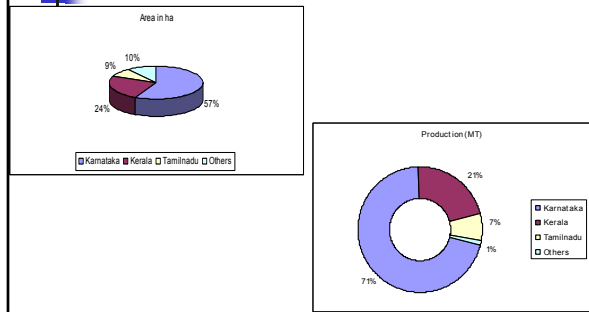# COFFEE DIVERSIFICATION INITIATIVES IN INDIA – A CASE STUDY

Dr.Y.Raghuramulu
Head, Division of Agronomy
Central Coffee Research Institute
Coffee Board, Bangalore, India

Profile of coffee growing regions and producers

- **Mainly grown in 3 southern states**
- **Total area-0.35mn.ha**
- **Grows both arabica & robusta**
- **Av.prodn.4.7mn.bags -4% of global production**
- **100% shade grown, hand picked & sun dried**
- **Mixed cropping with spices & fruit crops**
- **Predominantly small & marginal holdings**
- **0.5 mn. workers in plantations**

Area & production

Area in ha
10%
9%
24%
57%
☐ Karnataka ■ Kerala ☐ Tamilnadu ☐ Others

Production (MT)
21%
7%
1%
71%
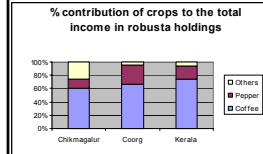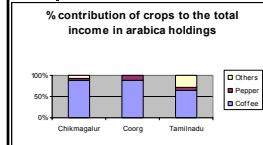☐ Karnataka
■ Kerala
☐ Tamilnadu
☐ Others

Major diversification initiatives at farm level

- **No major public initiatives to promote horizontal diversification in coffee holdings**

- **Mixed cropping evolved over the last century**

- **Climatic conditions dictated choice of intercrops**

- **Public efforts mainly limited to research studies & economic analysis**

- **No scope for diversification away from coffee**

Benefits of horizontal diversification initiatives

% contribution of crops to the total income in arabica holdings

Chikmagalur, Coorg, Tamilnadu — Others, Pepper, Coffee

% contribution of crops to the total income in robusta holdings

Chikmagalur, Coorg, Kerala — Others, Pepper, Coffee

- **Arabica holdings- 12-37% income from intercrops**
- **Robusta holdings – 25-40% income from intercrops**
- **Subsistence measure for small holders**
- **Medium & large holdings maximize their farm incomes through mixed crops to reduce unit cost of coffee production**

Major diversification initiatives at product level

- **Public**
  - **Coffee Board's efforts to develop/ promote specialty coffees**
- **Private initiatives**
  - **Estate brands**
    - **SCAI**
  - **Soluble coffee industry**
  - **R&G brands by growers**
    - **Ginimao, Hunkel Heights, SHGs etc.**
  - **Farm to consumer - integrated chains**
    - **Tata Coffee, Café Coffee Day, Kalmane Coffee etc.**

Impact of vertical diversification initiatives

- **150% increase in quantity of exports of specialty & value added coffees between 1996 and 2005**
- **65% increase in total export earnings from these coffees**
- **Recognition of India as a source of diverse specialty coffees in the world market**
- **Resurgence of domestic market for coffee**

Exports of specialty & value added coffees (MT)

Specialty, Value added — 1996, 2000, 2005

Export earnings from specialty & value added coffees

Specialty, Value added — 1996, 2000, 2005
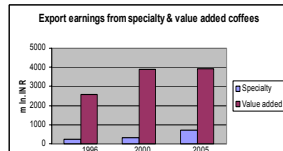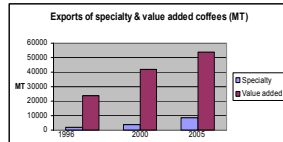
Lessons from diversification initiatives in Indian coffee

- Small & marginal growers only subsist by mixed cropping in their holdings but are not efficient producers
- They are not able to meet the volumes and quality expectations
- Vertical diversification largely benefited the big individual and corporate plantations
- Small holders coffees can benefit from trickle down effect of vertical diversification, but
- They require hand holding to move up the value chain

What needs to be done for small holders?

- Enable group/ community approach to improve their competitiveness in quality & quantities of their coffees & other products
- Support & training for quality improvement
- Identify & popularise alternate viable intercrops (medicinal & aromatic plants?) and subsidiary activities (fisheries, dairy etc)
- Crop insurance scheme
- Fair Trade certification?

Thank You