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Report Highlights:

FAS Mumbai estimates marketing year (MY) 2020/21 coffee crop (Oct/Sep) to increase by nearly 9 percent to 5.3 million 60-kilogram bags. Moderate pre-blossom showers and adequate soil moisture levels coupled with prospects of a near normal monsoon are expected to improve yields in the primary coffee growing regions. Exports are expected to decline by four percent to 5.26 million 60-kilogram bags as demand in major European markets has been affected by COVID-19, leading to the deferment of existing orders, and limited prospects of new orders due to market uncertainty.

Production, Supply and Demand Data Statistics:

Coffee, Green Market Begin Year	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Area Planted	450	460	-	460	-	460
Area Harvested	422	422	-	424	-	423
Bearing Trees	542	542	-	545	-	545
Non-Bearing Trees	97	97	-	98	-	100
Total Tree Population	639	639	-	643	-	645
Beginning Stocks	1,248	1,248	669	931	-	473
Arabica Production	1,470	1,583	1,250	1,330	-	1,560
Robusta Production	3,700	3,742	3,910	3,560	-	3,750
Other Production	-	-	-	-	-	-
Total Production	5,170	5,325	5,160	4,890	-	5,310
Bean Imports	1,265	1,302	1,235	1,235	-	1,150
Roast & Ground Imports	1	2	2	2	-	2
Soluble Imports	75	82	70	70	-	70
Total Imports	1,341	1,386	1,307	1,307	-	1,222
Total Supply	7,759	7,959	7,136	7,128	-	7,005
Bean Exports	4,000	3,936	3,830	3,600	-	3,300
Rst-Grnd Exp.	4	4	5	5	-	6
Soluble Exports	1,836	1,838	1,870	1,870	-	1,950
Total Exports	5,840	5,778	5,705	5,475	-	5,256
Rst,Ground Dom. Consum	530	530	500	500	-	430
Soluble Dom. Cons.	720	720	680	680	-	720
Domestic Consumption	1,250	1,250	1,180	1,180	-	1,150
Ending Stocks	669	931	251	473	-	599
Total Distribution	7,759	7,959	7,136	7,128	-	7,005
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

Crop Area

FAS Mumbai revises marketing year (MY) 2020/21 planted area at 460,000 hectares with the bearing area to reduce to around 423,000 hectares. The non-bearing area and non-bearing tree estimates are higher compared to last year due to the impact of heavy rains/floods in the traditional coffee growing states of Karnataka and Kerala during the Northeast Monsoon of 2019. In November 2019, the Coffee Board of India's extension teams conducted preliminary surveys (current year) in the calamity affected areas both in Karnataka and Kerala states to estimate the damage to coffee plantations due to flooding/landslides and damage to standing coffee crop due to premature fruit drop and fungal diseases.

As per the preliminary assessment in Karnataka state, out of the total bearing area of 226,244 hectares, an area of about 97,365 hectares has been reported to be affected by crop loss of more than 33 percent while an area of 620 hectares is reported to have been affected by landslides/floods. In Kerala, an area of

about 850 hectares has been reported to be affected with crop loss of more than 33 percent while an area of 16 hectares has been affected by landslides/floods.

Table 1. India: Coffee Planted Area in Major States (in hectares)

State	2016/17			2017/18*			2018/19*		
	Arabica	Robusta	Total	Arabica	Robusta	Total	Arabica	Robusta	Total
Karnataka	108,845	135,940	244,785	108,795	135,990	244,785	108,816	136,482	245,298
Kerala	4,228	81,642	85,870	4,231	81,649	85,880	4,231	81,649	85,880
Tamil Nadu	29,513	6,094	35,607	29,513	6,094	35,607	29,324	6,268	35,592
Andhra Pradesh	71,088	267	71,355	75,892	264	76,156	79,892	264	80,156
Odisha	4,239	-	4,239	4,282	-	4,282	4,282	-	4,282
North Eastern Region	5,903	1,598	7,501	6,198	1,815	8,013	6,536	2,161	8,697
Total	223,816	225,541	449,357	228,911	225,812	454,723	233,081	226,824	459,905

***Provisional**

Source: Ministry of Commerce and Industry, January 2019

Inputs

The coffee sector provides direct employment to 664,505 workers via plantations and indirect employment to 1.3 million workers in coffee processing and other related activities. With increasing off-farm employment opportunities, coffee planters have started experiencing shortages of skilled labor. Labor costs, which account for more than 50 percent of the cost of cultivation, continue to escalate. According to the Board's statistics, the general daily wage rate in the state of Karnataka rose to INR 314 (US\$ 4.44), per day.

