CHAPTER II

REVIEW OF LITERATURE
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Any effective research must be based upon past knowledge which helps to eliminate the duplication of what has already been done and provides useful tips for significant investigations. All the literature referred to contain valuable materials and data required for the four main chapters. The following paragraphs shall review the relevance of these literature on the title of the study.

1. (a) Shri. William H. Ukers (1935) and Shri. S. Villa Borghese (1947) have dealt extensively with the origin of coffee and its evolution into a commodity of global consumption. The spread and growth of coffee throughout the ages has been clearly illustrated with facts and figures. These books review the Coffee Trade of the United States, included a chapter exclusively for the botanical varieties of various grades of coffee under cultivation, cultivation methods, and it compares coffee consumption with tea consumption. These publications facilitate to understand the early production, consumption of the world including India and have furnished more information and insight into the nature of coffee sector in South India.
(b) The above information is also supported by the book "Economic Geography" (1983). It also explains in detail the origin, plantation techniques and types of Coffee cultivated in India, physical and economic conditions favourable to cultivate coffee and also indicates coffee producing regions of the world with graphical representation etc.

2. Coffee guide (1997) also illustrates the introduction of coffee in India, early coffee plantation, growth and decline, irrigation methods, propagation of coffee etc. with explanatory pictures. Besides, it explains more clearly, the soil and climatic requirements to cultivate coffee. Nursery practices, soil management practices, disease management, harvesting, estate management etc. This guide is more valuable and gives direction to cultivate coffee and one can easily follow this guide from the inception till the curing period. It is immensely helpful especially for those who cultivate coffee for the first time.

But this guide fails to indicate various market mechanisms, pricing policy and finance which are the backbone of the industry.

3. Mr. C.A. Krug & Mr. R.A. De. Poerck in their book (1968) is provide an important piece of information to understand the non-economic factors that determine Production. The study pinpoints the geographic and climatic factors that play vital role in determining the production in any
country. Besides, it deals extensively with various software components that are equally important to enhance production and productivity.

4. But Dr. M. Gajalakshmi (1983) in her P.hdnn thesis (Unpublished) suggests that to increase the production one should adopt the following.

   (a) extensive cultivation of existing acas.

   (b) replanting old areas with improved varieties and

   (c) bringing additional area under cultivation.

   Further she pinpoints that the small growers and their production and productivity capacity and any deficiency / inefficiency arise, it should be shouldered by the Coffee Board by giving adequate guidance. She concludes that coffee consumption is inelastic far more than cocoa.

5. Mrs. G. Mahizha (1989) in her M.phil study (Unpublished) narrates the history of coffee production in terms of area under cultivation, quantity produced and productivity. She also suggests the ways and means to increase production by increasing the area under cultivation, and paves ways to educate new people to come in to the field. This study was useful in formulating the theoretical frame work of the study; Further she says that the price of coffee has increased due to the involvement of intermediaries in the market.
6. Dr. Jayant Patil (1993), describes about the Eighth Plan and the agricultural development. He says Eighth Plan aims at consolidating the plantation crops technology to meet the domestic needs and generating exportable surpluses. Thus we can attain our goals through development of rainfed tracts, efficient utilisation of irrigation facilities and ensuring a continuous flow of economically viable improved farming practices. Here, the importance is given to the cropping technology and the improvement of farming practices. Surely it will increase the production and productivity.

7. (a) But, Dr. P. Vasudevan and Mr. D. Muthumanickam (1997) are of the opinion that intercropping is not very bad but better nutrient management in coffee plantation shall improve the rate of return. They also describe the soil management and the methods of applying various fertilizers. This article gives inputs to the new entrants as well as the existing coffee growers.

(b) In the same year Shri. Celsius A. Lodder has explained in detail the varieties and grades of coffee under production in India. He has listed nearly 20 grades of coffee produced in India. Moreover, he has outlined the various pests and diseases that attack coffee plants. This profile will be of interest and value to members and all sectors of the coffee industry that may have dealings with the countries concerned.
8. (a) The Article entitled “Boosting coffee Yield” (1998) analyses the causes for low productivity - application of non-viable agro fertilizers and chemicals. Hence the alternative of organic composte manuring practices, its viability and feasibility are discussed in the article.

(b) Shri Raghu Krishnan in his article titled. “Final estimate for 1998-99 coffee crop 2,30,000 tonnes” has given the projection for 1999 based on the various types of coffee production prospects from different states. The minute break-up of production statistics has been helpful for the study to conclude the suggestions.

