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SMALL GROWERS AND COFFEE MARKETING–ISSUES AND PERSPECTIVE FROM THE FIELD

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ABSTRACT

Issues of marketing of and trade in Coffee assumes importance due to its export potential as well as the livelihood dependency of large number of small growers (98% of holdings). Global coffee market is characterised by enormous clout of roasters and exporters at the upper end of the value chain (who appropriate over 60% of value) and increasingly the value accrued to the primary producers has reduced (to mere 6 – 7%). Given that it is a buyer's market (oligopolic), small growers have limited or no incentive for productivity enhancement, innovation and for participation in niche markets. Liquidity exigencies force most of them to sell green coffee at the farm gate. Production structure is unsustainable due to high labour costs.

Thus, sustaining coffee farmers' income (and especially smallholders) requires support from the government and private sector. Initiatives like coffee certification, multi-sectoral partnerships for sustainable coffee value chains need to gain confidence of small growers in India. Small growers expect a more aggressive role of the Coffee Board to facilitate market access, support to co-operative movement and for diversification. Given that Coffee is grown in a multi-crop production environment, small growers expect support from stakeholders for 'plantation economy' as a whole for secured livelihoods and not only for efficient coffee production thereby buffering risks. It also helps in environmental and bio-diversity conservation.

Some concrete recommendations to support small growers include, addressing short term liquidity problems, use of MGNREG labour works for their benefit, creating incentives (and market mechanisms) for environmental conservation, stabilisation of production environment through mechanisation.

Market access through invoking origins, unique indigenous certification, brand building for domestic and export markets, organisation of small growers for inter-sectoral partnerships are few other important suggestions in this direction.

I. Background

India is the 6th largest coffee producer in the world. This sector provides the major source of income for the rural population with rural livelihoods being mainly dependent on coffee production especially in the coffee growing districts of Karnataka. Farm labour in coffee plantations requires a particular set of skills. However, with limited options for mechanisation and, coffee production is basically recognised as labour intensive. Coffee cultivation is also exposed to high level farm risks (production) (Hartmann M and Akasha BM 2009) as well as market risk with changing production conditions (rising costs of inputs) and extreme price volatility (Upendranadh, C. 2010).

While Coffee is a globally traded commodity, even globally, as in India, production of it is by small holdings unlike other plantations crops. Hence, the fortunes of small producers depend on global supply and demand conditions and they are part of the global value chain. Over 98 % of coffee holdings and 70% of production of Coffee in India is by small holders. About 77% of holdings are classified as tiny (below 2 hectares) holdings. Even at the global level, it is estimated that over 25 million small grower-households depend on Coffee as a source of livelihood with a dependence population of over 125 million.

It is from this perspective that the trade and marketing aspects of coffee need to be studied. This paper makes an attempt to understand the current trade and marketing regime and identifies issues that need to be addressed in order to ensure sustainability (both economic and social).

Issues of marketing and trade of Coffee assumes importance not only from the point of view of India's exports in coffee (to the tune of over 4500 Cr revenue in 2011), but also from the perspective of livelihoods of large number of small growers and plantation workers.

This paper is aimed at understanding trade and marketing of coffee in India both from the macro perspective as well from the perspective of small growers (micro level). We use secondary data, literature and studies to map the global trade and marketing scenario vis a vis coffee and then move on to understand the situation at the field level. Field observations are based on our interviews with coffee growers, traders (agents), growers associations and other stakeholders at the local level (primarily covering Kodagu district). Information was gathered through informal discussions. The stakeholders consulted included members of the Coorg Planters' Association, Kodagu District Small Growers' Association, Kodagu DCC Bank, Kodagu Coffee Growers' Cooperative Society, Karnataka Planters' Association, the Coffee Board, and the Forestry College, along with Coffee Roasters, Traders, Large Estate Managers and small growers from the area of Coorg[1].

This paper is divided into six sections. Following this introduction in section 2 we map out the macro scenario with respect to coffee marketing. In section 3 we provide marketing practices at the field level. In section 4 we identify constraints observed by the small growers *vis-a-vis* marketing of coffee and their perceptions with respect to new marketing mechanisms that are available. In section 5 we identify future perspectives of small growers with respect to marketing and in the final section we provide a set of policy recommendations.

India accounts for about 4 per cent of global production of coffee. The top five countries which import coffee from India are Italy, the Russian Federation, Germany, Belgium, and Spain. Historically, Indian

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1. Kodagu district was called as Coorg during colonial period and we use these two interchangeably as several respondents of our field interviews used that way.

coffee is not marketed in a substantial way in growing markets like the US and East Asian countries like Japan and Korea. This aspect is becoming an area of focus for exporters and the Coffee Board in recent years. As per the data of the Coffee Board of India, market share of coffee exports of India stands at around 4 per cent in 2011, which is marginally lower compared to 4.06 per cent during 2005-06.

Coffee trade has to be viewed from a global political economy perspective as well as domestic considerations. In recent years there is an increase in domestic demand for Coffee, which is a result of several factors including rising aspirations and incomes of middle class in India as well as an increasing coffee drinking habit in North India. Implications of this for producers need to be studied and how the domestic processing industry (like curers, roasters, branding and packaging – in contrast to MNCs who wield enormous power at this upper end of the value chain) – would be able to benefit from such development.

During the past decade there have been fluctuations in the export share of India. This is due to the structural mismatch in demand and supply at the global level. Global production conditions (especially rapid expansion of coffee area in Vietnam and Brazil and different time periods of coffee harvest in producing countries) have affected the exports from India. However, in the recent two years there has been an increasing trend of exports (and re-exports) as Indian Coffee is still preferred in the crisis-ridden European market as well as in the former USSR. There has been a chronic over supply during the past two decades, which has been termed as the 'coffee crisis' where prices have plummeted to rock bottom (Upendranadh, C. 2010).

Price volatility is a major factor that characterises the Coffee Industry. While it is a global phenomenon with respect to all agriculture commodities, coffee witnessed a steep fall during the past twenty years (the worst being the period 2000–2004), primarily due to low barriers for entry and chronic over supply (ibid). The unpredictable nature of green coffee prices makes it difficult for growers to take decisions related to production. Given that vast majority of them are small growers, fluctuating prices also affect their livelihood security and compounds the crisis. Although market based solutions (like risk insurance, etc.) are available for risk mitigation, given the nature of production, there are barriers for small growers to adopt such practices (knowledge, costs, institutional and credit). Also, they do not cover the long-term structural infirmities of plantation economy where diversification has little scope i.e., moving away from coffee. Enormous clout of power exercised by the MNCs at the upper end of the coffee value chain also explains the situation of lower returns to primary producers. It is estimated that the value accrued to the primary producers has consistently come down over a period and now stands at about 7–10% of the consumer price. Such growing asymmetries of incomes (and information as well) in the value chain is an indicator of the oligopoly nature of the markets both at the producer as well as consumer ends. It is estimated that over 60% of the value is accounted for intermediary MNCs who are primarily involved in curing, roasting, packaging and branding. Coffee is one commodity which is driven by the brand power. The top four MNCs wield a market share of over 45%. Such a situation warrants concerted efforts by all stakeholders to ensure fair and decent returns to the small producers whose livelihoods are at stake.

