

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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India

Coffee Annual

Production picks up, while exports remain stable

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Report Highlights:

India's MY 2017/18 coffee crop (Oct/Sep) is forecast at 5.45 million 60 kg bags as coffee growing regions emerge from a period of insufficient rains and high temperatures. Domestic consumption has been revised based on available information. The appreciation of the Indian rupee coupled with falling coffee prices is affecting Indian exports.

Commodities:

Coffee, Green

Production:

Coffee, Green	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	410	434	-	415	-	420
Area Harvested	370	397	-	370	-	380
Bearing Trees	541	541	-	532	-	540
Non-Bearing Trees	91	91	-	100	-	98
Total Tree Population	632	632	-	632	-	638
Beginning Stocks	2,586	2,586	2,591	2,645	-	2,275
Arabica Production	1,725	1,725	1,420	1,420	-	1,480
Robusta Production	4,075	4,075	3,750	3,750	-	3,970
Other Production	-	-	-	-	-	-
Total Production	5,800	5,800	5,170	5,170	-	5,450
Bean Imports	1,100	1,124	1,000	1,130	-	1,180
Roast & Ground Imports	3	2	3	1	-	2
Soluble Imports	75	76	70	69	-	63
Total Imports	1,178	1,202	1,073	1,200	-	1,245
Total Supply	9,564	9,588	8,834	9,015	-	8,970
Bean Exports	3,950	4,063	4,000	4,000	-	3,960
Rst-Grnd Exp.	5	5	5	5	-	7
Soluble Exports	1,650	1,625	1,575	1,535	-	1,583
Total Exports	5,605	5,693	5,580	5,540	-	5,550
Rst,Ground Dom. Consum	768	650	775	550	-	530
Soluble Dom. Cons.	600	600	625	650	-	685
Domestic Consumption	1,368	1,250	1,400	1,200	-	1,215
Ending Stocks	2,591	2,645	1,854	2,275	-	2,205
Total Distribution	9,564	9,588	8,834	9,015	-	8,970

(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)

Production

FAS Post forecasts marketing year (MY) 2017/18 (Oct/Sep) coffee production at 5.45 million 60 kg bags (327,000 metric tons). The 2017/18 crop forecast is higher than the 2016/17 crop estimate because of good backing showers in March and April that aided fruit setting and development.

Robusta is the more popular variety and constitutes over 70 percent of India's coffee crop. The Arabica crop is entering the 'on-year' of the biennial production cycle and is expected to bear a higher fruit than last year. The Robusta crop is expected to produce slightly more fruit than last year owing to good rainfall and irrigation water availability. The Arabica harvest takes place from November to January while the Robusta harvest is December to February.

During the Northeast Monsoon 2016 (Oct-Dec), the southern coffee growing region of Malnad, Karnataka received scanty rainfall (60 percent to 90 percent departure from normal rainfall), especially in October and November. Rainfall was above normal in December that led to soil moisture improvement, but humid conditions led to pest and disease emergence. In the southern states of Kerala and Tamil Nadu, a deficit southwest monsoon (July/Sep) in 2016 followed by a deficit northeast monsoon (Oct/Dec) led to extremely dry conditions that were accompanied by high temperatures. Growers indicated in discussions with Post that rains in March and April 2017 provided a break from the long, dry weather conditions and irrigation water necessary for the Robusta crop.

According to the Indian Meteorological Department, the period from March 1, 2017 to May 10, 2017, the coffee growing district in Chikmagalur (southern Karnataka) received 99 millimeters (mm) of rainfall which is 2 percent above normal. During the same time period, the Kodagu district of Karnataka received only 174.6 mm rainfall (18 percent below normal) while the Hassan district of Karnataka received 130.2 mm of rainfall (37 percent above normal). Other major coffee growing regions in Tamil Nadu and Kerala received above normal rainfall.

According to Ministry of Water Resources, the reservoir levels in Southern India (31 reservoirs under monitoring) have only 9 percent of their total storage capacity. The storage during the corresponding period last year was 13 percent and the ten-year average storage is around 20 percent.

The FAS estimate for MY 16/17 production remains unchanged at 5.17 million 60 kg bags with Arabica production estimated at 1.4 million 60-kg bags and Robusta production estimated at 3.7 million 60-kg bags.

