MARKET REPORT

GLOBAL COFFEE SECTOR

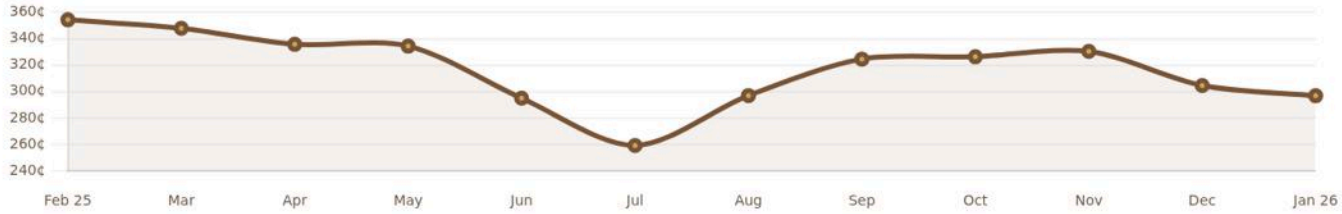
22 July 2026

Edition • Q2 2026

178.8	296.89	12.5M	10%	$16.6B
WORLD PRODUCTION	I-CIP JAN 2026	FARMING HOUSEHOLDS	PRODUCER VALUE SHARE	INSTANT COFFEE GROWTH
million bags • 2025/26	US¢/lb • −2.6% MoM	95% < 5 ha	of retail • 30% in 1990s	2025–2030 • CAGR 6.6%

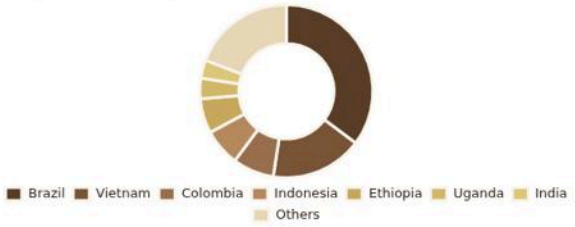
ICO Composite Indicator Price (I-CIP) — Monthly Average

US cents per pound • February 2025 – January 2026



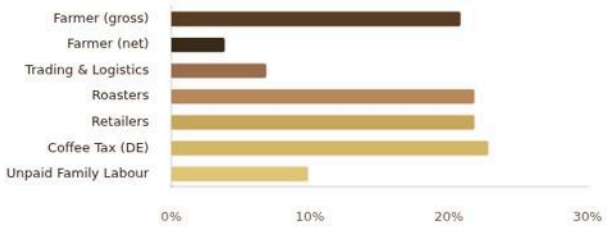
Production Share 2025/26

Top origins • million bags



Value Distribution

Share of €9.71/kg retail price



Concentration risk: 3 countries (Brazil, Vietnam, Colombia) supply **60%** of global coffee.

Living income gap: 8 of 10 top origins **below** living income threshold; unpaid family labour **~10%** of retail value.

Regulatory shift: EUDR enforcement Dec 2026; CSDDD binding living income by **2029**.

Sources: Coffee Barometer 2026 • ICO • USDA FAS • TechNavio

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MARKET REPORT COFFEE 2026-07-22

Executive Summary

The coffee sector in mid-2026 sits at a paradoxical juncture. After the historic price spike of February 2025, when Arabica futures breached US$4.40/lb and the ICO Composite Indicator Price (I-CIP) hit a record monthly average of 354.52 US¢/lb, prices have corrected sharply, falling 22% by March 2026 to 273.70 US¢/lb and continuing a gradual decline through January 2026 (ICO, January 2026 monthly report). Yet this boom-and-bust cycle masks deeper structural fractures that two decades of sustainability efforts have failed to heal. The global coffee economy remains a system in which value concentrates downstream, risk is forced upstream, and the majority of the 12.5 million smallholder farming households—95% of whom cultivate fewer than five hectares—still fall short of a living income (Coffee Barometer 2026; Enveritas 2018). This Executive Summary synthesises the central findings across market dynamics, producer livelihoods, value distribution, regulatory shifts, and collective action gaps, drawing on the eighth edition of the Coffee Barometer and supporting data from USDA FAS, ICO, and industry reports.

Market context and fragility
World coffee production for 2025/26 is forecast at a record 178.8 million 60-kg bags, driven by recovery in Vietnam and Indonesia and record output in Ethiopia, offsetting declines in Brazil and Colombia (USDA FAS, July 2026). Global consumption is also rising to a record 173.9 million bags, leaving ending stocks at just 20.1 million bags—the fifth consecutive year of decline—and keeping the market structurally tight (USDA FAS). The I-CIP in January 2026 averaged 296.89 US¢/lb, down 2.6% from December 2025, with volatility easing but prices remaining elevated by historical standards (ICO January 2026). However, the three biggest concerns identified by the Coffee Barometer remain: (1) boom-bust cycles are temporary—current high prices are already incentivising Robusta expansion in Brazil and Vietnam, setting the stage for future surplus; (2) high commodity prices do not translate into durable producer welfare because asymmetric price transmission means farmgate prices rise more slowly than retail prices but fall more sharply; and (3) the sector's growing dependence on a concentrated supplier base—Brazil and Vietnam together account for over half of global supply—heightens exposure to climate shocks (Coffee Barometer 2026; Daviron and Ponte 2005).

Producer livelihoods and the poverty trap
Despite record prices, most coffee-farming households remain below living income thresholds. Evidence from the Living Income Community of Practice (LICoP 2026) shows that in eight of the ten largest producing countries, average farm incomes do not reach a decent standard of living. The income gap is most severe in African origins such as Ethiopia and Uganda, while only Brazil and Vietnam consistently report average incomes above living income levels (Coffee Barometer 2026). Labour is the largest production cost, accounting for 40–60% of total costs, yet unpaid family labour —which subsidises the entire supply chain—is routinely excluded from farm accounts. When valued at minimum wage, unpaid labour adds approximately 10% to the true cost of production (BASIC et al. 2024). Piece-rate pay structures, prevalent in Latin America, systematically undermine minimum wage compliance and reinforce gender inequality (Verité 2024a). Seasonal workers, estimated at 100 million globally, remain largely invisible, lacking contracts, social protection, and collective bargaining rights (ICO 2019).

Value capture and extraction
The value distribution along the coffee chain remains profoundly inequitable. A detailed study of the German retail market found that farmers receive only 21% of the final retail price, but after deducting production costs net income drops to just 4%—and even that figure treats family labour as free (BASIC et al. 2024). In premium formats such as capsules, the disconnect is starker: farmers receive merely 1.3% of the additional retail value created by format innovation. The top five coffee traders now control an estimated 50% of global green coffee trade, up from 30% in 2018, driven by the collapse of Mercon, Sustainable Harvest, and COEX Coffee, and acquisitions by Hartree

Partners (Coffee Barometer 2026). Roaster consolidation is equally advanced: Nestlé and the newly merged Keurig Dr Pepper–JDE Peet's entity ("Global Coffee Co.") span virtually every market segment. Shareholder returns from the four largest publicly listed coffee companies—Starbucks, Nestlé, JDE Peet's, and J.M. Smucker—averaged approximately 10% of annual revenue over 2016–2025, with Starbucks alone distributing up to 22% of revenue in some years (Coffee Barometer 2026; Maile and Staritz 2026). Tax arbitrage, exemplified by Starbucks' Swiss trading structure, shifts an estimated US$1.3 billion in profits out of producing countries (CICTAR 2025–2026). These mechanisms—market concentration, unpaid labour, format premiums, shareholder primacy, and tax avoidance—function as a self-reinforcing system that directs value downstream while concentrating risk upstream.

Voluntary sustainability standards and regulatory transition

Two decades of voluntary sustainability standards (VSS) have delivered real but insufficient gains. Certified supply expanded rapidly, yet demand failed to keep pace, creating a structural surplus in which certified beans are routinely sold as conventional coffee (Coffee Barometer 2026). Third-party certification now covers a smaller share of global production than in previous years, as companies shift towards proprietary second-party verification systems—29 of the 33 schemes recognised under the GCP Equivalence Mechanism are now company-managed (GCP 2025). However, mandatory regulation is now imposing from outside what the sector could not achieve voluntarily. The EU Deforestation Regulation (EUDR), with enforcement for large operators set for 30 December 2026, requires plot-level traceability and deforestation-free sourcing. The Corporate Sustainability Due Diligence Directive (CSDDD) recognises living income for smallholders as a binding human right, effective from July 2029. The Empowering Consumers Directive (EmpCo), from September 2026, bans unsubstantiated "sustainable" or "carbon-neutral" claims. Compliance costs risk being pushed onto producers if companies do not proactively support farmers in meeting these requirements (VOCAL 2024).

Multi-stakeholder initiatives and collective action

The Sustainable Coffee Challenge (SCC), Global Coffee Platform (GCP), and Coffee Public-Private Task Force (CPPTF) have built shared frameworks, benchmarks, and data systems, yet accountability mechanisms remain weak. The SCC's Commitments Hub shows average progress of only 38.5% against 2025 targets, with climate mitigation at just 1.6% of the 100 million tonne CO_2e goal (SCC 2025). GCP's collective reporting covers only 11 roasters, and trader-specific data is excluded. The CPPTF has established living income benchmarks in six countries, but none have been translated into mandatory farmgate prices. Funding gaps persist: the sector requires billions annually for climate adaptation, varietal development, and regenerative transition—Columbia University estimates US$10 billion per year (Sachs et al. 2019)—yet MSI budgets are in the low millions. The closure of USAID in 2025 eliminated over US$45 million in coffee-focused public-private partnerships (Coffee Barometer 2026; Brown 2025). Representation within MSIs remains skewed, with producer organisations and local civil society marginalised in governance structures dominated by multinational buyers and donor agencies.

Transparency and corporate accountability

An assessment of the 15 largest roasters and traders reveals critical transparency gaps. Not one company discloses its pricing structures, contract terms, or premiums above commodity prices. Living income commitments, despite becoming a CSDDD requirement, are absent from the procurement policies of all but one trader (ofi), which hit its 2024 target of 20,000 households—though this success was partly driven by higher market prices rather than structural pricing reform (Coffee Barometer 2026; PLWF 2025). On climate, only a minority have SBTi-validated Scope 3 targets: Nestlé leads with a detailed climate roadmap, JDE Peet's published the sector's first Nature Transition Plan, but others like J.M. Smucker and Strauss lack net-zero targets entirely. Greenhushing—the deliberate reduction of public sustainability reporting to avoid scrutiny or litigation risk—has become widespread, with companies quietly stretching timelines and replacing independent certification with opaque proprietary systems.

Key data at a glance

Indicator	Value	Source
World coffee production (2025/26 forecast)	178.8 million 60-kg bags	USDA FAS, July 2026
I-CIP average (January 2026)	296.89 US¢/lb	ICO, January 2026
Smallholder farms (<5 ha) as share of global farms	~95%	Enveritas 2018
Producer share of retail value (Germany, ground coffee, net of costs)	4%	BASIC et al. 2024
Top 5 traders' share of green coffee trade (2025 est.)	~50%	Coffee Barometer 2026
Shareholder returns as % of revenue (top 4 roasters, 2016–2025 avg.)	~10%	Coffee Barometer 2026; Maile & Staritz 2026
Progress against SCC 2025 targets (average)	38.5%	SCC 2025 progress report
EUDR compliance deadline for large operators	30 December 2026	European Commission
USAID coffee programme funding cancelled (2025)	>US$45 million	Coffee Barometer 2026

The arc of two coffee crises—2001–2003's historic lows and 2025's historic highs—together form a single narrative of structural failure. The coffee economy remains a system that consistently produces inequitable outcomes. The central challenge is no longer how to improve sustainability commitments and accountability mechanisms, but whether the sector is willing to confront the power imbalances and vested interests that market reform requires. The shift towards mandatory regulation provides a floor, but without deeper commercial commitments—fair pricing, risk-sharing, long-term contracts, and investment in shared infrastructure such as open-source traceability and landscape-level climate adaptation—the opportunity of this moment will be lost. As the Coffee Barometer concludes, "the choice is not between sustainability and profitability. It is between a model of sustainability that manages the appearance of progress and one that accepts the redistribution of value that a resilient coffee future requires."

Market Overview

The global coffee market in mid-2026 finds itself at a pivotal juncture. After a cycle of historic price peaks in early 2025, sharp corrections have followed, yet structural conditions that have long defined the sector—chronic producer vulnerability, market concentration, climate exposure, and opaque value distribution—remain largely unchanged. This overview examines the market across production, consumption, prices, trade, and structural dynamics, drawing on the most recent data from the International Coffee Organization (ICO), the U.S. Department of Agriculture (USDA), and the 2026 Coffee Barometer.

Global Production and Supply

World coffee production for the 2025/26 marketing year is forecast at a record 178.8 million 60-kg bags, a 2.0% increase over the previous year's revised estimate of 175.3 million bags (USDA FAS, July 2026). The growth is driven by continued recovery in Vietnam, record output in Indonesia and Ethiopia, and a bumper Brazilian Robusta crop, which together more than compensate for Arabica losses in Brazil and Colombia.

Table 1: Coffee Production by Major Origins, 2021/22–2026/27 (million 60-kg bags)

Country	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Brazil	58.1	62.6	66.3	65.0	65.0	63.0
Vietnam	31.6	28.3	27.6	29.0	31.0	30.8
Colombia	11.8	10.7	12.8	14.8	12.5	13.8
Indonesia	10.6	10.7	8.2	10.7	11.3	12.5
Ethiopia	8.2	7.3	9.1	11.1	11.6	11.6
Uganda	6.1	6.6	6.4	6.7	6.9	6.9
World Total	165.0	164.4	169.3	175.3	178.7	178.8

Source: USDA FAS, Coffee: World Markets and Trade, July 2026.

The production structure remains highly concentrated. Brazil alone accounts for 35% of global output, and together with Vietnam the two countries contribute over half of the world's coffee. This concentration amplifies exposure to climate shocks. In 2024, Brazil experienced its worst drought in seventy years, reducing Arabica yields by up to 12%, while Vietnam suffered a dual climate shock—prolonged drought followed by catastrophic flooding during the 2025 Robusta harvest (Coffee Barometer 2026). Such events rapidly propagate into global price spikes.

Within this overall record, the Arabica share is declining. For 2025/26, Arabica production is forecast at 95.5 million bags (53.4% of total), down from 100.2 million bags in 2024/25, while Robusta output climbs to 83.3 million bags (46.6%), driven by expansion in Brazil's Conilon and Vietnam's recovery (USDA FAS, July 2026). The structural shift toward Robusta reflects both climate adaptation and commercial incentives, but it also raises concerns about quality premiums and farmer income, as Robusta typically commands lower prices.

Stocks remain tight for the fifth consecutive year. Global ending stocks for 2025/26 are projected at just 20.1 million bags, down from 21.3 million in 2024/25 (USDA FAS, July 2026). This represents less than 12% of annual consumption, leaving the market acutely sensitive to any supply disruption.

