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CHAPTER - 1
INTRODUCTION AND RESEARCH DESIGN

1.1 INTRODUCTION

This opening Chapter of the Thesis titled *Problems and Prospects of Coffee Industry in Chikmagalur District (Karnataka)* introduces the topic of the present investigation and also presents its methodological aspects.

‘Coffee’ is the name of a tree, its fruits, seeds (known botanically as the ‘genus Coffee’) and the raw product produced from them, and is also the name of the roasted product when the green Coffee beans are processed. “Coffee” is also the name of the beverage in the cup for consumption.

The Bean

*Coffee/Coffea* belongs to the family *Rubiaceae* and is the seed of a berry from a tree that grows around the world in a narrow sub-tropical region from the sea level at approximately 6000 feet. Coffee trees are evergreens and grow to the heights of 20 feet. But to simplify harvesting, the trees are pruned to around eight feet. The trees take 4 to 5 years to produce the first crop. As with all fruits, the Coffee plant first produces delicate clusters of white blossoms resembling jasmine in shape and scent. These blossoms last only for a few days. Small green Coffee berries then begin to appear and ripen to yellow-red, and then almost black in six to nine months.

The two commercially significant species of Coffee beans are *Coffea Arabica* (ahRAH-bee-kah) and *Coffea Robusta* (row-BOOST-ah, or ROE-bust-ah) or *Coffea Canephore*. Arabica trees are grown best at altitudes over 3000 feet. They produce beans of a much higher quality that are more aromatic and have greater flavor. These contain only half the caffeine of the Robusta beans. Robusta trees grow at lower elevations. These are easier to grow, produce higher yields, and are more disease resistant than the Arabica. They are used when a lower price or the addition of caffeine is desired.

Once the Coffee berries are picked, they are transported for processing. The fruit is then removed from the seed. This is accomplished by drying the berries and processing them through a mechanical husker or by a soaking method in which the fruits are separated away from the seed. The green beans are then dried, sized, sorted, graded and selected all by hand. The green beans are then bagged and readied for shipment to local roasters around the world. So the products we use require so much in terms of human effort.

The Beverage:

Initially, the Coffee beverage was prepared from green, un-roasted
beans boiled in water; in the late 13th century, the Arabians improved upon this tea-like beverage by roasting and grinding the Coffee beans before adding them to boiling water. A cup of Coffee is prepared from the extract of ground Coffee beans after they have been roasted. The extract is made by adding hot water to the ground beans. Soluble (instant) and decaffeinated Coffees are also available. Soluble Coffee is made by evaporating the extract without the loss of essential flavors. To make decaffeinated Coffee, caffeine is removed by treating the green Coffee beans with a permitted solvent, which washes out the caffeine almost selectively.

**Instant Coffee:** The first soluble “instant” Coffee was Invented in 1901 by Japanese-American chemist Satori Kato of Chicago. It was not marketed commercially until the launch of Nescafe in 1938. The quality and diversity of Instant Coffees have grown dramatically over the years, and we can make a good cup of Coffee from today’s products. Instant Coffee has a number of advantages over fresh brewed Coffee, including ease and convenience. It stays fresh for a longer period, it is hard to damage the flavor and most of all and it is fast, cheap and clean. Instant Coffee is manufactured, just like any other Coffee, from ground beans. The first stage involves the preparation of a Coffee concentrate from which the water is removed either by heat, known as spray dried, or by freezing, to produce soluble powder of granules. During the process of dehydration, the Coffee essences may be lost, but these are captured and returned to the processed Coffee. The average yield of instant Coffee is around 25-30% of ground Coffee. And it takes about 2.4 kg of Coffee bean to produce 1 kg of instant Coffee powder.

The lure of Coffee transcends all climates, nationalities and races. It draws its votaries from all classes, communities and religions, holds its sway from the hottest tropics to the coldest regions. It occupies the first position as one of the foremost temperate beverages of the world. From the very day of origin, Coffee was appreciated because of its delicate taste, its agreeable flavor and because of the fact that it satisfied even the most delicate palate. Coffee gives energy, strength to fight sleep and tiredness, it is especially adopted for people who need a sort of stimulant. The consumption of Coffee is inversely proportionate to distress. More the distress, more the consumption of Coffee. Coffee is a stress reliever, tension-reliever, reasonably an inexpensive drink. The popularity of Coffee as a leading beverage is due to its stimulating and exciting sensory effects on the person. However, Coffee is a much newer brew than tea. Tea- drinking was an established tradition in China and Japan even before the birth of Christ. Coffee appeared on the scene several centuries later and quickly became popular, despite facing resistance, mainly in the shape of religious prejudices.

