



Cost price increase rationale May 2025



Cost price increase rationale summary

Raw coffee, forex affecting coffee buying and other COGs elements

GREEN COFFEE PRICES



- **High volatility of green coffee prices, with both Arabica and Robusta prices increasing again and reaching the highest peaks ever** (respectively **360 \$/Lbs in Jan 25** and **5.700 \$/Ton in Nov 24**)
- **Lavazza experiences even a higher increase due to the differentials paid to maintain its quality standards: we pay a premium on standard coffee market price to purchase premium green coffee used to obtain superior blends, especially on bio/organic ones. The limited amount of Robusta available is generating never seen before differentials.**

FOREX EUR/USD

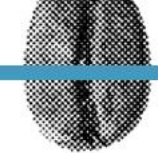


- **EUR/USD exchange rate** has been dramatically depreciating since Feb 2021, **reaching levels close to the parity** (from 1,23 EUR/USD in 2021 to 1,02 EUR/USD in January 2025).
- **Lavazza buys the largest part of its coffee supplies in USD making the purchases much more expensive** (1 cent of change has an impact of more than 10M€ for the company)

OTHER COSTS ELEMENTS



- **Disruptions at key chokepoints result in significantly higher financial costs** due to longer routes (up to 25% longer) **and transit times** (10-12 days more), as well as increased insurance costs for those traversing the Suez Canal.
- **Raw materials prices slowing down but still higher** vs usual trends for increased demand and supply complications (with the exception of **Aluminium that continues to increase**)



● **The coffee market key drivers** | Raw coffee price increases have not stopped, reaching all time highs on Arabica and Robusta in 2025.

1Y PRICES EVOLUTION

ARABICA
c\$/lbs



ROBUSTA
\$/tons



EXCHANGE RATE
€/€/\$

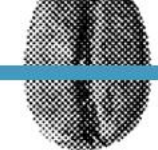


DIFFERENTIALS
Current Availability in Brazil is very limited and Differentials have become very expensive.

DEFORESTATION
New EUDR regulation on deforestation-free products supposed to start in Jan '25 has been postponed by 12 months

STOCK
The upward trend continues with stocks at historically low levels

SUPPLY&DEMAND
Global deficit for the 5th consecutive year



● May cost price increase rationale

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GREEN COFFEE PRICES

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FOREX

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OTHER COSTS ELEMENTS

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Raw coffee market – Arabica | Coffee reaching an all time highs

ARABICA
c\$/lbs

US Coffee C
Futures



- **Arabica coffee futures climbed further to around \$4.40 per pound, setting a record high for a closing price, fueled by supply concerns in top producer Brazil amid persistent below-normal rainfall in key growing areas.**
- In 2024, coffee prices surged by 70%, with further increases expected due to climate-related challenges like drought and excessive rainfall in major coffee-producing countries, the strong dollar, the Red Sea crisis, and EU regulations on deforestation.
- **Tight supply in the global robusta market and sustained strong demand are adding further upward pressure on arabica prices.**
- **Arabica prices reached an all time high of 358,73 in January of 2025** following the retraction of tariff and sanction threats on Colombia by President Trump (the US sources approximately 30% of its coffee from Colombia).

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Raw coffee market – Robusta | Robusta reaching new peaks and an all time high of 5.800 \$/Ton

ROBUSTA
\$/tons

London Coffee
Futures



- **Robusta coffee prices are underpinned by reduced robusta production:** Vietnam, the world's largest robusta coffee producer, has experienced heavy rains that have flooded coffee fields and delayed the harvest.
- Due to drought, Vietnam's **coffee production in the 2023/24 crop year dropped by -20%, the smallest crop in four years.**
- The USDA FAS on May 31 projected that Vietnam's robusta coffee production in the new marketing year of 2024/25 will dip slightly to 27.9 million bags from 28 million bags in the 2023/24 season.
- **Robusta prices reached an all time high of 5.694 \$/Ton in Nov 24.**

1 Causes of green coffee price increase | Supply chain challenges and limited availability are limiting the supply putting pressure on prices

SUPPLY CHAIN

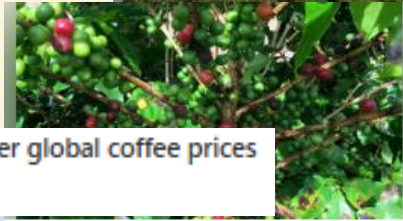
LIMITED AVAILABILITY

Limited availability in Brazil until the new harvest, with estimates revised downwards.