Consumption and Demand

Global coffee consumption continues its upward trajectory, reaching a record 173.9 million bags in

2025/26, up from 171.6 million a year earlier (USDA FAS, July 2026). Demand growth is concentrated in emerging markets, particularly Asia. China's coffee consumption has climbed 150% over the past decade, driven by the expansion of domestic coffee chains and changing consumer preferences (Coffee Barometer 2026). The instant coffee segment, which accounts for a significant share of volume in developing economies, is forecast to grow by USD 16.6 billion globally between 2025 and 2030, at a CAGR of 6.6% (TechNavio, June 2026).

Table 2: Top Coffee Consuming Countries/Regions, 2025/26 (million 60-kg bags)

Country/Region	Consumption
European Union	41.9
United States	26.6
Brazil	22.3
Philippines	6.8
Japan	6.7
China	5.9
Canada	5.2
Vietnam	4.9
Indonesia	4.8
Russia	4.6

Source: USDA FAS, July 2026.

In mature markets, volume growth is plateauing, but value growth continues through premiumisation. Single-serve capsules and ready-to-drink formats now command outsized retail margins. In the EU, coffee capsules accounted for 45% of retail value in 2024 despite representing only 16% of volume (European Coffee Federation, 2025). This decoupling of volume from value is central to the sector's value-distribution problem (see below).

Price Dynamics

The coffee market experienced extraordinary price movements between 2024 and mid-2026. In February 2025, Arabica futures on ICE reached an all-time high of USD 4.40 per pound, while the ICO Composite Indicator Price (I-CIP) hit a record monthly average of 354.52 US cents/lb (Coffee Barometer 2026). The rally was driven by simultaneous supply shocks in Brazil and Vietnam, low certified stocks, and speculative capital. By March 2026, the I-CIP had fallen to 273.70 US cents/lb—a correction of more than 22% from its peak—as the market priced in improved Brazilian harvest prospects, a stronger Brazilian real, and the gradual rollback of US tariffs (Coffee Barometer 2026; ICO, January 2026).

Figure 1: ICO Composite Indicator Price (I-CIP) Monthly Averages, February 2025 – January 2026

Table data derived from ICO Monthly Coffee Market Report, January 2026:

Month	I-CIP (US¢/lb)
Feb-2025	354.32
Mar-2025	347.85
Apr-2025	335.76

May-2025	334.41
Jun-2025	295.06
Jul-2025	259.31
Aug-2025	297.05
Sep-2025	324.62
Oct-2025	326.38
Nov-2025	330.44
Dec-2025	304.68
Jan-2026	296.89

The January 2026 average of 296.89 US cents/lb represented a 2.6% decline from December 2025, with the month closing sharply lower as rains improved in Brazil's Minas Gerais region (ICO, January 2026). Price differentials between groups remain wide: Colombian Milds averaged 371.59 cents/lb, Other Milds 363.94 cents/lb, Brazilian Naturals 343.77 cents/lb, and Robustas 192.52 cents/lb in January 2026. The Arabica-Robusta spread narrowed to 151.25 cents/lb but remains historically elevated.

Despite the correction, prices remain far above levels of the 2010s and early 2020s. Yet the transmission to farmgate income is uneven. As the Coffee Barometer (2026) documents, price transmission is structurally asymmetric: farmgate prices rise more slowly than retail prices but fall more sharply. Even at current elevated levels, a majority of smallholder households in eight of the ten largest producing countries do not reach a living income threshold.

Trade and Supply Chains

Global green coffee bean exports in 2025/26 are forecast at 123.8 million bags, up from 121.5 million the prior year (USDA FAS, July 2026). Export growth is led by Vietnam and Indonesia, while Brazilian bean exports are projected to decline 4.0 million bags to 37.0 million due to lower Arabica availability.

The trading sector has undergone unprecedented consolidation. The top five trading houses now control an estimated 50% of green coffee flows, up from roughly 30% in 2018 (Coffee Barometer 2026). Mergers and bankruptcies have reshaped the landscape: Hartree Partners acquired Volcafe and Touton, while Mercon and COEX collapsed. This concentration reduces pre-harvest financing options for smallholders and shifts bargaining power further downstream.

The emergence of mandatory due diligence regulation—particularly the EU Deforestation Regulation (EUDR), with its compliance deadline of 30 December 2026—is restructuring sourcing relationships. Importers must now provide plot-level geolocation data and ensure deforestation-free status. While enforcement remains subject to delays, commercial pressure is already accelerating traceability systems, often through proprietary second-party verification schemes rather than third-party certification (Coffee Barometer 2026).

Regional Trade Developments (December 2025 data, ICO):

- **Asia & Oceania**: Exports up 38.4% year-on-year to 5.15 million bags, led by Vietnam (+29.7%).
- **Africa**: Exports up 13.3% to 1.32 million bags, driven by Uganda (+52.5%).
- **South America**: Exports down 15.0% to 4.65 million bags, reflecting Brazil's cyclical decline.
- **Mexico & Central America**: Exports surged 81.3% to 0.82 million bags, as the region recovered from drought-delayed harvests.

Structural Challenges and Market Outlook

The market overview would be incomplete without highlighting the persistent structural deficiencies that the price cycle has not resolved. The Coffee Barometer 2026 identifies three interrelated concerns:

1. **Boom-bust vulnerability**: History shows that high prices incentivise overplanting, leading to subsequent collapses. Brazil's Robusta expansion and Vietnam's recovery already set the stage for future surplus.
2. **Value distribution asymmetry**: Producers capture a shrinking share of retail value—from about 30% in the early 1990s to roughly 10% today (ICO, 2020). In the German retail market, a kilogram of coffee at €9.71 yields farmers only €2.05 gross, and just €0.41 net after production costs, with unpaid family labour effectively subsidising the chain (Coffee Barometer 2026, citing Le Basic et al. 2024).
3. **Climate and ecological constraints**: Climate change is contracting suitable growing areas. Brazil's Cerrado and Atlantic Forest biomes face degradation; Vietnam's Central Highlands may lose up to 62% of suitable Robusta area under high-emission scenarios; and Central America requires substantial increases in shade cover to maintain current Arabica zones (Coffee Barometer 2026).

The market's near-term outlook is cautiously balanced. The anticipated Brazilian bumper crop in 2026/27 may ease supply pressure, but low global stocks and rising input costs (fertiliser, freight, energy) limit the scope for sustained price declines. Meanwhile, consumption growth in Asia and the specialty segment continues to support demand. However, without deliberate policy and commercial reform—particularly on farmgate pricing, risk-sharing, and transparency—the sector risks cycling back into a crisis when the next supply glut materialises.

The following sections of this document will explore these themes in greater depth, examining production systems, price formation, trade infrastructure, and the institutional responses shaping the future of the coffee economy.

Production Analysis

Global Production Overview

World coffee production for the 2025/26 marketing year is forecast at a record **178.8 million 60-kg bags**, a 2.0% increase over the revised 2024/25 estimate of 175.3 million bags (USDA FAS 2026). This growth is driven by continued recovery in Vietnam, record output in Indonesia and Ethiopia, partially offset by losses in Brazil and Colombia. The 2025/26 crop marks the sixth consecutive year of global production above 165 million bags, yet the sector remains structurally tight: ending stocks have fallen for five consecutive years to just 20.1 million bags, the lowest level since 2017/18.

The production landscape is dominated by two species: **Arabica** (*Coffea arabica*), accounting for 53.4% of global output, and **Robusta** (*Coffea canephora*), at 46.6%. Arabica production in 2025/26 is forecast at 95.5 million bags, down 4.4% from the previous year due to drought-related losses in Brazil. Robusta output, by contrast, rises to 83.3 million bags, up 11.0%, supported by robust harvests in Vietnam and Indonesia (USDA FAS 2026).

Table 1. World Coffee Production by Species (million 60-kg bags)

Species	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Arabica	87.09	87.78	97.24	100.20	97.02	95.52
Robusta	77.96	76.61	72.11	75.11	81.66	83.33
Total	165.04	164.39	169.35	175.32	178.68	178.85

Source: USDA FAS Coffee: World Markets and Trade, July 2026.

Major Producing Countries

Just three countries—**Brazil, Vietnam, and Colombia**—account for 60% of global supply. Brazil alone contributes 35% of world production, Vietnam 17%, and Colombia 8%. This geographic concentration heightens market vulnerability to climate shocks in any single origin.

Table 2. Coffee Production by Top 10 Producing Countries (million 60-kg bags)

Country	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Brazil	58.10	62.60	66.30	65.00	65.00	63.00
Vietnam	31.58	28.30	27.55	29.00	31.00	30.80
Colombia	11.80	10.70	12.76	14.80	12.50	13.80
Indonesia	10.58	10.70	8.15	10.70	11.25	12.45
Ethiopia	8.15	7.30	9.13	11.10	11.56	11.56
Uganda	6.05	6.57	6.40	6.70	6.88	6.88
India	5.70	5.87	6.56	6.20	6.05	6.05
Honduras	4.80	5.70	5.05	5.00	5.80	5.80
Peru	4.20	3.48	3.91	3.70	4.20	4.20
Mexico	3.74	3.55	3.86	3.87	3.90	3.90

Source: USDA FAS Coffee: World Markets and Trade, July 2026.

Brazil

Brazil's combined Arabica and Robusta harvest for 2025/26 is forecast at 63.0 million bags, a decline of 2.0 million bags year-on-year. Arabica output is expected to fall by 6.0 million bags to 38.0 million, as drought and high temperatures during the flowering and fruit-setting periods in Minas Gerais and São Paulo caused significant yield losses. In contrast, the Robusta harvest reaches a record 25.0 million bags, supported by favourable rainfall in Espírito Santo and Bahia (USDA FAS 2026). The 2024 drought—the worst in seventy years—reduced Arabica yields by up to 12% and sent shockwaves through global prices (Coffee Barometer 2026). Brazil's dominance means that any supply disruption quickly becomes a price event.

Vietnam

Vietnam's production in 2025/26 is forecast to recover to 30.8 million bags, up from 29.0 million in 2024/25 and well above the crisis-lows of 2023/24 (27.55 million). High prices have enabled farmers to increase expenditures on fertilisers and other inputs, raising yields. Harvested area remains nearly unchanged, with Robustas still constituting ~95% of output. The 2023/24 season saw a dual climate shock—prolonged drought followed by catastrophic flooding during the harvest—which reduced production by over 10% in key provinces. Vietnam's Ministry of Agriculture now projects a 10% contraction in total coffee area by 2030, signalling structural exhaustion of intensive monoculture systems (Coffee Barometer 2026).

Colombia

Colombian output is forecast at 13.8 million bags in 2026/27, a 1.0 million-bag drop from 2024/25. Excessive rains and cloud cover disrupted flowering, though coffee leaf rust has been contained by widespread planting of disease-resistant varieties. Colombia's production trajectory remains cyclical, with output fluctuating between 10.7 and 14.8 million bags over the past five years (USDA FAS 2026).

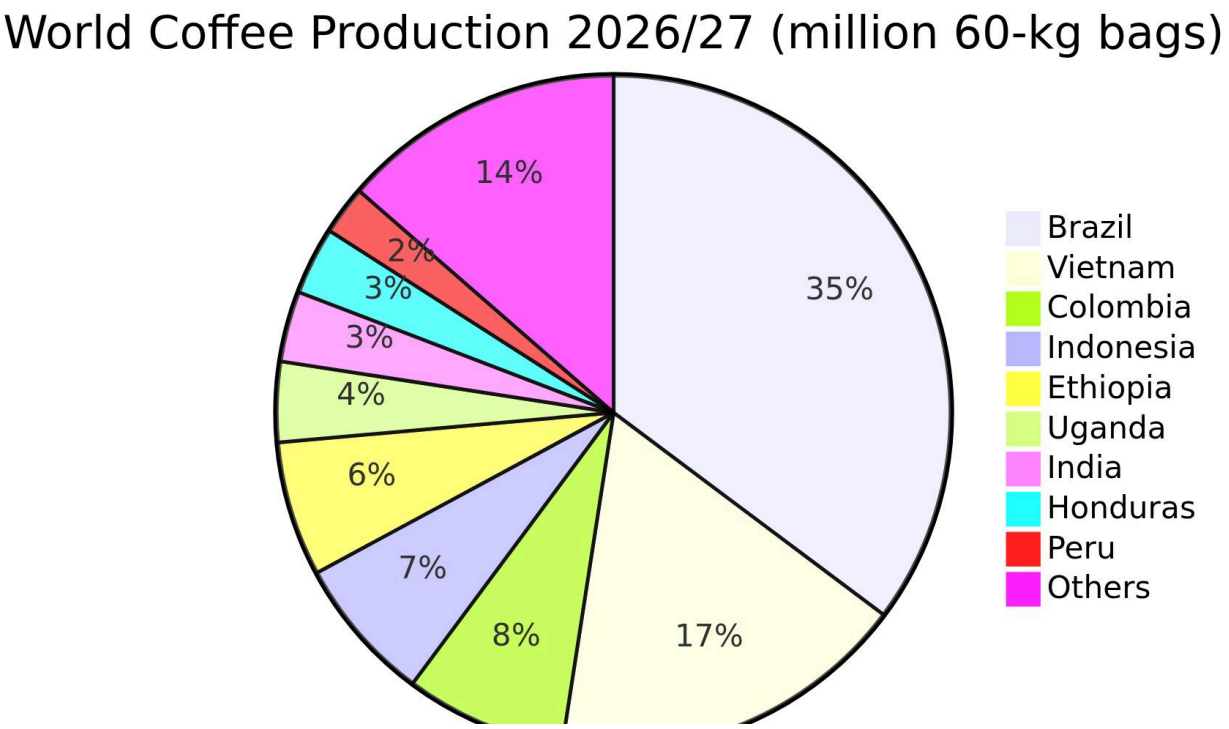
Indonesia

Indonesia's Robusta production is forecast to increase 1.7 million bags to 11.0 million in 2025/26, driven by favourable weather and higher labour utilisation. Total Arabica output is expected to edge up to 1.5 million bags. Over 95% of Indonesia's coffee comes from growers with plots averaging one hectare, relying primarily on family labour and cooperative arrangements during harvest (USDA FAS 2026). Total area has remained flat at ~1.2 million hectares for a decade.

Ethiopia

Ethiopia's production reaches a record 11.56 million bags in 2025/26, driven by replacement of over half the cultivated area with higher-yielding varieties and improved pruning practices. Ethiopia remains the world's largest Arabica producer by volume after Brazil and Colombia, and its output growth reflects a deliberate strategy of varietal renewal (USDA FAS 2026).

The following pie chart illustrates the share of major producers in the 2026/27 crop:



Production Systems and Farm Structure

Coffee remains fundamentally a **smallholder crop**. An estimated 12.5 million farming households produce the majority of the world's coffee, with roughly 95% cultivating less than five hectares. Holdings below two hectares account for ~80% of all farms and produce approximately 60% of global supply (Enveritas 2018, as cited in Coffee Barometer 2026). Farm sizes vary widely: in Kenya, the average plot is 0.16 hectares; in Vietnam it is 1.04 hectares; in Costa Rica 2.6 hectares; and in Brazil over 5 hectares.

These production systems range from **high-input, full-sun monocultures** (dominant in Brazil and Vietnam) to **shaded, low-input agroforestry** (common in Ethiopia, Uganda, and parts of Central America). The intensification model has driven yield growth: Brazil's coffee area more than doubled from 0.6 to 1.23 million hectares between 1990 and 2023, while Vietnam relies on heavy fertiliser and irrigation to sustain high Robusta yields. However, these systems are showing signs of ecological stress—soil degradation, water depletion, and increased pest pressure (Coffee Barometer 2026).

