



# Coffee export from India

## **Table of Contents**

- 1) Executive Summary
- 2) Introduction about Coffee Sector in India
  - i) Domestic Consumption
  - ii) Export scenario
  - iii) Export & Import in all form of Coffee
  - iv) Top ten exporter in the world
  - v) Top ten importer of Indian Coffee
- 3) Objective of the study
- 4) Prospects of Market diversification for coffee in India
- 5) Relative Comparative Advantages analysis
- 6) Market Access
- 7) The path ahead for coffee sector in India
- 8) Government of India's promotion in coffee sector
- 9) Conclusion
- 10) References

## 1. EXECUTIVE SUMMARY

Coffee is one of the most widely traded agricultural commodities in the world. It is farmed in 80 countries and exported by over 50 in Central and South America, Africa and Asia. The 25 million coffee farmers in the developing countries are mostly small-scale producers. More than a 100 million people are engaged in producing and processing coffee. Clearly, the production of coffee has a significant impact on the economic development of the producing areas and their environment.

Coffee bean prices often below low cost of production unleaded a series of adverse consequences among rural workers and small scale farmers. As handful of transnational corporations control the market.

This project is about the Indian exports of coffee in the world as India accounts for about 4.5 percent of world coffee production and the industry provides employment to 6 lakh workforce. It was seen from the exports figures that India exports major portion of green coffee instead of processed coffee. Due to that the growers of India as well as exports are not getting the maximum profit being one of the largest producers of coffee beans.

Total Production of the exporting members:  
(thousands ton)

Country	2005-06	2006-07	2007-08	2008-09	2009-10
Brazil	32,944	42,512	36,070	45,992	39,470
Vietnam	13,842	19,340	16,457	18,500	18,000
Columbia	12,564	12,541	12,504	8,664	9,500
Indonesia	9,159	7,483	7,777	9,350	11,500
Ethiopia	4,003	4,636	4,906	4,350	4,850
India	4,396	5,159	4,460	4,372	4,827

(Source: ICO Coffee Statistics)

Being an important export commodity, coffee was the top agricultural export for twelve countries in 2004, and it was the world's seventh-largest legal agricultural export by value in 2005. Coffee ranks second only to petroleum in terms of legally-traded products worldwide. As most of the coffee producing and exporting nations are poorer countries, and coffee importing nations are the wealthier countries, coffee represents a product with the potential to alleviate the income disparity between these nations.

## 2. INTRODUCTION ABOUT COFFEE SECTOR IN INDIA

Indian Coffee has created a niche for itself in the international market, particularly Indian Robusta which is highly preferred for its good blending quality. Arabica coffee from India is also well received in the international market. India is perhaps the only coffee producing origin whose coffees are fully shade grown, entirely hand picked and completely sun dried.

In India, coffee plantation occupies an area of around 3.81 lakh hectares providing rural employment pre-dominantly in Karnataka, Kerala and Tamil Nadu, which contribute about 99 per cent of the total Coffee production. There are 2,21,200 coffee holdings, out of which 2,18,450 fall within the small growers' category (upto 10 hectares) and balance 2,750 holdings fall under medium and large holdings (above 10 hectares category).

Although coffee is considered as an export-market crop, its performance has not been encouraging in the post 1991 economic liberalization period. Coffee, although an important commodity in India's agricultural exports have faced fluctuating international prices and decreasing unit value realization, especially in the post-reform period. As we know that the Coffee Industry of India is the 6<sup>th</sup> largest producer of the coffee in the world. It produces both variety of coffee i.e. Arabica & Robusta. The bulk production taking place in the southern states and most noted is its Monsooned Malabar variety. And it is believed that coffee variety has been cultivated in India longer than anywhere outside of the Arabian peninsula.

The Coffee Board is a statutory organization constituted under the Coffee Act, 1942 and functions under the administrative control of the Ministry of Commerce and Industry, Government of India. The Board comprises of 33 members including the Chairman, who is the Chief Executive. The remaining 32 Members representing the various interests are appointed as per provisions under Section 4(2) of the Coffee Act read with Rule 3 of the Coffee Rules, 1955.

