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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) 2021/22 coffee production (Oct/Sep) to increase by 5 percent to 5.41 million 60-kilogram bags. Above normal pre-monsoon rains coupled with expectations of a normal monsoon are expected to improve yields, especially for Robusta in major growing regions. Exports are estimated at 5.68 million 60-kilogram bags due to robust demand in Europe and the United States. This export increase will lead to tighter stocks. Domestic coffee consumption is estimated at 1.2 million 60-kilogram bags, driven by at-home consumption as the hospitality sector remains closed due to COVID-19 lockdown measures.

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	460	-	455
Area Harvested (1000 HA)	424	418	423	415	-	410
Bearing Trees (MILLION TREES)	545	545	545	540	-	542
Non-Bearing Trees (MILLION TREES)	98	98	100	105	-	103
Total Tree Population (MILLION TREES)	643	643	645	645	-	645
Beginning Stocks (1000 60 KG BAGS)	931	931	913	973	-	690
Arabica Production (1000 60 KG BAGS)	1,450	1,450	1,500	1,400	-	1,360
Robusta Production (1000 60 KG BAGS)	3,517	3,517	3,750	3,750	-	4,050
Other Production (1000 60 KG BAGS)	-	-	-	-	-	-
Total Production (1000 60 KG BAGS)	4,967	4,967	5,250	5,150	-	5,410
Bean Imports (1000 60 KG BAGS)	1,367	1,354	1,315	1,315	-	1,340
Roast & Ground Imports (1000 60 KG BAGS)	2	2	2	2	-	2
Soluble Imports (1000 60 KG BAGS)	70	74	75	75	-	80
Total Imports (1000 60 KG BAGS)	1,439	1,430	1,392	1,392	-	1,422
Total Supply (1000 60 KG BAGS)	7,337	7,328	7,555	7,515	-	7,522
Bean Exports (1000 60 KG BAGS)	3,483	3,399	3,500	3,660	-	3,680
Rst-Grnd Exp. (1000 60 KG BAGS)	4	4	6	5	-	5
Soluble Exports (1000 60 KG BAGS)	1,767	1,782	1,954	1,980	-	2,000
Total Exports (1000 60 KG BAGS)	5,254	5,185	5,460	5,645	-	5,685
Rst,Ground Dom. Consum (1000 60 KG BAGS)	500	500	480	480	-	485
Soluble Dom. Cons. (1000 60 KG BAGS)	670	670	700	700	-	715
Domestic Consumption (1000 60 KG BAGS)	1,170	1,170	1,180	1,180	-	1,200
Ending Stocks (1000 60 KG BAGS)	913	973	915	690	-	637
Total Distribution (1000 60 KG BAGS)	7,337	7,328	7,555	7,515	-	7,522
(1000 HA), (MILLION TREES), (1000 60 KG BAGS)						

Area

Post estimates marketing year (MY) 2021/22 planted area at 455,000 hectares with bearing area expected to fall to 410,000 hectares. The non-bearing area and non-bearing tree estimates are lower compared to last year as the traditional coffee growing regions of Karnataka and Kerala recover from the impact of heavy rains/floods during the latter part of the Northeast Monsoon 2020, and winter rains in 2021. According to official sources, during the months of December 2020 and January 2021, there was heavy rainfall in the coffee growing areas of Karnataka, resulting noteworthy losses to the coffee crop. The Coffee Board of India has yet to publish its final estimates for MY 2020/21.

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

State	2017/18			2018/19			2019/20*		
	Arabica	**Robusta**	**Total**	**Arabica**	**Robusta**	**Total**	**Arabica**	**Robusta**	**Total**
Karnataka	108,795	135,990	**244,785**	108,816	136,472	**245,288**	108,905	136,777	**245,682**
Kerala	4,231	81,649	**85,880**	4,231	81,649	**85,880**	4,231	81,649	**85,880**
Tamil Nadu	29,513	6,094	**35,607**	29,324	6,268	**35,592**	29,338	6,314	**35,652**
Andhra Pradesh	75,892	264	**76,156**	79,892	264	**80,156**	83,892	264	**84,156**
Odisha	4,282	-	**4,282**	4,282	-	**4,282**	4,276	-	**4,276**
North Eastern Region	6,198	1,815	**8,013**	6,536	2,161	**8,697**	2,545	1,540	**4,085**
Total	**228,911**	**225,812**	**454,723**	**233,081**	**226,824**	**459,895**	233,187	226,544	**459,731**