9. Indian Coffee, the journal published by Indian coffee Board, in its issues December 1998, January 1999, June 1999 and May 2000 deals extensively with production and productivity of coffee in India and other coffee producing countries. The same issue dated December 1998 as well as Planter’s Chronicle March 1999, compares the productivity of ten Asian, Latin American and African countries including India. It exhorts, India being the third country in terms of productivity with 855 kg/ha is much ahead of Brazil / Indonesia. But our country is far behind vietnam and Costa Rica.
10. (a) Shri. K.V. Keshavaia and Shri. V.B. Suresh Kumar in their article entitled, "Irrigation in Robusta coffee" - argues that better water management shall improve coffee production especially sprinkler irrigation method is to be used.

(b) Mr. D. Samuel Ganesh & Mr. H.L. Sreenath in their article entitled, "Improved Method of Explant Preparation for Micropropagation of coffee Through Node Culture" gives an elaborate analysis of plant protection measures through modern scientific tissue culture. Normally, the planters are not aware of such improved plant protection measures. Therefore, these information shall be disseminated to the traditional planters through extension services.

11. The USDA estimates that the world coffee supply in 2000/01 would be as in the last year and the world production is expected to be 108.7 million bags in 2000/01. It is nearly 2 percent above the last year level. It also shows the estimated production figures of various countries of the world during 2000/01. India is estimated to produce 49 lakh bags in 2000/01. The total supply of the country is forecast at 10 lakh bags and the export forecast is about 4 lakh bags during 2000/01.
12. Shri. C.P. Appanna (1988) explains in detail the strategies to promote production through better financial arrangements. According to the author, the key strategy is to re-structure the financing policy of NABARD in promoting coffee development. He argues that to promote the coffee industry the only way out is that it should be properly financed.

The article concludes with four important suggestions for future strategy development in which NABARD is the major partner.

1) NABARD has to play a significant role in promoting coffee development in non-traditional areas.

2) In order to sanction the loan quickly, sanctioning powers should be delegated to its Regional Offices.

3) The unit cost for different type of investment is reviewed on half-yearly basis to ensure adequate need based credit.

4) NABARD undertakes evaluation studies to get feedback on the micro level problems in the implementation of coffee level.

Agricultural College Madurai”, states that, the government of India has taken various measures for the establishment of institutional agencies for providing inputs such as seeds, fertilizers etc. But he feels that this loan amount is not much helpful to the applicants due to -

(a) Insufficient loan amount

(b) Delay in sanctioning the loan

(c) Incidental expenses

(d) Guarantee etc.

In the present study also the researcher found out the above causes are proved to be true.
14. But Dr. N.G. Ravindranath (1999) gives importance to small growers, who are the part and parcel of the industry, in his article entitled “Small Growers and Bank Finance”, he deals with the Bank finance available for small growers who constitute 80 percent of the coffee planters. His analysis of a random sampling survey confirms that 50 percent of the small growers do not avail bank finance due to ignorance. In this study also, the researcher has found out that nearly 50 percent of the small growers didn’t even apply for a bank finance due to lack of knowledge about the formalities involved to avail loan.

15. Two important studies have analysed the pricing mechanisms of ICO and ACPC.

   a. The Dutch Authors, ‘Shri. J. de. Graaff and Pudoc Wageningen, argues that ICO has stabilised the prices during the coffee boom through unsold stocks accumulated on many producing countries.
b. But the report on "Coffee and Tea" states that coffee price is stabilised by ACPC through retention schemes. Both studies are helpful to understand the global pricing mechanism and its impact on pricing situation in India.

16. Dr. M. Willson in his Ph.D. study (Unpublished) (1993) suggests that finance is the only criterion to improve the industry. Moreover, he divides the coffee growers into various categories according to their holdings. He suggests that the Board has to take the responsibility to improve the quality of life of these growers.

He recommends the following:-

1. To establish a coffee growers Grievences Bureau for the benefits of the coffee growers in India.

2. To reduce the sale price of coffee.

3. To setup an Export Coffee Bank and

4. Frequent meetings of Coffee growers, exporters, consumers etc.

But the study fails to concentrate on the supply of Coffee in India as a whole; and the price mechanisms.
17. Dr. M. R. Narayana, in his contribution titled, “Structural Adjustment Policies for India’s Coffee Sector”, observes that “the free market mechanism of Coffee in India has begun to operate in a setting where both the world and domestic markets are accessible to producers and traders of Coffee”. The working of this market mechanism may have to be closely observed before initiating any drastic policy intervention which may have implications for the entire coffee sector.