The Coffee Production states are as under and their production for the year

2009-10

Sl. No	State	Arabica (MT)	%	Robusta (MT)	%	Total (MT)	% to India
I.	Karnataka	73400	25.3	132300	45.7	205700	71.0
II.	Kerala	1375	0.5	57875	20.0	59250	20.5
III.	Tamilnadu	14650	5.1	4700	1.6	19350	6.7
IV.	Non Traditional Areas	5100	1.8	85	0.0	5185	1.8
V.	North Eastern Region	75	0.0	40	0.0	115	0.0
	<b>Total (India)</b>	<b>94600</b>	<b>32.7</b>	<b>195000</b>	<b>67.3</b>	<b>289600</b>	<b>100.0</b>

(Source: Coffee Board of India)

## 2.I- DOMESTIC CONSUMPTION

The domestic consumption of coffee has been increased to around 80,000 tonnes as per the coffee consumption survey conducted during 2005. The Board has initiated several steps/programmes for increasing the domestic consumption of coffee which includes organising coffee festivals/exhibitions, imparting training for coffee brewing to the hotel sector, publicity through material and public relation campaigns, conducting market survey in urban areas, participation in all major internal trade fairs and strengthening the performance of coffee houses operated by the Board. The targeted domestic coffee consumption for 2007-08 is 85,000 tonnes.

## 2.II-EXPORT OF COFFEE

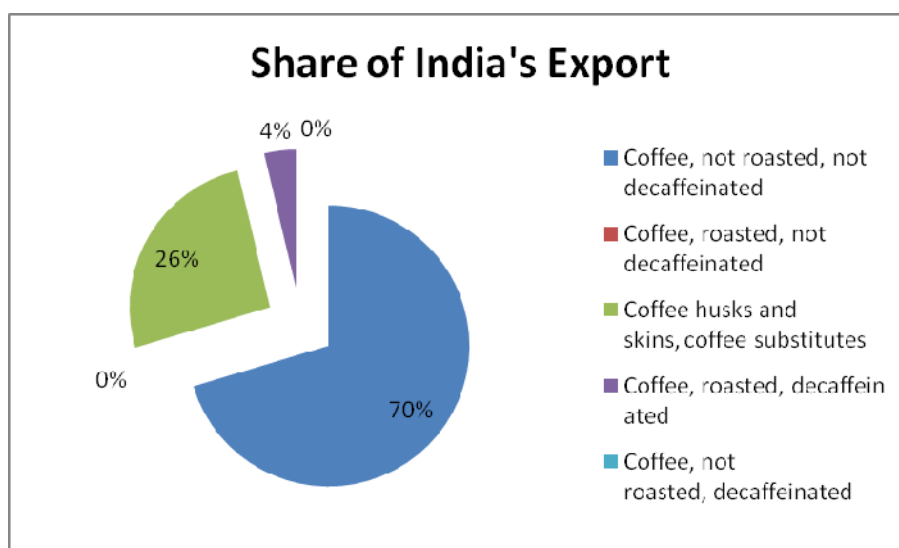
About 75 per cent of the total coffee produced in the country is exported to over 88 countries of the world. As such, the import of coffee has been insignificant. In order to discourage import of coffee of other origin, the import duty @100 per cent is payable. The top five export markets for Indian Coffee are the Russian Federation, Italy, Germany, Belgium, and Spain. The Coffee Board has stepped up its efforts to keep the Indian brand afloat by holding "Fine Cup Awards Flavour of India" in different global coffee markets commencing 2003 as an annual event.

During 2007-08, a total quantity of 2,49,030 tonnes of coffee (including re-exports) was exported from India valued at Rs.2007.90 crore. During the year 2008-09, a total

quantity of 1,24,534 tonnes (including re-exports) has been exported as on 30.11.2007 earning a foreign exchange of Rs. 1097.47 crore

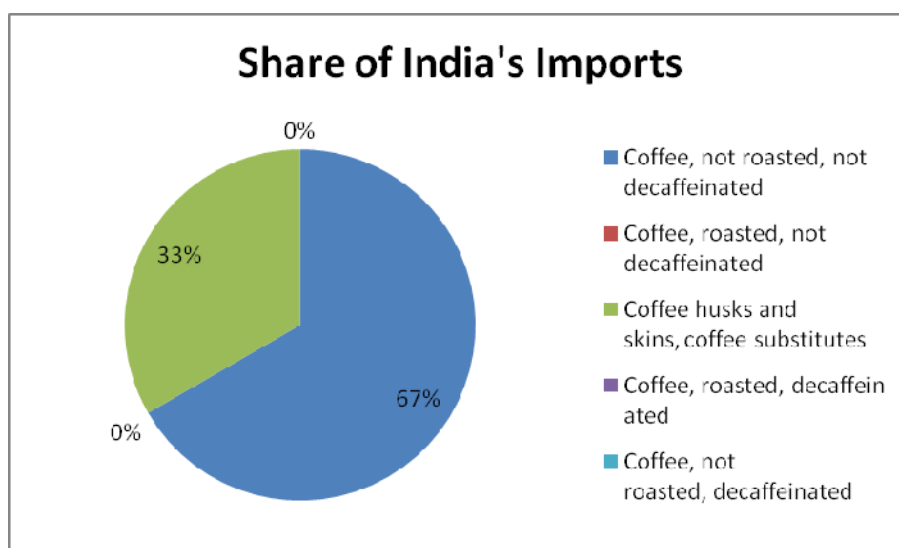
### 2.III-TOTAL EXPORTS OF INDIA IN ALL FORMS COFFEE AS UNDER:

