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Coffee

Coffee Semi-Annual Report

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Report Highlights:
Indonesian coffee production continues on its steady course, with a small increase forecast for MY99/00 to 7.2 million bags. Area remains at 900,000 hectares but yields are expected to improve in MY99/00. The export estimate for MY98/99 is increased to 6.0 million bags due to updated data while the MY99/00 forecast is unchanged at 5.6 million bags. Exports are down due to lower international prices and a less favorable exchange rate which makes Indonesian coffee less competitive. Coffee continues to represent about 15% of Indonesia's total agricultural exports. Ending stocks for MY97/98 are revised up sharply from 404,000 bags to 804,000 bags. High stocks caused by the uncertain economic situation were reduced to 141,000 bags at the end of MY98/99 as exports soared. MY99/00 ending stocks are forecast at 161,000 bags.

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

Indonesian coffee production remains on course, neither suffering major setbacks nor making major gains. Although wet conditions from La Nina in 1998 destroyed coffee blossoms during the first blooming season of MY98/99, a strong second bloom was enough to keep production at 6.95 million bags, a slight increase from Post's previous estimate. The MY99/00 forecast remains at 7.2 million bags due to favorable weather and adequate crop maintenance. Coffee area remains at 1.1 million ha but yields are expected to increase from 463 kilogram/hectare in MY98/99 to 480 kilogram/hectare in MY99/00, bolstering production. Although weather will strongly determine the outcome, early indications are the current blooming season may lead production in MY00/01 to reach the same or higher level than MY99/00.

Total domestic consumption fell off during the economic crisis and is estimated to remain weak at 1.6 million bags in MY97/98 (revised down from previous estimate of 2.0 million bags) and MY98/99 (revised down from previous estimate of 1.7 million bags). It is estimated that per capita consumption declined from 0.6 kg/year to around 0.5 kg/year due to weakened consumer buying power. Total domestic consumption in MY99/00 is expected to increase by 5 percent to 1.7 million bags reflecting the increase in population and recovering consumer buying power.

The MY99/00 export forecast is unchanged at 5.6 million bags (equivalent to 336,000 tons). The decline from MY98/99 is attributed to lower international market prices due to abundant supply from Brazil and stronger Indonesian rupiah which discouraged coffee bean exports. Under this situation, ending stocks in MY99/00 are estimated to reach 161,000 bags, slightly higher than previous estimate of 135,000 bags. Based on the most updated government trade data, coffee exports during MY98/99 are revised upward to 6.0 million bags, equal to 360,000 tons, and ending stocks at 141,000 bags.

SECTION II - STATISTICAL INFORMATION AND TABLES

Table 1. Production, Supply and Demand

PSD Table						
Country:	Indonesia					
Commodity:	Coffee, Green					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		04/1997		04/1998		04/1999
Area Planted	1160	1160	1160	1160	1160	1160
Area Harvested	900	900	900	900	900	900
Bearing Trees	1300	1300	1300	1300	1300	1300
Non-Bearing Trees	220	220	220	220	220	220
TOTAL Tree Population	1520	1520	1520	1520	1520	1520
Beginning Stocks	298	298	404	804	115	141
Arabica Production	450	450	475	485	475	475
Robusta Production	6550	6550	6425	6465	6725	6725
Other Production	0	0	0	0	0	0
TOTAL Production	7000	7000	6900	6950	7200	7200
Bean Imports	185	185	100	24	100	100
Roast & Ground Imports	1	1	2	1	0	0
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	186	186	102	25	100	100
TOTAL SUPPLY	7484	7484	7406	7779	7415	7441
Bean Exports	5037	5037	5580	6019	5590	5590
Roast & Ground Exports	3	3	0	19	10	10
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	5040	5040	5580	6038	5600	5600
Rst,Ground Dom. Consum	2000	1600	1665	1565	1645	1645
Soluble Dom. Consum.	40	40	35	35	35	35
TOTAL Dom. Consumption	2040	1640	1700	1600	1680	1680
Ending Stocks	404	804	115	141	135	161
TOTAL DISTRIBUTION	7484	7484	7406	7779	7415	7441

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	13.4	70.8	15.8
1995/1996	9.4	78.6	12.4
1996/1997	11.5	70.5	18.0
1997/1998	11.5	71.7	17.0
1998/1999 *	13.2	70.5	16.3

Source: Indonesian Coffee Exporters Association (AEKI: Asosiasi Eksportir Kopi Indonesia).
Processed by FAS/Jakarta.
Note: Percentages were calculated based on the volume (by weight).
* Preliminary data, covers a six month period of: October 1998 - September 1999.