True Coffee flavour to the Coffee drinking public is a special and delightful, duplicated by scientific means, and still remains an exclusive product of nature after conversion by the roasting process. Coffee as the beverage feeds social, creative, intellectual needs, mulling
matters of state and person, with friends over many a cup. The interaction was the main event, the beverage just a suitable accompaniment or pretext. Today, the beverage has taken control and it is a happening drink. Coffee has been known to stimulate thought, but also to quell the passions; that is why probably it is been the drink that few people are likely to remember. It is one of the many gifts that the Arabs have given to the world. It is a cultural thing that is world wide.

Coffee is a craze/a fashion throughout the US, Europe, Japan and parts of emerging markets like Singapore and Hong Kong and even in India. In the US, the Coffee freak is able to start his day with a piping hot cuppa, wear a sock that smells of Coffee right through the day, chew on gum that is Coffee-flavored, listen to music that is Coffee inspired, sleep on a bed sheet that is rich in the Coffee-motif, etc., for whatever purpose.

Coffee lags under the category of non-alcoholic stimulating beverage; the category which comprises the various kinds of its own such as refreshing, stimulating and nourishing. However, it has the attribute of being refreshing and nourishing as well. Its unique quality for motivating is appreciated around the world. Caffeine is responsible for this effect.

Caffeine, the naturally occurring chemical stimulant found in Coffee, has been a global issue in the past decade. A single shot of espresso contains approximately half the caffeine of a cup of institutional canned and brewed Coffee. This is due in part to the shorter period of time that the ground Coffee is in contact with the water during the espresso process. The other factor is that most institutional Coffees contain a significant percentage of Robusta. In order for a variety of Coffee to be classified as decaffeinated, at least 97 percent of the Caffeine must be removed from the bean. Some flavour is generally lost in the process which decaffeinates the Coffee bean. For this reason, many roasters save their beans from the decaffeination process.

*The Art of Roasting:* Green Coffee beans are heated between 180° to 240°C for 8-15 minutes, depending on the degree of roast required. The longer the Coffee is roasted, the darker it becomes. During the roasting process moisture is lost and the bean ‘poops’ audibly like popcorn. A chemical reaction takes place: starches are converted into sugar, proteins are broken down and the whole cellular structure of the bean is altered. The heating process precipitates the release of Coffee oil, or what is called caffeol, which is the essence of Coffee. The essence of Coffee is what we enjoy in the cup. It is also volatile and water soluble, so once the Coffee beans have been roasted until dark, the flavour can be damaged by moisture, light and especially by oxygen.

Roasting is one part art, one part science and several parts judgment. Too much heat and the beans are roasted too dark and too much caffeol is burnt; not enough and caffeol is not precipitated. In industrial quantities, the processes are carefully controlled, but in smaller quantities, judgment is all. The higher the roast, the more uniform the end flavours.
The different kinds of roast include light or low, medium and dark or high, which are the standard terms used to describe the types. Some beans are more appropriate for certain roasts. A certain type of bean would lose its character if it is high-roasted, while some others would benefit from a high roast.

Generally speaking, the higher the roast the more acidic and bitter the flavour of the Coffee, whereas light roasting brings out the full complement of aromas and results in a Coffee that is both mild and moderately acidic. Great Coffees should only be light roasted to bring out their true richness, subtlety and complexity.

The History

The drink derived its name from the Kaffir district in Abyssinia, from where it is believed to have come to Arabia. The other legend says Coffee is derived from the Arabic “Qahwah”; from “Kaffa”, the eponymous province in South-Western Yemen said to be the birth place of Coffee, although it is also thought by some to be a native to Ethiopia; and another legend believes that it is derived from the Turkish ‘Kahveh from which a wine is made from the fermented juice of ripe Coffee cherries. It remains shrouded in myths of the Middle-East One legend tells of Kaldi, an Abyssinian (Ethiopian) goatherd who one day found his herd frolicking around a cluster of shiny, dark-leaved shrubs bearing red berries. When Kaldi tasted the berries himself, he realized what had prompted the goat’s uncharacteristic behavior. Kaldi shared his discovery with the inhabitants of a nearby monastery, who developed a fondness for the fruit and its seeds. The Coffee bean is encased in each berry. By drinking the beverages that resulted from boiling the berries, the monks found they could stay awake during evening prayers. Another legend attributes the discovery of Coffee to Omar, an Arabian dervish (A Muslim mystic). Exiled by his enemies to the wilderness - where he faced certain starvation Omar survived by making a broth from water and the berries he plucked from Coffee trees.

