COFFEE WATCH

UNDER EMBARGO TILL TUESDAY 22ND JULY 2025

How Tariff Wars and Tariffs Crush Coffee-Growing Countries

June 2025

Coffee Watch – based on research by Dr Steve Jennings, Alauda Consulting Ltd

Coffee Watch's mission is to transform the global coffee industry – from one built on exploitation, rife with poverty and environmental and human rights abuses, to one rooted in sustainability and justice, enabling us all to enjoy coffee without regret.

Executive summary

Coffee producing countries in the Global South are being robbed by an abusive global tariff system. Due to steep tariffs on processed coffee, coffee-producing countries are obliged to export raw beans at a lower price. As a result, they are shut out of higher-value export opportunities and the scope for development that comes with them.

.Some 99% of coffee exports from producer countries are unprocessed; meanwhile roasted coffee is exported at over twice the value of unroasted beans. Consequently, while coffee-producing countries are responsible for 74% of the volume of global coffee exports, they receive just 57% of the value of exports.

The plight of many exporting countries has recently been made even worse by US President Donald Trump's tariff wars, which threaten the profitability of exports of raw as well as processed coffee. Trump's tariff wars will hit high-dependency, high-tariff countries the hardest, with Mexico and Nicaragua standing out as especially harmed, but with catastrophe looming even for Brazil, the world's biggest coffee producer, now threatened with a 50% tariff. New Trump tariffs threaten to collapse economies of entire coffee-growing regions such as Chiapas.

However, new harms from tariff wars must not obscure the longstanding deeper harms of existing tariffs when it comes to coffee. The way in which global trade impoverishes coffee-producing countries is and has been one of the key problems in the coffee sector. The EU, UK and Japan have long stood out as the worst actors in coffee tariffs, with Switzerland also being somewhat problematic; conversely Australia, Canada and Norway are shining examples that show the way forward for ethical coffee tariff systems, and China announced it will no longer charge import tariffs on any African coffee-producing countries.

Low- or middle-income coffee-producing countries are losing out on immense and much-needed revenue from a system which penalises value addition (and hence tax revenue) for producing countries, and which benefits already wealthy countries in the Global North. This in turn hamstrings coffee-producing country efforts to lift their coffee farmers out of poverty.

This paper presents a brief analysis of how global trade facilitates and maintains the impoverishment of coffee-producing countries and coffee producers. It is intended to stimulate debate in the industry, and especially among coffee-producing nations and producers.

Two factors are currently key in further impoverishing low- or middle-income coffee-producing countries.

First, 99% of exports from coffee-producing countries are of non-roasted, non-decaffeinated coffee. Roasted coffee is exported at over twice the value of unroasted beans, and so this number represents a dire poverty trap and massive lost opportunity for the low- or middle-income coffee-producing

nations. By contrast, just 19% of coffee exports from non-producer countries are non-roasted, non-decaffeinated, showing that they are capturing significant added value in the export market.

In essence, the real money in coffee lies in processing. This means that most of the profitability of coffee is not accruing to coffee-producing nations. The most serious value added in coffee is currently being captured by the Global North.

Second, non-producing countries also charge a premium for their exports. They charge on average 32% more for roasted coffee than producer countries do, and 40% more for roasted decaffeinated coffee. Even for exports of unroasted, non-decaffeinated coffee, non-producer countries charge on average 11% more than producer countries.

These two factors favouring non-producing countries – a higher proportion of processed exports, and a higher price for the same products – means that while coffee-producing countries are responsible for 74% of the total volume of global exports of all coffee (unprocessed and processed), they receive just 57% of the value of global exports.

Tariffs make it more expensive to import certain types of products than others. They also can make it more expensive to import the same product from certain producer countries than others:

- Most unroasted, non-decaffeinated coffee faces no or almost no tariffs from most importing countries. The EU, the UK, Japan, Norway, Switzerland, and Australia do not apply any tariffs to such coffee.
- Unroasted but decaffeinated beans face a maximum tariff rate of 8.3% and an average tariff of 0.05%.
- The tariff goes up to 12% maximum and 1.2% average for roasted, non-decaffeinated coffee.
- The tariff goes up further to 12% maximum and 1.4% average for roasted, decaffeinated coffee (Figure 9).

Essentially then, the tariff regimes of non-producing consumer countries discourage producer countries from adding value to their coffee.

Despite producer countries being disadvantaged by non-producing coffee-consuming countries (via tariffs and by non-producer countries charging more for the coffee they export), producer countries still subsidise coffee farming in many ways. For example, producer countries shoulder the burden of helping impoverished coffee farmers when they are in crisis (due to droughts, floods, etc), even though these countries are not reaping most of the profits that accrue to the global coffee industry. It is as if producer countries were climbing the Mount Everest of poverty reduction while carrying a bag full of rocks in the shape of unjust tariffs.

Meanwhile, the Global North consumer countries that reap the biggest benefits of the coffee industry dole out only small amounts of aid to coffee farmers in crisis – and even that aid can be terminated on a whim, as recently happened when Donald Trump shut down USAID.

By and large it is the low- or middle-income coffee-producing countries that are footing the bill to endeavour to lift their coffee farmers out of poverty with poverty-reduction schemes such as school meals, direct payments to farmers, price support programmes, and subsidies for inputs such as fertilisers and pesticides or for services such as credit and insurance. While there is very little specific information on subsidies to coffee farmers per se as opposed to farmers overall, we know that Brazilian agriculture as a whole was subsidised to around 3.3% of its value in 2023, and Colombian agriculture at 9.45% in 2023. (Brazil and Colombia are the largest and third-largest coffee-producing countries in the world.)

In addition to facing unjust tariffs, and having to shoulder poverty-reduction efforts for their coffee farmers without enough help from non-producer consumer countries, producer countries face yet another financial challenge: they are often robbed of resources by multinational coffee companies that minimise their payment of taxes where coffee is grown, while instead disproportionally paying taxes at lower rates in consumer countries, especially countries such as Switzerland that allow the inequitable practice known as profit shifting, in which profits that should arguably have been declared in one country are declared in another country with a more favourable tax regime.

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A recent report by the NGO CICTAR about coffee giant Starbucks' aggressive tax avoidance practices **estimated that Starbucks has shifted at least $1.3 billion in profits via Switzerland**, at very low tax rates, over the last decade. As a result other countries are losing revenue that is urgently needed to address the social and environmental crises that are exacerbated by Starbucks' business practices, including of course the Global South countries where Starbucks' coffee is grown.

The bottom line is that coffee-producing countries are being disadvantaged by tariffs and other practices that make it harder for them to lift their coffee farmers and farmworkers out of poverty. Most coffee smallholder farmers and farmworkers worldwide live below the international poverty line of US$3.20 a day. Many in fact live below the extreme poverty line of US$2.15 a day.

1. Trump's tariff wars and coffee

Due to the turbulent current (2025) situation with US tariffs being threatened, imposed, increased, decreased or cancelled on an almost daily basis, we have separated out the US in the analysis of the rest of the paper, despite it being a major coffee importer (the USA consumed on average 14% of global production).

Instead, we present a brief overview of the historical (pre-2025) situation, the present situation, and the tariffs that are (at the time of writing, July 2025) supposed to come into effect within the next few weeks.

