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Prepared By: Dhruv Sood

Approved By: Lazaro Sandoval

Report Highlights:

Post estimates marketing year (MY) 2021/22 coffee production (October/September) at 5.53 million 60-kilogram bags. Unseasonal rains in November are expected to negatively impact Arabica crop yields and delay the harvest by at least two weeks, which will be offset by higher yields of Robusta leading to a six percent increase in overall coffee yields. Indian coffee prices continue to increase as rising export demand is stymied by shipping congestion/delays, limited container availability, and higher freight costs. Domestic consumption is estimated higher at 1.2 million 60-kilogram bags as growing home consumption of coffee is supported by a gradual reopening of restaurants, cafes, and the rest of the hospitality sector.

General Overview

Coffee, Green	2019/2020		2020/2021		2021/2022	
Market Year Begins	Oct 2019		Oct 2021		Oct 2022	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	460	460	460	465	455	455
Area Harvested (1000 HA)	418	418	423	423	410	420
Bearing Trees (MILLION TREES)	545	545	540	540	542	542
Non-Bearing Trees (MILLION TREES)	98	98	105	105	103	103
Total Tree Population (MILLION TREES)	643	643	645	645	645	645
Beginning Stocks (1000 60 KG BAGS)	931	931	973	973	690	581
Arabica Production (1000 60 KG BAGS)	1,450	1,450	1,400	1,320	1,360	1,280
Robusta Production (1000 60 KG BAGS)	3,517	3,517	3,750	3,917	4,050	4,250
Other Production (1000 60 KG BAGS)	-	-	-	-	-	-
Total Production (1000 60 KG BAGS)	4,967	4,967	5,150	5,237	5,410	5,530
Bean Imports (1000 60 KG BAGS)	1,354	1,354	1,315	1,256	1,340	1,307
Roast & Ground Imports (1000 60 KG BAGS)	2	2	2	1	2	2
Soluble Imports (1000 60 KG BAGS)	74	74	75	88	80	80
Total Imports (1000 60 KG BAGS)	1,430	1,430	1,392	1,345	1,422	1,389
Total Supply (1000 60 KG BAGS)	7,328	7,328	7,515	7,555	7,522	7,500
Bean Exports (1000 60 KG BAGS)	3,399	3,399	3,660	3,818	3,680	3,680
Rst-Grnd Exp. (1000 60 KG BAGS)	4	4	5	6	5	5
Soluble Exports (1000 60 KG BAGS)	1,782	1,782	1,980	1,970	2,000	2,000
Total Exports (1000 60 KG BAGS)	5,185	5,185	5,645	5,794	5,685	5,685
Rst,Ground Dom. Consum (1000 60 KG BAGS)	500	500	480	417	485	430
Soluble Dom. Cons. (1000 60 KG BAGS)	670	670	700	763	715	780
Domestic Consumption (1000 60 KG BAGS)	1,170	1,170	1,180	1,180	1,200	1,210
Ending Stocks (1000 60 KG BAGS)	973	973	690	581	637	605
Total Distribution (1000 60 KG BAGS)	7,328	7,328	7,515	7,555	7,522	7,500
(1000 HA),(MILLION TREES),(1000 60 KG BAGS)						

Area and Production

Post estimates marketing year (MY) 2021/22 planted area to 455,000 hectares with a bearing area of 420,000 hectares. Post estimates marketing year (MY) 2021/22 coffee production (Oct/Sep) at 5.53 million 60-kilogram bags. More specifically, Arabica production is estimated at 1.28 million 60-kilogram bags or 76,800 metric tons (MT) while Robusta production estimated at 4.25 million 60-kilogram bags (255,000 MT). At present, the Coffee Board of India estimates MY 2021/22 post-blossom Arabica and Robusta production is 108,300 and 260,700 metric tons, respectively.

Continuous rainfall during the first ten days of November in the major coffee growing districts in Karnataka along with forecast rains during November 13-17 as per the Indian Meteorological Department (IMD) may negatively impact trees ready to be harvested, especially Arabica parchment and washed coffees. Parchment coffee consists of coffee beans that are dried in the sun after being extracted through a wet milling process. Overcast conditions will likely delay harvest as green coffee beans need at least 10-14 days of bright sunshine for the drying process. 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).

The Coffee Board of India recently published its latest estimate of MY 2020/21 production figures. According to the board, Arabica production is estimated at 1.65 million 60- kilogram bags (99,000 MT) and Robusta production at 3.91 million 60- kilogram bags (235,000 MT). Post has revised its MY 2020/21 estimates but has not adopted the final estimates as sources indicate that these estimates may be revised later.

Yields
Unseasonal rains in November are expected to negatively impact Arabica crop yields and delay the harvest by at least two weeks, but this will be offset by much higher yields of Robusta. Post estimates Arabica yields to be lower by two percent as compared to last year. The lower Arabica yields are expected to be offset by a nine percent increase in Robusta yields. Post estimates overall yields to improve by six percent to 789 kilograms per hectare as compared to last year.

The government is advising growers to undertake weeding operations at plantations. With sufficient soil moisture availability, growers can perform a third round of fertilizer application based on soil test values. Growers have been advised to spray fungicides to prevent leaf rust and insecticides to control coffee berry borer infestation.

Inputs
Indian coffee is a highly labor-intensive crop due to the 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 around 60 percent of the total cost of production. The rising costs of labor are prompting growers to reduce the number of pickings to one round instead of two or three. 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 2.5 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.

