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
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

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
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

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
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

Personal Accident Insurance Scheme (PAIS)

- Applicable to small growers (upto 4 Ha) and estate workers to cover the risks of death, permanent disableness, 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.
**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%
    - 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
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
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

Thank You