The Coffee Board revised their MY 2016/17 production estimate downward from 5.33 million 60 kg bags to 5.27 million 60 kg bags in its post monsoon estimate in March 2017. Their post monsoon forecast indicates a decline in Arabica production to 1.6 million 60 kg bags, and a marginal increase in Robusta production to 3.67 million 60 kg bags. The reduction is expected in the largest coffee growing state of Karnataka. The downward revision is attributed to the delayed blossom and backing showers coupled with high temperatures. Growers were able to provide a one-time irrigation for the Robusta plants but were unable to follow-up with subsequent irrigations due to limited water availability. The final estimate will be published in June 2017.

India Coffee Types Dominated by Robusta

The Arabica plants are self-pollinating and are typically grown at higher elevation under rain-fed conditions. The plants are grown under shade to prevent variation in soil temperature and moisture levels as well as for protecting the plants in case of heavy rainfall. In India, there is a two-tier shade for Arabica crop. The higher canopy shade (30-40 feet) is mostly evergreen trees such as Indian rosewood / jackfruit while Dadap / Silver oak are used for the lower canopy shade (15-20 feet). The leaf litter from these trees acts as soil cover and prevents the direct impact of rain water and soil erosion. The planting

space in Arabica crop is 6 feet by 6 feet with an average of 3,000 plants per hectare. The Robusta crop planting space is 10 feet by 10 feet with about 460 plants per hectare. As Arabica is a deep rooted plant, it is able to sustain itself during drought conditions, but Robusta, with its shallow roots, requires irrigation during the season. There has been a shift from Arabica to Robusta plantations due to the susceptibility of the Arabica crop to stem borer pest and leaf rust. With the changes in the distribution pattern of the rains in the last decade, the elevation at which Arabica is grown is pushing the cultivation much higher. More than 60 percent of the labor working at the estates is contracted during the harvesting season.

Table 1. India: Coffee Types

Processing Method	Coffee Varieties Cultivated in India	
	Arabica	Robusta
Washed (wet processed)	Parchment / Plantation Coffee	Parchment
Unwashed (natural/dry processed)	Cherry	Cherry

Area

Area harvested and plant inventory forecasts are marginally higher than last year as older trees replaced with newer trees begin bearing fruit. India accounts for about four percent of world coffee production and exports. Production is mostly confined to the southern states of Karnataka, Kerala, and Tamil Nadu which account for 82 percent of planted area. The non-traditional lower-yielding areas of Andhra Pradesh, Orissa, and Northeastern India have seen a marginal increase in area, but planted area in these states is limited. With coffee estates in close proximity to protected forest reserves, there is limited opportunity for further area expansion. Growers are gradually shifting towards replanting to replace their aging plantations at an annual rate of 1-2 percent per year which leaves a difference of approximately 40,000 ha between harvested and planted area. Area harvested and plant inventory estimates remain unchanged. Generally the first fruit is expected from third year onwards.

February and March rains are crucial for determining the crop yield. Pre-monsoon rains (blossom showers) in March and April have been above normal in all traditional coffee growing states. The well-distributed rains will provide irrigation and moisture for the Robusta plants.

White Stem borer remains a major pest issue affecting the Arabica crop. Fungal diseases such as leaf rust and black rot are the most widespread coffee diseases in India.

Labor costs remain a concern as input costs rise

Recent increases in farm input costs along with the elimination of fertilizer and diesel subsidies have increased production costs. Labor costs, which account for more than 50 percent of the cost of cultivation, continue to escalate. With increasing off-farm employment opportunities, coffee planters have started experiencing shortages of skilled labor.

According to Coffee Board of India statistics, the general daily wage rate in state of Karnataka increased by 4 percent from Rs. 248 (US\$3.83) to Rs. 257 (US\$3.97) per day between July, 2016 and March, 2017.

