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Prepared By: Arif Rahmanulloh

Approved By: Garrett Mcdonald

Report Highlights:

Coffee production is forecast to modestly decline to 10.63 million (60 kilogram) bags in 2021/22 on lower yields in Robusta and Arabica growing regions. Consumption remains below pre-pandemic levels as various social distancing restrictions continue to hamper food service sector growth. Green bean imports are expected to continue to decline as industry utilizes more competitively priced local beans.

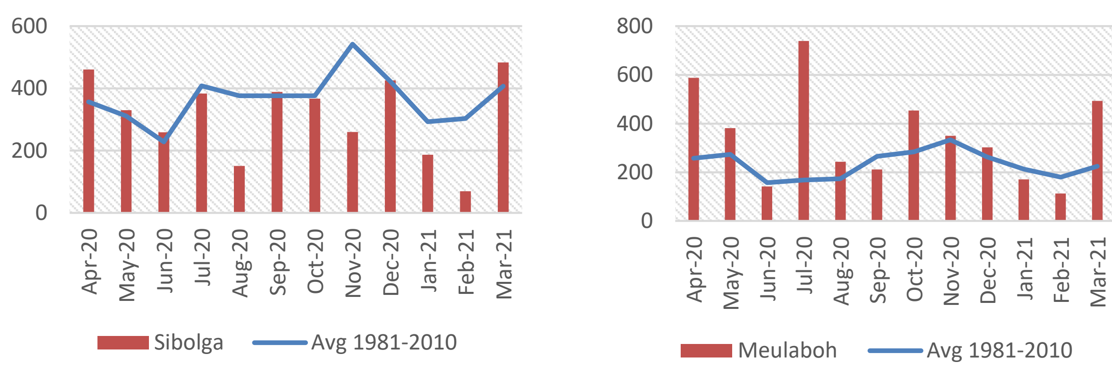
Production

Indonesia's 2021/22 coffee production is forecast to decline by 70,000 (60 kilogram) bags to 10.63 million bags due to lower Robusta yields in highland areas and lower Arabica yields during the first harvest period. Area is expected to remain stable at 1.2 million hectares, with Sumatera island continuing to account for approximately 60 percent of total area. The largest Robusta producing regions are centered in southern Sumatera, covering Lampung, South Sumatera, and Bengkulu provinces. Arabica production is concentrated in northern Sumatera, primarily in Aceh and North Sumatera provinces.

Robusta crops in southern Sumatera are spread between highland areas (60 percent of production) and lowland areas (40 percent of production). The main harvest in lowland areas began the second half of March and will be ongoing through May 2021. The highland area harvest is expected to begin between June and July and continue through August 2021. The National Weather Agency (BMKG) has projected dry season onset in May/June with peak dry season occurring in August/September for the region, which is expected to result in lower yields in highland regions. Accordingly, Post forecasts Robusta production at 9.35 million bags, a decline of 50,000 bags from 2020/21.

More than 60 percent of Indonesian Arabica beans are produced in northern Sumatera. Crops are harvested twice per year; first between April and May followed by a second harvest which normally begins in September or October. Typically, the first harvest yields smaller volumes. Heavier than normal rainfall in late 2020 and early 2021 has negatively impacted the cherry ripening stage, resulting in instances of cracked or fallen cherries. The Meulaboh (Aceh Province) and Sibolga (North Sumatera Province) weather stations recorded 4,185 mm and 3,755 mm of rainfall, respectively, between April 2020 to March 2021, exceeding or reaching the higher end of optimal rainfall for Arabica crops. Accordingly, lower first harvest Arabica yields are forecast to reduce 2021/22 production by 20,000 bags to 1.28 million bags.