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

Karnataka	515,792
Kerala	44,194
Tamil Nadu	31,235
Non Traditional Area (Odisha and Andhra Pradesh)	73,285
Total	664,505

Source: Ministry of Commerce and Industry, July 2019

Lockdown Affects Estate Operations

While the availability of inputs was not an issue as the majority of harvesting operations were completed by mid-March just before blossom showers, the lockdown (due to COVID-19) has affected maintenance activities of major coffee estates. There were limited areas where harvesting was delayed due to late rains, and the lack of labor.

Certain estate operations such as pruning, fertilizer application, and lopping of permanent shade trees to provide required filtered light and air circulation in the field that helps in improving yields have been affected. The lack of labor for these operations, will affect the potential of coffee yields to reach

optimum levels. During the third week of the lockdown, the government had eased a few restrictions on the ease of movement for migrant laborers. Since then, migrant farm laborers have either returned to their home states or are in the process of returning to work sites. There are concerns that post lockdown most of these laborers will not return to the estates. According to the coffee planters, these developments will likely lead to high labor costs.

Production

FAS Mumbai estimates marketing year (MY) 2020/21 coffee crop (Oct/Sep) to increase by nearly 9 percent to 5.3 million 60-kilogram bags (318,600 metric tons or MT). Post estimates Arabica production at 1.56 million 60- kilogram bags (93,600 MT) and Robusta production at 3.75 million 60- kilogram bags (225,000 MT). Improvement in yields for both Arabica and Robusta is expected due to the availability of adequate moisture and good rainfall. Post estimates MY 2020/21 yields for Arabica at 468 kilograms, per hectare, three percent higher than last year, but four percent lower than the five-year average. The yields for Robusta are estimated at 1,004 kilograms per hectare, eight percent higher than last year, but three percent lower than the five-year average.

