

# Stability in Indian Export Value of Coffee in Post Reform Period

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**Abstract:** *Over the years Indian foreign trade has experienced many ups and downs in its path of development. In post reform period, Indian trade has shown a change in its composition of exports away from agricultural goods to manufactured goods and finally to export of services. From early days India had concentrated in export of agricultural goods, being an agrarian economy. In post reform period also agricultural goods have played a vital role in earning foreign exchange for the country. The paper will deal with the stability in the export values of coffee in US \$ million over the years. The three southern states of the country, namely, Karnataka, Kerala and Tamil Nadu account for almost the whole of India's coffee production. Indian coffee is finding its way to distant shores. Indian Brand Equity Foundation (IBEF) in its data mentioned that India is among the top 10 coffee - producing countries, with about 3 per cent of the global output in 2020.*

**Keywords:** instability, trade, export, coffee, value

## 1. Introduction

India's foreign trade has always played an important role in the path of development of the country. Indian coffee exports have increased from 19.7 thousand tonnes during 1960 - 61 to 416 thousand tonnes in 2021 - 22. (Source: Minister of State in the Ministry of Commerce and Industry). This indicates an increase in demand for Indian coffee in the international market over the years. The World Economic Forum (WEF) in its report stated that India was the seventh largest coffee producer in the world in 2020. The high quality of Indian coffee is the secret behind the increased demand of the commodity. India produces two types of coffee - Arabica and Robusta. The mild aromatic flavor of Arabica results in high demand of the variety. Robusta coffee is mainly used in making various blends due to its strong flavour. IBEF reports that the coffee industry provides direct employment to more than 20 lakh people in India. Italy, Germany, Belgium, and Russia are the largest importers of coffee from India, with an average total share of about 45 per cent. The other coffee importing countries are Libya, Poland, Jordan, Malaysia, the US, Slovenia, and Australia according to IBEF report. The area under coffee plantation in India has increased by more than three times, from 120321 hectares in 1960 - 61 to 397147 hectares in 2015 - 16. (Sharma et al 2019) This is due to the increase in production and improvement in productivity levels (Darvishi GA and Indira M, 2015). India is the seventh largest coffee - producing country in the world, behind Brazil, Vietnam, Colombia, Indonesia, Ethiopia and Honduras. It accounted for approximately 3% of global coffee exports in 2020 (IBEF).

## 2. Literature Survey

In a report by Ministry of Commerce & Industry, it has been stated that coffee export has grown by 38% in 2021 - 22 compared to 2020 - 21. In the year 2021 - 22, India was the 5<sup>th</sup> largest exporter of coffee in the world with a share of about 6% of global coffee exports after Brazil, Vietnam,

Colombia, Indonesia. In an article, "Revenue from coffee exports up 760 - fold since 1960" by Times of India dated Aug 12, 2022 reports that coffee export has increased 12 times by volume since 1961. Sharma, Avdhesh. et al. "Production and export performance of coffee in India", have studied that the area under coffee plantations in India has increased by more than three times, from 120321 hectares in 1960 - 61 to 397147 hectares in 2015 - 16. The study period is of 30 years from 1985 to 2015. Compound Annual Growth Rate (CAGR) was used for analysing the growth in coffee area, production, yield, export quantity and export value over the years. The study revealed that the growth rate in the area, production and yield, export quantity, export value of coffee was 2.4 per cent, 3 per cent, 0.6 per cent, 3.2 per cent, and 4.2 per cent respectively. The result showed that coffee had a stable and positive fluctuation trend in the export performance ratio. The study concluded that the area, production, and export quantity of coffee registered a similar and fluctuation growth rate during the overall study period. The study indicates that there is scope for increasing the coffee area and production for further strengthening the coffee exports in India. Adaptation of new technology and cultivation practices for coffee growing region is suggested for further improvement in production and export of coffee. A twelvefold increase in coffee exports has been recorded in India over the last 60 years, culminating in exports exceeding \$1bn in 2020 - 21, according to the Government of India's Press Information Bureau. In terms of value, the agency said Indian coffee exports rose 760 times from 1960 - 2021. The Government of India has been witnessing a steady rise in its coffee exports. From 1960 to 2021, India's coffee export increased twelvefold in quantity, and the value of the coffee export has risen 760 times in the same time period. India's Press Information Bureau (PIB) stated that coffee exports in the year 2021 - 22 have reached \$1 billion for the first time as reported by Bar Talks Limited. Das, Arghyadeep. et al. "Performance and Determinants of Exports of Coffee from India: A Post - WTO Scenario". *Indian Journal of Agricultural Economics* Vol.75, No.4, 2020, pp.546 - 559, focused on mainly to assess the export performance of