Figure 1. Rainfall in Northern Sumatera 2020/21 (mm)



Source: BMKG

Indonesia's coffee plantations are predominantly smallholder farms occupying less than three hectares. Coffee continues to be a secondary source of income for most farmers, who tend to utilize less intensive inputs and rely on family/community labor for harvesting. After a years-long trend of younger family members leaving farms for more lucrative work opportunities in bigger cities, the onset of the pandemic has resulted in many younger Indonesians returning to their villages and once again participating in farming activities. Several Post sources have noted the additional labor and management skills of younger farmers are leading to significantly increased yields, especially among Robusta regions in southern Sumatera. It remains to be seen if such increases will expand to significant growing areas and whether or not younger family members will remain in their local villages or once again seek opportunities in urban areas once the pandemic is under control.

Despite reported yield improvements in specific districts, Indonesia's lack of extension services and low use of fertilizers continues to result in yields far below plantations in neighboring countries. During the last three years, average yields in northern Sumatera ranged between 890 and 896 kg/ha. In southern Sumatera yields fared even worse, averaging just 864 kg/ha last year.

Table 1. Indonesia Coffee Yield (Kg/ha)

	2018	2019	2020e
Northern Sumatera	891	890	896
Southern Sumatera	855	859	864

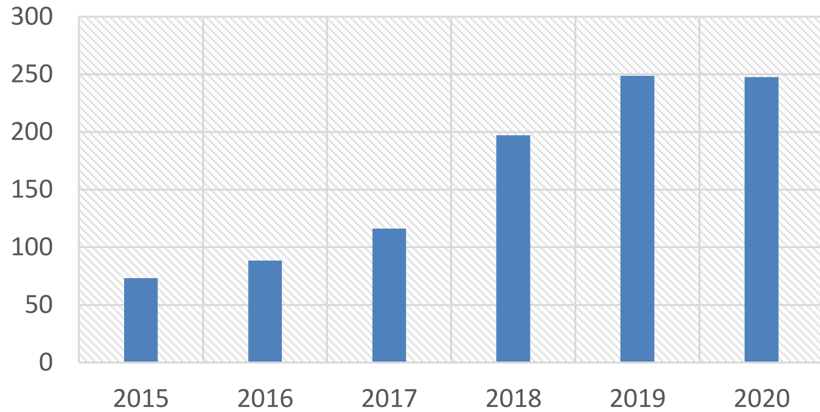
Source: Ministry of Agriculture

Consumption

Consumption for 2021/22 is forecast at 4.7 million bags, a modest increase from 4.45 million bags during 2020/21, but still below pre-pandemic levels. Indonesia continues to enforce varying degrees of social distancing restrictions, especially for large gatherings and holiday related travel. Following an uptick during the initial months of the pandemic, in-home consumption remains stable as many businesses continue to operate maximum work-from-home policies. Demand from the food service sector (Hotel, Restaurant, and Café – HoReCa) has recovered from the worst months of the pandemic (April – June 2020), but remains well below pre-pandemic levels. Consumption at hotels, convention centers, and other large gathering spaces has remained weak due to limited in-person government, business, and personal events.

Lower consumer purchasing power has followed Indonesia's economic downturn and continues to shift demand away from higher quality and higher priced coffee, particularly at major chain outlets. However, consumption of ready-to-drink (RTD) coffee products declined by less than one percent in 2020, demonstrating demand resiliency. Most RTD products sales occur at convenience stores, where beverages are often affordably priced between $ 0.20 and $0.60 per bottle. Sales of RTD beverages are expected to surpass pre-pandemic levels in 2021.

Figure 2. Ready to Drink (RTD) Coffee off-trade volume, 2015-2020 (million liter)



