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Report Name: Coffee Annual

Country: India

Post: New Delhi

Report Category: Coffee

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Report Highlights:

Post forecasts marketing year (MY) 2022/23 coffee production (Oct/Sep) to increase by 3.8 percent to 5.74 million 60-kilogram bags. Above normal pre-monsoon rains coupled with expectations of an early onset of normal monsoon are expected to improve yields, especially for Robusta in major growing regions. Farmgate prices are trading at decade high rates; however, producers continue to face rising input costs. Post forecasts exports to increase by 2.4 percent to 5.98 million 60-kilogram bags, but supply chain issues persist. The rise of specialty cafes is leading to the emergence of a new generation of coffee drinkers, but inflationary pressures may disrupt consumer spending. Stocks will likely remain limited due to strong export prospects.

Coffee, Green Market Year Begins	2020/2021		2021/2022		2022/2023	
	Oct 2021		Oct 2022		Oct 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Area Planted (1000 HA)	465	465	455	455	-	460
Area Harvested (1000 HA)	423	423	420	420	-	425
Bearing Trees (MILLION TREES)	540	540	542	542	-	547
Non-Bearing Trees (MILLION TREES)	105	105	103	103	-	98
Total Tree Population (MILLION TREES)	645	645	645	645	-	645
Beginning Stocks (1000 60 KG BAGS)	973	973	581	581	-	476
Arabica Production (1000 60 KG BAGS)	1,320	1,320	1,280	1,280	-	1,320
Robusta Production (1000 60 KG BAGS)	3,917	3,917	4,250	4,250	-	4,420
Other Production (1000 60 KG BAGS)	-	-	-	-	-	-
Total Production (1000 60 KG BAGS)	5,237	5,237	5,530	5,530	-	5,740
Bean Imports (1000 60 KG BAGS)	1,256	1,256	1,307	1,310	-	1,370
Roast & Ground Imports (1000 60 KG BAGS)	1	1	2	20	-	15
Soluble Imports (1000 60 KG BAGS)	88	88	80	80	-	95
Total Imports (1000 60 KG BAGS)	1,345	1,345	1,389	1,410	-	1,480
Total Supply (1000 60 KG BAGS)	7,555	7,555	7,500	7,521	-	7,696
Bean Exports (1000 60 KG BAGS)	3,818	3,818	3,900	3,830	-	3,920
Rst-Grnd Exp. (1000 60 KG BAGS)	6	6	5	5	-	5
Soluble Exports (1000 60 KG BAGS)	1,970	1,970	2,000	2,000	-	2,050
Total Exports (1000 60 KG BAGS)	5,794	5,794	5,905	5,835	-	5,975
Rst,Ground Dom. Consum (1000 60 KG BAGS)	417	417	430	430	-	435
Soluble Dom. Cons. (1000 60 KG BAGS)	763	763	780	780	-	800
Domestic Consumption (1000 60 KG BAGS)	1,180	1,180	1,210	1,210	-	1,235
Ending Stocks (1000 60 KG BAGS)	581	581	385	476	-	486
Total Distribution (1000 60 KG BAGS)	7,555	7,555	7,500	7,521	-	7,696

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

Area

Post estimates marketing year (MY) 2022/23 planted area at 460,000 hectares with a bearing area of 425,000 hectares. Post estimates Robusta bearing area to increase by one percent, with yields also expected to improve by three percent to 1,216 kilograms per hectare. Similarly, Arabica bearing area is expected to increase marginally and yields are expected to increase by two percent to 383 kilograms per hectare thanks to good pre-monsoon rains and the expectation of [an early onset of southwest monsoon](#). However, Robusta crop yields remain well below the three-year and five-year average. The non-bearing area and non-bearing tree estimates are lower compared to last year as the traditional coffee growing regions of Karnataka recover from the impact of heavy rains/floods during the latter part of the Northeast Monsoon 2021.

