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Export performance of coffee in India- An analytical study

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Abstract

In India, coffee is traditionally grown in the Western Ghats spread over Karnataka, Kerala and Tamil Nadu. Coffee cultivation is also being expanding rapidly in the nontraditional areas of AP and Odisha as well as in the North East states. Coffee is predominantly an export oriented commodity and 65% to 70% of coffee industry earns a foreign exchange nearly Rs. 4000 Crores per year. Indian coffee has created a niche for itself in the international market and the Indian Coffees are earning high premium, particularly Indian Robusta which is highly preferred for its good blending quality. India's share in coffee exports rate at 5% in the global trade. The industry is currently employing fine million people and is anticipated to increase its employment of opportunities in the near future. The export of coffee is showing a constantly increasing trend right from its inception. The study on export performance of coffee, taking in to consideration the major coffee producing states, would bring out the importance of coffee exports. The study also identifies and analysis the processing of coffee in our country.

Keywords: Coffee, Export, Foreign Exchange, Global trade, India's share and international market.

1. Introduction

The recent historic and dramatic development viz. the crumbling of communism in several nation and the opening up of the centrally planned economics for Internationalization have given a considerable impetus to International Business which has been gathering more and more momentum from most of the countries. While a growing proportion of north - south trade represents Globalization, the above developments have made the talk of east west trade redundant. International institutions like IMF and World Bank which is described by the communist in the past as organs of capitalist imperialism, have become important sources of assistance for the economic rejuvenation of the erstwhile communist and socialist nations, in addition to the multinationals and capitalist Governments. The success of many countries is experienced through liberalization along with other market-oriented policies.

In India, coffee is traditionally grown in the Western Ghats spread over Karnataka, Kerala and Tamil Nadu. Coffee cultivation is also being expanding rapidly in the nontraditional areas of AP and Odisha as well as in the North East states. Coffee is predominantly an export oriented commodity and 65% to 70% of coffee industry earns a foreign exchange to the tune of about Rs. 4000 Crores. Indian coffee has created a niche for itself in the international market and the Indian Coffees are earning high premium, particularly Indian Robusta which is highly preferred for its good blending quality. Arabica Coffee from India is also well received in the international market. Coffee is an export product with low import intensity and high employment content. This is evident from the fact that more than six lakh persons are directly employed and an equal numbers of individuals get indirect employment from this sector. The two main varieties of coffee viz., Arabica and Robusta are grown in India. Arabica is mild coffee, but the beans being more aromatic, it has higher market value compared to Robusta beans. On the other hand Robusta has more strength and is, therefore, used in making various blends. Arabica is grown in higher altitudes than Robusta. The cool and equable temperature, ranging between 15 degree Celsius to 25 degree Celsius, is suitable for Arabica while for Robusta, hot and humid climate with temperature ranging from 20 degree Celsius to 30 degree Celsius is suitable. Arabica require more c& nurture and is more suitable for large holdings whereas Robusta is suitable irrespective of size of the farm. The harvest of Arabica takes place between November to January, while for Robusta it is December to February.

Arabica is susceptible to pests & diseases such as Whit Stem Borer, leaf rust etc., and requires more shade than Robusta.

2. Need for the study

Coffee is one of the world's most popular beverages, some claim it is the most widely consumed liquid in the world aside from water. Coffee's success as a beverage undoubtedly owes both to the caffeine it harbours and its sensory pleasure. Coffee lovers come to associate the energizing list of the caffeine with richness and aroma of the beverages that delivers it. Coffee is produced from the seeds of a small red fruit that grows half way in size between shrub and tree. Coffee production is a labour-intensive process involving a vast Inter-Continental collaboration. Coffee market is over supplied. Sixty to sixty five percent of the world supply of coffee is from Latin America. India exports 80 percent of its production. Indian coffee contributes only meager share of about 5 percent in the global market. This global scene in the coffee industry entails a project study that reveals the various statistical details in the areas like coffee production, coffee consumption, and export earnings which further provides a vision that has to be achieved in the coffee industry in the forthcoming years. This study also reveals the feature which our coffee producers lack, that results in meager share of Indian coffee in the global market.

India's share in coffee exports rate at 5% in the global trade. The industry is currently employing fine million people and is anticipated to increase its employment of opportunities in the near future. The export of coffee is showing a constantly increasing trend right from its inception. The study on export performance of coffee, taking in to consideration the major coffee producing states, would bring out the importance of coffee exports. The study also identifies and analysis the processing of coffee in our country.