Vietnam as well has been experiencing heavy rains that flooded the coffee fields and delayed the harvest

Global coffee prices surge as Brazil records hottest year

Story by HAREK BHARDWAJ - 1d - 2 min read



Brazil drought lights a fire under global coffee prices

Story by AFP - 1d - 3 min read

SHIPPING DISRUPTIONS

Shipping Disruptions continue: delays from Brazil and very long transit times (>7 weeks) from Asia/East Africa



SUPPLY&DEMAND

Supply and Demand remains negative for the fifth consecutive year: This indicates an ongoing imbalance where the demand for coffee exceeds the supply.

STOCK

The upward trend continues with stocks at historically low levels

EUDR REGULATION

New EUDR regulation on deforestation-free products (supposed to start in Jan '25 has been postponed by 12 months)

COFFEE FLOW

Well-funded producers are disciplined in releasing coffee: This suggests that coffee producers, who have sufficient financial resources, are strategically withholding coffee from the market. This could be done to drive up prices or to ensure a steady supply for future commitments.

1 Brazil & Vietnam climate crisis | Extreme heat and severe droughts combined with forest fires strongly affecting coffee production

Brazil's coffee production has faced consecutive setbacks since 2021, with droughts and erratic rainfall patterns disrupting harvests.

In 2024, Brazil was responsible for more than a third of global coffee production. Unfortunately, it faced its **hottest year on record**. This extreme heat, coupled with severe droughts, led to a record number of devastating forest fires across the country.

This in turn **led to shortages**, in fact Brazil produced 54.2 million 60-kilo bags of coffee in the 2024/25 harvest. This volume represents a **1.6% decline compared to the 2023 harvest**.

Farmers report **investing more resources to produce the same, or even lower**, yields due to unpredictable weather patterns.

Vietnam, the world's largest robusta coffee producer, has been experiencing **heavy rains that have flooded coffee fields and delayed the harvest**.

Vietnam's coffee exports had fallen by 47% year-over-year in November to 63,019 metric tons. **Coffee exports from January to November were also down by 14% compared to the previous year**, at 1.22 million metric tons.

The financial impact of Brazil's & Vietnam's worsening climate crisis is evident. Arabica & Robusta coffee both hit the highest price.

Drought, heat take toll on Brazilian coffee production

The nation's harvest declined 1.6% from 2023 levels, reports Conab



Coffee Prices Rise as Vietnam's Heavy Rain Disrupts Robusta Harvest



Global coffee prices surge as Brazil records hottest year
Story by HARDEK BHARDWAJ - 1d · 2 min read

Brazil drought lights a fire under global coffee prices

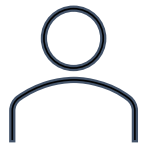
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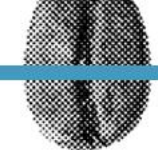
"I have been working in coffee for 35 years and I have never seen a situation as difficult as the current one"

Brazilian coffee grower and consultant Guy Carvalho.

"Not only did we lose in this year's harvest, but also next year's, because we must start over [due to the fires.]"

