CHAPTER VII

SUGGESTIONS AND CONCLUSION
Coffee production has been registering a continual growth in the Southern hemisphere, particularly Latin American Countries such as Brazil, Columbia etc. They are the major coffee producing countries whereas the countries in the Northern hemisphere particularly USA and north Europe, are major consumers.

India ranks low in terms of production and productivity. India’s share in global production is paltry 3 percent and export is mere 4 percent. The low productivity 850 Kg/ha is mainly attributed to small holdings, 98 percent of the coffee plantations are classified under small holding.

Hence the coffee growers face a lot of problems to increase productivity. The first and foremost problem faced by them is finance. Finance is required for the planter for all activities related from production to marketing. Unfortunately the financial institutions are by and large, shy of extending credit facilities to small planters.
The coffee Board and NABARD have made extensive arrangements to streamline commercial bank credit to coffee planters with moderate success. This effort has helped the coffee sector to raise the productivity from 650 Kg/ha in 1980 to 850 Kg/ha in the 90’s.

The small planters used to rely on pooling agents for finance during marketing. The money was paid in instalments and inadequate for planters to invest in plantations when the quota system was prevalent.

After the liberalisation the pooling system was scrapped and free market policy is now adopted by the Coffee Board. Now the financial status of coffee growers has increased considerably.

Coffee is a volatile commodity. The price of coffee is greatly determined by supply side which is quite often determined by forces of nature. A favourable climate results in over production in South America and pulls down the prices with over supply. On the other side, El Nino effect and frost in Brazil bring down the production and triggers a price rise in the world market.

To regulate the price volatility, ICO initiated a mechanism called International Coffee Agreement which imposed a quota system to stabilise the price.
But Indian Coffee export is not very much affected by these trends as it has well-established trade relations with non-quota countries. Besides, its export share is also very negligible.

An analysis of coffee consumption against this background is very much instructive to the policy makers to formulate appropriate policy guidelines to increase production and domestic consumption.

The global consumption has been keeping pace with global production. Though per capita coffee consumption decreased - from 10 Kg to 4 Kg - in the biggest coffee consuming country ie, USA, it is compensated by increase in coffee consumption by North European Countries.

The consumption in Europe is more elastic than in India. Any change in price leads to marginal changes in the consumption of coffee among the low income groups. Other beverages like Cola and mineral waters are posing a major threat to coffee.

In India, the consumption level of coffee is hovering around one-third of production. The coffee Board has not launched any massive market promotion initiative.

In India, the Southern States Karnataka, Kerala and Tamil Nadu account for 98 percent of the production, two-third of production is normally
exported and the rest is used for internal consumption. Karnataka ranks first in the consumption of coffee, Kerala though ranks second in production, takes a last seat as far as consumption is concerned.

In Norway the Government along with private companies launched a massive campaign to popularise coffee in the country. Coffee fairs were organised in schools and public places. This resulted in a massive increase in the consumption. Present per capita consumption is 10 kg which is highest in the world.

Like wise, after the collapse of Tea and the pumber crop in the 90's, Brazil launched a massive campaign to increase the coffee consumption by 2 million bags.

But unfortunately in India no such massive market promotion measures have been undertaken. Dometic consumption of coffee has been growing at an annual average rate of less than four percent. Even among the individual consumers, the coffee consumption is much lower among the low income groups and low caste people. Even among the high caste, the preference is overwhelming. The Tea consumption among the low income group and lower caste people is around 20:1 in favour of tea.
I SUGGESTIONS & RECOMMENDATION

Coffee production in India is very much low compared to other Asian and African countries. India contributes only 3.7 percent as against 7.7 percent of Indonesia, which is more smaller country than India. But there exist a lot of possibilities for improving the production of coffee. Therefore it is recommended that the government shall launch a campaign and invest money in building up infrastructure facilities to boost the production and productivity. Production shall be raised by increasing the acreage under cultivation. To increase production and productivity, it is necessary to promote better crop management, shade management and finance. There is a reference to Brazil, which has considerably increased production, productivity and consumption.

1. In India coffee production is only 3,00,000 tonnes which accounts for 3.7 percent of Global production. This shall be increased by bringing in more area under cultivation i.e., 10 percent of area per year.

2. The financial institutions shall provide institutional credit to the small coffee planters (or) big estate owners at subsidised rate of interest and liberal procedures.
3. There shall be stringent crop and shade management practices to avail credit facilities from financial institutions.

4. There shall be a sustained campaign to promote coffee cultivation in non-traditional areas through financial and legislative incentives.

5. The financial institutions shall be asked to give more incentives to those who improve the areas of coverage of coffee plantation.

6. Adequate subsidies and incentives shall be given to small farmers to experiment composite manuring and bio-pesticides to improve productivity.

7. To promote production of coffee the indigenous production technology shall be transferred through the existing extension centres. The financial institutions shall extend credit facilities to the growers who practice the indigenous cultivation methods.

