

Role of different entities in making Risk Management and Financing Tools for the Small and Medium Coffee Growers more accessible– An Indian Perspective

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Indian Coffee sector

- Total planted area – 404,645 Ha
- Total no. of holdings – 269,565
- 99% of holdings (266,869) are small holdings (below 10Ha)
- Coffee Board, Ministry of Commerce & Industry is the nodal agency for the overall development of coffee sector in the country since 1942
 - Friend, Philosopher and Guide
 - Commands Historic/Traditional influence in the sector
 - Possesses elaborate machinery at its disposal
 - Organization of last resort for the sector

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Coffee Board of India

- Post liberalization, the role of Coffee Board is redefined as facilitator of overall development of the coffee sector through
 - R&D and transfer of technology,
 - Capacity building of stakeholders in production, processing & value addition,
 - Dissemination of information including market information,
 - Promotion of Indian Coffee in the overseas and domestic market,
 - Providing incentives for developmental activities aimed at productivity and quality improvement, risk mitigation, value addition etc., and
 - Providing welfare measures for the children of workers/ small growers

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Risk Management / Financial Tools available for coffee growers

- Rainfall (Weather based) Insurance Scheme for Coffee (RISC) – from 2007 onwards
- Price Stabilization Fund (PSF) – from 2003 onwards
- Personal Accident Insurance Scheme (PAIS)– from 2005 onwards
- Interest subvention/ Refinance schemes
 - By the Coffee Board
 - By RBI (Central Bank) through banking network
 - By NABARD
 - By the State Govts. covering Cooperative sector

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Rainfall Insurance Scheme for coffee (RISC)

- Developed by Coffee Board and Agriculture Insurance Company (AIC) of India Ltd., in consultation with growers associations
- Risk mitigation scheme against excess/ deficit rainfall during certain critical stages of crop cycle like blossom, fruit set, monsoon and harvest periods.
- Small growers are entitled for 50% subsidy on the premium amount payable for different risk options
- Amount of coverage – Arabica – Rs.30,000/- Ha and Robusta – Rs.20,000/- Ha
- Major changes on the anvil w.e.f. FY 2012-13

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Price Stabilization Fund (PSF)

- Objective is to provide financial relief to the small growers when prices of the commodity fall below a specified level.
 - ▶ Growers owning upto 4 ha. are covered under the scheme
 - ▶ Every year Price Spectrum Band (PSB) is declared based on 7 yrs moving average of the International Prices
 - ▶ PSB of 40% (+20% to -20%)
 - ▶ Boom Year – when domestic price is higher than the upper range of the PSB (+20%)
 - ▶ Normal year- domestic price is within the PSB
 - ▶ Distress year – domestic price is below the lower range of the PSB (-20%)
 - ▶ Major changes on the anvil w.e.f. FY 2012-13

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Modality of deposits/ contributions

- ▶ Normal year - both the Govt. & grower contribute Rs. 500/- each
- ▶ Boom year – only the grower contributes Rs.1000/-
- ▶ Distress year – only the Govt. deposits Rs.1000/-
- ▶ The growers can withdraw the total accrued amount in his account only during ‘Distress year’
- ▶ At the end of currency of the scheme entire money would go to the growers

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Personal Accident Insurance Scheme (PAIS)

- Applicable to small growers (upto 4 Ha) and estate workers to cover the risks of death, permanent disablement , loss of limbs and eyes etc.
- Implemented by Govt. approved Insurance company
- Coverage
 - Death & Permanent disability - Rs.100,000/-
 - Loss of limbs/ eyes - Rs.60,000/-
 - Temporary disability for loss of work upto 3 months – Rs.15,000/-
- Govt. support - 50% subsidy on premium of Rs. 22 per person.

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Interest subvention/ Refinancing schemes

- Coffee Board
 - 5% interest subsidy on working capital loans availed by growers subject to condition that
 - interest payable after subsidy is not less than 7% and
 - maximum ceiling of Rs.50,000/- per year for Arabica and Rs.40,000/- per year for Robusta growers is not exceeded
- Govt. of India/ RBI
 - Contribute @ 2% for Short Term (ST) loans upto Rs.300,000 to the Banks (brings down the cost of capital)

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- NABARD
 - Refinances to Regional Rural Banks (RRBs) and Cooperative sector @ 4.5% for ST loans and 10% for medium term (MT) & long term (LT) loans
- State Governments
 - Interest subvention to various degrees for ST, MT & LT loans by different State/ provincial Governments
 - Quite substantial

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Role of the Coffee Board/ Government

- At Formulation stage
 - The Board develops the schemes with Implementing agencies
 - Provides consultative role in the development of certain other schemes
 - Acts as link between growers/ growers associations and the Govt./ Implementing agencies
- At Implementation stage
 - SICS/ IEC campaigns
 - Growers meets/ workshops – Mass Communication Programme, Mass Contact Programme etc.
 - Dissemination of information through Board's website, radio/ newspapers/ pamphlets etc.

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- Technical support
 - Advising financial institutions on the unit costs for working capital loans & term loans
 - Providing technical /data inputs to the implementing agencies for development of the risk management tools – for eg: in the case of RISC, Board providing historic rainfall data, defining risk triggers etc. for different zones
 - Facilitation in marketing of the tools reaching upto marketing by the Board

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Role of other players

- Growers Cooperatives
 - Very few growers cooperatives exist in India after liberalization of coffee marketing in 1996
 - Role confined to their members
- Growers associations
 - provide inputs for the policy discussions and help in dissemination of information among their members
 - Most often utilize resource persons from the Board

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Thank You

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