Up until 2025, the US – like Canada, Australia and Norway – did not impose tariffs on imports of any of the major forms of coffee.[1]

The present situation, however, is that imports of all forms of coffee are subject to a tariff rate of 10%.[2] As the US imports almost all the coffee it consumes, this means increased costs for American coffee roasters, retailers, cafes and ultimately consumers. Coffee industry leaders in the US – including importers, roasters and cafe owners – have already expressed consternation at the likely impact on their businesses, as they weigh up how much of the increased cost they can absorb without wiping out their profit margins, and how much will have to be passed on to their customers – both downstream businesses and consumers.[3] [4]

The overall effect of this increased cost is likely to be reduced consumption – which is already being observed[5] and which will in turn cut exports from producer countries and reduce farm-gate prices (defined as prices for the sale of farm produce direct from the producer, at the production site, not taking account of any transportation or subsequent handling costs). A letter signed by a majority of the largest independent coffee companies in southern New Mexico stated that "these taxes only hurt us"; whilst independent coffee business leaders meeting with a US Congressional Coffee Caucus member indicated "if we were to absorb a 10% tariff – assuming it stayed only at 10% - it would wipe out our margin, every single penny of it."[6] Indeed, if wholesale coffee costs that cafes or restaurants or supermarkets pay rise by 50%, this could "translate into an increase of 25 cents a cup within three months, said Ryan Cummings, the chief of staff for the Stanford Institute for Economic Policy Research."[7]

Tariffs on unroasted (green) coffee are difficult to justify in countries that lack a viable domestic coffee-growing sector. In the United States, for example, over 99% of coffee is imported, with limited production confined to Hawaii and Puerto Rico.[8] As such, import duties on green coffee – like those

[1] https://hts.usitc.gov/
[2] https://www.whitehouse.gov/fact-sheets/2025/04/fact-sheet-president-donald-j-trump-declares-national-emergency-to-increase-our-competitive-edge-protect-our-sovereignty-and-strengthen-our-national-and-economic-security/
[3] https://dailycoffeenews.com/2025/06/04/oregon-coffee-leaders-speak-up-over-tariffs-funding-cuts-and-political-inaction/
[4] Statement on Tariffs from New Mexico's Coffee Industry, May 21, 2025.
[5] https://perfectdailygrind.com/2025/04/how-us-tariffs-will-impact-global-coffee-industry/
[6] https://dailycoffeenews.com/2025/07/14/brazilian-coffee-exporters-council-responds-to-50-tariff-threat/?utm_source=Roast+Magazine+%26+Daily+Coffee+News&utm_campaign=6d593c5a07-EMAIL_CAMPAIGN_6_14_2018_8_20_COPY_01&utm_medium=email&utm_term=0_8f24fab631-6d593c5a07-244989034
[7] https://nytimes.com/2025/07/13/business/brazil-tariffs-coffee-prices
[8] https://www.ncausa.org/Research-Trends/Economic-Impact#:~:text=The%20NCA%20U.S.%20Coffee%20Economic%20Impact%20Report%20reflects%20all%20economic,working%20in%20the%20coffee%20economy

currently being challenged by New York-based roaster Coffee Bros. in a recent petition – do not serve the typical protectionist rationale and instead risk raising costs for businesses like roasters and for consumers without supporting domestic agriculture.[9]

After President Trump imposed a 10% tariff on all goods entering the US, including coffee, additional tariffs were imposed on a large number of individual countries, at rates that vary hugely from country to country. There appear to be no exemptions for coffee.[10]

When the dependency of coffee-growing countries on the vast US market is considered, it is clear that there will be distinct winners and losers from the new tariffs. Countries facing higher rates of tariff (Indonesia, Vietnam, Mexico and Nicaragua) will be at a competitive disadvantage to those facing only the standard 10% rate (Figure 1). Some countries, moreover, have been threatened with further increases in their tariff rate.

Possible winners in a coffee tariff war: The winners are likely to be countries with established supply chains to the US, but which are facing the standard 10% tariff, such as Peru (at least for the moment – see below) and Colombia. Coffee producing countries with a low dependency on the US will also emerge as winners.

Losers in a coffee tariff war: Indonesia and Vietnam have a proportionally low dependency on coffee exports to the US, and though they will suffer, they are likely to be able to re-route at least some of their coffee to their other existing markets.

Ultra-impacted losers in a coffee tariff war: Mexico consumes roughly half of its production and exports 39% of its production to the US, making it highly reliant on the US market. On 12 July 2025 Trump threatened to impose a 30% tariff on imports from Mexico with effect from 1 August.[11] Another "high-dependency" country stands out: Nicaragua exports 50% of its production to the US and faces a stiff US tariff, announced in April, which currently stands at 18%.[12] These two countries may struggle to quickly find alternative markets, with potentially dire consequences for their already impoverished coffee farmers.

The tariff that Trump has threatened on imports from Brazil, again from August, is even higher than that for Mexico – an eye-watering 50%, which the president justifies as retaliation for what he describes as a "witch-hunt" against his ally, former Brazilian President Jair Bolsonaro, accused of attempting to stage a coup in the wake of the last presidential election. Around 30% of the US's imports of coffee come from Brazil, for which the country clearly represents an important export market.[13] Responding on 9 July, the day after Trump's threat, Brazil's President Luiz Inácio Lula da Silva said that the tariff, if imposed, would be met with a reciprocal tariff on US exports to Brazil, though Trump has already vowed to respond to any such retaliation with further tit-for-tat increases.[14] Brazil's exposure to the US market is not as great as that of Mexico and Nicaragua in percentage terms (about 14% of its production goes to the US) but is still obviously very significant in financial terms, with the head of the Brazilian coffee exporters council CECAFÉ stating that 50% tariffs on US imports from Brazil would result in staggering economic losses on both sides, with higher prices being passed down to U.S. consumers.[15]

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[9] https://dailycoffeenews.com/2025/04/08/new-york-roaster-coffee-bros-calls-for-tariff-exemptions-for-coffee/?utm_source=Roast+Magazine+%26+Daily+Coffee+News&utm_campaign=bfbb3b625c-EMAIL_CAMPAIGN_6_14_2018_8_20_COPY_01&utm_medium=email&utm_term=0_8f24fab631-bfbb3b625c-244989034

[10] https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/; https://www.whitehouse.gov/wp-content/uploads/2025/04/Annex-I.pdf

[11] https://www.washingtonpost.com/politics/2025/07/12/trump-tariffs-mexico-european-union/

[12] https://confidencial.digital/english/trump-government-imposes-18-tariffs-on-nicaragua/

13 https://www.nytimes.com/2025/07/13/business/brazil-tariffs-coffee-prices.html
In 2017, the most recent year for which percentage figures are available (data from Trase, https://trase.earth/explore/supply-chain/brazil/coffee?chartType=sankey&year=2017&indicator=volume&dimension=municipality&dimension=exporter_group&dimension=importer&dimension=country_of_destination&hideDomestic=false), the US accounted for 20.1% of Brazil's coffee exports (332,000 tonnes); furthermore, the volume the country exported to the US increased by over 46% between then and 2024 according to the figures reported by the New York Times (over 8.1 million 60-kilo bags, or at least 486,000 tonnes).

14 https://www.theguardian.com/us-news/2025/jul/10/brazil-trump-tariff-threat

[15] https://dailycoffeenews.com/2025/07/14/brazilian-coffee-exporters-council-responds-to-50-tariff-threat/?utm_source=Roast+Magazine+%26+Daily+Coffee+News&utm_campaign=6d593c5a07-EMAIL_CAMPAIGN_6_14_2018_8_20_COPY_01&utm_medium=email&utm_term=0_8f24fab631-6d593c5a07-244989034

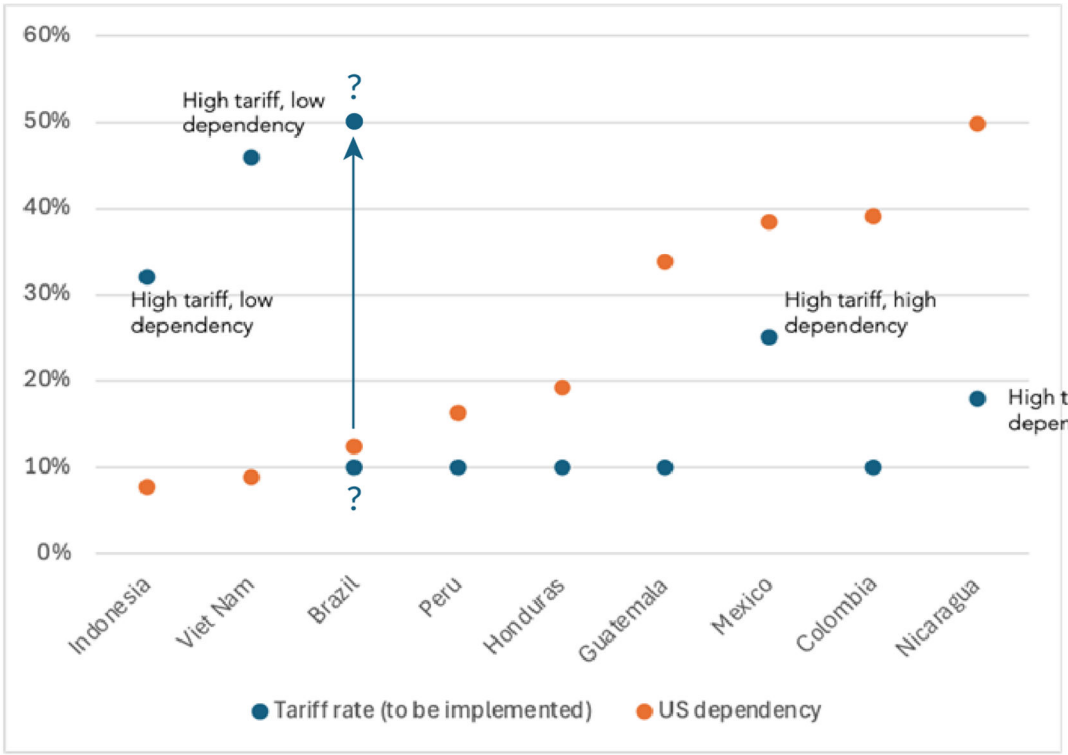


Figure 1: Proposed tariff rate and dependency on the US market (2023 exports as a proportion of production)

2. Identifying the problems in non-US tariffs

This section outlines the main coffee-producing, -exporting, -importing and -consuming countries, and then illustrates the disparity in economic outcomes between coffee farmers/producer countries and key actors in non-producer countries that consume coffee.

