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**Report Highlights:**

Due to the global economic slowdown resulting from the COVID-19 pandemic and declining domestic consumer spending, Indonesia's consumption and imports of cotton are forecast to decline five percent in 2019/20. U.S. cotton remains the leading source for imports.

## Production

Indonesia's domestic cotton production remains limited, meeting less than one percent of industry demand. Production for 2020/21 is forecast to remain stable at 2,000 bales as farmers continue to prefer more lucrative crops and area for expansion remains limited due to land conversion to non-agricultural use. The Ministry of Agriculture (MOA) reported that in 2019/20 most cotton was grown on marginal lands, primarily in South Sulawesi (49 percent), East Nusa Tenggara (33 percent), Central Java (8 percent), and West Nusa Tenggara (8 percent).

## Consumption

Cotton use is estimated to decline to 2.8 million bales in 2019/20, from 3.05 million bales in 2018/19, due to declining demand from export markets and domestically. The decline is primarily the result of decreased global demand related to the COVID-19 pandemic, which has forced millions of consumers are to limit social interactions and shuttered countless retail fashion outlets, traditional markets and tourist areas. Prior to the virus outbreak, heavy rainfall in Jakarta led to three consecutive severe floods in the capital city. Additional household expenditures related to the flooding has reduced consumer spending for clothes and textile products. Offline retail markets reported a 30 percent decline in sales for fashion products from January to February 2020. Post forecasts 2020/21 consumption to reach 3.0 million bales as the global and domestic economic situation rebound from the COVID-19 crisis.

Approximately 95 percent of textile manufacturers are located on Java. The upstream sector industry consists of 294 spinning industries with a production capacity of 3.97 million tons per year. The spinning mills are supported by weaving, dyeing, printing and finishing sectors consisting of 1,540 large-scale and 131,000 small and medium size industries with a total production capacity of 3.13 million tons per year. In the downstream sector, 2,995 large-scale and 407,000 small and medium enterprises apparel manufacturers with a total production capacity of 2.18 million tons per year. Other textile producers for household goods such as furniture consist of 765 industries with a production capacity of 680,000 tons per year. As of 2018, the industry accounted for 2.1 percent of the total 121.02 million work force. The industry expects to employ approximately 2.0 million workers in 2020, although this target may be hard to achieve given the global economic slowdown.

Aside from the current pandemic related economic slowdown, local cotton mills and the overall Indonesian textile industry continue to face several challenges impeding production growth. The Indonesian Textile Association (*API, Asosisasi Pertekstilan Indonesia*) reported that in 2019, the industry grew by only 2 percent, compared to 8.7 percent in 2018. Although cotton accounts for about half of the production cost to manufacture cotton yarn, the main impediment to production growth is low labor productivity compared to relatively high annual wages. Annual increases in the minimum wage are monitored closely and are seen as the driving force for medium and large textile mills to relocate to Central Java, where the minimum wage is lower than West Java and East Java. Please refer to [ID2019-0024](#).

At the same time, the lockdown policy implemented by China due to the COVID-19 outbreak in that country has led to a shortage of raw material fabrics. Post sources have indicated that China's stocks of raw material fabrics may be depleted by May 2020, become difficult to source from China (the largest

exporter of such fabrics) by May 2020. Manufacturers are preparing for sourcing these materials from other origins at up to a 30 percent premium, which will further squeeze already tight margins.

