

Required Report: Required - Public Distribution

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Report Name: Coffee Semi-annual

Country: Indonesia

Post: Jakarta

Report Category: Coffee

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Report Highlights:

Indonesia's 2019/20 coffee exports are expected to increase by 400,000 bags based on higher production and competitive pricing for both Robusta and Aribia varieties. Increasing domestic consumption is expected to drive demand for local beans and reduce imports.

Production

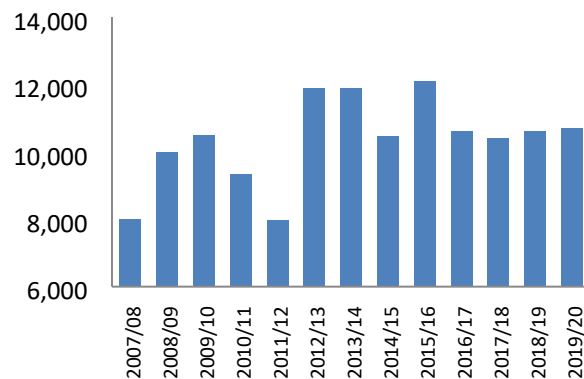
Post maintains the 2019/20 coffee production forecast at 10.7 million bags based on favorable weather in key production areas. The combined Robusta and Arabica production forecast remains 100,000 bags higher than 2018/19.

Indonesia's Robusta harvest typically peaks between May and June in key producing areas of Southern Sumatera. Industry contacts report higher yields this year due to as major producing areas avoided extreme dryness or heavy rainfall. Post maintains Robusta production at 9.45 million bags in 2019/20, an increase of 50,000 bags.

Arabica producing areas are centered in the mountainous region of Northern Sumatera where harvesting occurs twice a year between March - May and October - December. Outside Sumatera, Arabica crops are grown on a smaller scale in Java, Bali and Sulawesi. Post maintains Arabica production at 1.25 million bags in 2019/20, an increase of 50,000 bags.

Recent news reports have suggested Indonesia may increase production by upwards of 50 percent over the next five years due to expected increased demand from China. Reports quoting industry representatives suggest the higher production will occur through better use of fertilizer, higher quality seeds and financial assistance to coffee growers. Post has yet to see any significant developments in these areas, either through private or public cooperation, that would indicate such an increase over the near-term is likely.

Figure 1: Indonesia Coffee Production (thousand bags)



Consumption

The 2019/20 consumption forecast is unchanged at 4.9 million bags, an increase of 600,000 bags of Green Bean Equivalent (GBE) compared to 2018/19. Consumer demand for coffee products remains strong, especially among the young and urban workforce that are driving sales at an increasing number of new coffee outlets in public spaces such shopping malls, transportation hubs and office buildings.

Table 1: Major Coffee Chain Outlets 2016 vs 2019

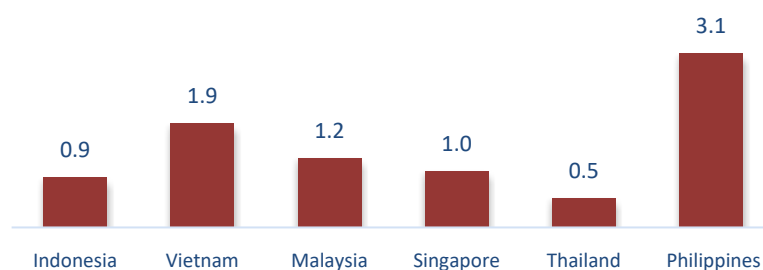
Chain Coffee	First Opening	Outlets	
		2016	2019
Starbucks	2002	248	418
Excelso	1991	126	140
Coffee Toffee	2006	155	157
Coffee Bean & Tea	2001	108	101
Maxx Coffee	2015	50	88
Kopi Kenangan	2017	-	154
Fore Coffee	2018	-	60

Source: media news, company website

Major players in the chain store coffee market were Starbucks with 44.5 percent of market share value, followed by Excelso Cafe (11.2 percent), Coffee Bean & Tea (9 percent) and Coffee Toffee (3.6 percent)¹. Recent arrivals in the mid-tier coffee retail outlet segment include Kopi Kenangan and Fore Coffee, who are known for brewing fresh-brew of local coffee beans. These startup companies have expanded rapidly by operating mostly “pick-up” stores instead of sit-down cafés. Despite a growing café culture, many Indonesians still prefer sachet and three-in-one coffee products for their convenience and affordability.