Code	Product label	Trade Indicators					
		Exported value 2009, USD thousand	Trade balance 2009 in USD thousand	Annual growth in value between 2005-2009, %, p.a.	Annual growth in quantity between 2005-2009, %, p.a.	Share in world exports, %	Ranking in world exports
'090111	Coffee, not roasted, not decaffeinated	258,047	204,584	4	-6	1.9	13
'090121	Coffee, roasted, not decaffeinated	1,316	945	55	53	0	56
'090190	Coffee husks and skins, coffee substitutes	703	586	16	21	0.7	23
'090122	Coffee, roasted, decaffeinated	187	185	201	138	0.1	36
'090112	Coffee, not roasted, decaffeinated	20	20	116		0	42



## 2.III-IMPORT OF INDIA IN ALL FORM OF COFFEE

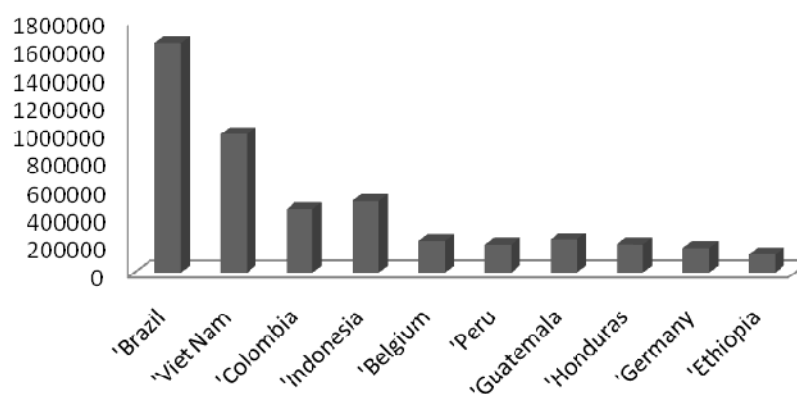
Code	Product label	Trade Indicators					
		Imported value 2009, USD thousand	Trade balance 2009 in USD thousand	Annual growth in value between 2005-2009, %, p.a.	Annual growth in quantity between 2005-2009, %, p.a.	Share in world imports, %	Ranking in world imports
'090111	Coffee, not roasted, not decaffeinated	53,463	2,04,584	17	1	0.4	32
'090121	Coffee, roasted, not decaffeinated	371	945	82	55	0	106
'090190	Coffee husks and skins, coffee substitutes	117	586	68	21	0.2	58
'090122	Coffee, roasted, decaffeinated	2	185	-48		0	169
'090112	Coffee, not roasted, decaffeinated		20				



## 2.IV-MAJOR TOP 10 EXPORT OF COFFEE IN THE WORLD IN HS-090111

Exporters	Trade Indicators			
	Value exported in 2009, in USD thousand	Quantity exported in 2009	Annual growth in value between 2008-2009, %	Share in world exports, %
'Brazil	3761283	1639274	-9	27.2
'Viet Nam	1689559	988694	-25	12.2
'Colombia	1542697	454755	-18	11.2
'Indonesia	821957	510030	-17	5.9
'Belgium	586268	222358	-25	4.2
'Peru	583784	197470	-9	4.2
'Guatemala	582281	234017	-10	4.2
'Honduras	515313	198513	-10	3.7
'Germany	443071	174023	7	3.2
'Ethiopia	369288	129749	-34	2.7

**Exported Quantity**





## 2.V-TOP TEN IMPORTERS OF INDIAN COFFEE

	Importers	Trade Indicators				
		Exported value 2009, USD thousand	Share in India's exports, %	Exported quantity 2009	Unit value, (USD/unit)	Ranking of partner countries in world imports
1	'Italy	87677	34	43892	1998	3
2	'Germany	21446	8.3	9635	2226	2
3	'Belgium	17636	6.8	7941	2221	5
4	'Spain	11996	4.6	6873	1745	7
5	'Jordan	11213	4.3	4394	2552	38
6	'Kuwait	8517	3.3	3152	2702	65
7	'Greece	8116	3.1	4707	1724	26
8	'Switzerland	7331	2.8	3275	2238	10
9	'Croatia	6473	2.5	3831	1690	36
10	'Slovenia	6340	2.5	3851	1646	55

### India's top five importers trade analysis

- 1) Italy:- In 2009 it has imported USD 87,677 thousands value of Coffee (43,892 ton at unit price of 1998 UDS), which has a 34 % share in India's exports.
- 2) Germany:- it has imported USD 21,446 thousands value of coffee (9635 ton at unit price of 2226 USD), which has a 8.3% share in India's exports.
- 3) Belgium:- it has imported USD 17,636 thousands value of coffee (7941 ton at unit price of 2221 USD), which has 6.8 % share in India's exports.
- 4) Spain:- it has imported USD 11,996 thousands value of coffee, (6873 ton at a unit price of 1745 USD), which has a 4.6 % of share in India's exports.
- 5) Jordan:- it has imported USD 11,213 thousands value of coffee (4394 ton at unit price of 2552 USD) from India, which has a 4.3 % share in India's exports.