In **Nicaragua**, 71% of coffee farms are smaller than 15 hectares and produce 37% of the crop, while large farms (>70 ha) produce 36% from just 7% of farms (USDA FAS Nicaragua 2025). Nicaraguan yields average 18 bags per hectare, similar to the Central American average, but constrained by limited access to long-term credit, labour shortages, and ageing plantations.

Table 3. Representative Farm Structures in Key Origins

Country	Avg. Farm Size (ha)	Share of Smallholders (<2 ha)	Predominant System
Brazil	>5	~30%	Full-sun, mechanised
Vietnam	1.0–1.5	~70%	Full-sun, irrigated Robusta
Colombia	1.5	~80%	Shaded/semi-shaded Arabica

Ethiopia	0.5–1.0	~95%	Garden/forest Arabica
Uganda	0.5–0.8	~90%	Shaded/semi-shaded Robusta
Indonesia	1.0	>95%	Mixed, mostly Robusta

Sources: Coffee Barometer 2026; USDA FAS country reports; Siles et al. 2022.

Climate Impacts on Production

Climate change is reshaping where coffee can be grown, and the window for adaptation is narrowing. Even under moderate warming scenarios, suitable growing areas are projected to contract (IPCC 2023). The 2024/25 crop year demonstrated these risks acutely:

- **Brazil** suffered its worst drought in seventy years in 2024, reducing Arabica yields by 10–12% and contributing to the historic Arabica price spike of February 2025 (Coffee Barometer 2026).
- **Vietnam** experienced a dual shock in 2023/24—drought followed by floods—which cut Robusta output by over 10% and pushed Robusta prices to a 45-year high.
- **Central America** (Honduras, Nicaragua, Guatemala) faced prolonged drought from January to June 2024, followed by excessive rain and Tropical Storm Sara in November, delaying harvests by two months and reducing quality (USDA FAS Nicaragua 2025).
- **Colombia** saw excessive cloud cover and rainfall disrupt flowering, lowering the 2025/26 crop by 1.0 million bags (USDA FAS 2026).

Long-term modelling confirms the trend: Uganda could lose 18–22% of suitable Arabica area by mid-century; Vietnam's Central Highlands may lose up to 62% of suitable Robusta area under high-emissions scenarios; and even Ethiopia could see major spatial shifts (Coffee Barometer 2026, citing Abigaba et al. 2024; Dinh et al. 2025).

Yield Constraints and Input Costs

National average yields remain low in many origins, reflecting limited access to inputs, credit, and improved varieties. Brazil's average Arabica yield of ~20 bags/ha is among the highest outside Colombia, while Ethiopian yields (excluding garden coffee) average only 6–8 bags/ha. Input costs have risen sharply: fertiliser prices spiked after the Russia-Ukraine conflict, and the April 2026 disruption of the Strait of Hormuz drove oil and fertiliser costs higher again (Coffee Barometer 2026). Labour accounts for 40–60% of production costs in most countries, and labour shortages have become acute—Honduras saw a 32% decline in early-season exports partly due to picker scarcity, while Costa Rica lost an estimated $60 million in unharvested cherries during the 2024/25 harvest (Coffee Barometer 2026).

The combination of rising input costs, stagnant yields in traditional systems, and climate-driven variability means that even record farmgate prices do not guarantee profitability. The **Living Income** gap remains wide: in eight of the ten largest producing countries, average coffee-farming household income falls short of a decent standard of living (Coffee Barometer 2026).

Production Outlook

Global production is expected to remain near 179 million bags in 2026/27, with Brazil's anticipated **bumper crop** (driven by favourable weather and the biennial cycle) balancing reductions elsewhere. Arabica production may recover partially as Brazil's 2026/27 crop benefits from better rains, but structural deficits built up over years of under-investment in farm renovation and climate adaptation will limit upside. Robusta production is likely to continue expanding, especially in Brazil and Vietnam, though Vietnam's planted area is contracting.

The ICO projects that global consumption will reach a record 173.9 million bags in 2025/26,

keeping stocks at critically low levels (~20 million bags). Any additional supply shock—whether from drought, frost, or geopolitical disruption—could trigger further price volatility.

Table 4. Global Production, Consumption, and Stocks (million 60-kg bags)

Metric	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Production	165.04	164.39	169.35	175.32	178.68	178.85
Consumption	167.88	168.75	163.97	171.56	173.85	—
Ending Stocks	31.94	26.93	23.12	21.31	20.15	—

Source: USDA FAS Coffee: World Markets and Trade, July 2026; ICO Supply/Demand Balance (Table 3).
Note: Consumption and stocks for 2026/27 are preliminary ICO estimates as of January 2026.

In summary, the production landscape in 2026 is characterised by **record total output, deep geographic concentration, rising ecological stress, and persistent structural fragility**. The sector's ability to meet growing demand sustainably will depend on whether investment in climate-resilient production systems can scale faster than the impacts of climate change erode the existing base.

Price Trends

Overview

Coffee prices experienced an extraordinary trajectory between early 2025 and mid-2026. After reaching an all-time record in February 2025—when the ICO Composite Indicator Price (I-CIP) peaked at a monthly average of **354.52 US¢/lb** and Arabica futures on ICE touched **$4.40/lb**—prices have since corrected sharply. By March 2026 the I-CIP had fallen to **273.70¢/lb**, a decline of more than 22% from the peak. A brief recovery in the second half of 2025 was followed by renewed softening, with January 2026 averaging **296.89¢/lb** (ICO Monthly, January 2026). Although prices remain far above the levels of the 2010s, the rapid correction underscores the volatility endemic to coffee markets.

The price surge of 2024-2025 was driven by a confluence of supply shocks—Brazil's worst drought in seventy years, Vietnam's dual climate shock of drought and flooding, and logistical disruptions—combined with historically low global stocks. Since then, improved production prospects for the 2026/27 Brazilian crop, the rollback of some US tariffs, and the gradual easing of shipping disruptions (e.g., resumption of Red Sea transits after the October 2025 Yemen ceasefire) have exerted downward pressure. However, the structural tightness of supply, with ending stocks expected to fall to just **20.1 million bags** in 2025/26 (USDA, July 2026), continues to provide a floor.

The following table presents monthly I-CIP averages and futures prices from February 2025 to January 2026.

Table 1: ICO Daily Indicator Prices and Futures Prices (US¢/lb)

Month	I-CIP	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	NY ICE (2nd position)	London ICE (2nd position)
Feb-25	354.32	410.64	409.48	401.10	263.08	388.18	253.48
Mar-25	347.85	404.97	404.02	392.48	257.61	382.75	247.63
Apr-25	335.76	394.14	392.84	378.27	246.39	370.37	235.69
May-25	334.41	395.59	397.84	380.02	237.76	368.21	224.63
Jun-25	295.06	360.08	363.16	338.53	196.21	329.56	183.21
Jul-25	259.31	322.37	325.50	297.04	167.19	289.17	153.43
Aug-25	297.05	366.72	366.32	336.88	199.13	328.57	181.43
Sep-25	324.62	403.77	400.21	374.91	210.85	366.31	197.56
Oct-25	326.38	403.25	403.79	373.47	215.06	366.00	202.16
Nov-25	330.44	408.75	410.31	380.17	214.91	373.57	202.33
Dec-25	304.68	382.32	381.14	355.38	190.53	347.71	178.87
Jan-26	296.89	371.59	363.94	343.77	192.52	334.99	180.23

Source: ICO Monthly Coffee Market Report, January 2026; Table 1.

The table reveals a marked divergence between Arabica and Robusta price movements. While Arabica indicators (Colombian Milds, Other Milds, Brazilian Naturals) all fell from their February highs, Robustas showed greater resilience: the Robusta indicator rose 1.0% month-on-month in January 2026, even as Arabica groups declined. This reflects the continuing structural supply deficit in Robusta, with Vietnam's 2023/24 crop collapse and slow recovery. The differential between

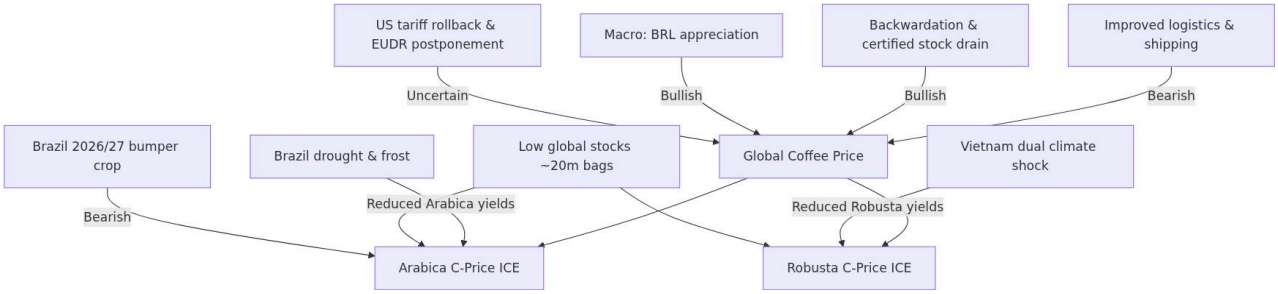
Colombian Milds and Robustas narrowed from 191.80¢/lb in December 2025 to 179.08¢/lb in January 2026, still historically wide.

Drivers of Price Movements

The price correction since February 2025 is attributable to several interacting factors:

1. **Improved Brazilian harvest expectations** – The 2026/27 Brazilian crop is forecast at 63.0 million bags, a recovery from the drought-reduced 2025/26 harvest (USDA, July 2026). January 2026 rainfall in Minas Gerais alleviated immediate supply fears, triggering the end-of-month price drop.
2. **Normalization of Vietnamese exports** – Vietnam's 2025/26 Robusta production recovered to 29.6 million bags, up from the 2023/24 crisis level, and exports surged 31.1% year-on-year in December 2025 (ICO, January 2026).
3. **Easing of logistics constraints** – The resumption of Red Sea transits after the ceasefire reduced shipping costs and transit times, lowering the amount of coffee "on the water" and improving short-term availability at destination (ICO, January 2026).
4. **Backwardation and low certified stocks** – Despite the correction, the futures market remains in backwardation, indicating continued tightness in nearby supplies. Certified stocks on the London ICE fell to just 0.71 million bags in January 2026, while New York ICE stocks remained below 0.5 million bags (ICO, January 2026; Table 5). This structural shortage prevents a steeper decline.
5. **Macroeconomic factors** – The appreciation of the Brazilian real (BRL) against the USD in January 2026 created upward pressure on international prices, as exporters sought to maintain local-currency returns, partially offsetting the bearish supply outlook (ICO, January 2026).

The relationship between these drivers is illustrated below.



Source: Author's synthesis based on Coffee Barometer 2026, ICO data, and USDA FAS.

Price Differentials and Volatility

Price differentials between coffee groups have fluctuated significantly. The Colombian Milds–Robustas differential, after reaching nearly 194¢/lb in November 2025, contracted to 179¢/lb by January 2026 as Robusta prices stabilised. The Other Milds–Brazilian Naturals differential narrowed by 21.7% over the same period, indicating a convergence of Arabica origins. Meanwhile, the arbitrage between New York and London futures shrank from 168.85¢/lb in December 2025 to 154.75¢/lb in January 2026, reflecting a slight relative strengthening of Robusta futures (ICO, January 2026; Table 2).

Intra-day volatility in the I-CIP has moderated but remains elevated. In January 2026, average volatility stood at 8.1%, down from 9.6% in December 2025 and well below the peak of 11%+ seen during the February-March 2025 spike. Robusta volatility declined more sharply, falling 3.1 percentage points month-on-month to 7.8% (ICO, January 2026).

Outlook

Looking ahead to late 2026 and early 2027, several forces will shape price trends:

- **Brazil 2026/27 harvest** – The anticipated bumper crop (63 million bags) should add downward pressure, especially on Arabica, but the magnitude depends on the pace of farmer sales and the BRL exchange rate.
- **Global consumption growth** – The ICO projects a record 173.9 million bags consumed in 2025/26, with continued expansion in China (+150% over a decade). Sustained demand may support prices.
- **EUDR enforcement** – The December 2026 deadline for large operators to prove deforestation-free sourcing could cause temporary supply disruptions as non-compliant coffee is withdrawn from the EU market, potentially lifting prices.
- **Strait of Hormuz disruption (April 2026)** – The closure has raised oil and fertiliser costs, increasing production expenses and potentially reducing supply in the medium term.
- **Interest rates and finance** – Tighter monetary policy in consuming countries may dampen speculative positions, but the high cost of carry will continue to discourage inventory building.

In summary, while prices have retreated from their 2025 highs, they remain historically elevated and prone to further volatility. The underlying balance of supply and demand is tight, and any new supply shock could quickly reverse the current correction. The sector's dependence on a narrow group of origins (Brazil and Vietnam supply 52% of global output) means that weather events in those countries will continue to dominate price direction.

Trade and Supply Chain

The global coffee trade network in 2025/26 is characterised by record production volumes, historically elevated but correcting price levels, tightening inventories, and a structural reconfiguration of supply routes driven by climate shocks, regulatory shifts, and financial pressures. This section examines the physical flows, market concentration, logistics bottlenecks, and emerging trade patterns that define the sector's commercial backbone.

Global Trade Flows and Volume Dynamics

World coffee production for 2025/26 is forecast at a record 178.8 million 60-kg bags, a 2.0% increase over the revised 175.3 million bags of 2024/25 (USDA FAS 2026). Total exports of all forms of coffee are projected at 150.1 million bags, of which green bean exports account for 123.8 million bags (USDA FAS 2026). The increase is driven primarily by recovery in Vietnam, record output in Indonesia and Ethiopia, partially offset by declines in Brazil and Colombia.

Top Exporters (Green Bean, 2025/26 Forecast)

Country	Volume (million 60-kg bags)	Share of Global Green Bean Exports
Brazil	37.0	29.9%
Vietnam	24.6	19.9%
Colombia	11.5	9.3%
Indonesia	7.8	6.3%
Ethiopia	7.8	6.3%
Uganda	6.5	5.2%
Honduras	5.5	4.4%
Peru	4.1	3.3%
India	3.6	2.9%
Guatemala	3.2	2.6%
Others	12.3	9.9%
Total	123.8	100%

Source: USDA FAS, Coffee: World Markets and Trade, July 2026

The top three exporting countries — Brazil, Vietnam, and Colombia — collectively control 59.1% of global green bean shipments, underscoring the structural concentration of supply. This dependency heightens systemic risk: a simultaneous production shortfall in two of these origins (as occurred in 2024/25) can rapidly translate into global supply shocks (Coffee Barometer 2026:12).

Top Importers (All Forms, 2025/26 Forecast)

Country/Region	Volume (million 60-kg bags equivalent)	Share of Global Imports
European Union	47.0	32.7%
United States	26.5	18.4%

Japan	6.6	4.6%
Philippines	6.3	4.4%
China	5.4	3.8%
Canada	5.2	3.6%
Russia	4.6	3.2%
United Kingdom	4.3	3.0%
Switzerland	3.6	2.5%
South Korea	3.4	2.4%
Others	31.1	21.6%
Total	143.9	100%

Source: USDA FAS, Coffee: World Markets and Trade, July 2026

The European Union and the United States together absorb 51.1% of global coffee imports, making regulatory developments in these jurisdictions — particularly the EU Deforestation Regulation (EUDR) and the Corporate Sustainability Due Diligence Directive (CSDDD) — determinative for supply chain architecture (Coffee Barometer 2026:32–36).

