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Report Highlights:

Indonesia coffee production is expected to decline by 400,000 bags due to late onset of the rainy season in lowland producing areas of Sumatera. Consumption and exports are forecast lower as a result of weaker economic growth and social distancing measures adopted to combat the spread of covid-19.

Commodity:
Coffee, green

Crop Area
Indonesia coffee crop area for 2020/21 is forecast to remain steady at 1.2 million hectares. Smallholder plantations continue to account for 98 percent of all area, averaging between 1 to 2 hectares per holding. A few large-scale plantations reaching up to 4,000 hectares are located in Sumatera and Java.

Sumatera island accounts for more than 60 percent of total crop area, followed by Java island with 16 percent. Northern Sumatera, centered around the city of Medan, remains the center of Indonesia's lucrative Arabica production. Robusta production continues to be centered in southern Sumatera with the city of Bandar Lampung serving as the main trading center.

Table 1. Crop Area by Region (2019)

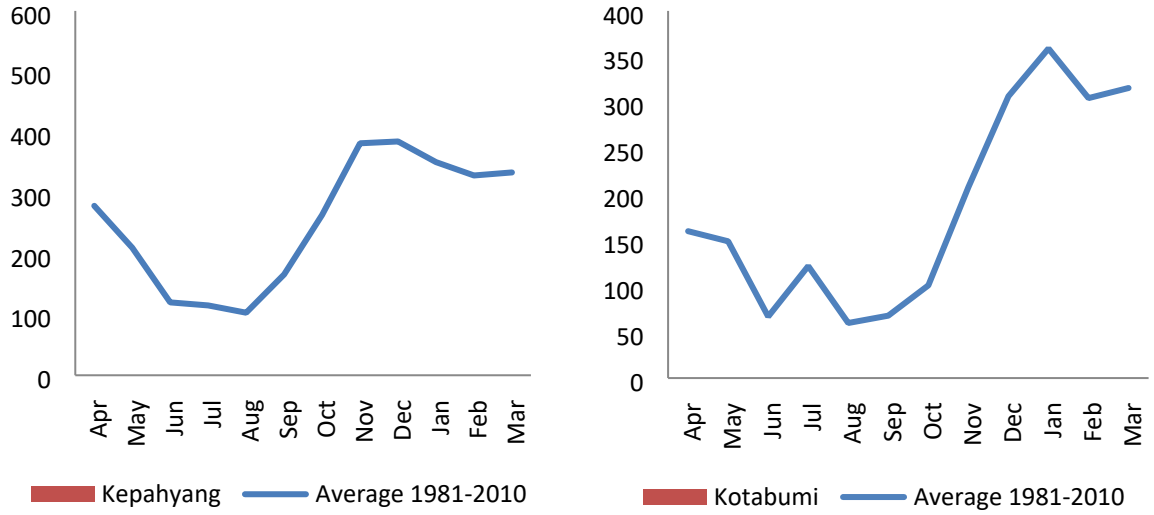
	Arabica	Robusta	Total
Northern Sumatera	15.1%	5.5%	20.6%
Southern Sumatera	0.5%	41.9%	42.4%
Java	4%	12%	16.0%
Others	8%	13%	21.0%

Source: Ministry of Agriculture (2019)

Production
Indonesia coffee production is expected to decline by 400,000 bags, from 10.7 million bags in 2019/20 to 10.3 million bags in 2020/21. The decline is primarily the result of the late onset of the rainy season in lowland areas of southern Sumatera. The delayed precipitation has negatively affected Robusta crop yields in lowland areas. Indonesia's national weather agency (BMKG) has noted that rainfall in Lampung Province began 10 to 60 days later than average and only reached all areas by December 2019 (see Figure 1).

As result, in some lowland areas the first coffee harvest, which usually starts in April, is now projected to begin in early June 2020. Improved yields of Robusta crops are expected in highland areas, though due to the relatively small production areas of Robusta in these regions the increases will not offset the declines in lowland production. Post expects Indonesia Robusta production to reach 9 million bags in 2020/21.