Table 2. India: Estimated Number of Persons (permanent and casual labor) Engaged in Coffee Cultivation

Karnataka	498,163
Kerala	43,986
Tamil Nadu	28,932
Non Traditional Area (Odisha and Andhra Pradesh)	61,912

Source: Ministry of Commerce and Industry, March 2017

Table 3. India: Coffee Planted Area in Major States (in hectares)

State	2013/14			2014/15			2015/16		
	Arabica	Robusta	Total	Arabica	Robusta	Total	Arabica	Robusta	Total
Karnataka	109,003	121,330	230,333	109,032	121,402	230,434	111,225	124,213	235,438
Kerala	4,175	81,184	85,359	4,203	81,253	85,456	4,217	81,284	85,501
Tamil Nadu	25,939	5,605	31,544	26,058	5,613	31,671	29,062	5,870	34,932
Andhra Pradesh	61,075	268	61,343	64,689	267	64,956	71,280	267	71,547
Odisha	4,066	-	4,066	4,140	-	4,140	(NTA)	(NTA)	(NTA)
North Eastern Region	5,127	1,203	6,330	5,340	1,273	6,613	5,595	1,423	7,018
Total	209,385	209,590	418,975	213,462	209,808	423,270	221,379	213,057	434,436

Source: Ministry of Commerce and Industry, March 2017

NTA – Non Traditional Area

Table 4. India: Coffee Bean Retail Prices in Major Consuming Centers, Rs. per Kilo 1

Year	Bangalore		Chennai		Hyderabad	
	Arabica	Robusta	Arabica	Robusta	Arabica	Robusta
Average 2007	137	87	170	91	150	89
Average 2008	150	114	157	118	164	127
Average 2009	210	105	215	109	229	119
Average 2010	217	98	225	104	233	110
Average 2011	297	131	300	134	314	141
Average 2012	247	156	298	148	309	170
Average 2013	199	157	229	182	250	190

Average 2014	311	169	321	187	332	185
Average 2015	309	152	328	178	366	191
Average 2016	259	151	298	172	336	182
Average 2017*	263	167	289	179	310	178

1\ Exchange Rate equals Rs. 64.2217 per dollar as of May 9, 2017

*Average of data through March 2017

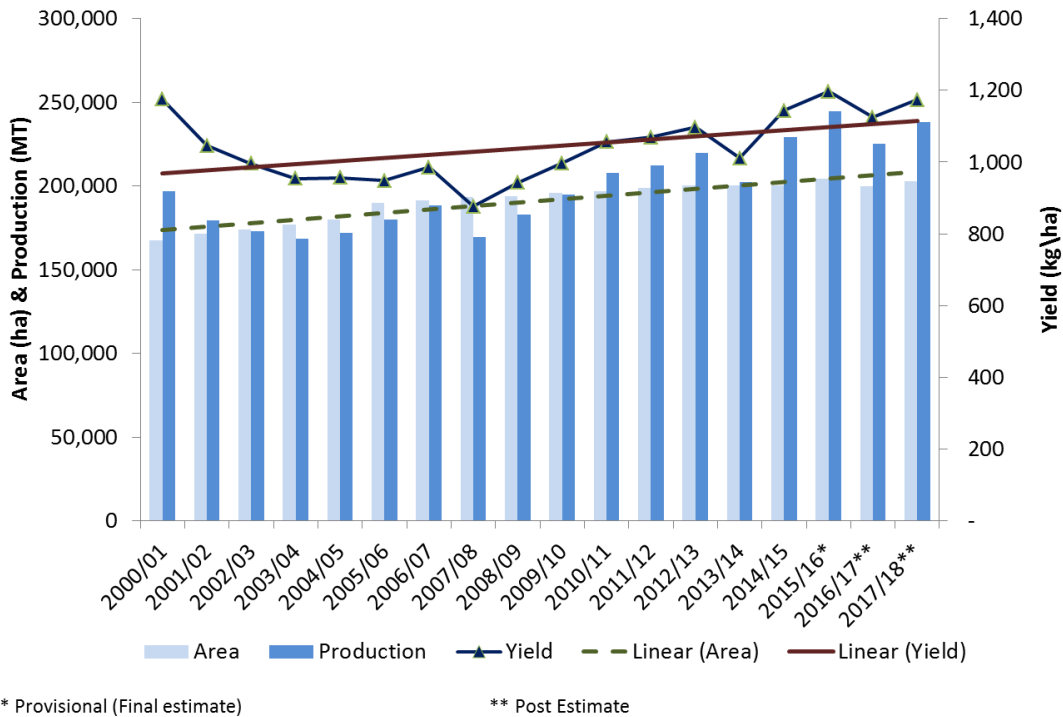
(Rs/kg of clean coffee beans of Arabica Plantation A & Robusta Cherry AB)

Source: Coffee Board of India

Fig 1a. Arabica: Area, Production & Yield



Fig 1b. Robusta: Area, Production and Yield



Consumption:

The MY 2017 consumption forecast is 1.22 million 60 kg bags (72,900 mt). Industry estimates indicate coffee consumption remained between 1.16 million 60 kg bags and 1.25 million 60 kg bags (70,000 – 75,000 mt) over the past few years. Coffee Board of India has not published any consumption data since 2011. One reason for the large variation in industry consumption estimates is the widespread use of chicory in the domestic market. Many popular instant coffees contain 20 to 49 percent chicory.

