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Report Highlights:

FAS Mumbai revises its coffee production forecast slightly down to 5.16 million 60-kilogram (kg) bags for marketing year 2018/19 (October–September). The excessive rains during the southwest monsoon followed by additional rains during the northeast monsoon have led to low yield expectations for the Arabica crop. Post's export forecast is revised down by 2 percent to 5.71 million 60 kg bags as Indian bean prices are significantly higher than other competitors on the world market.

Production, Supply and Demand Data Statistics:

Coffee, Green	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (a)	440	454	450	459	-	460
Area Harvested (a)	400	413	422	417	-	424
Bearing Trees (b)	540	540	542	542	-	545
Non-Bearing Trees (b)	98	98	97	97	-	98
Total Tree Population (b)	638	638	639	639	-	643
Beginning Stocks	1,873	1,873	1,077	1,248	-	969
Arabica Production	1,583	1,583	1,500	1,470	-	1,250
Robusta Production	3,683	3,683	3,700	3,700	-	3,910
Other Production	-	-	-	-	-	-
Total Production	5,266	5,266	5,200	5,170	-	5,160
Bean Imports	1,300	1,385	1,250	1,265	-	1,235
Roast & Ground Imports	2	2	2	1	-	2
Soluble Imports	75	80	75	75	-	70
Total Imports	1,377	1,467	1,327	1,341	-	1,307
Total Supply	8,516	8,611	7,604	7,759	-	7,756
Bean Exports	4,300	4,127	3,750	4,000	-	3,830
Rst-Grnd Exp.	4	4	5	4	-	5
Soluble Exports	1,920	2,017	1,670	1,836	-	1,870
Total Exports	6,224	6,148	5,425	5,840	-	5,705
Rst,Ground Dom. Consum	525	525	530	530	-	500
Soluble Dom. Cons.	690	690	720	720	-	680
Domestic Consumption	1,215	1,215	1,250	1,250	-	1,180
Ending Stocks	1,077	1,248	929	969	-	931
Total Distribution	8,516	8,611	7,604	7,759	-	7,756
Figures in Thousand 60-kilogram bags, Except Where Indicated: (a) Thousand hectares, (b) million trees						

Area

FAS Mumbai revises marketing year (MY) 2019/20 planted area slightly up to 460,000 hectares with the bearing area to increase to around 424,000 hectares. The Coffee Board of India (The Board) published the planted area for MY 2018/19 at 459,895 hectares, and the bearing area was 416,741 hectares. The area harvested and plant inventory estimates are higher compared to last year as older trees were replaced with newer trees that have since started bearing fruit. With coffee estates in close proximity to protected forest reserves, there is limited opportunity for further area expansion. Growers are gradually shifting towards replanting to replace their aging plantations at an annual rate of 1-2 percent per year, which leaves a difference of approximately 40,000 ha between harvested and planted area. Generally, the first fruit is expected after the third year. According to coffee board data, the increase in coffee area is primarily occurring in the non-traditional areas of Andhra Pradesh and Northeastern Region (refer Table 2).

Production

FAS Mumbai revises MY 2019/20 coffee crop (Oct/Sep) slightly down to 5.16 million 60- kilogram bags (309,600 metric tons or MT). Post estimates Arabica production at 1.25 million 60- kilogram bags (75,000 MT) and Robusta production at 3.91 million 60- kilogram bags (234,600 MT). According to the Indian Meteorological Department (IMD), the coffee growing regions in south interior Karnataka and Kerala received excessive rains during southwest monsoon, followed by heavy rains in October during the northeast monsoon. There are reports that excessive moisture has led to the emergence of rot disease in addition to berry droppings which will likely lead to yield losses, especially for the Arabica crop. Trade sources indicate rains in October caused significant damage to the coffee crop which could reduce production between 20-30 percent. In addition, other crops such as black pepper, which have become a major source of income for farmers (which helps support coffee production) are also facing record low prices, adding to the financial struggles of producers and limiting any additional investments in maintaining estates.

Inputs

Recent increases in farm input costs, along with the elimination of fertilizer and diesel subsidies have increased production costs for growers. The coffee sector provides direct employment to 664,505 workers via 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 shortages of skilled labor. 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 to Rs. 314 (US$ 4.44), per day. As per the Plantations Labour Act (PLA), 1951, estate owners are required to provide housing, medical facilities, insurance, and other benefits to the permanent and resident labor working at the plantations.

Policy

The coffee sector has been reliant on the Merchandise Export Incentive Scheme (MEIS) Scheme since 2015. Exporters in India avail between two percent and seven percent of the free-on-board (FOB) value of covered exports in the form of MEIS duty credit scrip. The scrip was transferred or used for payment of a number of duties/taxes including the customs / excise duty / service tax. The existing scheme will continue till December 31, 2019 and will subsequently be replaced by a Scheme for Remission of Duties or Taxes on Export Product (RoDTEP) from January 1, 2020 onwards which is expected to offer better rewards than the existing MEIS scheme.

Consumption

The MY 2019/20 consumption forecast is 1.18 million 60-kg bags. Industry estimates coffee consumption somewhere between 1.16 million 60-kg bags and 1.25 million 60-kg bags (70,000–75,000 MT). Post's estimate of consumption is nearly 6 percent lower than last year. This is largely driven by the slowdown in sales experienced by the largest café chain retailer in India. This chain is under heavy financial debt and its assets will likely be sold off. Higher Robusta farm gate prices coupled with the low capacity utilization by roasters has led to limited buying in the market. Larger players are holding higher than normal stocks due to the slowdown in the market. The Board has not published any consumption data since 2011. FAS Mumbai consumption estimates are based on industry analysis and discussions with industry stakeholders.