Supply-Demand Balance and Inventory Tightness

Global consumption is forecast at a record 173.9 million bags in 2025/26, outpacing production for five consecutive years. Ending stocks are expected to fall to 20.1 million bags — the lowest level since comparable records began (USDA FAS 2026). This represents a stock-to-use ratio of approximately 11.6%, well below the 20–25% range historically associated with price stability.

Global Coffee Balance Sheet (million 60-kg bags)

Item	2021/22	2022/23	2023/24	2024/25	2025/26 Est.
Production	165.0	164.4	169.3	175.3	178.8
Arabica	87.1	87.8	97.2	100.2	95.5
Robusta	77.9	76.6	72.1	75.1	83.3
Consumption	167.9	168.8	164.0	171.6	173.9
Exports (all forms)	143.6	134.6	143.5	147.4	150.1
Imports (all forms)	140.9	133.9	134.3	141.8	143.9
Ending Stocks	31.9	26.9	23.1	21.3	20.1

Source: USDA FAS, Coffee: World Markets and Trade, July 2026; ICO Composite Indicator Price data

The structural deficit reflects demand growth of approximately 1.5–2.0% annually against supply constrained by climate shocks (Brazilian drought, Vietnamese dual climate shock) and flat area expansion in key origins. Low certified exchange stocks — 0.46 million bags on the New York ICE and 0.76 million on the London ICE as of January 2026 — reinforce tightness in nearby supply (ICO 2026:4).

Regional Export Dynamics

South America

South America's total exports (all forms) decreased 15.0% year-on-year in December 2025 to 4.65 million bags, driven by a 18.5% decline in Brazil (ICO 2026:7). Brazil's bean exports for 2025/26 are forecast at 37.0 million bags, down from 41.0 million in 2024/25, reflecting the cyclical downturn in Arabica production (USDA FAS 2026). The country's Robusta exports fell 51.8% in December 2025, normalising after the unusually high shipments of 2023/24 (9.37 million bags vs. five-year average of 3.52 million) when Vietnam and Indonesia were in crisis (ICO 2026:4-5).

Colombia's exports fell 18.9% in December 2025 after 25 consecutive months of expansion, suggesting the origin may be approaching current capacity limits (ICO 2026:7). Colombia shipped 13.46 million bags (all forms) in coffee year 2024/25, the third-largest on record.

Asia & Oceania

Asia & Oceania exports surged 38.4% in December 2025 to 5.15 million bags, led by Vietnam (up 29.7%), Indonesia (up 58.4%), and India (up 61.1%) (ICO 2026:6-7). Vietnam's 2025/26 production is forecast at 30.8 million bags, recovering from the dual climate shock of 2023/24 (Coffee Barometer 2026:11-12). However, farmers remain reluctant to replant, and the Ministry of Agriculture forecasts a 10% contraction in total coffee area by 2030 (Coffee Barometer 2026:17).

Indonesia's Robusta output is forecast at 11.0 million bags in 2025/26, a 17.9% increase, as yields improve on favourable weather and higher labour utilisation (USDA FAS 2026:1).

Africa

Africa's exports increased 13.3% in December 2025, driven by Uganda (up 52.5%), which shipped a record 8.26 million bags (all forms) in 2024/25 (ICO 2026:7). Uganda's growth is supported by rising production, high international prices, and stock drawdowns, with an official target of 20 million bags by 2030.

Ethiopia's 2025/26 production is forecast at a record 11.6 million bags, driven by replacement of over half of the cultivated area with higher-yielding varieties (USDA FAS 2026:1-2). Bean exports are forecast at 7.8 million bags.

Mexico & Central America

Exports from Mexico & Central America surged 81.3% in December 2025, reversing the severe contraction of the previous year when drought and delayed harvests compressed shipments (ICO 2026:7-8). Honduras led the recovery with a 215.0% increase, followed by Nicaragua (up 133.3%) and Mexico (up 70.3% combined). Nicaragua's 2025/26 production is forecast at 2.58 million bags, supported by improved input application and expectations of well-distributed rainfall (USDA FAS Nicaragua 2025:1).

Supply Chain Logistics and Bottlenecks

Maritime Corridor Disruption and Freight Costs

The closure of the Strait of Hormuz in April 2026 introduced a significant new supply chain shock, driving up oil and fertiliser prices (Coffee Barometer 2026:11). For coffee producers already operating on thin margins, rising input costs risk quickly absorbing gains from higher market prices. The resumption of Suez Canal transits following the Yemen ceasefire (October 2025) is gradually easing freight costs, with one major shipping line confirming normalised routing via Bab el-Mandeb as of January 2026 (ICO 2026:2). This reduces transit times for East African, Asian, and Central American shipments headed east, potentially lowering freight costs and reducing coffee "on the water," thereby improving short-term availability at destination.

Central American Port Congestion

During the 2024/25 harvest, Nicaraguan exporters reported delays due to saturation of Central American maritime ports, limited infrastructure, and slow import procedures (USDA FAS Nicaragua 2025:3). Labour shortages, compounded by outbound migration (an estimated 600,000 people, or 10% of the population, have left since 2018), doubled harvest wages and created quality issues from over-maturation (USDA FAS Nicaragua 2025:2-3).

Inventory Dynamics

Year-end coffee stocks in Nicaragua are estimated at 120,000–140,000 60-kg bags, roughly the volume of final-quarter exports before the new crop (USDA FAS Nicaragua 2025:3). Regional logistical challenges are likely to increase inventory holdings as exporters buffer against uncertainty.

Market Structure: Concentration at the Trader Level

The green coffee trading sector has undergone consolidation on an unprecedented scale. Between August 2023 and February 2026, three traders collapsed (Sustainable Harvest, Mercon, and COEX Coffee), while Hartree Partners acquired Volcafe (ED&F Man's coffee division) and French trading house Touton. The top five traders' share of global green coffee trade surged from roughly 30% in 2018 to an estimated 50% by 2025 (Coffee Barometer 2026:58).

Major Coffee Trading Houses (2025 Estimates)

Trader	Volume Estimate (million bags)	Production Share Estimate	Recent Acquisitions	HQ
NKG (Neumann Kaffee Gruppe)	13–15	7–9%	Nordic Approach (2023)	Germany
ECOM Agroindustrial	12–14	7–8%	—	Switzerland
Volcafe & Touton	11–13	6–7%	Volcafe (2024), Touton (2026, +1.7m bags)	United States
ofi (OLAM Food Ingredients)	10–12	6–7%	—	Singapore
LDC (Louis Dreyfus Company)	8–10	4–5%	—	Netherlands
Sucafina	8–10	4–5%	Complete Coffee (2021), Sustainable Harvest (2023), Mercafe (2024)	Switzerland

Source: Coffee Barometer 2026:58; estimates triangulated from corporate reports, trade press, and trade flow data

This concentration reflects forced exit driven by rising interest rates since 2022, which made working capital prohibitively expensive for mid-sized traders operating on thin margins. Record price volatility in 2024–2025 triggered margin calls that undercapitalised firms could not meet: Mercon collapsed owing $363 million; COEX collapsed owing $200 million (Coffee Barometer 2026:58).

Consequences for Supply Chain

- **Reduced pre-harvest finance**: Fewer traders mean fewer sources of the pre-harvest credit that smallholders rely on to cover inputs during the growing season.
- **Scale vs. relationships**: Large trading houses prioritise scale and efficiency over relationship-based sourcing that connects roasters directly with producer cooperatives.
- **New entrants**: Hartree Partners, with no prior coffee background, now controls the combined farmer networks of Volcafe and Touton. The company states farmer support programmes continue as intended, but this claim warrants independent verification (Coffee Barometer 2026:58).

Soluble Coffee and Roasted Exports

Soluble Coffee Exports (2025/26 Forecast)

Exporter	Volume (million 60-kg bags equivalent)	Share of Global Soluble Exports
Brazil	3.7	18.9%
Vietnam	2.6	13.3%
Malaysia	2.5	12.8%
India	2.4	12.3%
European Union	2.3	11.8%
Mexico	1.5	7.7%
Indonesia	1.0	5.1%
Thailand	1.0	5.1%
Colombia	0.9	4.3%
Others	1.1	5.6%
Total	19.6	100%

Source: USDA FAS, Coffee: World Markets and Trade, July 2026

Soluble coffee exports are forecast at 19.6 million bags in 2025/26, stable relative to 2024/25. The global instant coffee market is projected to grow by USD 16.6 billion during 2025–2030, at a CAGR of 6.6% (TechNavio 2026), driven by millennial consumption patterns and increased home preparation of espresso-based drinks.

Roast and ground exports are forecast at 6.7 million bags, dominated by the European Union (3.2 million bags) and Switzerland (1.9 million bags), reflecting the role of these jurisdictions as processing and re-export hubs.

Regulatory Impact on Trade Architecture

EU Deforestation Regulation (EUDR)

The EUDR, with compliance deadlines for large and medium operators set for 30 December 2026, is reshaping sourcing patterns. It requires geolocation data at the plot level and a due diligence statement confirming deforestation-free and legal production. Retailers including Carrefour, Ahold Delhaize, and Lidl are embedding EUDR compliance into private-label sourcing contracts, advancing the timeline ahead of the formal deadline (Coffee Barometer 2026:33).

The regulation risks excluding origins without credible farm-level datasets — not because their

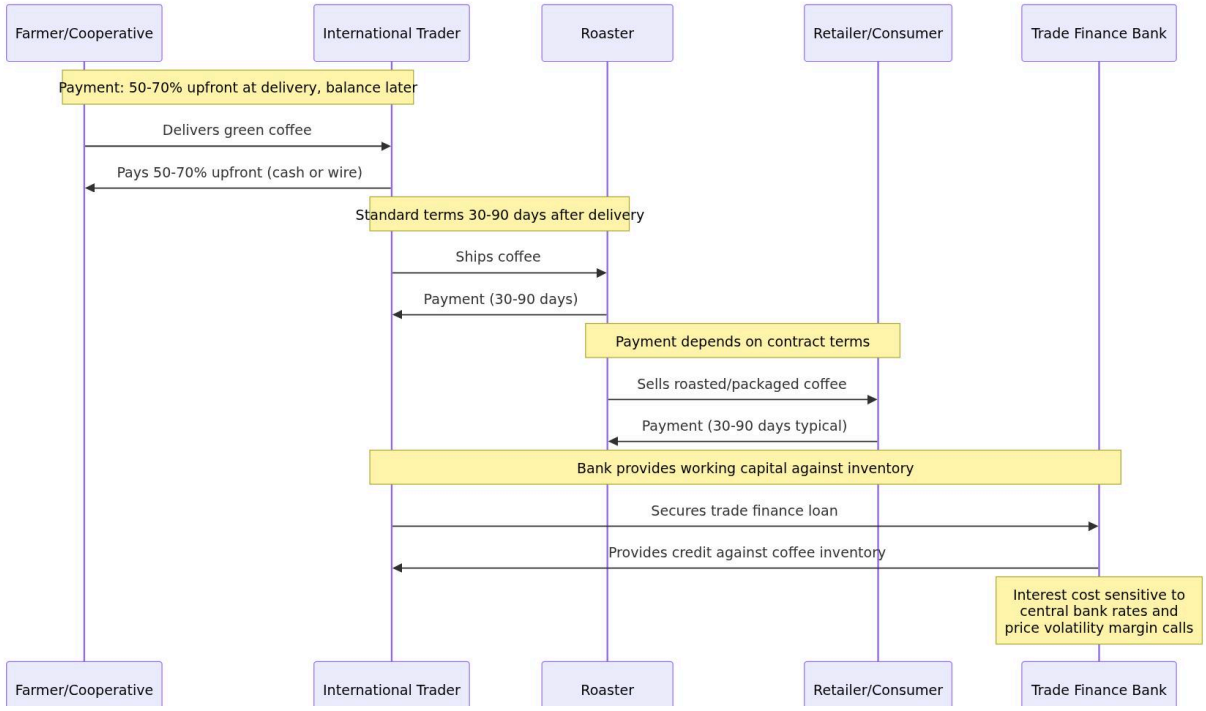
coffee is necessarily non-compliant, but because compliance cannot be demonstrated. Research by ODI models an extreme scenario in which Ethiopian coffee (worth 30–35% of export earnings) loses EU market access, producing a modelled 0.6% fall in GDP and a 3.3% reduction in public revenues (Coffee Barometer 2026:75).

Concentration of Verification Systems

A key structural shift is the accelerated substitution of independent third-party certification with proprietary second-party verification. Of the 33 schemes recognised under the GCP Equivalence Mechanism, only four offer third-party assurance. The remaining 29 are proprietary managed programmes (Coffee Barometer 2026:72). This limits external scrutiny and makes it difficult to verify whether trading relationships deliver genuine sustainability outcomes.

Days Payable Outstanding (DPO) practices further complicate trade terms. JDE Peet's took 290 days to pay suppliers in 2024 — nearly 2.5 times longer than Nestlé (115 days) or Unilever (116 days) (Coffee Barometer 2026:66). This effectively forces trading houses to finance inventory for nearly 10 months, tying up credit that cannot then be used to pre-finance farmers or fund sustainability programmes.

Trade Finance and Payment Flows



The payment sequence reveals a critical asymmetry: traders must finance inventory for extended periods while waiting for roaster payments, particularly where roasters maintain high DPO. This diverts credit away from pre-harvest farmer finance and sustainability programmes. The collapse of Rabobank's $450 million sustainability-linked credit facility for Mercon in 2023 illustrates the fragility of trade finance models when price volatility and interest rate shifts converge (Coffee Barometer 2026:57-58).