Some new developments in the coffee marketing and trade have been the entry of interventions (value chains) like organic coffee, fair trade, certified coffee and sustainable coffee and others. These initiatives are still at a nascent stage though they created sufficient curiosity and enthusiasm among the coffee grower community. Implications of these interventions in the long run and the multi-stakeholder approach to these initiatives need to be explored further. We will touch upon this in a subsequent section of this paper.

Coffee cultivation in India is mainly confined to the southern states of Karnataka (70%), Kerala (20%) and Tamil Nadu (7%). The land on which most growers produce coffee on is more often than not, inherited land, and so as an industry, it has been relying on owners that are passionate about growing coffee, but who also want to receive a good remuneration. Given the cultural context and the link with land, the potential for sustainable production is huge if proper facilitation is done so that cultivation continues in future generations (ibid).

Given that coffee as a commodity is globally connected, it would be important to analyse the macro scenario in terms of the global value chain of coffee and situate the condition of small producers. It would be of policy importance to understand how small producers are connected with global developments and what are the strategies for their sustenance. Given that there is role transformation of global regulatory bodies like the International Coffee Organisation (ICO) and national bodies like the Coffee Board post-liberalisation, the need for identifying roles and responsibilities of stakeholders assume importance. Hence, there is a need to understand the value chain of production and distribution in order to identify strategies that enable small and marginal farmers to engage in production that is remunerative as well as sustainable.

II. Emerging Macro Scenario in Coffee Marketing

Historically, coffee is a buyer-driven chain, especially it became aggressively so, after the dismantling of quotas and International Coffee Agreements since mid 1990s. This period also coincided with liberalisation policies across developing countries and reduction in the role of governments in several areas of production including agriculture infrastructure, marketing and trade of primary commodities. Private players (who work in tandem with exporters), who hitherto were in a regulated regime became more aggressive. Falling prices in fact have not affected the MNCs as they tend to gain more while green coffee prices are low. MNCs are oligopolistic on the seller side and oligopsonistic on the buyers' side. They also have financial power to hedge against price fluctuations in the futures markets (Almeidia et al, 2009).

There are four major players in the Coffee value chain:

- producers – they are overwhelmingly small growers in most coffee growing countries
- local traders - they procure coffee from small growers (this is not an organised activity in many countries as there is little organised trading by producer groups). Local traders work for curing houses and exporters
- Curing works and exporters – they aggregate the produce and export
- Roasters – they complete the process of roasting, package, brand and sell the finished product in the global markets (wholesale as well as retail chains).

While this simplistic supply chain fits neatly with the global commodity trade, it needs to be emphasised that the role of global traders and roasters is significant. It is estimated that over 65% of the value accrues to this segment of the value chain.

Demand and Supply Mismatch

The global demand for coffee is outstripping supply thereby reducing stocks at the producing countries to an all time low (TechnoServe 2009). Such a situation is quite paradoxical as the producers are not getting cost recovery price while the consumer demand for coffee is ever growing. It is estimated that except for South Africa and India, most producing countries are expected to see a dip in their production due to various reasons including adverse weather. In India too, while there is an increase in exports, production is rather platued around 300,000 MT. It is important to note that finance capital plays an important role in mopping up the supply and the role of MNCs and large roaster companies are critical in this operation (Mercereau, David & Vignault, Clementine (2008).

The world demand and supply of coffee has followed a cyclical pattern driven by prices on the world market. It seems that the industry of coffee suffers from what Talbot (2004) calls a ‘structural over supply’ trend that will not be corrected by supply and demand. Whenever the price of the green coffee goes up, the production increases in the next period, bringing prices back again to the previous levels. (Almeida et al, 2009).

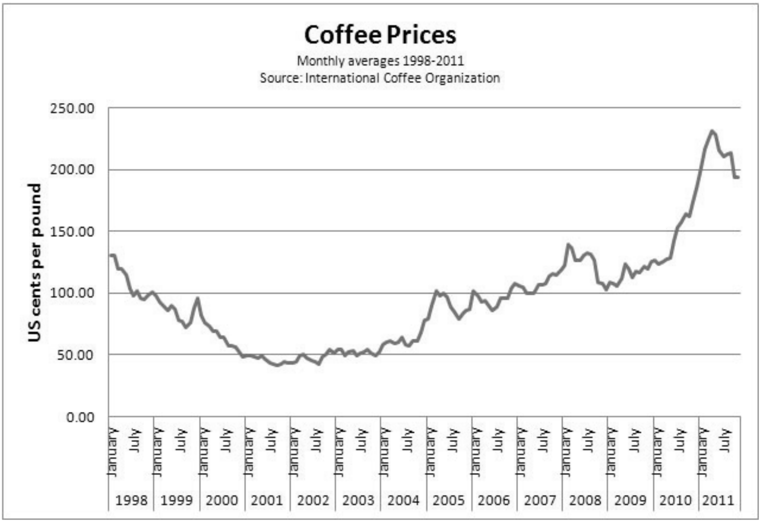
As opposed to some parts of the world, where the producers are subjected to price fluctuations, the evolution of the coffee economy in consuming countries, which are predominantly in the Western Hemisphere, was proving more fruitful, showing a positive growth pattern with a sustained improvement in profits for roasters. This was due to the emergence of a growing coffee culture, which relied heavily on the new and innovative retail chains such as Starbucks, and the coffee brands like Nescafe and Illy. According to a paper by the International Coffee Organisation on the coffee crisis, some coffee farmers have shown enormous resilience, be at some cost, and one way or another most have managed to survive and continue to produce (ICO 2004). It now seems likely that if ways are not found to improve trading conditions in producer countries, there would be huge trade imbalances leading to a further cycle of crisis. Focus on production conditions thus becomes important, especially during the periods of reasonably stable prices (which is expected to remain so for the foreseeable future). It is for this reason that policy initiatives and support for small growers become important as they would be able to take production decisions in periods of relative stability (Venkatachalam, L. 2006).

India’s coffee output in 2009-10 was estimated initially as 310,000 metric tonnes a 4.4 per cent higher compared to 2008–09. But such estimates are prone to revisions. The realisation in fact was 289,600 metric tons, lower than the estimates. With such levels of output, according to the International Coffee Organisation (ICO), India has a bright chance of becoming the fifth largest coffee producer in the world, replacing Mexico.(www.Ibef.org; Upendranadh, C. 2010).

However, there were short term fluctuations in production, which were mainly due to weather conditions. For example, the Coffee Board had the final estimate of MY 2010/11 coffee productions at 302,000 metric tons, which included 94,140 tons Arabica and 207,860 Robusta. This is a marginal decrease from the previous year which was realised as 289,600 tons. In sum, a secular increase in production is recorded all through the last three years and it is expected to continue in the 2012 season as well with a post-blossom estimate standing at 322,250 MT.