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

State	2018/19			2019/20			2020/21*		
	Arabica	Robusta	Total	Arabica	Robusta	Total	Arabica	Robusta	Total
Karnataka	108,816	136,472	245,288	108,905	136,777	245,682	107,839	138,080	245,919
Kerala	4,231	81,649	85,880	4,231	81,649	85,880	4,231	81,649	85,880
Tamil Nadu	29,324	6,268	35,592	29,338	6,314	35,652	29,338	6,314	35,652
Andhra Pradesh	79,892	264	80,156	83,891	264	84,155	88,692	264	88,956
Odisha	4,282	-	4,282	4,276	-	4,276	4,339	-	4,339
North Eastern Region	6,536	2,161	8,697	2,545	1,540	4,085	2,882	1,737	4,619
Total	233,081	226,814	459,895	233,186	226,544	459,730	237,321	228,044	465,365

*Provisional

Source: Coffee Board of India (Database – January 2022)

Table 2. India: Rainfall Statistics for Coffee Growing Regions in Karnataka and Kerala

State/District	Winter (Jan-Feb) 2022		Departure from Normal	Pre-Monsoon (Mar-May) 2022*		Departure from Normal
	Actual (in mm)	Normal (in mm)		Actual (in mm)	Normal (in mm)	
Karnataka						
Chikamagalur	2.2	5.1	-57%	174	105	66%
Kodagu	0.7	8.3	-92%	218	154	42%
Hassan	-	5.1	-100%	261	97	170%
State Total	0.5	5.2	-90%	113	63	80%
Kerala						
Wayanad	0	13	-99%	296	155	91%
Travancore	26	29	-9%	475	257	85%
Nelliampathies	0	9	-98%	213	152	40%
State Total	15	22	-33%	339	201	69%