8. The government shall evolve a national policy on production, like National Policy on oil, minerals and defence.

9. The value added packaging strategy shall be evolved to promote marketing of the coffee like beverages and confectionaries.

10. To improve production through wider coverage, it is recommended to give forest land to non-tribals.
11. The CB enhances, the productivity of the low yielding areas through Research and Development measures extend support and financial incentives.

II After the collapse of ICA and CB the marketing system in India is totally disturbed. The retailers also feel that there is no security and respect in coffee business. There has been an unanimous opinion among the coffee planters, traders, retailers to constitute an alternative mechanism parallel to CB to regulate pricing and marketing. This opinion is corroborated by the heavy price crash during 1996 as well as the collapse of the Russian market.

1. Hence a statutory body shall be constituted to regulate marketing, pricing and export. This statutory body shall continue the procurement and sale of coffee and market more aggressively in NTA.

2. There should be a concerted effort by planters, government, retailers etc., to improve and promote market outlets like CB in Karnataka. This shall be replicated in Tamil Nadu, and Kerala.

3. Various consumers based coffee products shall be manufactured and marketed like the confectionaries such as Nestle, Mars Chochoolate (or) Nutrine etc. Hence it is suggested to research and develop coffee based confectionaries, Coffee bags, coffee chewing gum, coffee capsules iced coffee, Coffee aromatherapy clinic etc.
4. Arranging interaction from representatives from major coffee consuming countries such as Japan, Norway, Italy and Indian coffee marketing outlets.

5. The price of coffee shall be favourable to the small planters in the context of liberalisation. Hence, input subsidy and price subsidy are the two measures to be considered by the government to stabilise price favourable for planters.

6. The domestic price for coffee shall be independent of international price fixed in New York, otherwise the 1996 domestic consumption crash due to higher price may be repeated once again.

7. To achieve this it is necessary to fix at least 30 percent Internal Quota system.

8. The government shall consider giving agricultural tax exemption and sales tax exemption to coffee industry to a specific period say 5 years to maintain low price to increase consumption.

III Finance is the life-blood of any economic activity. Any economic activity shall sustain itself provided it is supported by financial and marketing consideration. Finance is required from the cultivation till the procurement of coffee. The development departments and growers say that there are inadequacies and weakness in the existing bank finance system. The PEC
constituted to review the credit system in coffee sector also confirmed many of them in its findings.

1. A separate financial institution on the line of Industrial Development Bank shall be established with sufficient budget allocation to meet the credit needs of the small planters.

2. A Coffee Development Bank shall be created for this purpose which is independent of NABARD (or) other Commercial Banks. The planters shall approach the Bank and can get easily the funds needed for them. The present financial arrangements shall be incorporated into the financial system.

3. Long term finance for infrastructure and latest equipment are to be provided at nominal rate of interest by CB to enable the exporters to be globally competitive.

4. Coffee is a very highly volatile commodity, often operating at the whims and fancies of fund players. Hence, it is high time that our Economists, Financing Institutions and the Government think seriously about this and insurance is introduced against volatility.

5. The planters who attain higher productivity shall be given more subsidy.
6. Tax exemption shall be given to the planters who achieve higher productivity which shall be fixed by the Coffee Development Bank.

FORMATION OF FOREIGN COFFEE STATISTICAL BUREAU

Foreign Coffee Statistical Bureau should be formed for the purpose of collection of data relating to:

(a) Coffee production in various countries of the world.
(b) Quantity of coffee imported by importing countries.
(c) The price at which import and export of coffee are done.
(d) Export of coffee from various countries of the world.
(e) The rates of subsidies in the loan for the growers allowed by coffee producing countries.
(f) Concessions in the rates of interest for the loan to coffee growers of coffee producing countries.
(g) Import and export policy relating to coffee for various coffee importing and exporting countries.

This Statistical Bureau must publish a quarterly bulletin containing the above mentioned statistical records and some articles related with coffee production and export. This should be a priced volume which may be supplied to all those who place order for it.
FORMATION OF COFFEE INFORMATION BUREAU

It is suggested that CB should be formed for the benefit of growers, exporters and to the Government. This bureau should come to collect various types of information from foreign countries regarding:

a. Use of Coffee
b. Various types of substitutes available for coffee in different countries
c. Different kinds of incentives of coffee cultivation available in coffee producing countries.
d. Rules and regulations for cultivation and marketing of coffee in various countries of the world. This bureau should also try to find out the existence of any associations related with coffee growers or coffee exporters. This bureau should also publish various information regarding the above matters as well as production and export of coffee. A booklet containing all these information should be published periodically and made available to those who need it.
FORMATION OF EXPORT TRANSPORT BUREAU

For convenience and easy transport of coffee to various countries of the world, ETB should be formed by the Government of India. This bureau should provide information to the exporters of coffee regarding,

(i) Various shipping companies operating to foreign countries.
(ii) Rates about shipping to different countries from different ports situated in India.
(iii) Duration of Marine transport to various countries.
(iv) Shipment through air transport.
(v) Duration of air transport to various countries.
(vi) Freight in air transport for transporting coffee to foreign countries.
(vii) Various types of Insurance facilities available in the export of coffee to foreign countries.
(viii) Names and Addresses of Banking Institutions of foreign countries.