Overall, Indonesian coffee consumption remains low among the region, demonstrating opportunities for increased demand.

Figure 2. Coffee Consumption Per Capita 2018



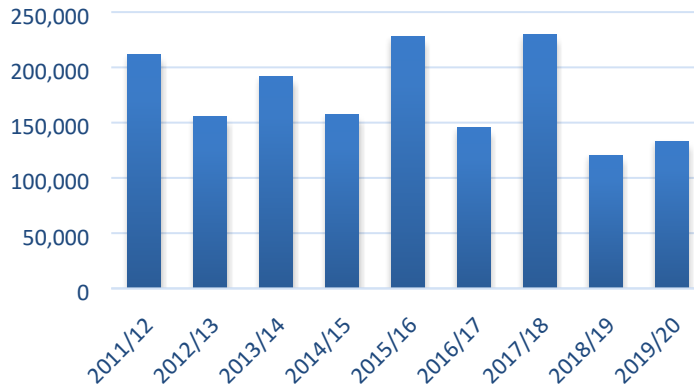
Trade

Post revises the 2019/20 export forecast upward to 7.405 million bags GBE, based on expected large supplies and competitive Robusta prices. Trade data indicates shipments from April to August 2019 are 10 percent higher than the corresponding period in 2018.

In 2019, the main market destinations for Indonesia green bean exports have been the U.S. (20 percent), Italy (11 percent), Malaysia (10 percent) and Egypt (9.6 percent).

¹ Euromonitor Passport (2019)

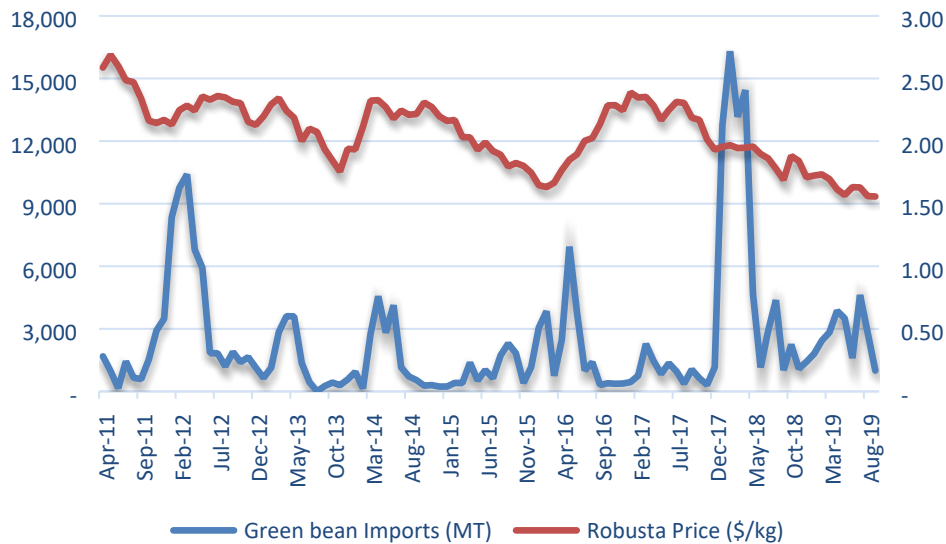
Figure 3 : Indonesia Green Bean Exports April-August (MT)



Source: TDM

The 2019/20 import is expected to decline by 511,000 bags GBE from 1.676 million bags GBE in 2018/19 to 1.165 million bags GBE due to increased local beans procurements by roasters amid continued declining prices. Since early 2017, Robusta prices have plunged by 33 percent while Arabica beans has dropped nearly 15 percent. Indonesia green beans imports in 2019 were originated mainly from Vietnam and Brazil, accounting for 75 and 13 percent, respectively.

