

# Analysis of coffee industry in Karnataka - A study

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## Abstract:

Coffee is a truly global commodity and a major foreign exchange earner in many developing countries even in India. Deregulation, evolving corporate strategies, and new consumption patterns have transformed the global coffee chain dramatically in the last two decades. The economic clauses of the International Coffee Agreements collapsed in 1989. Market liberalization has taken place in most producing countries. A process of consolidation has taken place both at the level of roasting companies and of international traders. In the interim, the act of coffee drinking and its associated symbolism has also changed. New consumption patterns have emerged with the growing importance of specialty, fair trade, organic and other sustainable coffees. Coffee bar chains have spread dramatically, although the relative coffee content of the final consumption experience in these outlets is low. Consumers can now choose from hundreds of combinations of coffee variety, origin, brewing and grinding methods, flavoring, packaging, sustainability content, and ambience. This paper analyzes the present status, potential of sustainability standards, eco systems, impacts and cost of cultivations.

Coorg is the hub for coffee production. It is the livelihood for 80% of its residents. Every farmer in Coorg produce around 50-500 bags of coffee each year. It is an annual crop. Most of the farmers depends upon the coffee. Coorg is the sixth immense coffee manufacturer in the globe. Cultivating coffee is slow meticulous process. Once the berries are plucked it is like an industry process. The coffee cherry is roasted up to coffee beans & finally converted into coffee powder. Coffee producers face many challenges like nature fury, no proper rains, labour problems, and marketing challenges. The demand for coffee also varies from year to year, and it is dependent on global prices too. The farmers work very hard and finally has to face challenges for marketing produce. This paper focuses on the marketing challenges and its support from coffee board and other sources in order to market the product and economically depend on the income.

*Keywords: Marketing challenges, producers, prices, fluctuations.*

## Introduction:

In India, coffee has a place of pride among plantation crops grown and is traditionally cultivated on the south — western hill slopes since 150 years. As history indicates, the commercial cultivation of coffee in India was started during early 19th century by the European entrepreneurs (Anonymous, 1995). These early coffee plantations have flourished in South India for nearly a century till the leaf rust epidemics were seen and soon the leaf rust became the disease of concern for arabica coffee in view of its high economic importance. Incidentally, the largest number of its races (as many as 30) has been recorded from India. Thus, the fate of coffee industry, especially arabica has been largely dependent on release of varieties resistant to rust with acceptable yield levels, bean standards and cup quality. The Central Coffee Research Institute (CCRI) established near Balehonnur in Chikmagalur District of Karnataka State has rendered yeoman services in breeding and release of improved arabica and robusta varieties to the growers from time to time since its establishment in 1925 as “Mysore

Coffee Experimental Station". The success achieved in developing rust resistant varieties in India during 1940's (Narasimhaswamy, 1961) are pioneering ones in the history of coffee breeding. It is pertinent to mention that the classical work of Mayne (1932, 1936, 1939) on the existence of physiological races in rust pathogen supplemented the breeding efforts not only in India but also elsewhere in the world.

Coffee is a highly labour incentive crop that requires on an average requires 400 man days per hectare per year for Arabica crop and 300 man days per hectare per year for Robusta. Most of the planters employ a combination of both permanent and temporary labourers, with minimum permanent labourer. With migration of local peasants towards greener pasties, Kodagu often finds itself short on labourers, forcing planters to employ migrant labourers from the other states. Migration too has played an important role. Of the total 5.27 lakh coffee workers in the country, 2.02 lakh are in Kodagu, 1.31 lakh in Chikmagalur district, 0.88 lakh in Hassan district and rest spread across other States. Plantation work being agriculture in nature is carried out on large pieces of land or estates that are remotely located. Kodagu accounts for nearly a third of the coffee produced in country, thereby earning itself the sobriquet "Coffee Cup of India". With the majority of land used for coffee cultivation, yield per hectare of Arabica and Robusta variety stands out higher in Kodagu than in any other district of the country.

