Specialty Coffee — Market Structure and Economics

Enhanced industry report | October 17, 2026

This supplement updates and expands the original 7-page industry report, which follows. The new September 2026 consumption release supersedes the older June survey when citing the latest daily specialty rate.

Consumption: separate survey vintages

Release	Daily U.S. specialty use	Context
June 2026 NCA/SCA	47% of adults	42% traditional; 69% of ages 25–39 weekly specialty
September 2026 NCA fall report	48% of adults	Latest published record reported as of this supplement

Source: NCA June and September 2026 releases. Survey populations and measurement windows must be matched before interpreting a one-point difference as a causal trend.

Market sizing: do not confuse usage with sales

TAM: All U.S. coffee spending across retail, foodservice, ready-to-drink, beans and capsules. **SAM:** Addressable premium/specialty beverage and packaged specialty categories. **SOM:** Reachable subset after distribution, customer acquisition, market geography, and capacity constraints. The existing evidence provides consumption penetration, not a supported dollar TAM or SAM.

A defensible quantified TAM will require the latest U.S. sales value by channel, category definitions, overlap treatment (ready-to-drink vs cafés), and a revenue/transaction-to-consumer bridge. Accordingly no fabricated dollar figure is supplied.

Independent specialty roaster: unit-economics sensitivity

Illustrative operating case, not an industry-average fact. Prices, conversions and volumes are editable assumptions for an interview case study.

Assumption	Base example	Interpretation
Green bean input cost	$3.00 / lb	Hypothetical purchase price, not ICE spot quote
Roast weight yield	82%	18% mass loss assumed
Packaging + direct packing labor	$1.75 / finished lb	Illustrative direct cost
Average wholesale selling price	$16.00 / finished lb	Illustrative realized price
Annual finished volume	12,000 lb	Illustrative small roaster scale

At $3/lb green coffee and 82% roast yield, bean cost per finished pound = $3 / 0.82 = **$3.66**. Total direct cost = $3.66 + $1.75 = **$5.41**. Gross profit per pound = $16 - $5.41 = **$10.59**, or a **66.2% illustrative gross margin**, before rent, marketing, fulfillment and overhead.

Green-bean input	Direct cost / finished lb	Gross margin
$2.50/lb	$4.80	70.0%
$3.00/lb	$5.41	66.2%
$3.50/lb	$6.02	62.4%
$4.00/lb	$6.63	58.6%

Sensitivity: +$1 per green pound raises bean cost by about $1.22 per finished pound and reduces gross margin about 7.6 percentage points at a fixed $16 selling price. At 12,000 finished pounds, the implied gross-profit impact is approximately $14,634 annually. These are scenario calculations, not observed company results.

Operating-model segmentation

Cafés should be evaluated using four-wall EBITDA, labor-to-sales, occupancy, tickets/day and average order value. Roasters require roast yield, green bean pricing, sell-through, wholesale vs direct-to-consumer realization, inventory turnover and fulfillment. Pod brands require channel fees, co-manufacturing, trade spend and shelf velocity. Do not compare gross margins without normalizing these functions.

Investment case and source discipline

Three hypotheses worth testing

1. Cold beverage mix: higher customization and beverage throughput can support check growth, but incremental ingredient and labor requirements must be measured. **2. Roaster margin recovery:** falling green prices help only as forward coverage contracts roll off and selling prices do not decline equally. **3. Channel migration:** at-home and drive-thru dynamics favor different cost structures; same-store sales and new-unit productivity must be distinguished.

Forecast scenario framework (not predicted prices)

Scenario	Observable trigger	Analytical response
Base	Harvest recovery and stable demand	Hold stable pricing; model input relief
Bull cost relief	Higher inventories and favorable weather	Stress-test margin capture and contract lags
Bear supply	Brazil weather shock or trade disruption	Shock procurement and cash conversion

Source integrity checklist

Use distinct links/dates for USDA FAS world production and consumption, NCA survey waves, Dutch Bros and Starbucks filings, tariff legal status, and reported transactions. The initial report quoted several acquisitions and coffee prices; these require source-by-source confirmation before being used as an investment recommendation.

