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Approved by:

Kent D. Sisson

U.S. Embassy, Jakarta

Prepared by:

Deanna M.J. Ayala/ Niniek S. Alam

Report Highlights:

While producers keep planting roughly the same area (1.2 million hectares) and producing roughly the same amount of coffee each year (7.2 million bags in MY00/01), trade policy has taken center stage in Indonesia's coffee arena. The drama surrounding Indonesia's ability to join fellow Association of Coffee Producing Countries (ACPC) members in their newly-adopted coffee retention scheme seems to have played out. Indonesia will be holding back up to 60,000 tons of coffee beginning in 2001 (i.e. 20 percent of exportable volume).

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I - SITUATION AND OUTLOOK

Production

Adverse weather and pest problems had only a minor impact on Indonesian coffee production. Total coffee production (Arabica and Robusta) is down 3 percent from MY98/99 to 7.17 million bags in MY99/00. Farmers are unable to expand or enhance management practices due to higher living costs and the low price they receive for coffee, thus leaving production flat. Assuming weather conditions remain favorable and pests remain under control, yields are forecast to increase from 478 kilogram/hectare in MY99/00 to 487 kilogram/hectare in MY00/01 and boost production. FAS/Jakarta keeps the MY00/01 forecast at 7.3 million bags, unchanged from our previous report (ID0024).

Around 92 percent of coffee production in Indonesia is in the hands of small holders, while 5 percent is managed by government state enterprises and only 3 percent by private companies. Considering its higher value, Indonesia is also keen to boost Arabica coffee production but has been stymied due to soil, altitude and climate requirements. The share of Arabica coffee in Indonesia's coffee production remains low, less than 10 percent.

Consumption and Prices

Total domestic consumption in MY99/00 is estimated at 100.8 thousand tons or 1.68 million bags, unchanged from FAS/Jakarta's previous report. Total domestic consumption in MY00/01 is expected to increase to 1.69 million bags reflecting an increase in new coffee drinkers in the lower age group.

As world coffee prices declined, Indonesian export prices also declined quite substantially from US\$ 1,696/mt in 1998 to US\$ 1,365/mt in 1999 and US\$ 1,147/mt during the first half of 2000. Currently, the average world market price of Indonesian (Lampung) Robusta coffee ranges from US\$ 630 to US\$ 650 per ton, the lowest in the last nine years. The farmgate price of Robusta coffee in the local market (North Sumatra) is Rp. 5,200/kg (US\$ 0.66/kg at the current exchange rates) while Arabica coffee is Rp. 15,000/kg or US\$ 1.71/kg. (Please refer to Table 7). Cost of production reportedly stands at Rp. 3,000/kilogram but with the increasing cost of living and agriculture input prices, the profit margin is narrowing and reportedly management and quality are suffering. There have been no significant changes in retail prices.

Stocks

Based on updated government trade data, FAS/Jakarta revised MY99/00 total exports up from the previous estimate of 5,620 thousand bags to 5,657 thousand bags. Ending stocks in MY99/00 are revised upward to 117,000 bags, around 24 percent higher than the previous estimate, reflecting higher imports of 143,000 bags. While production and total coffee exports forecast for MY00/01 remain unchanged, higher carry over stocks from the MY99/00 leads Post to revise ending stocks for MY00/01 upward to 132,000 bags or 7.9 thousand tons.

Trade

Coffee is one of Indonesia's major export commodities, contributing around 16 percent of total annual agriculture product revenue. During January-May, 2000 the revenue generated by coffee exports was US\$ 113 million or 12 percent of total exports of agriculture products which reached around US\$ 950 million. Export earnings from coffee started to decline in 1996 due to declining prices (down 57 percent this year compared to 1995). Detailed export and import information is presented in Table 7. During MY99/00 there were no restrictions on exports (e.g., the coffee retention scheme is not expected to take effect until April 2001).