Stocks

There are no government-held stocks. Stocks are privately held by either producers or traders. According to the coffee board data, the domestic coffee bean farm gate prices have remained much higher than last year (refer table 2). While farmers hold stocks in anticipation of expected higher prices, there is limited incentive to carry over higher stocks as production in other major coffee producing regions will likely drive international prices downwards which will directly impact the domestic prices which are aligned with international prices.

Trade

FAS Mumbai revises down MY 2019/20 exports by 2 percent to 5.71 million 60-kilogram bags. Overall, bean exports are forecast to be lower by four percent than last year, partially offset by a two percent increase in exports of soluble coffee. Indian bean prices are currently trading at a high differential as compared to other origins. Trade sources indicate that Vietnam and Uganda are two major competitors that are attractive substitutes for international buyers.

As coffee is an export-oriented commodity, domestic coffee prices are dependent and aligned to international prices. Approximately 75 percent of Indian coffee production is exported. While Italy, Germany, Russia and Belgium remain the traditional export markets, exporters are increasingly exploring new markets for their shipments. Mangalore port remains the biggest port for coffee shipments by volume, followed by Cochin and Chennai.

FAS Mumbai estimates MY 2019/20 imports at 1.3 million 60-kilogram bags. Most of the imported coffee is destined for processing and re-export due to duty exemptions and lower overall prices. In MY 2018/19, imports of green coffee to India were dominated by Vietnam, Uganda, and Kenya.

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)	
Karnataka						
Chikmagalur	2,082	1,591	31%	413	170	143%
Kodagu	2,643	2,257	17%	330	232	42%
Hassan	832	674	24%	263	172	53%
State Total	**1,032**	**841**	**23%**	**281**	**143**	**96%**
Kerala						
Wayanad	2,378	2,526	-6%	376	243	55%
Travancore	2,328	2,615	-11%	407	417	-2%
Nelliampathies	2,126	1,532	39%	411	297	38%
State Total	**2,310**	**2,049**	**13%**	**517**	**353**	**46%**

*Rainfall data up to November 6, 2019

Source: Indian Meteorological Department, Government of India

Table 2. India: Coffee Planted Area in Major States (in hectares)

State	**2016/17**			**2017/18***			**2018/19***		
	Arabica	Robusta	**Total**	Arabica	Robusta	**Total**	Arabica	Robusta	**Total**
Karnataka	108,845	135,940	**244,785**	108,795	135,990	**244,785**	108,816	136,482	**245,298**
Kerala	4,228	81,642	**85,870**	4,231	81,649	**85,880**	4,231	81,649	**85,880**
Tamil Nadu	29,513	6,094	**35,607**	29,513	6,094	**35,607**	29,324	6,268	**35,592**
Andhra Pradesh	71,088	267	71,355	75,892	264	**76,156**	79,892	264	**80,156**
Odisha	4,239	-	4,239	4,282	-	**4,282**	4,282	-	**4,282**
North Eastern Region	5,903	1,598	**7,501**	6,198	1,815	**8,013**	6,536	2,161	**8,697**
Total	223,816	225,541	**449,357**	228,911	225,812	**454,723**	233,081	226,824	**459,905**

Non-Traditional Area (NTA)

*Provisional

Source: Ministry of Commerce and Industry, July 2019

Table 4. India: Coffee Bean Retail Prices in Major Consuming Centers, Rupees 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	259	151	298	172	336	182
Average 2017	246	162	283	180	300	179
Average 2018	216	155	255	176	277	179
Average 2019*	218	177	222	179	226	-

1\ Exchange Rate equals Rupees 70.70 per dollar as of November 08, 2019
*Average of data through July 2019
(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

	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*	7,100	3,187	7,119	3,232	7,041	3,125

1\ Exchange Rate equals Rupees 70.70 per dollar as of November 08, 2019
*Average of data through July 2019
(Rupees/kg of clean coffee beans of Arabica Parchment and Robusta Cherry)
Source: Coffee Board of India

Table 6. India: Coffee Exports

(Oct/Sep Marketing Year, includes Re-Exports)

S No.	Destination	MY 2013/14	MY 2014/15	MY 2015/16	MY 2016/17	MY 2017/18	MY 2018/19
		Quantity (MT)	Quantity (MT)	Quantity (MT)	Quantity (MT)	Quantity (MT)	Quantity (MT)
1	Italy	71,045	69,120	86,417	70,863	79,173	65,027
2	Germany	29,259	25,297	30,500	34,112	32,750	30,472
3	Russia	18,967	21,538	26,077	27,340	23,180	20,445
4	Belgium	13,641	15,101	19,836	15,639	19,092	16,037
5	Poland	3,397	5,753	7,927	11,036	14,492	11,242
6	Turkey	14,111	15,330	14,706	16,596	16,055	9,902
7	Libya	5,835	6,717	5,947	8,237	6,412	9,211
8	Jordan	7,741	6,810	7,994	8,171	10,756	8,467
9	USA	5,995	5,250	5,919	7,625	12,668	7,081
10	Malaysia	5,964	5,973	5,935	5,325	9,910	6,238
11	Spain	5,060	5,844	7,997	9,341	8,924	5,851
12	Ukraine	5,759	5,361	3,374	4,962	7,307	5,709
13	Australia	5,114	6,362	5,402	6,486	6,952	5,582
14	Greece	5,171	6,412	7,831	5,300	6,924	5,329
15	Others	92,968	89,976	98,915	101,247	118,279	166,908
	TOTAL	**290,027**	**290,844**	**334,777**	**332,280**	**372,874**	**373,501**

Source: Coffee Board of India (Database - July 2019)

Attachments:

No Attachments