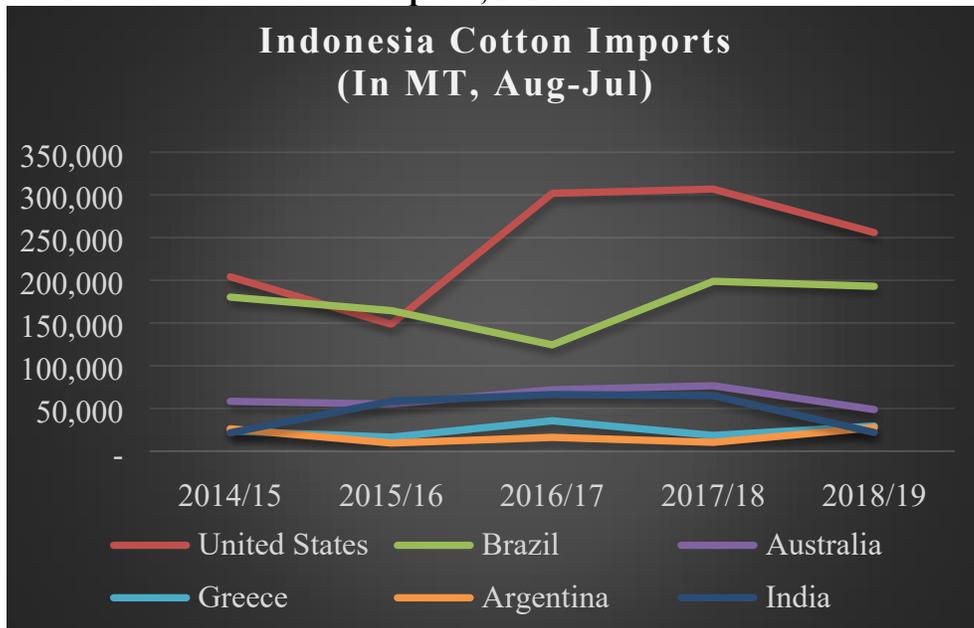
**Trade**

In line with reduced consumption, 2019/20 cotton imports are expected to decline to 2.9 million bales, from 3.051 million bales imported in 2018/19. Expecting a recovery from global slowdown, imports are forecast to increase to 3.0 million bales in 2021/20 due to expectations for more production and selling opportunity.

The Indonesian Textile Association (API) reported that total exports of textiles and textile products fell 2.8 percent to \$12.84 billion in 2019, down from \$ 13.22 billion in 2018. Imports of textiles and textile products fell 6.4 percent to \$ 9.37 billion from the previous \$10.02 billion.

During the period of August 2019 to January 2020, U.S. cotton exports to Indonesia reached a total of 492,000 bales, maintaining U.S. position as the leading supplier of cotton with a 35.5 percent market share. Brazil and Australia followed with 33.4 percent and 6.8 percent, respectively.

**Chart 1. Indonesia Cotton Imports, 2014-2019.**



Source: Trade Data Monitor, April 2020.

Indonesian exports of cotton yarn in 2019 increased to 191,000 tons from 171,000 tons in 2018. China received the majority of exports (70 percent), followed by South Korea (7.49 percent), and Japan (7.2 percent). Meanwhile, cotton fabric exports in 2019 decreased to 13,600 tons from 16,200 tons in 2018. Main destinations for cotton fabrics are Japan (53 percent), the United States (11 percent), and Malaysia (3 percent).

## Stocks

Local spinners source raw materials on an as-needed basis. Due to low local demand, stocks at bonded warehouse zones are currently less than 3,500 bales. Ending stocks are estimated to reach 632,000 bales in 2019/20 due to a lower running capacity of 82 percent compared to 84 percent in the previous period. In line with an expected increase of running capacity, ending stocks are forecast to slightly decline to 630,000 bales in 2020/21.

## Marketing

U.S. cotton maintains a strong reputation among Indonesian spinners compared to cotton from other origins. Recent challenges come from demands from cotton end users such as international brands and their associated garment and fabric manufacturers and merchants requiring that the cotton meet sustainability initiatives, similar to the Better Cotton Initiative (BCI), which have gained prominence in other countries. Concerns over the U.S. industry not adopting BCI or a similar program have been raised repeatedly to Post by Indonesian buyers and producers. Cotton Council International (CCI) recently announced the launching of the official U.S. Cotton Protocol in order to meet the sustainability requirement. Post will continue to monitor the rollout and report on how Indonesian importers and manufacturers are accepting the program.

## Policy

Based on the result of an investigation conducted by the Indonesian Trade Security Committee (*KPPI, Komisi Pengamanan Perdagangan Indonesia*), which found there were losses to the domestic textile industries due to a surge of imports of fabrics and sewing thread to Indonesia, on November 9, 2019, GOI officially imposed temporary safeguard duties on imports of textiles and textile products. The safeguard duty is valid for 200 days.