*Provisional
Source: Ministry of Commerce and Industry, January 2021

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

State/District	Winter (Jan-Feb) 2021		Departure from Normal	Pre-Monsoon (Mar-May) 2021*		Departure from Normal
	Actual (in mm)	Normal (in mm)		Actual (in mm)	Normal (in mm)	
Karnataka						
Chikmagalur	112.4	5.1	2,104%	88	91	-3%
Kodagu	90.1	8.3	985%	203	127	61%
Hassan	62.3	5.1	1,122%	73	79	-7%
State Total	**36.6**	**5.2**	**604%**	**66**	**52**	**28%**
Kerala						
Wayanad	85	13	545%	153	125	22%
Travancore	129	29	346%	248	211	17%
Nelliampathies	40	9	327%	155	128	21%
State Total	**114**	**22**	**409%**	**211**	**161**	**31%**

*Rainfall data up to May 4, 2021
Source: Indian Meteorological Department, Government of India

Production

Post estimates marketing year (MY) 2021/22 coffee production (Oct/Sep) at 5.41 million 60-kilogram bags. More specifically, Arabica production is estimated at 1.36 million 60- kilogram bags (81,600 MT) with Robusta production estimated at 4.05 million 60- kilogram bags (243,000 MT). Higher yields for both Arabica (one percent) and Robusta (eight percent) crops are expected due to adequate moisture as a result of above normal rainfall. According to the Coffee Board of India, the post-Monsoon estimate of Arabica production is 102,000 metric tons, however due to heavy rains in December 2020 and January 2021, crop loss has been reported. According to trade sources, major damage has been experienced by

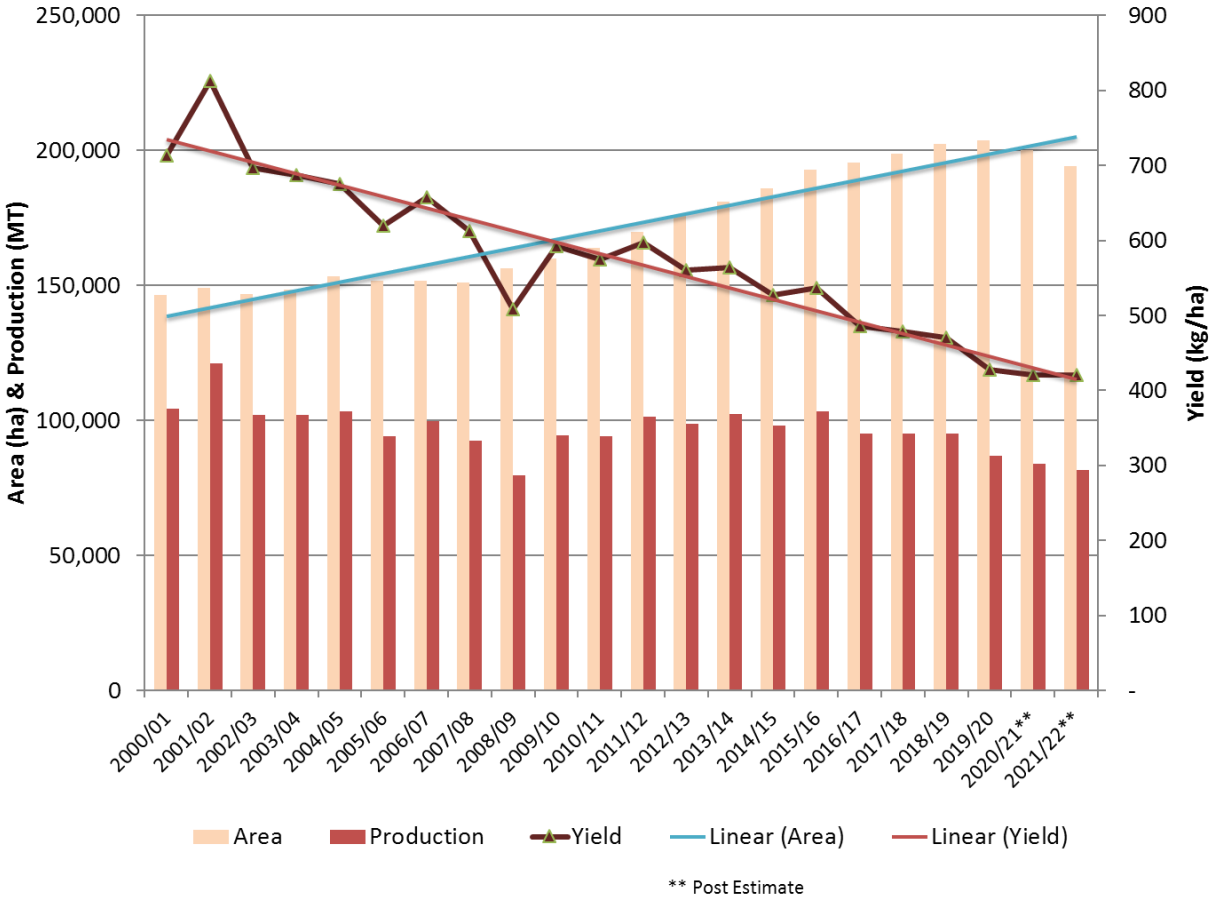
the Arabica coffee crop due to white stem borer. The is a serious pest that burrows through the stems of Arabica coffee plants. The white stem borer is a particularly damaging pest in Arabica coffee plantations. The pest's damage is costly as it not only kills the plant, but it also results in plant removal and replanting costs, increasing producer losses.