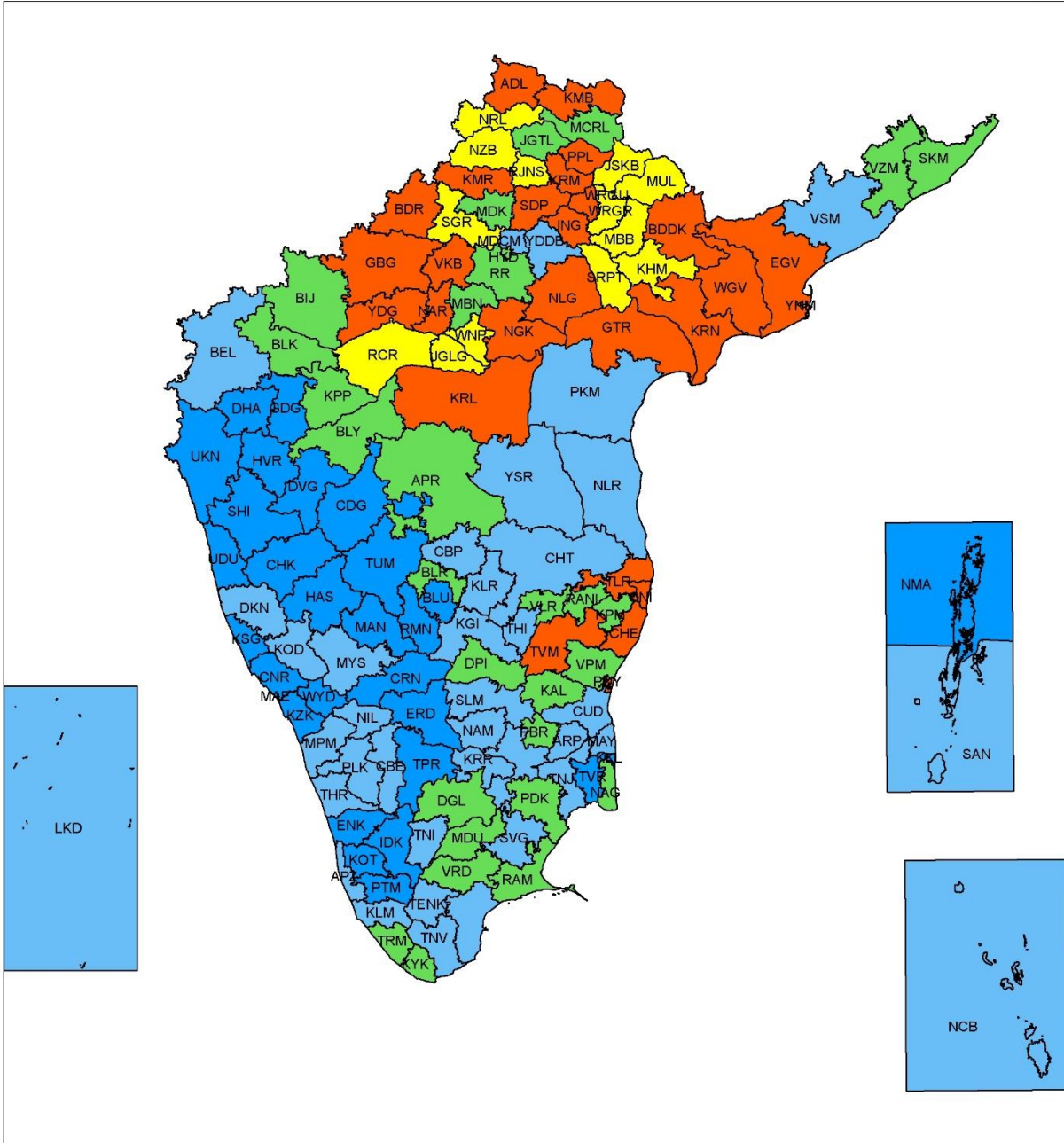
*Rainfall data up to May 12, 2022

Source: Indian Meteorological Department, Government of India



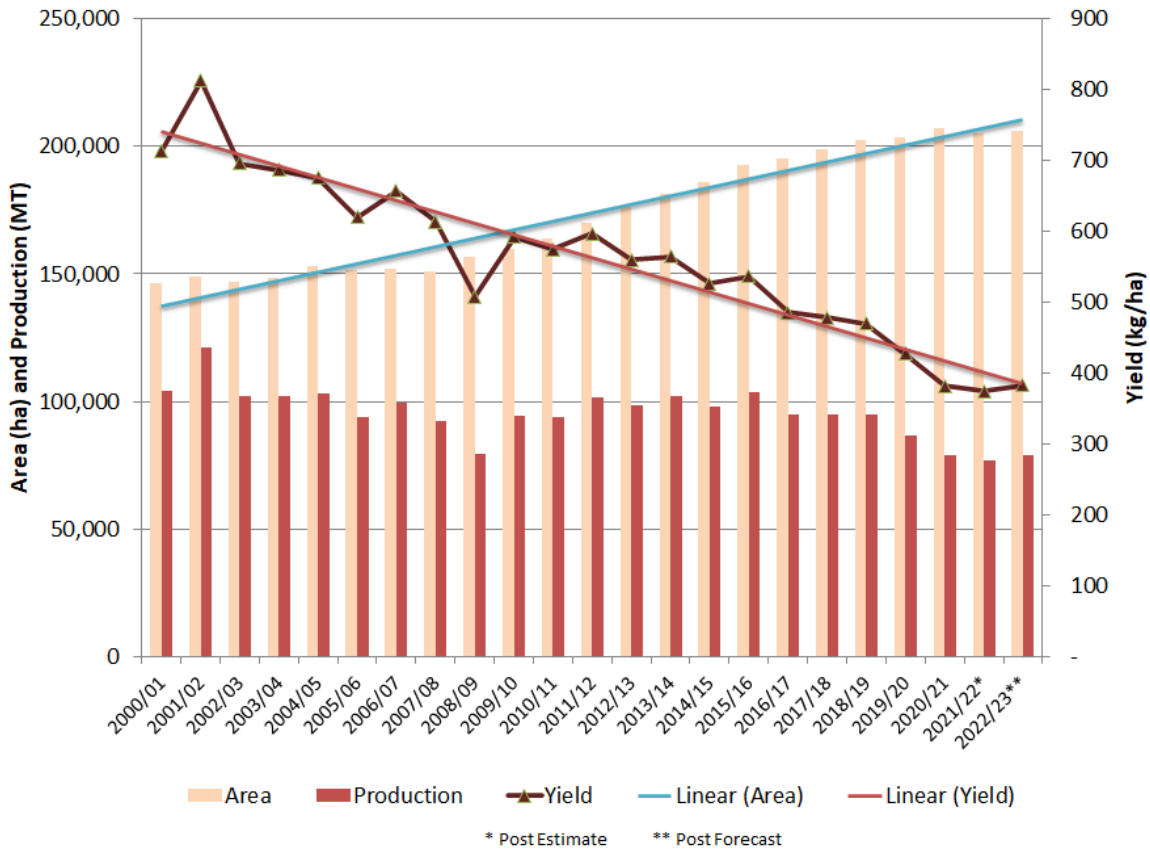
DISTRICT RAINFALL DEPARTURE MAP - SOUTH PENINSULA

Period : 01-03-2022 To 11-05-2022



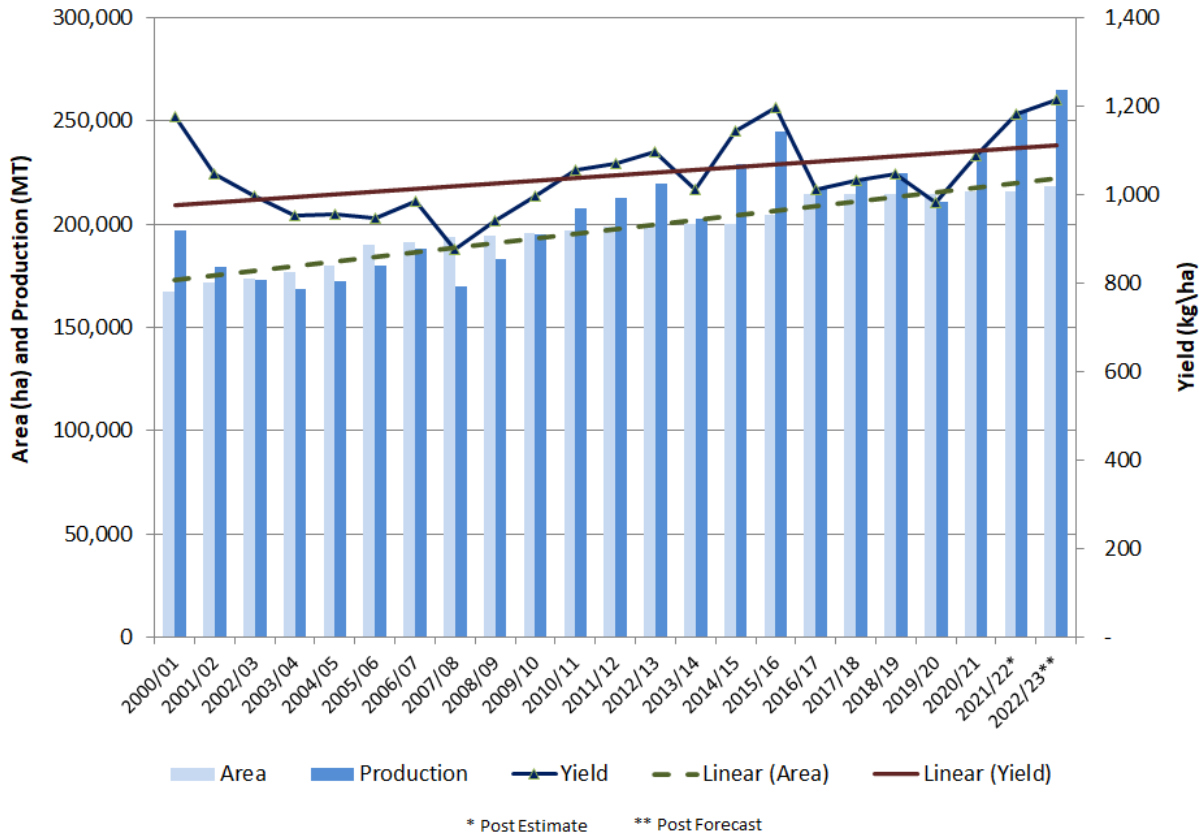
Legend
 Large Excess [60% or more] Excess [20% to 59%] Normal [-19% to 19%] Deficient [-59% to -20%] Large Deficient [-99% to -60%] No Rain [-100%] No Data

Figure 1. Arabica: Area, Production & Yield



Source: Coffee Board of India (Database – January 2022)

Figure 2. Robusta: Area, Production and Yield



Source: Coffee Board of India (Database – January 2022)

Production

Post estimates marketing year (MY) 2022/23 coffee production (Oct/Sep) at 5.74 million 60-kilogram bags. More specifically, Arabica production is estimated at 1.32 million 60- kilogram bags or 79,200 metric tons (MT) while Robusta production estimated at 4.42 million 60- kilogram bags (265,200 MT). Higher yields for both Arabica (two percent) and Robusta (three percent) crops are expected due to adequate moisture due to very good pre-monsoon rains after a long winter dry spell. In addition, prospects of an early onset of normal southwest monsoon will benefit plant development.