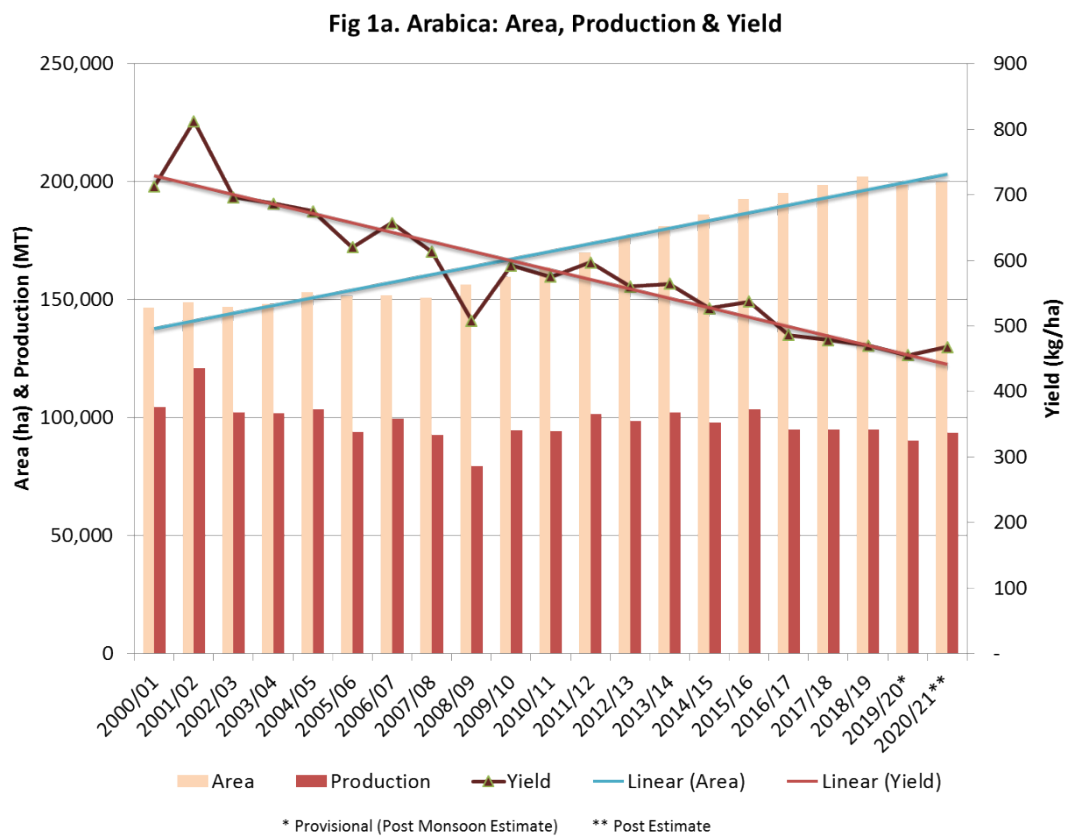
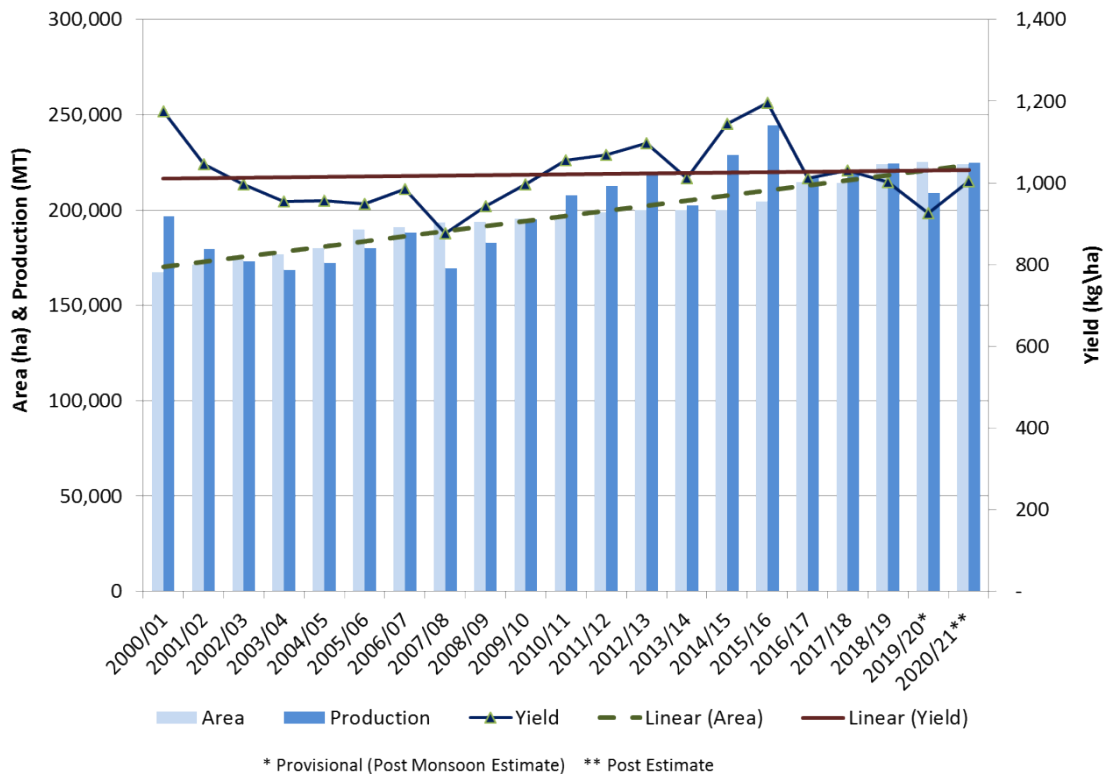


Fig 1b. Robusta: Area, Production and Yield



Robusta is the more popular variety and accounts for 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 higher fruit than last year. The Robusta crop is expected to produce more fruit than last year due to good rainfall and irrigation water availability. While the Arabica harvest takes place from November to January, the Robusta harvest is December to February.