Figure 1. Rainfall in Kepahyang and Kotabumi Regencies, Southern Sumatera, 2019-2020 (mm)



Source: BMKG

Note: BMKG uses the period 1981-2010 as the baseline period for rainfall.

Favorable weather in key producing areas of northern Sumatera is expected to increase Arabica production by 50,000 bags to 1.3 million bags. The first harvest in 2020 began in March and is expected to be ongoing through May. The second harvest period is expected to take place from early October to December.

Table 2. Indonesia Coffee Production (thousand 60-kg bags)

	2016/17	*2017/18*	*2018/19*	*2019/20*	*2020/21*
Arabica	1,300	1,000	1,200	1,250	1,300
Robusta	9,300	9,400	9,400	9,450	9,000
Total	10,600	10,400	10,600	10,700	10,300

Inputs

The majority of Indonesia's coffee growers continue to use low-yielding production techniques, often minimizing inputs to save on production costs. Inputs such as fertilizer and pesticide are sometimes provided by local collectors who in return are guaranteed access to the crop at harvest and may recoup some of their expenses at the time of procurement.

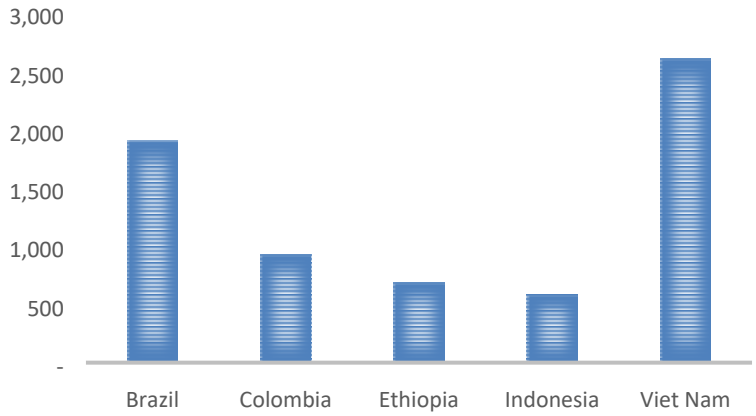
Farmers typically use locally-produced seedling from others more experienced farmers. Distribution of higher-yielding planting materials by local government agencies occurs in small quantities and irregularly. Government extension services for coffee crops remains limited throughout the country.

Some private companies, especially those focused on Arabica, work directly with farmers to provide assistance on planting and growing techniques, use of crop protection and harvest and post-harvest methods. For most farmers, coffee production provides secondary income or is offset with income from other crops.

Yields

Indonesia's coffee yields for both Arabica and Robusta are estimated between 500-600 kg of green been per hectare, considerably lower than other major coffee producers. The low yields are indicative of smallholder farmers use of local planting materials, less fertilizer inputs and limited extensions services.

Figure 2. Coffee Yields in Major Producing Countries 2018 (kg/ha, green bean)



Source: FAO

Consumption

Until recently, Indonesia coffee consumption had been driven by a growing number of coffee outlets in urban areas catering to the country's expanding cafe lifestyle. Hundreds of coffee outlets, both independent and chain, have sprouted up across the country in recent years, offering coffee products that range from affordable to high-end. Grab-and-go outlets have become ubiquitous in business centers, shopping malls and transportation hubs.

Table 3 Coffee Outlets in Indonesia

	First Opening	Outlet and Coverage
Starbucks	2002	440 in 25 cities (Feb 2020)
Coffee Toffee	2006	100 in 30 cities (2019)
Maxx Coffee	2014	83 in 23 cities (April 2019)
The Gade Coffee & Gold	2018	34 in 30 cities (2019)
Kopi Kenangan	2017	300 (April 2020)
Janji Jiwa	2018	800 (April 2020)
Coffee Bean	2001	108 (Aug 2019)
Excelso	1991	126 (Aug 2019)
Fore	2018	100 (Aug 2019)
Kulo	2018	300 (Aug 2019)

Source: Media compilation

In April 2020, the Government of Indonesia (GOI) began to encourage and in some locations mandate work from home policies. Additional measures forced thousands of restaurants and other non-essential business to close or offer limited takeaway service. To date, more than 1500 hotels are reported to have ceased operation and the GOI continues to enforce "Large-Scale Social Distancing" policies, known locally as PSBB. Initially adopted in greater Jakarta with a population near 30 million, as of early May PSBB policies were in effect in 13 cities across four provinces. Under these policies coffee outlets, many of which also serve food, have been allowed to remain open. However, the closure of transportation centers, office buildings and education campuses along with prohibition on dine-in services has greatly reduced the number of outlets operating.