Price fluctuations

Volatility in prices is a major factor that impinges on the Coffee sector globally. Short run volatility affects the small growers mostly as that makes it more difficult for them to take any production decisions.



www.ico.org

As seen from the above, the period 2000–2004 saw the worst of Coffee prices and it took a secular growth from 2005 onwards till 2010. Again the year 2011 saw a dip though it is not significant at this stage. During the worst period of crisis, prices did not even cover the costs of production, farmers were either more heavily in debt or have been forced to abandon their farms or switch to alternative crops. Options for the latter may be reduced and may include proscribed drugs like coca. In Vietnam, there were reports of farmers selling their possessions to satisfy debt collectors. Coffee farmers from Mexico have died trying to enter the USA illegally after abandoning their farms, and indebted coffee growers have been committing suicide in India (PiC, 2007).

Similar to the global situation, there is no real control to its fluctuating nature of coffee prices in India, as the market prices of Robusta and Arabica are determined by the Commodity Trade (Futures) exchanges in London and New York respectively. For example the table below shows the current prices for the two beans, Arabica and Robusta, as listed on the Coffee Board. Prices, compared to mid-2010, have seen an upward move in all categories of coffee.

Prices of raw coffee (Karnataka) Rs/50 kg

Period	Arabica Parchment	Arabica Cherry	Robusta Parchment	Robusta Cherry
10th June 2010	6400–6450	2800–2850	2900–3000	1675-1725
3rd Jan 2012	10600–10700	5200–5250	4900–5200	2525–2600

Source: www.indiacoffee.org Market info.

Concentration of Market

The value chain for coffee has gone through some major restructuring in the last two decades. Producer organisations have lost much of their clout due to the end of quota regulation and domestic market liberalisation. Local traders (also called agents) have been put under pressure from increased involvement by international traders in domestic procurement. International traders themselves have gone through considerable restructuring and concentration is occurring at this stage as well. Mid-sized traders found themselves too small to compete with larger ones. As a result, they either went bankrupt, merged with others, or were taken over by larger traders. The coffee trade is also becoming more concentrated. It is identified that roasters are the current drivers of the chain and they are the prominent branded manufacturers who are large multi-national corporations with several brands within their portfolio (companies like Kraft foods, Sara Lee, Nestle). These traders work in tandem with international traders so that they will ensure quality and supply of green coffee. (Almeida et al, 2009).

With some exceptions, there has been minimal vertical integration between roasters and international traders in India. Except for large companies like TATA coffee, BBTC, there are very few estates that have complete vertical operations. There are few local roasters who cater to the local markets. Most of the value chain in India end with exporters selling the green coffee to buyers.

Specialty coffees exhibit higher margins at the retail level, but super markets and MNCs own brands and hence small growers would not be able to enter into the specialty segment in meaningful ways (Mercereau, David & Vignault, Clementine (2008)). Few estate brands in India tried this route but not with much success.

Thus, increasing and sustaining coffee farmers' income (and especially smallholders) requires support from the government as not only growers, but also the many other stakeholders of the coffee industry. Apart from market asymmetries, the emergence of Vietnam and the resurgence of Brazil have lowered the cost structure for coffee production. This means Indian coffee growers need to be more efficient producers and explore ways of product diversification as well as horizontal and vertical integration.

Coffee Certification and Sustainable Coffee

Coffee certification initiatives by non-state agencies (particularly international NGOs) have its origins in sustainable development perspectives wherein power imbalances in resource use and management are sought to be addressed. They also stemmed from social concerns and commitment from producers to fair practices in relation to labour welfare and decent wages to workers. Appealing to ethical production processes that adhere to fair environmental governance as well as to empower the small producers, fair trade movements and organic coffee movements sought to develop benchmark standards that would accrue premium value for the coffee produced within the sustainable environment. These marketing initiatives adopt policies of price premium when fair trade guidelines are followed by producers. Such parallel marketing efforts appealing to consumers who are environmental conscious (especially in the western hemisphere) are increasingly gaining currency within the coffee sector. It is to be underscored that globally coffee is grown in the ecological hotspots of the world and concerns for environmental sustainability thus becomes important. However, the effort of the fair trade movement is to enable sustainable practices that combine livelihood security with environmental concerns. Though being implemented since 1980s, fair trade practices are not widespread in terms of volumes, both globally as well as in India. But such practices, however, have created curiosity and enthusiasm among the planter community; ways of adapting the same for Indian conditions need to be explored further through action research. There are concerns that such global attempts to link certification with market access are an issue for large number of small growers (ibid). While ostensibly these certification processes are aimed at ecologically sound production, to what extent such globally set standards affect the ability of small growers to enhance efficiency and realise fair value through corporate driven value chains is an open question.

Key industry level initiatives on environmental governance and sustainable production certification include Euro-retailer Produce working group (EUREP) protocols for Good Agriculture Practice (also called Global GAP) used by Utz certification, Common code for Coffee Certification (4C), Rainforest Alliance, Fair Trade Labelling, etc. (Auld, 2010).

Another related development is the emergence of multi-sectoral partnerships for sustainable coffee value chains where in state, market and civil society collaborate and support sustainable coffee production and marketing by small growers (Bitzer et al, 2008). Market players like Starbucks, Kraft foods, ECOM are part of such partnerships. Similarly INGOs like Oxfam and Solidaridad are engaged with these initiatives as facilitators. This new way of working emerged as a response to affect and improve the production stage of the value chain. The main approach to this work includes promoting sustainable production through capacity development of producer groups and their co-operative capacity, stabilising producer environment and creation of market access (ibid). While this approach is gaining currency, they need to gain confidence of small producers in India.

III. The Micro Scenario – Marketing of Coffee in Kodagu

As mentioned earlier in the early part of 2000 up until 2005, the global coffee industry experienced its worst crisis which necessitated fundamental re-thinking on the future challenges and strategies required to ensure survival and growth, from the producer's perspective (Venkatachalam, L 2006). The supply constraint caused by frost in Brazil in the mid-nineties was followed by a period of abnormally high prices which in turn prompted a surge in production that substantially altered the global production structure. There was a situation of 'structural over supply' and its impact was dramatically experienced in the form of the worst coffee crisis ever seen in terms of producer's income. In several countries across Africa, Latin America and Asia, the slump in coffee prices resulted in a deep socio-economic and humanitarian crisis (ibid). This was the situation in Coorg as well. As Mr. Mandanna of the Karnataka Planters' Association highlights, the coffee crisis saw the cost of production go up, as in 2004–2005, and coffee prices fell to a 100-year low. Many growers had to sell their estates in Coffee growing regions.

Before moving into discussions on policy aspects and issues related to trade and marketing, it is imperative to get an understanding on the current practices of trade adopted by small growers within the global value chain (see annex 1).