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Indian coffee, discuss the prospects of coffee exports in future and also to understand the factors affecting the export of coffee from India during the period 1995/96 – 2018/19. The study indicated that higher instability of value of export and unit value of export was due to volatility in world prices and political situation in international markets. Italy, Russian Federation, Germany, Poland, Belgium and Spain are the major export destinations for Indian coffee. The study indicated that Italy had the maximum percentage of retention of export share of Indian coffee throughout the study periods. Priyanka Sahni analyzes the trends in India's exports using the time series data for the period 1980 - 81 to 2010 - 11. The whole time period has been divided into two sub - periods 1980 - 81 to 1991 - 92 (pre reform period) and 1992 - 93 to 2010 - 11 (post - reform period) in her paper "Trends In India's Exports: A Comparative Study Of Pre And Post Reform Period". The study result shows that India's exports performance improved significantly during the post - reform period and there has been a perceptible change in the value, composition and direction of India's exports.

### Aims and Objectives

The paper aims to study the instability in export value of coffee in US \$ million during the period 1960 - 61 to 2020 - 21.

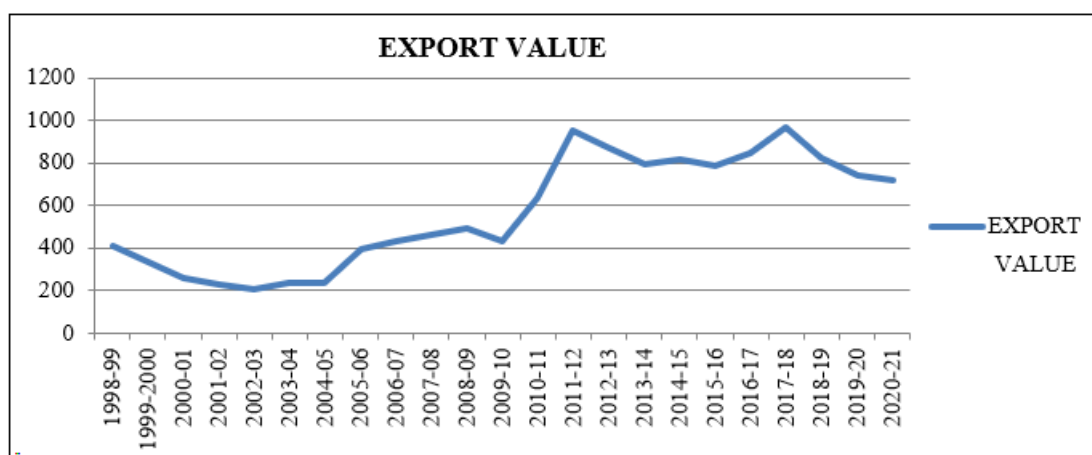
### 3. Methodology

The study depends on secondary data collected from Economic Survey, IBEF REPORTS, Ministry of Commerce and Industry, online papers, articles. The instability in export values of coffee in US \$ million will be computed with the help of Coppock's Instability Index.

### 4. Result

Coppock's Instability Index is computed by the formula

$CII = \text{Antilog} ((\sqrt{V} \log - 1) \times 100)$ . Computing the data in excel during the period 1998 - 99 to 2020 - 2021, the value of CII has come out to be 61.84333. The high value of CII implies a higher instability in export value of coffee in US \$ million.



The trend line for export value of coffee in US \$million shows a fluctuating trend. In initial years the trend is falling. After 2004 - 05 it shows a rising trend with maximum rise in 2011 - 12 and 2017 - 18.

### 5. Conclusion

Higher instability of value of export is due to volatility in world prices and political situation in international markets. Italy, Russian Federation, Germany, Poland, Belgium and Spain are the major export destinations for Indian coffee. Government's active role is the need of the time. The quality maintenance and enhancement of variety in coffee is also a need of the time. Political stability, price stability are important factors for bringing in stability in Indian export value of coffee. The export of coffee may reach a remarkable height in terms of value in near future with rise in stability in terms of export value.

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