Whether it was Kaldi or Omar who first discovered it, Coffee is considered native to the African country of Ethiopia. At least 1,000 years ago, some enterprising traders brought Coffee across the Red Sea into Arabia (modem day Yemen) where Muslim monks began cultivating the shrubs in their gardens.

At first, the Arabians made wine from the pulp of the fermented Coffee berries. Thus Coffee came to be known as “Qahwah”, which is the Arabic word for wine. During religious ceremonies, Coffee became the substitute stimulant for wine, which was forbidden by the laws of Islam.

The Arabians carefully protected their monopoly over Coffee market by preventing the berries to be taken out of the country. Their efforts, however, were thwarted by the thousands of religious pilgrims who visited Mecca each year. By the early 1500’s, Coffee seeds had already made their way to Turkey, Egypt, and Syria.
The Dutch were the first to transport and cultivate Coffee commercially, beginning in 1616 with a Coffee plant obtained from Yemen. Until the late 1500’s, Coffee was considered a Muslim drink. As the beverage became available to Venetians, in what is now northern Italy, a religious confrontation began brewing. Catholic priests who believed Coffee was ‘Satan’s beverage* petitioned Pope Clement-VIII to ban the beverage as being unfit for Christians. Once the Roman Pontiff tasted the beverage, he liked it so much that he gave Coffee his blessing.

London served as the chief trading centre during the 1700’s when Coffee was grown in the English and French Colonies in West Indies. The French revolution and Napoleonic wars affected this trade, leading the Dutch Colonies in the East Indies (now Indonesia) to become the main Coffee producer during the 1800’s; the Dutch handled most Coffee trading through Amsterdam and Rotterdam.

**DEFINITION OF COFFEE INDUSTRY** Although coffee was known to the Yemenis and Ethiopian Natives of the Eastern Africa almost1,000 years ago, it began its world wide spread only in the 16 century A.D. Today, there is hardly any place in the world where coffee is not consumed. During the course, it has spawned a comprehensive agro-industrial activity known as the coffee industry that includes cultivation of the coffee crop, curing and processing of coffee beans, manufacture, marketing and exports of coffee verities as well as research and development work in all its aspects.

A middle -eastern migrant Muslim saint Baba BUDAN had introduces coffee seeds of Arabica variety to Chikmagalore district as early in 1600A.D., but for the next 100 years or so, the plant remained just an ornamental flowering plant in the backyards. Commercial cultivation of the coffee began only in 1734 in Malbar region of Kerala and in 1807, the first exports of processed coffee were made to England by Parry & Company. In 1906, Robusta a Javanese variety of coffee, was introduced into India by Dutch. Since then, commercial coffee production industry has not looked back. Today, among the horticulture products exports out of India, after tea (27.52%) , Coffee commands the second largest share of 22.13%. Globally, coffee is the second largest dollar-traded product after petroleum.

Coffee industry has a multiplier effect on other industries- fertilizers, pesticides, irrigation and farming equipment, laboratory equipment, Hessian and jute bags, polyethylene bags and sheets, tinfoil, coal and coke, chemicals, paper and printing, power generation and associated industrial activities.

**Within the preview of this work, Coffee industry signifies only the cultivation and selling activities of the coffee growers in a limited geographical area of Chikmagalore district of Karnataka State. It is obvious that it is beyond the capacity of a single researcher to investigate the coffee industry, as a whole.**
Role and Importance

The historical development narrated shows how Coffee has a tag as the world’s second largest dollar-traded product after petrol. Now Coffee exporters, importers and brokers throughout the world handle Coffee transactions. Exporters sell Coffee for shipment from a producing country, while importers or buyers; in some cases, brokers serve as go-between, bring sellers and buyers together for a transaction. These traders have three ways to buy and sell green Coffee-on the spot, shipment, or futures markets. Among the basic commodities, Coffee is perhaps the most notable due to the marked dichotomy between developing producers and industrialized consumers. Green Coffee is produced in tropical countries principally in the less economically developed countries and consumed almost exclusively in the developed countries of the temperate zones. Coffee is extremely important to many Least Developed Countries (LDCs), and plays a vital role in the world monetary exchange between developed and developing countries, allowing the latter to earn valuable foreign exchange necessary to import capital and consumer goods with Coffee accounting for over 25 percent of such earnings at least in 9 countries and in some cases representing over 75 percent of such earnings. Thus, Coffee is at the heart of the North-South polarization. The Table below reveals its importance.
### Table 1.1

