

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## India

### Coffee Semi-annual

**2011**

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**Report Highlights:**

India's 2010/11 coffee exports are estimated at a record 5.5 million 60 kg bags as strong international prices led to increased demand for Indian coffee. The 2011/12 crop is expected to reach a record 5.2 million 60 kg bags as good weather and higher prices encouraged farmers to improve their crop husbandry practices. 2011/12 exports are forecast at 4.2 million bags.

**Commodities:**

Coffee, Green

**Author Defined:****2010/11 Exports Soar**

Initial export data from the Indian Coffee Board suggest that India's 2010/11 (October/September) coffee exports reached a record 5.5 million 60 kg bags. The Coffee Board is generally considered the most reliable and timely source for export data because exporters are required to register and report their activities with the Board. High international prices resulted in strong demand for Indian beans and soluble coffee exports. Export figures include re-exports of soluble coffee made from imported beans under duty-drawback programs. 2011/12 (October/September) exports are forecast lower, but are expected to exceed the previous forecast if international coffee prices are favorable during the marketing year. In addition, the rupee has weakened by nearly 10 percent against the dollar over the past month and could support larger exports if the exchange rate holds for a significant period of time. 2009/10 exports have been adjusted to reflect final Coffee Board data.

**Record 2011/12 Production Expected**

India's 2011 crop has benefited from well-distributed rains during much of the growing season in addition to pre-season rains that helped establish early growth and support soil moisture levels. In the main producing state of Karnataka, good weather and high prices encouraged producers to improve their plant husbandry practices. Weather conditions in the states of Kerala and Tamil Nadu were similarly favorable and Tamil Nadu benefited from an "up" year in the alternate bearing pattern cycle. Reports of disease or infestation by the white stem borer are minimal, but the extent of any damage will become clearer as harvest progresses. 2011 production is now expected to reach a record 5.2 million 60 kg bags, up 400,000 bags from the previous USDA forecast. For 2009/10 and 2010/11, production has been adjusted to reflect the latest estimates from the Coffee Board.

**Consumption Lower**

There is considerable debate about the level of coffee consumption in India. Coffee Board estimates suggest that coffee consumption is growing steadily and is currently around 1.7 million 60 kg bags. However, industry sources suggest that consumption is likely lower and estimates are clouded by the widespread use of chicory (as much as 400,000 bags) in the production of domestic coffee. While the popularity of coffee appears to be on the rise in India, home consumption, the main driver of demand, continues to be relatively limited outside of southern India where coffee has traditionally been more widely consumed. Coffee shops and cafes are spreading rapidly across India, but industry sources suggest that a few thousand coffee shops do not consume enough coffee to drive significant increases in

consumption. Over the longer term, cafes will likely play a significant role in changing consumption patterns and consumer attitudes towards coffee, but the immediate effect on consumption is thought to be limited.

Until stronger domestic demand develops, India's coffee industry continues to be focused on exports and the preliminary data indicate that 2009/10 and 2010/11 were banner years for exporters, which suggests that the availability of coffee for domestic consumption was quite limited. In addition, higher coffee prices likely encouraged consumers to substitute away from coffee. Consumption levels have been reduced significantly in response to larger exports and higher prices. In addition, FAS Mumbai believes that coffee consumption levels reflected in USDA Washington estimates in recent years were likely overstated, which led to a significant reduction in stock level estimates. While there are no reliable data on coffee stock levels, the volume of exports during 2010/2011 suggests that stocks were likely higher than previously estimated.

**Table 1: Commodity, Coffee, Green, PSD**

Coffee, Green India	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	395	400	0	400	0	400	(1000 HA)
Area Harvested	350	355	0	355	0	355	(1000 HA)
Bearing Trees	557	564	0	565	0	566	(MILLION TREES)
Non-Bearing Trees	70	64	0	64	0	65	(MILLION TREES)
Total Tree Population	627	628	0	629	0	631	(MILLION TREES)
Beginning Stocks	250	250	140	597	40	91	(1000 60 KG BAGS)
Arabica Production	1,600	1,577	1,500	1,569	1,475	1,650	(1000 60 KG BAGS)
Robusta Production	3,250	3,250	3,600	3,465	3,325	3,550	(1000 60 KG BAGS)
Other Production	0	0	0	0	0	0	(1000 60 KG BAGS)
Total Production	4,850	4,827	5,100	5,034	4,800	5,200	(1000 60 KG BAGS)
Bean Imports	725	725	550	750	500	600	(1000 60 KG BAGS)
Roast & Ground Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Soluble Imports	0	4	0	5	0	5	(1000 60 KG BAGS)
Total Imports	725	729	550	755	500	605	(1000 60 KG BAGS)
Total Supply	5,825	5,806	5,790	6,386	5,340	5,896	(1000 60 KG BAGS)
Bean Exports	2,760	3,010	2,775	4,000	2,500	2,900	(1000 60 KG BAGS)
Rst-Grnd Exp.	0	5	0	5	0	5	(1000 60 KG BAGS)
Soluble Exports	1,350	1,214	1,325	1,450	1,250	1,300	(1000 60 KG BAGS)

Total Exports	4,110	4,229	4,100	5,455	3,750	4,205	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	1,325	800	1,400	650	1,250	1,100	(1000 60 KG BAGS)
Soluble Dom. Cons.	250	180	250	190	250	250	(1000 60 KG BAGS)
Domestic Use	1,575	980	1,650	840	1,500	1,350	(1000 60 KG BAGS)
Ending Stocks	140	597	40	91	90	341	(1000 60 KG BAGS)
Total Distribution	5,825	5,806	5,790	6,386	5,340	5,896	(1000 60 KG BAGS)
Exportable Production	3,275	3,847	3,450	4,194	3,300	3,850	(1000 60 KG BAGS)
TS=TD		0		0		0	