Consumption
Post estimates MY 2021/22 domestic coffee consumption to be one percent higher than the official USDA estimate at 1.21 million 60-kilogram bags. The increase in demand is largely driven by sales of soluble coffee for at home consumption through e-commerce and retail channels. Post expects the rise in at home consumption will be supported by the gradual reopening of the hospitality (hotels, restaurants, catering events) and institutional (corporate offices, airports) sectors. Robust sales during the pandemic last year led a number of 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. 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
Post estimates MY 2021/22 exports at 5.69 million 60-kilogram bags (341,100 MT) due to increased demand in major export markets. Post expects export demand to remain strong in MY 2021/22, however trade sources indicate that current prices are limiting international buyers from placing larger orders. New crop arrivals from December onwards should help keep the prices in check and orders should increase, however there may be a slight reduction (3-4 percent) in the export of green beans as higher freight costs push buyers to consider sourcing coffee from other origins, such as Uganda. According to Coffee Board of India data, green bean prices for Arabica parchment and Robusta cherry have increased by 27 and 13 percent, respectively, since May 2021. Domestic Arabica crop prices are coming in line with global prices, however, the increase in Robusta prices is much lower compared to global market prices for Robusta coffee. Trade sources indicate that both domestic and international coffee prices will remain high as rising freight costs (due to shipping delays) will remain for additional 6-12 months. Trade sources indicate that the cost of shipping a container to European destinations has gone up sevenfold compared to last year. There is also a higher frequency of cancelations by carriers when booking space on vessels, and there are substantial delays in transit times. In MY 2020/21 (Oct/Sep), the major export destinations for Indian coffee were Italy (22 percent), Germany (12 percent), Belgium (10 percent and Libya (4 percent).

Post estimates MY 2021/22 imports at 1.39 million 60-kilogram bags (83,320 MT). Trade sources indicate that imports of green beans are lower due to higher freight costs, prompting processors to substitute imports with local supplies. Most imported coffee is processed for re-export due to duty exemptions and lower overall prices. In MY 2020/21, imports of green coffee into India came from Indonesia, Kenya, Vietnam, and Uganda.

Stocks
Post estimates MY 2021/2022 carryover stocks at 581,000 60-kilogram bags (35,000 metric tons), which will increase by the end of the year due to higher production. There are no government held stocks. The stocks are privately held by either growers or traders. Trade sources indicate that current high prices have led to limited unsold stocks of Arabica in the market. However, when peak arrivals begin in mid to late December, priced are expected to correct marginally.

Policy

RODTEP Scheme for Exporters
The Government of India's export incentive scheme of Remission of Duties and Taxes on Exported Products (RODTEP) scheme continues to be available for coffee exporters. As per the scheme, exporters are eligible for reimbursement of taxes/duties at the central, state, and local level, which are currently not being refunded under any other mechanism. These taxes are incurred during the manufacturing process and distribution of exported products. RODTEP support is available to eligible exporters at a notified rate as a percentage of Freight on Board (FOB) value. The rebate is issued in the form of a transferable duty credit/electronic scrip (e-scrip). According to local contacts, industry views the notified rate of one percent for green beans, and three percent for soluble coffee as too low especially as international markets are recovering from the pandemic.

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

	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	229	172	233	178	251	-
Average 2020	315	163	304	181	345	226
Average 2021	307	151	-	-	-	-

1\ Exchange Rate equals Rupees 74.27 per dollar as of November 12, 2021
(Rupees/kg of clean coffee beans of Arabica Plantation A and Robusta Cherry AB)
*Average of data through June 2021
Source: Coffee Board of India (Database – July 2021)

Table 2. India: Uncured Coffee Bean Farm Gate Prices in Major Producing Centers, Rupees per 50kg

	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	7,349	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*	10,286	3,113	10,086	3,000	10,286	3,025

1\ Exchange Rate equals Rupees 74.27 per dollar as of November 12, 2021
(Rupees/kg of clean coffee beans of Arabica Parchment and Robusta Cherry)
*Average of data through June 2021
Source: Coffee Board of India (Database – July 2021)

Table 3. 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	43,324
2	Germany	30,621	38,973	32,750	34,977	33,510	23,629
3	Belgium	19,855	15,639	19,092	18,741	22,592	21,059
4	Russia	26,077	29,604	23,180	25,096	20,579	14,883
5	Poland	7,927	13,857	14,492	14,090	13,544	9,901
6	Libya	5,947	9,634	6,412	9,441	8,011	8,291
7	Jordan	7,994	8,633	10,756	8,984	8,415	7,702
8	USA	5,696	5,370	6,230	5,888	6,890	6,966
9	Malaysia	5,935	6,275	9,910	6,947	8,917	5,607
10	Kuwait	5,919	8,280	12,668	7,692	6,729	5,529
11	Ukraine	3,374	6,300	7,307	6,662	6,339	5,167
12	Turkey	14,859	17,746	16,055	11,274	10,105	4,672
13	Spain	7,997	10,009	8,924	7,081	5,951	3,820
14	Slovenia	11,569	8,124	7,684	5,869	6,408	1,474
15	Others	95,247	112,021	118,241	113,642	94,980	87,251
	TOTAL	**335,434**	**368,681**	**372,874**	**348,630**	**311,376**	**249,275**

Source: Coffee Board of India (Database – July 2021)

Attachments:

No Attachments