



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 2/1/2000

GAIN Report #ID0007

## Indonesia

## Cocoa

## Cocoa Semi-Annual

## 2000

Approved by:

**Robin Tilsworth-Rude**

**U.S. Embassy**

Prepared by:

Deanna M. Johnson/Ninieck Alam

---

### Report Highlights:

The cocoa sector of Indonesia is currently struggling with low international prices, a contracting domestic processing industry, and the potential for widespread cocoa pod borer infestation. Due to the cocoa pod borer threat, FAS/Jakarta has revised its MY99/00 production forecast to 348,000 tons. Meanwhile, the MY98/99 estimate is revised upward to 350,000 tons as area planted during previous seasons bore fruit. Planted area is unchanged at 530,000 hectares in both years. MY98/99 exports were raised to 357,000 tons and the MY99/00 export forecast remains at 345,000 tons.

---

Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Semi-Annual Report  
Jakarta [ID1], ID0007

## Production

Based on the most recent Government of Indonesia (GOI) data, FAS/Jakarta revised MY97/98 (Oct-Sep) cocoa production upward to 330,000 tons. In MY98/99, the production estimate is increased to 350,000 tons, about 6 percent higher than the previous year, as area expansion from previous seasons began to bear fruit. The MY99/00 production forecast is reduced to 348,000 tons as the crop is under threat from cocoa pod borer outbreaks. According to an industry source, cocoa pod borer outbreaks have already affected roughly 10% of cocoa area reducing production by about 1 percent.

Major producing areas of cocoa in Indonesia are: South Sulawesi (35 %); Southeast Sulawesi (13 %); North Sumatra (10 %); and Central Sulawesi (7 %).

Based on 1999 GOI data, around 82 percent of cocoa production in Indonesia is produced by small-scale farmers who manage around 2 hectares of land per family. Average yield for all types of farms in Indonesia remains low, estimated at 0.9 to 1.0 ton/hectare. The small scale farms tend to perform better with around 1.0 ton/hectare while state plantations yield only 0.7 ton/hectare and private plantations 0.5 ton/hectare. Respectively, state plantations and private companies control 11 percent and 7 percent of total cocoa bean production. There are two major cocoa varieties grown in Indonesia, i.e., bulk cocoa variety (mainly grown by small holders) and fine cocoa variety which is usually cultivated by private and state plantations. Cocoa trees will start producing in the 4th or 5th year. Currently, around 68 percent of cocoa trees are producing.

Indonesia produces around 10,000 tons of substitute products for cocoa butter per year which is mainly processed from palm oil and tengkawang seed oil. These products are sold both domestically and for export mainly to Asian countries. There are several substitute products for cocoa butter namely: cocoa butter equivalent (CBE); cocoa butter improver (CBI); cocoa butter extender (CBX); and cocoa butter substitute (CBS). Many of the local food, beverage and cosmetics industries use CBS extensively since the price is well below real cocoa butter (US\$ 1,000/ton vs US\$ 2,500/ton). Export prices for other substitute products are: US\$ 2,500/ton for CBE; US\$ 2,000/ton for CBI; and US\$ 1,500/ton for CBX.

## Consumption

The cocoa processing industry contracted during the economic crisis. At its height, the total capacity of the 37 cocoa processors is roughly 160,000 tons. During MY98/99 capacity was running at 50 percent, and consumption dropped to 8,500 tons. There was no new investment or expansion of capacity during that period. However, processors are hopeful that if the country's economic and political stability improve, domestic consumption of cocoa products will likewise improve and reinvigorate the cocoa processing sector. Thus, there is no change in the MY99/00 forecast of 10,000 tons. Domestic use of cocoa goes into: cocoa paste, cocoa powder, cocoa butter, and chocolate. Cocoa powder accounts for around 45 percent of total cocoa products and cocoa butter around 35 percent. Local cocoa products (powder and butter) are mainly for export while cocoa mass (chocolate sprinkles) is for domestic consumption.