The yield invariably depends upon on the performance of the workers employed be it permanent or the temporary ones. The labourer force in Kodagu is a multi cultural one comprising besides locals, migrants from Mysore, North Karnataka, North India, Tamil Nadu and Sri Lanka. It is noticed that migration of small landholders, petty businessmen, agents and contractors has seen an increasing trend over the last few decades. On any given day during peak season, one can find migrants from Assam, Bihar, Mysore and West Bengal making up the workforce as they find Kodagu lucrative and safe bet/nest compared to their home states. Sustainable Certifications arise from the fact that marketing partners demand a certain degree of accountability and monitoring, usually through producer organizations.

These organizations can help improving the bargaining position of farmers even for the part of the coffee harvest that is not sold through the sustainable channel. These organizations can also become an anchor for other rural development activities, such as microfinance. However, sustainability certification is a costly and sometimes lengthy exercise. It requires setting rules and monitoring compliance. In the right circumstances and with the right dynamics, this can create a virtuous circle of empowerment and organizational strengthening. At the same time, farmer organizations may find it difficult to wade through rough times if the expected benefits do not materialize in the short-term.

### **Objective:**

This paper aims to study the economic and social aspect of coffee cultivation in Karnataka and south India

### **Engine of Growth**

In the mid 1950s, Nobel Prize winner Robert Solow described a mechanism that drives economic development. Since its establishment, the model has been extended in a number of important directions and is now probably the most widely used in the field of macroeconomics. The model is based on the ideology of neoclassical economics. Neoclassical economists argue that economic development is possible when markets are allowed to work efficiently and private enterprises are supported by the domestic government. This is achieved by liberalization of the economy with fewer taxes, lower

administration controls and free international trade. They also argue that too much government control has led to no economic growth, citing corruption, bureaucracy and administration delays as impediments to growth.

The Solow model is an extended version of the production function. It is comprised of one more element known as the theory of capital accumulation. Instead of the capital stock being given at some exogenous level, agents in the economy can accumulate tools, machines, computers, and buildings over time (Jones, 2011, p. 99). This accumulation of capital is converted from an exogenous variable into an endogenous variable in the Solow model. According to the model, the accumulation of capital is the main engine that drives economic growth. Solow expands this theory by saying that investing in more capital becomes the difference between a rich and a poor country. A country that uses its resources to invest in capital accumulation prospers compared to a country that does not.

## **CURRENT STATE OF COFFEE CULTIVATION IN KARNATAKA AND OTHER STATES**

The traditional coffee growing areas of India comprise of Karnataka, Kerala and Tamil Nadu, with Andhra Pradesh, Orissa and the North Eastern Region constituting the nontraditional areas. From 1950 to 2014, the total area under coffee cultivation in India has increased from 92,523 hectares to over 409,690 hectares, with Karnataka accounting for around 229,658 hectares (56.1 per cent) of the total area and 226,335 million tons (70.7 per cent) of total national production (Coffee Board, 2014). Although India is the only country that grows all its coffee under shade, by retaining the traditional practice of cultivating coffee under a three-tiered canopy; the expansion of coffee cultivation in the 1970's and 1980's took place at the expense of native vegetation cover and has been associated with the trend of replacing native shade trees with the exotic Silver due to economic pressures discussed in subsequent chapters of this report. There has been a marked by a shift from Arabica to Robusta cultivation over the years, with the area under Arabica cultivation declining from 73 per cent of total area under coffee cultivation to 49 per cent, and Robusta cultivation increasing from 27 per cent to 51 per cent to total area, from 1950 to 2014 (Coffee Board, 2014).

India produces about 2.5 per cent of world's coffee on almost the same percentage of coffee plantations. Thus India is an insignificant producer of coffee and stands nowhere when compared with Brazil (25%), Columbia (15%) and Indonesia (7%). India cultivates all of its coffee under a well-defined two-tier mixed shade canopy, comprising evergreen leguminous trees. Nearly 50 different types of shade trees are found in coffee plantations. Shade trees prevent soil erosion on a sloping terrain; they enrich the soil by recycling nutrients from deeper layers, protect the coffee plant from seasonal fluctuations in temperature, and play host to diverse flora and fauna. Coffee plantations in India are essential spice worlds too: a wide variety of spices and fruit crops like pepper, cardamom, vanilla, orange and banana grow alongside coffee plants. India's coffee growing regions have diverse climatic conditions, which are well suited for cultivation of different varieties of coffee. Some regions with high elevations are ideally suited for growing Arabica's of mild quality while those with warm humid conditions are best suited for Robusta's. This paper analyzes the present status, potential of sustainability standards, eco systems, impacts and cost of cultivations. The contribution made by coffee growing and trading to environmental and social issues is highly positive, certainly compared with most alternative economic activities There is growing evidence that coffee cultivation is under threat in some regions that are most vulnerable to climate change. Coorg district in the southern state of Karnataka in India, whose residents primarily depend on coffee production.