Ten Major Agriculture Exports from the Third World

<table>
<thead>
<tr>
<th>Crop</th>
<th>Share (%)</th>
<th>Countries</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee</td>
<td>26</td>
<td>Colombia and Brazil</td>
<td>41</td>
</tr>
<tr>
<td>Sugar</td>
<td>22</td>
<td>Cuba</td>
<td>70</td>
</tr>
<tr>
<td>Natural Rubber</td>
<td>10</td>
<td>Malaysia &amp; Indonesia</td>
<td>70</td>
</tr>
<tr>
<td>Cotton</td>
<td>9</td>
<td>Asia</td>
<td>53</td>
</tr>
<tr>
<td>Coca Beans</td>
<td>8</td>
<td>Ivory Coast &amp; Ghana</td>
<td>46</td>
</tr>
<tr>
<td>Rice</td>
<td>5</td>
<td>Thailand</td>
<td>47</td>
</tr>
<tr>
<td>Banana</td>
<td>5</td>
<td>C. America &amp; Caribbean</td>
<td>56</td>
</tr>
<tr>
<td>Tea</td>
<td>5</td>
<td>India, Chiana, Sri Lanka</td>
<td>70</td>
</tr>
<tr>
<td>Palm Oil</td>
<td>5</td>
<td>Malaysia</td>
<td>72</td>
</tr>
<tr>
<td>Tobacco</td>
<td>5</td>
<td>Malawi &amp; Zimbabwe</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: A Workshop on WTO Implications on Coffee Industry, (September, 2000)*

Coffee is a crop that is inextricably linked to the world of Coffee production that is impacted upon by fifty odd producing nations. Therefore, it is inevitably a dependent on what happens across the commodity economy of these nations.

**Coffee in India**

Coffee is said to have been introduced to South India in 1600 by Baba Budan, a pilgrim returning from Mecca, who brought seven seeds with him to Mysore. The chronology of Coffee growth and development in the country is as follow:

1600: Introduction of “Seven Seeds” to Gins’ in Chickmagalore by Baba Budan

1734: Coffee cultivation in Malabar, Cochin (reported by Major Drury)


1807: Coffee from India exported to England by Parry & Co.

1830: First Coffee plantation in Mylemane near Chikmagalore started by Thomas Cannon.

1834: First Coffee plantation by Malabar Muslims in Coorg (Nalkanad).

1843: Coffee planting stated in Sakleshpur (Manjarbad) by Frederic Green.

1890-91: 662 European planters own 49,862 acres of Coffee in Mysore State.

1906: Introduction of Robusta form Java.

1925: “Mysore Coffee Experimental Station” (MCES) started near Balehonnur.

1936: Indian Coffee Cess Committee; first India Coffee House opened at Churchgate, Bombay.
1940: Indian Coffee Market Expansion Board.
1942: Formation of Indian Coffee Board and introduction of pooled system.
1946: MCES taken over by Coffee Board and renamed Coffee Research Station.
1949-50: Release of second and most popular Arabica variety S.795 from CCRi.
1950s: Monsooned Malabar - the first Indian specialty Coffee discovered.
1960s: Coffee Research Station renamed as Central Coffee Research Institute.
1980s: Release of variety ‘Cauvery’; increase in area under Robusta.
1991: Coffee berry borer spotted in India.
1993: First Coffee auctions by the private sector.
1996: Coffee marketing completely liberalized.

By the 1840s, British planters were moving into the Baba Budan Hills and Coorg. Thomas Cannon of Mylemane was the most successful and notable pioneer in Chickmagalore. Fowler, the first European planter in Coorg, opened up Mercara Estate in 1854, Mann pioneered on the Sampaji Ghat. in 1855, Maxwell opened up the Perambadi Ghat estate in 1856 and in 1857, Kaundinya founded Anandapur in the ‘Bamboo District’. They were followed by the Stewarts, the Mangle brothers and the Sprotts.

But while the Europeans opened up much of the South to Coffee, a fact that is not widely remembered is that Indian planters, especially in Karnataka, held a prominent place in the Coffee industry from the first days. According to an estimate in 1870-71, there were 27,800 ‘native’ plantations in Mysore, of area 79,680 hectares, producing around 9,000 tonnes, while there were only about 400 European planters in Mysore, cultivating 20,190 hectares of Coffee area producing around 6,000 tonnes. What these pioneers began, neither leaf blight nor borer has been able to halt in what is today called Karnataka. About 64% of India’s Coffee production is from here.