3. Review of literature

A literature review is an evaluative report of studies found in the literature related to your selected area. The review should describe, summarize, evaluate and clarify this literature. It should give a theoretical basis for the research and help you determine the nature of your own research. Select a limited number of works that are central to your area rather than trying to collect a large number of works that are not as closely connected to your topic area (Boote and Beile, 2005). A literature review goes beyond the search for information and includes the identification and articulation of relationships between the literature and your field of research. While the form of the literature review may vary with different types of studies,

Monika Daniel Penkar (2006)

The recovery of the world economy from the financial crisis has been slow and fragile. Chances of robust economic recovery in the immediate future seem remote. The developed countries may aim at realizing recovery through fiscal consolidation and export led growth. This will pose a challenge to Indian exports in assessing overseas market. The paper attempts to throw up some major stumbling blocks and establishes the need for fast growing export trade and highlights two core products namely Agriculture and

Leather. The relevant keywords are: Import, Export, Core products and Strategy.

Rajasekar T (2009)

The performance of the ports plays a major role in the promotion of international trade. Around 90% of the international cargo is transported through ships only. The main objective of this paper is to analyse the performance of export and import traffic in Tuticorin Port Trust (TPT) which has been a centre for maritime trade and pearl fishery for more than a century. The paper mainly discusses about the ports traffic performance, growth rate of port and the performance of commodities of export and import. This paper also tries to study and compare the efficiency of major ports in India. A case study is used in order to collect the required information about the performance of export and import traffic of TPT. Growth of exports and imports and other variables have been analysed by using the simple growth rate and compound growth rates. Method of least squares was adopted to calculate the trend values. From this study it is found that on an average the export and import traffic showed a growth of 4.03%. Among the commodities exported general cargo accounted for 62.23% and the major commodity imported was coal which accounted for 56.69%. Tuticorin port also registered effective performance in container trade during the study period.

Vera Songwlere (2010)

In this paper, we are concerned with the effects of exports and export diversification on growth and the policy implications for post-crisis export strategies. Using a panel of 30 selected sub-Saharan African countries over the period 1995-2008, we estimate the impact of exports and export diversification on value added, labour productivity, and conditional and unconditional labour demand. We find, first, that exports have a positive impact on value added, labour productivity and labour demand. Second, we find that export diversification of products and markets increase value added and labour productivity, but not labour demand. When we drop natural resource-intensive countries from the sample, we can confirm these results for value added, labour productivity and unconditional labour demand. Third, controlling for the export market share to the U.S., EU-25, China and sub-Saharan Africa, we find that the export destination matters for growth and employment. We also interact exports with export diversification of products and markets as well as export market shares. Contrary to expectations, we find that the positive value added and labour productivity effects from exports are larger the more concentrated (instead of diversified) in export products and markets the countries in our sample are. Finally, we find that the effect of exports on growth and employment is also influenced by export destination. We argue that sub-Saharan Africa's export structure is one of the main reasons the region has been able to get a head start out of the recent recession. We also suggest that sub-Saharan African countries, especially the resource-based economies, need to concentrate on improving productivity in areas where they have a comparative advantage and on moving up the value chain in those commodities.

4. Objectives of the study

1. To analyze the countries-wise and year-wise export performance of coffee.
2. To find out the prospects of coffee export in India.
3. To study the problems faced by the coffee exporters in India.

5. Methodology

This study primarily uses analytical research design and the study is purely based on secondary. The secondary data was collected from internet, books and well research publication. The statistical tools used for this study are simple average analysis and least square method in order to perform analysis in the research. The choice of coffee production in India is dominated in the hill tracts of South Indian states in three regions of India with Karnataka accounting 53% followed by Kerala 28% and Tamil Nadu 11% of production of 8,200 tones forming the traditional coffee growing region of South India.

6. Limitations of the study

1. This study is purely based on secondary sources of data.
2. Time factor is the major constraint of this study

7. Result and discussion

Analysis and Interpretation

Table No. 1 shows the production of coffee and its

percentage share during the years 2006-2013. The table implies that the production of coffee gradually increases from 2006-2013. In the year 2012- 2013, the production of coffee was found to be 8.31 lakhs tons having its percentage share to be 24.67%, because the climatic condition and the rainfall were in favor of the coffee plantation which has led to a steady increase of production of coffee in India.

Table No. 2 shows the production of coffee is found to be increasing for the years to come. In the year 2010 the production would be in the tune of to 13.13 lakh tons, expecting the monsoon to strike in the right time to have such as steady growth in production.

Table No. 3 gives the export quantity of coffee in lakh tons and its percentage share during the years 2006 to 2013. The percentage share of export quantity of coffee are found to be increasing. In the year 2012 -2013, the export quantity of coffee is 6.13 lakh tons, having a percentage share of 24.25%, since the production of coffee have increased, the exports have also increased.