Coffee is one of the most preferred drinks across the world, & is a valuable export commodity. Despite, its value in the market, the producers of coffee rarely benefit from the sales & marketing of coffee. Several factors influence coffee

production & its subsequent rates in the market, & the producer is affected by these factors, causing him to lose out on the profits of the crop. Also, the farmer may not be aware of the new strategies for pruning & receiving maximum benefits from the crops. In addition, the producer may be swindled by the middle man. The study focuses in an in-depth analysis of conditions & problems faced by the coffee farmer, & the techniques he uses to overcome problems. Since the coffee in Kodagu has a unique & rich taste, an increased demand for the product is to be expected. Despite this, the farmer experiences complications to sell their produce to ultimately choose options to sustain their livelihoods. Both productivity & quality are at a risk of being compromised if the current situation prevails. The cost of the coffee needs to be fixed keeping all the other factors view. Some labour difficulties may be overcome by mechanisation. But, not all process can be mechanised, & labour is essential for the up keep of the plantation. Thus, a comprehensive study was envisioned to determine the factors that trouble the grower, & make him a liability. This study would bring awareness in the community, & would help them in opting better methods to be get higher profits.

Migrant workers are lacking many opportunities to exercise their local rights. Majority of worker who migrate from various places are from poor families and are illiterate. Their poor level of education, experience and skills retains them helpless to abuse from illegal placement agencies. The study was found that all kind of migrant workers are eager to send their children to local school and interested in possessing and getting the benefit of Public Distribution System (PDS). Moreover the migrated workers are aware of most of the schemes as announced by the Government from time to time.

## COFFEE AND ECOSYSTEMS

In India, improvement of arabica coffee was started even before the commencement of organized research. Some enterprising planters made frantic efforts to develop superior cultivars through selection/hybridization, in order to tackle the rust disease. In this context, hybrids such as 'Hamiltons', 'Jacksons', 'Netrakonda' and selections like 'Coorgs', 'Chicks' and 'Kents' were some important ones, which found place in the pages of coffee breeding history. Nevertheless some of these selections are still found here and there in commercial plantations. 'Kents' is one such selection made by a private planter which served as the major source for planting during the 1920s and is still internationally acclaimed for its liquor quality. In spite of the best efforts of the planting community, plant materials with stable resistance could not be developed due to the ability of the rust pathogen to mutate into virulent races. This necessitated the organized research activities for improvements of arabica coffee in order to evolve superior cultivars with leaf rust resistance, high yielding potential, superior quality and wide adaptability.

Coffee production in India is dominated in the hill traces of South Indian states; with the state of Karnataka accounting 53% followed by Kerala 28% and Tamil Nadu 11% of production of 8,200 tonnes. There are approximately 250,000 coffee growers in India among them 98% of them are small growers. In Karnataka, all the three districts are expected to show an increase in production over the previous years. Overall, the crop estimate for Karnataka is placed at 226,355 Million Tonnes with a break up of 81,505 Million Tonnes of Arabica and 144,750 Million Tonnes of Robusta. Coffee production is small grower dominant and more than 70 percent of coffee is produced by the growers of less than ten hectares of land.