In Coorg, most growers sell their coffee at the farm gate. It is estimated that over 80 per cent of the producers sell Coffee to local traders (who are linked to curing agencies and exporters) at the farm gate. There are many reasons for such a practice. The marketing chain consists of local traders (agents), curing agencies and exporters (often they are one and the same). To that extent there are not many intermediary steps and hence price transmission is high. It is to be noted that moisture content and out turn are two parameters that are considered by agents to determine the price at this stage (Mercereau, David & Vignault, Clementine (2008)).

The important node in coffee marketing is curing houses. Curing works are usually owned by exporters and located in precise towns of every coffee-growing region. Kushalnagar is the hub of curing works where over a dozen curing agencies have their operations. Climatic conditions appear to be one factor for having such concentrated presence of curing works in this town (ibid).

There are numerous number of agents spread across the villages who collect coffee from individual estates. They work on commission basis on behalf of curing work owners or exporters. This system is perceived as advantageous for producers as agents will meet the cost of transport and also make payments on the spot. It is to be noted that curing works as well as agents are controlled by exporters and they mutually benefit the information on the price movement as well as supplies. In a way this completely keeps small growers isolated from marketing decisions. Given that the agents also provide financial support to growers in terms of loans, they often have long relationship with the growers. Such a binding relationship helps agents to get assured supplies.

It is observed by several small growers that Income Tax laws (section 7B), which imposes tax on green coffee has also been a factor that has led to the decision of the growers to sell coffee at the farm gate[2]. This is one issue that created heartburn among the planter community especially small growers, though it helps large growers who have vertical integration. This is also perceived as a major factor that discouraged growers to undertake any processing and moving into value addition or focusing on quality improvement. It is to be noted that agents are also not much concerned about quality as they pool coffee from different estates and deliver it to curing works. This, in fact, diminishes the scope for retaining any specificities of a particular estate and to market coffee based on quality attributes.

Curing works are main intermediaries who process raw coffee into ready to export product. Most of them are also exporters as well, though few of them undertake curing for other export traders or large growers who have direct access to external markets. Some large companies like BBTC and TATA Coffee have their own curing works. While TATA

2. This issue came up frequently during our discussions with almost all small growers and their apex bodies.

Coffee has its own certification (Utz) and speciality coffee production, they do not engage in curing coffee of other producers. But other curing works (there are about a dozen in Kushal Nagar) undertake curing for exporters and other large estate owners who would like to process coffee and take direct export. Curing works typically procure coffee through agents and also engage in piece-work contract for other growers and retain processed coffee in their godowns. Most of the curing works (exports) participate in global markets and this enables them to adjust their supplies as they are privy to global price movement. This helps them in decisions related to price hedging. Given that they have infrastructure in terms of storage facility, curing works benefit from speculation in terms of timing decisions, i.e., when to sell coffee to exporters.

Most of the coffee processed by curing houses is sold in the export market. Curing works (exporters) send samples to potential buyers and establish contracts for supplying coffee. This is a pre-dominant mode of export. The other channel of sale, though in small quantities, is the ICTA auctions in Bangalore. There are also few roasters who purchase coffee from curing houses. There are over 75 exporters registered with the coffee board and of them the top ten exporters account for 75 per cent of exports in quantity. Exporters play an important role as they control most part of the value chain. While cup-profile is a practiced method of assessing quality of coffee, most buyers rely on 'trust' as the basis for awarding export contracts to local exporters.

One feature observed, especially during the post-liberalisation era is that hullers[3] are engaged in exporting coffee as estate pounded coffee (especially Robusta cherry EP) after hulling (without grading). With increasing volumes of estate pounded coffee being exported, small growers express concern as these developments affect quality of coffee and the potential brand reputation.

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3. Hulling is an initial stage within the curing process, prior to grading of coffee.

There are also few local roasters who procure coffee from curing houses. Though their share is very minuscule, they cater to the local markets and are unbranded and provide filter coffee to the local markets. Coorg being a tourist destination, they cater to them and also local shops and restaurants. They also often sell coffee through marketing channels in cities like Bangalore and Mysore. It is estimated that about a 1000 MT of coffee is processed by the local roasters and grinders (Mercereau, David & Vignault, Clementine (2008)).

An emerging segment of market is certified coffee and sustainable coffee. Some of the large estates like TATA coffee and BBTC adopt certification processes for their own produce. For example, the entire coffee produced by TATA is Utz certified. Similar certification programmes have come to Coorg in recent years. While there are initial efforts in this direction, operations are still at the nascent stage. Most such initiatives are at best at the stage of piloting and dissemination of information in this regard.

> Ned commodities (a 100% subsidiary of Amtrada Holding B.V and a group company of Nedcoffee B V) is a private limited company established in 2000 and has a processing factory in Kushal Nagar of Kodagu district. It intertwines sustainable standards and traceability in order to enhance value for the producers. It is a sourcing agency for the parent company operating from the Amsterdam market. It is now the third largest exporter of green coffee from India. It uses a sophisticated technology driven system of traceability from farm level to end product. This company adopts Utz certification and encourages small growers adopt the same so that they would be able to benefit from it. In 2009, the Company facilitated the organisation of producers so that they would be able to enhance quality through technical support. This initiative is being supported by Solidaridad and Nedcommodities itself.

> Currently there are over 150 small growers who are part of this programme. Field facilitation is being carried out by a Bangalore based NGO, Prakruthi for this initiative. (Source:www.netcommodities.com)

Similarly, Nature Conservation Foundation, a Mysore based NGO is working in partnership with Rain Forest Alliance (RA) to facilitate certification as part of Sustainable Agriculture Network standards (www.ecoagriculture.in).

The current marketing practices of the producers of Coffee can be summarised as follows;

> A majority of producers (small growers) dispose coffee as Cherry, Parchment at the farm gate to the local traders with whom they normally have a long period of relationship. Agents, curing works and exporters are often inter-related through the ownership; agents work on behalf of curing works; and most curing works are set up by exporters. Information transmission is done through local agents who would know of the price situation as well as the production conditions. This in a way helps more often the exporters. Small growers are subjected to price volatility as their withholding capacity is low and they have commitments to traders. Often traders advance money during periods of shortage of cash flows for production operations. Such a linkage enables traders to take advantage.
>
> Coffee producers are not organised in a systematic way. Even though there are few producer co-operatives, they are not very active and are not in a position to take any marketing initiative or value addition that would enhance producers' share. There is a need to instil confidence about co-operative societies among coffee producers.

> Curing works are the entry points to the international markets. They are located in some towns of the growing regions chosen because of their climate and are often owned by exporters. Secondary processing is done there: beans are sorted in compliance with export grades that will set their value on the international market. However, in the processing stage, origin or specialities in relation to geography or the production process is not taken into consideration and this is one factor that diminishes the potential premium for Coffee from Coorg – be it on the basis of geographical specificity or quality parameters.
>
> While there are market-led mechanisms available to address fluctuations in prices, they are not being adopted by small growers due to several reasons including costs of entry, and awareness about such mechanisms. Marketing of coffee through e-auctioning and other platforms like MCX or NCDEX appear to be having limited impact on the situation of small growers as very few of them participate on such platforms owing to small quantities as well as lack of awareness and understanding. In fact, the erstwhile Coffee Futures Exchange of India has not been successful for the same reasons. There are efforts towards educating growers about these new marketing platforms.