Based on updated government trade data, FAS/Jakarta revised MY99/00 total exports up to 5,657 thousand bags (or equivalent to almost 340,000 tons), slightly higher than the previous estimate but 6 percent lower than total export volume in MY98/99. This indicates that lower export prices and a weaker rupiah encouraged exporters to hold stocks. With no certainty in the implementation of retention, the forecast for total coffee exports in MY00/01 remains at 5,650 million bags, slightly lower than exports in MY99/00 due to low prices offered by traders (to farmers) following the weakening of world coffee prices.

Export of green (unroasted) coffee during MY99/00 reached just over 5.6 million bags. Indonesia's major export destinations during MY99/00 were Japan (21%), Germany (14%), the United States (11%), and Poland (7%). Total roasted coffee exports during MY99/00 reached 32 thousand bags (1,920 tons), a remarkable increase of 68 percent from only 19 thousand bags in MY98/99.

Imports are dominated by green Robusta to fulfill the demand from domestic coffee processing industries for blending. During MY99/00 total coffee imports were 143 thousand bags, a substantial increase from MY98/99 imports of 24 thousand bags. Major sources of imports were Vietnam (72%) and Laos (8%) and Thailand which supplied around 7% of total imports. FAS/Jakarta forecasts total coffee imports in MY00/01 down to 55,000 bags, unchanged from the previous forecast. The average green coffee import price during the first half of 2000 was recorded at US\$ 869/mt (cif) while roasted coffee was imported at an average of US\$ 2,000/mt (cif).

Trade Policy

ACPC: Coffee Retention Plan

The Government of Indonesia (GOI) is committed to supporting and participating in the retention scheme ratified on October 1, 2000. However, Indonesia has delayed implementation until the upcoming harvest season, roughly April 2001. The volume of coffee beans that will be held back will depend on production, exportable volume and world price levels but has been estimated at 60,000 tons, or 20 percent of exportable volume. A draft budget, procedures and the necessary documents to launch the scheme are to be announced by the GOI Ministry of Industry and Trade as early as November 15. Indonesia strongly supports the scheme, particularly due to the decline in Robusta prices which has been more dramatic than the decline in Arabica prices.

With an estimated annual production level between 420,000 and 430,000 tons (7.0 to 7.2 million bags @ 60kilograms) and exports at around 300,000 tons this year, it is likely that Indonesia can hold 60,000 tons for the retention, i.e., 20 percent of the exportable volume. If farmers continue to hold back their own supply, total exportable volume may actually decrease, lightening/lessening the burden on Indonesia under the ACPC plan. If this scenario were to play out, total exports would decline to about 240,000 tons.

AEKI estimates the total cost of coffee retention for Indonesia at US\$ 80 to US\$ 100 million. The GOI (Minister of Industry and Trade) is working on the possibility of providing funds to buy the coffee beans from farmers, around Rp. 30 billion or US\$ 3.4 million per quarter. Warehouse, insurance, maintenance and other over head costs will be borne by the exporters through AEKI.

SECTION II - STATISTICAL INFORMATION AND TABLES

Table 1. Production, Supply and Demand: Coffee, Green

PSD Table						
Country:	Indonesia					
Commodity:	Coffee, Green			Unit: 1000 of 60 Kg Bags		
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		04/1998		04/1999		04/2000
Area Planted	1160	1160	1160	1160	1160	1160
Area Harvested	900	900	900	900	900	900
Bearing Trees	1300	1300	1300	1300	1310	1310
Non-Bearing Trees	220	220	220	220	210	210
TOTAL Tree Population	1520	1520	1520	1520	1520	1520
Beginning Stocks	804	804	141	141	94	117
Arabica Production	485	485	475	475	490	490
Robusta Production	6465	6465	6725	6695	6810	6810
Other Production	0	0	0	0	0	0
TOTAL Production	6950	6950	7200	7170	7300	7300
Bean Imports	24	24	50	143	50	50
Roast & Ground Imports	1	1	3	0	5	5
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	25	25	53	143	55	55
TOTAL SUPPLY	7779	7779	7394	7454	7449	7472
Bean Exports	6019	6019	5590	5625	5600	5600
Roast & Ground Exports	19	19	30	32	50	50
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	6038	6038	5620	5657	5650	5650
Rst,Ground Dom. Consum	1565	1565	1645	1645	1650	1650
Soluble Dom. Consum.	35	35	35	35	40	40
TOTAL Dom. Consumption	1600	1600	1680	1680	1690	1690
Ending Stocks	141	141	94	117	109	132
TOTAL DISTRIBUTION	7779	7779	7394	7454	7449	7472

Note: "Old" column is FAS/Washington data. For FAS/Jakarta's previous PS&D see ID0024.