Even as Coffee was striking deep roots in Mysore and Coorg, Coffee cultivation began to spread throughout the southern reaches of the Western Ghats. By 1863-64, there were 40 estates in the Wayanad. The peak of prosperity was reached in 1879 when the area under cultivation was 25,000 acres and the crop about 4,500 tonnes. Though Coffee cultivation is taken up by many States in the country, it is mainly

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confined to three Southern states of India such as Karnataka, Kerala and Tamil Nadu. Arabica and Robusta are the two principle economic species that find extensive cultivation in India. Elevation above the sea level influences both the variety and quality of Coffee. Arabica grows well at elevation 900-1200 meters and Robusta grows luxuriantly at lower elevation of 150 meters. Arabica are shade loving and require more shade than Robusta, under South India conditions.

In the world trade, lovers of Coffee often wonder how Indian Coffee is distinctive, delicious and distinguishable. To comprehend fully the principal reasons for the Indian Coffee being one of the world’s finest Coffee is to understand pretty well a whole range of Coffee facts and operations in the country. Nature with its generous Indian climate and rich soils pamper Coffee on the hill slopes, programmed picking of the Coffee fruits by deft human hands and the gentle painstaking manner in which they are processed, unlock the full flavour latent in every bean. Rigid assessment of quality leads to export of the finest beans accounting for the superiority and the fine aroma of India’s high grown mild Coffee.

The different exportable grades of Indian Coffee are all familiar to exporters in different countries of the world as being synonymous with supreme quality Coffee. This is because Indian Coffee industry has to its credit three hundred years of it continuous service in growing and making available high grown good quality Coffee. In the progression, 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 too is well received in the international market.

Coffee now forms an important commodity in the Indian trade. It should be a matter of considerable pride and joy to a planter to make his contribution to the production of good quality Coffee which has been the greatest asset in the international market. Coffee became one of the major foreign exchange earners for India and it contributes significantly to the central and the state exchequer, and local kitty. Coffee and tea were the few agricultural commodities on which the Karnataka Government was levying Agriculture Income Tax (AIT). Besides acting as an additional source of revenue to the Government, to cite an example when world Coffee prices were booming between 1976 and 1989, the Central Government had mopped up around Rs.640 crores from the Coffee industry through an export duty. It had a greater contribution in safeguarding ecological balance. The south India lives on its music, its Coffee, its silk, its sandalwood, and its culture. For instance in Bangalore 3.5 out of 5 people drink Coffee. The following Table shows the role of Coffee in India.
Table 1.2
Export scenario of Horticulture Products in India

<table>
<thead>
<tr>
<th>Horticulture Products</th>
<th>Value</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tea</td>
<td>1784.67</td>
<td>27.52</td>
</tr>
<tr>
<td>Coffee</td>
<td>1435.45</td>
<td>22.13</td>
</tr>
<tr>
<td>Spices</td>
<td>1366.50</td>
<td>21.07</td>
</tr>
<tr>
<td>Processed fruits and vegetables</td>
<td>993.64</td>
<td>15.32</td>
</tr>
<tr>
<td>Fresh Fruits and vegetables</td>
<td>647.22</td>
<td>9.98</td>
</tr>
<tr>
<td>Floriculture</td>
<td>105.16</td>
<td>1.62</td>
</tr>
<tr>
<td>Fruits and Vegetables seeds</td>
<td>83.94</td>
<td>1.29</td>
</tr>
<tr>
<td>Alcoholic beverages</td>
<td>69.12</td>
<td>1.07</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6485.70</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Source: DGS and APEDA

The Table given above reveals export scenario of horticultural products in India. Coffee as a horticultural product has export value of Rs.1,435 crores for the year 1999-2000 and about 22 percent share in overall exports, next only to Tea which has a share of 27 percent.

**Plantation Sector in India is Wilting and is on a verge of Extinction**

South Indian plantation sector is wilting and is on the verge of extinction. While fluctuating on commodity prices was not unknown, never before had all the major plantation crops simultaneously faced such a protracted distress situation arising from a sharp fall in prices to levels way below the cost of production. The decline had started in 1997 for Rubber, 1998 for Coffee and 1999 for tea. Meanwhile, the cost of production of all plantations had gone up substantially due to a steep hike in labour wages and prices of inputs like fertilizers. The average price of coffee had declined from Rs.117 per kg in 1998 to Rs.80 in 1999, remained at Rs.80 in 2000 but plummeted to Rs.57 in 2001. The case of Robusta was even worse. From Rs.72 per kg in 1998, the auction price of Robusta cherry AB grade had dropped to Rs.59 in 1999, Rs.40 in 2000 and Rs.29 in 2001. India’s Coffee plantation sector could have suffered an estimated loss of Rs.3,000 crore going by the fall in Coffee prices over the last four years and taking 1998 as the base, according to United Planters’ Association of Southern India. A similar situation confronted tea, from Rs.69 per kg in 1998, the average auction price of tea had, declined to Rs.57 per kg in 1999 and Rs.45 in 2000, remaining at Rs.46 in 2001. It is believed that if the distress situation continued, closure would become inevitable. The plantation sector now realizes the folly of achieving massive production targets without supportive marketing strategies. It is high time