## Trade

After several years of export expansion, exports of non-fermented beans are forecast to contract in MY99/00 to 280,000 tons due to competition from the Ivory Coast and Ghana, coupled with Indonesia's declining production and quality. Meanwhile, the MY98/99 estimate is revised upward to 289,000 tons, around 7 percent

higher than the previous estimate and almost 13 percent higher than MY97/98. Major markets for Indonesian cocoa beans during MY98/99 were the United States (48 %); Singapore (16 %); Malaysia (10 %); and Brazil (8 %).

Indonesia will continue to export unfermented beans despite strong efforts by the GOI and the Indonesia Cocoa Association (Asosiasi Kakao Indonesia -- Askindo) to encourage farmers to ferment their beans in order to add value to the crop. However, farmers prefer to receive cash as soon as possible and have little interest in this value-added proposal. In addition, foreign buyers use Indonesian cocoa beans for blending with other higher quality beans and are not willing to pay a premium for fermented beans.

Indonesia is expected to import 4,500 tons of cocoa beans during MY98/99, down 14% from MY97/98 due to financial constraints. Major suppliers were Cote d'Ivoire and Ghana. Cocoa bean imports are primarily high quality beans used for mixing and their products re-exported. For MY99/00 imports are forecast to decline to 3,000 tons as cocoa product exports are expected to decline.

Based on the most recent GOI data, cocoa product (i.e., cocoa paste, cocoa butter, cocoa powder, and chocolate) exports for MY98/99 are estimated to reach 68,000 tons, up from 58,628 tons in MY97/98. Indonesia cocoa product exports during October 98-August 99 were dominated by cocoa butter (50 % of total export volume), followed by cocoa powder (25 %), cocoa paste (18 %), and chocolate (7 %). Major destinations for Indonesian cocoa products were: the United States (31 %); Netherlands (17 %); and the Philippines (10 %). High quality cocoa beans, i.e., grades I and II, are mostly for export while the local cocoa processing industry consumes low quality beans. It is most likely that exports of cocoa products during MY99/00 will decline to 65,000 tons because of insignificant quality betterment in both the raw material and the manufacturing practices. Imports of cocoa products remain low due to mainly unfavorable economic condition and difficulties in financing. Based on the latest official trade data, the estimate of cocoa product imports for MY98/99 is revised downward to 1,000 tons. Imports for MY99/00 are forecast to increase to 1,965 tons as economic conditions gradually improve.

## **Stocks**

Stock are reportedly high in MY97/98, MY98/99 and MY99/00 as domestic use has been sluggish and traders anticipate an upturn in international prices. Stocks skyrocketed in MY97/98 to 15,326 tons as production outpaced demand. The MY98/99 estimate is revised up to 5,326 tons and followed by a decrease in MY99/00 to 3,291 tons due primarily to higher domestic use rather than to exports.

## **Policy**

Rumors continue to circulate that the GOI plans to impose an export tax (10 %) on unfermented cocoa beans while fermented cocoa beans would not be subject to an export tax. This policy is an effort to motivate farmers to add value to exports through fermentation. Until now there is no evidence that this policy will be implemented. Furthermore, there is little evidence to suggest it would be successful, as noted previously.

## **Marketing**

Both domestic and export prices for cocoa beans are currently depressed due to oversupply on the world market. Furthermore, Indonesian prices are down due to seasonal lows after the major holidays (Christmas, New Year, and Idul Fitri in January 8), low cocoa bean quality and the cocoa pod borer outbreaks. Traders are carrying large stocks waiting for prices to improve. So, recent cocoa bean sales have slackened. The average export price is now US\$ 1.10/kg or Rp. 8,015/kg at the current exchange rate. Local prices vary by quality and location, from Rp. 3,000 to 6,000/kg (or US \$0.41 to US \$0.82/kg).

Indonesian cocoa beans traded in the two major cocoa terminal markets (New York and London) are selling at discounted prices due to low quality. Transactions on the New York Coffee Sugar & Cocoa Exchange (CSCE) during January 2000 fluctuated from US\$ 811/ton to US\$ 871/ton or an average of US\$ 846/ton.

Exporters in South Sulawesi are beginning to export cocoa beans directly from the local port (in the past, exports transited Surabaya). Traders hope this development will bolster prices received by exporters, reportedly as much as Rp. 5,500/kg or Rp. 6,000/kg (US\$ 0.75 to US\$ 0.82/kg).