Which are the main producer countries?

There are two main varieties of coffee: Arabica (*Coffea arabica*) which accounts for 57% of global production and Robusta (*Coffea canephora*) which accounts for the remaining 43%.

Coffee is grown in 78 countries, primarily throughout Latin and South America, Central and East Africa, and Southeast Asia. The 12 countries that each contributed more than 2% of global production on average between 2015 and 2023 together (see Figure 1) account for 86% of all coffee produced. These producers are headed by Brazil (31% of global production) and Vietnam (18%). The four largest producer countries – Brazil, Vietnam, Colombia and Indonesia – are unsurprisingly among the main exporters to the global market, although non-producer countries such as Germany, the Netherlands and Italy are also major exporters.

The two largest producers are Brazil (31%[16] of global production in 2023) and Vietnam (18%, Figure 2). The twelve countries that produce more than 2% of global production combined account for 86% of all coffee produced.

[16] The ICO considers it part of its mandate to collect data from both coffee-producing and -consuming countries. In this paper, for Brazilian percentage of coffee grown, we do not refer to the 39% figure from the International Coffee Organization (ICO). ICO data may not be compatible with trade data, and it appears the ICO misses out some coffee producing countries (e.g. Central African Republic). The ICO figures nearly align with USDA, which puts Brazil at 38% https://www.fas.usda.gov/data/production/commodity/0711100, and with most sources, which quote 38%, 39%, or 40%, including Brazilian government sources. However, FAO indicates 31% from FAOSTAT https://www.fao.org/faostat/en/#home.

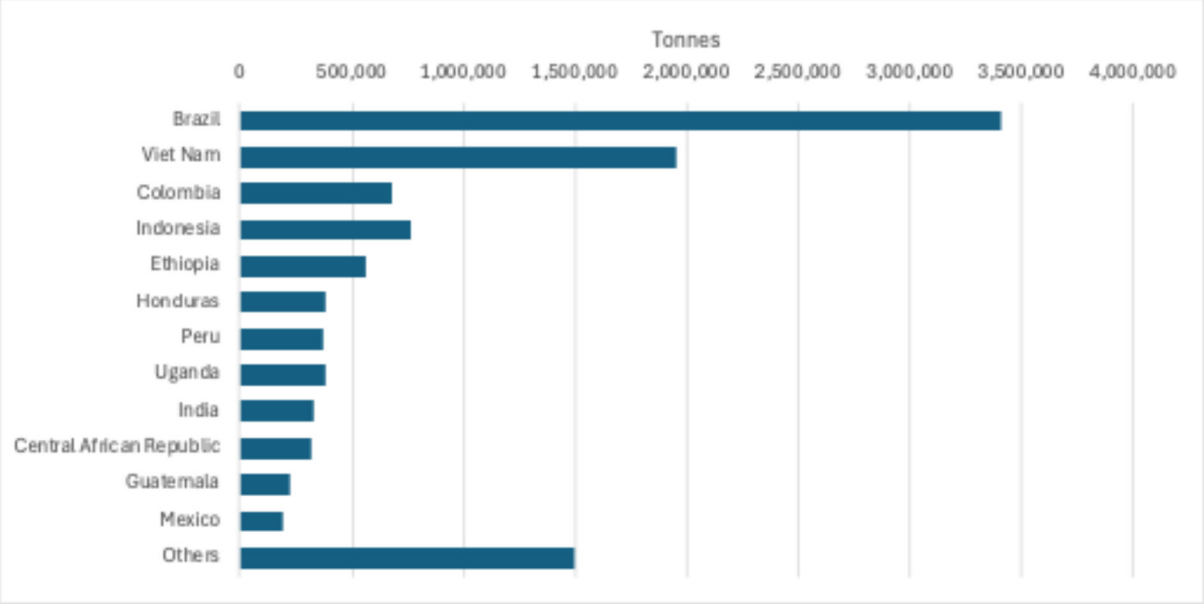
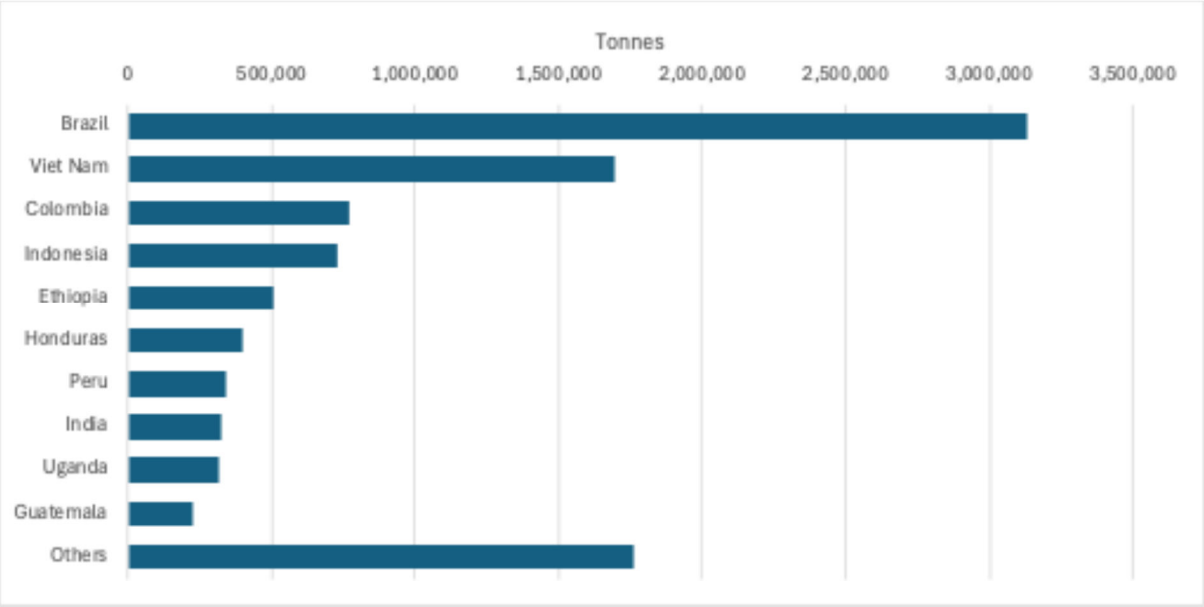


Figure 2: Average annual coffee production by country 2015–2023 (tonnes green coffee).[17] *'Others' represents the combined production of all countries that individually contributed less than 2% of global production.*

Global production reached 11,065,240 tonnes of green coffee in 2023, up from 8,834,113 tonnes in 2015. This represents a 25% increase in just nine years. Colombia aside, all major producer countries have increased their production. In the case of the Central African Republic, this increase is dramatic: from 9,050 tonnes of green coffee in 2015 to 316,108 tonnes in 2023, a 35-fold increase.

Which are the main exporting countries?

The leading producer countries – Brazil, Vietnam, Colombia and Indonesia – are unsurprisingly among the main exporters to the global market (Figure 3).[18] However, among leading countries in terms of export volumes, producer countries are joined by countries that do not produce coffee, notably Germany and Italy, with the Netherlands and the USA each accounting for an additional 1.8% of global exports. Exports from EU countries, such as Germany, Italy and the Netherlands, are almost entirely exported within the EU bloc; just 11% of the bloc's coffee imports are exported outside the EU.