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the planners realized this and formulated long-term market-oriented plans. It is the duty of the Government and commodity boards to periodically advise growers on the economic viability of different crops and caution them against unbridled expansion. In fact, a de novo look is required in respect of the entire gamut of the plantation sector.

Therefore, the challenge before the heritage enterprise in India—a heritage system of growing, processing and trading in place, is the might of these heritage systems, and involving oneself in the attitude change are necessary on such a broad scale. The challenge emerged mainly because during the marketing process, consumers are interested in getting what they want at the lowest possible cost. Producers are interested in obtaining the highest possible returns from the sale of produce and intermediaries engaged in performing various marketing tasks are interested in the profitability of their particular business operation. Conflicts of interest do arise among various groups seeking these goals. The continuous birth and solution of these problems are what give marketing its essential dynamic character. Change is the one general role of marketing - the status-quo is never permanent. These challenges are also justified because:

- Coffee is a seasonal commodity harvested in the first four months, of the calendar year, but required for marketing throughout the year.
- Coffee can be characterized as a fragmented industry along with a greater dependency of global market. A typical characteristic of a fragmented industry is that it produces products which are difficult to differentiate.
- Largely a commodity market and if it entered into commodity aggression relief for the industry can be expected with an improved performance both in the export and domestic front.
- Multi-tier industry structure starting from growers, moving through agents, curers and culminating in exporters and roasters who do the final marketing.
- This is the industry having very less producers share in consumers Dollar of just about 15 percent which can be improved with the tie-up of producers with the trade and the consumer with the initiative such as curving out specialty Coffee, evolving in Fair Trade Initiative etc.
- Prices are very volatile and move at the change in perceptions of worldwide demand and supply situation.
- Consumption station mostly in developed countries the markets which ask for a phenomenon changes in our offering.
- ‘Buyer-driven’ international market (specifically, roasters driven).
- The distinctive characteristics of increase trade of small quantities of specific quality beans (Mild Arabica) in the

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On the domestic market front, there is a compulsion to increase consumption throughout the world. Though the country’s market is historically an export oriented, it is the single largest market for Coffee grown in the country. No one can ignore the domestic market not just because of present glut in export front but for the future survival of the Coffee industry as a whole in the country.

There is a progressive growth in the domestic market in recent years. The value chain in Coffee spans different segments of consumption. Right at the bottom end of the chain is the green bean. Next in hierarchy lies the market for the roasted bean through specialized outlets that offer to roast and grind Coffee. Then there are the roasted and ground Coffee offered in branded packages with limited shelf life. Higher on this hierarchy are the popular chicory mixed variants; instant soluble Coffee; and a chicory variant. Liquid Coffee offered through vending machines is a trend that is catching on as well. The most profitable of them all is the Cafe. Transparency and corporate governance however, is a problem area since the cafe business has been disorganized due to its recent entry.

The above have calling to comprehend emerging issues in India’s Coffee marketing and thereby strategize the plan for the development of India’s Coffee market.

In the progression it is believed that domestic market holds a great potential which needs to be exploited with the right marketing approach along with focusing on ways and means to promote export market.

## 1.2 COFFEE IN INDIA

Nature has blessed India with diverse agro-climatic conditions that are conducive for growing different crops almost round the year. Indian agriculture contributes nearly 40% of the gross domestic product and provides employment to around two-thirds of the nation’s population. India is the second largest producer of coffee, next to Brazil, and brings in nearly Rs.2,000 crores of foreign exchange to the nation every year. The major coffee growing States in India are Karnataka, Kerala, Tamil Nadu and Andhra Pradesh. It is also grown on a small scale in States like Arunachal Pradesh, Sikkim, Tripura and West Bengal.

Coffee is a commercial crop and is grown by plantation method. *Arabica* and *Robusta* are the two types of coffee cultivated on commercial scale. According to a survey conducted by the Karnataka Coffee Board in the year 2001-02, the area under coffee plantation in Karnataka is around 3,40,306 hectares (ha.), of which, Arabica accounts for 40.50% and the Robusta for 50.50%. The average annual coffee production is about 250,000 tonnes, out of which, about 70% production
is exported annually. The coffee area is distributed in a total of 1,40,294 holdings, of which only 2,650 belong to large growers owning above 10 acres.

