

Required Report: Required - Public Distribution

Date: January 23, 2023

Report Number: ID2022-0041

Report Name: Cotton and Products Update

Country: Indonesia

Post: Jakarta

Report Category: Cotton and Products

Prepared By: Sugiarti Meylinah

Approved By: Jasmine Osinski

Report Highlights:

Indonesian cotton imports in 2021/22 increased by 11.7 percent to 2.57 million bales due to increased economic activity following relaxed COVID-19 restrictions. However, due to the global economic slowdown leading to lower demand for Indonesian textiles and products, cotton imports in 2022/23 are forecast to slightly decline to 2.50 million bales. In line with reduced imports, 2022/23 ending stocks are forecast to decrease to 454,000 bales.

Glossary:

API	: Indonesian Textile Association
BPS	: Indonesian Statistics Agency
GDP	: Gross Domestic Product
GOI	: Government of Indonesia
MOA	: Ministry of Agriculture
MOF	: Ministry of Finance
MOI	: Ministry of Industry
UMSK	: District Sectoral Minimum Wage
WHO	: World Health Organization

Production

Cotton cultivation remains unattractive to Indonesian farmers due to lower profit margins and a lack of government incentives compared to other crops. Consequently, Indonesia's domestic cotton production is on the decline, meeting less than one percent of local industry demand. Production for 2021/22 is recorded at 2,000 bales as farmers continue to turn to producing other crops. Production in 2022/23 is forecast to remain stable at 2,000 bales. (Please see [ID2022-0011](#) for Indonesia's main cotton producing areas.) There are currently no Government of Indonesia (GOI) support programs or incentives in place for encouraging cotton production.

Consumption

Despite the rebound in economic activity following the relaxation of COVID-19 restrictions and significantly increased household spending stimulating the Indonesian economy, the global economic slowdown reduced demand for Indonesian textiles and textile products from export markets such as the United States and Europe. The Indonesian Statistics Agency (BPS) reports that during the period of January to September 2022, total Indonesian textile exports reached 1.19 million tons (MMT), a decrease of 14.5 percent compared to the same period last year. Weakened purchasing power in the United States and Europe also led to other textile producing countries, such as the People's Republic of China (PRC), Bangladesh, Vietnam, and India redirecting many of their textile exports to the Indonesian market, leading to tighter competition between domestically produced textile products and cheaper imported products. Lower exports and tighter competition resulted in decreased running capacity.

Initially, the Ministry of Agriculture (MOA) had forecast that by the end of 2022, the utilization rate would increase to 75 percent for upstream and intermediate industries, while the garment industry's utilization rate was forecast at 85 percent. However, due to declining demand since mid-2022, the utilization rate reportedly declined to around 50 percent and is expected to remain stable at 50 percent should exports not improve.

In addition to lower demand from export destination countries, industry continues to face labor cost concerns. Law No. 13/2003 on Employment states a local minimum wage can be based on local standards at the provincial or district/city level, or a local minimum wage can be based on industry standards within a district/city (UMSK). A district/city's industry-based minimum wage can be determined by the provincial governor based on an agreement between that industry's employers' association and labor union; however, this industry-based minimum wage must not be lower than the provincial or district/city minimum wage. Based on Ministry of Manpower Regulation No. 18/2022, all provinces in Indonesia have decided to increase their minimum wage for 2023 (see Table 1).

Table 1. Indonesia: Minimum Wage by Province (2022-2023)

Provinces	2022	2023	Change
Aceh	3,166,460 IDR	3,413,666 IDR	7.81%
North Sumatera	2,552,610 IDR	2,710,494 IDR	7.45%
West Sumatera	2,512,539 IDR	2,742,476 IDR	9.15%
Riau	2,938,564 IDR	3,191,663 IDR	8.61%
Riau Island	3,144,466 IDR	3,279,194 IDR	7.51%
Jambi	2,649,034 IDR	2,943,033 IDR	9.04%
South Sumatera	3,144,446 IDR	3,404,177 IDR	8.26%
Bangka Belitung	3,264,884 IDR	3,498,479 IDR	7.15%
Bengkulu	2,238,094 IDR	2,418,280 IDR	8.05%
Lampung	2,440,486 IDR	2,633,285 IDR	7.90%
West Java	1,841,487 IDR	1,986,670 IDR	7.88%
Jakarta (Java)	4,641,854 IDR	4,901,798 IDR	5.60%
Banten (Java)	2,501,203 IDR	2,661,280 IDR	6.40%
Central Java	1,813,011 IDR	1,958,170 IDR	8.01%
Yogyakarta (Java)	1,840,952 IDR	1,981,782 IDR	7.65%
East Java	1,891,567 IDR	2,040,244 IDR	7.86%
Bali	2,516,971 IDR	2,713,672 IDR	7.81%