Robusta is the most popular coffee type and accounts for over 70 percent of India’s coffee crop. 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 and February 2022, which were followed by moderate to excessive pre-monsoon rains (blossom showers) that provided 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 fruit setting drops significantly, which impacts yields negatively.

MY 2021/22 Arabica Crop Impacted by Unseasonal Rains

The MY 2021/22 Arabica crop was damaged due to untimely rains. According to a [report](#) by the Ministry of Commerce and Industry, untimely rains in the coffee growing regions caused damage to the standing coffee crop and hampered the harvesting and processing of Arabica crop. An estimated production loss of 23,140 metric tons was reported in the largest coffee growing state of Karnataka. Unseasonal rainfall and higher temperature could result in conditions that damage and discolor coffee beans. Excess rainfall can dislodge flowers and fruits, and if heavy rain occurs during harvest, increased moisture leads to conditions for mold growth, disease, and excessive fermentation, all of which may increase coffee bean defects.

The Coffee Board of India published its latest post monsoon MY 2021/22 production estimates. According to the board, Arabica production is estimated at 1.65 million 60- kilogram bags (99,000 MT) and Robusta production at 4.16 million 60- kilogram bags (249,500 MT). Post has not adopted the post monsoon estimates as sources indicate that these estimates may be further revised.

Yield

Post estimates MY 2022/23 Arabica yields to increase to 383 kilogram per hectare, an increase of two percent from last year. Robusta yields are estimated at 1,216 kilograms per hectare, three percent higher than last year. Arabica yields continue to witness a downward trend as they are more sensitive to temperature increases and constant pest infestation issues. As a result, there has been a shift from Arabica to Robusta planting due to the susceptibility of the Arabica crop to white stem borer pest and leaf rust. The Robusta coffee plant is more economical to grow because it is resistant to disease and survives in a wider range of temperatures at 65-97 degrees Fahrenheit. This crop can also withstand harsh climate changes such as variations in rainfall and strong sunlight. The evolving distribution pattern of rains in the last decade is also pushing the cultivation of Arabica into much higher altitudes.

Estate Operations During May

The government has issued multiple advisories to producers in traditional coffee growing districts to follow specific estate management practices. Growers have been advised to maintain sanitary conditions and prepare adequate drainage in orchards. Depending on soil moisture conditions, growers should apply fertilizer/lime/dolomite to correct soil pH. Coffee pruning can be done to maintain plant vigor and ensure proper penetration of sunlight and aeration to the lower parts of the plant. To control diseases and pests and secure better yields, plantations need to maintain optimum shade of 30-40 percent in Robusta and 40-60 percent in Arabica trees. To control berry borer infestation, authorities recommend installation of broca traps in drying yards and plantations, and to perform gleaning immediately after harvest.

Inputs

Indian coffee is a highly labor-intensive crop due to multiple pickings/harvesting, pruning, drying, cleaning, and packing requirements. The hilly terrain of India's growing regions limits the ability of plantation owners to adopt mechanization options. Consequently, labor costs constitute about 60 percent of the total cost of production. The rising costs of labor are prompting growers to reduce the number of berry pickings to one round instead of two or three and circumvent certain maintenance and drying operations. Trade sources indicate that estates are increasingly dependent on seasonal migrant labor primarily from Northeastern states. According to the Coffee Board of India's statistics, the general daily

wage rate in the state of Karnataka rose by five percent in 2021 from the previous year. Similarly, wage rates increased by 2.3 and 3.5 percent in Kerala and Tamil Nadu, respectively. Aside from labor costs, the costs of fertilizers, pesticides, energy, along with government mandated benefits have risen as well. Growers are not profiting much from market prices, even though they are higher than a year ago, because of the increased costs.

Table 3. India: Estimated Number of Persons (permanent and casual labor) Engaged in Coffee Cultivation

Karnataka	517,385
Kerala	44,194
Tamil Nadu	31,260
Non-Traditional Areas (Odisha and Andhra Pradesh)	77,780
Total	669,998

Source: Coffee Board of India (Database – January 2022)

India Coffee Production Dominated by Robusta

Coffee is grown as a silvi-horticulture crop under two tier shade canopy such as top canopy of permanent tree cover and lower canopy of fast-growing temporary shade trees. This condition delivers a suitable microclimate that exist in natural habitats of coffee. This unique way of traditional coffee cultivation provides an additional advantage of growing intercrops/associate crops like pepper and cardamom within the same coffee plantation.

