

Keswick Reminder 31.01.25: NfWW No.79 Why are coffee prices soaring – again?

Have you noticed that you have been paying much more for your coffee recently? And have you asked why? Maybe you thought it was simply general food price inflation, and didn't think twice.

At the end of 2024 the price of arabica beans, which make the highest quality coffees, hit \$3.50 per pound on the New York International Coffee Exchange. This marked an increase of 70% over the year, and the highest it had been since 1977. Back then, the price was so high because two years earlier severe frost had destroyed two-thirds of Brazil's crop, and Brazil is the world's leading producer.

This time the crisis has been caused by a two-year drought in Brazil, and in Vietnam too, which is the world's second largest producer. Vietnam is mainly a producer of robusta which is used in instant coffees. There, very high temperatures last year were an added factor.

But what caused those droughts which led to those crop losses which led to those shortfalls and then to those price spikes? In two words: climate change.

How do we know that? Through the work of World Weather Attribution (WWA) scientists, who in 2023, the first year of Brazil's drought, did a detailed analysis. They found that the June to November rain failure that year over the Amazon Basin and including Brazil's coffee growing region was made 30 times more likely by climate change. It is less clear for Vietnam as no WWA study has been done there, but it is highly likely.

Long term, the prospects for coffee are not promising. Rising temperatures and changing weather patterns will likely continue to push prices upward. It is reckoned that by mid-century climate change could reduce the global area suitable for coffee by half.

Climate change will also place a significant burden on the health and well being of coffee farmers, 85-90% of whom are smallholders. Millions of them will no longer be able to grow coffee.

Thus, by far the highest price for the climate-driven coffee crisis will not be paid by the consumers, who are most responsible for driving that crisis. Instead, it will be paid by small and often impoverished coffee farmers in countries least responsible for the problem.

Is there any good news? Yes, there are: two pieces. First, new hybrids of arabica and robusta as well as entirely new species of coffee which are less vulnerable to climate change are now being researched and some grown commercially.

Second, when you purchase Fairtrade coffee you are buying into a system of trade in which small coffee farmers are being enabled to adapt to and to mitigate climate change, as well as to diversify out of coffee. More on this good news story another time.

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