Primary research references

NCA June specialty consumption: https://www.ncausa.org/newsroom/Specialty-Coffee-Consumption-Remains-at-Record-High

NCA September fall release: https://www.ncausa.org/Newsroom/NCA-Coffee-tops-beverage-charts-again-specialty-coffee-hits-new-high

SCA July announcement: https://sca.coffee/sca-news/2026-national-coffee-data-trends-report

Disclosure: Independent portfolio research. Price scenarios and unit economics are explicitly illustrative.

Specialty Coffee: Industry Deep Dive

Oct 17, 2026 · @Paul Carram

Executive summary

Specialty coffee is moving from a cost shock into a margin-recovery year: arabica has fallen about 30% from its October 2025 record while US demand sits at an all-time high. Five points matter most:

1. **Demand is at a record.** 47% of US adults drank specialty coffee in the past day in 2026, ahead of traditional coffee at 42% (NCA/SCA).
2. **Input costs are easing, slowly.** Arabica peaked at $4.38/lb in October 2025. It traded near $3.10/lb on October 16, 2026, as the USDA forecasts a record 2026/27 crop.
3. **Tariffs are mostly gone for green coffee.** Coffee was exempted from most US tariffs in November 2025, and Brazil's extra 40% was removed shortly after.
4. **The chains are winning on traffic again.** Starbucks posted +7.9% US comps last quarter, and Dutch Bros grew revenue 32.5% with 1,225 shops.
5. **Capital is consolidating the middle.** Keurig Dr Pepper closed its $18bn JDE Peet's deal in April 2026, and Nestlé sold Blue Bottle's cafés to Luckin's backer.

The main risk is that prices stay high: certified arabica stocks sit near a 27-year low, so any Brazil weather shock would reverse the relief quickly.

Market size and structure

World coffee consumption will reach a record 179.7 million 60-kg bags in 2026/27, with the largest gains in the EU and US (USDA FAS, July 2026). The US imports about 26.9 million bags a year in green-bean equivalent, up from 25.5 million.

In the US, specialty has overtaken traditional coffee as the default daily drink:

US consumption measure (2026)	Value
Adults who drank coffee in the past day	66%

US consumption measure (2026)	Value
Drank specialty coffee in the past day	47%
Drank traditional coffee in the past day	42%
Adults 25–39 who drank specialty in the past week	69%
Specialty drinkers who had it prepared away from home	36%
Specialty drinkers who drank it cold	60%

Source: NCA National Coffee Data Trends, specialty report, July 2026. The survey counts espresso drinks, cold brew, frozen blends and premium drip as specialty.

The structure has three layers. At-home brands and pods are controlled by a few global groups. Chain cafés compete on convenience and drive-thru. Independent roasters and cafés compete on origin, quality and experience. Only 36% of past-day specialty drinkers had their coffee made away from home, so the at-home channel remains the largest volume pool.

Value chain economics

The farmer typically keeps about 7–15% of a café cup's retail value; roasting, logistics and above all the café's rent and labor take the rest (University of Melbourne). That split explains why green-coffee spikes hurt roasters and grocery brands far more than cafés.