Figure 3: Indonesia Green Bean Imports and World Robusta Price 2011-2019



Source: TDM, Worldbank

Table 2. Robusta Spot Price at Lampung 2014-2019 (IDR/kg)

	2014	2015	2016	2017	2018	2019
Jan	19,633	21,446	16,460	26,655	24,930	22,528
Feb	20,008	21,803	15,953	25,741	25,855	22,462
Mar	22,265	20,592	16,089	25,723	26,317	22,226
Apr	21,559	20,194	17,092	24,812	25,265	20,628
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	
Dec	21,514	17,719	24,916	24,787	22,758	

Source: Bappebti

Table 3: Arabica Spot Price at Medan 2014-2019 (IDR/kg)

	2014	2015	2016	2017	2018	2019
Jan	39,550	56,705	51,976	57,733	57,495	52,101
Feb	48,933	53,891	50,242	57,135	56,625	49,683
Mar	57,072	48,942	50,946	55,772	56,591	48,342
Apr	57,490	49,499	50,667	54,384	55,820	46,849
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	
Dec	57,881	52,434	55,692	56,846	52,077	

Source: Bappebti

Table 4. Average Monthly Exchange Rate of IDR to U.S. dollar

	2014	2015	2016	2017	2018	2019
Jan	12,226	12,625	13,846	13,343	13,413	14,072
Feb	11,675	12,863	13,395	13,347	13,707	14,062
Mar	11,404	13,084	13,276	13,321	13,756	14,244
Apr	11,589	12,922	13,204	13,327	13,877	14,268
May	11,611	12,937	13,615	13,321	13,951	14,362
Jun	11,969	13,332	13,180	13,319	14,404	14,141
Jul	11,591	13,481	13,094	13,323	14,413	13,913
Aug	11,717	14,027	13,300	13,351	14,711	14,237
Sep	12,212	14,657	12,998	13,492	14,929	14,174
Oct	12,163	13,563	13,051	13,572	15,227	14,008
Nov	12,196	13,747	13,563	13,514	14,339	13,992
Dec	12,436	13,794	13,436	13,548	14,481	

Source: Bank of Indonesia

Coffee, Green Market Begin Year	2017/2018		2018/2019		2019/2020	
	Apr-17		Apr-18		Apr-19	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,250	1,250	1,250	1,250	1,250	1,250
Area Harvested	1,210	1,210	1,210	1,210	1,210	1,210
Bearing Trees	1,160	1,160	1,160	1,160	1,160	1,160
Non-Bearing Trees	15	15	15	15	15	15
Total Tree Population	1,175	1,175	1,175	1,175	1,175	1,175
Beginning Stocks	12	12	593	593	2,419	2,419
Arabica Production	1,000	1,000	1,200	1,200	1,250	1,250
Robusta Production	9,400	9,400	9,400	9,400	9,450	9,450
Other Production	-	-	-	-	-	-
Total Production	10,400	10,400	10,600	10,600	10,700	10,700
Bean Imports	875	875	674	674	300	300
Roast & Ground Imports	48	48	19	19	15	15
Soluble Imports	828	828	983	983	900	850
Total Imports	1,751	1,751	1,676	1,676	1,215	1,165
Total Supply	12,163	12,163	12,869	12,869	14,334	14,284
Bean Exports	6,940	6,940	4,907	4,907	6,500	6,300
Rst-Grnd Exp.	70	70	43	43	45	55
Soluble Exports	1,000	1,000	1,200	1,200	1,300	1,050
Total Exports	8,010	8,010	6,150	6,150	7,845	7,405
Rst,Ground Dom. Consum	2,650	2,650	3,100	3,100	3,400	3,400
Soluble Dom. Cons.	910	910	1,200	1,200	1,500	1,500
Domestic Consumption	3,560	3,560	4,300	4,300	4,900	4,900
Ending Stocks	593	593	2,419	2,419	1,589	1,979
Total Distribution	12,163	12,163	12,869	12,869	14,334	14,284
	-	-	-	-	-	-

(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)

Attachments:

No Attachments