The above mentioned information would facilitate the coffee exporters for economic export of coffee to foreign countries.
IV  DEMAND AND CONSUMPTION

1. Promoting internal demand by 10 percent per year is imperative to stabilise the coffee Industry.

2. At present the total production is targeted at 3 lakh tonnes. About 2 lakh is earmarked for export.

But this situation is not favourable, the export is determined by fluctuations in International price index. Whereas prior to liberalisation, the quota system was prevalent under ICA. In the absence of Quota system, it is necessary to stabilise market for coffee through the following measures were suggested.

The mass media shall be utilised to promote demand among the consumers. The 3 medias ie., radio, press and Television shall be approached to increase the publicity. As on date the coverage of coffee on Television, Radio or press is less than 1 percent. The only journal which gives advertisement to coffee is “Indian Coffee” which has very limited circulation. Hence it is necessary to launch a publicity campaign which will increase domestic consumption by more than 1 million bags. The campaign shall implement the following programes.

(a) Opening of coffee shops (or) coffee houses in rural and NTAs
(b) Coffee fair in the rural and NTAs

c) giving price subsidy to these coffee houses particularly in NTAs and rural areas.

3. The traders and the growers should join together and organise buyer-seller meets and invite buyers and prospective buyers from up-country markers in the country. Such meet should include coffee tasting sessions, deliberations on specific market requirements and even presentation on the health aspects of coffee.

4. The consumption promotion shall also include car stickers and door slips to popularise coffee.

5. The share of features on coffee, success stories and question answer shall be promoted in news papers.

6. Advertising Boards / Bills:

Advertising Boards shall be created in important towns and cities to popularise Coffee. Phamlets are also issued to the general public through hotels, coffee outlets etc.,

7. **Coffee Fairs**

Regular coffee fairs shall be conducted in towns and cities to promote coffee consumption among the middle class. Press meetings shall be organised to highlight the medicinal values of coffee.
8. Coffee Bars

The Coffee houses are considered as expensive venue by the middle class and lower income groups. Therefore CB shall open coffee Bars and coffee stalls on platforms, terminals and in market places to popularise coffee among the low income groups.

Essay competition, drawing competition and other cultural competition may be conducted in schools and colleges to promote the use of coffee. The participants may be given a pack of powdered coffee and the winners given prices.

Needless to say, attractive packaging can make a brand fly off the shelves, especially in a self-service supermarket environment where shoppers can act on impulse, responding to the stimulus offered by a well-designed package. The perceived value of the contents inside is often guided by the quality of the outer package: in a scenario of declining prices for green coffee, the prices of retail packs seem to be holding steady—and consumers are not complaining! It’s important to understand the issues in packaging development as an aspect of brand marketing, so as to create value-added products.

External Promotion :-

The Coffee Board should make constant efforts for external promotion of Indian coffee. The main aim is to continuously project the
quality image of the Indian Coffee to the overseas roasters and importers. So that they buy more and more of our coffee as a quality for use both in itself and blends.

Two important tools employed for the same are

(1) Regular participation in selected and important overseas food fairs and specialised exhibitions.

(2) Press advertisement

Participation in overseas fairs offers an opportunity to establish personal contract with foreign buyers and roasters. Besides, it helps the foreign buyers and roasters to have a close look at the various grades of Indian Coffee with its specialities and uniqueness. It also provides for exchange of ideas and problems on the multifarious aspects of buying coffee from India. Even after resumption of ICA and subsequent quota allotment to India we may be left with massive quantities coffee for home consumption.

Despite the potentials and possibilities there are certain areas of concern, which have to be addressed to:

(i) Enhanced promotional efforts in the export and domestic markets to ensure that higher production in other countries do not affect our sustenance and progress. This is particularly relevant in the context of an anticipated global surplus.
(ii) Upgradation of quality at production and processing levels to regain the old name and frame of Indian coffee in the international market to face the market challenges ahead, better.

(iii) Updating the technology to ensure higher productivity comparable with other competing countries and to minimise the unit cost of production.

(iv) Value addition and product diversification to ensure stable remuneration to all the sections involved in the chain from producers to consumer.

(v) Strengthening R & D to overcome major production problems and streamline the production process. This could include even advanced genetic engineering methods on a considered basis.

The survey findings have, by and large, reflected the coffee consumption and demand pattern in the country. There are of course marginal variations due to limitations in the number of respondents. The survey has very clearly established the fact that increase in consumption by various market promotion measures is the need of the hour to increase production and stabilise prices. The views of the faculty of the research institutions, CB officials and exporters also echo this fact.