Required Report: Required - Public Distribution **Date:** November 18, 2022

Report Number: IN2022-0102

Report Name: Coffee Semi-annual

Country: India

Post: New Delhi

Report Category: Coffee

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Report Highlights:

FAS India forecasts marketing year (MY) 2022/23 coffee production (Oct/Sep) at 6.25 million 60-kilogram bags, nine percent higher than the official USDA estimate on above normal southwest monsoon rains (Jun/Sep) expected to improve yields, especially for Robusta varieties in major growing regions. Farmgate prices have dropped over the last six months due to expectation of a large crop; however, producers continue to face rising input costs. Post forecasts exports to rise by four percent to 6.23 million 60-kilogram bags due to higher exportable surplus. The surge in domestic coffee consumption is expected to be largely driven by at-home coffee consumption, as many workplaces have adopted hybrid working models. Carryover stocks are likely to remain limited due to strong export prospects.

General Overview

Coffee, Green Market Year Begins India	2020/2021 Oct 2021 USDA Official	 New Post	2021/2022 Oct 2022 USDA Official	 New Post	2022/2023 Oct 2023 USDA Official	 New Post
Area Planted (1000 HA)	465	465	455	472	-	475
Area Harvested (1000 HA)	423	423	420	429	-	433
Bearing Trees (MILLION TREES)	540	540	542	542	-	548
Non-Bearing Trees (MILLION TREES)	105	105	103	103	-	97
Total Tree Population (MILLION TREES)	645	645	645	645	-	645
Beginning Stocks (1000 60 KG BAGS)	973	973	581	911	455	56
Arabica Production (1000 60 KG BAGS)	1,320	1,650	1,280	1,170	1,320	1,320
Robusta Production (1000 60 KG BAGS)	3,917	3,917	4,250	4,750	4,420	4,920
Other Production (1000 60 KG BAGS)	-	-	-	-	-	-
Total Production (1000 60 KG BAGS)	5,237	5,567	5,530	5,920	5,740	6,240
Bean Imports (1000 60 KG BAGS)	1,256	1,256	1,307	1,520	1,370	1,420
Roast & Ground Imports (1000 60 KG BAGS)	1	1	2	55	15	20
Soluble Imports (1000 60 KG BAGS)	88	88	80	50	95	70
Total Imports (1000 60 KG BAGS)	1,345	1,345	1,389	1,625	1,480	1,510
Total Supply (1000 60 KG BAGS)	7,555	7,885	7,500	8,456	7,675	7,806
Bean Exports (1000 60 KG BAGS)	3,818	3,818	3,830	4,920	3,920	4,170
Rst-Grnd Exp. (1000 60 KG BAGS)	6	6	5	10	5	5
Soluble Exports (1000 60 KG BAGS)	1,970	1,970	2,000	2,250	2,050	2,050
Total Exports (1000 60 KG BAGS)	5,794	5,794	5,835	7,180	5,975	6,225
Rst,Ground Dom. Consum (1000 60 KG BAGS)	417	417	430	350	435	400
Soluble Dom. Cons. (1000 60 KG BAGS)	763	763	780	870	800	920
Domestic Consumption (1000 60 KG BAGS)	1,180	1,180	1,210	1,220	1,235	1,320
Ending Stocks (1000 60 KG BAGS)	581	911	455	56	465	261
Total Distribution (1000 60 KG BAGS)	7,555	7,885	7,500	8,456	7,675	7,806
(1000 HA), (MILLION TREES), (1000 60 KG BAGS)						

Area and Production

Post estimates marketing year (MY) 2022/23 coffee planted area at 465,000 hectares with harvested area at 433,000 hectares. Post estimates harvested area to increase by one percent from last year as more replanted trees become fruit bearing.