The author suggests that the feasibility of several alternative policy interventions to safeguard the domestic consumers from price rise may be considered:

1. Allow for imports
2. Ban on exports and
3. Reimpose controlled regime through Coffee Board.

Further, he disclosed the negative aspects of liberalisation

a. Untimely withdrawal of coffee by growers from the actions.
b. Default on export contracts
c. Price manipulation by traders/agents and dishonest trade practices

18. Prof. M.R. Narayana’s article “Problems and Prospects” is a thought provoking analysis on the relation between marketing system and prices of coffee. The article attempts to indicate the changes in the marketing
system and its impact on the prices. The author analyses the spurt in the prices of Coffee since 1993. He points out the changes in the global marketing and domestic marketing as the causes for this price rise. He concludes with policy alternatives to reduce the prices that are favourable both to consumers and producers.

19. Dr. M.R. Narayana in his work entitled “Impact of Liberalisation Measures on India’s Coffee Sector - An Economic Analysis” - analyses the inter-linkage among production, export and prices of coffee in the context of privitisation. He has clearly explained the consequences of liberalisation of India’s coffee industry and its impact on price, markets etc. He enumerates that -

(a) changes in India’s coffee sector can not be associated with domestic liberalisation.

(b) Growers and marketing agents in the coffee industry have been reaping windfall profits, but production and productivity of coffee in the country have not positively responded to liberaliation measures in the short run and

(c) Market prices of coffee have steeply gone up for domestic consumers resulting in loss of domestic demand.
20. Shri. M.A. Wheeler in his article titled “Robusta and Arabica” is the way to understand the price differentials of Robusta and Arabica, is an informative article. It traces the price differentials for nearly two decades i.e., from 1980/81 to 1997-’98. The author goes on analysing the supply of different types of coffee and the price differentials from 1985/86 to 1996/97. He takes pain to analyse the causes for such differentials and their impact on price policy.

21. Dr. M. Panduranga Vithal, in the working paper series entitled, “Entrepreneurship and Economic Liberalisation - ‘The case of Indian coffee Industry” suggests two methods to improve marketing system. They are :-

1. Standardising of quality parchment.

2. Setting up of an agency to enforce market discipline.

The author concludes that price volatility leads to speculation and stock holding, price manipulation by traders / agents and dishonest trade practices.

In this study also majority of the retailers of coffee unanimously agreed that price is a major component to stabilise internal consumption and export. This is corroborated by the reference made above.
22. Shri. T.S. Nagarajan, former marketing director of Brook Bond, reaffirms in his article entitled “Russian Storm in India’s instant coffee Export cup” that Indian coffee has to be independent of Russian market. He explains in detail the collapse of Indian coffee export to Russia. Therefore, he argues that manufacturers must regroup and mount an aggressive marketing effort to increase the domestic consumption.

23. “Economic Survey” 1998-1999 traces out clearly the Deregulation of Indian Exports, future production targets, Stagnation in domestic demand etc. Further it states that the main cause for the stagnation in domestic demand is that the price of the Coffee is high compared to Tea. It forecast 2.03 lakh tonnes of Coffee production during the year 1998-1999. But the actual production in the same year was 2.65 lakh tonnes. So the forecast was far away from the actual production.

24. Dr. I. Satya Sundaram in his article, “Coffee Industry Problems and Prospects”, predicts that consumption of coffee in India depends on soluble coffee because whenever coffee price rises there is a tendency to use higher percentage of chicory. Besides, he observes that the coffee industry is badly in need of a clear-cut marketing and promotional policy by which the domestic consumption is increased substantially and the sale to non-quota markets is also stepped up.
25. Mr. P. Chidambaram, Former Union Minister of Commerce announced the new coffee policy. i.e.,

a) Small growers whose holding is less than 10 hectares would be allowed 100 percent FSQ. Thus 98 percent of all the registered growers would be covered by this liberalisation.

b) The remaining growers would be allowed an FSQ of 70 percent with the Coffee Board.

c) The Coffee Board would also undertake a direct purchase programme and purchase a reasonable quantity at prevailing market price.

Here the thrust of the policy is very clear. The emphasis is on the small grower and the domestic consumer. The objective is to place India on the world coffee map.

26. Dr. M. Panduranga vithal, discussed in detail the analysis for alternative marketing system to promote consumption, one key suggestion is to stabilise the price in accordance with the international prices. The article in question brings out the vast disparity of national and international prices. Eg- the difference in international and domestic prices between 1994 and 1996 was as low as Re. 1 and as high as Rs. 1939/- for 50 kgs.
27. Shri. K.S. Muir, in his article "Consumption and its Prospects" forecasts consumption pattern from 2000 to 2005. This forecast is based on price and production. The forecast says that Indian exports and consumption will be very high in the coming years. But he says that the production trend in Brazil plays a vital role in the consumption pattern.

