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Features

# How might threat of ‘super’ El Niño impact coffee prices?

The news of a possible intense El Niño has brought back a sense of unease to the coffee industry.

Fiona Holland | July 24, 2026

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After seeing prices jump to record highs, driven by climate pressures and lower yields, the coffee industry had at the start of the year seen commodity costs ease – but clouds are gathering again amid fears of what how a 'super' El Niño may affect the sector.

Last month, the USDA forecast a "record crop" for the 2026/2027 coffee harvest in Brazil, the world's largest coffee producer. The agency said it expected coffee production volumes in the country to reach 71.9 million bags, a 14% increase on the previous marketing year, which runs from July to June. The

USDA also forecast coffee exports for the next 2026/2027 marketing year to jump 30% to 39 million 60kg bags.

However, the USDA did warn that the the potential occurrence of El Niño “raises an alert on producers on the possible effects to the end of the 2026/27 harvesting and the 2027/28 coffee cycle”.

In June, the World Meteorological Organisation warned that as of the middle of May, warm sea-surface temperatures in the Pacific meant it was becoming more likely that an El Niño will occur, which can cause extreme weather conditions including higher temperatures and heavy rainfall.

Celese Saulo, the secretary general of the WMO, said at the time there was a “need to prepare for a potentially strong El Niño event.”

## Power of speculation

A positive forecast for coffee’s largest producer had indicated signs of improved in supply but the news of a possible intense El Niño has brought back a sense of unease to the industry.

“El Niño is not a single global weather shock. It creates a kind of a mosaic of regional winners and losers. For coffee, it overall results in a greater supply uncertainty,” explains Gerd Müller-Pfeiffer, the founder and CEO of consulting business International Coffee Consulting.

“The immediate impact is likely to be a greater volatility as a higher weather risk premium, rather than an automatic straight-line increase in coffee price.”

Given the expectations of Brazil’s coffee harvest being particularly strong this year, the physical impact of El Niño on subsequent harvests might not be realised until the next harvest in 2027, says Müller-Pfeiffer.

Research from GlobalData, *Just Drinks*’ parent, suggests the climatic phenomenon could have an impact on coffee yields from next year’s coffee harvest.

“El Niño is by far the biggest risk to the global coffee market at the moment,” senior analyst Maniti Doshi says.

While the impact won't be the same across the producing regions, it is believed that producers in Vietnam, India, Colombia and parts of Central America will be more affected in the 2026/2027 harvest. For Brazil and Indonesia, "the primary concern" is the 2027/2028 producing season, "when higher temperatures and irregular rainfall during vegetative growth an flowering could reduce fruit set and yield potential", GlobalData says. El Niño could also interact with other weather events, which could intensify risks around production.

Though the impact of a strong El Niño on production or yields won't been seen for some time, the effect of the uncertainty on price is already starting to be felt.

According to the International Coffee Organisation's Composite Indicator Price, prices for the month of June were down 2.8% on May at around 248.9 US cents per pound. They then reached their lowest level in almost two years on 9 June but by the end of the month had jumped more than 17% to just over 273 US cents.

As well as the coffee commodity price being high, the sector is also seeing high coffee price differentials, says Will Corby, director of coffee and social impact at UK-based producer Pact Coffee.

"Commodity price is one element of pricing coffee but we are seeing historically high differentials from the main export markets of Brazil and Colombia, so premiums on top of that commodity price for coffee," he says.

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What is often underestimated is the amount of speculation actually on the coffee market

Michel Acda, Food Strategy Associates

A factor in the pressure on prices, industry watchers believe, is speculation around how a particular event might impact the coffee harvest and production.

"What is often underestimated is the amount of speculation actually on the coffee market, which is substantially fuelling, both up and down, the price movements," Michel Acda, a partner at European consultancy Food Strategy Associates and former Jacobs Douwe Egberts executive, says.

As well as speculation, Corby does see the potential 'super' El Niño reducing coffee production globally due to the impact on yields and potential shipping disruption through such as the Panama Canal.

"Any kind of change in supply, it leads to enormous speculative pressure around the coffee market," he says. "What we've seen even over the past two weeks is a dramatic increase, the biggest increase in the commodity market price in 25 years in a single day."

Earlier this month, *Bloomberg* reported that arabica coffee prices saw their highest increasing in a day in 26 years, with futures jumping 19% on 6 July. These prices “sharply corrected” the following day, the outlet said.

Credit: LarysaPol/Shutterstock.com

## Price effects: retail vs. HoReCa

While uncertainty drives up the price of green coffee, how a super El Niño might lead to higher prices on shelf or in a café could vary and won’t be straight away.

“Is it immediate? No, there is always a bit of delay”, says Acda. “It depends on how fast it will increase. Having a very high spike triggers, of course, more shorter-term pricing decisions.”

Müller-Pfeiffer agrees that an effect won’t be se seen in short order. “Consumers should not expect an overnight price shock but if the green coffee price is going up… the pressure will eventually move through the system”.

While producers might be able to absorb the rising cost of green coffee through their own margins, they may also turn to “a selected price increase, smaller packs and fewer promotions” or switch up their coffee blends, he adds.

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>
> Gerd Müller-Pfeiffer, International Coffee Consulting

In Europe, the presence of retail buying alliances will also likely influence how and when prices increase.

“Many of the large roasters are hooked into buying alliances from the trade. That means you cannot just go to Rewe or to Carrefour or Tesco because many of them are hooked in buying alliances,” says Müller-Pfeiffer. “They have a huge, huge buying power. Therefore, due to the trade effect, a huge delay in pricing.”

When we see the effect on the price of coffee products also depends on companies’ hedging strategies, as well as their existing inventories and supply agreements, he says.