IV. Issues in Trade and Marketing – from Micro Perspective

Our interactions with the coffee producer community have given significant insights related to trade and marketing[4]. They have provided a number of suggestions and their analytical understanding on some of the critical issues. These observations are:

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4. This section is based on individual interviews of over 20 key informants who represent small growers, apex bodies of planter community and progressive planters.

Marketing

Small growers opine that in order for marketing to be a success, there must be assurance from trade that quality coffee is bought at a premium. Maintaining quality is to be seen as a norm from the growers' point of view as well. The extent to how marketing is a problem can best be explained with the mention on how the budget spent on advertising is not enough in this competitive climate – e.g., the budget spent by Nestle on advertising is larger than that spent on India's defence spending. Many growers feel that in relation to marketing, the problem is of there being no collective or cooperative system in place to facilitate the push for more demand of quality coffee from the region.

The market from the traders' perspective is very competitive, with the margin being very thin, but the expectation is that the quality of coffee sold should be very good. Few traders complain that there are also incidents of malpractices by producers who exploit the system at the stage of quality checking as they would not be in a position to assess quality thoroughly and no grading or sorting takes place at this stage. For example, if a trader is checking 100 bags of coffee beans, 60 bags at the front of the pile may be of good quality (dry beans), while 40 bags towards the back of the pile may be of low quality (moist beans), which will only be discovered later. Traders complain that they end up losing out quite considerably bearing in mind all costs, such as transport and time in checking samples, as they can perhaps receive a lower sum of money than they had already paid to the growers of the coffee, due to the more thorough quality check of the beans at a later stage of value-addition.

Growers understand that the current regime of marketing provides them with marketing opportunity to grow speciality coffees (location specific) and improve quality of production. However, they complain that even such investments to quality improvements are made, they are not certain in terms of receiving better prices. A general view is that prices fluctuate even more, now that market forces have taken over, from the old pooling system that was in existence before the liberalisation. Overall, growers feel that they are not able to make profits as cost structure is still high especially due to labour costs which accounts for almost 55 per cent of input costs. They complain that since 2001 cost of production has shot up substantially compared to the earlier period.

On Fair Trade and Sustainable Coffee

From the producers' point of view, there are a lot of unanswered questions regarding certification and hence they were not optimistic about its overall success in the long run. At the same time, there are groups of growers who are keen to engage with such processes provided they are facilitated and supported by Coffee board, NGOs and the government. In relation to certification as an option, growers opine that institutional structures for monitoring and facilitation need to be established to ensure high quality coffee is produced by the small growers. They acknowledge that there is lack of authorised certification agencies and graders in the district of Kodagu. Some growers fear that 98% being small growers it may be difficult to follow strict guidelines of certification as they are at different levels of awareness and understanding. There have also been doubts over the certification process promoted by international NGOs, as growers feel they have to incur costs of certification. Some identify such initiatives as part of the growing clout of MNCs. For some growers, certification and its difficulties include the costs of adhering to specified standards of the agencies (4C, Utz, Rainforest Alliance) and the fear that control would be placed in others hand in terms of production and price premiums. On the whole it appears that there is lot of apprehensions about certification which require sustained awareness among the planter community.

Institutional Structures for Marketing

In the period of post-liberalisation, the role of the Coffee Board has changed to that of a facilitating agency. There are various schemes for supporting production, R&D, dissemination, marketing, etc. However, growers expect a more aggressive role of the Coffee Board to facilitate market access. To that extent partnership models of marketing for development of sustainable coffee would be one of the expectations from the Coffee board. While some efforts in this direction have been undertaken with action research projects like CAFNET, there appears to be a need to do more in this direction. Incentive based support is one of the expectations from the Coffee Board and government for improving quality of production.

Building trust and confidence among the grower community on the co-operative movement is another area of facilitation that the planter group expects from the government as well as Coffee Board. While the SHG model is being practised, it is not widely adopted and the response of the growers is also lukewarm. Growers feel that trust and confidence are keys for innovation and to that extent they expect handholding support from the Coffee Board. Diversification is another area the Coffee Board is expected to support the planter community in a big way. Vertical and horizontal diversification is seen as one of the solutions and in this respect lot more is expected from the government and Coffee Board.

It is to be noted that small growers expect support from stakeholders for 'plantation economy' as a whole – so far such support is missing. Only sectoral interventions are being taken up and plantation is not looked at holistically – instead with multiple and diverse production sub-systems existing within the plantation system. A new paradigmatic shift is needed to visualise support to growers for their livelihoods and not only for efficient coffee production. The grower community would like to see interventions that are holistic for secured livelihoods. Unlike other countries, historically coffee is grown in India in a multi-crop environment thereby buffering the risks for the growers. It also helped in environmental and bio-diversity conservation.

Revival of the Kodagu Coffee Growers' co-operative society and such other institutions becomes important in order to undertake any innovations with respect to marketing. This institution has a large membership base and curing capacity. Technical know-how, professionalism and new dynamism and leadership need to be evolved in such institutions with active support from the Government and Coffee Board.

The Growers Associations (e.g., KPA, CPA) are also important institutional structures which need to work in tandem with the changing external environment. Partnerships with multi-stakeholders including international NGOs for awareness building, information sharing and networking, market intelligence, etc., would help in developing market access and innovations in marketing like sustainable coffee programmes.

V. Future Perspective

From the point of view of the structure of the global value chain and its behaviour, there are few options for coffee producing countries in order to ensure sustainable production and marketing by small growers. Countries may help producers in product upgrading (specalising), process upgrading (adopting superior processes of coffee) and functional upgrading (undertaking curing, roasting, packaging and sale). But these require a concerted and aggressive industrial policy with large domestic market and capital. To what extent the domestic industry responds to such policy options and the agility of multi nationals to recast themselves and work with local capital on expanding their market share are open questions at this stage. But the critical point is how such a policy regime would help small growers and what are the anticipated forward and backward linkages? It requires active support from the government in terms of promotion of cooperative models of functioning of small producer groups and incentive structure for the domestic capital (Almeida et al, 2009). Foreign Direct Investment (single brand) at this juncture is a politically sensitive issue and it needs due deliberation as to the implications of such investments on domestic producers.

Other dimensions to the sustainability is social upgrading and environmental upgrading i.e., working with producer groups to address social and environmental premiums at the production stage of the value chain (ibid). While decent work and workers issues figure in the social upgrading discourse, environmental impacts of cultivation and first processing (curing) are to be considered. Conservation practices, use of fertilizers, pesticides, pollution and water use, etc., are important considerations for environmental upgrading and thereby receive price premiums. Organisational innovations like co-operatives would also enhance the environmental and social upgrading processes. Here too, questions are raised on the extent such upgrading helps small growers and what are the strategies to be adopted by the planter community and other stakeholders like the government, INGOs and private sector.

