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## **Report Name:** Coffee Semi-annual

**Country:** India

**Post:** New Delhi

**Report Category:** Coffee

**Prepared By:** Dhruv Sood

**Approved By:** Lazaro Sandoval

### **Report Highlights:**

FAS Mumbai estimates marketing year (MY) 2020/21 coffee crop (Oct/Sep) at 5.25 million 60-kilogram bags. Above normal southwest monsoon rains followed by a moderate northeast monsoon is expected to support higher yields. Exports are estimated at 5.46 million 60-kilogram bags as demand gradually recovers in international markets. Domestic coffee consumption is estimated at 1.18 million 60-kilogram bags, largely driven by at-home consumption, as the hospitality and institutional sectors recover slowly from COVID-19 related restrictions.

## Production, Supply and Demand Data Statistics:

Coffee, Green Market Year Begins	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	460	460	460	460	460	460
Area Harvested (1000 HA)	422	417	424	418	423	423
Bearing Trees (MILLION TREES)	542	542	545	545	545	545
Non-Bearing Trees (MILLION TREES)	97	97	98	98	100	100
Total Tree Population (MILLION TREES)	639	639	643	643	645	645
Beginning Stocks (1000 60 KG BAGS)	1,248	1,248	931	931	473	913
Arabica Production (1000 60 KG BAGS)	1,583	1,583	1,330	1,450	1,560	1,500
Robusta Production (1000 60 KG BAGS)	3,742	3,742	3,560	3,517	3,750	3,750
Other Production (1000 60 KG BAGS)	-	-	-	-	-	-
Total Production (1000 60 KG BAGS)	5,325	5,325	4,890	4,967	5,310	5,250
Bean Imports (1000 60 KG BAGS)	1,302	1,302	1,235	1,367	1,150	1,315
Roast & Ground Imports (1000 60 KG BAGS)	2	2	2	2	2	2
Soluble Imports (1000 60 KG BAGS)	82	82	70	70	70	75
Total Imports (1000 60 KG BAGS)	1,386	1,386	1,307	1,439	1,222	1,392
Total Supply (1000 60 KG BAGS)	7,959	7,959	7,128	7,337	7,005	7,555
Bean Exports (1000 60 KG BAGS)	3,936	3,936	3,600	3,483	3,300	3,500
Rst-Grnd Exp. (1000 60 KG BAGS)	4	4	5	4	6	6
Soluble Exports (1000 60 KG BAGS)	1,838	1,838	1,870	1,767	1,950	1,954
Total Exports (1000 60 KG BAGS)	5,778	5,778	5,475	5,254	5,256	5,460
Rst,Ground Dom. Consum (1000 60 KG BAGS)	530	530	500	500	430	480
Soluble Dom. Cons. (1000 60 KG BAGS)	720	720	680	670	720	700
Domestic Consumption (1000 60 KG BAGS)	1,250	1,250	1,180	1,170	1,150	1,180
Ending Stocks (1000 60 KG BAGS)	931	931	473	913	599	915
Total Distribution (1000 60 KG BAGS)	7,959	7,959	7,128	7,337	7,005	7,555

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

### Area

FAS Mumbai revises marketing year (MY) 2020/21 planted area to 460,000 hectares with the bearing area to increase to 423,000 hectares. According to the Indian Meteorological Department (IMD), the southwest monsoon (Jun/Sep) withdrew from Karnataka on October 28, 2020, simultaneously, Northeast monsoon (Oct/Dec) rains have commenced over extreme south peninsular India. Above normal southwest monsoon rains followed by a moderate northeast monsoon is expected to support higher yields.

## **Production**

FAS Mumbai estimates marketing year (MY) 2020/21 coffee crop (Oct/Sep) at 5.25 million 60-kilogram bags. Post's estimate is marginally (one percent) lower than the official USDA estimate. Post estimates Arabica production at 1.5 million 60- kilogram bags (90,000 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 thanks to good rainfall. Post estimates MY 2020/21 yields for Arabica at 450 kilograms per hectare, three percent higher than last year, but ten percent lower than the five-year average. The yields for Robusta are estimated at 1,004 kilograms per hectare, seven percent higher than last year, but six percent lower than the five-year average.

