

The Coffee Act, 1942

July 30, 2022

In news- The government is planning to replace the 80-year-old Coffee Act with the new Coffee (Promotion and Development Bill), 2022.

About Coffee Act-

- The **Coffee Act, 1942** was first introduced during **World War II**, in order to protect the struggling Indian coffee industry from the economic downturn caused by the war.
- Due to the Great **Depression in the 1930s**, the coffee planters were making significant losses and **the government passed the Coffee Cess Act (XIV of 1935) and established the first Indian Cess Committee in November 1935**, in order **to promote the sale of coffee** and increase consumption of Indian coffee at home and abroad.
- Since the Cess Committee was not able to deal with the crisis faced by the industry during World War II, **the government formed the Coffee Board, through the introduction of the Coffee Act, 1942, under the control of the Ministry of Commerce and Industry.**
- **The purpose of the Act was to provide for the development of the coffee industry.**
- **The Board was tasked with supporting the industry in marketing**, promotion of consumption, finance and research and development.
- **Before India liberalised its economy in 1991, the Coffee Board controlled the marketing of the commodity in its entirety, both in India and abroad.** It was previously in charge of collecting, storage, processing and sale for the growers as well.
- **The Coffee Act introduced a pooling system, where each planter was required to distribute their entire crop to a surplus pool managed by the Board, apart from the**

small quantities that were allowed for domestic use and seed production.

- **After the liberalisation**, though the Board continues to be the chief governmental body to supervise the industry, it no longer maintains its monopolistic control over the marketing of Indian coffee.
- Through a series of amendments, the **Board's authority was reduced**, and in 1996, the pooling system was abolished and growers were allowed to directly sell to processing firms.
- **The coffee market was entirely deregulated and the growers exposed to the free market.**
- **Since liberalisation, the Coffee Board plays more of an advisory role**, and aims at increasing production, promoting further export and supporting the development of the domestic market.
- While the Coffee Board continues to have limited control over marketing, exporters will still require a certificate from the statutory body.
- The Board functions through six statutory committees which are appointed for one year term each and the functions of each committee as per the Coffee Act.
- **The head office of the Coffee Board is situated in Bangalore.**

Draft Coffee Bill 2022-

- According to the draft Coffee (Promotion and Development) Bill, 2022 which was first released in January 2022, the substantive portion of the Coffee Act, 1942, which deals with pooling and marketing of the commodity, **has become redundant/inoperative.**
- **The new legislation is now primarily concerned with promoting the sale and consumption of Indian coffee**, including through e-commerce platforms, with fewer government restrictions.
- **It also aims at encouraging further economic, scientific**

and technical research in order to align the Indian coffee industry with “global best practices.”

- The new bill addresses several functional areas of the Coffee Board, such as support for production, research, extension, and quality improvement, promotion of coffee and skill development of growers.
- The Bill will also protect the interests of the labour in plantations, processing units and coffee communities.
- The Bill will promote ease of doing business by simplifying documentation and procedures, including replacing the existing five-year validity of Registration cum Membership Certificate (RCMC) with a one-time exporter registration and bringing in a one-time registration of curing units.