Estate Operations during May

The government has issued multiple advisories to producers in traditional coffee growing districts to follow specific estate management practices. In May, typical coffee estate operations include regulation of permanent shade, pre-monsoon manuring, control measures against shoot mealy bug and green scale, and if necessary, pre-monsoon spraying for leaf rust and monitoring of berry borer and root diseases

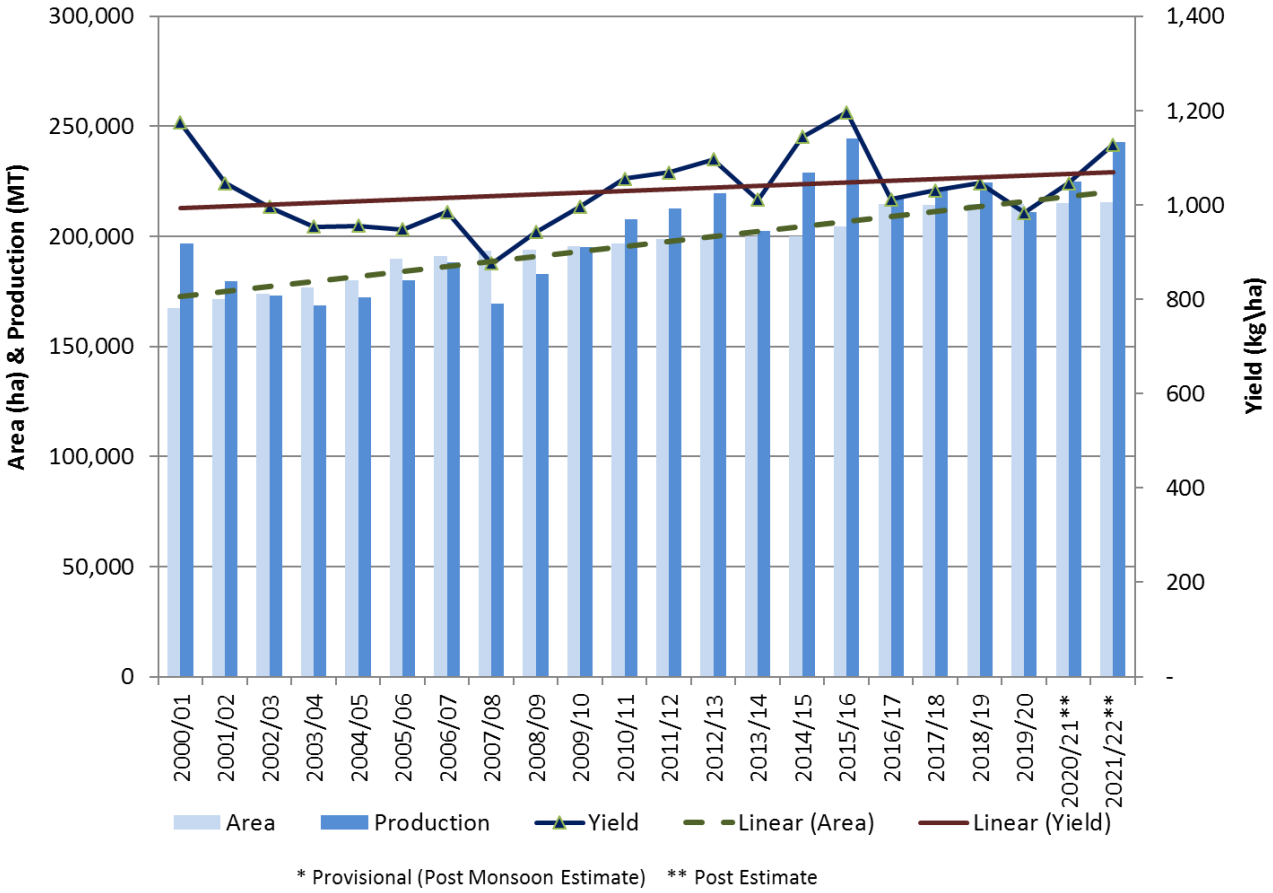
In the Chikmagalur region of Karnataka, growers have been advised to ensure orchards are have proper drainage. They have also been advised to test soil quality and consider the application of lime, and to transplant shade trees in orchards. In the Kodagu district of Karnataka, producers are advised to consider applying dolomite lime to correct soil pH levels. Growers have also been advised to install traps in drying yards and plantations, and take up gleaning immediately after the harvest to control berry borer infestation. To maintain plant vigor during pre-monsoon showers, producers have also been advised to take up handling and pruning in coffee bushes. In the state of Kerala, the coffee crop is in its flowering stage, and the leaf rust disease may become severe due to an increase in relative humidity in the past month.

