



## Soaring coffee prices: Opportunity or challenge for small producers in fair trade?

*Beyond coffee futures trading record highs, market price volatility is affecting small farmers and their cooperatives.*

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### Coffee market amid tensions

As the global coffee market tenses up, demand is going up but supply isn't: less and less coffee is being harvested due to abnormal weather conditions in producing regions. While the price hike may seem like a victory for producers, the reasons behind this phenomenon are often detrimental to the overall value chain and may lead to disastrous consequences for small producer organizations (SPOs). This article outlines the current situation and how this affects coffee stakeholders who are part of fair trade networks, as well as the challenges facing them.

### Fluctuating coffee prices

Coffee has been traded on the New York and London stock exchanges since the 19th century. Commodities listed on New York's Intercontinental Exchange are traded as futures contracts. The buying and selling of contracts ultimately establishes the global trading price of arabica coffee, which is known as "the C price". This system was designed to provide stability to international buyers, but it has nothing to do with the economic, social and production problems smallholder farmers have to deal with on a daily basis.

More often than not, coffee prices vary due to lower yields caused by weather events but factors such as speculation have a huge impact on pricing too. Speculators, usually market players with a dominant position, directly influence Price C fluctuations. Coffee traded through stock exchanges offers certainty to final buyers and makes it possible for speculators to generate large profits. However, one major shortcoming of the C Price has been that, for most of its history, it has been considerably lower than actual production costs. This has a drastically limiting effect on producers' income.

In 2019, coffee prices reached an all-time low, so small producers spoke up and demanded fair compensation that truly mirrors their efforts (See statement: [Who pays the price?](#)). Also, SPP Global has worked to set minimum sustainable prices that reflect production costs and help in guaranteeing a living income (See: [SPP Global sets new minimum sustainable price for coffee](#)). This model has been crucial to protecting producers during low-price periods.

Between 2022 and 2025, we have nonetheless observed an unusual phenomenon: coffee prices are drastically going up driven by supply shortages and increased demand on a global scale, particularly in countries where mass consumption of coffee is relatively new, such as China. The reason why coffee shortfalls are happening is because of the extreme



weather events that have occurred in Brazil and Vietnam, the world's top two coffee producers, resulting in significant yield reductions. While rising coffee prices might seem like an opportunity, this also presents significant challenges for SPOs.

### How do fair trade SPOs and cooperatives operate?

SPOs are designed to strengthen smallholder farmers through vertical integration. Coffee farming is a family-based agricultural activity – families work in the fields to grow coffee –, but cooperatives allow them to pool resources and share efforts to accomplish key production processes such as buying inputs, processing beans and marketing products.

This scheme offers multiple benefits, including but not limited to:

- **Access to finance:** Cooperatives usually grant loans or advances for producers to tackle immediate needs.
- **Direct selling:** SPOs build direct and long-term relationships with final buyers, getting rid of dependence on intermediaries. This is mainly achieved by getting organic, fair trade and small producer certification, which would be impossible if they ran their business individually.
- **Infrastructure and community development:** Through successful business promotion strategies and collective sales, in addition to premiums that recognize organic production and fair trade, cooperatives can invest in tools, technology and technical assistance to optimize production, as well as socioeconomic community projects.

By reducing dependence on intermediaries – a.k.a. Middlemen –, these organizations have significantly improved producer families' living standards. However, when prices skyrocket, they face unique challenges.

### Problems when coffee prices go up

In times of low futures prices, organizations have managed to keep producers' income stable thanks to minimum prices and fair trade conditions agreed upon. But when the international price of coffee beans rises due to supply shortages, something we could describe as a "war" for beans breaks out in producing territories.

Intermediaries reach out directly to producers - behind cooperatives' backs - and seek to buy producers' product directly at high prices, even above market prices. In addition, as middlemen have the support of large multinational companies, they have much more cash money than farmer co-ops do and they're thus able to pay the total amount right when buying coffee from producers directly on their plots. When this happens, producers don't have to pay to transfer their beans to the co-op's collection center, but of course, quality control and product traceability can no longer be ensured.

Although the price small producer organizations offer to pay to producers may be above the price offered by middlemen, the fact that organizations usually pay an advance first and make then a remaining payment at the end of the harvest based on actual final sales might be perceived as a setback by some members. Producers who have a pressing need to receive cash immediately - due to illness or emergencies - may find themselves in a situation where they have no choice but to accept whatever middlemen offer to pay, even if it turns out to be lower than the final price granted by their farmer co-op (if we take into account both the advance and the remaining payment).



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Here, it is important to note that producer families' day-to-day life - despite all progress made thanks to organic production and producers being part of fair trade networks - is still difficult speaking of finances. This is what makes middlemen's proposals so tempting in times of high market prices.

When some of the producers decide to sell their coffee to middlemen, instead of taking their beans to their co-ops' collection facilities, remarkable challenges arise for farmer organizations. Unfair competition from intermediaries forces organizations to take on more loans, which imply difficulties in terms of finance management, high interest rates and considerable risks. In this context, it is sometimes necessary for crop buyers to increase the price they originally agreed to pay, thus adapting to current market reality, so that cooperatives can adjust the price they pay to producer members for bringing beans in and thus guarantee the volumes they undertook to sell.

Even though we don't think ICE price reflects small producers' reality, we know we cannot be oblivious to it; any fluctuation has tangible repercussions on coffee production and coffee sales in coffee-growing territories, that's for sure.

On the other hand, it is essential to acknowledge that the same weather factors that cause the increase in prices also reduce small farmers' production capacity. In our regions, we can observe increasingly unstable rainfall-drought patterns, greater vulnerability to pests, and decreased yields. We are also susceptible to multiple factors that raise production costs: for example, more expensive farming inputs and insecurity, which makes it difficult for hired labor to get to our coffee plantations, all while also exponentially increasing our transport expenses.

Additionally, it is important to realize the strong impact that long periods of low prices have on producers' ability to finance a fully sustainable, resilient production that is resistant to unpredictable and extreme weather events and their consequences.

In short, higher prices do not necessarily result in better net incomes (considering production costs) for families of small producers, or at least not proportionally. This is because, in such a context, productivity is usually lower and producers' capacity to harvest the beans is reduced due to increased production costs and the lack of necessary labor.

History teaches us that a price hike is usually followed by a new drop in prices. This means that, when prices go down, intermediaries once again leave producers out in the cold and these producers can only get acceptable prices through their organizations if they participate in fair trade schemes. Hence the importance of amplifying support for cooperatives in times of high prices and refrain from promoting market individualization.

### **To wrap things up**

The current increase in coffee prices highlights the urgent need to continue to promote and defend fair trade schemes led by small producers. Only by guaranteeing fair prices and ethical business relationships that place producer families at the core will it be possible to make sustainable and high-quality production thrive, so as to benefit humankind and the entire planet in the medium-to-long term, regardless of market fluctuations. Only through these schemes will it be possible to build a truly sustainable industry. Ensuring that smallholders can make a living income from coffee, regardless of market fluctuations and rising costs, is essential for them to continue to grow this valuable bean. If the current hegemonic schemes are perpetuated, more and more producers will be forced to give up farming all together, leading to reduced volume, supply and quality of available coffee.



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**We urge final buyers and distributors** of our coffees to get in touch, so that we further explain you all the situation we have described in this article and discuss fair renegotiations in such fluctuating price contexts.

**To end consumers:** Each coffee craving is an opportunity to buy a product that supports small producers. Choose committed brands and hear the stories behind every cup you enjoy. Choose the brands that pay producers really fair and sustainable prices at all times and not just during coffee shortages.