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Report Highlights:

FAS Mumbai forecasts marketing year (MY) 2023/24 (October-September) India coffee production at 5.9 million 60-kilogram bags, two percent higher than the previous estimate. Dry conditions from October through December are expected to result in higher Arabica yields, with less incidence of berry droppings and damage. Farmgate prices of Arabica have fallen by more than 26 percent since June 2023 due to anticipation of higher-than-expected global supplies, while Robusta prices have remained firm owing to steady exports. Consequently, farmers may try to offload the limited Arabica stocks being held before the new crop arrivals begin. Post forecasts exports at 6.3 million 60-kilogram bags, unchanged from the previous estimate. Carryover stocks will remain limited due to higher Robusta exports.

General Overview

Coffee, Green Market Year Begins India	2021/2022 Oct 2021		2022/2023 Oct 2022		2023/24 Oct 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	455	472	475	475	477	477
Area Harvested (1000 HA)	420	429	433	433	434	434
Bearing Trees (MILLION TREES)	542	542	548	548	550	550
Non-Bearing Trees (MILLION TREES)	103	103	97	97	95	95
Total Tree Population (MILLION TREES)	645	645	645	645	645	645
Beginning Stocks (1000 60 KG BAGS)	911	911	66	168	473	179
Arabica Production (1000 60 KG BAGS)	1,170	1,583	1,330	1,667	1,230	1,420
Robusta Production (1000 60 KG BAGS)	4,750	4,117	4,920	4,200	4,580	4,530
Other Production (1000 60 KG BAGS)	-	-	-	-	-	-
Total Production (1000 60 KG BAGS)	5,920	5,700	6,250	5,867	5,810	5,950
Bean Imports (1000 60 KG BAGS)	1,590	1,590	1,650	1,630	1,500	1,500
Roast & Ground Imports (1000 60 KG BAGS)	55	51	20	10	20	20
Soluble Imports (1000 60 KG BAGS)	50	49	32	50	30	30
Total Imports (1000 60 KG BAGS)	1,695	1,690	1,702	1,690	1,550	1,550
Total Supply (1000 60 KG BAGS)	**8,526**	**8,301**	**8,018**	**7,725**	**7,833**	**7,679**
Bean Exports (1000 60 KG BAGS)	4,920	4,937	4,170	4,000	4,250	4,250
Rst-Grnd Exp. (1000 60 KG BAGS)	10	11	5	6	6	6
Soluble Exports (1000 60 KG BAGS)	2,310	2,310	2,050	2,300	2,080	2,080
Total Exports (1000 60 KG BAGS)	7,240	7,258	6,225	6,306	6,336	6,336
Rst,Ground Dom. Consum (1000 60 KG BAGS)	350	225	400	360	400	380
Soluble Dom. Cons. (1000 60 KG BAGS)	870	650	920	880	885	890
Domestic Consumption (1000 60 KG BAGS)	1,220	875	1,320	1,240	1,285	1,270
Ending Stocks (1000 60 KG BAGS)	66	168	473	179	212	73
Total Distribution (1000 60 KG BAGS)	**8,526**	**8,301**	**8,018**	**7,725**	**7,833**	**7,679**
(1000 HA), (MILLION TREES), (1000 60 KG BAGS)						

Area

Post estimates MY 2023/24 planted area at 477,000 hectares (ha), and a bearing area of 434,000 ha. The Robusta bearing area is expected to increase by five percent, but is offset by a similar reduction in Arabica bearing area during the ‘off year’ of the biennial production cycle. With coffee estates in the traditional coffee growing regions of Karnataka, Kerala and Tamil Nadu near protected forest reserves, there is limited opportunity for further area expansion, although growers are gradually shifting toward replanting aging plantations at an annual rate of one to two percent per year, resulting in a difference of approximately 40,000 ha between harvested and planted area.

Production
Post forecasts MY 2023/24 coffee production at 5.9 million 60-kilogram bags, two percent higher than the previous estimate. Arabica production is estimated at 1.4 million 60- kilogram bags (85,200 metric tons (MT)), while Robusta production is estimated at 4.5 million 60- kilogram bags (271,800 MT). The Coffee Board of India currently estimates MY 2023/24 post-blossom (pre-monsoon) Arabica and Robusta production at 113,000 and 261,200 MT, respectively.