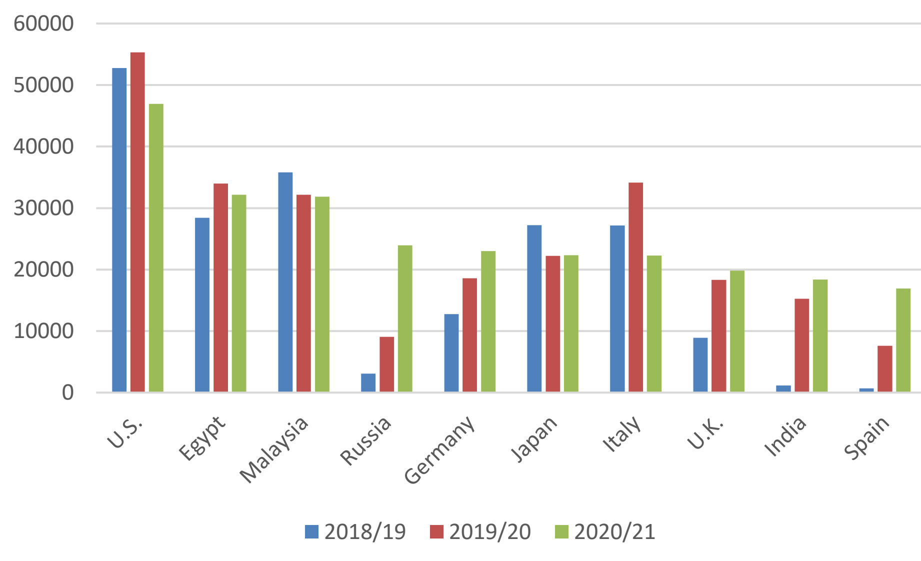
Source: Passport Euromonitor

Trade

Post forecasts Indonesia green bean exports to reach 6.5 million bags in 2021/22 on continuing strong demand in Russia, Germany, U.K., and Spain, and recovering demand in the U.S., Italy and other major markets where demand declined following the onset of the pandemic.

Post revises 2020/21 green bean exports upward to 6.4 million bags based on the most recent available trade data. From April 2020 to February 2021, exports increased 6 percent to 358,000 MT, compared to the same period in 2019/20. Despite declining imports of Indonesian beans in 2020/21, the U.S., Egypt, and Malaysia remain the three largest export markets.

Figure 3. Green Beans Export Top Destinations, April-February (MT)

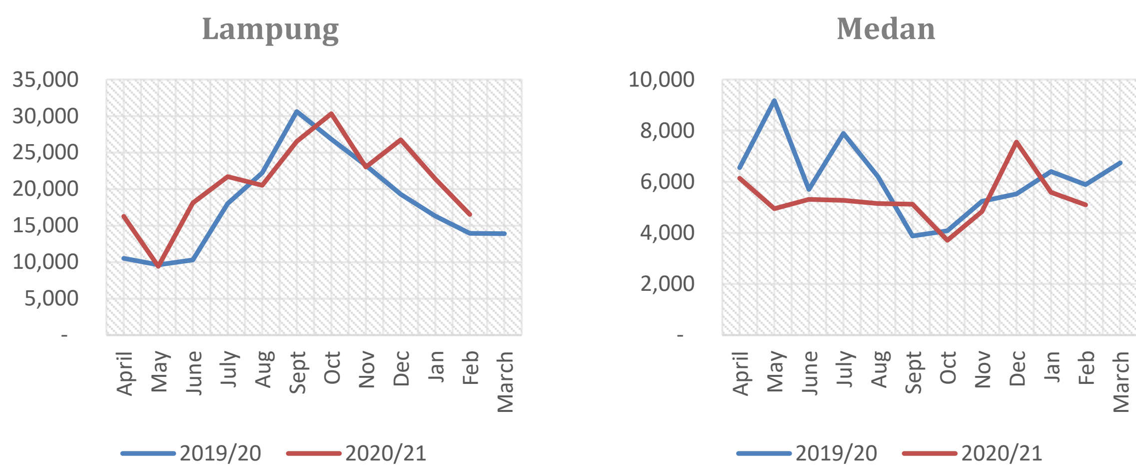


Source: TDM

The increase in exports are entirely driven by higher volumes of Robusta shipments. The average monthly volume exported from Lampung port increased from 17,000 MT in 2019 to 19,000 MT in 2020. The trend has continued in 2021 as shipments during January - February reached 37,000 MT, 26 percent higher than same period last year.