Table 3: Robusta Bean Prices

Month	S. Sumatera (Rp./Kg)	Lampung (Rp./Kg)	E. Java (Rp./Kg)	Average Farmgate		Avg. FOB (US$/Kg)
				(Rp./Kg)	(US$/Kg)	
1998						
Jan	9,906	10,718	11,400	10,674	1.16	1.71
Feb	10,345	10,616	10,750	10,570	1.14	1.81
Mar	10,884	11,289	12,340	11,504	1.18	1.71
Apr	11,036	10,850	12,000	11,295	1.30	1.76
May	13,360	12,805	12,250	12,805	1.14	1.85
Jun	16,380	15,341	17,400	16,374	1.11	1.75
Jul	15,086	14,751	18,500	16,112	1.24	1.94
Aug	14,011	13,451	16,125	14,529	1.30	1.87
Sep	12,647	12,871	14,875	13,464	1.25	1.69
Oct	9,266	9,606	12,500	10,457	1.29	1.55
Nov	9,067	8,827	10,000	9,298	1.27	1.56
Dec	9,412	9,300	9,750	9,487	1.18	1.53
1999						
Jan	10,195	10,366	11,400	10,654	1.19	1.80
Feb	10,212	10,711	10,750	10,558	1.21	1.77
Mar	10,198	9,500	12,025	10,574	1.22	1.56
Apr	10,948	11,087	12,644	11,560	1.40	1.48
May	8,541	9,315	11,250	9,702	1.21	1.36
Jun	8,092	8,533	11,813	9,479	1.25	1.35
Jul	6,775	8,099	9,078	7,984	1.14	1.30
Aug	7,934	7,882	9,078	8,298	1.06	1.30
Sep	8,081	8,113	9,625	8,606	1.03	1.22

Source: AEKI (Indonesian Coffee Exporters Association), October 1999.
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) Trade Apr98-Mar99 and Jan-Jun99

Export Trade Matrix				
Country:	Indonesia		Units:	K 60 Kg Bags
Commodity:	Green Coffee			
Time period:	Apr-Mar			Jan-Jun
Exports for	1998			1999
U.S.	1,055		U.S.	315
Others			Others	
Japan	946		Japan	532
Germany	902		Germany	448
Poland	417		Poland	183
Italy	278		Italy	181
Bulgaria	200		Singapore	123
South Africa	192		Bulgaria	105
Philippines	176		South Africa	97
Rep. of Korea	157		United Kingdom	89
United Kingdom	143		Malaysia	71
Rumania	140		Rep. of Korea	67
Total for Others	3,551		Total for Others	1,896
Others not listed	578		Others not listed	457
Grand Total	6,019		Grand Total	2,747

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

Table 5: Coffee (Roasted) Trade Apr98-Mar99 and Jan-Jun 1999

Export Trade Matrix			
Country:	Indonesia	Units:	K 60 Kg Bags
Commodity:	Roasted Coffee		
Time period:	Apr-Mar		Jan-Jun
Exports for	1998		1999
U.S.	0	U.S.	0
Others		Others	
Japan	6	Singapore	7
Singapore	5	Japan	3
Taiwan	2	Poland	2
Malaysia	2	Malaysia	1
United Kingdom	1	Taiwan	1
Switzerland	1		
Spain	1		
Total for Others	18	Total for Others	14
Others not listed	1	Others not listed	1
Grand Total	19	Grand Total	15
Note: data presented in thousand of 60 kilogram bags, green bean equivalent, (1.19 * BPS data in kilogram)/60000.			

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

The following table presents data on the development of total coffee exports during 1995/96 through 1998/99 from the Central Bureau of Statistics (processed by the AEKI). Please note that some of the data are revised since ID8088 according to updated information.

