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Indonesia

Coffee

Annual

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Report Highlights:
Supported by good growing weather and increasing coffee prices, Indonesia's coffee production is forecast to increase to 6,750,000 bags (equivalent 405,000 tons) in 2005/06. With increasing consumption, total exports are forecast to decline to 4,730,000 bags (283,800 tons) in 2005/06.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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SECTION I – SITUATION AND OUTLOOK

Production

Most Indonesian coffee production is robusta (85 to 90%), planted by smallholders. The balance is shared between state owned plantations and private estates. Major producing areas of robusta are Lampung, South Sumatra, and Bengkulu. Prominent arabica coffee areas include Takengon (Aceh), Mandaheling (North Sumatera), Toraja (South Sulawesi).

A prediction for drought prior to flowering in March/April 2004 did not materialize; production increased to an estimated 6,600,000 bags, equivalent to 396,000 tons in 2004/05. Based on continued marginal improvement in cultural practices, brought on in part from increasing prices, production is forecast to increase by 2.3 percent to 6,750,000 bags or 405,000 tons in 2005/06. Area is also forecast to expand marginally, principally reclamation of plantations abandoned during previous periods of low prices. Area planted is forecast to increase marginally to 1,050,000 Ha in 2005/06.

Since January 2005 prices have been increasing, however, soaring costs continue to hamper improvement in quality and yields. Agricultural extension services from the local government and the Coffee Research Institute have not contributed significantly to increased production or improved quality. Nevertheless, yields are increasing gradually and forecast to reach around 490 kg/ha in 2005/06. Private companies have been developing partnership projects with coffee farmers to assure that they have good quality and continued supply for local processing facilities.

Consumption

Total domestic coffee consumption is growing by an average of 11 percent annually and forecast to increase to 2,100,000 bags (equal 126,000 tons) in 2005/06. Most Indonesian coffee is exported in the form of beans. Robusta coffee is used as a complementary agent with Arabica (30:70) to enhance its flavor. Many modern coffee shops serving local and imported coffee have opened in strategic sites, typically in upscale shopping areas in big cities, supporting increased domestic consumption.

Prices

Current export prices of arabica coffee in North Sumatra range from Rp. 31,000 to Rp. 32,000/kilogram or US$ 3,298 to US$ 3,404/ton (using an average exchange rate of Rp. 9,400/US$1) while robusta prices are in the Rp. 7,800 to Rp. 8,500/kilogram (US$ 830 to US$ 904/ton) range.

Average monthly farm gate prices of robusta in the production areas of East Java have increased from Rp. 6,150/kilogram (US$ 654/ton) in January to Rp. 8,800/kilogram (US$ 936/ton) in April. The price of wet processed robusta in this area also increased from an average Rp. 10,200/kilogram or US$ 1,085/ton in January to Rp. 14,000/kilogram or US$ 1,489/ton in April. Robusta (dry process) was sold at prices ranging from Rp. 6,200/kilogram or US$ 660/ton (January) to Rp. 8,900/kilogram (April) or US$ 947/ton.

Stocks

Farmers built stocks as a result of low prices 2003/04. Encouraged by increasing prices toward end of 2004/05, farmers sold large stocks, with a consequent reduction in estimated ending stocks in 2004/05 to 68,000 bags (4,080 tons). Ending stocks are forecast at 108,000 bags (6,480 tons) in 2005/06.

Trade

Approximately 70 percent of total Indonesian coffee is exported, mainly in the form of green coffee. There is an opportunity to increase production and/or export of "gourmet/specialty" coffee, a wet processed Arabica, which is priced US$ 90/ton higher compared to dry processed Arabica.

Improved prices in 2004/05 created a strong incentive for farmers to sell their on farm stocks. Coffee exports for 2004/05 are now estimated at 4,750,000 bags (285,000 tons). A forecast increase in domestic consumption in 2005/06 combined with lower carry over stocks from previous year are expected to result in marginally lower coffee exports in 2005/06.

The major markets for Indonesian green coffee during 2004 are United States (21%), Japan (16%), Germany (16%), and Italy (6%). There is no impediment on exports; Indonesian exporters have yet to report any problems complying with the U.S. Bioterrorism Act import requirements nor the ochratoxin A level requirements imposed by the European Union.

To maintain steady supplies for exports and fulfill the requirement from local upscale cafés/restaurants and hotels, traders import coffee beans (mainly from Vietnam), which are transshipped via Batam Island, i.e., Indonesia's free trade zone area.

Policy

Consumer countries (led by Germany) have proposed that producing countries should meet various non-market objectives in order to reach Common Code for the Coffee Community (C4) sustainability in coffee production. Indonesia and other coffee producing countries have not accepted this proposal due to difficulties in fulfilling the requirements such as acceptable labor rights/law, environmental friendly farming practices and guaranteeing farmers access to markets. Indonesia is expected to ask for formal technical and financial assistance from importing countries in order to implement C4.

Despite continued appeals from coffee farmers and exporters, the government continues to impose a 10 percent sales tax on coffee beans. This is a factor, which tends to reduce farmers' revenue.

SECTION II – STATISTICAL INFORMATION AND TABLES

Table 1. Production, Supply and Demand

PSD Table						
Country	Indonesia					
Commodity	Coffee, Green			(1000 HA)(MILLION TREES) (1000 60 KG BAGS)		
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		04/2003		04/2004		04/2005
Area Planted	1000	1000	1000	1050	0	1050
Area Harvested	800	800	800	825	0	825
Bearing Trees	1110	1110	1110	1145	0	1145
Non-Bearing Trees	210	210	200	235	0	235
TOTAL Tree Population	1320	1320	1310	1380	0	1380
Beginning Stocks	131	131	113	113	158	68
Arabica Production	550	550	550	750	0	750
Robusta Production	5450	5450	5250	5850	0	6000
Other Production	0	0	0	0	0	0
TOTAL Production	6000	6000	5800	6600	0	6750
Bean Imports	74	74	80	80	0	100
Roast & Ground Imports	16	16	15	15	0	20
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	90	90	95	95	0	120
TOTAL SUPPLY	6221	6221	6008	6808	158	6938
Bean Exports	4350	4350	3950	4750	0	4650
Roast & Ground Exports	58	58	50	70	0	80
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	4408	4408	4000	4820	0	4730
Rst,Ground Dom. Consum	1650	1650	1790	1850	0	2000
Soluble Dom. Consum.	50	50	60	70	0	100
TOTAL Dom. Consumption	1700	1700	1850	1920	0	2100
Ending Stocks	113	113	158	68	0	108
TOTAL DISTRIBUTION	6221	6221	6008	6808	0	6938

Table 2. Coffee (Green) Export
Calendar Year (January-December) 2003 and 2004

Export Trade Matrix

Country	Indonesia		
Commodity	Coffee, Green		
Time Period	Jan-Dec	Units:	K 60 Kg Bags
Exports for:	2003		**2004**
U.S.	802	U.S.	1212
Others		Others	
Germany	960	Japan	910
Japan	873	Germany	898
Italy	418	Italy	356
United Kingdom	204	Algeria	236
Poland	183	United Kingdom	175
South Africa	163	Singapore	170
Romania	153	Belgium	150
Singapore	147	Egypt	134
Korea, South	122	Romania	125
Spain	113	Morocco	110
Total for Others	3336	Total for Others	3264
Others not Listed	614	Others not Listed	624
Grand Total	4752	Grand Total	5100

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