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Adverse weather conditions causing coffee prices to reach highest levels

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World coffee prices reached a multi-year high in 2024 - increasing 38.8 per cent on the previous yearâ??s average â?? mostly driven by inclement weather affecting key producing countries, the Food and Agriculture Organization of the United Nations (FAO) said.

According to an FAO note on global coffee market trends, in December 2024, Arabica, the higher quality coffee favoured in the roast and ground coffee market, was selling at 58 per cent up on a year ago, while Robusta, used mainly for instant coffee and blending, saw a price surge of 70 per cent in real terms.

This marked a narrowing of the price differential between the two varieties for the first time since the mid-1990s.

FAO said that coffee export prices may rise further in 2025 if major growing regions experience further significant supply reductions.

Key factors behind the recent price increase include limited export quantities from Vietnam, reduced output in Indonesia, and adverse weather impacting coffee production in Brazil.

In Viet Nam, prolonged dry weather caused a 20 per cent drop in coffee production in 2023/24, with exports falling by 10 per cent for the second consecutive year. Similarly, in Indonesia, coffee production in 2023/24 declined by 16.5 per cent year-on-year on the back of excessive rains in April-May 2023 that damaged coffee cherries. Exports dropped by 23 per cent.

In Brazil, dry and hot weather conditions prompted successive downward revisions to the 2023/24 production forecast, with official estimates shifting from an anticipated 5.5 per cent year-on-year increase to a 1.6 per cent decline.

Higher shipping costs were also found to be one of the factors contributing to the increase in world coffee prices.

Early data indicates that in December 2024, the increase in world prices translated into consumers paying 6.6 per cent more for their coffee in the United States and 3.75 per cent more in the European Union, compared to the same period in 2023.

â??The high prices should provide incentives to invest more in technology and research and development in the coffee sector - which relies largely on smallholder farmers - to increase climate resilience,â? said Boubaker Ben-Belhassen, Director of FAOâ??s Markets and Trade Division, adding that climate change is impacting coffee production in the longer term. FAO supports many of the coffee-producing countries toÂ help farmers adopt climate-resilient techniquesÂ that also contribute to restoring biodiversity loss."