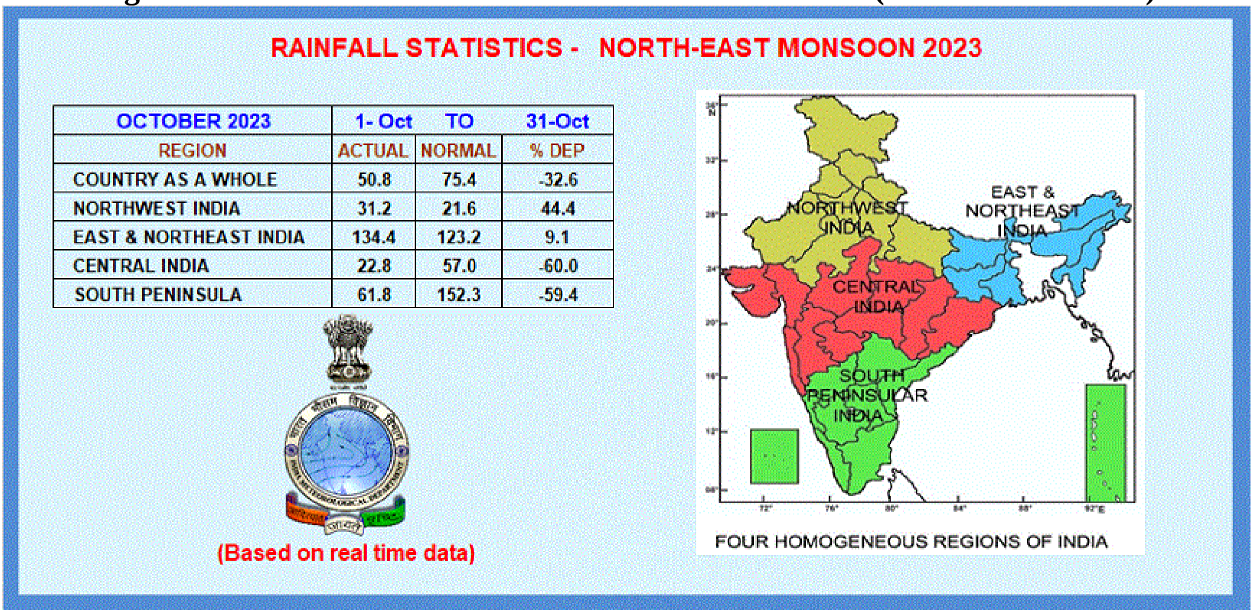
While Arabica harvest takes place from November to January, Robusta is harvested from December to February. The south Indian state of Karnataka remains the top coffee producer with over 51 percent of area, and 70 percent of production share. The states of Kerala and Tamil Nadu follow, with cumulative production of these three states accounting for 80 percent coffee area and contribute 96 percent to India's coffee production.

In July 2023, the Coffee Board of India published its final MY 2022/23 production estimate of 5.8 million 60-kilogram bags (352,000 MT), with Arabica at 1.6 million 60- kilogram bags (100,000 MT), and Robusta at 4.2 million 60- kilogram bags (252,000 MT). However, trade sources estimate Arabica production 15 percent lower at 1.4 million 60-kilogram bags (85,000 MT) due to prevalence of white stem borer.

Yields
Post estimates Robusta yields at 1,187 kilograms per hectare, well above the three-year and five-year average, on expectation of normal rains in November. Arabica yields remain forecasted at 416 kilograms per hectare. Despite the crop entering its 'off-year' of the biennial production cycle and deficit monsoon rains, rain distribution was optimal and widespread and will likely boost yields. Additionally, a lack of excess rains resulted in less fruit damage and droppings. Unlike Arabica, Robusta requires pre-blossom, and post-blossom showers at regular intervals. Given erratic rainfall, most Robusta farmers require sprinklers or other types of irrigation systems to meet these requirements.

A dry period of two-three months during December to February could facilitate uniform flowering of Robusta plants to blossom showers (summer showers received in mid-February to March as they trigger uniform flowering of coffee bushes) for bud formation. Trade sources indicate that fly picking (small scale picking of ripe berries) began in October, and main harvest will begin in December.