## SECTION II. STATISTICAL TABLES

PS&amp;D Table

PSD Table						
Country:	Indonesia					
Commodity:	Cocoa Beans					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted	518	518	530	530	530	530
Area Harvested	355	355	360	360	360	360
Bearing Trees	355	355	360	360	360	360
Non-Bearing Trees	163	163	170	170	170	170
TOTAL Tree Population	518	518	530	530	530	530
Beginning Stocks	2904	2904	3326	15326	891	5326
Main Production	192880	198000	204180	213500	212275	208800
Mid & Other Production	125120	132000	131820	136500	137725	139200
TOTAL Production	318000	330000	336000	350000	350000	348000
Bean Imports	5253	5253	4500	4500	3000	3000
Liquor & Paste Imports	7	7	20	5	20	20
Butter Imports	29	29	45	10	45	45
Powder,Cake,Choc. Imp.	2122	2122	2000	985	1900	1900
TOTAL Imports	7411	7411	6565	5500	4965	4965
TOTAL SUPPLY	328315	340315	345891	370826	355856	358291
Bean Exports	256361	256361	270000	289000	280000	280000
Liquor & Paste Exports	7994	7994	13000	13000	13000	13000
Butter Exports	36593	36593	37000	37000	37000	37000
Powder,Cake,Choc. Exp.	14041	14041	15000	18000	15000	15000
TOTAL Exports	314989	314989	335000	357000	345000	345000
Domestic Consumption	10000	10000	10000	8500	10000	10000
Ending Stocks	3326	15326	891	5326	856	3291
TOTAL DISTRIBUTION	328315	340315	345891	370826	355856	358291

Note: Figures are in metric tons, except area (1,000 hectares) and trees (1,000 trees).

## Trade Matrices

## Cocoa Beans

Export and Import Trade Matrices			
Country:	Indonesia	Units:	1,000 MT
Commodity:	Cocoa Beans		
Time period:	Jan-Aug		
Exports for	1999	Imports for	1999
U.S.	105	U.S.	0
Others		Others	
Singapore	29	Cote d'Ivoire	2
Malaysia	18	Papua New Guinea	2
Brazil	13		
Germany, Fed. Rep. of	9		
China	9		
Philippines	6		
Netherlands	6		
Thailand	3		
Spain	2		
Mexico	1		
<b>Total for Others</b>	<b>96</b>	<b>Total for Others</b>	<b>4</b>
<b>Others not listed</b>	<b>3</b>	<b>Others not listed</b>	<b>0</b>
<b>Grand Total</b>	<b>204</b>	<b>Grand Total</b>	<b>4</b>

Source: Statistics Agency (CBS), Jakarta.

**Cocoa Butter**

Export Trade Matrix	
<b>Country:</b>	<b>Indonesia</b>
<b>Commodity:</b>	<b>Cocoa Butter</b>
<b>Time period:</b>	<b>Jan-Aug 1999</b>
<b>Units:</b>	<b>1,000 MT</b>
U.S.	12
Others	
Netherlands	4
France	3
Australia	2
Japan	1
Belgium	1
<b>Total for Others</b>	<b>11</b>
<b>Others not listed</b>	<b>2</b>
<b>Grand Total</b>	<b>25</b>

Source: Statistics Agency (CBS), Jakarta.

Note: Jan-Aug 99 imports only 42 mt.

**Cocoa Paste**

Export Trade Matrix	
<b>Country:</b>	<b>Indonesia</b>
<b>Commodity:</b>	<b>Cocoa Paste</b>
<b>Time period:</b>	<b>Jan-Aug 1999</b>
<b>Units:</b>	<b>1,000 MT</b>
U.S.	0
Others	
Philippines	4
Spain	1
Australia	1
Bulgaria	1
<b>Total for Others</b>	<b>7</b>
<b>Others not listed</b>	<b>1</b>
<b>Grand Total</b>	<b>8</b>

Source: Statistics Agency (CBS), Jakarta.

Note: Jan-Aug 99 imports only 70 mt.

