

How much does a coffee really cost?

30th October 2024

A daily coffee is worth \$65,000 after 23 years

I came to coffee late. It wasn't until a severe bout of insomnia in my early 40s that I finally discovered coffee. I've always been interested in the cumulative cost of daily habits though, so I ran the numbers and found that if I'd bought a daily week-day coffee from the beginning of 2001, when I started full-time work, through to today, I would have spent around \$22,729 on the coffee.

However, the amount invested daily in the ASX All Ordinaries index (the "coffee strategy") would currently be worth \$64,987. Consequently, over a nearly 24-year period, a daily coffee habit costs \$42,258 in lost passive earnings.

Table 1: A daily coffee costs \$42,258 in lost earnings

	Coffee strategy	Sushi strategy
Starting price (Jan-21)	\$2.60	\$8.20
Current price (Oct-24)	\$5.00	\$15.00
Total investment	\$22,729	\$69,334
Current value	\$64,987	\$198,647
Lost earnings	\$42,258	\$129,313
Total return	186%	187% ¹
Annualised return	+8.7%	8.7%

Source: S&P Global, Venn Brown

The "coffee strategy" returned 8.7% pa

As shown in Table 1, the total return of the \$22,729 investment made over almost 24 years is 186%, representing an IRR of 8.7% (slightly better than the 8.5% of the All Ordinaries over the same period).

¹ The slight change in total return is due to magnitude (and timing) of the pricing changes of the higher priced sushi.

ASX All Ordinaries

ASX:XAO

Sector	All
Num. constituents	487
Date	29-Oct-24
Value	8,506
52 week range	6,967 / 8,624
Market cap	\$2,793b
Yield	3.3%

ASX Small Ordinaries

ASX:XSO

Sector	All
Num. constituents	199
Date	29-Oct-24
Value	3,176
52 week range	2,561 / 3,229
Market cap	\$271b
Yield	2.3%

3-year Price Chart



Analysts

Andrew Wilkinson

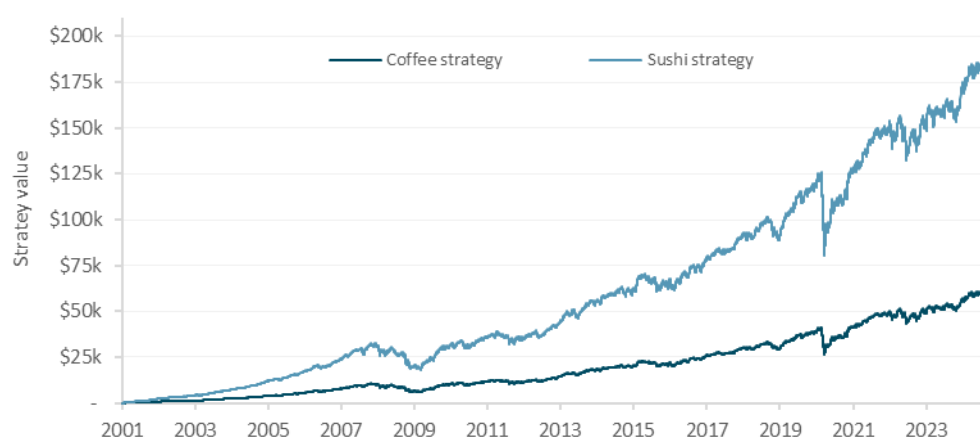
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The strategy was based on a current \$5.00 coffee, with prices reduced annually by CPI (at 20c increments), implying a coffee in 2001 cost \$2.60.

Applying the same methodology to a daily \$15.00 sushi lunch implies lost earnings of almost \$130,000 on a cost base of just under \$70,000. We decided this is probably a fairly modest² cost of lunch (especially in Sydney), and so we haven't adjusted for the substitution cost of eating last night's leftovers or bringing your own sandwich.

Today, the sushi strategy would be worth \$198,647.

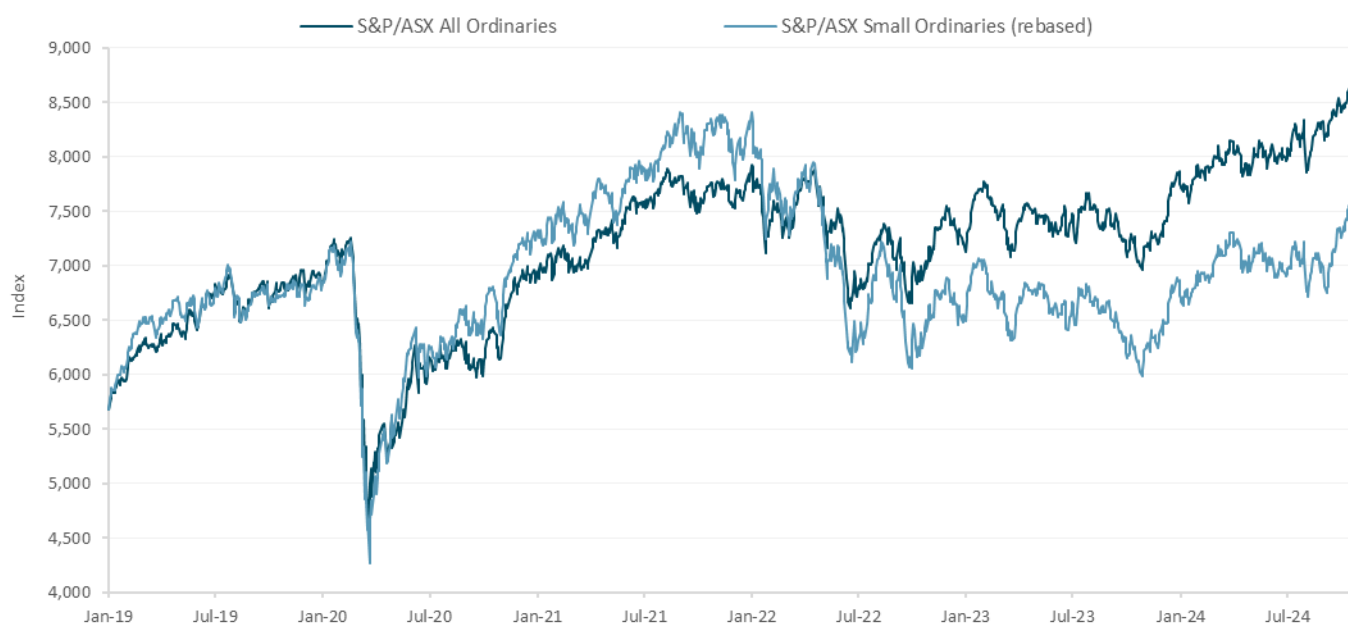
Figure 1: A daily sushi costs \$130,000 in lost passive income



Source: S&P Global, Venn Brown

² A quick survey of local menus suggested an average daily lunch cost of almost \$19.

Index performance



Source: S&P Global

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