Arabica plants are self-pollinating and typically grown at higher elevations 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 rainwater and soil erosion. The planting space for Arabica crop is 6 feet by 6 feet with an average of 3,000 plants per hectare. The planting space for Robusta crop is 10 feet by 10 feet with approximately 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 throughout the season.

Table 4. 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

In India, about 80 percent of Arabica and 20 percent of Robusta coffees are wet processed (parchment coffee) and the remaining volumes are dry processed (cherry coffee). Wet processing of coffee consumes relatively large amounts of water at various processing stages when conventional pulper and washers are used, resulting in the generation of large amounts of effluent.

Consumption

Post estimates MY 2022/23 domestic coffee consumption to be two percent higher than last year at 1.24 million 60-kilogram bags. This demand increase is largely driven by sales of soluble coffee for at home consumption through e-commerce and retail channels. Rising inflation will negatively impact the foodservice sector (out of home consumption), but at the same time consumers will likely curb spending and reduce out of home coffee consumption and shift to affordable at-home consumption options. According to Euromonitor analysis, the major industry winners will be those brands that can replicate expensive out-of-home beverage experiences in a more affordable at-home format. Robust sales during the pandemic last year led several regional coffee processors/retailers to pursue and expand their footprint in new cities and explore new retail channels (other than traditional retail stores) with wider product offerings. Trade sources have indicated new investments will be made in retail channels with the aim of tapping into consumers who are trading up and looking for premium/gourmet coffee. The emergence of specialty coffee shops that roast specialized blends in smaller quantities is driving consumption along with consumer awareness about various coffee varieties, processing and roasting methods, and styles. Post expects that household consumption of soluble coffee will likely constitute a much larger share (65 percent) of domestic consumption during the next year. The major challenge for suppliers in the short-term remains rising energy costs, which not only impacts raw material processing costs but other expenses such as packaging, freight, and logistics.

Trade

Strong Export Momentum Likely to Continue

Post estimates MY 2021/22 exports at 5.98 million 60-kilogram bags (341,100 MT) due to increased demand in major export markets. Post expects export demand to remain strong in MY 2022/23, however trade sources indicate that current prices are limiting international buyers from placing larger orders. Indian farmgate coffee prices are trading at decade high rates driven by a global surge in international coffee prices due to supply chain issues. According to Coffee Board of India data, green bean prices for Arabica parchment and Robusta cherry have increased by 26 and 29 percent, respectively, since the beginning of Indian marketing year in October 2021. Both varieties are trading well above International Coffee Organization (ICO) indicator prices.

During the first five months (Oct 2021-Feb 2022) of MY 2021/22 (Oct/Sep), Indian coffee exports increased by 59 percent and 74 percent in volume and value, respectively, compared to the same period last year. Italy remains the major export destination for Indian coffee followed by Russia, Germany, and Turkey. Despite the ongoing situation crisis in Black Sea region, coffee exports, primarily of soluble

coffee (84 percent share), to Russia have grown by 123 percent during the first five months of the marketing year. According to preliminary [data published](#) by the Ministry of Commerce, coffee exports in April 2022 were also 59 percent higher by value as compared to same period last year. However, rising freight costs due to high energy prices, packaging, and input costs, coupled with the tight availability of vessels and subsequent delays in deliveries remains a major challenge for the exporters. Another challenge is the rising inflation rates in major coffee consuming markets that may impact spending patterns in the medium term.

Imports of raw coffee green beans in the first five months (Oct 2021-Feb 2022) of MY 2021/22 (Oct/Sep) have risen by 13 percent from the same period a year ago. The majority of imports are green beans (97 percent share) meant for processing and re-exports. Indonesia, Kenya, Vietnam, and Uganda are major suppliers for the Indian market.