### Main supplier to India under HS code 090111

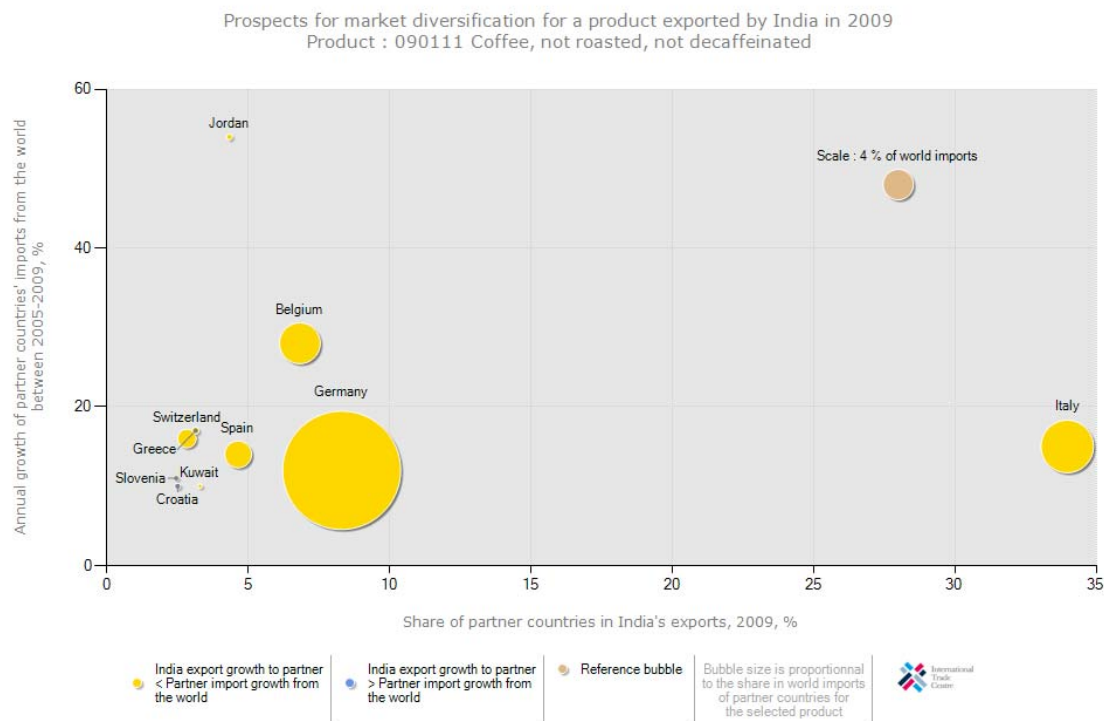
So far import of India under the above HS code is concerned, the main supplier are Vietnam for USD 33205 thousands (19983 ton at unit price of 1662 USD, Indonesia for USD 13340 thousands (9322 ton at unit price of 1431 USD, Uganda for USD 5963 thousands (4798 ton at a unit price of 1244 USD), Cote d' Ivoire for USD 484 thousands (255 ton at a unit price of 1898 USD), and Colombia for USD 255 thousands (82 tone at a unit price of 3110 USD).

In coffee exports, Indonesia, Thailand and Vietnam are the major competitor to India. In 2009 the total export of India is 126,671 ton under the 0901 HS code which represents 1.31% of world export of this category and its world exporting country ranking is 18.

### **3.-OBJECTIVE OF THE STUDY**

The objective of the study of this project is that because coffee being one of the most important commodities in terms of value traded globally, it plays a crucial role in the livelihoods of millions of rural household across the developing world. and the consumer are increasingly attentive to quality and origin, and show growing interest in the economic, social and environmental aspect of coffee production. The farmers who depend directly upon coffee as their primary source of income, it contributes significantly to foreign exchange earnings and play a leading role in determining opportunities for employment and infrastructure development in more than 50 developing countries including India. Thus to explore the potential new market and reinforce of existing imports markets of Indian coffee to enhance the primary source of income of Indian small farmers as well as earning of foreign exchange.