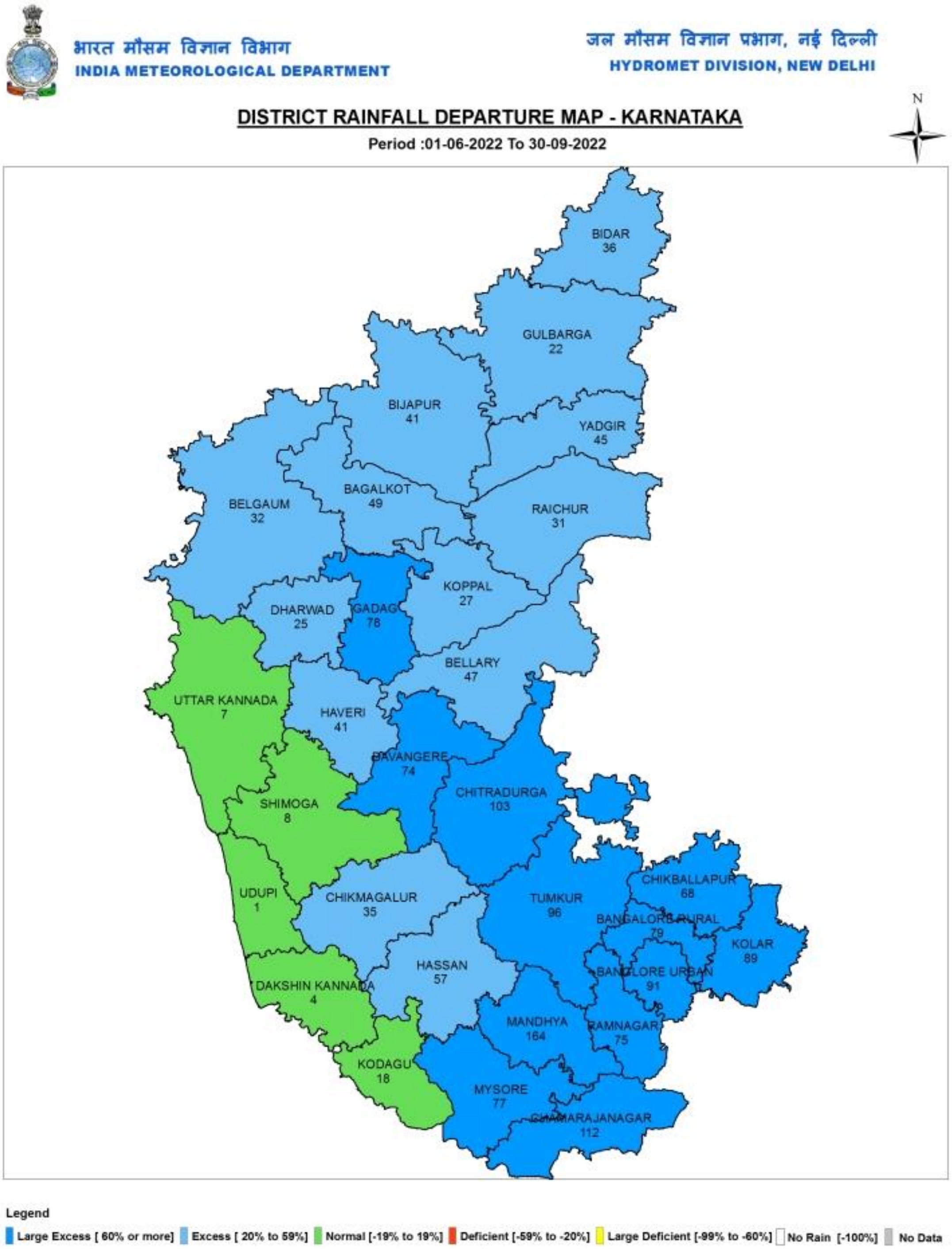
Post estimates marketing year (MY) 2022/23 coffee production (Oct/Sep) at 6.25 million 60-kilogram bags, nine percent higher than official USDA estimate. Arabica production is estimated at 1.32 million 60- kilogram bags or 79,200 metric tons (MT), while Robusta production is estimated at 4.92 million 60- kilogram bags (295,200 MT).

Coffee is processed either by wet method to produce ‘Plantation / parchment coffee’ or by dry method to obtain ‘Cherry coffee’. Robusta is the most popular coffee type and accounts for over 70 percent of India’s coffee crop. The Robusta and Arabica crop are 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. The south Indian state of Karnataka remains the country's top coffee producer, with over 52 percent area and 73 percent production share, followed by the states of Kerala and Tamil Nadu. Collectively these areas account for 78 percent of planted area and account for 97 percent of India's coffee production.

According to the Indian Meteorological Department (IMD), coffee growing regions in south interior Karnataka received normal to excess rains during southwest monsoon 2022, followed by normal rains in October that provided adequate moisture. Rainfall within normal range is beneficial for early ripening and maturity, and producers have sufficient water for irrigation. A dry period of two-three months during December to February would 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 the main harvest will begin in December.

