

Grounds for concern as Italian cafe culture feels bite of austerity

By Emiko Terazono in London

As if life in the eurozone's economically embattled periphery were not bad enough, the coffee culture emblematic of southern Europe is under siege. Italians are having to cut back on their cappuccinos and espressos and Spaniards are dropping their *cortados*, fuelling a sharp fall in wholesale coffee prices.

The coffee industry has long seen demand for the drink as constant, but now consumption per capita is down in Italy and Spain to levels last seen five to six years ago, largely because of the sovereign debt crisis.

The cost of the high quality arabica coffee in New York, the global benchmark, is down 40 per cent from a 34-year high set last year to \$1.75 a pound. Arabica prices last year surged to \$3.089 a pound after Colombia, the largest producer of high

quality beans, had a poor harvest due to bad weather.

In Italy, Europe's second-biggest importer of coffee by volume, demand fell last year to 5.68 kilograms per person, the lowest in six years, according to the London-based International Coffee Organisation, the group that represents the big producing and consuming countries.

"The four-year economic downturn is hitting the amount of coffee Italians drink," said Alessandro Polojac, president of Italy's industry association Comitato Italiano Caffè and chief executive of the Trieste-based coffee trader Imperator.

The story is strikingly different in less distressed parts of the eurozone. In Germany and France, Europe's other leading coffee importers, consumption is rising strongly. Spain, however, the fifth-largest European importer and another country

hard hit like Italy by the crisis, has seen per capita consumption back at 2007 levels.

The impact of the downturn is compounding the negative effect of new technologies, including the single-portion coffees such as Nespresso, which cut down on coffee wastage.

Mediterraneans are drinking more coffee at home, said Max Fabian, chief executive of Demus, an Italian decaffeinated coffee producer. "A lot of consumption was out-of-home which was expensive, but people have switched," he said.

The shift to brewing coffee at home has also prompted consumers to opt for cheaper blends, with a lower content of premium arabica beans. In turn, demand for lower-quality robusta beans, which have a bitter taste, has increased.

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