

## Why Does a Cup of Single-Origin Coffee Cost \$3.50?

By Derek Bothereau April 27, 2015



I work for SustainAbility, a think tank and advisory firm that helps brands improve transparency and accountability, including making things like coffee more traceable. Determining the actual cost of growing single-origin coffee beans in countries like Brazil, Kenya, and Rwanda is much more difficult than it should be. In an ideal world, you'd be able to know and trust exactly where your beans come from when the package says "Yirgacheffe, Ethiopia" and what it took for the farmers to produce it. But while new certifications and standards are improving things, the coffee supply chain remains murky. In the best cases, farmers can see their premium beans bought directly at global auctions for high prices ([\\$50/lb for a Brazilian farms' recent Cup of Excellence–winning beans](#)). At worst, the coffee supply chain is fraught with middlemen that will game the system and swap out premium beans with lower-grade coffee. This hurts everyone in the chain, but most of all the farmers and coffee cooperatives who don't get the full value for their beans in the open market.

For now, there remains massive variance both in terms of coffee quality and what goes into growing the beans that end up in your cup. What we do know for sure is that most of the single-origin coffee in America is made from *Arabica* beans, a species indigenous to Ethiopia that's in high demand and known for its clean aromas. (The other prominent species is *Robusta*, known for a slightly harsher, bitter taste and typically used in blends or for jars of instant stuff.) *Arabica* is more difficult to grow as

it requires a higher elevation, and is also more susceptible to disease than robusta, so importers and roasters pay a premium for it. {1}

Keeping in mind that the farm side of things remains cloudy, there are still enough concrete numbers to get at the question of where my money is going when I buy all those \$3.50 pour-over cups of single-origin that I inhale in embarrassing quantities.

## **The Data**

I drew on research produced by the [Specialty Coffee Association of America](#)—based on surveys of specialty roasters around the country—to understand the average costs associated with each step of the supply chain. {2} I also spoke directly to a couple of sourcing experts from artisanal roasters with a few decades of experience to confirm and refine the numbers and give some insight into more expensive microlot coffees. Keep in mind that the profit margins detailed here are highly dependent on the city the coffee is served in and on the relationships that roasters develop with farmers over many years.

### **Green coffee price, per pound, paid to a farm or farmer cooperative: \$3.00**

This is the price paid either by a roaster directly or by a third-party buyer of green coffee. This is where there is the most variance and opportunity for greater transparency and improvement. This price first goes toward the farmers and laborers who pick coffee cherries at the farm (sometimes by machine but often by hand) as well as the costs of farm upkeep (things like suppliers, fertilizers, and pesticides). This fee also goes to processing coffee cherries, including a variety of washing and drying methods depending on the region, and the milling and sorting of the finished beans (to remove beans with imperfections or irregular bean size).

While the cost of commodity coffee fluctuates around \$2, specialty buyers seeking microlot coffee usually pay premium prices that are well above the coffee commodity market prices, or the price floors set through certifications, and may also cover costs of the farm being organic, or part of a cooperative.

### **Plus shipping, customs, warehousing, storage costs, and \$.30 profit to importer: \$3.53**

These are the shipping, international customs, warehousing, and storage costs paid by the people bringing coffee from its source to the U.S., plus a \$.30/lb profit for the importer.

### **Plus roasting, loss due to water weight, packaging, direct labor, non-direct labor wages of roaster, plus \$.68 profit for roaster: \$8.81**

These are the costs associated with roasting a pound of coffee at the roaster. Coffee loses about 18 percent of its weight when roasted. These costs also include packaging the beans and the costs of the bags and labels.

### **Plus cups, lids, stir sticks, condiments, labor lease, staff, utilities, marketing, taxes to coffee shop: \$38.07**

These are the average costs associated with brewing and selling the coffee, leasing the shop and marketing the brand, as well as the equipment and all coffee fixings. Of course, these costs can be significantly higher for cafes in high-rent neighborhoods in places like San Francisco or New York, and in cities with rapidly rising hourly minimum wages, so for those markets the retail costs (and actual price of a cup) is much higher.

**Number of cups of coffee in a pound: 15**

**Actual average price of a cup of coffee: \$2.54**

**Estimated profit to coffee shop per cup of \$3.50 coffee: \$0.96**