#### 4.-PROSPECT OF MARKET DIVERSIFICATION FOR COFFEE IN INDIA



#### Analysis

##### Italy

- Share of Italy in India's exports is 33.98 %
- Annual growth of Italy's imports is 15 %
- Share in world imports is 7.4 %
- Italy's import growth from the world is > India export growth to Italy

##### Germany

- Share of Germany's in India's exports is 8.31 %
- Annual growth of Germany's imports is 12 %
- Share in world imports is 17.6 %
- Germany's import growth from the world is > India export growth to Germany's

##### Belgium

- Share of Belgium's in India's exports is 6.83 %
- Annual growth of Belgium's imports is 28 %

- Share in world imports is 5.6 %
- Belgium's import growth from the world is > India export growth to Belgium's

#### Spain

- Share of Spains in India's exports is 4.65 %
- Annual growth of Spain's imports is 14 %
- Share in world imports is 3.6 %
- Spain's import growth from the world is > India export growth to Spain's

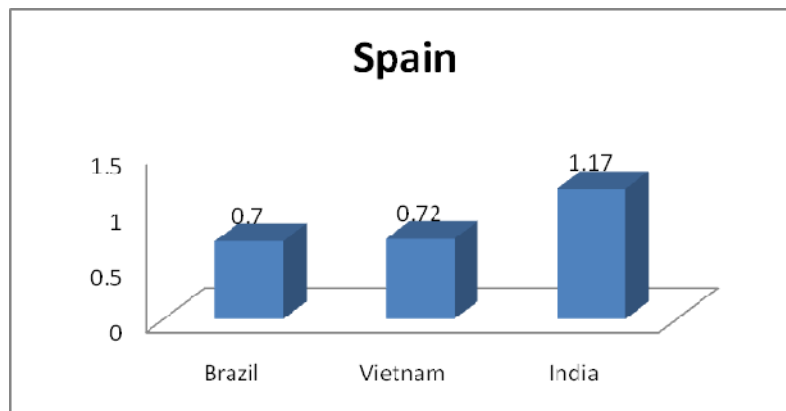
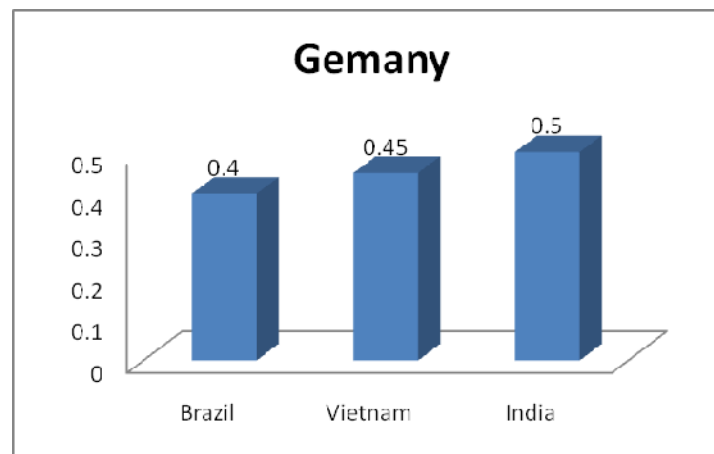
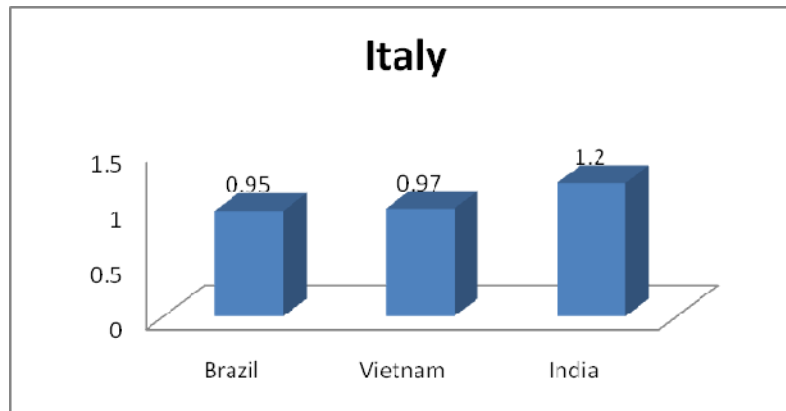
#### Jordan