Coffee is an agro-based rural industry. It plays an important role in the development of our country. It brings nearly Rs.2,000 of foreign exchange to the nation every year. It provides direct and indirect employment to above 6.0 lakh people.

According to a legend, a Muslim pilgrim, Baba Budan, introduced Arabica coffee into India sometime during 1600 A.D. He is reported to have brought just seven seeds of coffee from Yemen, presumably the Mokka coffee region, and raised the seedlings at his hermitage on the hills near Chikmagalure city of Karnataka State. The Province of Kaffa in Ethiopia is considered the original habitat of Arabica coffee.

In Chikmagalure district, a Britisher Thomas Canon established the earliest large scale coffee plantation in 1830. It is still in good condition.

The soil and climatic conditions in Chikmagalure district are best suited for coffee production. Most hilly lands with forest soils in South India fulfill these requirements. Geographic parameters like elevation aspects and environmental factors like rainfall, temperature and atmospheric humidity can influence an economic production of coffee than soil factors.

Table 1.3
Production of Coffee in India
(in metric tonnes)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>30,06,00</td>
</tr>
<tr>
<td>2002-03</td>
<td>27,52,75</td>
</tr>
<tr>
<td>2003-04</td>
<td>27,05,00</td>
</tr>
<tr>
<td>2004-05</td>
<td>27,50,00</td>
</tr>
<tr>
<td>2005-06</td>
<td>27,40,00</td>
</tr>
</tbody>
</table>

The production of coffee in Chikmagalure district with two major types of coffee varieties - Arabica and Robusta - is shown below.

Table 1.4
Production of Coffee in Chikmagalure District
(in metric tonnes)

<table>
<thead>
<tr>
<th>Year</th>
<th>Arabica</th>
<th>Robusta</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>44,000</td>
<td>29,000</td>
<td>73,000</td>
</tr>
<tr>
<td>2002-03</td>
<td>43,850</td>
<td>31,025</td>
<td>74,975</td>
</tr>
<tr>
<td>2003-04</td>
<td>39,900</td>
<td>27,600</td>
<td>67,500</td>
</tr>
<tr>
<td>2004-05</td>
<td>42,200</td>
<td>25,800</td>
<td>68,000</td>
</tr>
<tr>
<td>2005-06</td>
<td>41,100</td>
<td>29,700</td>
<td>70,800</td>
</tr>
</tbody>
</table>

Table 1.5

Shivaji University, Kolhapur.
Coffee Exports from India

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>2,00,000</td>
<td>2,13,586</td>
</tr>
<tr>
<td>2003-04</td>
<td>2,15,000</td>
<td>2,32,654</td>
</tr>
<tr>
<td>2004-05</td>
<td>2,25,000</td>
<td>1,95,114</td>
</tr>
<tr>
<td>2005-06</td>
<td>2,00,000</td>
<td>92,068</td>
</tr>
</tbody>
</table>

1.3 STATEMENT OF THE PROBLEM

India’s coffee plays an important role in the international coffee market. India has achieved a commendable success in coffee production and export for a long period. The State of Karnataka is famous for coffee production and exports. Chikmagalore, Coorg and Hassan districts are the main coffee growing districts in Karnataka.

For the present work, the researcher has decided to study the problems and prospects of the coffee industry in Chikmagalore district. In a liberalized economy, globalization and privatization play a very important role in coffee production and exports. In the coffee industry, mainly the coffee growers are facing various problems. Low yield per acre, low quantity of coffee production, inadequate storage and transportation facilities and labour are the major problems being faced by these growers at the production stage.

Fluctuating prices, lack of market information, lack of efficient management, malpractices at the market place are the other problems faced by these growers at the marketing stage.

Taking into account the above mentioned various problems of the coffee industry, the researcher has decided to make a separate and an in-depth study of the problems and prospects of the coffee industry, especially in Chikmagalore district.

1.4 OBJECTIVES OF THE STUDY

In view of the above discussions, the following have been set out as the objectives of the present study:

1. To study the problems of coffee growers in the study area;
2. To study various financial problems of coffee growers in the study area;
3. To provide practical suggestions to overcome the problems identified.

1.5 METHODOLOGY ADOPTED

In view of the above objectives, the present research work has relied
on both the primary and the secondary data, compiled from the coffee growers, Government institutions, archives of the Coffee Board of India, as well as various books, journals and periodicals.