[17] FAOSTAT (2024). https://www.fao.org/faostat/en/#home
[18] All export and import data are from UN COMTRADE. https://comtradeplus.un.org/

Figure 3: Average coffee exports by country 2015–2023 (tonnes green coffee equivalent).[19] 'Others' represents the combined exports of all countries that individually contributed less than 2% of global exports.

Which are the main importing countries?

A large proportion of the world's coffee is imported into rich, non-coffee-producing countries:

- Between 2015 and 2023 the EU imported on average 26% of global production. Within the EU, Germany, Italy, France, Spain, the Netherlands, Poland and Belgium were the leading importers.
- Over the same period the USA imported on average 14% of global production (1.6 million tonnes of green bean equivalent per year – Figure 4).
- Over the same period Japan imported on average 4% of global production.
- Other significant importers during the same period included the UK, Canada, Switzerland, South Korea and the Russian Federation, all of which imported on average around 2% of global production.

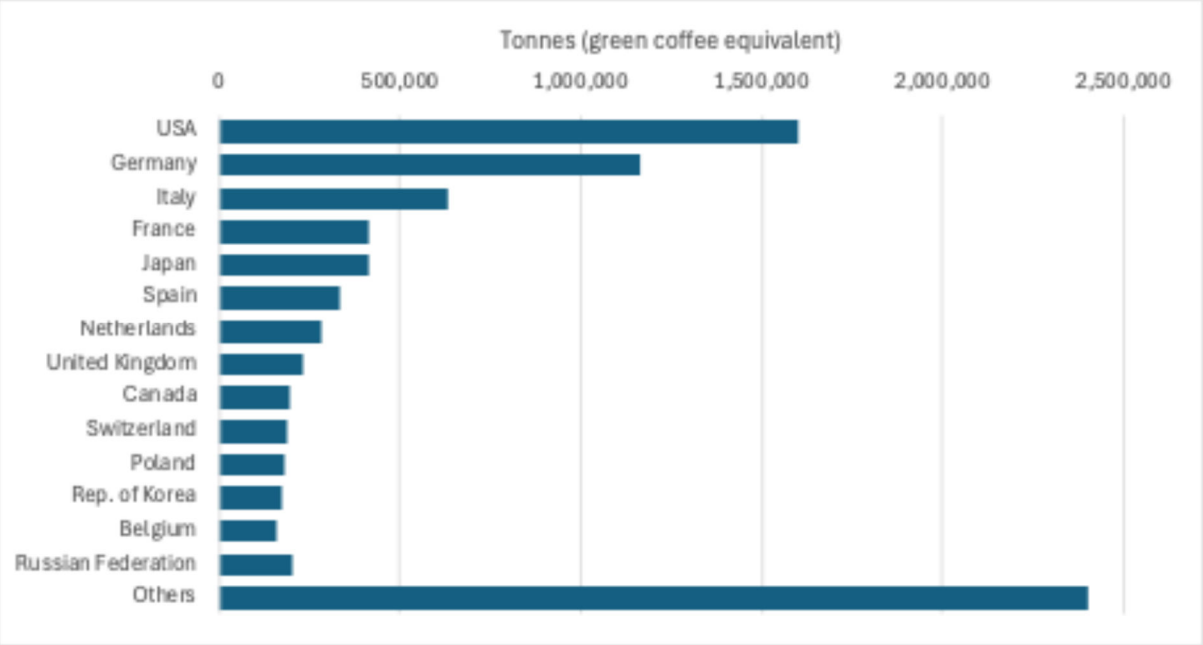


Figure 4: Average coffee imports by country 2015–2023 (tonnes green coffee equivalent).[20] 'Others' represents the combined imports of all countries that individually contributed less than 2% of global imports.

Which are the main consumer countries?

Although coffee is drunk worldwide, high-income countries dominate consumption. Only four producer countries – Brazil, Vietnam, Indonesia and Ethiopia – are among the 10 countries that each account for more than 2% of global coffee consumption (Figure 5).

[19] FAOSTAT (2024). https://www.fao.org/faostat/en/#home
[20] FAOSTAT (2024). https://www.fao.org/faostat/en/#home

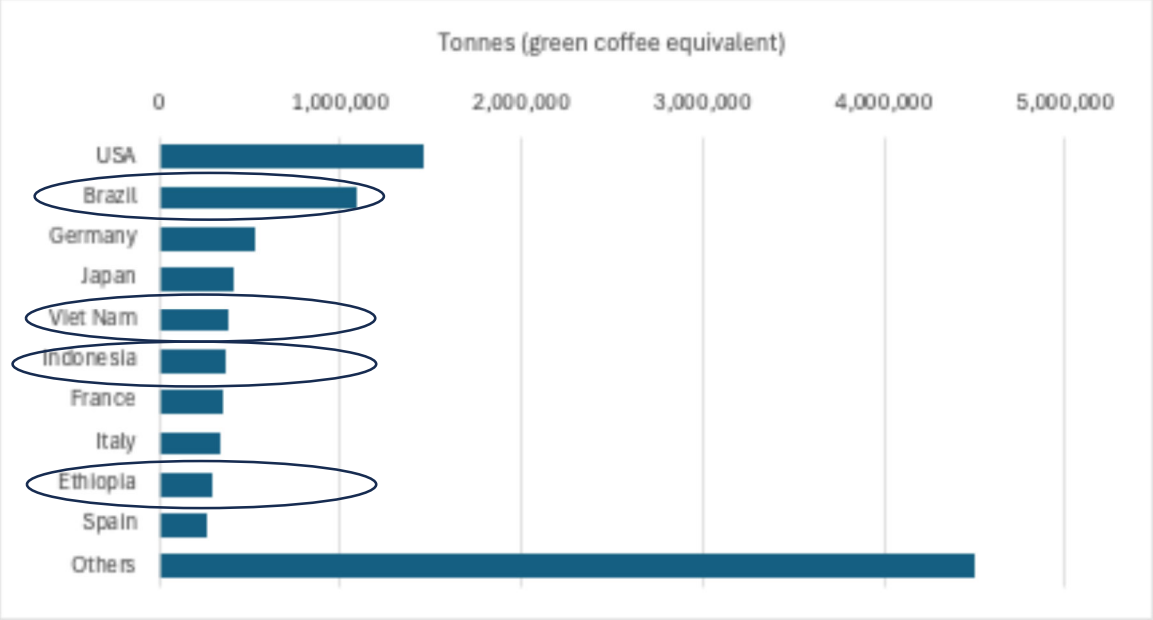


Figure 5: Average coffee consumption by country 2015–2023 (tonnes green coffee equivalent).[21] *'Others' represents the combined consumption of all countries that individually contributed less than 2% of global consumption.*

The other major consumers include the USA, various EU countries and Japan, with Russia and the UK also significant (both at 1.9% of global production). The EU consumes an average of 2.6 million tonnes of green coffee equivalent per year, equivalent to 26% of global production, with the USA consuming 14% and Japan 4%. All told, non-producer countries consume 59% of all the coffee consumed each year.

The wealth of producer and consumer countries

The analysis of production, export, import and consumption above shows that, although major coffee producers such as Brazil, Vietnam, Indonesia and Ethiopia are also major consumers, most of the consumption is in non-producer countries, which often play a significant role in – and gain considerable income from – the roasting, decaffeinating, and further processing of coffee, some of which is then re-exported. In fact the major producer countries – all in the Global South – are low- or middle-income countries, whereas the top ten non-producing consumer countries are all (with the exception of the Russian Federation) high-income countries (Figure 6). To illustrate this, the top ten producer countries had an average per capita GDP of US$4,805 in 2023, whereas the top ten non-producer consumer countries had an average per capita GDP nearly 10 times larger, at US$44,905.

