

Coffee market: Climate and global scenario increase uncertainties for 25/26 harvest

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Hedgepoint Global Markets analysis predicts dynamics in major Asian coffee markets



Hedgepoint Global Markets analysis predicts dynamics in major Asian coffee markets

The global coffee market is facing increasing uncertainties as climate conditions and economic factors continue to impact production and pricing. In Asia, Indonesia anticipates a recovery in its 2024/25 crop, while Vietnam continues to experience supply constraints, prompting producers to hold back sales in anticipation of higher prices. The statement comes from Hedgepoint Global Markets, a company that specializes in risk management, market intelligence and hedge execution for the global commodities value chain, for agricultural and energy commodities.

Hedgepoint predicts that, Indonesia is expected to show a recovery in the 2024/25 crop, while Vietnam is still facing limited supply with a possible improvement forecast for the 2025/26 crop. With prices rising on the world market and in Brazil, producers of various origins are holding back sales, waiting for even higher prices.

Hedgepoint explains that, Central America, Honduras and Mexico are expected to have smaller crops in 2024/25, while Colombia could offset some of this decline with estimated production of 12.5 million bags.

In Europe, the world's largest coffee consumer, there have been no significant signs of a decline in consumption, explains Hedgepoint. However, this scenario could change due to high prices and low stocks. Although the bloc's stocks recovered at the end of 2024, driven by the bloc's large imports, partly due to the EUDR regulation, they are still below average.

Production and supply: Arabica declines, Conilon recovers

Hedgepoint's projections indicate a 4.9% decline in Arabica production in 2025/26 to 41.1 million bags. This decline reflects both unfavorable weather conditions and lower plantings.

Conversely, Conilon could recover with an estimated 23 million bags, up 14.3% from the previous cycle, due to more favorable weather conditions and investments in area expansion. However, low stocks and an expected increase in its use in domestic blends may limit exports in the coming months.

Marketing of the 2024/25 crop remains above average with a large proportion of production already sold, reducing off-season grain availability. Brazil has been able to meet global demand so far, but shipments may be limited in the coming months, especially for conilon, whose January export volumes already reflect this limitation.

Global balance and outlook by Hedgepoint

The coffee market points to a fourth consecutive year of deficit in 2024/25, as supply is expected to be lower than demand. In 25/26, the expected decline in Brazilian production may limit a possible recovery in world supply, even in the face of a possible decline in demand, although it is too early to make more precise forecasts for other countries.

Hedgepoint, explains that the main factors to be monitored in the coming months include weather conditions in Brazil, price differentials in the main origins, the marketing of the Brazilian crop and high prices and their impact on world demand. Prices and their impact on global demand. With the market highly volatile and operating costs on the rise, the sector will need to remain vigilant to the short, medium and long term challenges.