February and March rains are crucial for determining the crop yield. According to the Indian Meteorological Department (IMD), the coffee growing regions in south interior Karnataka received deficit rains between January to March, which were followed by moderate to excessive pre-monsoon rains (blossom showers) providing adequate moisture. Once the blossom showers are over, the flowering is complete. However, for the fruit set, backing showers are necessary. If this rainfall is delayed, then the fruit setting drops significantly. After the first post blossom shower, the bush requires a continuous flow of moisture until the onset of monsoon.

Coffee Board Revises the Production Estimate for MY 2019/20 and MY 2018/19

The board revised its MY 2019/20 post monsoon production estimates at 5 million 60-kilogram bags (299,300 MT), including Arabica production at 1.5 million 60-kilogram bags (90,400 MT) and Robusta production at 3.5 million 60-kilogram bags (208,900 MT). Post's MY 2019/20 estimates are two percent lower at 4.89 million 60-kilogram bags (293,400 MT), due to the reported acreage damaged by heavy rains/flooding resulting in crop loss ranging from zero to thirty percent across the region. Peak market arrivals of the new crop are during January and February, and extend into March during some seasons. The flow of arrivals was delayed/slowed due to the lockdown, leading to industry estimates of a much

lower crop. Trade sources indicate a very disappointing harvest for Arabica as it will be one of the lowest crops in the last five years. The lockdown affected the availability of labor for various operations in the supply chain such as estate operations and transportation to coffee processing centers which affected the crop supply.

According to the board, farm-gate prices for Arabica Parchment are currently around INR 10,000 per 50 kilogram bags, almost 29 percent higher since beginning of the new marketing year in October 2019 indicating tight supply due to lower crop, and high demand; while Robusta Cherry prices have remained firm, falling marginally by two percent during the same period and are currently at INR 3,200 per 50 kilogram bags.

The board also finalized the production estimate for MY 2018/19 at 5.32 million 60-kilogram bags, which has been adopted by the post, and is reflected in the PSD table.

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 protection in case of heavy rainfall. In India, there is 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 can sustain itself during drought conditions, while 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 the white stem borer pest and leaf rust. With the changes in the distribution pattern of rains in the last decade, there is a growing push to cultivate Arabica much higher altitudes. More than 60 percent of the labor working at the estates is contracted during the harvesting season.

Table 3. 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

Consumption

FAS Mumbai estimates MY 2020/21 consumption to decline by nearly 3 percent to 1.15 million 60-kilogram bags (69,000 MT). This is largely driven by the expected slowdown in sales experienced by the hospitality (hotels, restaurants, catering) and institutional (corporate offices, airports) sector in the coming year as a result of COVID-19 outbreak.

The decline in consumption will be more evident in the Roast and Ground (R&G) coffee consumption, estimated at 430,000 60-kilogram bags (25,800 MT). The R&G suppliers cater mostly to the ‘darshini’ cafes (quick and self-service type of vegetarian *restaurants*) that have been closed during the lockdown, so the impact will be significant. Indian filter coffee served in darshini cafes concentrated in Southern India have been the one of the major drivers of growth of coffee consumption. Post anticipates the out of

home consumption will see a decline as the hospitality and restaurant sector slowly get back to opening, managing with limited staff, and complying with new social distancing norms. Trade sources indicate the loss in consumption during the lockdown was close to 20 percent. A few R&G manufacturers also have a retail presence, which should help them offset the loss in sales by catering to the home consumption sector.

The home consumption of coffee, an important driver of demand is expected to rise with instant coffee (soluble coffee). Post estimates soluble coffee consumption at 720,000 60-kilogram bags (43,200 MT), six percent higher than last year as more consumers are expected to remain at home due to the lockdown.