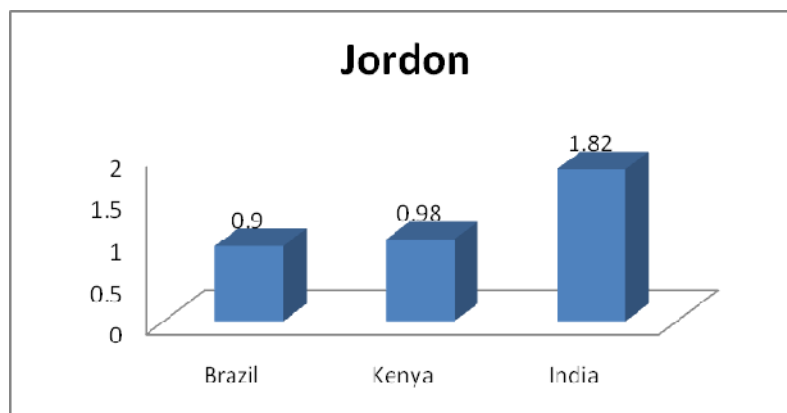
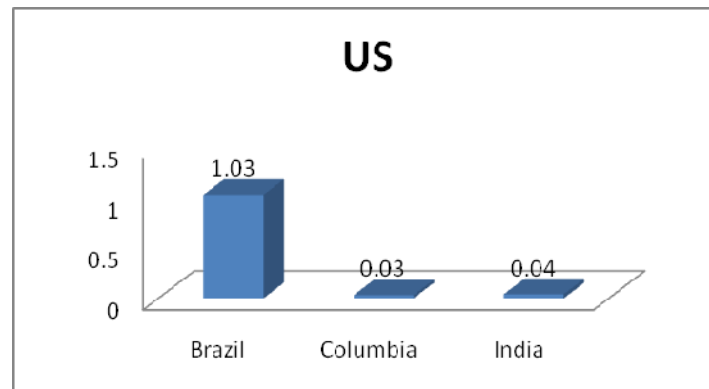
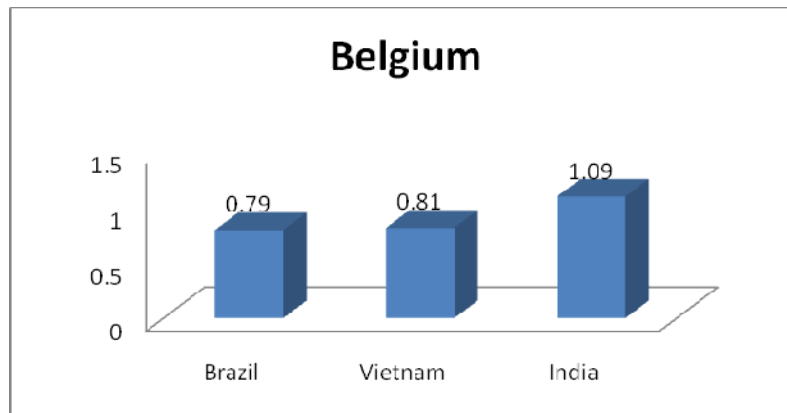
- Share of Jordan's in India's exports is 4.35 %
- Annual growth of Jordan's imports is 54 %
- Share in world imports is 0.3 %
- Jordan's import growth from the world is > India export growth to Jordan's

#### USA

- Share of USA's in India's exports is 1.42 %
- Annual growth of USA's imports is 10 %
- Share in world imports is 21.9 %
- USA's import growth from the world is > India export growth to USA's

## 5.-Relative Comparative Advantage analysis for Potential Markets





(Source of all graph is trade map)

## RELATIVE COMPETITIVE ADVANTAGE

The above graph tells us how much India has a competitive against the partner's countries major supplier like:

### Analysis of RCA graphs

#### Italy

Italy is buying 33.98% , India is having competition from Brazil and Vietnam even RCE Value is higher then both country .

#### Germany

India Export to germany is 8.31% and major competitor is Vietnam how ever it's a growing market and Germany carry 17.6%. India is having competitive advantage over brazil Vietnam. India should more focus on this country.

#### Spain

India export to Spain is 4.65%. major competitor are brazil and Vietnam. India is having better Relative competitave advantage over both countries.

#### Belgium

India Export to Belgium 6.83% , difference is very less. How ever india is in better position then both countries.

#### USA

India Export US is 1.42 % , how ever Brazil is having better position due to NAFTA agreement, India is only supplying very less qty's to US . India need to more focus on this country since world share is 21.9%.

#### Jordan

India Export to Jordan is 4.35% however total world import is 0.3% but as it seen that being very growing market at a growth rate of 54% in past 5 year. India is having better RCE against Brazil and Kenya. And India can give more focus on this country to increase the share in this market.

## **6.-MARKET ACCESS (TARIFFS/NON TARIFF BARRIERS'S)**

The terms Market Access is refer to tariffs imposed by a country for export and import their products. They are of two type i.e tariffs barriers and Non tariffs barriers. The reasons for this that given tariffs (duties) are alone do not necessarily offer a complete picture of the situation facing exporter for exports. Among the major exports of India, the main sectors facing non-tariff barriers (NTBs), according to a preliminary report prepared by the Economic Division of the Ministry of Commerce, are the agricultural sector (including cereals, coffee, tea, spices, edible fruits and nuts), fish and related items, chemicals including pharmaceuticals, footwear and tanning & related items, certain engineering items like iron & steel, vehicles and residues and waste from food industry.