The decree was contained in Minister of Finance ([MOF regulation number 161/2019](#)) concerning Imposition of Import Duty on Temporary Security Measures for Imports of Yarn (Other than Sewing Thread) From Synthetic and Artificial Staple Fiber, and [MOF regulation number 162/2019](#) concerning Imposition of Import Duty on Temporary Safeguard Measures for Imports of Fabric Products. The regulation is expected to curb competition from cheaper priced imported textile and textile products in the domestic market. Notably, China is not included as one of the countries excluded from the measures.

## I. Statistical Tables

**Table 1. PSD Cotton (HS Code 5201) in bales**

Cotton Market Begin Year Indonesia	2018/2019		2019/2020		2020/2021	
	Aug 2018		Aug 2019		Aug 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	3	0	3	0	3
Area Harvested	3	3	3	2	0	2
Beginning Stocks	634	634	532	532	0	632
Production	3	3	2	2	0	2
Imports	3051	3051	3050	2900	0	3000
MY Imports from U.S.	0	0	0	1100	0	1200
Total Supply	3688	3688	3585	3434	0	3634
Exports	6	6	5	4	0	4
Use	3150	3150	3050	2800	0	3000
Loss	0	0	0	0	0	0
Total Dom. Cons.	3150	3150	3050	2800	0	3000
Ending Stocks	532	532	530	632	0	630
Total Distribution	3688	3688	3585	3434	0	3634
Stock to Use %	16.86	16.86	17.35	22.56	0	20.97
Yield	218	218	218	218	0	218

(1000 HA) ,1000 480 lb. Bales ,(PERCENT) ,(KG/HA)

Note: last column of each marketing year is not official USDA data.

**Table 2. PSD Cotton (HS Code 5201) IN MT**

Cotton Market Begin Year Indonesia	2017/2018		2018/2019		2019/2020	
	Aug 2017		Aug 2018		Aug 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	3	0	3	0	0
Area Harvested	3	2	3	2	0	0
Beginning Stocks	138039	138039	115830	115830	0	137603
Production	653	653	653	435	0	435
Imports	664283	664283	664066	631407	0	653179
MY Imports from U.S.	0	259094	0	239499	0	261272
Total Supply	802975	802975	780549	747673	0	791218
Exports	1306	1306	1089	435	0	871
Use	685838	685838	664066	609634	0	653179
Loss	0	0	0	0	0	0
Total Dom. Cons.	685838	685838	664066	609634	0	653179
Ending Stocks	115830	115830	115395	137603	0	137168
Total Distribution	802975	802975	780549	747673	0	791218
Stock to Use %	16.89	16.89	17.38	22.57	#DIV/0!	21.00
Yield	47405	71107	47405	47405	0	0

Note: Last column of each Marketing Year is not official USDA data.

## TRADE MATRIXES

**Table 3. Cotton Export Trade Matric (MY 2017 - 2019)**

Time Period	<b>Aug-Jul</b>	Units:	MT	Units:	MT
Exports for:	<b>2017/18</b>		<b>2018/19</b>		<b>2019/20*</b>
U.S.	20	U.S.	1	U.S.	0
Others		Others		Others	
Bangladesh	304	Bangladesh	608	Bangladesh	281
India	242	Vietnam	365	Malaysia	12
Vietnam	122	India	180		
Thailand	108	Malaysia	69		
Taiwan	96	Taiwan	55		
Malaysia	63	Japan	37		
Philippines	36	Turkey	19		
Japan	19	China	2		
Total for Others	990		1335		293
Others not Listed	3		2		2
<b>Grand Total</b>	<b>1013</b>		<b>1338</b>		<b>295</b>

Source: Trade Data Monitor

Note: \*) Only for the period of Aug – Nov 2019.