Brazilian coffee farmer Moacir Donizetti Rossetto



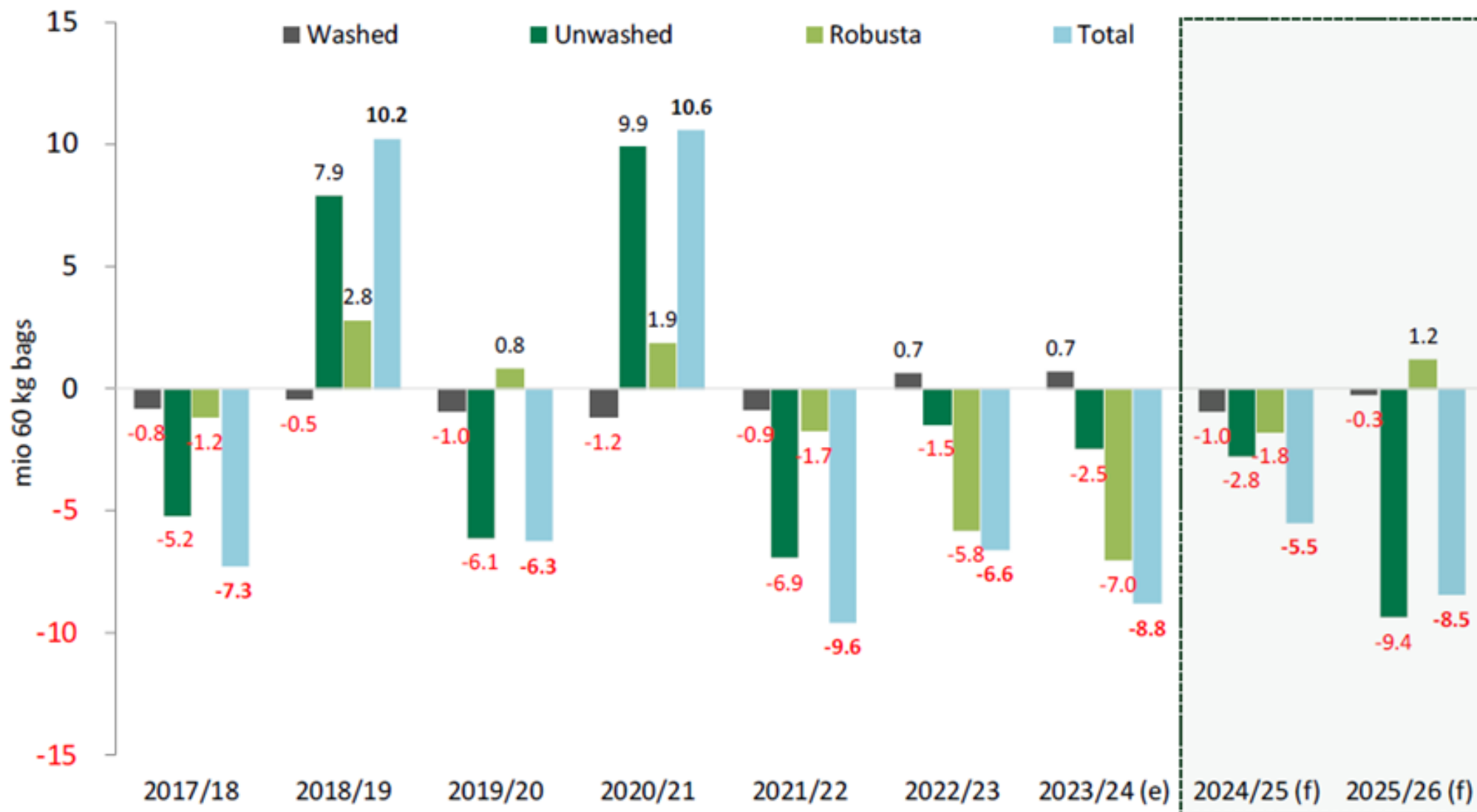


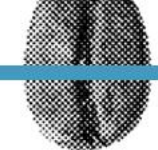
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Supply & Demand | Global deficit for the 5th consecutive year



DEMAND IS FORECASTED TO BE HIGHER THAN SUPPLY FOR BOTH ARABICA (WASHED AND UNWASHED) AND ROBUSTA





● May cost price increase rationale

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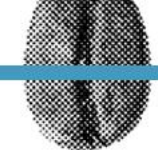
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OTHER COSTS ELEMENTS



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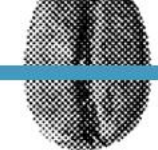
EUR/USD ex. Rate | Moreover, Euro is strongly depreciating vs USD Dollar making our green coffee purchases more expensive



EUR/USD EXCHANGE RATE EVOLUTION (€/€)



In beginning of January 2025 the euro reached **over two-year low** of \$1.018, following reports that **President-elect Donald Trump's economic team is considering a phased approach to trade tariffs that could avoid inflation spikes**. The proposed strategy includes gradual monthly tariff hikes of 2% to 5% instead of sharp, one-time increases. **The euro has faced downward pressure as investors scaled back expectations for major central bank rate cuts and assessed whether Trump's policies might drive inflation higher.**



