# Rising coffee prices spark concerns for consumer tolerance, says Lavazza CEO



Antonio Baravalle, the chief executive of Italian coffee roaster Lavazza, has expressed concerns regarding the potential limits of consumer tolerance for rising coffee prices. In an interview with the Financial Times, Baravalle highlighted troubling price points, stating, “When I see three, four pounds for an espresso in London, or eight for a cappuccino in New York . . . I see the limit.” He likened this phenomenon to fluctuations seen in the New York Stock Exchange, suggesting that the current trends may be unsustainable.

Since the beginning of the previous year, coffee futures have been on an upward trajectory, with higher-quality arabica beans peaking at $4.39 per tonne in February 2023. However, there has been a significant decline in prices this month, falling below $3.45, fueled by concerns that tariffs imposed by former US President Donald Trump could suppress demand.

Baravalle attributed the price surges in part to market speculation, as well as supply constraints exacerbated by unpredictable weather conditions. He acknowledged the looming impact of climate change, stating, “Climate change will be an issue in our category — but in the medium to long term, not a 2025 problem.” Nonetheless, Baravalle noted positive production forecasts from Brazil, the world’s leading producer of arabica beans.

In a report released last month, the Food and Agriculture Organization (FAO) of the United Nations warned that coffee export prices might continue to increase throughout the year. El Mamoun Amrouk, a senior economist at the FAO, described the weather conditions experienced last year in Brazil and Vietnam, the main producer of robusta beans, as having created “the perfect storm” for the coffee industry. He further indicated that instances of extreme weather events, linked to climate change, are likely to become more frequent over time, resulting in “frequent surges in prices in comparison to the past.”

Lavazza recently reported a 20.6 per cent increase in net profits, amounting to €82 million for the prior year, alongside a 9.1 per cent rise in revenues reaching €3.35 billion. However, the company is expected to be affected by the 20 per cent tariffs on EU imports enacted by the Trump administration, which could impact its €400 million in annual US sales. Although Lavazza began relocating its roasting and packaging operations to the US in 2022, it still imports a significant portion — around half — of the coffee sold in the US from Italy. Baravalle indicated that it would take approximately two years to expand production capacity within the US.

Lavazza's profit margin has narrowed to 9.3 per cent on an earnings before interest, tax, depreciation, and amortisation basis, down from 11-12 per cent three years ago. Baravalle highlighted that this margin erosion has resulted in profits being affected by between €70 million and €100 million over the same period, attributing the decision not to change their blends and to partially absorb raw material costs as factors influencing profitability. Many coffee producers are reportedly opting for cheaper bean variants to manage costs.

As consumer sentiment has shifted, many companies have passed remaining cost increases on to their customers, leading to a reported decrease in coffee consumption. Lavazza observed a “global coffee market tightening of approximately 3.5 per cent over the past two years.” Looking ahead, Baravalle anticipates further declines in sales by 2025 due to ongoing coffee inflation, although he reassured that the company has not yet resorted to layoffs or reduced its marketing and research expenditures to mitigate costs.

In an innovative move, Lavazza announced the launch of a packaging-free coffee capsule made entirely from coffee, as part of its commitment to sustainability. The sales of products intended for home consumption, including capsules and ground coffee packages, account for 55 per cent of Lavazza's total revenues; however, these have not shown the same resilience as its “out of home” offerings.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.newstalk.com/news/coffee-price-surge-why-it-might-cost-you-more-1716990> - This article discusses the rising costs of coffee, including the impact that fluctuating supply and demand has on prices, which aligns with Baravalle's concerns about consumer tolerance regarding high coffee prices.
* <https://www.prnewswire.com/news-releases/lavazza-group-ceo-antonio-baravalle-presents-the-exclusive-preview-of-tabli-302420069.html> - This press release includes financial data on Lavazza's revenues and profits, supporting claims about the company's financial performance and the challenges posed by rising coffee prices.
* <https://www.lavazzagroup.com/content/dam/risultati-2023/Lavazza%20Group_press_release_FY23.pdf> - This document provides official financial results for Lavazza, confirming the increase in raw coffee costs and the company's efforts to maintain profitability amidst market challenges, including tariffs and consumer price resistance.
* <https://www.bbc.com/news/business-64977817> - The article highlights the broader trends in coffee prices influenced by climate factors and market speculation, echoing Baravalle's statements on the unsustainability of current pricing trajectories.
* <https://www.foodandwine.com/news/coffee-prices-2025-7461787> - This article discusses the expected continuation of high coffee prices due to supply chain disruptions and climate change, reinforcing the concerns raised by Baravalle regarding future price surges.