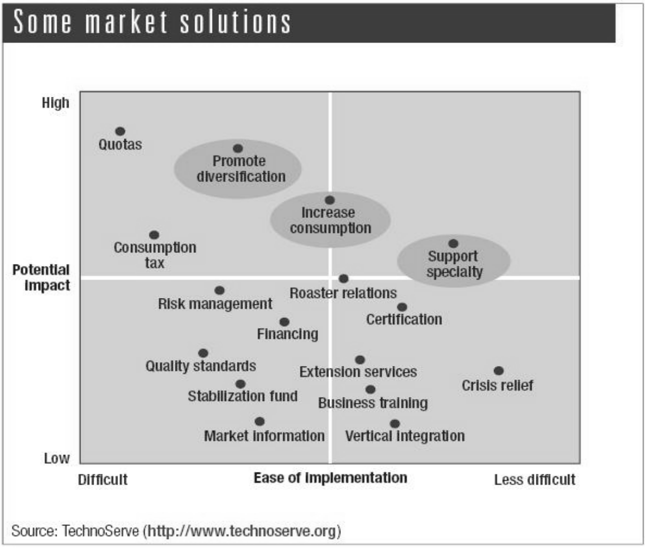
We discuss some of these aspects and identify specific recommendations in this and the following sections.

Marketing Strategies

Analysts like TechnoServe point out three ways of addressing issues of market for Coffee in India: a) Promote coffee consumption within the country b) Support specialty coffee producers to secure market premiums, and c) Encourage diversification for marginal coffee producers who do not have the potential to supply 'specialty' or niche markets.[5] Such an approach is a useful way of addressing some of the price volatility faced by the small growers and stabilise their incomes. However, it requires active facilitation and dialogue amongst stakeholders, to execute more concrete marketing strategies for achieving sustainable production methods, adding value for the most important stakeholders. As the following diagram indicates, the options have varying degrees of implementability as well as impact. Policy options need to be evaluated against such criteria with specific focus on small growers and their well-being.

5. Scholer, M., 2004. Bitter or Better Future for Coffee Producers? [Online] International Trade Forum Issue 2/2004. P. 11 Available at: http://www.intracen.org/mds/coffee_profile_eng.pdf [Accessed 30 May 2010].

Diagram



Targeting Domestic Market

The Coffee Board encourages the consumption of coffee in India and abroad. Over the years, domestic consumption has increased quite significantly. From the level of 55000 MT in 1999, it has increased to 102,000 MT in 2009. Provisional estimates for 2010 peg the consumption at 108,000 MT. Such a secular growth after years of stagnant consumption at low levels of 50,000 MT is a matter of significance. It demonstrates that there is still a lot more opportunity for growth, as is evident through the creation of more and more coffee shops in India and the expanding middle class. There is scope to increase domestic consumption, mostly in north India and reduce dependency on exports. The Indian defence forces, railway staff, and major transport system staff, are also potential markets for enhancing domestic consumption.

Coffee and tourism go well together, as was evidenced in home-stays being a popular and budget-friendly option for tourists, but also another revenue stream for growers of coffee. Rural tourism can be promoted as supplementary economic activity among the planter communities. The growth of coffee chains and the IT sector in Bangalore (more staff at cafes), serves as a great opportunity for producers in Coorg. Domestic markets for specialty coffees are also a possibility, such as Indian Coffee Royal and Monsoon Coffees. Specialty coffee refers primarily to high-quality coffees and coffees with an unusual background or story behind them, often related to sustainability. Organic certified and fair-trade certified coffees are high-profile examples of speciality coffees, yet combined they make up just under 1% of the market globally. Production and sales are growing, but even if doubled or tripled in a number of years from now, these niches will still be relatively small. The Indian domestic market can also be tapped for such speciality coffees in the near future.

The growth of the domestic market is very viable, as once coffee was only known to South India, but now it is known in entire India, especially in the major cities. Business expansion plans of the Coffee chains indicate a brighter scenario with respect to domestic demand. More Coffee shops are being opened in shopping malls, as purchasing power is more with the high-end consumers and ordinary coffee is also being marketed in super markets and malls. (For example, Nestle, Café Coffee Day, Brook Bond Coffee).

Certification – Sustainable Production (Receiving a Premium Price for Coffee)

While ensuring a consistency in quality assurance of coffee from the grower to the end user, certification is seen in a positive light by growers and many NGOs have discussed this prospect with growers and with apex associations too. As pointed out earlier, the different types of certifications are organic, bird-friendly or shade grown, rainforest alliance, and fair-trade. Certification standards like Utz, 4C are being introduced in the domestic production system, albeit slowly.

Certification (ensuring high quality production for premium price in return) would be better for traders, as they sometimes lose out due to the presumption that the whole volume of coffee purchased from growers, is as good a quality as the sample bags. Certification can help growers to keep tight control over costs and inventory, especially in the climate where there is excess production relatively to demand. Certification can perhaps be used for better prices for producers. Participation in the certification process is good, as it will give assurances of receiving a better price for coffee produced. Certification should not be enforced but a chosen concept to pursue, as it can be a costly process. Perhaps through a collective formation of a group, cost can be shared, and there will be more involvement in the market economy, better practices, and therefore, a premium price for the coffee sold.

Branding of Coffee

With the exception of a few, branding of Indian coffee is not a strategy adopted by the Coffee growing community. Only in the recent period ideas around branding are taking shape, though historically such a precedent existed. Perhaps the regime of quotas of the past has contributed to this laxity. Now with the free market regime, scope for branding and building a brand assumes importance not only to receive better price but also to build exclusive market access. The earliest instance of coffee branding in India came from European customers who took a fancy for the slightly different tasting, and bloated coffee beans imported from India. The beans underwent physical changes after being exposed to the weather elements while being shipped. This demand led to the Coffee Board developing the highly-acclaimed Monsoon Malabar. (Aiyer, Arun 2010) Similarly, the India Coffee House brand of coffee powder is well known in India for its quality and aroma. Few other Indian brands like Mysore Nuggets Extra Bold and Robusta Kaapi Royale are being popularised in the export market with some success. A focus on brand-building could fetch premiums on coffee.

> The Robusta Kaapi Royale is made from bold beans of 7 mm size and the beans should be defect-free and bear a

> neutral taste in the cup. Due to the stringent quality norms, the quantum of such speciality coffees is extremely limited. In 2010, the output of the Robusta Kaapi Royale is pegged around 4,000 tonnes, while in case of Mysore Nuggets extra bold it is around 8,000–10,000 tonnes. In the initial phase, while Mysore Nuggets extra bold was sourced from regions like Bababudangiri and Manjarabad and parts of Chikmagalur (in Karnataka), Robusta Kaapi Royale was sourced from parts of Kerala (Wayanad and Travancore) and Chikmagalur (ibid).