Table No. 4 gives the Export Quantity of coffee is found to be increasing for the years to come. In the year 2018 the Export Quantity would be in the tune of 17.85 lakh tons, since the production of coffee is expected to rise steadily the export is also forecasted to rise.

Table 1: Production of coffee in India

Sl. No	Year	Production (in Lakh Tons)	% of share
1	2006-2007	2.65	7.87
2	2007-2008	2.92	8.67
3	2008-2009	3.01	8.93
4	2009-2010	3.06	9.08
5	2010-2011	6.51	19.32
6	2011-2012	7.23	21.46
7	2012-2013	8.31	24.67

Table 2: Trend value of coffee production

Sl. No	Years	Trend value (in lakh tons)
1	2014	8.97
2	2015	10.01
3	2016	11.05
4	2017	12.09
5	2018	13.13

Table 3: Export quantity of coffee

Sl. No	Years	Export Quantity (in Lakh tons)	Percentage (%)
1	2006-2007	2.12	8.39
2	2007-2008	2.45	9.7
3	2008-2009	2.47	9.77
4	2009-2010	2.13	8.43
5	2010-2011	4.6	18.2
6	2011-2012	5.36	21.25
7	2012-2013	6.13	24.25

Table 4: Trend value of export quantity

Sl. No	Year	Trend Value (In Lakh Tons)
1	2014	10.73
2	2015	12.59
3	2016	14.29
4	2017	16.07
5	2018	17.85

Table No. 5 reveals the export value of coffee during the years 2006-2013, of its percentage share. This table implies that the export value i.e. found to be increasing. In 2012-2013 the export value is 29542.5 Rs in million having a percentage share of 18.85. The variation in the table was because of the fall in the price of the coffee in foreign markets.

Table No. 6 reveals the export value of coffee is found to be increasing for the years to come. In the year 2018 the export value would be in the tune of 37670.82 Rs. in million. The

export of coffee has a good steady increase so the value of the export is found to be increasing steadily.

Table No. 7 shows the top 5 exports quantity of coffee from India by countries. In the year 2011 – 2012 was found to be increasing 110236 Mt. from the year 2010 - 2011 but, in the year 2012 - 2013 the exports quantity of coffee was found to be decreasing 34397 Mt. The variation of export quantity in the table was because of the number of exporter is increasing and price fluctuation changes in the coffee market.

Table 5: Export value of coffee

Sl. No	Year	Value (Rs in millions)	Percentage (%)
1	2006-2007	17520	12.44
2	2007-2008	19010	13.53
3	2008-2009	13740	9.76
4	2009-2010	10500	7.46
5	2010-2011	23802	16.91
6	2011-2012	26672.5	18.95
7	2012-2013	29542.5	18.85

Table 6: Trend value of the export value of coffee

Sl. No.	Years	Value in Rs millions
1	2014	28891.63
2	2015	31086.43
3	2016	33281.23
4	2017	35476.03
5	2018	37670.82

Table 7: Top 5 export of coffee from India by countries – fy 2010-2013

Sl. No.	Destination	Quantity in Mt.		
		2010 - 2011	2011 - 2012	2012 - 2013
1	Italy	12574	52197	48694
2	Germany	8646	33592	24772
3	Russian Federation	5086	25680	16168
4	Belgium	3819	18777	11042
5	Spain	3783	13898	9071
Total		33908	144144	109747

8. Findings

From the study it is clear that India, Karnataka produces of coffee 53%, Kerala & Tamil Nadu 39%, but contributes only 5% in the world coffee market. The production of coffee has steady increased due to the favorable climatic condition and

rainfall and future trend is forecasted to be steady and the export quantity of coffee has increased year after year during year 2010 - 2011, 2011 - 2012, but when compared to the year 2012 - 2013 the exports quantity has decreased. This

change may be due to the number of exporter is increasing and price fluctuation changes in the coffee market.

9. Suggestion

The trend in coffee export can be improved by improving the quality of coffee to international standards and the export quantity of coffee can be increased by offering intentional competitive price and the process of packing should use air tight technology and aluminum packaging to preserve the aroma and taste as well as to avoid damage by light or heat.

10. Conclusion

From the project study, it is clear that, Indian coffee has a unique historic flavor and it is the most extraordinary of beverages. The Indian coffee growers pour his life into the crop. If government takes initiative in supporting the coffee producers, the market will find a prospect. The export performance of coffee of India is found to be good and it can be improved by adding value to the coffee beans at the origin. India has consistently produced and exported a remarkable variety of high – quality coffee for over one hundred and fifty years. Coffee consumption in India steadily increases, Export earnings earned by trading coffee are satisfactory at the present and it is predicted to be better in future.

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