Trade Routes and Supply Chain Architecture

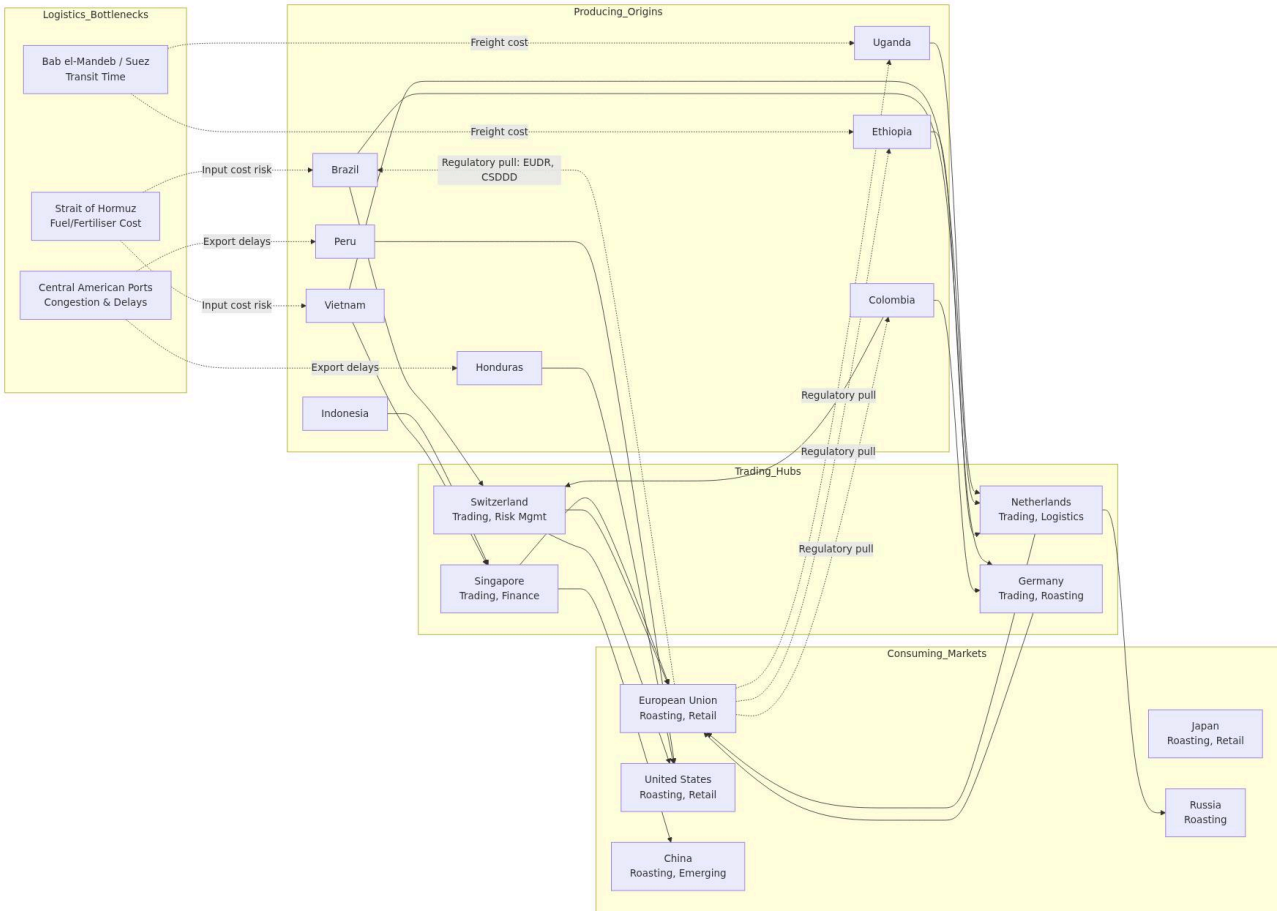


Figure: Global Coffee Trade Flow and Logistics Architecture

The diagram illustrates how coffee flows from producing origins through trading hubs dominated by Switzerland, Singapore, Netherlands, and Germany, before reaching consuming markets. Switzerland handles over 50% of globally traded coffee by volume (Coffee Barometer 2026:67), acting as the primary location for risk management, pricing, and contract execution. Logistics bottlenecks — Strait of Hormuz, Bab el-Mandeb, and Central American ports — impose cost and time penalties that flow unevenly through the system. Regulatory pull from the EUDR and CSDDD is increasingly shaping sourcing patterns, particularly for origins with weaker traceability infrastructure.

Key Trade Route Characteristics

Route	Estimated Volume Share	Key Dynamics
Brazil → Europe (via Switzerland/Netherlands)	~15% of global trade	Dominant Arabica route; subject to EUDR compliance costs
Brazil → US (direct)	~10%	High-volume, lower regulatory burden than EU
Vietnam → Europe (via Singapore/Netherlands)	~12%	Primarily Robusta; recovering from 2023/24 shock
Colombia → US	~5%	Premium Arabica; stable logistics
East Africa → Europe (via Germany)	~4%	High regulatory risk for smallholders; EUDR

		compliance challenges
Central America → US	~3%	Seasonally variable; port congestion in Q4
Indonesia → Asia/Europe	~3%	Recovery underway; logistics improving

Source: Author's estimates based on USDA FAS trade data and industry reports

Outlook: Trade Dynamics for the Near Term

Several trends will shape coffee trade through the remainder of 2026 and into 2027:

1. **EUDR compliance acceleration**: The 30 December 2026 deadline for large operators will drive further concentration of sourcing towards verified origins and traders with established data systems. Origins with weak traceability infrastructure risk marginalisation.
2. **Trader consolidation continues**: The entry of non-traditional capital (Hartree, StoneX) into coffee trading, combined with the financial pressures on mid-sized traders from high interest rates and price volatility, suggests further shakeout is likely.
3. **Logistics normalisation**: The reopening of Suez routes and easing of freight costs should improve delivery times and reduce the amount of coffee "on the water," potentially increasing certified stocks at destination.
4. **Price volatility and backwardation**: With stocks at historic lows and the market structurally tight, the futures curve is expected to remain in backwardation, reinforcing the premium on prompt supply and discouraging storage.
5. **Asian consumption growth**: China's coffee imports of 5.4 million bags (all forms) in 2025/26 represent a 150% increase over a decade (Coffee Barometer 2026:16). Vietnam's domestic consumption, at 4.9 million bags, is the fastest-growing segment in Asia, shifting the exportable surplus.
6. **Regulatory fragmentation**: While the EU leads on mandatory due diligence, comparable approaches are emerging in the US (forced labour regulation), UK (Environment Act), and Australia (modern slavery disclosure), creating a complex multi-jurisdictional compliance environment for global traders.

Sources: Coffee Barometer 2026; USDA FAS, Coffee: World Markets and Trade, July 2026; ICO, Coffee Market Report, January 2026; USDA FAS Nicaragua Coffee Annual, May 2025; TechNavio, Global Instant Coffee Market Report, June 2026

Value Distribution and Farmer Livelihoods

Introduction

The coffee sector generates substantial value—estimated at over $200 billion annually at retail—but the distribution of that value is profoundly inequitable. The lion's share accrues downstream to roasters, retailers, and financial intermediaries, while the 12.5 million smallholder farming households who produce the bulk of the world's coffee capture a shrinking and often insufficient portion (Coffee Barometer 2026, Chapter 4). This structural imbalance is not a market anomaly; it is a design feature of a system in which bargaining power, market concentration, and financial engineering systematically direct surplus away from origin and toward consuming countries. Understanding value distribution requires tracing the flow of money from consumer to farmgate, examining the hidden subsidies of unpaid family labour, the mechanisms of profit extraction through premium formats, shareholder returns, and tax arbitrage, and the persistent gaps in living income that even record high commodity prices have failed to close.

Living Income and the Farmgate Reality

The most direct measure of farmer welfare is whether coffee income suffices for a decent standard of living. The Living Income Community of Practice defines a living income as the net annual income required to afford food, housing, education, healthcare, transport, clothing, and provision for unexpected events (LICoP 2026). Evidence from 2019–2024 shows that in eight of the ten largest coffee-producing countries, the average coffee-farming household falls short of this threshold (Cordes et al. 2021; Coffee Barometer 2023). The gaps are most severe in Ethiopia and Uganda, where farm income often covers less than half of the living income benchmark (Coffee Barometer 2026, Chapter 1). Even during the price spike of 2024–2025, when the ICO Composite Indicator Price reached a record monthly average of 354.52 US¢/lb in February 2025 (ICO 2026), many farmers remained below the threshold because input costs—fertiliser, labour, transport—rose in parallel and because price transmission is asymmetric: farmgate prices rise more slowly than retail prices but fall more sharply (Daviron and Ponte 2005; Wienhold and Roberts 2025).

Table 1: Estimated Living Income Gap in Selected Countries (2024)

Country	Living Income Benchmark (USD/year/household)	Average Coffee Income (USD/year/household)	Gap (%)
Ethiopia	2,800	1,100	60.7%
Uganda	3,200	1,400	56.3%
Honduras	4,500	2,300	48.9%
Colombia	6,400	4,000	37.5%
Brazil	7,200	6,800	5.6%
Vietnam	5,100	5,600	-9.8% (surplus)

Sources: Coffee Barometer 2026 (Chapter 1); GLWC 2025; Fairtrade International 2022, 2023. Benchmarks are indicative and vary by region within countries.

Low farmgate prices, small plot sizes, and limited labour availability are the three interconnected constraints on smallholder viability. A Kenyan smallholder farming 0.7 hectares would need farmgate prices roughly six times their 2020 level to close the gap through price alone (Tuttleman et al. 2024). Without higher and more stable returns, farmers cannot invest in productivity, hire labour, adopt sustainable practices, or expand production. The result is a poverty trap that persists across price cycles.

The Hidden Subsidy: Unpaid Family Labour

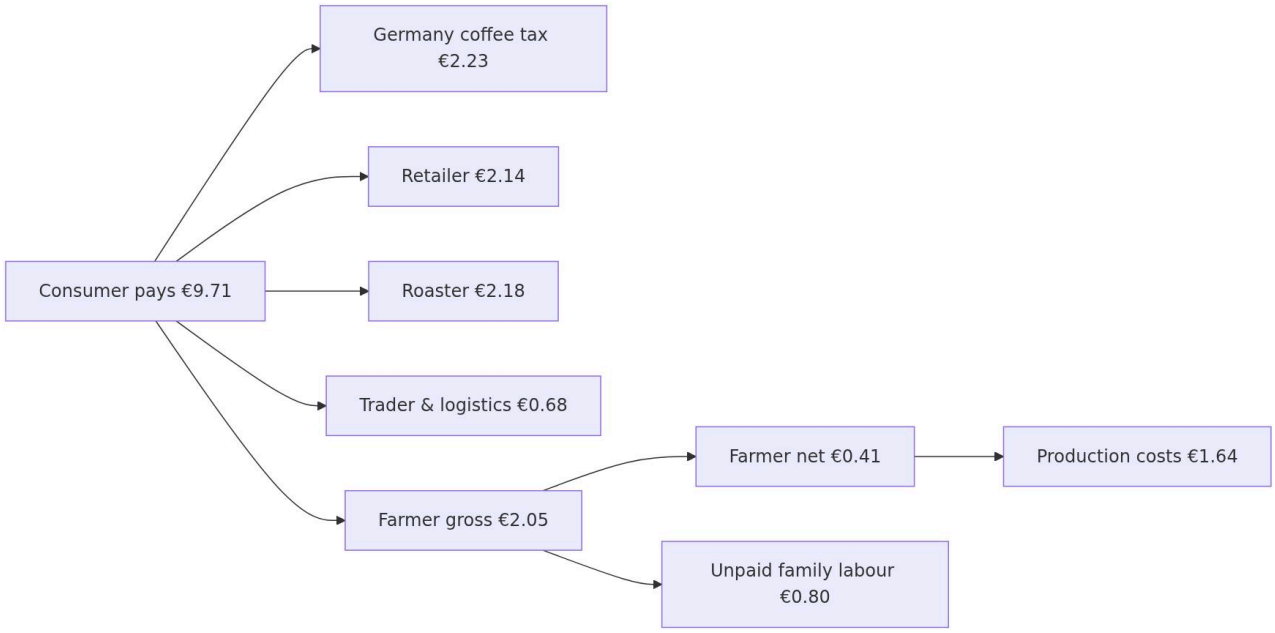
The largest single cost in coffee production is labour, accounting for 40–60% of total costs in most origins. Standard farm accounts treat only hired labour as a cost. Household labour—provided by family members—is recorded as zero, yet family members perform the majority of work on smallholder farms (Coffee Barometer 2026, Chapter 1). This omission inflates apparent profit margins and masks the true cost of production.

A comprehensive value distribution study by Le Basic for the German retail market illustrates the scale of the subsidy (BASIC et al. 2024). For a kilogram of ground coffee retailing at €9.71, the farmer receives €2.05 (21%). After deducting production costs—fertilisers, hired labour, transport—net income falls to just €0.41 per kilogram, or 4% of the retail price. If unpaid family labour is valued at minimum wage, that adds approximately €0.80 per kilogram—roughly 10% of retail value. In other words, farming families subsidise the entire supply chain by absorbing labour costs that every downstream actor prices in and recovers. Country-level data from Colombia confirm that unpaid family labour represents roughly 11% of recorded production costs, before any minimum-wage valuation (Solidaridad 2025). Across origins, most farms would operate at a loss if family labour were valued at a living wage.

Value Capture Downstream: Roasters, Traders, and Shareholders

Market concentration at both ends of the chain—among roasters and traders—enables value capture away from origin. The top 10 roasters purchase an estimated 35–40% of global green coffee production (Coffee Barometer 2026, Chapter 4). The green coffee trading sector has consolidated dramatically: between August 2023 and February 2026, three traders collapsed, and Hartree Partners acquired Volcafe and Touton, pushing the top five traders' share of global trade from roughly 30% in 2018 to an estimated 50% by 2025 (Coffee Barometer 2026, Chapter 4). This concentration concentrates buying power and reduces the number of channels through which farmers can negotiate.

Figure 1: Value Distribution of 1 kg Retail Coffee in Germany (Illustrative, 2021)



Source: BASIC et al. (2024). Percentages: tax 23%, retailer 22%, roaster 22%, trader/logistics 7%, farmer gross 21%, farmer net 4%, unpaid family labour 10% of retail.

The capsule economy exemplifies the disconnect between consumer price and producer return. In Germany, ground coffee retails at €8.06/kg, of which farmers receive €1.97 (24%). When the same coffee is sold as capsules at €35.98/kg, farmers receive €2.33—just 6% of retail value (BASIC et al.

2024). The additional €27.92 in retail value created by format innovation is almost entirely captured by roasters, retailers, and tax; farmers receive €0.36 (1.3%). In 2024, coffee capsules accounted for 45% of EU27 retail value despite representing only 16% of market volume (ECF 2025).

Shareholder returns represent another large and consistent outflow from the value chain that never reaches farmers. In 2024 alone, four publicly listed coffee companies—Starbucks, Nestlé, JDE Peet's, and J.M. Smucker—distributed an estimated $18–24 billion to shareholders through dividends and buybacks (Coffee Barometer 2026, Chapter 4). Over the decade 2016–2025, their net financial transfers to shareholders averaged approximately 10% of annual revenue. For every €10 spent on branded coffee products, €1 flowed to investors before any expenditure on sustainability programmes or farmer support.

Table 2: Net Financial Flows to Shareholders (% of Revenue) for Major Coffee Corporations

Company	2016	2018	2020	2022	2024	Average
Starbucks	13%	18%	12%	22%	16%	16.2%
Nestlé	10%	12%	15%	13%	14%	12.8%
JDE Peet's	n/a	n/a	4%	6%	8%	6.0%
J.M. Smucker	6%	8%	7%	9%	8%	7.6%

Source: Coffee Barometer 2026 (Chapter 4), calculated from annual reports and financial data.

Tax arbitrage further extracts value from producing countries. Switzerland handles over 50% of globally traded coffee by volume, yet its effective corporate tax rates in cantons like Vaud (13.79%) are far below rates in origin countries (25–35%) (SCTA 2025; invest-vaud 2026). An investigation by CICTAR documented how Starbucks Coffee Trading Company (SCTC) routed profits through Switzerland, marking up green coffee by approximately 18% between 2011 and 2021, shifting an estimated $1.3 billion in profits out of higher-tax jurisdictions (CICTAR 2025, 2026). Starbucks maintains this markup reflects the value of its sustainability infrastructure, but CICTAR's analysis suggests the documented costs of Farmer Support Centres can justify only a small fraction of that figure.

