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India

Coffee Semi-annual

2016

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Report Highlights:
Post forecasts the Indian coffee crop for marketing year (MY) 2016/17 (Oct/Sep) at 5.1 million 60-kg bags. Higher global prices for both Arabica and Robusta varieties, coupled with a smaller Indian crop, are pushing domestic Indian prices to their highest levels this year. Although Post expects this will increase opportunities for Indian coffee bean exporters, it will decrease domestic demand from last year. Carryover stocks are expected to be at similar levels as last year keeping the prices in check.

Commodities:

Coffee, Green

Production, Supply and Demand Data Statistics:

Coffee, Green	**2014/2015**		**2015/2016**		**2016/2017**	
Market Begin Year	**Oct 2014**		**Oct 2015**		**Oct 2016**	
India	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	412	423	410	434	0	415
Area Harvested	372	386	370	397	0	370
Bearing Trees	553	556	541	541	0	532
Non-Bearing Trees	79	82	91	91	0	100
Total Tree Population	632	638	632	632	0	632
Beginning Stocks	2026	2026	2501	2586	2289	2631
Arabica Production	1630	1633	1490	1725	1420	1420
Robusta Production	3810	3817	3810	4075	3750	3750
Other Production	0	0	0	0	0	0
Total Production	5440	5450	5300	5800	5170	5170
Bean Imports	1157	1157	1100	1002	1000	1000
Roast & Ground Imports	3	2	3	1	3	1
Soluble Imports	42	45	40	77	40	69
Total Imports	1202	1204	1143	1080	1043	1070
Total Supply	8668	8680	8944	9466	8502	8871
Bean Exports	3390	3358	3800	3910	3600	4000
Rst-Grnd Exp.	11	11	5	5	5	7
Soluble Exports	1496	1525	1500	1670	1500	1583
Total Exports	4897	4894	5305	5585	5105	5590
Rst,Ground Dom. Consum	840	770	750	650	775	540
Soluble Dom. Cons.	430	430	600	600	625	620
Domestic Consumption	1270	1200	1350	1250	1400	1160
Ending Stocks	2501	2586	2289	2631	1997	2121
Total Distribution	8668	8680	8944	9466	8502	8871
(1000 HA), (MILLION TREES), (1000 60 KG BAGS)						

Author Defined:

Lower Production Due to Long Dry Spell

Post forecasts Indian coffee production for MY 2016/17 at 5.1 million 60-kg bags, with Arabica production estimated at 1.4 million 60-kg bags, and Robusta production estimated at 3.7 million 60-kg bags. MY 2016/17 production levels are expected to be lower from the previous year's estimate. While Karnataka's coffee production areas experienced normal levels of rainfall during early 2016, this region also experienced an extended period of hot and dry weather prior to and during the southwest monsoon season (Jun-Sep), resulting in lower yields. Although many Robusta growers were able to irrigate their bushes on a one-time basis, they were generally unable to consistently irrigate due to limited water availability. To date, this dry spell has continued during the northeast monsoon (Oct-Dec) in the three major coffee growing states of Karnataka, Tamil Nadu, and Kerala, and is expected to negatively affect yields.

The Indian Ministry of Commerce estimates an 8-percent coffee production decline in 2016/17 from the previous MY due to poor precipitation and high temperatures during flowering. Trade sources report that India's overall crop will be reduced by 10-15 percent. For MY 2016/17, the Coffee Board of India estimates production at 5.3 million 60-kg bags (320,000 MT) in its post-blossom (pre-monsoon) forecast. Arabica production is estimated downward by 3 percent (100,000 MT), while Robusta is also estimated lower by 10 percent (220,000 MT) from the previous year and will principally affect Karnataka-based producers. For MY 2015/16 crop, the Board revised its final estimate (Mar-Apr) to 5.8 million 60 kg bags (348,000 Mt comprising 103,500 Mt of Arabica and 244,500 MT of Robusta). Post revised the MY 2015/16 production estimate to reflect the Board's final estimate.

Lower demand reduces domestic consumption forecast

FAS forecast MY 2016/17 Indian coffee consumption at 1.1 million 60 kg bags (68,000 MT), a reduction of 100,000 60 kg bags from last year. Trade sources indicate lower demand for both instant/soluble, and roast and ground coffee segments. Trade sources cite that instant/soluble manufactures are altering the percentage of coffee in blends to match consumer tastes and preferences, and maintain economic viability. A large percentage of the crop continues to be exported with limited availability for consumption. Trade sources further indicate that while the ratio of roast and ground coffee consumption has traditionally been higher, the share of instant/soluble coffee has increased in recent years, especially in northern India, and will continue to increase in MY 2016/17.

Exports continue to remain strong due to steady demand

Indian coffee continues to remain competitive in global markets and demand remains strong in the traditional markets of Italy, Germany, and Belgium. Provisional export data by the Coffee Board of India indicate that exports of Robusta cherry and re-exports of instant/soluble coffee in 2016 are higher over last year. Farm-gate prices in Karnataka for Arabica have risen by 18 percent, while Robusta prices have risen by 31 percent since January 2016. Indian prices have tracked with global prices for both varietals, which have also surged since January with reports of expected lower production in other major coffee producing countries.

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

	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*	271	137	338	186	359	188

1\ Exchange Rate equals Rs. 66.6 per dollar as of November 3, 2016
*Average of data through Feb 2016
(Rs/kg of clean coffee beans of Arabic Plantation A & Robusta Cherry AB)
Source: Coffee Board of India

Table 2. India: Uncured Coffee Bean Farm Gate Prices in Major Producing Centers, Rs. per 50kg 1

	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*	7,954	2,709	8,071	2,743	8,112	2,833

1\ Exchange Rate equals Rs. 66.6 per dollar as of November 3, 2016
*Average of data through Jun 2016
(Rs/kg of clean coffee beans of Arabic Parchment & Robusta Cherry)
Source: Coffee Board of India