

Lavazza boss says coffee prices are set to keep rising amid global shocks

The cost of a flat white is set to keep rising above inflation as the coffee industry reels from “unprecedented” supply-side shocks, the chairman of Lavazza has warned.

Poor harvests, soaring raw material costs and a security crisis affecting shipping through the Suez Canal are among the factors that have driven prices this summer.

On Tuesday, robusta beans hit an all-time high of \$4,667 a metric ton on the London-based ICE Futures Europe market.

Giuseppe Lavazza said that trend was likely to continue throughout the year, driving prices of on-the-shelf coffee up by as much as 10 per cent this year.

Speaking at Wimbledon, which like Royal Ascot, left, is sponsored by the Italian family-run company, Lavazza set out the challenges facing the industry.

“The coffee supply chain has been dramatically under pressure for the past three years because of the price of raw materials,” he said.

He predicted this would drive the price of coffee for UK consumers between 20% and 25% higher between the start of 2023 and the end of 2024.

“People are going to have to accept that the price of coffee is going to get more expensive in the short-term,” he said.

Among the “very strong headwinds” is the crisis in the Red Sea, where attacks by Iranian-backed Houthis on cargo ships have caused shipments of coffee from the Far East and East

Africa to avoid the Suez Canal and instead circumnavigate Africa, massive increasing costs and causing buyers to wait an extra four weeks for supplies to reach their warehouses.

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“It’s impossible for ships to go through (the Suez Canal) Ships have to circumnavigate Africa and to enter into Europe from the northern ports instead of the Mediterranean ports.

“It means the cost of shipping has risen a lot. During the pandemic the cost of shipping rose ten times average, and now we have increasing cost four times the average because of this long route.”

Mr Lavazza said the rise in the global price of coffee was unlike anything ever seen in history of the industry – and

isn't going to change in the foreseeable future.

Forecasts for harvest in Vietnam – the world's second-biggest coffee producer behind Brazil – are “not very solid”, causing a multi-million bag shortage of supply which he said was fuelling commodity market speculation, pushing prices up even higher.

“The market will stay volatile, very unpredictable,” he said.



UK consumers will see coffee prices continue to rise in the months to come, Lavazza has warned (Lavazza/PA)

A major concern for Lavazza is the European Union Deforestation Regulation (EUDR), due to come into force in 2025.

The regulation aims to slash global deforestation linked to the consumption of coffee and other commodities including beef, palm oil and rubber.

It requires complete traceability for every coffee bean entering the bloc, with hefty fines for companies breaching

the rules.

Mr Lavazza said he supported the law's intention to protect the environment but warned it could have a devastating effect on the industry unless changes are made.

"Tracking all the coffee supply chain is very difficult. For many countries it's absolutely impossible because they don't have any infrastructure to do that.

"You need to plot your farm using geo satellite coordinates and enter all the data on a digital platform. This maybe could be done for farmers in Europe – but not in many producing countries.

"The problem is the system they've decided to adopt is imply not applicable to many farmers around the world."

Calling for a delay to the implementation, Mr Lavazza said only Brazil was ready to comply with the regulations, making it "too risky" for buyers to purchase coffee beans from elsewhere.

"It's one of the most dangerous things we have to cope with."

Despite these industry-wide pressures, Mr Lavazza said the company, which was founded by Luigi Lavazza in Turin 129 years ago, was "still growing".

"In 2010, the company had a turnover of about 1billion euros. In 2023 we reach 3billion euros."

Sales across its markets continue to "pretty good" with UK revenues reaching £117 million in 2023 – 10% up on the previous year.