In the present study, emphasis has been given on collecting the primary data by survey method. The primary data collected from the respondent-coffee growers was processed on a computer by developing specific softwares and under expert supervision. The statistical findings derived from this exercise, juxtaposed against the theoretical background and secondary data, were interpreted through an intellectual exercise for the purpose of drawing conclusions. Similarly, specific computer softwares were used for word-processing.

1.6 SELECTION OF STUDY AREA - CHIKMAGALORE DISTRICT AND TALUKAS

Geographical area-wise, Chikmagalore is the largest district in Karnataka and has a substantial population of coffee growers. It was thus thought appropriate to select this district as representative of all the coffee growing districts in Karnataka.

Furthermore, Chikmagalore district has seven talukas and although coffee is grown in all the talukas, there is a substantial production of coffee in Koppa, N.R.Pura, Chikmagalore and Mudigere, while the production in the remaining three talukas of Tarikere, Kadur and Sringeri is lower because of poor environmental and soil conditions. Hence, only the high-yielding talukas have been taken into consideration.

1.7 SAMPLE SIZE

Purposive sampling method was used for collecting the primary data. Accordingly, 50 each Arabica and Robusta coffee growers were taken up as sample.

In the sample, equal weightage was given to both types of coffees, i.e. Arabica and Robusta.

1.8 COLLECTION OF DATA

For collecting accurate and reliable primary data, the respondent-coffee growers were administered a detailed structured interview schedule. Also, the heads of various Coffee Curing Works in the study area were informally interviewed to know the details of the curing process and also to know their problems.

The secondary data regarding the Government’s policies towards coffee industry, and coffee export promotion policies, and the roles of the Coffee Board of India and other concerned agencies was collected from the respective sources.

1.9 DATA ANALYSIS AND INTERPRETATION

The primary data collected from the respondent-coffee growers
was processed on a computer by developing specific software and under expert supervision. The statistical findings derived from this exercise, juxtaposed against the theoretical background, were interpreted through an intellectual exercise for the purpose of drawing conclusions. Similarly, specific computer software were used for word-processing.

1.10 SCOPE OF THE STUDY

The present work is an exploratory investigation into the problems and prospects of the coffee industry. The scope of the study is limited with reference to following:

1.10.1 GEOGRAPHICAL SCOPE

The geographical scope is confined to the boundaries of Chikmagalure district of Karnataka State. The coffee growers of the same district were considered as a respondent for the study.

1.10.2 TOPICAL SCOPE

The researcher has selected the topic for the study relating to problems and prospects of coffee industry and topical scope also covers the evaluation of the problems and prospects of the coffee industry in the study area.

1.10.3 ANALYTICAL SCOPE

The analytical scope of the present study is limited to the fulfillment of the objectives set out for the study. The present study has focused on the problems and prospects of coffee industry of Chikmagalure district with objective to understand problems faced and satisfaction level of coffee growers.

1.10.4 FUNCTIONAL SCOPE

The functional scope is confined to offering a set of meaningful suggestions for resolving the problems being faced by the coffee industry in Chikmagalure district, in particular.

1.11 SIGNIFICANCE AND NEED OF THE STUDY

India is an agrarian country. It produces many types of crops for exports and domestic consumption. There is a considerable scope for increasing the exports and production of commercial crops. Hence, India should take advantage of this by strengthening its production and post-production processing facilities.

There is a need to make a separate study of problems of coffee production. Karnataka is growing the major part of the total production of coffee in India, but still it is not in a position to obtain good crop yields and finished quantities. Hence, the researcher feels that it is necessary to
undertake a study of problems and prospects of the coffee industry, at least in a limited area of one geographical district - Chikmagalure.

The study will prove to be unique not only for Chikmagalure district, but also for other coffee growing areas in Karnataka State. Its findings and suggestions will also prove useful to coffee growers, research workers, export houses as well as State and Central Governments.

Under the new policy of globalization and liberalization, a study of the problems and prospects of the coffee industry will become a pathfinder for new and existing growers, exporters and policy-makers.
1.12 CHAPTER SCHEME

The Thesis is divided into Six Chapters as under:

Chapter-1 : Introduction and Research Design
Chapter-2 : Review of Literature
Chaper-3 : Coffee : A Brief History and Contemporary Scenario
Chaper-4 : Profile of Chikmagalore District
Chapter-5 : Data Analysis and Interpretation
Chapter-6 : Conclusions and Suggestions

The structured interview schedule used for collecting the primary data forms the Appendix and a Select Bibliography concludes the Thesis.