India has an advantage over other countries, which should be highlighted, as it is the only coffee grown under shade, and in an eco-friendly manner. By the regions sustained biodiversity, to aspire to and receive premium prices, any marketing strategy can play on the uniqueness of how the coffee is grown and where it is grown. As only coffee is grown under shade, (when coffee is kept under green cover, takes longer to mature, and so the taste is better) the marketing of coffee should take advantage of this. Premium for environmental conservation occurs by default in the coffee growing regions of Coorg and it is also a value proposition that need to be marketed (CAFNET attempts to popularise this idea).

So far, invoking ‘origins’ has not been visualised as a strategy for marketing of Indian coffees (Mercereau, David and Vignault, Clementine 2008). Except few large estates, none of the coffee is identified with ‘origin’ or for that matter any of the environmental or conservation goals that are practised. Given that producers are skeptic about external certification processes, native ‘standards for self-certification’ may perhaps be developed as via media for branding of coffee from India with active support of the Coffee Board. This would also help in achieving sustainability goals.

An example of how branding can prove lucrative, is in the marketing of instant/soluble coffee. A significant share of low quality domestic Robusta coffee and some imported low priced coffee (for re-exports) goes into the production of instant/soluble coffee. This segment is almost entirely branded and packaged, and is dominated by multinationals such as Nestle and Unilever, and the Indian conglomerate Tata Group. In recent years a few other Indian companies have made a foray into this segment with some success.

As an analyst points out, the perception of Indian coffee globally is changing, and the new focus on quality in India would further help to bring about this change in perception. There are several micro-roasters within the country who are willing to pay a premium for the quality. 'Indian coffee is not just fruity but carries a distinctive chocolate/caramel flavour' and Indian growers need to realise the importance of their coffees to make a bigger impact globally (ibid).

Diversification Efforts

In order to ensure sustainable production and incomes in the hands of small growers, potential for diversification need to be explored (Raghuramulu, Y, (nd)). This is one aspect closely linked to marketing as well, though it is primarily to be seen as a public private partnership, an initiative between grower community and the government. Historically, coffee is grown along with several other plantation crops and this can be seen as a growers' strategy to hedge the risk. Given the perennial nature of the coffee crop, moving away from coffee is not an option for growers. However, there is scope to enhance efficiency in production of coffee as well as other crops which are inter-mixed along with coffee (pepper, cardamom, oranges, vanilla, etc). Any effort towards improving coffee needs to see plantation in a holistic way and support the other crops as well. Such an approach would help in horizontal diversification. It is pointed out by research studies that in Arabica plantations 12–37% income comes from other crops while in Robusta estates about 25–40% income comes from other crops (Sreeramulu, B, 2006). Such inter-cropping is a subsistence strategy for small growers and medium and large growers see it as a strategy to reduce cost of production. Coffee Board support for associated crops is available but the usage of the same is not as widespread. This is one area that needs attention though scope for horizontal diversification is limited.

Vertical movement along the value chain may be a strategic option for small growers in order to sustain in the changing environment. It can be seen at two levels: a) improving the product quality; b) moving into post-harvest processing. Improving quality and moving in the direction of speciality coffees appeared to be beneficial. However, to what extent it can be adopted by small growers is a question to be addressed. Unless efforts are made to form producer groups and cooperatives and supported by external agencies (including government) such a move may not be helpful for small growers as they would be short on volumes if they act independently. The Coffee Board's attempts in this direction (in new coffee growing areas like Araku valley) need to be studied further and appropriate mechanisms need to be developed for Kodagu planters. Branding in this connection would be an option to move to speciality coffees. There are few private initiatives to develop estate brands and Speciality Coffee Association of India is an apex body of growers who produce such coffees. Some of the large chains like TATA coffee and Cafe Coffee Day are examples of such complete vertical integration wherein they produce coffee in their own estates and sell the final product in the market within India and abroad.

In order for small growers to benefit from vertical integration, they require lot of support. The group approach may be one option to improve quality of produce. Similarly, support for technical capacities, and certification processes would help in enabling them to move up in the value chain. These are some of the areas that require multi-stakeholder (inter-sectoral) partnership in a big way. Engaging in small pilots may not be viable as the planter community is looking for large scale solutions with active support of government and private sector.

VI. Policy Recommendations

Given the fact that small growers (and tiny growers) are predominant producers of coffee, their welfare and well being forms part of the state's obligation. Market-led mechanisms, it is proved are not conducive to enhance livelihood security of such growers as they are subjected to extreme short-term price volatility and their access to markets is constrained by various reasons, including their inability to enhance quality and productivity. Coffee plantations are also contributing to the preservation of bio-diversity and meeting the environmental sustainability but this contribution has not been accounted for in price formation as the local prices are subject to the cues from global markets. The coffee market is extremely concentrated and price formation at the local level is contingent upon various external factors and not necessarily on quality or other environmental considerations. Globally producers' share in the coffee value is reducing and it now stands anywhere around 6–8 %.

It is in this scenario that the marketing aspects of Coffee need to be seen from a multi-stakeholder perspective. The Government's role in this becomes crucial in forging and sustaining inter-sectoral partnerships to advance welfare of small growers. We propose the following recommendations for policy makers to consider in order to improve the conditions of small growers.

Improving Production Environment

While the area under coffee is stabilised, there is a need to create a conducive production environment. From this perspective, production instability needs to be addressed by the policy makers so that efficiency is brought in. In the cost structure, labour cost appears to be a major share. Shortage of labour is a major concern. It is reported that labour is being brought from far away places like the North-East. Public works programmes like MGNREGA is also contributing to the shortage of labour. It is in this context, there is a need to address these issues and identify solutions.

One way to look at is to use public works programmes for the benefit of small holders so that they would be benefited from the labour intensive activities (akin to the way public works programmes are used for private land development in states like AP or wage subsidy in tribal areas or in Kerala). Such a wage incentive would help some of the growers, especially those who have tiny estates (below 2 hectares). Renovation of water bodies, soak pits within the estates, and planting of native varieties of trees can be undertaken.

Community based labour – pooling mechanisms may be encouraged and the government may recognise and incentivise such practices (wage incentive).

Spiralling upward movement of wages is a major concern and in this respect a consensual government intervention is required and compensation can be made by the government as wage incentive to the growers. Strengthening of PDS and public services would also ease off the impact of rising prices with regard to plantation labour.

Organised system of labour in migration may be encouraged by the state government whereby labour welfare aspects are taken care of.

As discussed earlier, incidence of income tax on the coffee at first level processing appears to be a deterring factor for small growers to move into value addition. Given the fact that over 70 per cent of growers sell their coffee at farm gate due to financial constraints, removing such policy anomaly may help in enhancing the value of coffee at the producer level.

It is by default that a large number of coffee growers conserve environment in Coorg. Even though coffee co-exists with forest and *vegetation, green canopy (unlike countries like Vietnam or Indonesia),* such environmental conservation measures are not factored into pricing i*n the mainstream coffee markets. However, the government needs to account this and provide premium as conservation incentive. Markets for conservation (like carbon trading) are in vogue and there is a need to engage with this subject at the policy level and identify mechanisms that would compensate coffee growers. Such measures would stabilise the income of the producers.*

There are a host of other incentives for stabilising production like rainfall insurance, weather based insurance, replanting subsidy, water augmentation support, support for pollution abatement measures, etc. All these need to be propagated and small growers are encouraged to avail such incentives. Mechanisation is another area which needs serious attention.