Shopping malls, a major location center for many coffee outlets, have been particularly impacted by PSBB measures. According to the Indonesian Shopping Center Association (APPBI), 327 shopping centers across Indonesia were closed or operated under limited capacity as of April 2020. Kopi Kenangan, one of the fastest growing grab-and-go coffee shops, confirmed that only 47 percent of its outlets operated normally during PSBB. As most shopping centers typically have several coffee outlets, Post estimates that 40-50 percent of all coffee outlets have been closed or forced to operate with limited capacity. To mitigate significant sales declines at brick and mortar locations many coffee shops are trying to sell products using online platforms. Through online marketing campaigns, outlets are offering discounts and vouchers for coffee by the liter through several prominent delivery services.

Although Ready to drink (RTD) coffee consumption recently increased 6 percent to 125 million liters as of December 2019, it is now projected to be drop in 2020 as more people stay at home and reduce their mobility. Approximately 50 percent of RTD coffee consumption occurs outside the home.

The pandemic is also expected to lower consumption as a result of serious damage to Indonesia's overall economy. Growth projections have recently been slashed from 5.3 percent to 2.3 percent, with some forecasts suggesting the possibility of negative growth for 2020. A recent report by the International Coffee Organization noted that global declines in GDP could significantly impact demand for coffee. Additionally, Indonesia's increasing unemployment and declining purchasing power are expected to be a further drag on consumption of coffee products.

As a result of these circumstances, Post estimates Indonesian coffee consumption will decline 600,000 bags to 4.3 million bags in 2020/21.

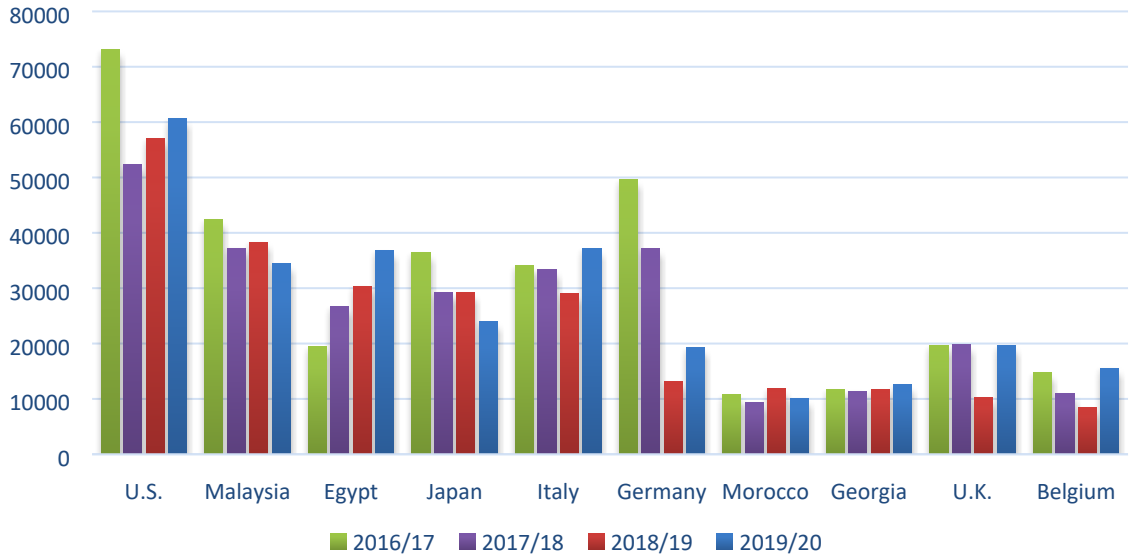
Trade

Indonesia green bean exports reached 6.096 million bags in 2019/20, a significant increase over 2018/19. Competitive prices, specifically for Robusta beans, helped drive exports (see Figure 4). The average price of Robusta beans in 2019/20 was 22 percent lower than 2018/19.