**Cocoa Powder**

Export Trade Matrix		Import Trade Matrix	
<b>Country:</b>	<b>Indonesia</b>	<b>Country:</b>	<b>Indonesia</b>
<b>Commodity:</b>	<b>Cocoa Powder</b>	<b>Commodity:</b>	<b>Cocoa Powder</b>
<b>Time period:</b>	<b>Jan-Aug 1999</b>	<b>Time period:</b>	<b>Jan-Aug 1999</b>
<b>Units:</b>	<b>1,000 MT</b>	<b>Units:</b>	<b>1,000 MT</b>
U.S.	3	U.S.	0
Others		Others	
Bulgaria	3	China	1
Philippines	2		
Netherlands	2		
Spain	2		
Australia	1		
<b>Total for Others</b>	<b>10</b>	<b>Total for Others</b>	<b>1</b>
<b>Others not listed</b>	<b>2</b>	<b>Others not listed</b>	<b>0</b>
<b>Grand Total</b>	<b>15</b>	<b>Grand Total</b>	<b>1</b>

Source: Statistics Agency (CBS), Jakarta.

## Chocolate

Export Trade Matrix	
<b>Country:</b>	<b>Indonesia</b>
<b>Commodity:</b>	<b>Chocolate</b>
<b>Time period:</b>	<b>Jan-Aug 1999</b>
<b>Units:</b>	<b>1,000 MT</b>
U.S.	1
Others	
France	1
Netherlands	1
China	1
<b>Total for Others</b>	<b>3</b>
<b>Others not listed</b>	<b>1</b>
<b>Grand Total</b>	<b>5</b>

Source: Statistics Agency (CBS), Jakarta.

Note: Jan-Aug 99 imports only 190 mt.

**Cocoa Bean Exports & Total Exports of Agricultural Products  
(1,000 MT/\$ million)**

Year	Export Volume			Export Value		
	Cocoa Beans	Agric. Products	%	Cocoa Beans	Agric. Products	%
1994	200.2	1,605.9	12.5	213.5	2,818.4	7.6
1995	196.6	1,626.1	12.1	224.5	2,888.5	7.8
1996	274.3	1,850.6	14.8	263.0	2,912.7	9.0
1997	219.9	1,813.5	12.1	295.1	3,132.6	9.4
1998	278.5	3,232.2	8.6	382.6	3,653.5	10.5
1999*	144.4	1,251.8	11.5	144.1	1,396.4	10.3

Source: Central Statistics Agency (CBS), Jakarta. Economic Indicator, September 1999.

Prepared by FAS/Jakarta.

Note: Calendar year basis.

\*) : January - June 1999.

**Indonesia's Exports and Imports of Cocoa Beans and Products  
(Marketing Year: October - September)  
in Metric Tons of Bean Equivalent**

Year	Exports			Imports		
	Beans	Products	Total	Beans	Products	Total
1994/95	185,332	40,323	225,655	50	1,083	1,133
1995/96	223,866	52,408	276,274	0	2,173	2,173
1996/97	217,432	62,673	280,105	232	2,958	3,190
1997/98	256,361	58,628	314,989	5,253	2,158	7,411
1998/99*	289,000	72,000	361,000	4,500	1,000	5,500

Source: Central Statistics Agency (CBS), Jakarta. Processed by FAS/Jakarta.

Note: \*) FAS/Jakarta estimate, based on available data from CBS (October 1998 - August 1999).

**Average Export Prices of Indonesian Cocoa Beans & Products  
(FOB, US\$ per Kilogram)**

Year	Cocoa Beans SITC: 072	Cocoa Products SITC: 073	Exchange Rate
1994	1.20	2.41	2,205
1995	1.30	2.14	2,305
1996	1.15	2.07	2,385
1997	1.56	2.51	5,700
1998	1.49	1.98	9,962
1999*	1.10	1.28	6,989

Source: Central Statistics Agency (CBS), Jakarta, Buletin Ringkas, October 1999 and  
Economic Indicators, September 1999. Processed by FAS/Jakarta.

Note:

SITC: Standard International Trade Classification.

\*): Jan-Jul 1999 for Cocoa Beans & Cocoa Products; (5<sup>th</sup> week) July 1999 for exchange rate.