[21] FAOSTAT (2024). https://www.fao.org/faostat/en/#home

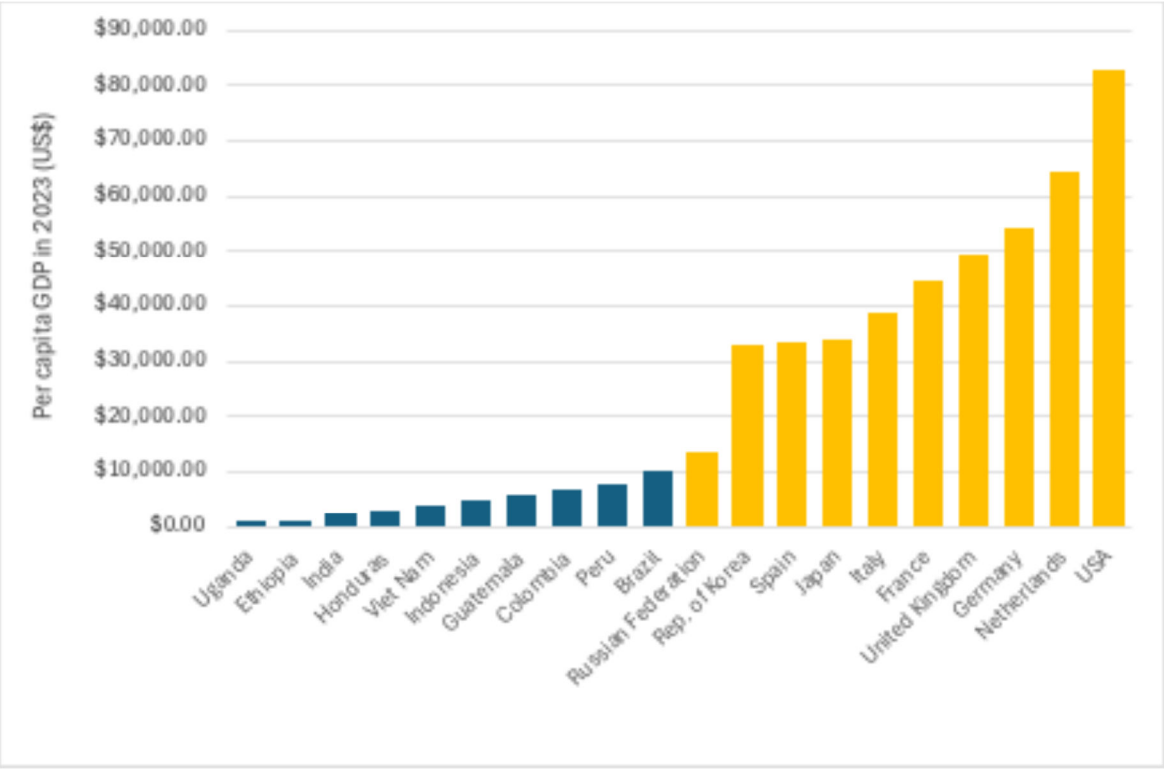


Figure 6: Per capita GDP in 2023 of the top ten global coffee producers (blue) and the top ten non-producing consumer countries (orange). Countries are ordered by GDP (lowest to highest).

The poverty of coffee farmers and farmworkers in producer countries

Coffee Watch will shortly be publishing an investigation into poverty in the coffee sector. In the meantime, this section summarises some of the existing research into the issue.

As shown in Figure 6, the main coffee-producing countries are low- to middle-income nations. Coffee is of course only one element of a country's economy, albeit an important one in countries such as Ethiopia and Guatemala,[22] so it would in theory be possible for coffee farmers to be comparatively wealthy despite the income status of their countries. In practice, though, this is not the case.

At least 5.5 million coffee farmers live below the international poverty line of US$3.20 a day.[23] Surveys provide evidence that one-third of coffee smallholders earn less than US$100 per year from coffee production.[24] Studies show that Latin American coffee farmers receive less than 60% of the export value of coffee, the rest going to in-country transportation, warehousing, milling and other non-farm expenses.[25] Even more striking is the estimate that farmers receive just 11.5% of the price that consumers pay for a cup of coffee,[26] and when input and labour costs of production are deducted, only 5.5% of that price remains as gross margin for coffee farmers.[27]

The top ten producer countries – each of which are responsible for at least 2% of global production – had an estimated 7.37 million smallholder coffee farmers as of 2019. Of these, 39% (2.86 million)

[22] Gresser, C. & Tickell, S. (2002). Mugged: Poverty in your coffee cup. Oxfam International. https://policy-practice.oxfam.org/resources/mugged-poverty-in-our-coffee-cup-112445/
[23] Ruben, R. (2023). Why do coffee farmers stay poor?. Journal of Fair Trade. Vol. 4(2):11-30. DOI: 10.13169/jfairtrade.4.2.0002
[24] Enveritas (2018). A Comprehensive Estimate of Global Coffee Farmer Populations by Origin. Presented at the 27th conference of the Association for Science and Information on Coffee (ASIC), Portland, September 16–22, 2018; J.D. Sachs, K. Y. Cordes, J. Rising, P. Toledano, N. Maennling (2019). Ensuring Economic Viability and Sustainability of Coffee Production. Staff Publications. Columbia Center on Sustainable Investment.
[25] ICO (2019). Profitability of Coffee Farming in Selected Latin American Countries – Interim Report. Kenya: International Coffee Council (March 2019).
[26] BASIC (2018). Coffee: The Hidden Crisis Behind the Success. Study on Sustainability Within the Coffee Industry. Bureau for the Appraisal of Social Impacts for Citizen information. Paris: The French Fair Trade Platform & Rethinking Value Chains Collective.
[27] Ruben, R. (2023). Why do coffee farmers stay poor?. Journal of Fair Trade. Vol. 4(2):11-30. DOI: 10.13169/jfairtrade.4.2.0002

lived in poverty (defined as the World Bank threshold of US$3.20 per day purchasing power parity in 2011), with a further 21% (1.57 million) living in extreme poverty (US$1.90/day) – see Figure 7.[28]

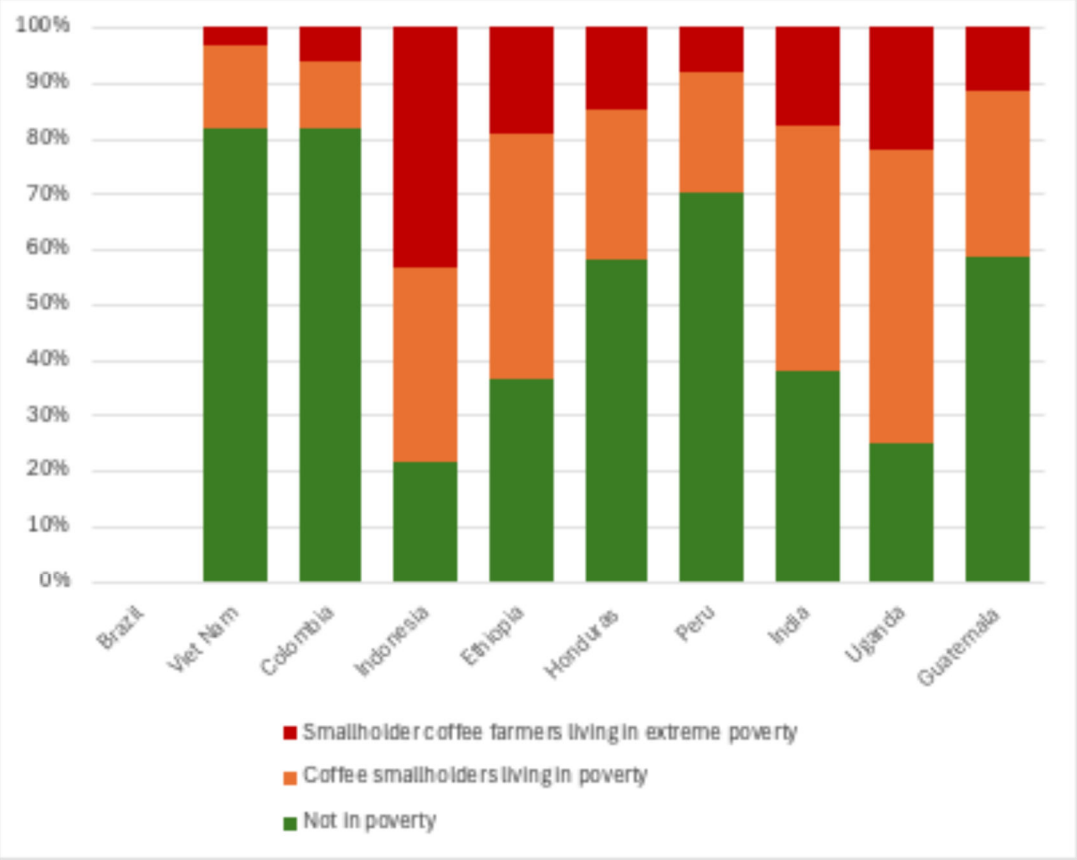


Figure 7: Rates of poverty and extreme poverty as of 2019 among smallholder coffee farmers in the ten largest producer countries.[29] Note that Brazilian coffee farming has very few smallholders.