The NTBs applied by the US, the EU and Japan, India's main trading partners where US having a high MFN (Most Favoured Nation) and WTO-bound ad valorem duties. The US has only four Non Tariff Measures, namely, tariff quota, seasonal tariff low rates, seasonal tariff high rates and import monitoring.

Japan, has imposed NTBs on Indian products mainly by way of tariff quotas, Authorisation, quotas for sensitive products and product characteristics requirements to protect human health, labelling requirements for human health, global quota, State monopoly of imports, non-automatic licence (an OGL licence), seasonal tariff rates and state monopoly of imports.

The EU's listed NTBs are mainly non-automatic licences, tariff quota, quota related to environmental protection, seasonal tariff rates, monitoring import monopoly, variable charges and bilateral quota. In the case of coffee, the EU has fixed a new ochrotoxin limit of 5 ppb with a tolerance of 40 per cent for import of coffee. The coffee rejected in one EU country is taken at a discount into other countries, thus resulting in loss of foreign exchange. It is pointed out that in certain grades of coffee, the European trade uses this threat to drive down prices at origin.



Country	duty
'Italy	'0
'Germany	'0
'Belgium	'0
'Spain	'0
'Jordan	'20
'Kuwait	'0
'Greece	'0
'Switzerland	'0
'Croatia	'2
'Slovenia	'0

## 7.-THE PATH AHEAD FOR COFFEE SECTOR IN INDIA

Given the global and macro-economic nature of many of the challenges facing by the coffee sector, there is a particular need and opportunity for building stronger information exchange and cooperation at the global level.

As India produces some specialty types of coffee namely:

1. **Monsooned coffee** – This coffee is very much popular in the world. Earlier when there was less resource available for transportation, the coffee from India, in transit to Europe, faced humidity and that turned the color of the coffee to pale yellow and the taste also. This was the birth of a new variety i.e. the Monsooned coffee. Even today, through out the months of monsoon, the coffee is left in an open warehouse to make it 'monsooned'.
2. **Mysore nuggets extra bold** – This type of coffee have extra large beans, greenish in color and have quite strong fragrance. Unlike the other varieties produced in India, mysore nuggets has a good acid content.
3. **Robusta Kaapi Royale** - Robusta Kaapi Royale is a smooth, less acidic coffee made from Robusta Parchment AB class of coffee. The coffee beans are round in shape and grayish in color.

## New Markets

All coffee sustainability standards embody some combination of **environmental**, **economic** and **social goals**, and require suppliers to meet standards on food safety. Certified coffees are commonly defined as those that include the three pillars of sustainable development. The world market share of certified coffee has grown considerably in recent years; in 2002, it was just 1% of the total. In 2008, the market sales of coffees, making sustainability claims, were among 8 millions bags or 6% of the total world production. In addition to the strong growth of Fair Trade and Organic coffees, the three relatively new sustainability coffee standards – Utz Certified, Rainforest Alliance and Starbucks CAFÉ practices – also grew dramatically.

The coffee market is highly competitive. Hence, companies are looking out for ways to get ahead of the competition. The share of sustainable coffee is still relatively small in relation to the size and value of the world coffee market. But with sales growing at many times more than of conventional coffees, the adoption and marketing of certified coffee has attracted the attention of large roasters and retailers. In terms of concentration, the world coffee market is dominated by three very large transnationals, Nestlé, Kraft and Sara Lee and a few big coffee roasters like Starbucks, Tchibo and Lavazza. Nearly all of these large coffee companies are buying one or more kinds of certified coffee. In developed coffee markets such as Western Europe, North America and Japan, finer quality regular coffee is gradually gaining more popularity.

### Organic coffee (PPP initiative)

ITC has introduced community development initiatives in Orissa and also in Andhra Pradesh, a non-traditional coffee-growing state. Much of the coffee produced here is pesticide-free. ITC assists farmers to acquire organic certification. Best practices are taught under the guidance of the Coffee Board of India, with ITC bearing the certification costs. The problem with organic coffee in India is the lack of consistent supply despite the number of farmers, growers and exporters. ITC fills the gaps between the farmer, the grower and the exporter by helping to acquire certification and marketing the end product effectively." The organic coffee segment grows with information and awareness of its advantages" North Europe and the US are the primary markets. As Asian consumers become more affluent and educated, organic coffee can hope to see more

prospects in the region. This strategic partnership led to the installation of a state-of-the-art coffee processing facility by SLN specializing in instant coffee powder and agglomerated coffee for the domestic and export markets.