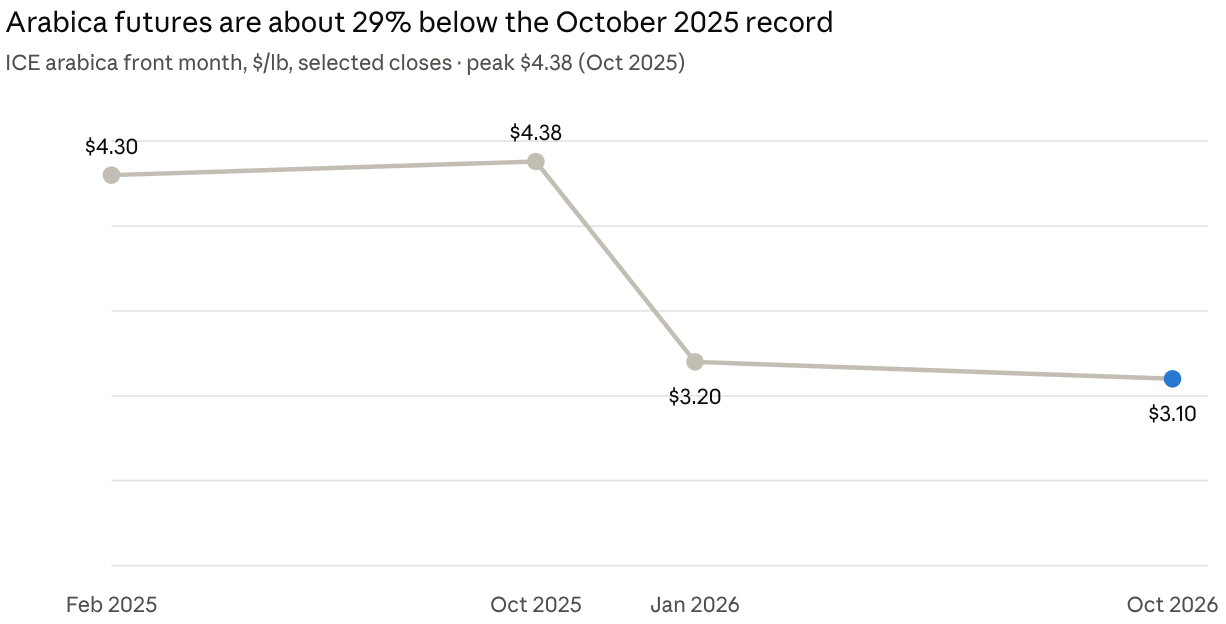
Stage	Who	Where the margin comes from	Sensitivity to green price
Farm	Smallholders and estates in Brazil, Vietnam, Colombia, Ethiopia	Yield and quality premiums	Benefits from high prices
Export and import	Exporters, importers, traders	Logistics, financing, hedging	Low, if hedged
Roasting	Global brands and specialty roasters	Brand, blend and channel	High: green is the largest cost
Retail café	Chains and independents	Beverage markup, milk, customization	Low: most of the cup is labor and rent

Stage	Who	Where the margin comes from	Sensitivity to green price
At-home retail	Grocery brands and pods	Shelf price and pod system	High, with price-pass-through lag

Café operators show how small a share coffee is. Dutch Bros spent 26.1% of company-shop revenue on beverages, food and packaging in Q2 2026, all ingredients included (Dutch Bros Q2 2026). Starbucks' product and distribution costs were 30.3% of revenue (Starbucks Q3 FY2026).

Green coffee supply and pricing

A record Brazilian crop is pulling arabica down from its 2025 peak, but thin inventories keep prices well above pre-2024 levels.



Bloomberg (Feb and Oct 2025 records); Trading Economics market reports (Jan 29 and Oct 16, 2026)

- **Supply is rebuilding.** The USDA forecasts record 2026/27 production of 189.7 million bags, up 10.8 million. Brazil drives most of it at 71.9 million bags, with arabica up 9.5 million (USDA FAS).
- **Stocks are still thin.** World ending stocks rise to 26.3 million bags but stay below the long-term average. ICE-certified arabica stocks sat near a 27-year low in mid-October (Trading Economics).

- **Tariffs mostly unwound.** Green coffee was exempted from US import tariffs on November 13, 2025, and Brazil's extra 40% was removed a week later. The replacement tariffs imposed after the February 2026 Supreme Court ruling exclude green coffee (Café Imports).
- **Weather is the swing factor.** Traders cite El Niño risk; one bad Brazilian flowering could reverse the slide.

For buyers, the practical read is to lock in part of 2027 needs on dips, not to wait for a return to $2.

Competitive landscape

The two largest US chains are both growing traffic again, which squeezes independents on convenience and leaves them to win on quality and experience.