Research supports the conclusion that many smallholder coffee farmers are living in poverty. For example:

- in 2013, 26% of uncertified smallholder coffee farmers and 21% of certified smallholders in Uganda were found to be living in poverty.[30]
- in 2025, 31% of smallholder coffee farming households in western Honduras were living below the national poverty line, while 51% of such households had experienced food insecurity in the 12 months prior to the study.[31]
- the average household income of coffee farmers in Tanzania, Uganda and Kenya was below the poverty line in 2016, while being above the poverty line in Rwanda, India, Indonesia and

[28] Data from Enveritas, summarised by Rushton, D. (2019). Map of the month: bringing smallholder coffee farmers out of poverty. https://carto.com/blog/enveritas-coffee-poverty-visualization#:~:text=Farmers%20in%20Poverty,-Farmers%20in%20poverty&text=Of%20the%2012.5%20million%20smallholder,line%20of%20%243.20%20a%20day.&text=These%20countries%20account%20for%20approximately,71%25%20living%20in%20extreme%20poverty

[29] Data from Enveritas, summarised by Rushton, D. (2019). Map of the month: bringing smallholder coffee farmers out of poverty. https://carto.com/blog/enveritas-coffee-poverty-visualization#:~:text=Farmers%20in%20Poverty,-Farmers%20in%20poverty&text=Of%20the%2012.5%20million%20smallholder,line%20of%20%243.20%20a%20day.&text=These%20countries%20account%20for%20approximately,71%25%20living%20in%20extreme%20poverty

[30] Chiputwa, B., Qaim, M., & Spielman, D.J. (2013). Food Standards, Certification, and Poverty among Coffee Farmers in Uganda, GlobalFood Discussion Papers, No. 27, Georg-August-Universität Göttingen, Research Training Group (RTG) 1666 - GlobalFood, Göttingen, https://doi.org/10.22004/ag.econ.161565

[31] Rodriguez-Camayo, F., Ramirez-Villegas, J., Borgemeister, C., Lundy, M., Giraldo, N., & Beuchelt, T (2025). Understanding Coffee Farmers' Poverty, Food Insecurity and Adaptive Responses to Climate Stress. Evidence from Western Honduras. Available at SSRN: https://ssrn.com/abstract=5166323 or http://dx.doi.org/10.2139/ssrn.5166323

Vietnam (noting that even in countries where the average farmer's income is above the poverty line, many farmers may be below it).[32]

3. Penalties for processed exports

This section identifies some of the trade practices that discriminate against and disadvantage producer countries, and the additional burden that these countries face in trying to support coffee farmers.

What are the disparities between the coffee exports of producer and non-producer countries?

78% of all coffee exported globally is in unprocessed form (not roasted or decaffeinated). However, this global figure disguises the fact that:

1) 99% of the exports from producer countries are unprocessed. This means that processing, and the value addition that processing creates, overwhelmingly happens outside producer countries.
2) only 19% of coffee exports from non-producer countries such as Germany, France, the Netherlands, and Italy are unprocessed. These countries export predominantly roasted, non-decaffeinated coffee, capturing the added value created by roasting.

The scale of the added value captured by coffee-processing and -exporting countries can be judged from the fact that *roasted coffee is exported at over twice the value of unroasted beans.*

Furthermore, non-producer countries also charge a premium for their exports compared with producer countries – even for the same product, they receive a higher price (

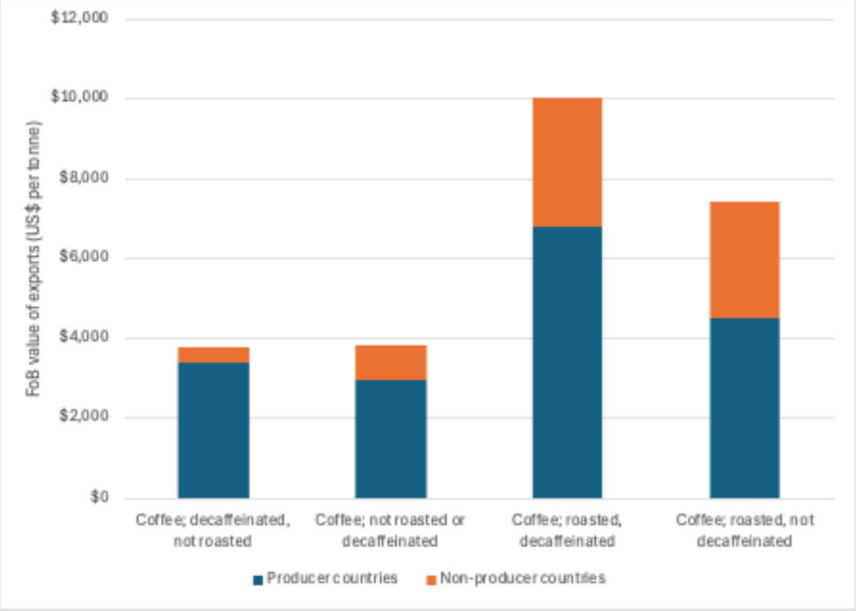


Figure 8). This applies across all coffee exports, with the mark-up particularly high for roasted coffee and roasted and decaffeinated coffee, where between 2015 and 2023 non-producer countries charged on average 32% and 40% more than producer countries charge for the same product. (The reason for this is essentially that it is possible to charge more for coffee in a package labelled 'Illy' or 'Lavazza' for example, than for one labelled 'Café União' (a Brazilian brand).) (But either way, it isn't that relevant, because if there were no tariffs, a coffee company could massively increase their profits by roasting in a producer country where labour costs are cheaper, like Brazil. They don't. And one of the reasons is that the tariff regime on coffee discourages that.)

These two factors favouring non-producer countries – a higher proportion of more processed exports, and a higher price for the same products – mean that *while producer countries are responsible for 74% of the total volume of global exports of all coffee (unprocessed and processed), they receive just 57% of the value of global exports.*

[32] Fobelets, V., Rusman, A., & de Groot Ruiz, A. (2017). Assessing coffee farmer incomes. True Price and Fairtrade. https://trueprice.org/wp-content/uploads/2022/07/Assessing_Coffee_Farmer_Household_Income_Report_2017_updated.pdf

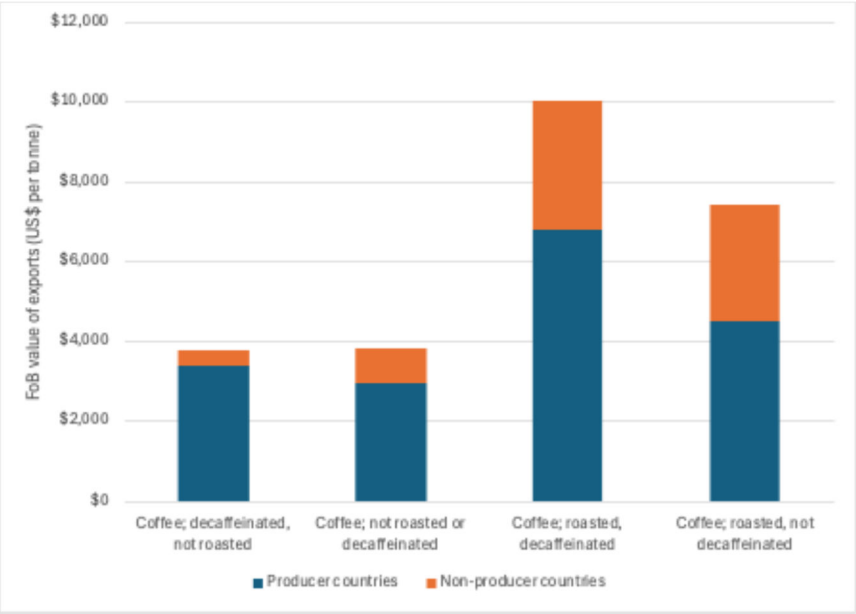


Figure 8: Average Freight on Board (FoB) price per tonne of coffee exports from producer and non-producer countries, 2015–23.

What tariffs are applied to the different forms of coffee imports?

Tariffs are essentially taxes that an importing company pays to the government of the country in which the imports arrive. Within a given importing country, tariffs may be applied differently to each product, and differently to the same products coming from different exporting countries. They can therefore effectively make it more expensive to import certain types of products than others or to import the same product from certain producer countries than from others.