Table 6: Indonesian Coffee Exports
(in Metric Tons)

Months	1995/96	1996/97	1997/98	1998/99	1999/2000
April	8,666	20,650	25,364	14,401	24,501
May	11,010	31,568	36,123	14,752	30,578
June	23,375	36,729	45,429	36,327	33,178
July	26,619	55,181	39,141	50,975	30,656
August	28,062	42,964	34,191	49,631	28,866
September	30,098	43,470	33,363	41,791	n/a
October	29,109	44,888	16,104	32,726	n/a
November	33,295	32,092	28,978	25,705	n/a
December	21,909	28,048	17,411	20,045	n/a
January	15,959	21,882	21,768	16,179	n/a
February	12,634	17,398	14,393	16,350	n/a
March	15,123	24,305	15,626	9,626	n/a
TOTAL Apr-Mar	255,859	399,176	327,893	328,505	147,779
in K 60 kg bags	4,264	6,653	5,465	5,475	2,463

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.
Note: Oct.98 - Mar.99 are preliminary figures from the Ministry of Industry and Trade (processed by AEKI) based on the Certificate of Origin Forms (Surat Keterangan Asal or SKA document from the Directorate of Export, MITI).

Coffee is one of Indonesia’s major export commodities, contributing around 15.6 percent of total revenue from exports of agriculture products. After declining from 1994 to 1997, export earnings from coffee started to increase in 1998 due to larger export volume and slightly increased prices.

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

	Export			Import		
Year	Volume	Value	Unit Price	Volume	Value	Unit Price
(Jan-Dec)	Metric Tons	US$1,000 (FOB)	US$/MT	Metric Tons	US$1,000 (CIF)	US$/MT
1994	291,198	753,718	2,588	945	1,546	1,636
1995	231,478	613,979	2,652	516	1,595	3,091
1996	368,626	605,948	1,644	459	1,084	2,363
1997	316,231	529,671	1,675	10,332	14,321	1,386
1998	363,015	615,779	1,696	3,045	4,498	1,477
1999 *	85,393	135,202	1,583	1,625	2,001	1,232

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Indonesia,
Buletin Ringkas, July 1999. Processed by FAS/Jakarta.
Note: *) January-April, 1999.

Table 8: Area Planted and Production of Robusta Coffee

Province	1998 *		1999 **	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Special Territory Aceh	76,328	27,737	76,428	27,987
North Sumatra	60,247	26,933	60,257	27,198
West Sumatra	28,554	12,023	28,604	12,088
South Sumatra	240,539	70,882	240,639	71,932
Bengkulu	90,040	19,278	90,090	20,508
Lampung	132,224	71,131	132,274	71,145
SUMATRA	665,191	236,474	665,586	239,393
Central Java	31,423	9,806	31,423	10,256
East Java	79,649	31,542	79,674	31,727
JAVA	134,482	46,947	135,992	47,794
Bali	23,970	11,639	23,970	11,892
East Nusa Tenggara	52,172	10,730	52,222	11,240
East Timor	60,813	11,435	60,838	11,910
NUSA TENGGARA	145,858	35,996	145,933	37,329
KALIMANTAN	38,799	11,486	38,986	12,104
South Sulawesi	44,565	18,104	44,615	18,210
SULAWESI	86,223	30,058	86,358	30,274
MALUKU	7,409	1,270	7,434	1,305
WEST IRIAN	4,451	515	4,464	530
TOTAL INDONESIA	1,082,413	362,746	1,084,753	368,729

Source: Directorate General of Estate Crops, Department of Forestry and Plantation, Statistical Estate Crops of Indonesia 1997-1999, Coffee, Jakarta 1998.

Note: *) Preliminary figures.

**) Estimate.

SECTION III - SUPPLY AND DEMAND NARRATIVE

Production

Indonesian coffee production continues on its steady course, with small increases along the way. Due to reportedly excellent second blooming in major producing areas, FAS/Jakarta revised the estimate of MY98/99 production from 6.9 million bags to 6.95 million bags. Currently, coffee trees are in the early blooming stages for harvest starting in April/May and will reach the peak harvest in July/August, 2000. Harvested coffee area remains at 900,000 hectares but yields are expected to increase from 463 kilogram/hectare in MY98/99 to 480 kilogram/hectare in MY99/00, bolstering production. The MY99/00 production forecast remains at 7.2 million bags, about 4 percent higher compared to the level in MY98/99, based on yield increases, favorable weather and supported by good -- albeit lower -- prices for farmers. Greater gains in production seem to be mitigated by less-than optimal management practices, but since farmers are still earning profits there is little incentive to change. Early indications are the MY00/01 crop will meet or exceed this year's level, subject to weather conditions.