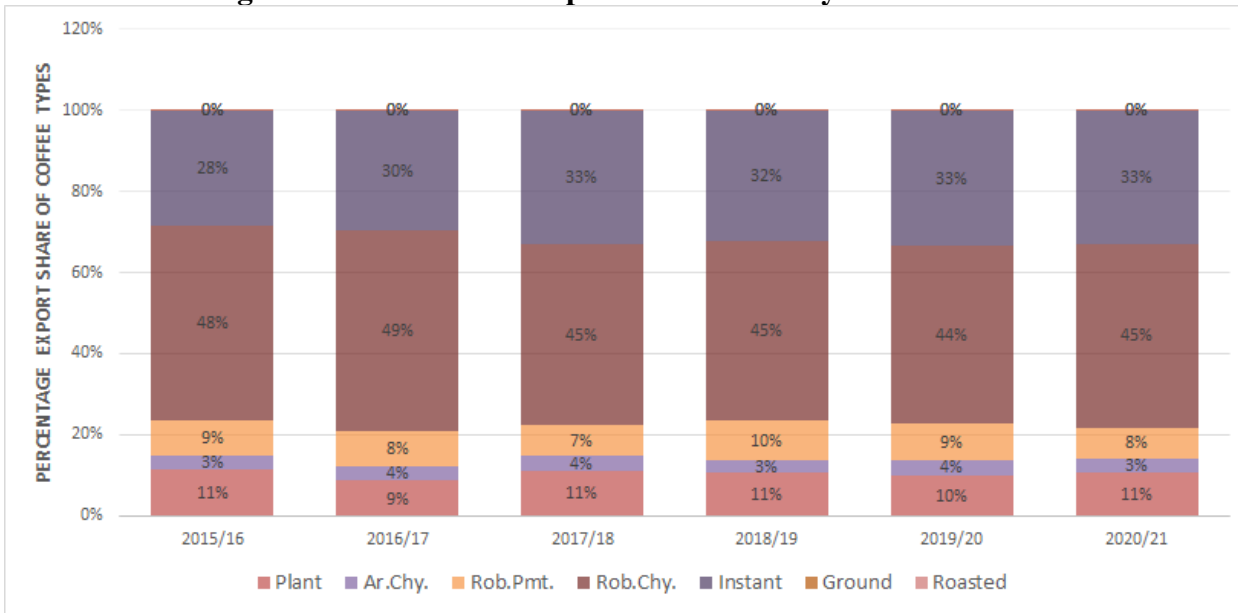
Policy

Integrated Coffee Development Project (ICDP) Extended Through September 2022

The Coffee Board, through its “Integrated Coffee Development Project” scheme, has provided financial assistance of US\$ 20 million (Rs.159.86 crores) during the last three years from 2018-19 to 2020-21 (up to December 2021) for technology transfers, capacity building, mechanization support, coffee area development, market development, value addition, and research for the overall improvement of coffee production, productivity, and quality. The scheme has been [extended until September 30, 2022](#) and will be reviewed beyond that date.

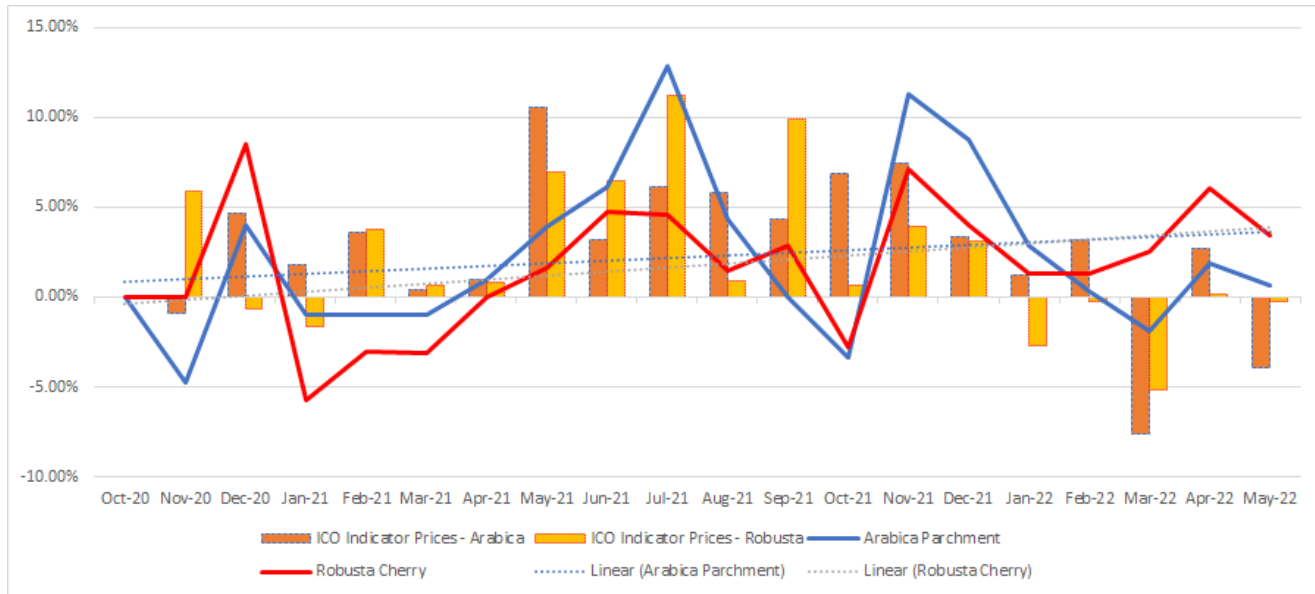
One of the schemes under the ICDP is focused on supporting value addition by providing financial support for the establishment of new coffee roasting and grinding (R&G) units. The objective of the scheme is to achieve value addition through the introduction of improved roasting, grinding, and packaging technologies, which will result in boosting domestic coffee consumption and entrepreneurship, especially in the non-traditional areas. The scheme is applicable only for the establishment of new R&G units and not applicable for upgradation of already existing units/facilities/establishments. This scheme has also been extended until September 30, 2022. For more details, please refer to the [notification](#).