Figure 1. Rainfall Statistics for Northeast Monsoon 2023 (October-December)



OCTOBER 2023	1- Oct	TO	31-Oct
REGION	ACTUAL	NORMAL	% DEP
COUNTRY AS A WHOLE	50.8	75.4	-32.6
NORTHWEST INDIA	31.2	21.6	44.4
EAST & NORTHEAST INDIA	134.4	123.2	9.1
CENTRAL INDIA	22.8	57.0	-60.0
SOUTH PENINSULA	61.8	152.3	-59.4

Source: India Meteorological Department

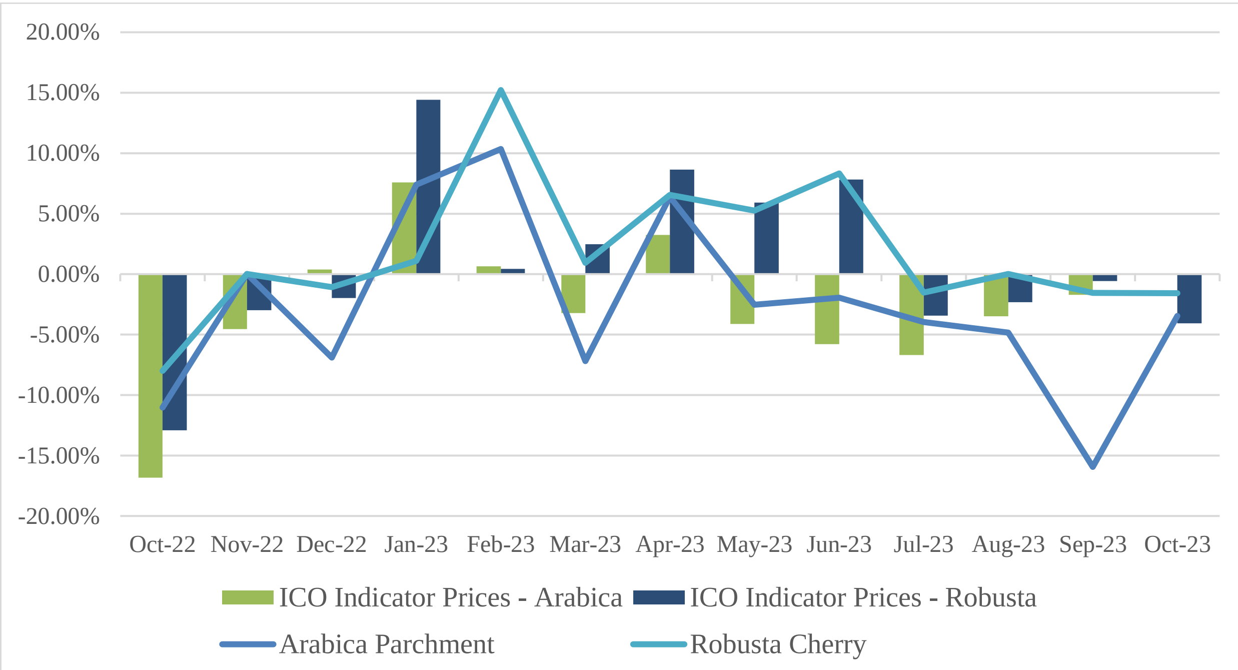
Inputs

Coffee production in India is labor-intensive due to multiple pickings/harvesting, pruning, drying, cleaning, and packing requirements. Hilly terrain limits the ability of plantation owners to consider mechanization options. Consequently, labor costs constitute around 60 percent of total costs of production. The rising costs of labor are prompting growers to reduce permanent labor at estates and contract seasonal labor. Labor availability is becoming a significant challenge as workers shift to higher wage-earning jobs in construction and other sectors. Additionally, the cost of fertilizers, pesticides, power, and social and statutory mandated benefits by the government have also risen.

Marketing

The coffee marketing and value chain is complex and fragmented. The coffee production process undergoes several steps: after the cherries have been harvested, they are taken to a curing center where they are cleaned and prepared for roasting. Smallholders, who deal with relatively small amounts of coffee, usually sell directly to a local trader or agent who pays them on the spot and bears the costs of transporting the coffee to the curing agent. In the next stage of the value chain, coffee is sorted and graded, and beans are separated by weight and other factors that determine their quality and hence their price. The reference prices for an area are usually set by “reference mandis,” which are larger markets. However, a local trader may offer a different price depending on the quality and the practices a farmer employs (for example, organic farming). Larger farmers may skip the local trader and process their coffee themselves or take their produce directly to the curing houses for processing. However, smallholder farmers do not have the infrastructure to undertake these value addition activities themselves.