Table 2: Indonesia: Quality Composition of Exported Coffee
(Combined Robusta and Arabica)

Coffee Year (October-September)	% High Grades (1& 2)	% Medium Grades (3 & 4)	% Low Grades (5 & 6)
1994/1995	13.42	70.82	15.76
1995/1996	9.45	78.15	12.40
1996/1997	11.56	70.47	17.97
1997/1998	11.35	71.65	17.00
1998/1999	14.19	70.18	15.63
1999/2000 *	16.79	67.33	15.87
<p>Source: Indonesian Coffee Exporters Association (AEKI: Asosiasi Ekportir Kopi Indonesia). Processed by FAS/Jakarta.</p> <p>Note: Percentage were calculated based on the volume (by weight), combined dry and wet processed.</p> <p>* Preliminary data, covers a six month period of: January - June 2000.</p>			

Table 3: Robusta Bean Prices

The Development of Robusta Bean Prices						
Month	S. Sumatera	Lampung	E. Java	Average Farmgate		Avg. FOB
	(Rp./Kg)	(Rp./Kg)	(Rp./Kg)	(Rp./Kg)	(US\$/Kg)	(US\$/Kg)
1999						
Jan	10,195	10,366	11,400	10,654	1.13	1.80
Feb	10,212	10,711	10,750	10,558	1.17	1.77
Mar	10,198	9,500	12,025	10,574	1.20	1.56
Apr	9,424	8,943	11,300	9,889	1.15	1.48
May	7,324	7,446	9,625	8,132	0.99	1.36
Jun	6,926	6,785	8,750	7,487	1.11	1.35
Jul	5,773	6,520	7,563	6,619	0.95	1.30
Aug	7,044	6,420	7,563	7,009	0.91	1.30
Sep	6,920	7,137	8,250	7,436	0.87	1.22
Oct	6,385	6,139	7,813	6,779	0.98	1.25
Nov	6,738	6,431	7,563	6,911	0.92	1.34
Dec	6,762	6,382	8,300	7,148	1.00	1.47
2000						
Jan	6,369	6,031	10,425	7,608	1.03	1.42
Feb	5,630	5,233	7,375	6,079	0.81	1.23
Mar	4,998	4,874	5,250	5,041	0.66	1.09
Apr	4,856	4,603	5,750	5,070	0.63	1.03
May	5,061	4,889	6,350	5,433	0.62	1.02
Jun	4,430	4,448	6,200	5,026	0.57	0.95
Jul	4,213	4,373	6,325	4,970	0.55	0.91
Aug	4,071	4,170	5,480	4,574	0.55	0.87

Source: AEKI (Indonesian Coffee Exporters Association), October 2000.

Notes: Prices at provinces are farmgate robusta prices (kopi asalan). The average farmgate price in US\$ is calculated by FAS/Jakarta from the average exchange rate for each month (see table at the end of the report). The FOB value (in US\$) is calculated by FAS/Jakarta based on the average FOB prices in South Sumatera, Lampung and East Java for each month.

**Table 4: Coffee (Green) Export
Calendar Year (Jan-Dec) 1999 and Marketing Year (Apr-Mar) 1999/2000**

Export Trade Matrix			
Country:	Indonesia	Units:	K 60 Kg Bags
Commodity:	Coffee, Green		
Time period:	Jan-Dec		Apr-Mar
Exports for	1999		1999/2000
U.S.	610	U.S.	596
Others		Others	
Japan	1,116	Japan	1,158
Germany	838	Germany	786
Poland	449	Poland	415
Italy	328	Italy	289
Rep. of Korea	289	Rep. of Korea	288
Singapore	232	Singapore	214
Bulgaria	202	United Kingdom	194
South Africa	201	Bulgaria	181
United Kingdom	200	South Africa	169
Malaysia	157	Malaysia	146
Total for Others	4,012	Total for Others	3,840
Others not listed	1,229	Others not listed	1,189
Grand Total	5,851	Grand Total	5,625