The bulk of India’s coffee production is exported and the domestic industry focuses much of its marketing effort on export promotion. There are signs that the popularity of coffee is increasing with the spread of both foreign and home-grown coffee shops and restaurant chains. However, exports continue to siphon large amounts of coffee away from the domestic market and consumption estimates are largely unchanged. The instant/soluble coffee segment is almost entirely branded and packaged, and is dominated by two multinationals, accounting for almost 90 percent of the total soluble coffee market.

Hundreds of western-influenced coffee shops have emerged across India’s major and smaller “second tier” cities over the past decade. Coffee now competes against the once dominant tea in these cafes, especially among younger consumers. A growing willingness to consume food and drink outside the home and increasing disposable income has helped to fuel growth in recent years, but the pace of expansion appears to have slowed in recent years. They are targeted at young professionals (particularly women) as a new lifestyle experience.

MY2015/16 and MY 2016/17 consumption estimates have been revised downwards based on industry analysis, and Post discussions with industry stakeholders.

Trade:

MY 2017/18 exports are forecast at 5.55 million 60 kg bags slightly lower than last year. Despite expectations of a bigger crop, and continued focus on exports, declining global prices and sluggish demand from European buyers is expected to keep exports on par with last year. Global prices for Arabica and Robusta futures have been declining since April prompting liquidation of stocks. At the same time, the appreciation of the Indian rupee by 5 percent since January is prompting exporters to renegotiate contracts for the stocks that have not been shipped. Trade sources indicate around 30 percent of unsold stocks are left with the exporters and traders. Growers also hold stocks while agents are selling as international prices continue to slide.

Indian Robusta has a good reputation among international buyers and European countries remain the major buyers of Indian coffee. Italy, Germany, and Russia are the top export destinations for Indian coffee. India exports an estimated 90 percent of its production. Actual exports are virtually equivalent to production, but include 1.1 million bags of coffee that are imported duty free for processing and re-export under a special re-export program.

Domestic prices are largely driven by international prices and trade sources indicate that global supplies of Robusta are keeping prices at lower levels. Globally, the average ICO indicator prices for Arabica have fallen by 8 percent between January and May, while Robusta prices have fallen by 4 percent. In India, raw coffee prices in the largest coffee growing state of Karnataka as of May 9, 2017 for Arabica parchment and cherry have fallen by 4 percent since the beginning of marketing year (Oct/Sep). Robusta parchment prices have fallen marginally by 2 percent. Robusta prices are expected to remain depressed with large carryover stocks until the onset of the next harvest. As per Coffee Board trade data, the major shipment ports for coffee in India are Mangalore (Karnataka) and Cochin (Kerala) followed by Chennai (Tamil Nadu). Traditionally, January is when coffee exports begin.

India's coffee imports are primarily from Vietnam, Indonesia, Uganda, and Kenya for processing and re-export. This coffee enters India free of duty provided it is re-exported under the provisions of a re-export program. Most Favored Nation tariffs on imports of coffee are 100 percent and 30 percent for coffee derived products (See Table 7) although India has specific free trade and preferential duties for several ASEAN and African countries (such as those listed above) which drop the tariff to 60 percent or zero for individual tariff items. See the Government of India's [Indian Trade Portal](#) for specific tariff duties. Trade sources report that little coffee is imported for consumption in the domestic market.