More than 90 percent of Indonesia's coffee production is Robusta. The island of Sumatera produces around 75 percent of the total production. Despite higher prices and stronger demand for Arabica, limited higher elevation suitable for Arabica and more intensive cultivation requirements limit the extension of Arabica. Producing areas for Arabica are East Timor; Toraja, South Sulawesi; and Aceh. The coffee crop in East Timor was virtually destroyed when civil unrest broke out this summer, reducing supply by roughly half, or 5,000 tons, and local sources anticipate that production will remain below normal next season.

Consumption

The economic crisis which started in the second half of 1997 priced coffee out of reach for some Indonesians and led Post to lower MY97/98 coffee bean consumption from 2.0 million bags to 1.6 million bags. Under persistent conditions, coffee consumption for MY98/99 is also lowered from the previous estimate of 1.7 million bags to 1.6 million bags. Reflecting a better economic and political situation (including a more stable Indonesian rupiah), there is no change in the MY99/00 forecast, which has per capita consumption at around 0.5 kg/year or about 1.7 million bags. Industry sources expect that domestic consumption levels will increase by around 20 percent over the next few years as economic conditions improve.

Trade

Based on updated government trade data, FAS/Jakarta has revised MY98/99 exports up to 6,038 million bags, reflecting the favorable exchange rate and attractive world price. The official year to date export figure (January-June 1999) for green coffee reached 164,820 tons or 2.7 million bags, and around 15,000 bags of roasted coffee or 900 tons during the same period. The forecast for total coffee exports in MY99/00 remains at 5.6 million bags, lower than exports in 1999 due to weaker world prices and lower stocks.

Although exports have shifted slightly away from the United States toward Japan, there is no major change in Indonesia's major export markets for green (unroasted) coffee, i.e., the United States (18%), Japan (16%), Germany (15%), and Poland (7%). According to the most updated government trade data, total unroasted coffee exports to these countries during MY98/99 (April 98-March 99) reached 6.0 million bags (361,140 tons). Exports of roasted coffee are minor, reaching 19,000 bags during Apr/Mar 1999, however this figure is markedly higher than the previous year's.

Overall, coffee imports are not significant. During MY98/99, total coffee imports were down sharply to 25,000 bags, due to difficulties in trade financing (high exchange rates and interest rates). Major sources of imports were Vietnam and Cote d'Ivoire which supplied over 40 percent of total imports. Assuming economic conditions improve after the formation of a new administration in November 1999, FAS/Jakarta has forecast total coffee imports in MY99/00 will reach 100,000 bags, unchanged from the previous forecast. Please note that it is not clear whether imported coffee is used locally or re-exported.

In 1999, the Government of Indonesia (GOI) imposed a 5 percent import duty on roasted coffee and all kinds of green coffee (except for other unroasted decaffeinated/not decaffeinated). In addition, a 10 percent value added tax (VAT) is applied to all coffee classifications.

Stocks

During the height of the economic crisis in 1997 and 1998 consumer buying power was weak and domestic demand fell off. Also during that time, traders were reluctant to sell their stocks wildly fluctuating exchange rates and lack of trade financing. As a result, ending stocks grew in MY97/98 from 404,000 bags to approximately 804,000 bags. As demand from the world market boosted prices and the weaker rupiah heightened returns in the local currency, farmers sold as much as they could. Stocks were quickly drawn do to approximately 141,000 bags (revised from previous estimate of 115,000 bags) as of March 1999, and 161,000 bags (revised from previous estimate of 135,000 bags) in 2000.

Prices

Prices at the farmgate and in the market have declined in 1999. For example, coffee prices hovered around Rp. 16,000 to17,000/kilogram in mid-1998 and have fallen off to around Rp. 6,000 to Rp. 7,000/kilogram in November 1999. Despite this, farmers have been able to make a good profit -- as much as seven times the cost of production -- and production has not faltered. The outlook indicates only moderate strengthening due to seasonal supply surges and reportedly continued relatively low bean quality. Significant changes in supply are not expected due to price.