Figure 2. Monthly Percentage Change in Raw Coffee Prices in Karnataka, and ICO Indicator Prices since October 2022



Source: Coffee Board of India (Database – July 2023), International Coffee Organization (ICO) Daily Prices

Consumption

Post estimates MY 2023/24 coffee consumption one percent lower than the previous estimate at 1.2 million 60-kilogram bags (76,200 MT). The slowdown in demand is 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 expansion of the hospitality (hotels, restaurants, catering events) and institutional (corporate offices, airports) sector. Post estimates MY 2023/24 household consumption of soluble coffee to constitute a much larger share (70 percent) of domestic consumption. Trade sources indicate that robust sales during the last two years have led several regional players (local roasters and soluble coffee manufacturers) to pursue and expand their capacity and footprint in newer cities, and explore new formats (specialty cafes, kiosks, pop-up café, café bookstores), with wider product specialty offerings like espresso or instant, cold brews, functional coffees (includes functional ingredients and botanicals to boost immunity), and flavored coffees. With increasing demand for convenience and changing consumer preferences, the soluble coffee market is anticipated to witness substantial growth in the long term.

For roast and ground coffee, the growing interest of international brands and emergence of several local specialty coffee chains is increasing awareness and demand for premium-quality coffee. However, the consumption base is small with annual consumption estimated around 23,000 MT.

Stocks

Post estimates MY 2023/24 carryover stocks 60 percent lower than the previous estimate of 179,000 60-kilogram bags (10,700 MT), on strong export shipments to Jordan, Turkey, Tunisia and UAE. There are no government-held stocks. Stocks are privately held by either growers or traders. Trade sources indicate that current high prices have led to limited stocks of Robusta on the market. However, when peak arrivals begin in mid to late December, prices are expected to correct marginally. MY 2023/24 carryover stocks are expected to remain low following the trend of last two years driven largely to strong exports.

Trade

Post forecasts MY 2023/24 exports at 6.3 million 60-kilogram bags (380,000 MT), unchanged from previous estimate. Post expects export demand to remain strong throughout MY 2023/24, however trade sources do indicate that current prices are limiting international buyers from placing larger orders.

According to the Coffee Board of India data, green bean prices for Arabica parchment have fallen by 23 percent since June 2023 due to anticipation of higher-than-expected global supplies. While Robusta cherry prices have declined marginally by five percent since June 2023 on strong export demand prospects. However, global prices of Arabica have fallen by 11 percent, and Robusta prices have risen by 10 percent since June 2023. International buyers are limiting inventory to two-three months, and do not want to carry inventory at high prices. Trade sources indicate exporters have started diversifying and shipments to markets such as the UAE, Jordan, Turkey, Tunisia, Libya, and Egypt are growing. But the major export destinations in MY 2022/23 (Oct/Sep) remained Italy (14 percent market share), Russia (nine percent market share), Germany (nine percent market share), and Belgium (six percent market share).

Post estimates MY 2023/24 imports at 1.5 million 60-kilogram bags (93,000 MT), unchanged from the previous estimate. Most imported coffee is processed for re-export due to duty exemptions and lower overall prices. Almost 97 percent of imports were green beans meant for processing fueled by growing demand for soluble coffee. In MY 2022/23, imports of green coffee came from Indonesia, Vietnam, Kenya, and Uganda.

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

	Bengaluru		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	349	165	-	-	-	-
Average 2022	446	206	-	-	-	-
Average 2023*	423	252	-	-	-	-

1\ Exchange Rate equals Rupees 83.39 per dollar as of October 30, 2023
(Rupees/kg of clean coffee beans of Arabica Plantation A and Robusta Cherry AB)
Source: Coffee Board of India (Database – July 2023)
*Average prices based on January-July 2023 data

Table 2. 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
Average 2022	15,614	4,232	15,311	4,098	15,063	4,430
Average 2023*	15,326	5,553	14,862	5,265	14,565	5,440

1\ Exchange Rate equals Rupees 83.39 per dollar as of October 30, 2023
(Rupees/kg of clean coffee beans of Arabica Plantation A and Robusta Cherry AB)
Source: Coffee Board of India (Database – July 2023)
*Average prices based on January-July 2023 data