The U.S. remains the number one market for Indonesian exports, followed by Italy, Egypt and Malaysia. The majority of Robusta exports were shipped through Panjang port in Lampung, typically reaching peak volumes in July and August. Most Arabica beans are exported from Belawan port in Medan, reaching peak volumes in May following the end of the first harvest period in northern Sumatera. To date, industry sources indicate no significant impact on the harvest or local supply chain related to covid-19.

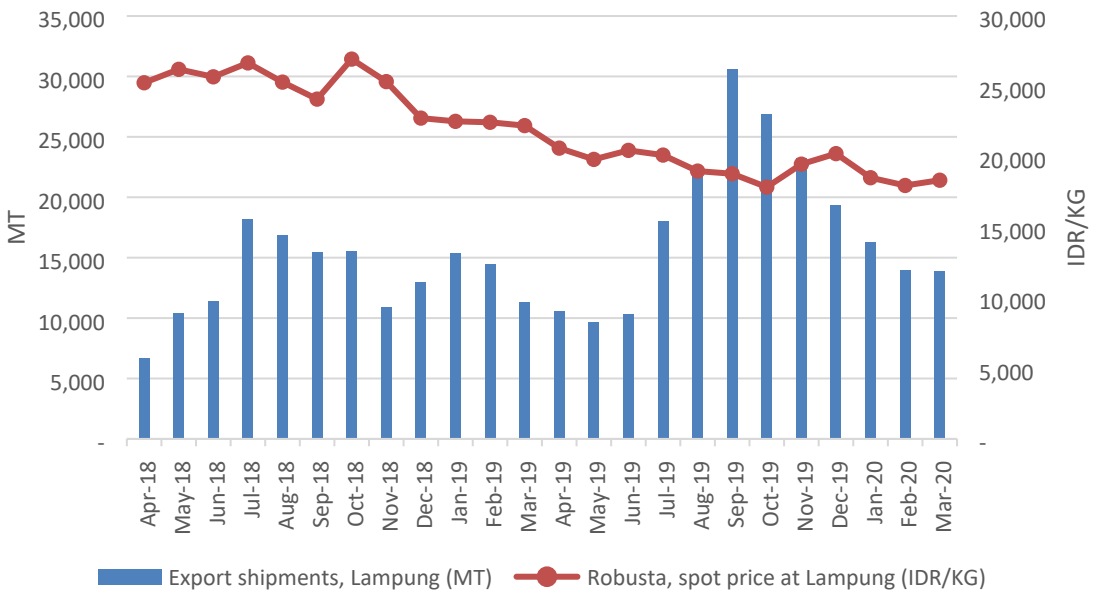
As a result of various café retail outlets shutting down in key markets (particularly Italy and the U.S.), weaker global demand is expected to lower exports to 5.9 million bags in 2020/21.

Figure 3. Indonesia Green Bean Exports by Destination, 2016-2020 (MT)



Source: TDM

Figure 4 Shipments from Panjang Port and Robusta Price 2018-2020



Source: TDM, BPS, Bappebti

Table 4. Robusta Spot Price at Lampung 2014-2020 (IDR/kg)

	2014	2015	2016	2017	2018	2019	2020
Jan	19,633	21,446	16,460	26,655	24,930	22,528	18,529
Feb	20,008	21,803	15,953	25,741	25,855	22,462	17,980
Mar	22,265	20,592	16,089	25,723	26,317	22,226	18,352
Apr	21,559	20,194	17,092	24,812	25,265	20,628	18,195
May	21,452	19,040	18,795	23,318	26,219	19,829	
Jun	20,631	20,927	19,192	23,976	25,686	20,469	
Jul	21,118	21,354	20,403	25,981	26,674	20,135	
Aug	20,725	19,723	20,806	25,873	25,311	18,998	
Sep	22,416	19,539	22,270	24,289	24,104	18,812	
Oct	25,649	18,819	24,078	24,545	26,943	17,862	
Nov	22,708	18,248	25,767	24,704	25,346	19,491	
Dec	21,514	17,719	24,916	24,787	22,758	20,238	