Source: Provincial websites, compiled by FAS/Jakarta

Aging machinery also remains a key competitive constraint on industry growth. More than 57 percent of the textile industry's machinery is more than 15 years old. Lower margins and cash flow challenges as a result of the global economic slowdown have further inhibited companies from reinvesting in new machinery, perpetuating a cycle of greater inefficiency and higher production costs.

Considering the above-mentioned factors, 2021/22 cotton consumption is estimated to have marginally increased by around 6 percent to 2.6 million bales compared to 2.45 million bales consumed in 2020/21. As the global economy is not predicted to recover fully in the near future, which will lead to slowing demand from both local and global industry, 2022/2023 domestic consumption is forecast to decline by 4 percent to 2.5 million bales.

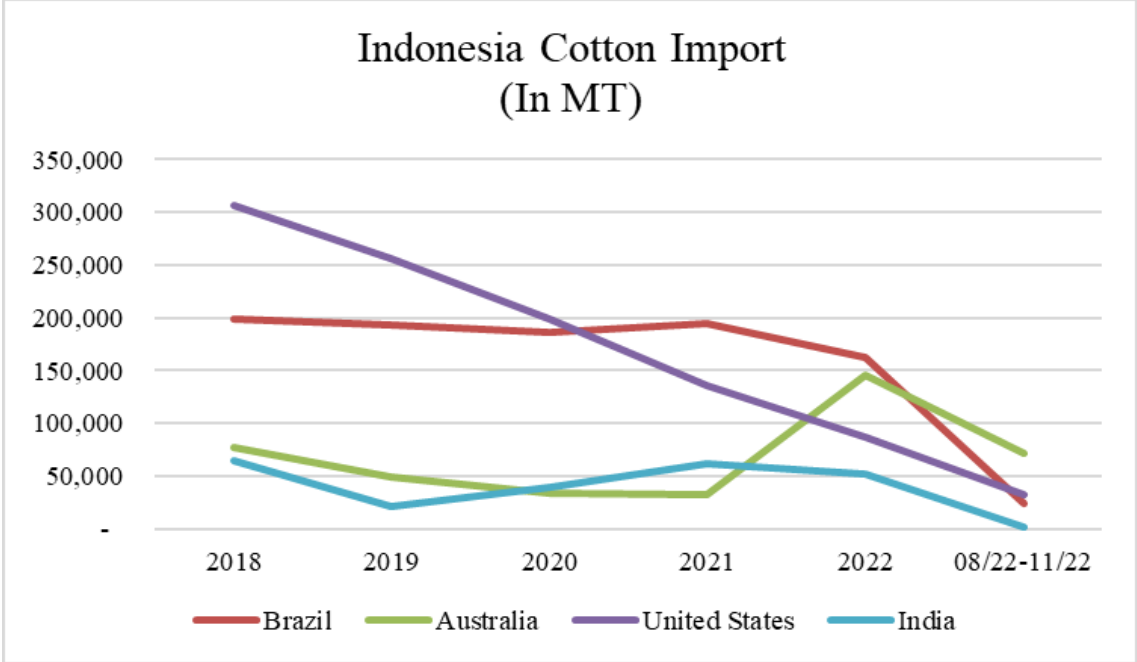
Trade

In line with increased consumption, 2021/22 cotton imports are expected to increase by 12 percent to 2.577 million bales compared to 2.307 million bales imported in 2020/21. Imports are forecast to decrease to 2.5 million bales in 2022/23 on lower global demand as major export destination countries experience slower economic growth.

During the period of August to October 2022, Australia remained the largest supplier of cotton to Indonesia with a total market share of 49.6 percent and a volume of 266,000 bales. The United States and Brazil followed with 26.3 percent (141,000 bales) and 11.9 percent (64,000 bales) respectively.