Figure 1. Arabica: Area, Production & Yield



** Post Estimate

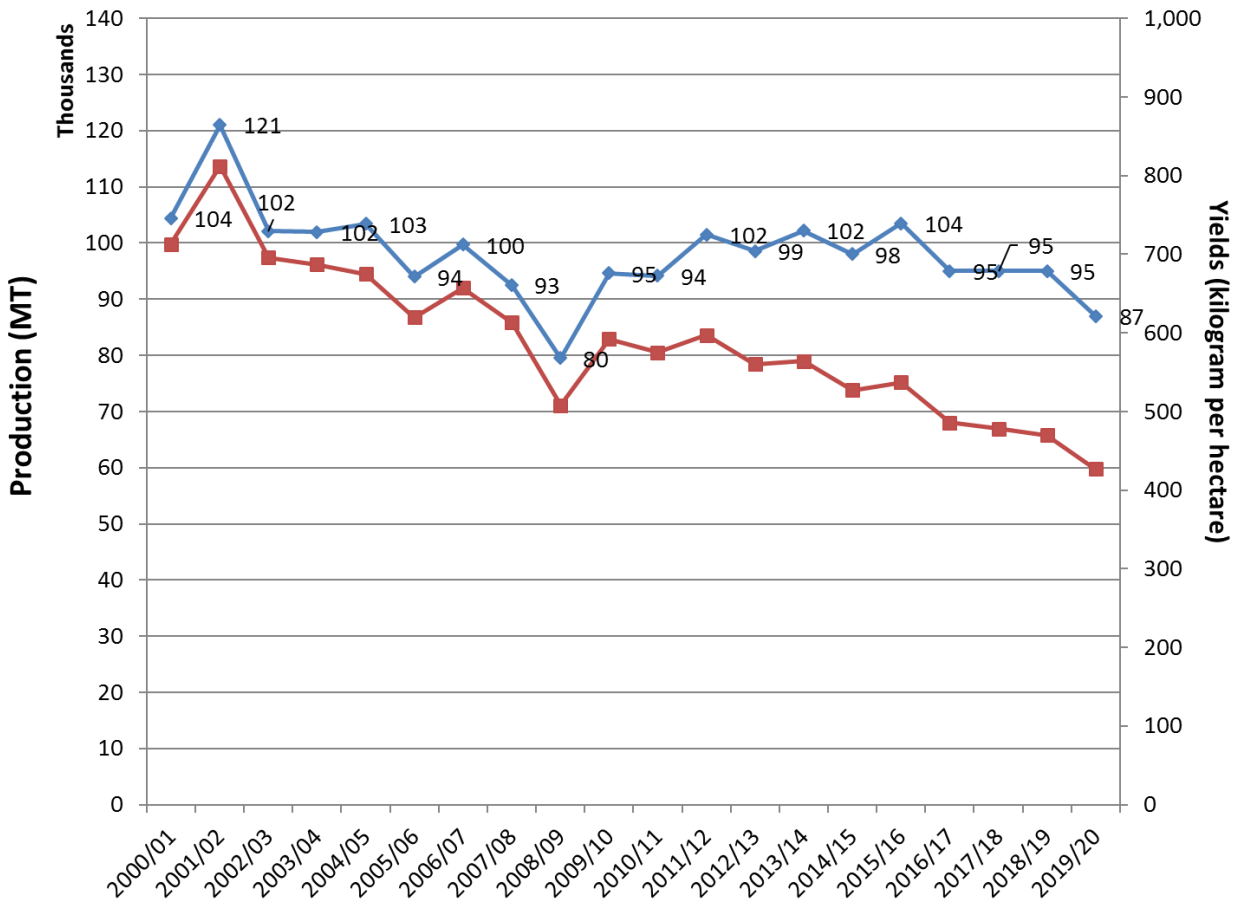
Figure 2. Robusta: Area, Production and Yield