**Table 4. Cotton Import Trade Matric (MY 2018 – 2019)**

Time Period	Aug - Jul	Units:	1,000 MT	Units:	1,000 MT
Imports for:	2017/18	Imports for:	2018/19	Imports for:	2019/20*
U.S.	307	U.S.	256	U.S.	79
Others		Others		Others	
Brazil	196	Brazil	193	Brazil	56
Australia	76	Australia	49	Australia	17
India	65	Greece	29	Argentina	9
Greece	18	Argentina	28	Cote d'Ivoire	8
Pakistan	17	India	22	Greece	7
Cote d'Ivoire	14	Cote d'Ivoire	13	Mali	4
Argentina	10	Turkey	10	Burkina Faso	3
Mexico	7	Tanzania	9	Cameroon	2
Spain	6	Burkina Faso	7	India	2
Togo	6	Mali	6	Mozambique	2
Burkina Faso	6	Mexico	5	Pakistan	1
Cameroon	5	Togo	4	Tanzania	1
Mali	5	Mozambique	4		
Tanzania	4	Pakistan	4		
Benin	4	Benin	3		
Ethiopia	2	Uganda	2		
Uganda	2	Paraguay	2		
Total for Others	443	Total for Others	390	Total for Others	112
Others not Listed	12	Others not Listed	18	Others not Listed	6
Grand Total	762	Grand Total	664	Grand Total	197

Source: Trade Data Monitor

**Table 5. Cotton Yarn Export Trade Matrix (CY 2018 – 2019)**

Time Period	Jan-Dec	Units:	1,000 MT
Exports for:	<b>2018</b>		<b>2019</b>
U.S.	1		1
Others		Others	
China	115	China	125
Japan	17	Japan	13
Bangladesh	12	South Korea	13
South Korea	11	Bangladesh	8
Colombia	2	Vietnam	3
Malaysia	1	Egypt	1
Vietnam	1	Portugal	1
Germany	1	South Africa	1
South Africa	1	Thailand	1
Romania	1	Germany	1
Total for Others	162	Total for Others	167
Others not Listed	8	Others not Listed	8
Grand Total	171	Grand Total	176

Source: Trade Data Monitor.

**Table 6. Cotton Yarn Import Trade Matrix (CY 2018 – 2019)**

Country	Indonesia		
Commodity	Yarn		
Time Period	Jan-Dec	Units:	1,000 MT
Exports for:	<b>2018</b>		<b>2019</b>
U.S.	0	U.S.	0
Others		Others	
India	10	India	6
China	4	China	4
Malaysia	1	Vietnam	3
Hong Kong	1	South Korea	1
Thailand	1	Singapore	1
		Pakistan	1
Total for Others	17	Total for Others	16
Others not Listed	1	Others not Listed	2
Grand Total	18	Grand Total	18

Source: Trade Data Monitor.

Note: \* Only for the period of Jan-Aug 2019.

**Table 7. Cotton Fabric Export Trade Matrix (CY 2018 – 2019)**

Country	Indonesia		
Commodity	Fabric		
Units:	1,000 MT		
Time Period	<b>Jan-Dec</b>		<b>Jan-Dec</b>
	<b>2018</b>		<b>2019</b>
U.S.	2	U.S.	1
Others		Others	
Japan	8	Japan	6
Belgium	3		
Bangladesh	1		
Cambodia	1		
Total for Others	13	Total for Others	6
Others not Listed	1	Others not Listed	5
Grand Total	16	Grand Total	12

Source: Trade Data Monitor.

**Table 8. Cotton Fabric Import Trade Matrix (CY 2018 – 2019)**

Country	Indonesia		
Commodity	Fabric		
Units:	1,000 MT	Units:	
Time Period	<b>Jan - Dec</b>	Time Period	<b>Jan - Dec</b>
Exports for:	<b>2018</b>	Exports for:	<b>2019</b>
U.S.	0	U.S.	0
Others		Others	
China	45	China	40
Hong Kong	8	Hong Kong	5
South Korea	6	Korea, Rep. of	3
Pakistan	3	Pakistan	2
Taiwan	2	India	2
India	1	Thailand	1
Vietnam	1	Vietnam	1
		Japan	1
Total for Others	66	Total for Others	55
Others not Listed	2	Others not Listed	2
Grand Total	68	Grand Total	57

Source: Trade Data Monitor.

**Table 9. Exchange Rate (In Rp/\$1)**

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	13,343	13,347	13,321	13,327	13,321	13,319	13,323	13,351	13,492	13,572	13,514	13,548
2018	13,413	13,707	13,756	13,877	13,951	14,404	14,413	14,711	14,929	15,227	14,339	14,481
2019	14,072	14,062	14,244	14,268	14,362	14,141	13,913	14,237	14,174	14,008	14,102	13,901
2020	13,662	14,234	16,273									

Source: Bank of Indonesia

**Attachments:**

No Attachments