In contrast to Lampung, average monthly shipments from Belawan port in North Sumatera, which mostly handles Arabica beans, declined from 5,900 MT in 2019 to 5,500 MT in 2020. Industry sources note the decline in Arabica exports is related to several factors, including relatively high prices compared to Arabica beans from Central and South America, lower domestic consumption of Arabica coffee due to pandemic-related restrictions, and supply chain challenges related to securing shipping containers.

Figure 4. Green Beans Monthly Shipments from Lampung and Medan (MT)



Source: BPS

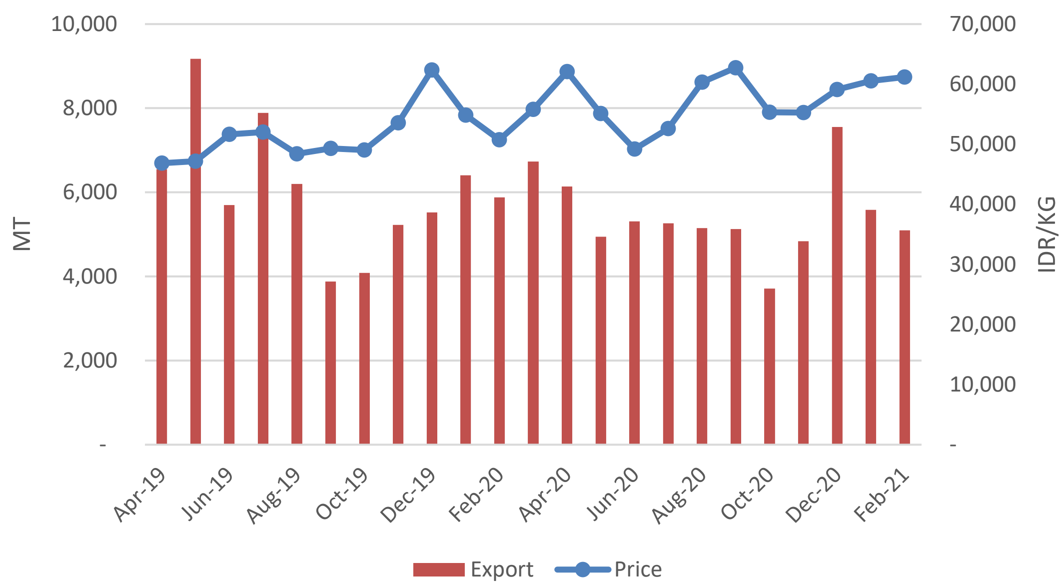
Green bean imports are expected to continue declining from 230,000 bags in 2020/21 to 200,000 bags in2021/22 as local roasters continue to procure domestic beans for their price competitiveness with other origins.

Table 2. Green Bean Import Origins, 2017-2021 (MT)

	Brazil	Vietnam	Others	Total
2017/18	3,366	42,527	6,718	52,611
2018/19	4,651	30,936	4,830	40,417
2019/20	4,641	18,379	3,678	26,698
2020/21*	4,517	7,257	1,207	12,981

*Source: TDM. Note * 2020/21: April-February*

Figure 5. Green Bean Shipments from Belawan Port and Arabica Spot Price at Medan



Source: BPS, Bappebti

Table 3. Robusta Spot Price at Lampung, 2015-2021 (IDR/kg)

	2015	2016	2017	2018	2019	2020	2021
Jan	21,446	16,460	26,655	24,930	22,528	18,529	19,208
Feb	21,803	15,953	25,741	25,855	22,462	17,980	19,635
Mar	20,592	16,089	25,723	26,317	22,226	18,352	20,693
Apr	20,194	17,092	24,812	25,265	20,628	18,195	20,555
May	19,040	18,795	23,318	26,219	19,829	17,701	
Jun	20,927	19,192	23,976	25,686	20,469	16,943	
Jul	21,354	20,403	25,981	26,674	20,135	18,353	
Aug	19,723	20,806	25,873	25,311	18,998	21,951	
Sep	19,539	22,270	24,289	24,104	18,812	22,606	
Oct	18,819	24,078	24,545	26,943	17,862	19,073	
Nov	18,248	25,767	24,704	25,346	19,491	20,089	
Dec	17,719	24,916	24,787	22,758	20,238	20,593	