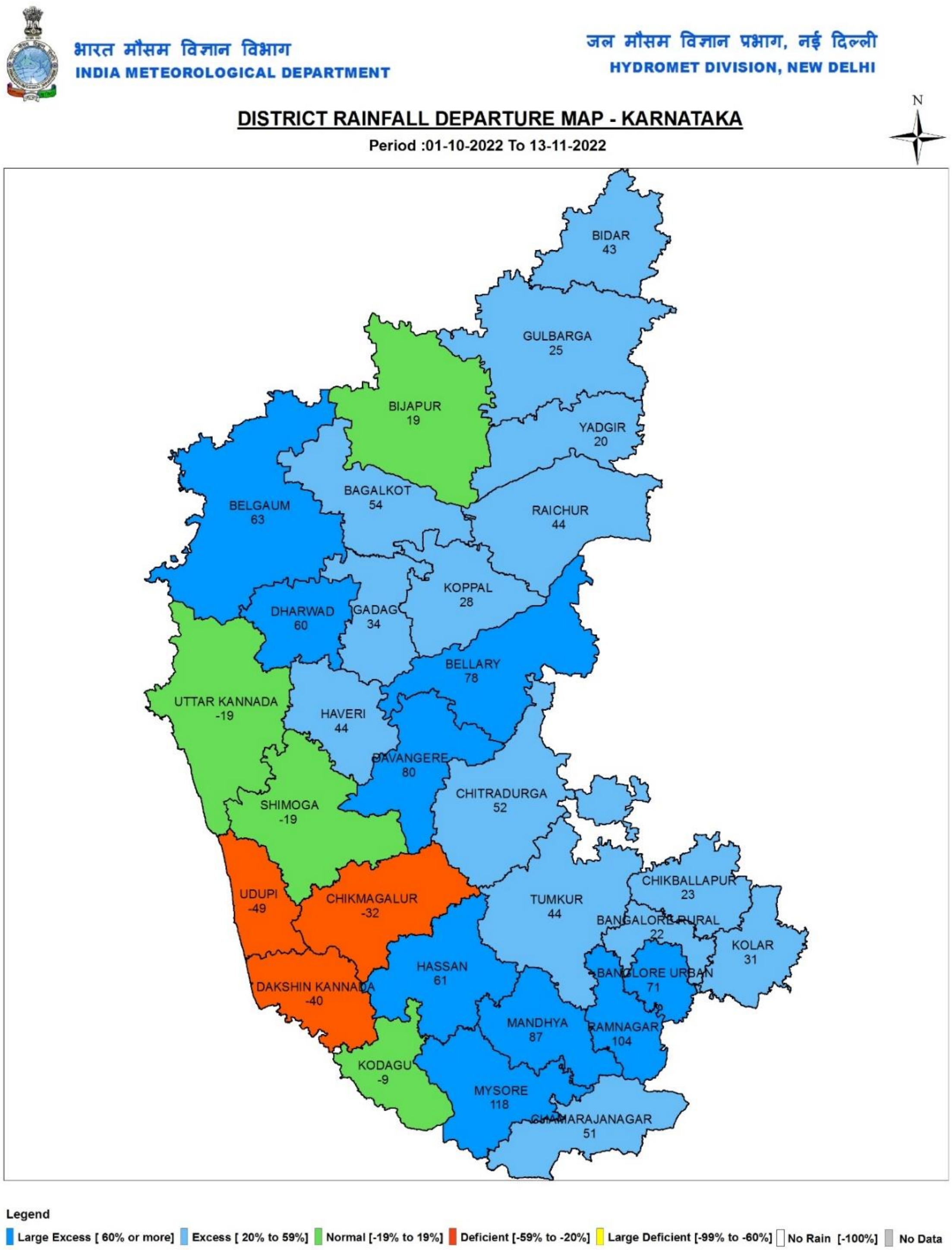
The Coffee Board of India published its final MY 2021/22 production estimates with Arabica production at 1.58 million 60- kilogram bags (95,000 MT) and Robusta at 4.11 million 60- kilogram bags (247,000 MT). Post has not adopted the final estimates as trade sources indicate further revision may be necessary.

Image 1: Karnataka District Rainfall Departure During Southwest Monsoon (June 1 – September 30, 2022)



Source: Indian Meteorological Department

Image 2: Karnataka District Rainfall Departure During Northeast Monsoon (October 1 – November 13, 2022)



Source: Indian Meteorological Department

Yields

Post estimates Arabica yields thirteen percent higher as compared to last year on higher harvested area and sufficient soil moisture. The Higher Arabica yields will be matched by a three percent increase in Robusta yields. Post estimates national yields to improve by five percent to 866 kilograms per hectare as compared to last year.