Figure 3. India: Coffee Exports Dominated by Robusta Green Beans



Source: Coffee Board of India (Database – January 2022)

Figure 4. India: Monthly Percentage Change in Raw Coffee Prices in Karnataka, and ICO Indicator Prices since October 2020



Source: Coffee Board of India (Database – January 2022), International Coffee Organization (ICO) Daily Prices

Table 5. India: Coffee Bean Retail Prices in Major Consuming Centers, Rupees per Kilo

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	246	162	283	180	300	179
Average 2018	216	155	255	176	277	179
Average 2019	229	172	233	178	251	-
Average 2020	315	163	304	181	345	226
Average 2021	349	165	-	-	-	-

1\ Exchange Rate equals Rupees 77.23 per dollar as of May 12, 2022

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

Source: Coffee Board of India (Database – January 2022)

Table 6. India: Uncured Coffee Bean Farm Gate Prices in Major Producing Centers, Rupees per 50kg

Year	Chikamagalur		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	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	7,349	3,258	7,344	3,221	7,273	3,196
Average 2020	9,968	3,234	9,782	3,202	9,951	3,210
Average 2021	11,303	3,202	11,619	3,219	11,558	3,275

1\ Exchange Rate equals Rupees 77.23 per dollar as of May 12, 2022

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

Source: Coffee Board of India (Database – January 2022)

**Table 7. India: Coffee Exports by Quantity (in MT)
(Oct/Sep Marketing Year, includes Re-Exports)**

S No.	Destination	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
1	Italy	86,417	78,216	79,173	72,246	58,406	62,263
2	Germany	30,621	38,973	32,750	34,977	33,510	33,344
3	Belgium	19,855	15,639	19,092	18,741	22,592	27,963
4	Russia	26,077	29,604	23,180	25,096	20,579	21,040
5	Poland	7,927	13,857	14,492	14,090	13,544	12,610
6	Libya	5,947	9,634	6,412	9,441	8,011	10,885
7	Jordan	7,994	8,633	10,756	8,984	8,415	10,755
8	USA	5,919	8,280	12,668	7,692	6,729	9,200
9	Malaysia	14,859	17,746	16,055	11,274	10,105	8,037
10	Kuwait	5,935	6,275	9,910	6,947	8,917	7,884
11	Ukraine	3,374	6,300	7,307	6,662	6,339	7,151
12	Turkey	5,402	6,486	6,952	6,589	5,732	6,795
13	Spain	7,831	5,300	6,924	6,218	5,403	6,692
14	Slovenia	5,696	5,370	6,230	5,888	6,890	6,563
15	Others	101,580	118,368	120,973	113,785	96,204	117,559
	TOTAL	335,434	368,681	372,874	348,630	311,376	348,741

Source: Coffee Board of India (Database – January 2022)

Attachments:

No Attachments