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 board has not published any consumption data since 2011. FAS Mumbai consumption estimates are based on industry analysis and discussions with industry stakeholders

Trade

FAS Mumbai forecasts MY 2020/21 exports to decline by 4 percent to 5.25 million 60-kilogram bags (315,360 MT). Overall, bean exports are forecast to be lower by eight percent than last year, partially offset by a four percent increase in exports of soluble coffee. Post also estimates higher exports of R&G coffee as suppliers look to offset lower domestic demand through exports.

According to trade contacts, the impact of COVID-19 has been much higher on the supply side, than demand side. The demand for Indian coffee from international buyers has remained steady as most of the export orders have been deferred with no reported cancelations. As such, the shipments for exports in March and April will proceed in May.

Post has revised the export estimate for MY 2019/20 at 5.47 million 60-kilogram bags. According to trade sources, the first phase of the lockdown brought exports to a complete halt. The government the announced exemptions for the agriculture sector during the second phase of the lockdown with digital documentation being acceptable for shipments. According to the coffee board export data, the number of export permits issued in MY 2019/20 from October to May are 15 percent lower than same time in previous year. The value of permits issued has also fallen by 16 percent as compared to previous year.

While Italy, Germany, Russia and Belgium remain the traditional export markets, exporters are increasingly exploring new markets for their shipments. Mangalore port remains the biggest port for coffee shipments by volume, followed by Cochin, Chennai, ICD Bangalore, and Tuticorin that ship almost 50 percent of total Indian export shipments.

As coffee is an export-oriented commodity, domestic coffee prices are dependent and aligned to international prices. Approximately 80 percent of Indian coffee production is exported. The domestic prices are moving in alignment with international prices with high premiums offered for Arabica parchment, while prices for Robusta Cherry have remained stable. However, Indian exporters will find it

difficult to get buyers at these prices. India's currency during the same time (October onwards) has weakened by six percent providing additional support for exports.

In terms of port operations, exporters indicate that they have dealt with different issues during different phases of the lockdown. Initially, the restrictions on movement of plantation commodities led to the halt of farm gate sales of coffee, making it difficult to move coffee to the curing works. Further, limited operations at the curing works resulted in minimal trading activity, and the coffee export trade came to a standstill, further squeezing cash flow. These disruptions also affected the movement of coffee to ports, thereby hurting the flow of exports. Exporters were not able to execute export orders due to the closure of ports. Another major issue was the difficulty in shipping/couriering trade documentation leading to shipment delays. However, traders are optimistic that by end of May, exports will resume at normal pace, as the lockdown phase eases restrictions on movement.

FAS Mumbai estimates MY 2020/21 imports to fall by almost 7 percent 1.2 million 60-kilogram bags. Imports of green coffee are expected to be marginally lower due to the availability of a larger domestic crop. Most of the imported coffee is processed for re-export due to duty exemptions and lower overall prices. In MY 2019/20, imports of green coffee to India were dominated by Vietnam, Indonesia, and Cote d'Ivoire.

Stocks

FAS Mumbai estimates MY 2020/2021 carryover stocks at 474,000 60-kilogram bags, which will increase by the end of the year due to higher production and expected lower exports, coupled with lower domestic consumption. There are no government-held stocks. The stocks are privately held by either the planters or the traders. During the initial weeks of lockdown, farmers had no way to sell the coffee, as markets remained closed. As the government provided more exemptions for agricultural operations, movement of beans from farm to the curing works continued albeit at a slow pace due to the lack of buying interest. However, as exporters began to process pending orders, the demand was higher than supply, and prices started to rise. As such, trade sources indicate that stocks are being held by planters in anticipation of higher prices.

Export shipments typically are at their peak between March and June. Almost 45 percent of total exports happen during these four months. The lack of availability of certain coffee grades, is driving overall coffee prices up. Trade associations reported almost 10-15 percent of the production has accumulated at curing centers and various ports.