Indonesia’s cotton yarn exports during the period of January to July 2022 declined by 33 percent to 68,784 MT from 173,402 MT during the same period in 2021. From January to July 2022, the PRC received the majority of Indonesia’s cotton yarn exports (32 percent), followed by Bangladesh (23 percent), Honduras (14 percent), and Japan (9 percent). Meanwhile, Indonesia’s cotton fabric exports during the period of January to July 2022 declined by 21 percent due to slower demand from Japan, the United States, the PRC, and the Netherlands. Exports of cotton fabrics during the period of January to July 2022 reached a total of 5,408 MT, 21 percent lower than 6,835 MT exported during the same period of 2021. The main destinations for Indonesian cotton fabric exports in 2022 were Japan (52 percent), the United States (15 percent), the PRC (4 percent), and Malaysia (4 percent).

Chart 1. Indonesia Cotton Imports, 2018-2022 (MT, Aug-Jul)



Source: Trade Data Monitor, November 2022.

Stocks

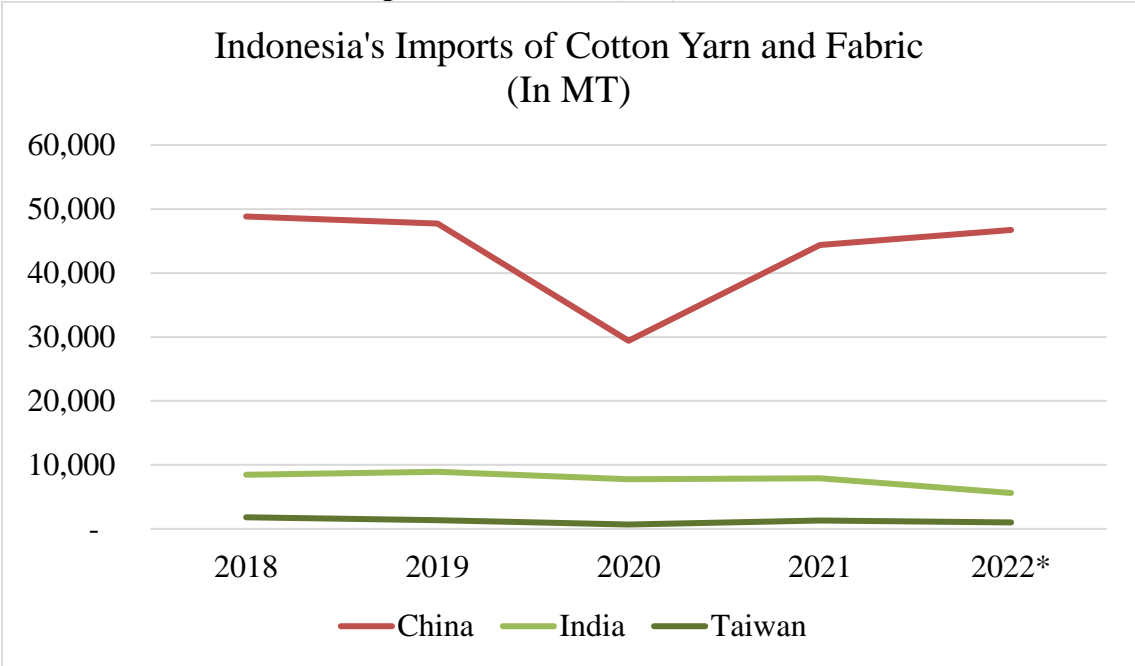
Spinners continue to source raw materials on an as-needed basis. Cotton stocks in 2021/22 are estimated to have declined slightly to 462,000 bales from 496,000 bales in 2020/21 due to lower beginning stocks, improved demand from export destination countries and the domestic market during the first semester of 2022, as well as increased running capacity. Ending stocks for 2022/23 are forecast to further decline to 454,000 bales due to lower beginning stocks and imports.

Policy

Fabric manufacturers have been facing tighter competition in the domestic market from lower quality, cheaper imports. To reduce external competition for the fabric refinement industry and fabric printing industry, the GOI issued Ministry of Finance (MOF) Decree No. 23/2022 on the List of Goods Restricted for Imports. The regulation covers fabrics under HS Codes 5208 and

5209 and serves as an implementing regulation to Ministry of Trade Regulation No. 25/2022 on Import Policy. These regulations are a follow up to the implementation of Anti-Dumping Import Duty for Spin Drawn Yarn (SDY) through Ministry of Finance Regulation (MOF) No. 115/2019 and MOF No. 114/2019 on safeguard duties for Polyester Synthetic Fiber (PSF), applying additional import duty rates of 5.4 percent to 9.4 percent and targets products from India, the PRC, and Taiwan. Consequently, imports of fabrics and yarns from these countries into Indonesia declined in 2020. However, with the improving economy and recovering demand, imports of yarn and fabrics from those countries started rebounding in 2021 (see Chart 2). The MOF regulation’s validity ended in August 2022.