We analysed the tariff regimes for the four major forms in which coffee is traded:

1) unroasted, decaffeinated (3% of global exports at the unroasted stage),
2) unroasted, not decaffeinated (78% of global exports),
3) roasted, decaffeinated (1% of global exports at the roasted stage), and
4) roasted, not decaffeinated (19% of global exports).

Tariff regimes included were those of the EU, the UK, Japan, Norway, Switzerland and Australia. Together, these countries account for 55% of global imports of coffee. The producer/exporter countries analysed were the top ten producers globally (see Figure 7).

Only roasted coffee is consumed, and this is therefore the key manufacturing process that ultimately adds value to the raw commodity. Decaffeination is also a manufacturing process that adds value to the raw commodity. Currently, *the tariff regimes of many of the main non-producer countries are aimed at discouraging producer countries from adding value to their coffee through undertaking roasting or decaffeination processes* (see Figure 8):

- None of the importing countries apply any tariff whatsoever on unroasted, non-decaffeinated coffee – i.e. unprocessed coffee beans. Least developed countries (e.g. Uganda, Ethiopia) and some countries that have negotiated free trade deals with all the importing countries (e.g. Vietnam, Peru) also face no tariffs on coffee of any kind.
- Across the importing countries analysed, unroasted but decaffeinated beans face a maximum tariff of 8.3% and an average tariff of 0.05%.
- The maximum tariffs for roasted non-decaffeinated and roasted decaffeinated coffee imports are 12%, with average rates of 1.2% and 1.4% respectively.

In effect, by imposing such tariff regimes, importing countries are discouraging producer countries from developing value-adding processing industries.

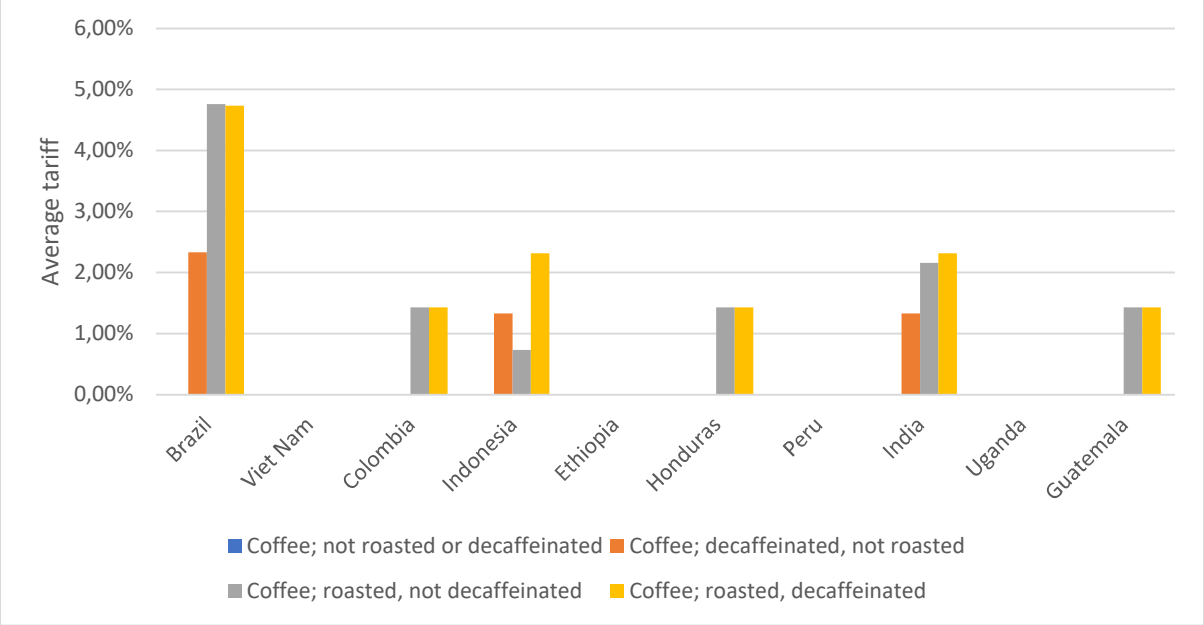


Figure 9: Tariffs applied to coffee imports from the top ten producer countries. The value is the average of tariffs applied by the EU, UK, Canada, Switzerland, Australia, Japan and Norway.[33]

Not all importing countries are equally punitive. Tariff rates varied hugely between importing countries (Figure 9), with:

- the EU, UK and Japan standing out as the worst, with the highest tariffs on decaffeinated and/or roasted coffee;
- Switzerland applying tariffs only on Brazil among the major producer countries, and only on roasted coffee; and
- Australia, Canada and Norway having no tariffs at all for any type of coffee product from any of the top ten producer countries.

Of the importing countries analysed, the EU, UK and Japan are clearly playing the most harmful role in favouring imports of unprocessed coffee, making it expensive for producer countries to secure a greater share of total product revenues by decaffeinating and/or roasting coffee prior to export. This situation also 'locks in' imports of unroasted beans, as importing countries develop ever-better industrial infrastructure to process large quantities of unroasted beans.

[33] Unlike most countries, Switzerland charges a tariff according to the weight, not the value of the imports. Among the producer countries, this only applies to Brazil. We therefore calculated the effective % value of the tariff according to the CIF value (Cost, Insurance and Freight) and weight of imports to Switzerland from Brazil.

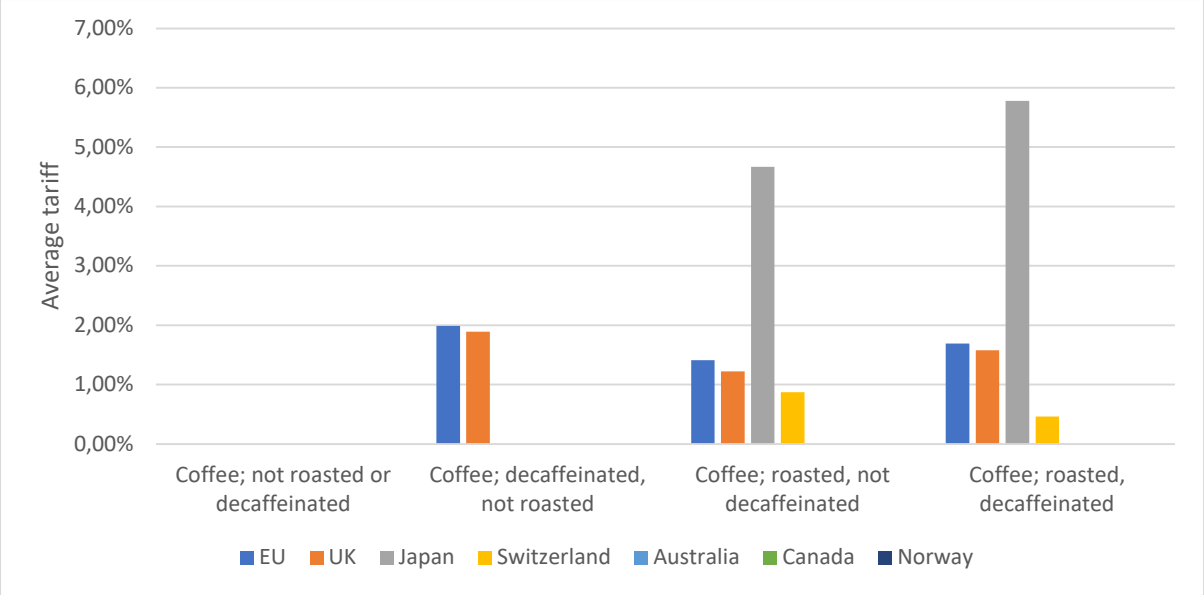


Figure 10: Average tariffs applied by importing countries to coffee imports from the top ten producer countries.

Other ways coffee-producing countries are denied potential income

There are other ways that coffee-producing countries lose out on potential income from the coffee they export. At least one multinational coffee company – Starbucks – has been accused in a report by the Centre for International Corporate Tax Accountability and Research (CICTAR) of 'profit shifting' (i.e. artificially under-reporting profits in high-tax jurisdictions) in order to reduce the amount of taxes paid in both producer countries and consumer countries.[34] Unpublished research by CICTAR indicates that profit shifting by other coffee companies may be severe as well, especially in Switzerland, which would – if true – mean that producer countries are being further denied revenue by Switzerland and potentially by other countries whose laws and corporate norms allow profit shifting.