Policy

On March 13, 2020, the Government of India introduced the Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) to enhance exports to international markets. As per the new scheme, a mechanism would be created for reimbursement of taxes/duties, at the central, state and local level, which are currently not being refunded under any other mechanism, but which are incurred in the process of manufacture and distribution of exported products. This scheme is expected to give a boost to the domestic industry and Indian exports providing a level playing field for Indian producers in the international market so that domestic taxes/duties are included in the export price. For more details, please refer to the [Government of India Press Release 1606281](#). The RoDTEP scheme has replaced the Merchandise Export Incentive Scheme (MEIS) Scheme which was used by the coffee sector since 2015.

The Central Government had approved the continuation of the XII plan scheme [“Integrated Coffee Development Project”](#) for a further period of three years during the Medium Term Framework Period (2017-18 to 2019-20) with an outlay of Rs.647.46 crore (US\$ 93 million). However, there is no clarity whether the scheme will be extended further from 2020 onwards.

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

	Bangalore		Chennai		Hyderabad	
Year	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	246	162	283	180	300	179
Average 2018	216	155	255	176	277	179
Average 2019*	218	177	222	179	226	-

1\ Exchange Rate equals Rupees 70.70 per dollar as of November 08, 2019

*Average of data through July 2019

(Rupees/kg of clean coffee beans of Arabica Plantation A and Robusta Cherry AB)

Source: Coffee Board of India

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

	Chikmagalur		Sakaleshpur		Madikeri	
Year	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	7,897	3,436	7,933	3,404	7,955	3,454
Average 2018	6,828	3,180	6,896	3,173	6,909	3,223
Average 2019*	7,100	3,187	7,119	3,232	7,041	3,125

1\ Exchange Rate equals Rupees 70.70 per dollar as of November 08, 2019

*Average of data through July 2019

(Rupees/kg of clean coffee beans of Arabica Parchment and Robusta Cherry)

Source: Coffee Board of India

**Table 6. India: Coffee Exports by Quantity (in MT)
(Oct/Sep Marketing Year, includes Re-Exports)**

S No.	Destination	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
1	Italy	71,045	69,120	86,417	70,863	79,173	65,027
2	Germany	29,259	25,297	30,500	34,112	32,750	30,472
3	Russia	18,967	21,538	26,077	27,340	23,180	20,445
4	Belgium	13,641	15,101	19,836	15,639	19,092	16,037
5	Poland	3,397	5,753	7,927	11,036	14,492	11,242
6	Turkey	14,111	15,330	14,706	16,596	16,055	9,902
7	Libya	5,835	6,717	5,947	8,237	6,412	9,211
8	Jordan	7,741	6,810	7,994	8,171	10,756	8,467
9	USA	5,995	5,250	5,919	7,625	12,668	7,081
10	Malaysia	5,964	5,973	5,935	5,325	9,910	6,238
11	Spain	5,060	5,844	7,997	9,341	8,924	5,851
12	Ukraine	5,759	5,361	3,374	4,962	7,307	5,709
13	Australia	5,114	6,362	5,402	6,486	6,952	5,582
14	Greece	5,171	6,412	7,831	5,300	6,924	5,329
15	Others	92,968	89,976	98,915	101,247	118,279	166,908
	TOTAL	290,027	290,844	334,777	332,280	372,874	373,501

Source: Coffee Board of India (Database - July 2019)

Table 7. India: Export Tax/Cess on Coffee and Related Products

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

Table 8. India: Import Tariff on Coffee and Related Products

HS Code	Description	Standard Rate (Applied Rate)	Preferential Rate
0901	Coffee, whether or not roasted or decaffeinated;		
0901.11	Coffee neither roasted nor decaffeinated	100%	100% less 13 paise per kg
0901.12	Coffee not roasted decaffeinated	100%	100% less 13 paise per kg
0901.21	Coffee roasted not decaffeinated	100%	100% less 13 paise per kg
0901.22	Coffee roasted and decaffeinated	100%	100% less 13 paise per kg
2101.11	Extracts, essences and concentrates of coffee, preparation with a basis of these extracts, essences or concentrates or with a basis of coffee:		
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	Preparation with a basis of extracts, essences or concentrates with a basis of coffee	30%	-

Attachments:

No Attachments