Specialty Coffee: Upgrading That Does Not Deliver

Quality improvement is often promoted as a pathway out of poverty. Yet transaction-level data from the Specialty Coffee Transaction Guide (SCTG 2024) show that specialty coffee segments distribute revenue less equitably than mainstream commodity markets (Wienhold and Roberts 2025). Producers of high-end specialty coffees (75th percentile) captured 19.8% of retail prices in 2022/23, compared to 17.1% for entry-level specialty and 23.5% for conventional commodity coffee (SCTG 2024; Coffee Barometer 2026, Chapter 4). Despite retail prices three times higher for specialty, the producer share is lower. When upgrading from commodity to high-end specialty, producers earn about $4.21/kg more, but retail value increases by $26.40/kg—farmers capture just 16% of the incremental value.

This value capture failure is especially problematic because specialty production requires significant farmer-borne costs: selective harvesting, specialised processing, extended fermentation, and multiple sorting stages (Magalhães Júnior et al. 2021). Ethiopian farmers who upgraded from sun-dried to washed coffee earned less income per unit of labour invested (Tamru and Minten 2023). Ugandan farmers who upgraded into green coffee processing captured none of the additional value due to information asymmetries in quality assessment (Arslan et al. 2024). The rising tide of retail specialty coffee prices does not lift all boats equally; the asymmetry in bargaining power persists.

Sustainable Investment and Its Misalignment

The ICO/ITC Coffee Sustainability Support Database records 480 projects and $10.9 billion in known commitments (ICO 2026). Yet the distribution of these investments reveals a structural misalignment with farmer needs. When mapped against the SDGs relevant to coffee-growing regions, the two most frequently cited goals are Decent Work and Economic Growth (SDG 8, 55% of projects) and Responsible Consumption and Production (SDG 12, 42%)—both aligned with corporate supply chain language, not with the priority needs of producing households (Coffee Barometer 2026, Chapter 1). In contrast, Health and Wellbeing (SDG 3), Education (SDG 4), and Water and Sanitation (SDG 6) each account for under 4% of projects. Clean Energy (SDG 7) has no recorded projects in any region.

Table 3: SDG Project Coverage in Coffee Sustainability Support Database

SDG	% of Projects (n=480)	Alignment with Farmer Priority
8: Decent Work & Economic Growth	55%	Weak (supply chain focus)
12: Responsible Consumption & Production	42%	Weak (corporate reporting)
1: No Poverty	34%	Strong
13: Climate Action	28%	Strong
15: Life on Land	22%	Moderate
2: Zero Hunger	18%	Strong
3: Good Health & Well-being	3%	Strong (underfunded)
4: Quality Education	2%	Strong (underfunded)
6: Clean Water & Sanitation	1%	Strong (underfunded)
7: Affordable & Clean Energy	0%	Strong (missing)

Source: Coffee Barometer 2026 (Chapter 1), derived from ICO/ITC database.

The $10.9 billion figure appears substantial but must be contextualised. Columbia University estimates that around $10 billion annually is needed to make meaningful progress toward the SDGs in coffee-growing regions (Sachs et al. 2019). TechnoServe calculates a $4 billion investment requirement for regenerative agriculture alone across nine producing countries over seven years (Technoserve 2025). Current investment flows, while significant, remain fragmented and often bypass the interventions most critical to farmer resilience.

Conclusion

Value distribution in coffee is not random; it is the product of concentrated market power, asymmetric information, and financial structures that prioritise shareholder returns and tax optimisation over producer welfare. The 4% net income share captured by farmers from a kilogram of retail coffee—or the 1.3% share of capsule premium—represents a systematic extraction of value from the people and places most exposed to climate risk and market volatility. Despite decades of sustainability commitments, no major roaster or trader publicly discloses its pricing structures or contract terms in a way that allows verification of living income alignment (Coffee Barometer 2026, Chapter 5). Until procurement practices reflect the true costs of sustainable production—including the value of family labour and climate adaptation investments—the sector will continue to depend on an implicit subsidy from farming households. Regulation such as the EU Corporate Sustainability Due Diligence Directive (CSDDD), which legally recognises living income as a human right from July 2029, may compel change. But whether this translates into improved farmer livelihoods depends on whether companies redesign their purchasing practices rather than simply manage compliance

costs.

Sustainability and Regulatory Landscape

Introduction

The coffee sector enters 2026 at a turning point shaped by overlapping sustainability pressures and an accelerating shift from voluntary commitments to mandatory regulation. After two decades of sustainability initiatives that delivered limited structural change, a wave of European Union legislation is redefining the conditions of market access. At the same time, climate vulnerability deepens, producer incomes remain below living income benchmarks in most origins, and the industry's own reporting practices continue to obscure key performance data. This section examines the emerging regulatory framework, the state of voluntary initiatives, and the gaps that persist between ambition and verifiable action.

The Emerging EU Regulatory Framework

The European Union has positioned itself as the lead regulator of agricultural supply chains, introducing four interconnected legal instruments that collectively rewrite the rules for coffee sourcing, reporting, and accountability. The table below summarises their key features.

Regulation	Scope	Key Requirements	Applicable from
EU Deforestation Regulation (EUDR)	Coffee, cocoa, palm oil, soy, cattle, wood, rubber	Deforestation-free sourcing; plot-level geolocation; due diligence statement	30 December 2026 (large & medium operators)
Corporate Sustainability Reporting Directive (CSRD)	Large EU companies (>1000 employees, €450M turnover)	Mandatory sustainability reporting under European Sustainability Reporting Standards (ESRS); double materiality	Omnibus I (Feb 2026) raised thresholds; sector-specific ESRS for agri-food removed
Corporate Sustainability Due Diligence Directive (CSDDD)	Same scope as CSRD	Identify, prevent, mitigate adverse human rights & environmental impacts; recognises living income as a binding standard	July 2029 (implementation)
Forced Labour Regulation (FLR)	All products placed on or exported from EU market	Ban on products made with forced labour at any stage of the supply chain	December 2027
Empowering Consumers for the Green Transition Directive (EmpCo)	All business-to-consumer environmental claims	Ban on unsubstantiated "sustainable", "eco-friendly", "carbon-neutral" claims; must be specific, verifiable	September 2026

Sources: Coffee Barometer 2026, Chapter 2; European Commission legislative texts.

EUDR: The Immediate Challenge

The EU Deforestation Regulation is the most concrete and near-term compliance requirement for coffee. It demands that every batch of coffee placed on the EU market be traceable to the plot of origin, supported by GPS coordinates and a due diligence statement confirming it is deforestation-free and legally produced. The deadline for large operators is **30 December 2026**—less than six months from the current date.

A key risk is that compliance costs are pushed onto smallholders. Research by the Overseas Development Institute (ODI) modelled an extreme scenario where Ethiopian coffee (worth 30–35% of export earnings) loses EU market access entirely, producing a modelled 0.6% fall in GDP and a 3.3% reduction in public revenues (Coffee Barometer 2026). The industry response—redirecting sourcing toward lower-risk origins rather than investing in farmer support—could deepen exclusion.

CSRD, CSDDD, and the Living Income Obligation

The Coffee Barometer 2026 notes that the Omnibus I reforms (February 2026) removed sector-specific ESRS for food and agriculture, creating a gap in harmonised reporting metrics. However, large European retailers remain in scope and must pull value-chain data upstream, indirectly extending disclosure obligations to traders and roasters.

The CSDDD is the first EU instrument to recognise **living income for smallholders** as a binding human-rights standard. This means that pricing structures, contract duration, and payment terms are no longer purely commercial decisions; where they are linked to adverse human-rights impacts, in-scope companies must change them. Implementation is due in July 2029, but systems must be built well in advance.

EmpCo and the End of Vague Claims

EmpCo, effective **September 2026**, bans unsubstantiated sustainability claims. For the coffee sector, this has immediate consequences: brands that have used terms such as “sustainable” or “carbon-neutral” without rigorous proof face legal exposure. The directive levels the playing field for companies that have invested in verifiable practices.

Voluntary Standards and Multi-Stakeholder Initiatives

The Limits of Voluntary Certification

Two decades of voluntary sustainability standards (VSS) such as Fairtrade, Rainforest Alliance, Organic, and 4C have raised awareness and traceability but failed to transform market structures. The Coffee Barometer 2026 reports that the first-ever decline in third-party certified coffee as a share of global production occurred in 2025, driven by two trends:

- **Demand–supply mismatch**: certified supply far exceeds demand, pushing certified beans into conventional markets at no premium.
- **Shift to proprietary schemes**: companies increasingly replace third-party certification with second-party (in-house) verification systems that are less transparent and more difficult for external scrutiny.

Of the 33 schemes recognised under the GCP Equivalence Mechanism, only four offer third-party assurance (Coffee Barometer 2026, Chapter 5).

Multi-Stakeholder Initiatives (MSIs)

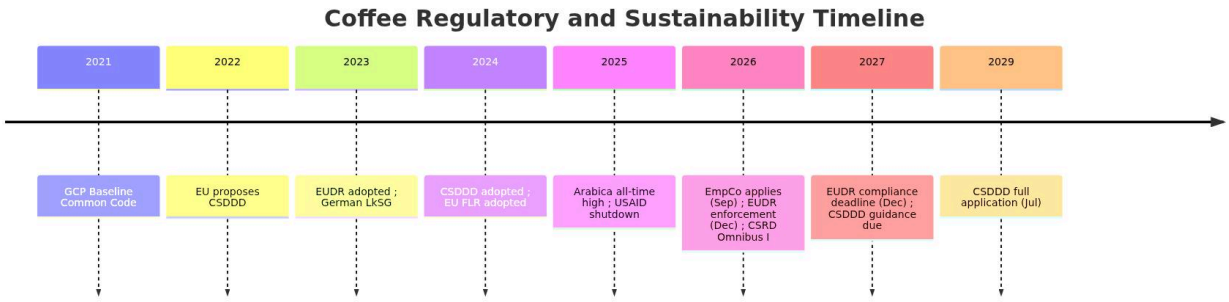
Three major MSIs dominate the global coffee governance landscape:

- **The Sustainable Coffee Challenge (SCC)** – hosted by Conservation International, set ambitious 2025 targets. Its 2025 progress report shows an average of only **38.5%** progress across all commitments. The climate mitigation target (100 million tonnes CO_2e) has achieved just **1.6%**

(Coffee Barometer 2026, Chapter 3).

- **The Global Coffee Platform (GCP)** – focuses on a common sourcing baseline and equivalence mechanism. Its annual Sustainable Coffee Purchases Report covers only **11 members**, limiting representativeness.
- **The Coffee Public-Private Task Force (CPPTF)** – established living income benchmarks in six origins, but these remain advisory; no producing country has mandated living income farmgate prices.

All three MSIs suffer from voluntary participation, weak enforcement, under-representation of producers in governance, and chronic under-financing. The Coffee Barometer 2026 notes that the estimated annual investment needed to achieve the SDGs in coffee-growing regions is **$10 billion**, while current MSI budgets are in the low millions.



Transparency and Accountability Gaps

The Coffee Barometer 2026 assesses **15 largest roasters and traders** across three dimensions: transparency, procurement practices, and environment/climate. Key findings:

- **No company discloses pricing structures, contract durations, or premiums** above the commodity price.
- **Living income is not embedded in procurement**: only one trader (ofi) has set and reported a quantified living income target (20,199 households reached by 2024).
- **Greenhushing** is widespread: companies are reducing public reporting to avoid scrutiny or litigation risk. For example, Melitta's certified sourcing fell from ~25% in 2020 to under 10% in 2024.
- **Proprietary verification schemes** dominate: of 33 GCP-recognised schemes, 29 are second-party (company-managed), limiting independent oversight.

Company	Sustainable Coffee Share	Verification Type	Net-Zero Target	Living Income Target
Nestlé	71%	3rd party (partial)	Yes (SBTi)	Pilots only
Starbucks	99.7%	2nd party (C.A.F.E. Practices)	Yes (SBTi)	None
JDE Peet's	20%	2nd party	Yes (SBTi)	None
Melitta	<10%	Mixed	Just validated	None
ofi	Not disclosed	2nd party	Yes (SBTi FLAG)	Yes (quantified)

		(AtSource)		

Source: Coffee Barometer 2026, Figure 10.

Data Gaps in Deforestation and Climate

Despite decades of sustainability commitments, comprehensive monitoring of coffee-driven deforestation remains thin. The Coffee Barometer 2026 notes that **no major company publishes a verified deforestation-free commitment** for its full portfolio, and only a handful have SBTi-validated Scope 3 targets. The EUDR is forcing action: all major traders (ofi, Volcafe, NKG, LDC, ECOM) are developing geolocation and emissions-monitoring systems, but these are largely proprietary and not interoperable.

Regenerative agriculture has become the dominant narrative, yet corporate reports still focus on **reach** (e.g., farmers enrolled) rather than **verified outcomes** (e.g., emissions reductions, soil carbon sequestration). TechnoServe's 2025 investment case estimates that a regenerative transition across nine producing countries would require **$4 billion** over seven years—financing that is currently not available.

Conclusion

The coffee sector's sustainability landscape in mid-2026 is defined by a paradox: regulatory momentum is unprecedented, but the industry's preparedness remains uneven. The EUDR, CSDDD, FLR, and EmpCo create enforceable baselines that could break the cycle of voluntary under-performance. However, the risk is that compliance costs are externalised to farmers, that proprietary systems replace independent verification, and that living income remains a concept rather than a procurement practice. The next twelve months—and the December 2026 EUDR deadline—will test whether the sector can translate regulatory pressure into structural reform or merely develop more sophisticated compliance exercises.

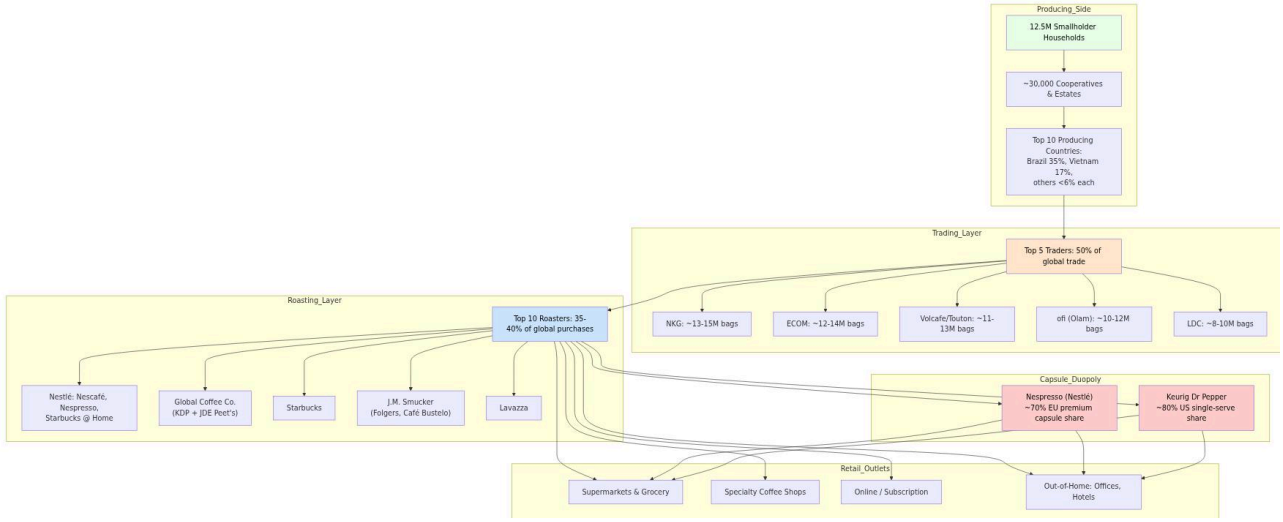
Sources: Coffee Barometer 2026 (Chapters 2, 3, 5); USDA Coffee World Markets and Trade (July 2026); ICO Monthly Market Report (January 2026); TechnoServe Regenerative Coffee Investment Case (2025); ODI analysis cited in Coffee Barometer 2026.