## **Excess Monsoon Rainfall Could Impact Yields Negatively**

The government issued advisories to producers in the coffee growing districts in Karnataka to ensure open drainage channels to facilitate rapid drainage of excess water in areas which received heavy rainfall. There is a possibility of emergence of black rot (*Koleroga*), a disease likely to occur in areas with heavy rainfall, saturated atmosphere with 95-100 percent relative humidity, thick overhead shade, low over-hanging branches, sheltered from sunlight and wind in valleys or continuous mist during monsoon. The affected bushes have blackening and rotting of leaves, twigs, and developing berries. It will also lead to defoliation and berry drop in the affected branches. To address black rot, farmers are advised to remove infected branches, leaves, and fallen berries from the ground and dispose them to prevent further spread of the disease. Further treatment with spraying fungicide is also advised. In Kerala, farmers have been advised to postpone fertilizer application during the heavy rainfall period and to ensure good drainage in the plantations. Producers are also advised to complete the application of a second dose of fertilizers to plantation crops quickly.

The Coffee Board of India published final MY 2019/20 production estimates, which has been adopted by the post. According to the coffee board, Arabica production is estimated at 1.45 million 60- kilogram bags (87,000 MT) and Robusta production at 3.51 million 60- kilogram bags (211,000 MT). Post has adopted the MY 2019/20 final estimates in its forecasts.

## **Inputs**

The coffee sector provides direct employment to 665,769 workers in its 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 skilled labor shortages. 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 by three percent in 2019 from the previous year, Similarly, wage rates in Kerala increased by 22 percent, and six percent in Tamil Nadu.

## **Trade**

FAS Mumbai forecasts MY 2020/21 exports at 5.46 million 60-kilogram bags (315,360 MT), largely driven by an increase in soluble exports. Post's estimate is 4 percent higher than the official USDA estimate. While green bean exports are forecast to be similar as last year, exports of soluble coffee are expected to rebound much faster with a ten percent increase in shipments. Post also estimates higher exports of roast and ground (R&G) coffee as suppliers look to offset lower domestic demand through exports.

Farmgate Arabica parchment prices have been trading 43 percent higher than last year's average prices. In contrast, Robusta cherry prices are trading marginally lower (one percent) than last year's average prices due to the availability of much higher stocks than estimated earlier. It should be noted that Robusta coffee constitutes almost 70 percent of total coffee production. Lower than expected exports of green beans have led to much higher carryover stocks. In 2020, coffee exports between March and August were 12 percent lower than previous year. Due to these factors, **coffee prices remained firm due to high demand and low supply.**

While there has been marginal recovery in shipments from July onwards to cater to delayed orders, new orders are occurring slowly.. The current export demand recovery may be transient as there are growing concerns about a second wave of the COVID-19 infections in major European export markets, which may again lead to movement restrictions and store and café closures negatively affecting retail demand. However, the second half of MY 2020/21 is expected to improve with more sustained demand. According to coffee board export data, the number of export permits issued in MY 2020/21 between October and November are 15 percent higher (by volume) than same time last year. The value of permits issued has also risen by 12 percent as compared to the previous year.

FAS Mumbai estimates MY 2020/21 imports at 1.39 million 60-kilogram bags (83,520 MT). Post's estimate is 170,000 bags higher than official USDA estimates. Imports of green beans are expected to be higher due to higher international demand for further processing and re-exports. 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 shipments from Vietnam, Indonesia, and Kenya.

### **Consumption**

FAS Mumbai estimates MY 2020/21 consumption to decline by nearly 3 percent to 1.18 million 60-kilogram bags (70,800 MT). Post's estimate is three percent higher than the official USDA estimate. Demand is largely driven by an expected recovery in retail sales of soluble coffee for at home consumption. The slowdown in sales experienced by the hospitality (hotels, restaurants, catering events) and institutional (corporate offices, airports) sectors is likely to continue in the next quarter and recovery will be gradual. During the COVID-19 pandemic, there has been a shift in demand from sit-in cafes to takeaways and home deliveries. Buoyed by the demand for ready-to-cook items during the pandemic, demand for soluble/instant coffee also witnessed higher demand as lockdown measures coupled with work from home led to much higher consumption. During the past five years, household consumption of soluble coffee has constituted a much larger share (55 percent) of domestic consumption, and continues to increase.