Chart 2. Indonesia Yarn Imports 2018-2022 (MT)



Source: Trade Data Monitor, January 2023

Marketing

Cotton Council International (CCI) continues to be active in the Indonesian market. With the easing of COVID-19 restrictions in the country, CCI managed to organize an in-person “Cotton Day 2022” in October 2022. The event provided information that can help build a direct network between cotton suppliers and buyers. Several topics of discussion included the present and future trade relationship between Indonesia and the United States, cotton economics and trends in 2022/23 U.S. cotton production, the logistical challenges of shipping U.S. cotton to the world, and navigating new U.S. regulations on forced labor. The event also held a fashion show featuring 12 Cotton USA partners in Indonesia (Cotton USA Licensees and U.S. Cotton Trade Protocol members) and Indonesian Fashion Brands/Designers. Maintaining and expanding contacts with industry by providing regular updates on U.S. cotton crop quality and technology as well as consumer trends in domestic and international markets have proven successful in developing and sustaining Indonesian interest in U.S. cotton.

I. Statistical Tables

Table 2. Production, Supply, and Distribution: Cotton (HS Code 5201) in Bales

Cotton Market Year Begins	2020/2021		2021/2022		2022/2023	
	Aug 2020		Aug 2021		Aug 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Indonesia						
Area Planted (1000 HA)	0	3	0	2	0	2
Area Harvested (1000 HA)	2	2	2	2	2	2
Beginning Stocks 1000 480 lb. Bales	643	643	496	496	462	462
Production 1000 480 lb. Bales	2	2	2	2	2	2
Imports 1000 480 lb. Bales	2307	2307	2577	2577	2500	2500
MY Imports from U.S. 1000 480 lb. Bales	0	621	0	393	0	400
Total Supply 1000 480 lb. Bales	2952	2952	3075	3075	2964	2964
Exports 1000 480 lb. Bales	6	6	13	13	5	10
Use 1000 480 lb. Bales	2450	2450	2600	2600	2500	2500
Loss 1000 480 lb. Bales	0	0	0	0	0	0
Total Dom. Cons. 1000 480 lb. Bales	2450	2450	2600	2600	2500	2500
Ending Stocks 1000 480 lb. Bales	496	496	462	462	459	454
Total Distribution 1000 480 lb. Bales	2952	2952	3075	3075	2964	2964
Stock to Use % (PERCENT)	20.2	20.2	17.68	17.68	18.32	18.09
Yield (KG/HA)	218	218	218	218	218	218

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

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

Table 3. Production, Supply, and Distribution: Cotton (HS Code 5201) in MT

Cotton Market Begin Year	2020/2021		2021/2022		2022/2023		
	Aug 2020		Aug 2021		Aug 2022		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Indonesia							
Area Planted	0	3	0	3	0	2	(1000 HA)
Area Harvested	2	2	2	2	2	2	(1000 HA)
Beginning Stocks	139,998	139,998	107,992	107,992	100,590	100,590	MT
Production	435	435	435	435	435	435	MT
Imports	502,295	502,295	561,081	561,081	544,316	544,316	MT
MY Imports from U.S.	-	135,208	-	85,566	-	87,091	MT
Total Supply	642,728	642,728	669,509	669,509	645,341	645,341	MT
Exports	1,306	1,306	2,830	2,830	1,089	2,177	MT
Use	533,430	533,430	566,089	566,089	544,316	544,316	MT
Loss	-	-	-	-	-	-	MT
Total Dom. Cons.	533,430	533,430	566,089	566,089	544,316	544,316	MT
Ending Stocks	107,992	107,992	100,590	100,590	99,936	98,848	MT
Total Distribution	642,728	642,728	669,509	669,509	645,341	645,341	MT
Stock to Use %	26.75	20.2	17.8	17.68	17.68	18.09	(PERCENT)
Yield	47,405	47,405	47,405	47,405	47,405	47,405	(KG/HA)
TS=TD	0	0	0	0	0	0	

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

TRADE MATRICES

Table 4. Cotton Export Trade Matric (MY 2021 - 2022)