The long-term effects of climate change through variability in rainfall and underground water levels and their impacts on coffee growing practices in Karnataka are further taken into account. This is vital as a positive correlation between the existing farming practices on the plantations of the Karnataka Growers Federation and the ecosystem they inhabit is globally significant, as it could represent a best-practice example of coffee farming with low impacts on ecosystem services and

biodiversity; a relationship that would then need to be preserved, scaled and replicated. A few important long term impacts as noted by the International Panel of Climate Change (IPCC) are as follows:

- § Changes in yield due to changes in seasonal climates, including erratic rainfall
- § Changes in production potential in relation to factors such as yield, land availability and longer/shorter growing seasons
- § Crop response to changes in atmospheric conditions
- § Changes in price and trade patterns due to climate change Changes in food security and livelihood, i.e., number of people at risk of hunger and poverty
- § Water run-off and related water stress

The four major impacts of climate change on coffee production in the short run are

- § The fall in quality of coffee bean
- § Reductions in yield
- § Increase in incidence of pests and disease
- § Increase in irrigation, fertilizer and pesticide costs

### **Coffee & Barista coffee chain which has promoted the coffee industry across the world**

Indian coffee production is influenced in the southern states of the country. Indian coffee is said as the finest coffee in the world, which is sprout in the semidarkness. The Indian coffee house expanded its branches in various parts of the country such as Lucknow, Jaipur etc. Indian coffee as more demand in Europe, as it contains less acidic substances. Now coffee bars have promoted Indian coffee industry across the world with Barista coffee chain. Consumption of coffee is more in south India. Barista coffee is one of the coffee bar that operates on other nations. It fascinates the youths who are exposed to the contemporary lifestyle & gains the true flavours & sensitivities of coffee. India as 200 Barista coffees over 30 cities. Was provided by Indian roaster. Barista was wildest product to make the list of super products & graded among topmost 50 wonders that changed India. Some of the coffee house chains around the globe are Barista Lavazza, Biggby coffee, Bourbon coffee etc. Cafe coffee day & Barista is the greatest current cafe's. They also tea and other food beverages. Barista is the cable of espresso bars in the country. Through the help of Barista coffee chain, we are able to promote the coffee industry across the world. With the global coffee industry having undergone a transition in the latter half of the preceding century, marked by an increase in coffee production at the cost of the environment in major producing countries such as Brazil and Vietnam; the case for eco-friendly practices and biodiversity conservation potential of Indian, especially Karnataka's, coffee agro forests are growing Building up resilience to increasing climate variability is the most significant challenge facing coffee farmers. It appears that most adaptation measures are in line with sustainable development approaches common in the sector. It is clear that the coffee industry has to take more responsibility to invest collectively in the adaptation process, communicate transparently, and ensure effective and long-term support for coffee farmers in all producing countries. The plans and investments of key stakeholders, including producer governments, roasters, traders, VSS, NGOs, producer organizations, unions and financial institutions should be coordinated, in order to build a shared

understanding and approaches to sustainability at the global level at large and Indian level in particular since it is a high time for innovations. Manufacturing currently contributes just over 15% to the national GDP.

## CONCLUSION:

The main aim of every coffee planter is to make sustainable desire, disposal. Producers have to market fine quantity & quality of coffee, so the rates also rise. There are many coffee manufacturing industries which have their unique labs, they can visit them & gain some awareness, how to sell their crop. In other countries such as Brazil etc., they use operational strategies. The manufacturer has to notice the new tendency of marketing & adopt them. Government, coffee board have to give some programmes about marketing. Because there is less demand for coffee in aboard countries, there is no export of coffee. So, there is less demand for the crop, & the market price also keeps on fluctuating year to year. The government have to assist the coffee producers by providing recognition programmes, subsidies, export of coffee etc. At present coffee board is producing many bustles such as 1. improvement of production, efficiency & quality, 2. Export encouragement 3. Supporting home market develops the coffee industry. Coffee board has to provide financial support to coffee growers. Issues and problems of coffee growers assume greater importance due to its export potential as well as the livelihood dependency of large number of small growers (98% of holdings).

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. 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. The Government's role in this becomes crucial in forging and sustaining inter-sectoral partnerships to advance welfare of small coffee growers, There are lot of incentives can provide by Government for stabilizing Coffee production like fertilizers subsidies, coffee export support by government, Government can help coffee growers in marketing of coffee, 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. So that coffee growers can sustain and they can contribute more coffee production, it not only develops the coffee growers and also contributes for economic development.

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