to include Vietnam and Honduras.[13] The International Coffee Organisation (ICO) that runs it had indeed the power to approve quotas until 1989, when disagreements between Brazil and the US (and changes in consumers attitude) proved irreconcilable. While going back as far as to restore quotas is a complicated and debatable matter, a system able to protect producers (particularly smaller ones) from fluctuations and promote sustainable production is urgently needed. Fora like the G20 or even the climate COP (particularly the upcoming Brazilian COP30) could be the right place to develop such a platform; however, considering the global dimension of the coffee market, it is necessary to go beyond an approach based on single initiatives or individual regions, and address the structural issues that the sector as a whole is enduring – or face the reality of a much more expensive, much less tasty cup of espresso already in the near future.

25 July 2025

[13] Bhavi Patel, "Honduras and Vietnam Sign the International Coffee Agreement", in *STiR Coffee and Tea Magazine*, 22 April 2025, https://stir-tea-coffee.com/tea-coffee-news/honduras-and-vietnam-sign-the-international-coffee-agreement.

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