Addressing Price Volatility

Short-term price volatility is a major factor that affects small growers. While market based solutions exist in terms of hedging, not all small growers would be able to participate in such activities as there are entry barriers. The Government needs to look at some of the constraints and identify suitable mechanisms. While forward trade in coffee is being practised it is not widespread as growers are apprehensive and do not want to entertain risks associated with such forward contracts. With the advent of internet and communications, information transmission is much easier and faster. This enables growers to take informed decisions in relation to their selling decisions. However, due to financial constraints, growers are not able to hold the stocks. Also most often they are tied to local traders for finance and hence would not be able to participate in futures market. At the global level, increased trading from outside the coffee industry is observed which would mean finance capital is moving into primary commodities through future trade operations. Implications of such developments for small growers need to be assessed.

There is a need to look at liquidity requirements of small growers and mechanisms need to be developed to meet such needs. Cooperative banks and nationalised banks have a role to play in this respect. Innovative financial instruments may need to be developed to meet such requirements.

Price stabilisation fund appears to have limited impact as it has not been received enthusiastically by the planter community. There is a need to revisit the design and implementation of the same and efforts should be made to popularise the same. Simplified procedures would help a lot in this direction. Even weather insurance schemes have not been received well. Awareness creation and thrust for local participation are key aspects in this.

Markets

It is found that Indian Coffees have not been able to exploit fully the potential in terms of uniqueness – origins, production process or the environmental services – that it is rendering. There is growing awareness among the coffee growing community about some of these aspects and it is time that all stakeholders address these aspects and identify strategies to expand the scope of marketing especially through invoking the uniqueness in mainstream as well as in the niche markets. Though the volumes would be low in the beginning in niche markets, such a brand consciousness would permeate through the mainstream coffees in due course. Coffee Board has a major role to play in this regard. There are few efforts in this direction and the same needs to be further augmented.

Estate branding is practised by few large estates in the district. There is a need to multiply such experiences with appropriate support from other stakeholders. Apart from that, innovative adaptation of the same can be encouraged by small growers' collectives. *Organisation of small growers into groups based on the habitation (and its uniqueness)* *and group certification and branding may be experimented in this respect so that volumes can be met for export obligations. One of the most recent entrants in the certification arena viz., 4C conducts group certification and this may be experimented on a pilot basis with the support of the Coffee Board and other INGOs.*

Diversification is an area that has been discussed in the policy circles as well as among apex associations. Action research on this front is necessary as inter-sectoral partnerships is identified as a solution (Bitzera 2008) and it needs to be tailor-made to the needs and requirements of coffee community of the growing areas (KGF, 2011). Specific cultural aspects need to be built into such systems. There is also a sceptic view on this, as the current practices of inter-sectoral partnerships appear to be benefiting medium and large growers though such projects are ostensibly meant to meet the needs of small growers (Bitzera 2008).

Coffee Board may facilitate inter-sectoral partnerships with a specific focus on small growers, tailor made to meet their needs. There is also a need to develop norms, regulatory mechanisms and coordination for such inter-sectoral partnerships as there would be multiple projects and programmes in this direction in the coming years. Coffee Board may take initiatives to mobilise interest among the international agencies and multi nationals in this respect. ICO too has a role to play in this. There is a role for Coffee Board and ICO for earmarking resources for such programmes on a large scale through active participation of international NGOs, certifying agencies and private sector players.

Given that there are lot of apprehensions on certification and standards, there is a need to develop indigenous norms and standards for quality from the perspective of the Indian Coffee grower community. Such an exercise can be taken up by the Coffee Board and apex associations of coffee growers.

It is argued that standards entail the possibility of product differentiation and upgrading. However, by narrowly focusing on sustainable coffee alone and not on the entire 'production system' including those inter-crops and vegetation, standards may not be able to achieve systemic sustainability from the point of view of improving production conditions. It is for this reason that certification mechanisms need to broad base the parameters to include entire plantation as a unit for sustainable production. There is a need for further research and engagement on this aspect before zeroing on any of the certification processes.

Strengthening producer co-operatives is another area of intervention that can be taken up by the government. These structures can be seen as spring boards for advancing inter-sectoral partnerships wherein international agencies can provide technical support and market access for quality improvement.

Domestic Demand

Domestic demand for coffee is growing. There is a need to enhance efforts in this direction further and small growers should be provided with space to engage value addition of coffee to meet the domestic demand. At present such a market appears to be captured by large companies and small growers would be pushed out from such local markets as well. It is in this regard that branding of Coorg coffee (GI) for the domestic market needs to be facilitated by the Coffee Board. Efforts should be made to support cooperatives and producers' groups who process coffee for domestic markets. While Coffee Board and state governments have schemes to support curing and roasting units, they need to be extended to cooperatives and SHGs of producers. It is estimated that over 1000 MT of Coffee is processed locally in Coorg (unbranded) to meet the domestic demand in the state of Karnataka. This implies that further potential in this direction would be possible to expand and cater to at least south Indian states.

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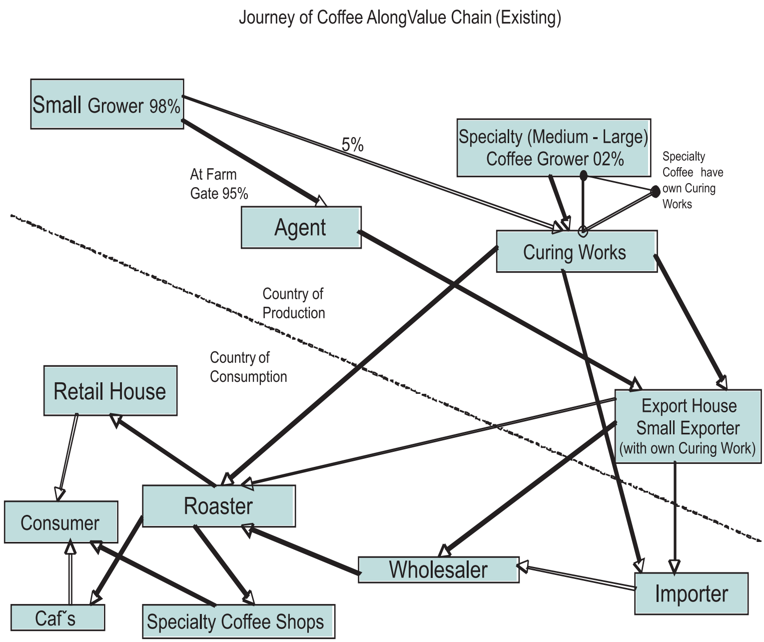
Annex 1



Source: From Ashima Chopra (n.d): Can social development take place through technological innovation in commodity markets?: The case of the 'Fair Tracing' project and the Indian coffee sector. (University of Bradford, UK).

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