28. "Monthly Review of the Indian Economy" points out that, the Board has the plan to improve the domestic consumption with the involvement of the private sector and has decided to grant more subsidy to planters to upgrade the quality. Moreover, it plans to identify 200 entrepreneurs and produce 20,000 tonnes of speciality coffee by the end of IX plan period.
1. About the overall improvement of the industry, the following literature are reviewed.

Mr. Arun Nehru, former Union Commerce Minister (1990) states 1,20,000 coffee growers are reeling under deep crisis arising from the collapse of the world prices, stagnant domestic prices, low production, discriminating taxation and growing indebtedness.

He puts forth some short term and long term measures to improve the industry:

Short term measures:
1) Revision of the MRP
2) Purchase tax is to be reduced
3) Coffee to be brought in the category of “declared goods” under section 14 of the Central Sales Tax

Long term measures are:
1) Promoting exports to developed countries
2) Export of value added coffee
3) Approach towards domestic promotion to be given new thrust by developing coffee drinking habit in the NTAs.
2. The planters chronicle, offers valuable information on strengthening the international coffee convention.

Mr. R.K. Krishna Kumar, UPASI President announced that Indian Government would set-up an Institute of Coffee Technology to promote coffee Industry.

But Mr. Ardhanareeswaran urged the exporters to go in for value added coffee giving due weightage to modernisation in packing technology.

Shri. A.F. Beltrao, delivering the key note address, warns that the liquidation of the organisation (ICO) is very dangerous to the coffee industry.

Dr. Emilio Echeverri, National Federation of Coffee Growers, Colombia, presenting a paper, “Upgradation of Colombian Coffee”, urged that International Coffee Agreement be reviewed and that quota system should be re-established.

Mr. L.P. Bator, Dy. Director General Sojuzplodo of Russia says that consumption in Russia is hampered by shortage of hard currency.

The United States Coffee market is predicted by Mr. Donconable (US. Agricultural Consultant) that the market will not decline from the present level but the future is rather bleak.

The Indian situation is presented by Mr. Ramesh Raja, he recommends that the present growers should involve themselves in marketing.
In the convention, representatives from various countries of the World participated and gave valuable and viable suggestions and recommendations to improve the coffee industry by giving fuller participation of growers, exporters etc. and urged to recognise the ICA and ICO.

3. Miss. M. Packia Lyda in her M.phil. study (unpublished) titled “Commercial Viability of Tamil Nadu Coffee Industry - with special emphasis on the role of Indian coffee Board”, gave some suggestions to the Government of Tamil Nadu to improve the industry viz :-

   a) Avoid export duty
   b) Fix maximum retail price and
   c) Spread consumption to non-traditional areas etc.

4. Dr. Vigneswara Varmudy in his article “Coffee Prospects Brighten” has enlisted the problems faced by the coffee industry ie.

   a) The sales tax levied by the State Governments are higher,
   b) Eventhough the coffee Board is meant for the welfare of the coffee growers, many growers feel that it does not adequately protect their interest and the growers are unaware of the market mechanisms. He also gives some valuable suggestions to improve the coffee industry in future.
5. Shri. S. Radhakrishnan (1998) outlines the structural changes to be made in new role of Coffee Board which shall strengthen the industry through-

a) Capacity of the growers to produce quality coffee at a competitive cost.

b) Vigorous and enterprising coffee sector free from unnecessary restraints and

c) Support from Coffee Board in providing a forum of discussion on all matters related to coffee promoting transparency in the coffee market economy and encouraging scientific research and development.

The literature reviewed so far have revealed various contrasting ideas

Some authors maintains that increasing productivity is the only way to strengthen coffee industry. But this is contrasted by majority authors, that increasing domestic consumption is the only way to improve the preference of coffee.

But there are authors who dispute this trend. They say that providing timely and adequate finance is important to ensure better and strong coffee sectors.

Whereas many authors and officials are of the opinion that merely finance is not the only answer to improve the coffee sector. They feel that better farm management practices are also as much important as finance.
But the planters feel that marketing mechanism is crucial for stabilisation of Coffee Industry enjoyed stabilisation during the administration of Coffee Board. Still there are persons who claim that increasing internal consumption is the only way to strengthen the coffee sector. Depending entirely on foreign market is not a healthy practice as has been proved by India’s overwhelming dependence on Russian market.

But the present study focusses on promoting internal consumption as the only strategy to promote coffee sector. This requires effort from the Government and coffee planters in terms of creating awareness, establishing marketing outlets and providing adequate finance to small planters. A detailed analysis of the focus of the study is presented in the chapter suggestions and recommendations.
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