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. According to Coffee Board statistics, the general daily wage rate in the state of Karnataka rose by five percent in 2021 from the previous year to $4.40 per day (INR 357 per day). However, trade sources indicate that wage rates paid are upwards of $4.70 per day (INR 380 per day) and labor availability is becoming a significant challenge as daily labor shifts to higher wage-earning jobs in construction and other sectors. Additionally cost of fertilizers, pesticides, power, and social and statutory mandated benefits by the government have all risen as well.

Consumption

Post estimates MY 2022/23 coffee consumption at 1.32 million 60-kilogram bags or 79,200 metric tons (MT), seven percent higher than the official USDA estimate. 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 ongoing opening of the hospitality (hotels, restaurants, catering events) and institutional (corporate offices, airports) sectors. Trade sources indicate that the adoption of a hybrid working model has led to a surge in at-home coffee consumption due to flexible work from home policy. Robust sales during the last year 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. Post expects household consumption of soluble coffee to constitute a much larger share (65-70 percent) of domestic consumption during the next year. The major challenge for suppliers in the short term remains rising energy costs impacting the raw material processing, packaging, freight, and logistics.

Stocks

Post estimates MY 2022/2023 carryover stocks at 261,000 60-kilogram bags (15,600 metric tons), on strong domestic and export demand. There are no government-held stocks, all 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 2021/22 carryover stocks were one of the lowest on record, driven largely to strong exports after major exporting countries faced supply issues.

Trade

Post estimates MY 2022/23 exports at 6.23 million 60-kilogram bags (373,520 MT) on increased demand in major export markets. However, trade sources indicate that current high prices coupled with high energy costs, rising packaging costs, uncertainty on freight times, and high interest rates are limiting international buyers from placing larger orders. International buyers are limiting inventory to two-three months and do not want to carry inventory at high prices.

Expected large new crop arrivals from December onwards should stabilize prices and increase orders in small export markets. Trade sources indicate that markets such as the UAE, Jordan, Turkey, Tunisia, Lebanon, and Egypt who were traditionally Latin American purchasers began purchasing Indian Robusta coffee in MY 2021/22 and will likely continue in the next year if supplies from Latin America are limited.

According to Coffee Board data, green bean prices for Arabica Parchment have fallen by twelve percent since May 2022, and Robusta Cherry prices have reduced marginally by one percent. However, global prices of Arabica and Robusta have fallen by 21 percent and ten percent respectively. Trade sources indicate that the price of Indian coffee is likely to reduce further with arrival of the new crop. In MY 2021/22 (Oct/Sep), the major export destinations were Italy (17 percent market share), Germany (10 percent market share), Belgium (7 percent market share) and Russia (7 percent market share).

Post estimates MY 2022/23 imports at 1.51 million 60-kilogram bags (90,600 MT), two percent higher than official USDA estimate. Trade sources indicate that imports of green beans are estimated to be higher due to strong export demand prospects for soluble coffee prompting processors to augment local supplies with imports. Most imported coffee is processed for re-export due to duty exemptions and lower overall prices. In MY 2021/22, imports of green coffee into India came from Indonesia (38 percent market share), Vietnam (28 percent market share), Kenya (17 percent market share), and Uganda (9 percent market share).

MY 2021/22 Export data to be reviewed

As per the monthly ICO Coffee Market update report published in October 2022, India's exports of all forms of coffee jumped 21.7 percent in coffee year 2021/22, rising to 7.24 million bags from 5.95 million 60-kilogram bags in MY 2020/21. Post has also referred to the Indian customs data which is in line with the ICO report. However, the coffee board database for July 2022 is reflecting much lower export shipment data for MY 2021/22 and may need to be revised.