By mid-October farmgate prices have strengthened somewhat. For example, prices of Robusta coffee in Jambi increased from Rp. 5,500/kilogram to Rp. 6,000/kilogram; in Semarang (Central Java): Rp. 9,000/kilogram to Rp. 9,500/kilogram; Surabaya market sold the R/WIB at Rp. 12,000/kilogram increased from Rp. 11,500/kilogram. The price of Arabica coffee from Bali also increased from Rp. 8,000/kilogram to Rp. 8,300/kilogram. The prices of organic coffee produced in East Timor declined following the political instability in the province and low demand. Wholesale prices of grade A-I fell from Rp. 9,200/kilogram to Rp. 4,800/kilogram; grade A-II from Rp. 7,600/kilogram to Rp. 3,800/kilogram; and grade A-III fell from Rp. 6, 100/kilogram to Rp. 3,200/kilogram. Farmers were very upset that the value of wet red skin organic coffee is currently only Rp. 1,500/kilogram compared to Rp. 3,000/kilogram in 1998. To help farmers to cope with the problem, the cooperative (Puskud-Pusat Koperasi Unit Desa) and the National Cooperative Business Association or NCBA are willing to allocate Rp. 50 billion to buy wet red skin organic coffee at Rp. 1,500/kilogram. They require that the coffee be fresh and sold within 24 hours after being picked.

Trade Policy

. ***GOI Export Policy for Coffee***

Indonesia no longer imposes an export quota but rather has imposed, as of January 1999, an export licensing requirement. Export licenses are controlled by the GOI through the Ministry of Industry and Trade (MIT) (Ministry of Industry and Trade Decree No. 29/MPP/kep/1999 dated January 22, 1999). To become eligible, an exporter must be an active trader (with sales in the previous marketing years), apply to MIT, pay a fee, and then report on its yearly exporting activities. If a company falls out of eligible status one must reapply including repayment of the licensing fee. This added cost and the stipulation that an exporter must show trading activity in the previous year to be eligible for the following year seem to be limiting the field of exporters, which includes only a small handful of licensed exporters. According to the MIT, around 45%, or 700 from a total of 1,522, of licensed exporters will not be eligible to export next year if they do not report their export activities by the end of September 2000.

Export taxes on commodities generating high revenue, including coffee, are also being discussed by the government and int the press. No details or official decrees have been issued.

. ***The Development of Indonesia's Future Trading Board***

The GOI through the Minister of Industry and Trade (MIT) continues to encourage the development of a future trading board for its potential export commodities, including coffee. The agency will be named the Indonesian Future Trading Board (BBI=Bursa Berjangka Indonesia) and it is expected to start operating in July 2000. It is hoped that with the operation of BBI coffee supply and demand will be more stable and likewise prices.

. ***Association of Coffee Producing Countries (ACPC) Export Quota for Indonesia***

Brazil had an unusually high production last year which forced the country to export more than their ACPC export quota allocation. The result was that the world market was flooded with the commodity and prices were significantly lower (from US$3.00/lb to US$0.54/lb). To protect producing countries from the dwindling prices, ACPC cut down the export quota allocation of its member countries by 3 percent. Indonesia's export quota has been adjusted from 5.8 million bags (351,000 tons) in 1999 (coffee year: October-September) period to 5.7 million bags or 341,980 tons for 2000. Post's forecast are in line with these quotas.

. ***GOI Regulation on Foreign Coffee Traders***

A recent statement from the Director for Agricultural Export, MIT, indicated that the GOI will endeavor to protect local exporters from foreign competition by requiring foreign traders to own facilities (office, processing facilities, and storage) in Indonesia. In addition, foreign traders will be required to obtain a recommendation from AEKI in order to buy coffee in Indonesia. An official GOI decree is reportedly forthcoming.

Exchange rate table

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	10250	8800	8660	7970	11250	14750	13000	11200	10750	7550	7300	8068
1999	8950	8730	8685	8260	8046	7590	7018	7857	8386	6900	7170	
Source: Business Indonesia Daily and CBS. Note: November 1999 exchange rate is for November 12, 1999 only.												

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