Industry Structure and Competition

Overview

The global coffee industry is characterised by deep structural concentration at both ends of the value chain: downstream among roasters and retailers, and in the intermediating tier of green coffee traders. This concentration is not merely a statistical feature; it fundamentally shapes pricing dynamics, value distribution, investment priorities, and the capacity for sustainability reform. In 2025/26, a handful of firms control an outsized share of purchasing power and market access, while the producing base remains overwhelmingly fragmented: an estimated 12.5 million smallholder households, 95% of whom farm less than five hectares, supply the bulk of the world's coffee (Coffee Barometer 2026, p. 14). The resulting asymmetry in bargaining power is the single most important structural determinant of outcomes in the sector.

The industry is best understood as three interlocking layers: **roasters** (branded consumer goods companies), **green coffee traders** (intermediaries connecting origin to roaster), and **proprietary format operators** (capsule/pod-system owners). Each layer is characterised by distinct concentration dynamics and competitive logics. The following diagram maps these relationships and the concentration ratios at each node.



Sources: Coffee Barometer 2026, pp. 14, 55, 56; Charles 2024, Coffee Intelligence; CB 2023.

Roaster Concentration

Despite the apparent diversity of coffee brands on retail shelves, the global roasting sector is dominated by a small number of multinational firms. The top 10 roasters collectively purchase an estimated 35–40% of global green coffee production (Coffee Barometer 2023). Two firms operate at scale across almost every major segment: **Nestlé** and the newly merged **Global Coffee Co.** (formed from Keurig Dr Pepper's acquisition of JDE Peet's, closed 1 April 2026). Nestlé spans roast-and-ground, instant, pods and capsules (Nespresso, Nescafé Dolce Gusto), ready-to-drink, and out-of-home channels. Global Coffee Co. combines Keurig's US single-serve dominance (≈80% market share in US pods) with JDE Peet's European roast-and-ground and capsule portfolio (Douwe Egberts, Peet's, L'OR, Tassimo) (Coffee Barometer 2026, p. 56; VEB 2025).

The sharpest concentration is observed in the single-serve capsule segment. This format, which accounted for 45% of EU27 retail coffee value in 2024 despite only 16% of volume, is a duopoly in practice (ECF 2025). In Europe, Nestlé's Nespresso holds approximately 70% of the premium capsule market; its Nescafé Dolce Gusto competes in the mass segment, while JDE Peet's Tassimo and L'OR provide the primary alternative. In the US, Keurig Dr Pepper commands roughly 80% of

the single-serve market (Coffee Barometer 2026, p. 56). Competition in this segment turns on machine ecosystems, intellectual property, brand licensing, and retail shelf access, not on the underlying quality or price of green coffee.

Roaster	Estimated Green Coffee Purchases	Key Brands	Ownership	Estimated Revenue from Coffee (2024/25)
Nestlé	Not disclosed	Nescafé, Nespresso, Starbucks (licensed)	Publicly listed	Not disclosed
Global Coffee Co. (KDP + JDE Peet's)	Not disclosed	Keurig, Douwe Egberts, Peet's, L'OR, Tassimo, Senseo	Publicly listed (NASDAQ)	Not disclosed
Starbucks	Not disclosed	Starbucks	Publicly listed	Not disclosed
J.M. Smucker	Not disclosed	Folgers, Café Bustelo, 1850	Publicly listed	Not disclosed
Lavazza	Not disclosed	Lavazza, Carte Noire, Merrild	Family-owned	€3.3 billion
Tchibo	Not disclosed	Tchibo, Eduscho	Family-owned	Not disclosed
Melitta	Not disclosed	Melitta, Café Bom Jesus	Family-owned	Not disclosed
Kraft Heinz	Not disclosed	Maxwell House, Gevalia, Jacobs (certain markets)	Publicly listed	Not disclosed
Strauss Group	Not disclosed	Elite coffee, Café Fraîche, Don Manuel	Publicly listed (Israel)	Iterim
UCC	Not disclosed	UCC	Privately held (Japan)	Not disclosed

Sources: Coffee Barometer 2026, Figure 10 (pp. 73–75); company annual reports; TechNavio 2026 instant coffee report (business intelligence).

Trader Consolidation

The green coffee trading sector has undergone a consolidation shock unprecedented in recent history. Between August 2023 and February 2026, three significant mid-sized traders collapsed (Sustainable Harvest, Mercon, COEX Coffee), and energy and commodities firm Hartree Partners acquired both Volcafe (ED&F Man's coffee division) and French trading house Touton. The top five traders' share of global green coffee trade surged from roughly 30% in 2018 to an estimated **50% by 2025** (Coffee Barometer 2026, pp. 58, 250). This concentration is the result of forced exit, not organic growth.

The trigger was a combination of rising interest rates (since 2022), which made working capital prohibitively expensive for mid-sized traders operating on thin margins, and record price volatility in 2024–2025 triggered by climate-driven supply shocks. Arabica futures hit an all-time high of $4.40/lb in February 2025, and Robusta reached 45-year highs. These conditions generated margin calls that undercapitalised firms could not meet. Mercon owed $363 million at bankruptcy; COEX collapsed with $200 million in debt (Bloomberg 2023; CB 2026).

The consequences extend beyond industry structure. Fewer traders mean reduced sources of pre-harvest finance for smallholders. Large trading houses also tend to prioritise scale and efficiency over the relationship-based sourcing that connects roasters to producer cooperatives. The entry of Hartree Partners, which has no prior coffee background, into a position controlling the combined farmer networks of Volcafe and Touton sharpens this concern (Touton 2026). Independent verification of acquirers' commitments to farmer support programmes remains absent.

Trader	Volume Estimate (M bags)	Production Share Estimate	Recent Acquisitions	Ownership	HQ	SBTi/Net Zero?
NKG (Neumann Kaffee Gruppe)	~13–15M	7–9%	Nordic Approach (2023)	Family	Germany	?
ECOM Agroindustrial	~12–14M	7–8%	–	Family	Switzerland	?
Volcafe & Touton (Hartree)	~11–13M	6–7%	Volcafe (2024), Touton (2026)	Fund (USA)	USA	?
ofi (Olam Food Ingredients)	~10–12M	6–7%	–	Temasek	Singapore	Yes (SBTi FLAG validated)
LDC (Louis Dreyfus Company)	~8–10M	4–5%	–	Family + ADQ fund	Netherlands	?
Sucafina	~8–10M	4–5%	Complete Coffee (2021), Sustainable Harvest (2023), Mercafe (2024)	Family	Switzerland	?

Sources: Coffee Barometer 2026, Figure 6 (p. 57); Charles 2024, Coffee Intelligence.

Competition Dynamics and Barriers

Competition in the coffee industry operates less on green coffee quality or price than on **branding, proprietary formats, and consumer lock-in**. The capsule market is the clearest example: rivalry centres on machine ecosystems, intellectual property, brand licensing, and retail shelf access, not the bean. This has created a market structure in which the incremental value generated by premium formats (capsules retailing at $70–90/kg versus $8–16/kg for ground coffee) is almost entirely captured by roasters and retailers, while farmers receive roughly the same price per kilogram regardless of final product format (BASIC et al. 2024; Coffee Barometer 2026, p. 59).

Barriers to entry are high at the roasting and trading levels. At the trading level, the combination of thin margins, high working capital requirements, and extreme price volatility has driven consolidation. At the roasting level, brand scale, distribution networks, and proprietary formats (capsule systems) create powerful incumbency advantages. The two largest roasters (Nestlé and Global Coffee Co.) now span almost all channels and formats, making it difficult for mid-sized roasters to compete across multiple categories.

The industry's response to the price spike of 2024–2026 has further strained relationships. In 2025, major supermarkets in Germany and the Netherlands temporarily delisted JDE Peet's brands (including Douwe Egberts) after the company sought double-digit price increases (McDonald 2025, *FD*). This dynamic illustrates the tension between roasters' need to pass on higher green coffee costs and retailers' resistance, a tension that ultimately filters back to producer prices.

Instant Coffee Market Structure

The instant coffee segment, while more concentrated than roast-and-ground, is less concentrated than capsules. The global instant coffee market is forecast to grow by $16.6 billion during 2025–2030, at a CAGR of 6.6%, driven by rising millennial demand, expansion in organised retail, and business strategies of key players (TechNavio 2026). The market is segmented by product (spray-dried vs freeze-dried), distribution (offline vs online), and geography. Key leaders include Nestlé (Nescafé), JDE Peet's, The Kraft Heinz Co., and Tata Consumer Products. The growth of private-label brands in instant coffee is an emerging competitive pressure on branded incumbents.

Sectoral Implications of Concentration

The concentration at both trading and roasting levels has direct implications for sustainability outcomes. Market power allows downstream actors to maintain or widen margins during price spikes while transmitting cost pressures upstream. The Coffee Barometer 2026 documents that between 2016 and 2025, four publicly listed coffee companies (Starbucks, Nestlé, JDE Peet's, J.M. Smucker) distributed an average of approximately 10% of annual revenue to shareholders through dividends and buybacks, often exceeding budgets allocated to farmer support or climate investments (CB 2026, pp. 63–64; Maile & Staritz 2026). This decoupling of shareholder returns from producer welfare is a structural feature of the industry.

The trader shakeout also reduces competition for farmers' beans at origin, potentially compressing farmgate prices further. The exit of mid-sized traders and the entry of non-coffee investors (Hartree) may also erode relationship-based sourcing and the provision of pre-harvest credit.

Finally, the shift from third-party certification to proprietary second-party verification systems (29 of 33 schemes recognised by GCP's Equivalence Mechanism are proprietary) concentrates both the definition of "sustainable" and the verification of that claim within the same organisations that buy the coffee. This reduces external accountability and creates a fragmented landscape where comparability across companies is almost impossible (Coffee Barometer 2026, pp. 30, 71–72).

The industry structure is therefore not a neutral background; it is a primary determinant of how value, risk, and sustainability obligations are distributed. The incoming wave of European regulation

(EUDR, CSDDD, CSRD, FLR) will begin to set a mandatory floor, but it is unlikely to dismantle the underlying concentration. Whether it alters the commercial terms of trade enough to change outcomes at origin remains the central question.

Sources:

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Outlook and Forecast

The coffee sector enters the second half of 2026 in a state of fragile equilibrium. Record global production in 2025/26—estimated at 178.85 million bags by USDA—has not translated into comfortable stocks. Ending inventories for 2026/27 are projected at only 20.15 million bags, the fifth consecutive annual decline and the lowest buffer relative to consumption in over a decade (USDA 2026). The ICO Composite Indicator Price (I-CIP), which peaked at 354.52 US cents/lb in February 2025, had retreated to 296.89 cents/lb by January 2026 and continues to moderate as supply conditions improve. Yet structural deficits in nearly every dimension of sustainability—living income, climate adaptation, labour conditions, value distribution—remain largely unresolved. The outlook is therefore not a single forecast but a set of intersecting trajectories: production and price recovery on one hand, and persistent structural fragility on the other. This section examines each in turn, drawing on the most recent data from USDA, ICO, the Coffee Barometer 2026, and industry projections.

7.1 Market Balance and Supply-Demand Dynamics

The global coffee market in 2025/26 reached a record production level of 178.85 million 60-kg bags, up from 175.32 million bags in 2024/25 (USDA 2026). The recovery was driven by Vietnam (30.80 million bags, +6.2% year-on-year), Indonesia (12.45 million bags, +16.4%), and Ethiopia (11.56 million bags, +4.1%). Brazil's output slipped to 63.00 million bags (−3.1%) as drought in Minas Gerais and São Paulo reduced Arabica yields, though a record Robusta harvest of 25.00 million bags partially compensated. Consumption, meanwhile, rose to an estimated 173.85 million bags, absorbing virtually all additional output. The resulting ending stocks of 20.15 million bags represent a stocks-to-consumption ratio of approximately 11.6%, near historic lows and well below the five-year average of 14–16% (ICO 2026).

Table 7.1: World Coffee Supply-Demand Balance, 2021/22 – 2026/27 (million 60-kg bags)

Coffee Year	Production	Bean Exports	Total Exports	Consumption	Ending Stocks	Stocks/ Cons.
2021/22	165.04	118.95	143.58	167.88	31.94	19.0%
2022/23	164.39	110.94	134.56	168.75	26.93	16.0%
2023/24	169.35	119.18	143.47	163.97	23.12	14.1%
2024/25	175.32	121.49	147.37	171.56	21.31	12.4%
2025/26	178.85	123.83	150.10	173.85	20.15	11.6%
2026/27*	180–183	125–129	152–156	177–180	18–20	10–11%

*Source: USDA FAS Coffee: World Markets and Trade (July 2026); ICO Coffee Market Report (January 2026). *2026/27 range represents author projections based on current trends.*

Forward projections for 2026/27 indicate a mild production increase to 180–183 million bags, contingent on normal weather in Brazil (expected to return to a biennial high Arabica cycle) and continued recovery in Vietnam and Colombia (USDA 2026; Coffee Barometer 2026). The structural tightening of ending stocks—from nearly 32 million bags in 2021/22 to an estimated 18–20 million bags by late 2027—implies that the market will remain acutely sensitive to any supply disruption. The ICO's supply/demand balance for 2024/25 already shows a small surplus of approximately 2.4 million bags, but this is eroded by the cumulative stock drawdown (ICO 2026 table 3). The risk of price spikes in response to a single drought, frost, or logistics shock remains elevated.

7.2 Production Outlook by Key Origins

Brazil is forecast to produce 63.0 million bags in 2025/26 and is expected to rebound toward 66–

68 million bags in 2026/27 as the Arabica biennial cycle turns positive, assuming normal rainfall in Minas Gerais and São Paulo (USDA 2026; Coffee Barometer 2026). The Robusta share continues to expand—25.0 million bags in 2025/26, up from 21.0 million four years earlier—driven by area expansion in Espírito Santo and Bahia. Brazil's dominance means its biennial swings of 4–6 million bags exert outsized influence on global supply.

Vietnam produced 30.8 million bags in 2025/26, reflecting full recovery from the 2023/24 drought and flood dual shock (Coffee Barometer 2026). The Ministry of Agriculture forecasts a 10% contraction in total coffee area to 650,000 hectares by 2030, but yields could rise through intensification and replanting with higher-density Robusta varieties (Tuyen 2026). The outlook is for flat to slightly declining volumes near 29–31 million bags over the medium term.