Table 5. India: Uncured Coffee Bean Farm Gate Prices in Major Producing Centers, Rs. per 50kg 1

Year	Chikmagalur		Sakaleshpur		Madikeri	
	Arabica	Robusta	Arabica	Robusta	Arabica	Robusta
Average 2009	6,752	1,869	6,418	1,872	6,459	1,929
Average 2010	6,949	1,940	6,894	1,821	6,966	1,870
Average 2011	10,144	2,663	10,151	2,606	10,061	2,600
Average 2012	7,984	3,000	8,053	3,036	8,046	3,036
Average 2013	6,393	2,945	6,411	2,956	6,473	3,056
Average 2014	10,011	3,399	9,952	3,728	9,805	3,349
Average 2015	9,116	2,962	9,047	2,978	9,302	3,041
Average 2016	8,118	3,018	8,224	3,051	8,210	3,035
Average 2017*	8,988	3,771	9,096	3,748	8,742	3,754

1\ Exchange Rate equals Rs. 64.2217 per dollar as of May 9, 2017

*Average of data through March 2017

(Rs/kg of clean coffee beans of Arabic Parchment & Robusta Cherry)

Source: Coffee Board of India

**Table 6. India: Coffee Exports
(Oct/Sep Marketing Year, Includes Re-Exports)**

S No.	Destination	MY 2010/11	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15	MY 2015/16
		Quantity (MT)	Quantity (MT)	Quantity (MT)	Quantity (MT)	Quantity (MT)	Quantity (MT)
1	Italy	74,344	78,010	68,662	70,782	64,702	86,379
2	Germany	44,696	25,726	28,372	29,163	24,155	32,699
3	Russia	33,489	29,392	19,596	18,914	20,721	28,188
4	Belgium	23,186	18,007	18,055	13,641	14,542	20,125
5	Turkey	1,714	4,906	9,905	14,055	15,703	14,656
6	Slovenia	7,592	13,133	10,339	7,868	9,248	11,839
7	Jordan	7,425	7,506	10,337	7,741	6,524	8,643
8	Poland	3,467	4,567	2,558	3,208	3,611	8,500
9	Greece	6,230	6,491	5,796	5,171	6,338	8,177
10	Spain	15,477	7,982	6,421	4,998	5,587	8,173
11	Malaysia	4,838	8,328	6,777	5,819	4,765	6,185
12	Libya	1,973	3,879	5,816	5,835	5,451	6,173
13	USA	5,892	6,376	5,804	5,993	5,111	5,884
14	Others	105,316	95,967	93,128	92,438	85,269	100,110
	TOTAL	335,639	310,270	291,566	285,626	271,727	345,731

Source: Coffee Board of India

Policy:

Funding for production and export programs is tied to India's five-year planning cycle. The twelfth five-year plan (2012-17) and the modalities for implementing the integrated coffee development project were approved and should continue under the remaining years of the twelfth five-year plan.

The Coffee Board is implementing the Integrated Coffee Development Project under which various interventions such as research and development, technology transfer, capacity building, support for the mechanization of estates, coffee land area development, market development and promotion, and support to value addition are undertaken for the overall improvement of production, productivity and quality of coffee. A sum of \$72 million (Rs 464.30 crore) has been spent by the Coffee Board on various components of the Scheme during the 12th Plan. Coffee growers also can participate in the Rainfall Insurance Scheme for Coffee under which the growers are given compensation for crop losses due to erratic rainfall.

For details refer [XII Plan Support Schemes](#).

Table 7. India: Import Duty on Coffee and Related Products*

HTS Code	Product description	MFN Basic Duty
0901.11	Coffee neither roasted nor decaffeinated	100%
0901.12	Coffee not roasted decaffeinated	100%
0901.21	Coffee roasted not decaffeinated	100%
0901.22	Coffee roasted and decaffeinated	100%
2101.11.10	Instant coffee flavored	30%
2101.11.20	Instant coffee not flavored	30%
2101.11.30	Coffee Aroma	30%
2101.11.90	Others	30%
2101.12.00	Preparations with a basis of extracts, essences or concentrates with a basis of coffee	30%

*Owing to India's trade agreements, several countries can have lower than MFN duty rates on HTS 0901 and other tariff chapters.

Table 8. India: Export Tax/Cess on Coffee and Related Products

S No.	Product description	Basic duty
1	Green	0%
2	Roasted	0%
3	Soluble	0%

Marketing:

Indian Coffee Marketing System

Common marketing practices include: 1) selling to exporters through an agent; 2) storing at a curing plant before selling; 3) selling at auctions; and 4) exporting directly. Small holders typically sell their parchment coffee (or dry cherry) to exporters through export agents and consolidators. The agent takes the coffee beans to the curing factory, where they are checked for quality against the standards of the destination country. Storing the coffee at a curing plant allows the coffee grower to retain ownership of the coffee before selling it in order to take advantage of price movements. Larger producers typically sell at auctions organized by the Indian Coffee Traders' Association or export directly.