Robusta is the more popular coffee type and accounts for over 70 percent of India's coffee crop. The Arabica crop is entering the 'off-year' of the its biennial production cycle and is expected to bear lower 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 above normal rains between January and February, 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 the fruit setting drops significantly.

Figure 3. Arabica: Biennial Production Slowly Declining



Yield

Post estimates MY 2021/22 Robusta yields to increase to 1,128 kilograms per hectares, an increase of eight percent from last year. Arabica yields are estimated at 421 kilograms per hectare, marginally higher than last year. According to the Coffee Board of India data, Arabica yields continue to witness a downward trend (refer to figure 3) due to consistent 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 evolving distribution pattern of rains in the last decade is also pushing the cultivation of Arabica into much higher altitudes.

Inputs

The coffee sector provides direct employment to 665,769 workers via plantations and indirect employment to 1.3 million workers in coffee processing and other related activities. With rising off-farm employment opportunities, coffee producers are experiencing shortages of skilled labor. Labor costs, which account for more than 50 percent of production costs, continue to escalate. According to the Board's statistics, the general daily wage rate in the state of Karnataka rose by three percent compared to last year. Although the State of Karnataka has imposed lockdown restrictions across the state, it has permitted agricultural and food processing activities, including coffee curing works. However, the measures restrict the movement of people which add additional production costs. Over 60 percent of the labor working at the estates is contracted during the harvesting season.

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

Karnataka	516,776
Kerala	44,194
Tamil Nadu	31,260
Non-Traditional Areas (Odisha and Andhra Pradesh)	73,539
Total	**665,769**

Source: Ministry of Commerce and Industry, January 2021

India Coffee Production Dominated by Robusta

Arabica plants are self-pollinating and typically grow at higher elevations under rain-fed conditions. The plants are grown under shade to prevent variations 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 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 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 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) while 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 2021/22 consumption to rise by nearly two percent to 1.2 million 60-kilogram bags (72,000 MT). Demand is largely driven by retail sales of soluble/instant coffee for at home consumption. Branded product sales have performed strongly during the pandemic as households have been forced to eat and drink more at home. Sales have been buoyed by the availability of coffee products through e-commerce and social media platforms amid changing consumer buying behaviors. As retail outlets and grocery stores remained shut due to COVID-19 restrictions, consumers switched to online platforms for their purchases. The rise is online retail sales have been offset by the decline/slowdown in sales experienced by the hospitality (hotels and restaurants) and institutional (corporate offices, airports) sectors. Buoyed by the demand for ready-to-cook items during the pandemic, demand for soluble/instant coffee also witnessed higher demand. During the past five years, household consumption of soluble coffee has constituted a much larger share (57 percent) of domestic

consumption, and continues to increase. The rise in online retail demand has led to a number of manufacturers focusing on specialty, branded, and high-value coffees (niche products). Coffee has the advantage of being an inherently natural product, leaving it open to other ingredient and functional innovations that can further drive consumer interest. Small, boutique brands have already begun moving into the space. In the short-term, restrictions on non-essential activities are expected to expand given the current COVID-19 second wave. As such, so online retail/home deliveries will likely be the preferred channel for coffee purchases.