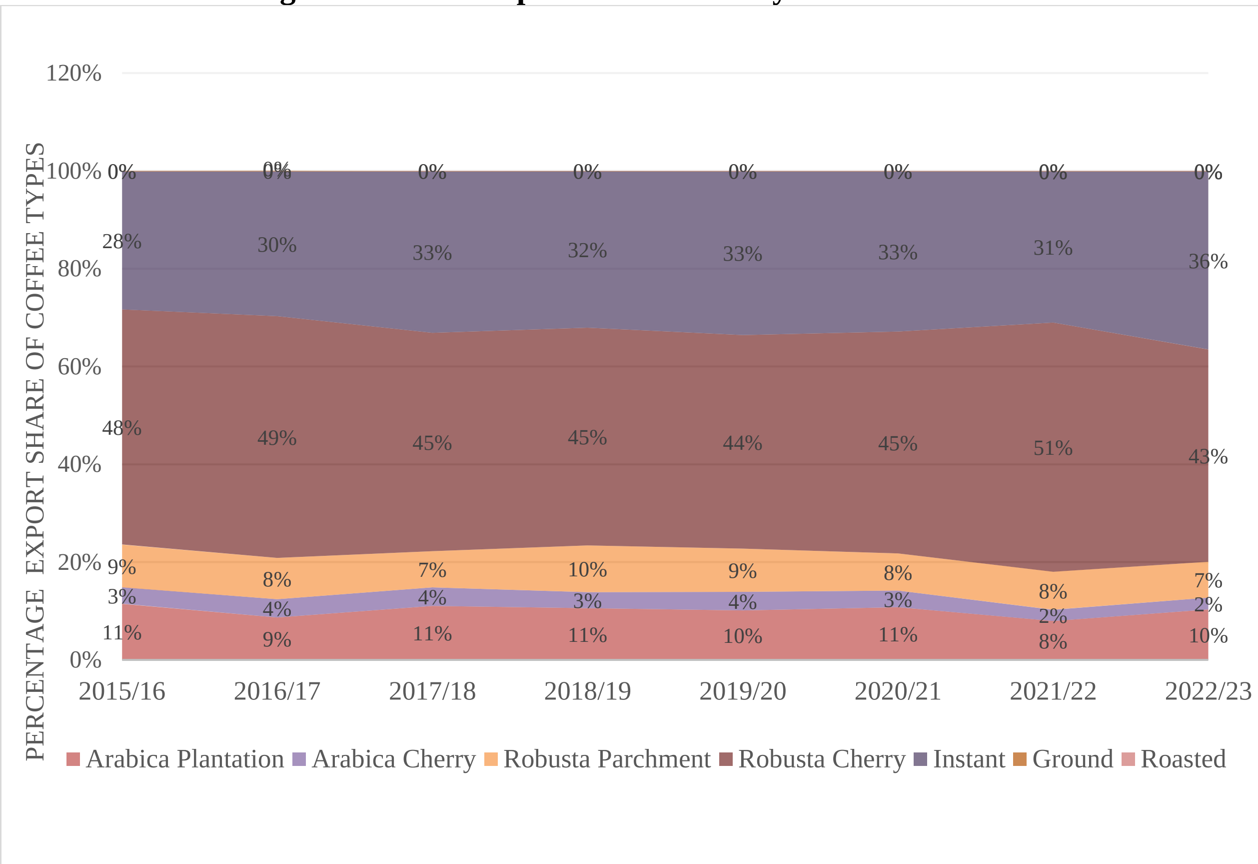
Table 3. Coffee Exports by Quantity (in MT)
(Oct/Sep Marketing Year, includes Re-Exports)

S No.	Destination	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23*
1	Italy	78,216	79,173	72,246	58,406	62,263	71,559	45,225
2	Russia	29,604	23,180	25,096	20,579	21,040	31,610	29,928
3	Germany	38,973	32,750	34,977	33,510	33,344	45,672	29,552
4	Belgium	15,639	19,092	18,741	22,592	27,963	30,173	18,010
5	Turkey	17,746	16,055	11,274	10,105	8,037	12,605	16,959
6	UAE	2,068	3,099	2,801	3,003	6,188	15,157	14,609
7	Poland	13,857	14,492	14,090	13,544	12,610	13,420	14,511
8	Jordan	8,633	10,756	8,984	8,415	10,755	18,403	12,990
9	Libya	9,634	6,412	9,441	8,011	10,885	9,182	9,903
10	Malaysia	6,275	9,910	6,947	8,917	7,884	9,338	9,195
11	USA	8,280	12,668	7,692	6,729	9,200	10,996	8,653
12	United Kingdom	3,721	3,212	4,662	4,005	3,120	5,010	6,220
13	Kuwait	5,370	6,230	5,888	6,890	6,563	6,362	5,814
14	Australia	6,486	6,952	6,589	5,732	6,795	5,491	5,540
15	Others	124,179	128,893	119,202	100,938	122,028	139,776	96,377
TOTAL		**368,681**	**372,874**	**348,630**	**311,376**	**348,675**	**424,754**	**323,486**

*Provisional Exports from October 2022 to July 2023

Source: Coffee Board of India (Database – July 2023)

Figure 3. Coffee Exports Dominated by Robusta Green Beans



Source: Coffee Board of India (Database – July 2023)

Attachments:

No Attachments