Source: Bappebti

Table 4. Arabica Spot Price at Medan, 2015-2021 (IDR/kg)

	2015	2016	2017	2018	2019	2020	2021
Jan	56,705	51,976	57,733	57,495	52,101	54,862	60,558
Feb	53,891	50,242	57,135	56,625	49,683	50,733	61,201
Mar	48,942	50,946	55,772	56,591	48,342	55,802	64,574
Apr	49,499	50,667	54,384	55,820	46,849	62,087	66,022
May	48,697	52,024	53,420	57,515	47,156	55,112	
Jun	52,134	53,289	51,575	56,509	51,637	49,194	
Jul	56,946	55,739	51,989	54,738	52,010	52,600	
Aug	54,035	55,144	52,139	53,079	48,415	60,338	
Sep	54,431	57,260	52,359	52,032	49,328	62,736	
Oct	53,462	58,042	53,223	60,281	49,062	55,339	
Nov	51,420	60,790	54,154	57,451	53,557	55,249	
Dec	52,434	55,692	56,846	52,077	62,365	59,127	

Source: Bappebti

Table 5. Exchange Rate 2015-2021 (IDR/$)

	2015	2016	2017	2018	2019	2020	2021
Jan	12,579	13,889	13,359	13,380	14,163	13,732	14,062
Feb	12,750	13,516	13,341	13,590	14,035	13,776	14,044
Mar	13,067	13,193	13,346	13,758	14,211	15,195	14,417
Apr	12,948	13,180	13,307	13,803	14,143	15,867	14,551
May	13,141	13,420	13,323	14,060	14,393	14,906	
Jun	13,313	13,355	13,297	14,049	14,227	14,196	
Jul	13,375	13,116	13,342	14,415	14,044	14,582	
Aug	13,782	13,165	13,342	14,560	14,242	14,725	
Sep	14,396	13,118	13,303	14,869	14,111	14,848	
Oct	13,796	13,017	13,526	15,179	14,118	14,758	
Nov	13,673	13,311	13,527	14,697	14,069	14,237	
Dec	13,855	13,417	13,557	14,497	14,017	14,166	

Source: Bank of Indonesia

Coffee, Green	2019/2020		2020/2021		2021/22	
Market Begin Year	Apr-19		Apr-20		Apr-21	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	2,419	2,419	2,298	2,298		1,858
Arabica Production	1250	1,250	1300	1,300		1,280
Robusta Production	9450	9,450	9,400	9,400		9,350
Other Production	-	-	-	-		
Total Production	10,700	10,700	10,700	10,700		10,630
Bean Imports	445	445	300	230		200
Roast & Ground Imports	20	20	10	10		15
Soluble Imports	766	766	650	675		700
Total Imports	1,231	1,231	960	915		915
Total Supply	14,350	14,350	13,958	13,913		13,403
Bean Exports	6,096	6,096	6,000	6,400		6,500
Rst-Grnd Exp.	56	56	65	55		60
Soluble Exports	1,000	1,000	1,020	1,150		1,200
Total Exports	7,152	7,152	7,085	7,605		7,760
Rst,Ground Dom. Consum	3,400	3,400	3,000	3,000		3,200
Soluble Dom. Cons.	1,500	1,500	1,450	1,450		1,500
Domestic Consumption	4,900	4,900	4,450	4,450		4,700
Ending Stocks	2,298	2,298	2,423	1,858		943
Total Distribution	14,350	14,350	13,958	13,913		13,403
	-	-	-	-		-
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

Attachments:

No Attachments