### **Stocks**

FAS Mumbai estimates MY 2020/2021 carryover stocks at 913,000 60-kilogram bags, 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 the growers or traders. The pandemic resulted in lockdown measures implemented across major export destinations leading to higher carryover stocks due to lower than expected exports in MY 2019/20.

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

\*Provisional

Source: Ministry of Commerce and Industry, September 2020

**Table 1. India: Rainfall Statistics for Coffee Growing Regions in Karnataka and Kerala**

State/District	Southwest Monsoon (Jun-Sep)		Departure from Normal	Northeast Monsoon (Oct-Dec)*		Departure from Normal
	Actual (in mm)	Normal (in mm)		Actual (in mm)	Normal (in mm)	
<b>Karnataka</b>						
Chikmagalur	1,651	1,591	4%	179	161	11%
Kodagu	2,346	2,257	4%	192	220	-13%
Hassan	691	674	2%	156	163	-4%
<b>State Total</b>	<b>1,064</b>	<b>841</b>	<b>27%</b>	<b>177</b>	<b>137</b>	<b>29%</b>
<b>Kerala</b>						
Wayanad	2,080	2,526	-18%	150	232	-35%
Travancore	2,470	2,615	-6%	321	394	-18%
Nelliampathies	1,706	1,532	11%	171	274	-38%
<b>State Total</b>	<b>2,228</b>	<b>2,049</b>	<b>9%</b>	<b>228</b>	<b>330</b>	<b>-31%</b>

\*Rainfall data up to November 3, 2020

Source: Indian Meteorological Department, Government of India

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

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*	307	163	304	181	345	226

1\ Exchange Rate equals Rupees 74.37 per dollar as of November 03, 2020

\*Average of data through September 2020

(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\**

Year	Chikmagalur		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*	10,950	3,200	10,557	3,180	9,859	3,166

1\ Exchange Rate equals Rupees 74.37 per dollar as of November 03, 2020

\*Average of data through September 2020

(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)**

<b>S No.</b>	<b>Destination</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
1	Italy	71,045	69,120	86,417	70,863	79,173	72,246	58,247
2	Germany	29,259	25,297	30,500	34,112	32,750	34,977	33,588
3	Belgium	13,641	15,101	19,836	15,639	19,092	18,741	22,737
4	Russia	18,967	21,538	26,077	27,340	23,180	25,096	20,830
5	Poland	3,397	5,753	7,927	11,036	14,492	14,090	13,590
6	Turkey	14,111	15,330	14,706	16,596	16,055	11,274	10,242
7	Malaysia	5,964	5,973	5,935	5,325	9,910	6,947	8,980
8	Jordan	7,741	6,810	7,994	8,171	10,756	8,984	8,415
9	Libya	5,835	6,717	5,947	8,237	6,412	9,441	8,217
10	USA	5,995	5,250	5,919	7,625	12,668	7,692	7,125
11	Kuwait	3,834	4,696	5,696	5,410	6,230	5,888	6,890
12	Slovenia	7,868	10,354	11,415	7,169	7,684	5,869	6,408
13	Ukraine	5,759	5,361	3,374	4,962	7,307	6,662	6,339
14	Spain	5,060	5,844	7,997	9,341	8,924	7,081	5,951
15	Others	86,437	81,338	89,635	93,968	111,289	107,061	89,958
	<b>TOTAL</b>	<b>290,027</b>	<b>290,844</b>	<b>334,777</b>	<b>332,280</b>	<b>372,874</b>	<b>348,638</b>	<b>313,249</b>

Source: Coffee Board of India (Database – September, 2020)

**Attachments:**

No Attachments