Colombia output recovered to 13.8 million bags in 2025/26 (+11.8% YoY) after excessive rains and cloud cover disrupted flowering in 2024/25 (USDA 2026). The high prevalence of rust-resistant varieties has stabilised yields, but capacity constraints suggest a ceiling near 14–15 million bags without major investment in renovation and extension services.

Indonesia has rebounded sharply to 12.45 million bags in 2025/26 (+16.4%), driven by Robusta recovery in Sumatera and improved labour utilisation during harvest (USDA 2026). Area remains flat at ~1.2 million hectares; future growth depends on yield improvement rather than expansion.

Ethiopia continues its upward trajectory, reaching a record 11.56 million bags in 2025/26 (+4.1%). Replacement of over half the cultivated area with higher-yielding varieties since 2022 underpins this growth (USDA 2026). Further expansion into new areas—potentially encroaching on forested landscapes—poses sustainability risks that the EUDR (effective December 2026) will bring into sharper focus.

Central America is forecast to produce 17.6 million bags in 2025/26, led by Honduras (5.8 million) as the harvest normalises after the 2024/25 delayed start caused by Tropical Storm Sara (USDA 2026; Nicaragua FAS report). The region faces structural headwinds: labour shortages due to out-migration (Nicaragua lost ~600,000 people since 2018), limited long-term credit, and climate stress. Even with higher prices, renovation rates remain below the 5% per annum needed to sustain productivity (FAS Nicaragua 2025).

7.3 Price Trajectories and Market Volatility

The I-CIP averaged 296.89 US cents/lb in January 2026, down 2.6% from December 2025 and 16.3% below the February 2025 peak of 354.52 cents/lb (ICO 2026). The decline reflects improving supply conditions, particularly the resumption of rainfall in Brazil's Minas Gerais region and the gradual return of shipping through the Bab el-Mandeb Strait after the October 2025 ceasefire with Houthi rebels (ICO 2026). However, backwardation in the futures market—where immediate-delivery prices exceed forward contracts—remains pronounced, signalling persistent tightness in nearby availability and low certified exchange stocks (London ICE Robusta stocks at 0.71 million bags, New York ICE Arabica stocks at 0.48 million bags in January 2026; ICO 2026 table 5).

Table 7.2: ICO Group Indicator Prices, Monthly Averages (US cents/lb)

Month	I-CIP	Colombian Milds	Other Milds	Brazilian Naturals	Robustas
Feb 2025	354.32	410.64	409.48	401.10	263.08
Jun 2025	295.06	360.08	363.16	338.53	196.21
Oct 2025	326.38	403.25	403.79	373.47	215.06
Dec 2025	304.68	382.32	381.14	355.38	190.53
Jan 2026	296.89	371.59	363.94	343.77	192.52

Source: ICO Coffee Market Report, January 2026, Table 1.

The outlook for 2026/27 points to a gradual easing of prices toward the 250–280 cents/lb range, contingent on three key variables: (i) the size and quality of Brazil's 2026/27 Arabica crop, which could add 4–6 million bags to global supply; (ii) the pace of Vietnamese Robusta exports, which have been slow due to farmer holding behaviour; and (iii) the implementation trajectory of the EUDR, which could disrupt trade flows from high-deforestation-risk origins (Coffee Barometer 2026; Grabs 2025). A further wildcard is the Strait of Hormuz disruption (April 2026), which has pushed oil and fertiliser prices higher, compressing farmer margins and potentially curtailing input use in the 2027/28 season (Coffee Barometer 2026).

7.4 Consumption Growth and Structural Shifts

Global coffee consumption is projected to reach 177–180 million bags by 2027, driven by sustained demand in Asia and specialty market expansion in Europe and North America (Coffee Barometer 2026; USDA 2026). China's consumption has grown 150% in a decade, reaching an estimated 5.85 million bags in 2025/26, and is expected to exceed 6.5 million bags by 2028. The instant coffee segment is forecast to grow at a CAGR of 6.6% through 2030, adding USD 16.6 billion in market value, with spray-dried and freeze-dried formats expanding across APAC, the Middle East, and Africa (TechNavio 2026).

Retail-format innovation continues to drive value capture downstream. Coffee capsules now account for 45% of EU27 retail value while representing only 16% of volume (ECF 2025). The premium-to-commodity price wedge is widening: Nespresso capsules retail at USD 70–90 per kg versus USD 8–18 per kg for ground coffee, yet farmgate prices remain disconnected from this value creation (Coffee Barometer 2026; BASIC et al. 2024). This decoupling is unlikely to reverse without regulatory intervention or structural reform in procurement practices.

7.5 Regulatory and Trade Policy Landscape

The single most consequential near-term regulatory event is the EUDR compliance deadline for large and medium operators on 30 December 2026. The regulation requires plot-level geolocation, deforestation-free certification, and legal production verification for all coffee placed on the EU market (Coffee Barometer 2026). Preparatory investments by traders—ofi's AtSource, Volcafe's partnership with Meridia, NKG's osapiens HUB—are accelerating, but smallholder inclusion remains uncertain. Without proactive buyer support for data infrastructure in high-risk origins, the regulation risks redirecting sourcing toward lower-risk countries, excluding farmers who cannot demonstrate compliance (Coffee Barometer 2026; Grabs 2025).

The Empowering Consumers for the Green Transition Directive (EmpCo), effective September 2026, will restrict unsubstantiated sustainability claims, banning vague terms like "eco-friendly" and "carbon-neutral" based on offsets. This will directly affect coffee brands that have relied on loosely defined sustainability narratives, levelling the playing field for companies with verifiable practices.

The Corporate Sustainability Due Diligence Directive (CSDDD) applies from July 2029, but its human-rights annex recognises living income for smallholders as a binding legal standard—elevating what has been a voluntary aspiration into a procurement obligation (Coffee Barometer 2026). Companies outside the direct scope of the CSDDD will still feel its effects through downward pressure from in-scope retailers and roasters.

Trade policy adds further uncertainty. The gradual rollback of US tariffs (noted in the Coffee Barometer 2026 as a factor in the I-CIP correction) and the unresolved status of the US tariff regime under the current administration introduce currency and trade-flow volatility. The appreciation of the Brazilian real against the US dollar has been a supporting factor for international prices, but could reverse if trade tensions escalate.

7.6 Structural Challenges and Sector Resilience

Three structural challenges that have defined the sector for two decades remain unresolved and will

shape the outlook beyond 2027.

Living income and value distribution. In eight of the ten largest coffee-producing countries, average farm incomes remain below living income benchmarks (Coffee Barometer 2026). Even at record market prices, the share of retail value captured at origin has fallen from 30% in the early 1990s to approximately 10% today (ICO 2020). The Le Basic study (2024) shows net farmer income at just 4% of retail price for ground coffee, with unpaid family labour covering an additional 10% of the true production cost. Without mandatory price transparency mechanisms—none of the 15 largest roasters and traders discloses pricing structures, contract durations, or risk-sharing terms—living income remains an aspirational concept rather than a procurement reality (Coffee Barometer 2026, Chapter 5).

Climate change and ecological constraints. The window for adaptation is narrowing. Suitable Arabica area is projected to contract in Central America (−23% shade cover needed by 2050), Uganda (−18–22% by mid-century), and Vietnam (−62% of Robusta area under high-emissions scenarios) (Lara-Estrada et al. 2023; Abigaba et al. 2024; Dinh et al. 2025). Brazil's 2024 drought—the worst in 70 years—and the 2023/24 Vietnam dual climate shock are harbingers of increasing frequency and intensity of extreme events. Investment in climate-resilient varieties and agroforestry transition is estimated at USD 4 billion over seven years for eight key producing countries, yet virtually none of the required farmer capital is currently financed (TechnoServe 2025).

Concentration and financing. The top five green coffee traders now control an estimated 50% of global trade, up from 30% in 2018 (Coffee Barometer 2026). The collapse of Mercon (2023, USD 363 million owed) and COEX (2024, USD 200 million owed), combined with the acquisition of Volcafe and Touton by Hartree Partners, has reduced the number of independent financing channels available to smallholders. Sustainability-linked loans, such as Rabobank's USD 450 million facility for Mercon, proved fragile under market stress (Coffee Barometer 2026, Box 5). A more robust financing architecture—blending public grants, concessional loans, and private risk-sharing—is needed but remains nascent.

7.7 Sustainability Investment and Financing

The financing gap for coffee sustainability is measured in billions annually, against confirmed commitments in the tens of millions. Columbia University research estimates USD 10 billion per year is required to make meaningful progress toward the SDGs in coffee-growing regions (Sachs et al. 2019). World Coffee Research calculates an additional USD 246–452 million per year for agricultural R&D (WCR 2023). The TechnoServe regenerative agriculture investment case identifies USD 4 billion over seven years for 6.5 million smallholder farms (TechnoServe 2025).

Against this need, public funding streams are contracting. The closure of USAID in 2025 stranded over USD 45 million in coffee-related investments across 19 countries, including a USD 5 million breeding programme with World Coffee Research and an USD 8.3 million Honduras Coffee Alliance with JDE Peet's (Coffee Barometer 2026, Box 4). European donors such as BMZ/GIZ are reassessing priorities, cutting budgets.

New mechanisms are emerging but remain small relative to need. AROMA, the financial arm of the Sustainable Coffee Challenge, secured a USD 10 million Green Climate Fund preparation grant in January 2025, aiming for a USD 120 million fund over seven years (CI 2025). The G7 Global Coffee Sustainability and Resilience Fund remains a political commitment without defined capitalisation (ICO 2024). MSIs are well-placed to coordinate funding pipelines, but bridging the gap between ambition and committed capital requires companies to treat supply-chain investment as a core procurement cost, not a sustainability programme line item.

7.8 Summary of Key Forecast Indicators

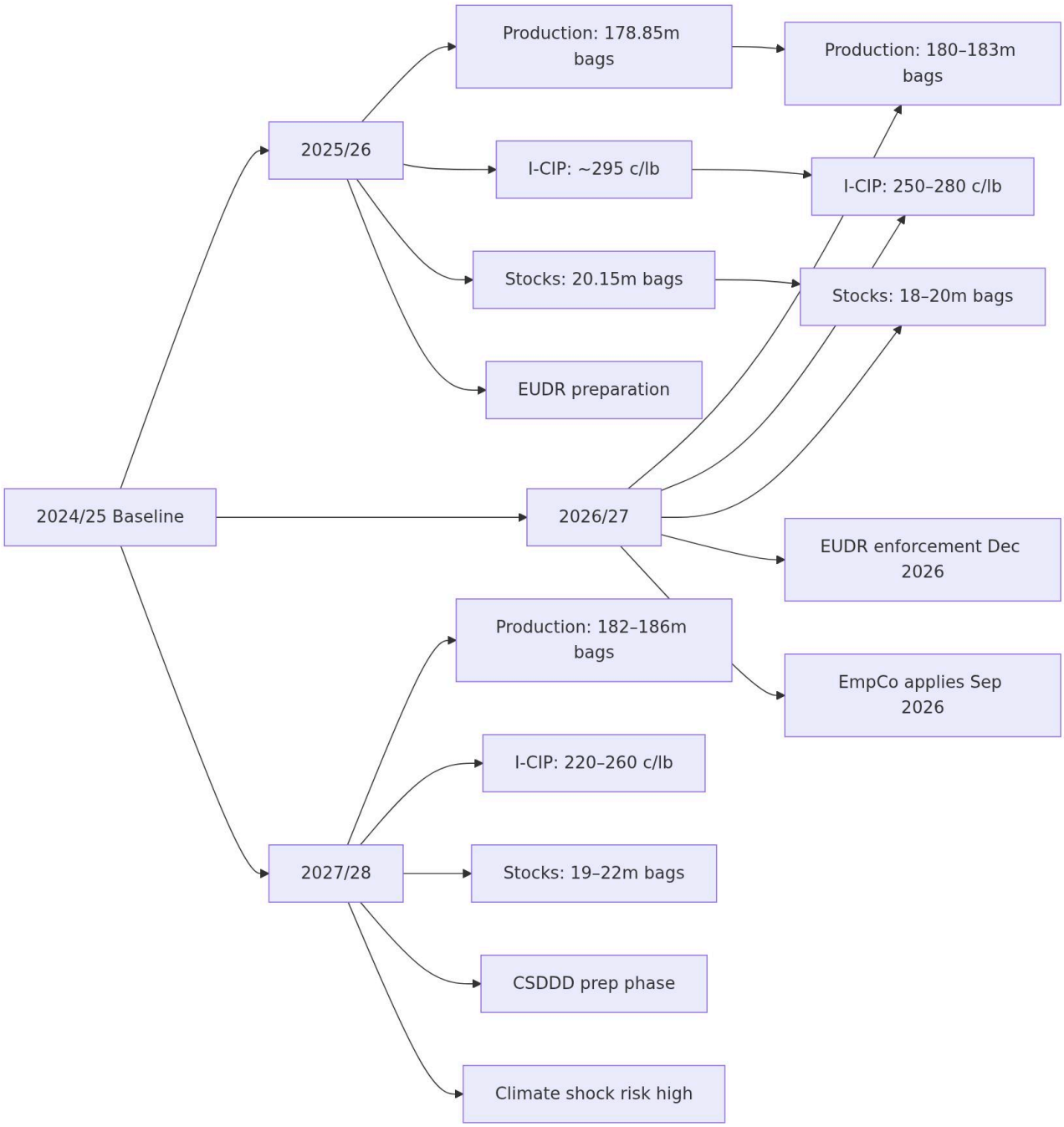


Table 7.3: Outlook Summary – Key Indicators, 2025/26 – 2027/28

Indicator	2025/26 (Est.)	2026/27 (Proj.)	2027/28 (Proj.)
Global production (m bags)	178.85	180–183	182–186
Global consumption (m bags)	173.85	177–180	179–183
Ending stocks (m bags)	20.15	18–20	19–22
Stocks-to-consumption ratio	11.6%	10–11%	10.5–12%
I-CIP (annual avg, US	~295	250–280	220–260

c/lb)			
Arabica share of trade	~64%	62–65%	61–64%
Certified VSS share of production	~28%	26–30%	25–30%
Living income gap (avg top-10 origins)	~35%	30–35%	28–35%
Sector sustainability investment gap (USD bn/yr)	7–9	7–10	8–12
EUDR compliance coverage (large operators)	~60%	~85%	~95%

Sources: USDA FAS July 2026; ICO January 2026; Coffee Barometer 2026; author calculations and projections.

The outlook for the coffee sector over the 2026–2028 period is one of managed tightness and cautious price normalisation, layered over persistent structural fragility. Production growth is sufficient to meet rising consumption but leaves no buffer against shocks. Prices will ease from historic peaks but remain well above pre-2024 averages, supported by low stocks, backwardation, and regulatory uncertainty. The EUDR, EmpCo, and CSDDD will redefine the conditions of market access, shifting sustainability from voluntary branding to mandatory compliance. Whether this translates into improved farmer livelihoods, climate resilience, and value redistribution depends not on the regulations themselves but on how companies, governments, and financial institutions respond—and on whether the sector finally confronts the power asymmetries and commercial incentives that have sustained inequality for three decades.

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