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

**Table 5: Coffee (Roasted) Export
Calendar Year (Jan-Dec) 1999 and Marketing Year (Apr-Mar) 1999/2000**

Export Trade Matrix			
Country:	Indonesia		Units: K 60 Kg Bags
Commodity:	Roasted Coffee		
Time period:	Jan-Dec		Apr-Mar
Exports for:	1999		1999/2000
U.S.	0	U.S.	0
Others		Others	
Japan	10	Japan	9
Singapore	10	Singapore	7
Poland	5	Poland	6
Malaysia	4	Malaysia	4
Taiwan	4	Taiwan	4
Total for Others	33	Total for Others	30
Others not listed	1	Others not listed	1
Grand Total	34	Grand Total	32

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

Table 6: Indonesian Coffee Exports
(in Metric Tons)

Months	1995/96	1996/97	1997/98	1998/99	1999/2000*)	2000/2001*)
April	8,666	20,650	25,354	14,401	25,412	17,209
May	16,010	40,151	35,723	14,752	34,940	32,672
June	23,375	36,729	45,429	36,327	32,002	40,422
July	26,619	55,187	39,141	50,975	33,652	33,802
August	28,063	42,964	34,191	49,631	33,562	
September	30,098	43,490	33,263	41,791	30,610	
October	29,109	44,888	28,978	33,256	26,838	
November	33,295	32,092	17,411	20,002	17,078	
December	21,909	28,048	21,766	20,342	13,750	
January	15,959	21,882	14,393	16,394	10,931	
February	12,634	17,398	15,626	17,144	13,615	
March	15,123	24,305	19,105	22,495	13,667	
TOTAL Apr-Mar	245,737	383,479	311,275	315,015	272,390	124,105
in K 60 kg bags	4,096	6,391	5,188	5,250	4,540	2,068

Source: The Ministry of Industry and Trade (MITI),
based on the Certificate of Origin Forms (Surat Keterangan Asal or SKA
document from the Directorate of Export, MITI). Processed by AEKI.

Note: *) preliminary figures.

Table 7: Indonesia's Export and Import of Coffee
(Calendar Year: January - December)
In Metric Tons/US\$

Year (Jan-Dec)	Export			Import		
	Volume Metric Tons	Value US\$ (FOB)	Unit Price US\$/MT	Volume Metric Tons	Value US\$ (CIF)	Unit Price US\$/MT
1994	291,198.3	753,718,060	2,588.3	945.2	1,545,951	1,635.6
1995	231,478.4	613,978,858	2,652.4	515.9	1,594,870	3,091.4
1996	368,626.2	605,947,870	1,643.8	458.8	1,084,105	2,362.7
1997	316,231.0	529,670,514	1,674.9	10,332.1	14,321,189	1,386.1
1998	363,015.3	615,778,524	1,696.3	3,045.1	4,498,265	1,477.2
1999	358,018.2	488,759,506	1,365.2	3,045.1	3,778,983	1,241.0
2000 *	144,648.7	165,860,725	1,146.6	8,648.5	7,859,766	908.8

Source: Trade by SITC, Central Statistics Agency (BPS-Badan Pusat Statistik), Indonesia.
Processed by FAS/Jakarta.
Note: * January - June.

Exchange Rate

Exchange Rate (Rp./1US\$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1997	2387	2403	2418	2443	2458	2450	2528	2190	3350	3700	3740	5700
1998	13513	9377	8740	8211	10767	15160	13850	11700	11314	9142	7755	8100
1999	9419	8992	8778	8632	8179	6750	6989	7736	8571	6949	7439	7161
2000	7414	7517	7598	7988	8728	8742	9055	8290	8780	9395	9250	

Source: Central Statistics Agency (BPS-Badan Pusat Statistik) and Business Indonesia Daily Newspaper.
Note: - November 2000 exchange rate is quoted for November 10, 2000.
- BPS data available up to July 2000.

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