#### Specialty Coffee

Specialty coffees are high quality coffees that differ from normal coffee with relevance to visual quality or cup or both. Specialty Coffees are getting increasingly popular in the world coffee market.

Over the course of the past two decades the market for specialty coffees in the US, has grown at a pace of approximately 10% per annum giving rise to significant opportunities for producer diversification into value added markets based upon specific quality characteristics. Markets for certified “sustainable coffees” have grown at an even faster pace, with many sustainability labels displaying 20%+ growth per annum over the past several years.<sup>11</sup> In addition to the potential for higher and more stable prices, participation in intentionally managed supply chains<sup>12</sup> ultimately holds the promise of efficiency gains and market responsiveness—both core elements of building improved sustainability for the sector.

Specialty coffees are broadly classified into five categories based on their unique features:

- 1. Decaffeinated Coffee:** Coffees with caffeine removed artificially are known as decaffeinated coffees. There is a prominent segment of consumers preferring decaf coffees owing to health consciousness.
- 2. Organic Coffees:** The coffee grown without using chemicals and pesticides are in great demand in the developed countries because of increasing awareness on health of consumers and protection of environment.
- 3. High Grown Coffees** The coffees grown at higher elevations i.e. 4000 ft and above are known to possess a distinct flavour and acidity in cup due to slower development of beans. The coffees are of high quality with dense beans.
- 4. Estate Coffee (Single Origin Coffees):** Production of good quality coffee by highlighting the special features of the estate can be classified as estate branded coffees. This may be elevation, variety, cultural practices and special processing techniques. Estate coffees are those that originate on single form with common soils and with the distinct identity in terms of flavour and aroma characteristics. Estate coffees are generally more expensive and actually define the specialty coffee market.

**5. Variety Coffee:** Some of the varieties are known to possess good inherent quality due to the genetic make up of the plant. Fruits from such varieties can be harvested and processed separately to retain the unique quality. Some of the Indian selections like Kents, Agaro, Cioccie, CxR are unique in their cup quality. Separate processing of these varieties help in processing their intrinsic quality.

#### **Diversification of existing markets**

Germany is the main coffee market in Europe, followed by Italy, the second biggest consumer. The Netherlands has a high per capita coffee consumption level and its market is seen as a good testing ground for introducing sustainable coffee products. The coffee market is characterized by a fierce competition at the processors, wholesale trader and grocery level. It is dominated by a handful of companies, Kraft and Tchibo are the main players. Therefore we need to establish better supply chain with the main importer partner of the country to have better reach in the market.

### **8.-GOI'S PROMOTIONAL SCHEMES (COFFEE BOARD OF INDIA)**

#### **Export Promotion**

The Board had undertaken various export promotion activities to enhance the export of coffee. **These include (i) participation in selected international exhibitions and similar events in which the exportable grades of Indian coffee are displayed and promotional literature on Indian coffee is distributed, (ii) Buyer-Seller Meets, (iii) advertisements on the excellence and selectivity of Indian coffee in prominent overseas trade journals and magazines, and four films on the unique aspects of Indian coffee.** During the period i.e., from April to November 2009, the Board participated in the International Trade Fairs / Exhibitions held in the USA, Spain, Switzerland, Japan, Hong Kong, Dubai, Germany, Australia, Russia and Poland.

#### **Domestic Promotion**

Domestic promotion is aimed at increasing domestic consumption of coffee. The Coffee Board participated in important exhibitions held in Trivandrum, Hyderabad, Bhubaneswar, Chennai, New Delhi, Jaipur, Agartala, Kolkata, Coonoor, Coochbehar,

Chikmagalur, Shillong, Bangalore, Mumbai and Coimbatore. Special blends of pure coffee powder were sold to the public at reasonable and fixed prices. Besides,

## **9.-CONCLUSION**

Due to growing consumer recognition for differentiated coffees, has put the coffee sector at a crossroads. After analyzing the bubble graph data and relative comparative advantage data it was observed that as per their annual growth rate and their share in world imports these six countries namely Italy, Germany, Belgium, Spain, Jordan and USA has the potential markets for exports of Indian coffee through use of best practices followed in the global supply chain and put effective monitoring mechanism as this provides a critical tool towards efforts to cost-internalization.

Product diversification through value added products like specialty coffees, estate branded coffees (single origin coffees), High grown coffees, different certified coffees, instant/soluble coffees, R&G coffees, decaffeinated coffees etc.

Market diversification to capture the high value markets like Japan, USA, Canada, Australia, New Zealand.

**10.-BIOGRAPHY (WEB SITS OF USED FOR THE FOLLOWING ORGANISATIONS)**

Coffee Board of India

Department of Commerce

Trade map