Organic Coffee

Demand for organic beverages is expected to continue growing as Indian consumers are increasingly interested in procuring foods and beverages that are produced sustainably. However, this demand for organic beverages is limited to affluent consumers in major cities. The domestic market remains quite small but exports of organic coffee are growing as foreign consumers are willing to pay more for products that are organic and ethically sourced,

Officials have made the promotion and development of organic coffee production in the country a priority. The Government of India, through the Coffee Board of India, is extending financial support through the Integrated Coffee Development Project Scheme (ICDP) towards eco/organic certification of coffee estates at 50 percent of cost in traditional coffee growing areas and 75 percent of cost in non - traditional coffee growing areas and North Eastern Region (NER).

Table 5. India: Organic Coffee Production by State

States	2017/18	2018/19	2019/20
Andhra Pradesh	72	330	397
Karnataka	2,050	2,802	4,457
Kerala	5,974	11,134	14,850
Tamil Nadu	253	298	446
Total	**8,349**	**14,564**	**20,149**

Source: Agricultural and Processed Food Products Export Development Authority (APEDA), Ministry of Commerce and Industry

Trade

Post estimates MY 2021/22 exports at 5.68 million 60-kilogram bags (341,100 MT) as a result of increased demand in major export markets. Green bean and soluble coffee exports are estimated to be marginally (one percent) higher than last year. According to Coffee Board of India data as of May 7, the number of export permits issued (by value) between October 2020 - May 2021 in MY 2020/21 are 15 percent higher than the same period last year. Italy, Belgium, Germany, and Russia remain India's top export markets. According to preliminary data published by the Ministry of Commerce, export shipments in April 2021 were 74 percent higher compared to April 2020, however they are three percent lower than April 2019. The major export destinations for these shipments were Belgium, Italy, Germany, and Jordan. Higher than expected exports of green beans have led to much lower carryover stocks. Trade sources indicate that a number of logistics/supply chain issues persist, including the availability of food grade containers and higher freight costs, nonetheless orders remain strong in the short to medium term. Recovery is underway in major export markets as vaccines become more widely available and consumer spending grows due to excess savings and fiscal stimulus.

Post estimates MY 2021/22 imports at 1.42 million 60-kilogram bags (83,520 MT). Post's estimate is two percent higher than last year. Imports of green beans and soluble coffee are higher due to greater international demand for further processed coffee. 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

There are no government-held stocks. Instead, stocks are privately held by producers or traders. Trade sources indicate that around 25 percent of MY 2020/21 Robusta cherry crop stocks are held by planters in anticipation of higher prices. Almost 80 percent of the Arabica parchment crop has already been traded as prices have been 4-5 percent higher during the peak arrival months as compared to last year. Post estimates tight MY 2021/22 ending stocks at 637,000 60-kilogram bags (38,000 mt) as strong export demand puts pressure on stocks.

Table 6. 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

1\ Exchange Rate equals Rupees 73.21 per dollar as of May 09, 2021
(Rupees/kg of clean coffee beans of Arabica Plantation A and Robusta Cherry AB)
Source: Coffee Board of India

Table 7. 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

1\ Exchange Rate equals Rupees 73.21 per dollar as of May 09, 2021
(Rupees/kg of clean coffee beans of Arabica Parchment and Robusta Cherry)
Source: Coffee Board of India

Table 8. 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
1	Italy	86,417	78,216	79,173	72,246	58,406
2	Germany	30,621	38,973	32,750	34,977	33,510
3	Belgium	19,855	15,639	19,092	18,741	22,592
4	Russia	26,077	29,604	23,180	25,096	20,579
5	Poland	7,927	13,857	14,492	14,090	13,544
6	Turkey	14,859	17,746	16,055	11,274	10,105
7	Malaysia	5,935	6,275	9,910	6,947	8,917
8	Jordan	7,994	8,633	10,756	8,984	8,415
9	Libya	5,947	9,634	6,412	9,441	8,011
10	USA	5,696	5,370	6,230	5,888	6,890
11	Kuwait	5,919	8,280	12,668	7,692	6,729
12	Slovenia	11,569	8,124	7,684	5,869	6,408
13	Ukraine	3,374	6,300	7,307	6,662	6,339
14	Spain	7,997	10,009	8,924	7,081	5,951
15	Others	95,247	112,021	118,241	113,642	94,980
	TOTAL	**335,434**	**368,681**	**372,874**	**348,630**	**311,376**

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

Table 9. 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 10. 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