Subsidised production

Most countries subsidise agricultural production, and indeed agricultural production is often not economically viable without subsidies.[35] Subsidies are important because they represent producer country expenditures in a context where consumer country tariffs and other measures such as profit shifting limit the ability of producer countries to add value and gain higher revenue (including tax revenue).

What constitutes a 'subsidy' includes a vast range of specific and general measures. Specific measures can include direct payments to farmers, price support programmes, and subsidies for inputs such as fertilisers and pesticides or for services such as credit and insurance. General measures may include improving rural and logistical infrastructure, research and development, and a host of rural development and poverty alleviation initiatives, some of which are funded domestically, others by international aid. These general measures are not included in the estimates cited below.

Partly due to the complexities of subsidy policies and practices, there is very little specific information on subsidies to coffee farmers, with information generally reported for the agricultural sector as a whole. For example, Brazilian agriculture was subsidised to around 3.3% of its value in 2023.[36] In

[34] Centre for International Corporate Tax Accountability and Research (2025). Starbucks' Swiss scheme: 'fair' trading or global tax dodge? https://cictar.org/all-research/starbucks-swiss-scheme?rq=starbucks
[35] International Sustainability Unit (2011). What price resilience? https://www.greenpolicyplatform.org/sites/default/files/downloads/resource/What_price_resilience%20-%20towards_%20sustainable_and_secure_food_systems_Pcfisu.pdf
[36] OECD (2024), Agricultural Policy Monitoring and Evaluation 2024: Innovation for Sustainable Productivity Growth, OECD Publishing, Paris, https://doi.org/10.1787/74da57ed-en The quoted figures are Producer Support Estimates (PSE), which essentially quantify the level of

Colombia, the figure was 9.45% in 2023. By contrast, Vietnam had a negative figure of -12.4% in 2023, a large change over recent years (the figure stood at +9.7% in 2002[37]). A negative number indicates that that although farmers do receive subsidies, the subsidies are lower in value than the difference between government-set domestic prices and world market prices, meaning that farmers must sell at a lower price than if the market was freely competitive. That means that the net effect receiving subsidies on the one hand, but being obliged to sell at below market price on the other, is that coffee farmers are losing out.

To put these numbers in perspective – and assuming that coffee farmers receive the same support as other farmers – this means that in 2023:

- Brazilian and Colombian taxpayers spent more than US$390 million and US$550 million subsidising coffee production in 2023 respectively, with Brazilians/Colombians/other citizens of similarly positioned producer countries essentially being taxed to enable consumer countries (and big corporations) to maximise profits.
- Vietnamese coffee farmers effectively subsidised their government by US$53 million, which means that some of the world's poorest coffee farmers are shouldering the burden of compensating for coffee-importing countries' anti-development tariffs and corporate profit-shifting.

Inset Text Box
Let's say that a farmer receives a subsidy for fertilisers at a value of US$2 per sack of coffee. He is then obliged to sell the sack of coffee at a government rate of US$6. But the world market price is US$10. So he is losing US$4 per sack and receiving US$2. The net effect is that he is losing US$2 on every sack he sells.

Meanwhile, the Global North consumer countries that reap the biggest benefits of the coffee industry dole out only small amounts of aid to coffee farmers in crisis – and even that aid can be terminated on a whim, as recently happened when US President Donald Trump's administration shut down USAID. Instead it is low- or middle-income coffee-producing countries that are footing the bill to endeavour to lift their coffee farmers out of poverty, with poverty-reduction schemes such as school meals, direct payments to farmers, price support programmes, and subsidies for inputs such as fertilisers and pesticides or for services such as credit and insurance.

support provided to farmers by governments and the wider public. A PSE of 10% means that, on average, 10% of the total value of agricultural production in a country is supported by government expenditure.

[37] Nguyen, H & Grote, U. (2004). Agricultural Policies in Vietnam: Producer Support Estimates, 1986-2002. Agricultural Policies in Vietnam: Producer Support Estimates, 1986-2002

INSERT BOX

When considering what USAID did for coffee producers, "we can look at some numbers from recent years:

- In 2024, USAID contributed to a joint $1.5 million effort, led by green coffee company JNP Coffee, to create a coffee academy and separate dry mill in Burundi.
- In 2024, USAID contributed $5 million to a coffee breeding program led by Cornell University. The investment was part of a broader $57 million commitment from USAID to fund agricultural innovation.
- In 2024, a USAID Sustainable Agribusiness investment was used to launch the inaugural Cafexpo trade show, promoting the coffee sector of Honduras, scheduled for March 2025.
- In 2023, through a partnership with the Indonesian government, USAID launched an $8.2 million project for environmental sustainability, climate resiliency and market access among coffee and cocoa farmers.
- In 2023, through a partnership with green coffee trader Ofi, USAID seeded an $8.1 million fund for the development of the coffee sector in rural Peru.
- In 2023, through a partnership with Root Capital and Keurig Dr Pepper, USAID launched a three-year initiative (project cost undisclosed at the time), designed to support and promote the Indonesian coffee sector.
- In 2022, working with a number of private partners, including U.S. importers, USAID backed a five-year project designed to promote the specialty coffee sector of Peru.
- In 2022, USAID and nonprofit partner Technoserve, launched a five-year, $16.7 million initiative to boost the coffee sector of Burundi.
- In 2021, USAID, along with private partners Nespresso and Ofi, and implementing partner Technoserve, launched a five-year program designed to boost the coffee sector in conflict-affected areas of the Democratic Republic of Congo (DRC).
- In 2020, USAID funding helped bring the inaugural Ethiopia Cup of Excellence competition to life, benefitting Ethiopian coffee farmers.
- Going further back to another period of crisis in the coffee sector, USAID committed $10 million in 2014 to combating the leaf rust epidemic that swept through the Latin America.

The list goes on. Nearly all of these projects - addressing poverty, food security, agricultural research, trade development and global health - are now in limbo following the USAID freeze. By USAID's own count, the organization's work in recent years has spanned 19 coffee-producing countries."

38

Recommendations

The current US administration should exempt coffee from its tariff wars. Coffee farmers and farmworkers are already among the world's poorest people, and any additional attacks on their situation could deepen their suffering.

[38] "The Freezing of USAID is an Abject Disaster for the Global Coffee Sector," by Nick Brown, 5 February 2025, Daily Coffee News by Roast Magazine. https://dailycoffeenews.com/2025/02/05/the-freezing-of-usaid-is-an-abject-disaster-for-the-global-coffee-sector/

All coffee-consuming countries should emulate the more ethical coffee tariff systems of Australia, Canada and Norway.

The EU, UK, Japan and Switzerland are especially problematic when it comes to their processed coffee tariffs, and civil society must urgently pressure them to address their unjust systems – particularly in the EU (just as civil society ought to press Switzerland to address its role in coffee industry profit shifting).

Although there is little precedent by which to gauge the effect of coffee tariffs on producer countries (partly because since the advent of the WTO it has been a very long time since tariff wars were prevalent), the general picture for agriculture is clear. Economic modelling by the World Bank suggests that reducing tariffs on agricultural products has a positive effect on welfare in developing countries.[39] One estimate is that removing all agricultural tariffs would generate an extra $56 billion for the global economy, raising agricultural incomes by 2%.[40]

However, recommendations cannot focus solely on big-picture tariff recommendations, because tariffs are a blunt instrument in a complex system. We must also call for coffee companies to step up: first, to ensure a living income price for coffee smallholders and a living wage for farmworkers. Always. No ifs, ands, or buts. Second, coffee companies that make money in producer countries should not be allowed to place all the purchase price benefits in consumer countries – i.e. they should pay fair taxes in origin countries such as Brazil or Vietnam and not just in countries such as Switzerland. Third, for tariff reforms to make a real difference in terms of justice and development for coffee farmers, farmworkers and their communities or countries, the industry must also invest in roasting, decaffeinating and other processing facilities in producer countries.

[39] Ng, Francis; Hoekman, Bernard M.; Olarreaga, Marcelo. 2003. Reducing Agricultural Tariffs versus Domestic Support : What's More Important for Developing Countries?. Policy Research Working Paper;No. 2918. © http://hdl.handle.net/10986/19043 License: CC BY 3.0 IGO.

[40] Beckman, J. 2021. Reforming Market Access in Agricultural Trade: Tariff Removal and the Trade Facilitation Agreement, ERR 280, April 2021. U.S. Department of Agriculture, Economic Research Service. https://ers.usda.gov/sites/default/files/_laserfiche/publications/100866/ERR-280.pdf?v=81563