The impact on price in the HoReCa sector is not expected to be as significant as in retail.

According to Acda, the effect will be “a little bit more phased”, due to several factors, such as there being a smaller volume of the coffee commodity actually being in the products sold.

For Müller-Pfeiffer, the impact of other factors like labour, milk, or energy costs for this sector is also far greater than an increase in green coffee prices.

“The impact on coffee prices is lower, but simultaneously, of course, margins are not stellar there neither,” Acda adds.

“It’s something where price adjustments will take place, but in my experience, with a little bit more lag and lesser magnitude, both up and down, versus what you see in retail.”

Credit: Mel Marketing/Shutterstock.com

## The impact on production and product quality

As El Niño conditions take effect in coffee-growing regions, one side-effect, according to Corby at Pact, is a change in the quality of coffee products.

"Coffee is a crop that really needs consistency," Corby says. "It relies on very defined wet and dry seasons and climate change over the past decades has led to those seasons bleeding into each other globally. What we see with El Niño is not an amplification of that, actually, just even more drift and shift in weather patterns, which leads to inconsistent flowering of coffee trees and inconsistent yields. As well as the yields being dropped, we can also then see issues with coffee quality because of the coffee trees not ripening all at the same time.”

Aside from an El Niño affecting how coffee trees grow, higher prices could also cause manufacturers to make changes to the types of coffee they use in their products.

“Alongside prices increasing, we don’t have shrinkflation quite so much in coffee but it’s this shift in the quality that goes into the bag,” Corby says. “It’s not like reducing the amount of cocoa in a chocolate bar or the amount of buttermilk, it’s actually just trading down on the green quality you’re buying to save a couple of pennies but there is a really noticeable quality shift.”

Making changes to what type of coffee producers source, or the make-up of their products, comes with risk.

“A big mistake that could be made is actually to start downplaying the blend and to create inferior coffees that maybe match the same price but then you’re going to substantially lose your consumers. You taste immediately that the coffee is not at the same quality,” Acda at Food Strategy Associates says.

## Battle between brands

Roasters could look to mitigate the effects of higher coffee commodity costs by passing on the price to consumers. Acda cautions brands face competition from private label, though large players, such as Nestlé or Lavazza, have the benefit of “very strong” brand equity, he says.

“Even if there would be a strong commodity push, A brands are going to be more and more careful on how to pass that through, what they could absorb, what they could take care of in terms of the cost-saving programs, for example,” Acda explains.

“But simultaneously, they will need to continuously have a platform where they’re able to invest in their brands, invest in innovation, invest in R&D and in their teams to make sure that they have future growth opportunities as well. It’s really balancing those two worlds.”


Credit: Pact Coffee

At Pact Coffee, higher prices will reduce the price difference between its “speciality” products and those of larger brands in the sector, Corby says. That, in turn, he believes, could offer Pact opportunity to reach more consumers and convince them to switch to their brand, with the price difference becoming smaller.

“I see it as an opportunity to be able to share fantastic coffee with more people and hopefully convince them in the long run,” he explains.

“Unfortunately, the price is likely to go back down. The commodity market price is likely to go down. When we see prices this high globally, we always see dramatic planting of coffee trees around the world.

“In that time that we have, we have to work as the people that want to sell great quality coffee, and hopefully pay farmers… a great price for that to ensure that consumers recognise the difference when the price goes back down and don’t want to buy the cheapest coffee they can.”

Pact Coffee trades directly with its coffee farmers, paying each grower a minimum of $2 per pound, which the business says cuts out costs that might be paid to commodity traders, packaging suppliers or importers.

“We’re committed to paying that price all the time. We’re lean. We work hard. We’re efficient to make sure that we can operate on the margin we get and that means we haven’t had to pass through dramatic increases in cost and hopefully won’t have to, unless the market really does skyrocket,” Corby adds.

High coffee prices will impact brands and producers in different ways but the volatility in commodity prices is not a new challenge for the sector.

“Coffee businesses have been having to adapt to price fluctuations substantially over the last decade,” Acda says.

Analysts still see growth opportunities for coffee despite the industry facing higher prices, particularly from increased demand in parts of Asia, like China and India, says Müller-Pfeiffer.

Prices are harder to predict further down the line. In the short-term, Müller-Pfeiffer doesn’t expect to see a “price tsunami” but he does have a message for the industry longer term.

“Due to the global effects, we have a much better harvest. In a way, the political circumstances, geopolitical, I wouldn’t say have stabilised but people are getting used to it,” Müller-Pfeiffer reflects. “It’s a more stabilised environment despite all the issues we have on a global scale.

“This question is not whether climate volatility will affect coffee but how quickly the industry can build a supply chain resilient enough to keep coffee available, affordable, economically sustainable, farmer-to-consumer.”

## Frequently asked questions

**How could a ‘super’ El Niño affect global coffee prices in 2026–2028?**

A strong El Niño doesn’t automatically mean coffee prices will rise in a straight line, but it does tend to increase uncertainty, and uncertainty is expensive in commodity markets. The most immediate effect is usually higher volatility as traders and buyers price in a bigger weather risk premium, even before any measurable drop in production shows up in export statistics. That can mean sharper day-to-day movements in futures and more nervous physical markets, particularly for arabica. El Niño can also amplify other operational risks, not just agronomy. If weather-driven disruption affects logistics and shipping routes, it can tighten supply availability in consuming markets even when coffee exists on paper, adding further pressure to differentials and spot prices.

**What role do speculation and price differentials play in coffee cost inflation?**

**When will consumers actually feel higher coffee prices in retail and in cafés?**

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