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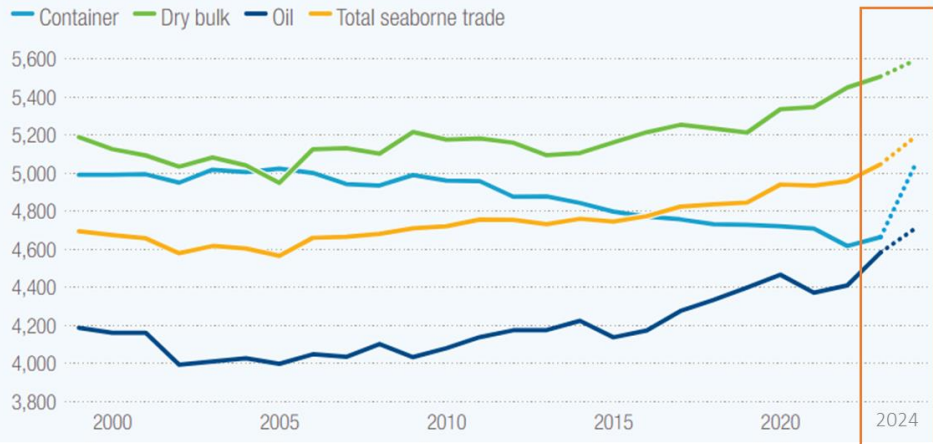
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OTHER COSTS ELEMENTS

3 Shipping disruptions

Black Sea, Red Sea and Panama Canal disruptions increase shipping distances

Nautical miles, 1999–2024



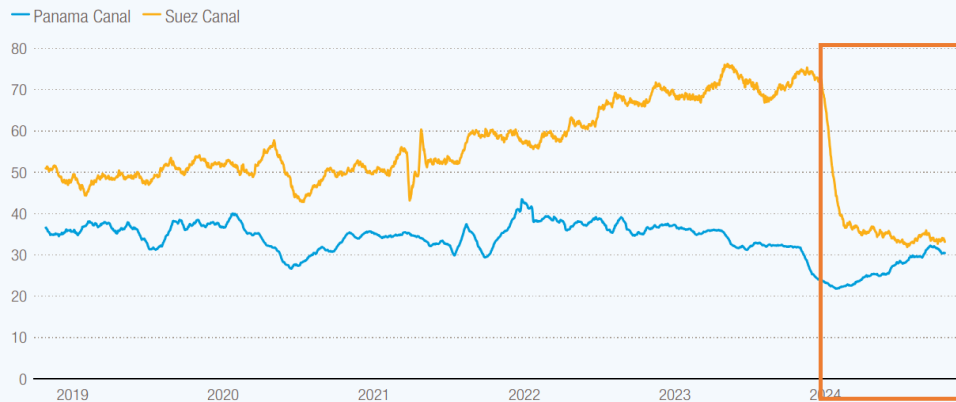
Disruptions at key chokepoints such as the Panama Canal, Suez Canal, Red Sea, and Black Sea are still leading to higher shipping costs, longer transit times, and strained logistics networks—putting recovery efforts at risk

Chokepoint Disruptions and Rising Costs

The Panama and Suez Canals, vital arteries of global trade, are vulnerable to disruptions. By mid-2024, traffic through both had dropped over 50%. The Panama Canal faced low water levels due to drought, while conflict in the Red Sea disrupted transit through the Suez Canal, where tonnage declined by 70%. While the drought in Panama has ended and shipping is rebounding, the Suez Canal, where traffic has been cut in half, remains an issue. Yemen's Houthi rebels said on January 20th that they will now limit their attacks in the Red Sea corridor to only Israeli-affiliated ships after a ceasefire began in the Gaza Strip.

Canal traffic plummets: Suez stays down, Panama shows signs of recovery

Number of transits per day, 28 days rolling average, October 2018–October 2024



Avoiding these critical chokepoints leads to higher costs because of longer journeys. The average voyage was estimated to be 4,675 miles in 2000 versus 5,186 miles in 2024. As a result, ships have increasingly rerouted around the Cape of Good Hope, with arrivals there surging by 89%. However, this shift carries financial consequences. Avoiding the Suez makes the trips 25% longer and adds 10 to 12 days to the journeys. For shippers and carriers willing to brave the Suez, higher insurance costs are the result.

Longer routes have led to increased port congestion, fuel consumption, crew wages, insurance premiums and piracy risks, all while raising overall costs and greenhouse gas emissions.

For example, a typical large container ship carrying 20,000–24,000 twenty-foot equivalent units (TEUs) on the Far East–Europe route incurs an additional \$400,000 in emissions costs per voyage under the European Union’s Emissions Trading System (ETS) when diverting around Africa instead of using the Suez Canal.