Source: Bappebti

Table 5. Arabica Spot Price at Medan 2014-2020 (IDR/kg)

	2014	2015	2016	2017	2018	2019	2020
Jan	39,550	56,705	51,976	57,733	57,495	52,101	54,862
Feb	48,933	53,891	50,242	57,135	56,625	49,683	50,733
Mar	57,072	48,942	50,946	55,772	56,591	48,342	55,802
Apr	57,490	49,499	50,667	54,384	55,820	46,849	62,087
May	56,544	48,697	52,024	53,420	57,515	47,156	
Jun	54,210	52,134	53,289	51,575	56,509	51,637	
Jul	52,042	56,946	55,739	51,989	54,738	52,010	
Aug	57,187	54,035	55,144	52,139	53,079	48,415	
Sep	57,900	54,431	57,260	52,359	52,032	49,328	
Oct	64,093	53,462	58,042	53,223	60,281	49,062	
Nov	59,865	51,420	60,790	54,154	57,451	53,557	
Dec	57,881	52,434	55,692	56,846	52,077	62,365	

Source: Bappebti

Table 6. Exchange Rate 2014-2020 (IDR/$)

	2014	2015	2016	2017	2018	2019	2020
Jan	12,180	12,579	13,889	13,359	13,380	14,163	13,732
Feb	11,935	12,750	13,516	13,341	13,590	14,035	13,776
Mar	11,427	13,067	13,193	13,346	13,758	14,211	15,195
Apr	11,436	12,948	13,180	13,307	13,803	14,143	15,867
May	11,526	13,141	13,420	13,323	14,060	14,393	
Jun	11,893	13,313	13,355	13,297	14,049	14,227	
Jul	11,689	13,375	13,116	13,342	14,415	14,044	
Aug	11,712	13,782	13,165	13,342	14,560	14,242	
Sep	11,891	14,396	13,118	13,303	14,869	14,111	
Oct	12,145	13,796	13,017	13,526	15,179	14,118	
Nov	12,158	13,673	13,311	13,527	14,697	14,069	
Dec	12,438	13,855	13,417	13,557	14,497	14,017	

Source: Bank of Indonesia

Coffee, Green	2018/2019		2019/2020		2020/2021	
Market Begin Year	Apr-18		Apr-19		Apr-20	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,250	1,250	1250	1,250		1,250
Area Harvested	1,210	1,210	1210	1,210		1,210
Bearing Trees	1,160	1,160	1160	1,160		1,160
Non-Bearing Trees	15	15	15	15		15
Total Tree Population	1,175	1,175	1175	1,175		1,175
Beginning Stocks	593	593	2,419	2,419		2,298
Arabica Production	1,200	1,200	1250	1,250		1,300
Robusta Production	9,400	9,400	9450	9,450		9,000
Other Production	-	-	-	-		-
Total Production	10,600	10,600	10,700	10,700		10,300
Bean Imports	674	674	300	445		400
Roast & Ground Imports	19	19	15	20		20
Soluble Imports	983	983	850	766		800
Total Imports	1,676	1,676	1,165	1,231		1,220
Total Supply	12,869	12,869	14,284	14,350		13,818
Bean Exports	4,907	4,907	6300	6,096		5,900
Rst-Grnd Exp.	43	43	55	56		50
Soluble Exports	1,200	1,200	1050	1,000		1,000
Total Exports	6,150	6,150	7,405	7,152		6,950
Rst,Ground Dom. Consum	3,100	3,100	3400	3,400		3,000
Soluble Dom. Cons.	1,200	1,200	1500	1,500		1,300
Domestic Consumption	4,300	4,300	4,900	4,900		4,300
Ending Stocks	2,419	2,419	1979	2,298		2,568
Total Distribution	12,869	12,869	14,284	14,350		13,818
	-	-	-	-		-
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

Attachments:

No Attachments