Time Period	Aug-Jul	Units:	MT
Exports for:	2021/22		2022/23*
U.S.		0 U.S.	0
Others		Others	
Philippines	1124	Philippines	436
Bangladesh	1093	Bangladesh	308
Thailand	288	Saudi Arabia	241
PRC	126	Cameroon	40
Saudi Arabia	101	PRC	36
India	54	Thailand	19
Taiwan	25		
Cameroon	20		
Total for Others	2831		1080
Others not Listed	30		22
Grand Total	2861		1102

Source: Trade Data Monitor

Note: *Only for the period of Aug - Oct 2022

Table 5. Cotton Import Trade Matric (MY 2021 – 2022)

Time Period	Aug - Jul	Units:	1,000 MT
Imports for:	2021/22	Imports for:	2022/23*
U.S.	87	U.S.	31
Others		Others	
Brazil	163	Brazil	14
Australia	145	Australia	58
India	52	India	1
Greece	19	Greece	2
Cote d'Ivoire	16	Cote d'Ivoire	1
Mexico	16	Mexico	1
Argentina	12	Argentina	2
Mali	8	Mali	1
Chad	6	Chad	1
Benin	5	Benin	1
Zimbabwe	3		
Burkina Faso	3		
Total for Others	448	Total for Others	82
Others not Listed	26	Others not Listed	4
Grand Total	561	Grand Total	117

Source: Trade Data Monitor

Note: *Only for the period of Aug – Oct 2022

Table 6. Cotton Yarn Export Trade Matrix (CY 2021 – 2022)

Time Period	Jan-Dec	Units:	1,000 MT
Exports for:	2021		2022*
U.S.	2		1
Others		Others	
PRC	80	PRC	25
Bangladesh	24	Bangladesh	20
South Korea	15	South Korea	3
Honduras	14	Japan	8
Japan	13	Honduras	10
Vietnam	6	Peru	3
Malaysia	3	Malaysia	3
Hong Kong	2	Thailand	1
Pakistan	2		
Peru	2		
Total for Others	161	Total for Others	73
Others not Listed	10	Others not Listed	8
Grand Total	173	Grand Total	82

Source: Trade Data Monitor

Note: *Only for the period of Jan - Oct 2022

Table 7. Cotton Yarn Import Trade Matrix (CY 2021 – 2022)

Time Period	Jan-Dec	Units:	1,000 MT
Exports for:	2021		2022*
U.S.	0	U.S.	0
Others		Others	
India	6	Vietnam	5
Vietnam	5	PRC	5
PRC	4	India	2
South Korea	2	Pakistan	1
Singapore	1		
Pakistan	1		
Total for Others	19	Total for Others	13
Others not Listed	1	Others not Listed	2
Grand Total	20	Grand Total	15

Source: Trade Data Monitor

Note: *Only for the period of Jan - Oct 2022

Table 8. Cotton Fabric Export Trade Matrix (CY 2021 – 2022)

Units:	1,000 MT		
Time Period	Jan-Dec		
	2021		2022*
U.S.	1	U.S.	1
Others		Others	
Japan	5	Japan	4
Portugal	1		
PRC	1		
Total for Others	7	Total for Others	4
Others not Listed	4	Others not Listed	3
Grand Total	12	Grand Total	8

Source: Trade Data Monitor

Note: *Only for the period of Jan - Oct 2022

Table 9. Cotton Fabric Import Trade Matrix (CY 2021 – 2022)

Units:	1,000 MT	Units:	
Time Period	Jan - Dec		
Exports for:	2021	Exports for:	2022*
U.S.	0	U.S.	0
Others		Others	
PRC	41	PRC	37
Hong Kong	4	Hong Kong	3
South Korea	3	Vietnam	3
Pakistan	2	Pakistan	3
India	2	South Korea	2
Malaysia	1	India	3
Total for Others	53	Total for Others	51
Others not Listed	4	Others not Listed	1
Grand Total	57	Grand Total	52

Source: Trade Data Monitor

Note: *Only for the period of Jan - Oct 2022

Table 10. Exchange Rate (IDR/USD)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	16,367	15,157	14,733	14,302	14,653	14,554	14,918	14,690	14,187	14,105
2021	14,084	14,229	14,459	14,453	14,292	14,452	14,548	14,306	14,321	14,171	14,320	14,278
2022	14,392	14,369	14,306	14,480	14,592	14,848	14,990	14,853	15,232	15,596	15,668	15,619

Source: Bank of Indonesia

Note: Exchange rate was 15,619/IDR/\$1 in December 2022

Attachments:

No Attachments