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	349	165	-	-	-	-
Average 2022*	441	198	-	-	-	-

1\ Exchange Rate equals Rupees 80.63 per dollar as of November 11, 2022
(Rupees/kg of clean coffee beans of Arabica Plantation A and Robusta Cherry AB)
Source: Coffee Board of India (Database – July 2022)
*Average prices based on January-May 2022 data

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

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	9,968	3,234	9,782	3,202	9,951	3,210
Average 2021	11,303	3,219	11,619	3,275	11,558	3,497
Average 2022*	16,004	4,022	15,540	3,899	15,955	4,140

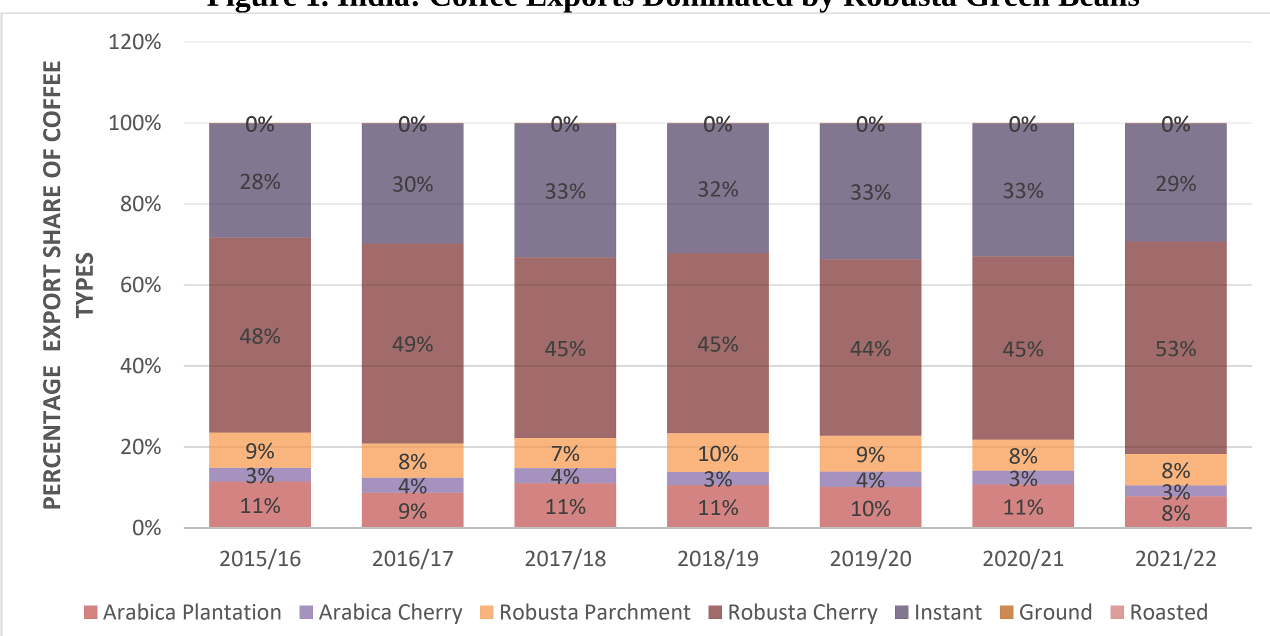
1\ Exchange Rate equals Rupees 80.63 per dollar as of November 11, 2022
(Rupees/kg of uncured coffee beans of Arabica Parchment and Robusta Cherry)
Source: Coffee Board of India (Database – July 2022)
*Average prices based on January-May 2022 data

Table 3. India: 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
1	Italy	78,216	79,173	72,246	58,406	62,263	56,436
2	Germany	38,973	32,750	34,977	33,510	33,344	27,262
3	Belgium	15,639	19,092	18,741	22,592	27,963	18,671
4	Russia	29,604	23,180	25,096	20,579	21,040	17,443
5	Jordan	8,633	10,756	8,984	8,415	10,755	14,119
6	Turkey	17,746	16,055	11,274	10,105	8,037	12,605
7	UAE	2,068	3,099	2,801	3,003	6,188	9,322
8	Tunisia	3,129	2,623	-	-	-	8,978
9	USA	8,280	12,668	7,692	6,729	9,200	8,765
10	Poland	13,857	14,492	14,090	13,544	12,610	8,642
11	Malaysia	6,275	9,910	6,947	8,917	7,884	6,019
12	Libya	9,634	6,412	9,441	8,011	10,885	5,516
13	Spain	10,009	8,924	7,081	5,951	5,188	4,990
14	Greece	5,300	6,924	6,218	5,403	6,692	4,913
15	Others	108,359	112,049	106,704	90,253	112,371	88,735
TOTAL		**368,681**	**372,874**	**348,630**	**311,376**	**348,741**	**292,416**

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

Figure 1. India: Coffee Exports Dominated by Robusta Green Beans



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

Attachments:

No Attachments