Player	Model	Latest results	Read
Starbucks	Global chain, 41,304 stores	Q3 FY2026 (Apr–Jun 2026): US comps +7.9% (traffic +4.2%); non-GAAP margin 14.4%, up 430 bps	Turnaround working; China moved to a licensed JV
Dutch Bros	Drive-thru chain, 1,225 shops	Q2 2026: revenue +32.5% to $551M; company same-shop sales +8.3%	Unit growth story; 185+ openings planned for 2026
Luckin Coffee	App-first, pick-up format	24,000+ stores globally; entered New York in July 2025	Low-cost, high-volume challenger testing the US
Keurig Dr Pepper + JDE Peet's	At-home pods, packaged coffee, Peet's cafés	$18bn combination closed April 1, 2026	Plans to split out a pure-play Global Coffee Co.
Independent roasters and cafés	Single-origin, third-wave, local	No consolidated data	Win on origin, freshness and experience; most exposed to green-price swings

The at-home premium segment is the quiet battleground: pods, whole-bean subscriptions and ready-to-drink cold coffee compete for the 64% of specialty drinkers who did not buy their coffee out.

M&A and capital flows

The 2026 deals split the industry in two: scale players are buying global coffee portfolios, while conglomerates sell café assets they cannot grow.

Date	Deal	Value	Why it matters
Aug 2026	Dutch Bros announces Salad and Go transaction	Not in guidance	Drive-thru operator widening beyond beverages
Apr 2026	Keurig Dr Pepper closes JDE Peet's acquisition	$18bn	Pairs Keurig pods with the leading pure-play coffee and tea company; a coffee spin-off is planned
Mar 2026	Nestlé sells Blue Bottle cafés to Centurium Capital	Reportedly under $400M	Nestlé keeps packaged and capsule rights; Luckin's backer buys a premium café brand

For investors, the pattern is clear: the money follows at-home volume and asset-light formats, while premium café brands trade near or below what strategic buyers paid for them (Nestlé paid about $425M for control of Blue Bottle in 2017).

Key trends and outlook to 2030

The next four years favor operators who sell cold, customized drinks through fast formats and buy green coffee with discipline.

- **Cold and customized wins.** 60% of past-day specialty drinkers drank it cold, and flavor is part of the definition for 35% of them (NCA/SCA).
- **Younger adults drive volume.** 69% of 25–39 year-olds had specialty coffee in the past week, the highest of any group.
- **Formats are getting smaller and faster.** Drive-thru and app pick-up (Dutch Bros, Luckin) grow units faster than sit-down cafés.

- **Margin recovery in 2026–27.** Lower green prices and tariff refunds are already lifting chain margins; Starbucks cut product and distribution costs to 30.3% of revenue.
- **Origin diversification.** Record crops in Brazil and Ethiopia widen sourcing options; buyers are hedging climate risk across more origins.

Base-case outlook: US specialty demand keeps growing faster than total coffee, green prices settle in a $2.75–$3.50/lb band through 2027 absent a Brazil shock, and consolidation continues in packaged coffee.

Risks and implications

Risk	What would trigger it	Who is most exposed
Green price spike	Brazil frost or drought, El Niño, low certified stocks	Roasters and at-home brands
Trade policy	New tariffs on green coffee	Importers and roasters
Demand fatigue	Price-driven trade-down after two years of menu increases	Premium independents
Format disruption	App-first, low-price chains scaling in US cities	Mid-tier café chains
Climate and regulation	Shrinking arabica belts; EU deforestation rules	Smallholder-dependent supply chains

Implication: the strongest positions are scaled operators with hedged supply and fast formats, plus premium roasters with direct-trade relationships that can price on origin rather than commodity cost.

Sources

- USDA FAS, Coffee: World Markets and Trade, July 2026
- SCA / NCA, 2026 National Coffee Data Trends specialty report
- Trading Economics, arabica futures news, October 2026
- Bloomberg, coffee prices reach record, Oct 23, 2025
- Café Imports, US tariff exemptions for coffee
- Starbucks Q3 FY2026 earnings release (Form 8-K)