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Indonesia

Coffee Annual

Indonesia Coffee Annual Report 2019

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Report Highlights:
Domestic consumption continues to increase due to strong demand for Ready-to-Drink coffee products and expansion of coffee retail outlets. Exports are down due increased competition from Vietnam in key markets, including Russia, E.U. and China. Production for 2019/20 is forecast to increase slightly for both Arabica and Robusta varieties.

Commodities:
Coffee, green

Crop Area

Crop area in 2019/20 is forecast to remain steady at 1.2 million hectares. Smallholder plantations averaging between 1 to 2 hectares continue to account for 98 percent of all area, though several large-scale plantations reaching up to 4,000 hectares are in Sumatera and Java.

Sumatera remains Indonesia's largest coffee producing region, producing between 70 – 75 percent of all green bean coffee. Robusta production accounts for approximately 80 percent of total production and is centered in Southern Sumatera's Lampung and Bengkulu regions. Higher valued Arabic varieties are primarily grown in Northern Sumatera, though Arabica production has increased in West Java and Bali.

Production

In 2019/20, coffee production is forecast to reach 10.7 million bags, an increase of 100,000 bags from 2018/19. Farmers in the major Robusta production area of Southern Sumatera have reported no extreme weather issues during flowering and bean development stage. As a result, improved yields are expected during the first harvest, which will peak in May-June.

Heavy rainfall has delayed Arabica harvesting in West Java. Despite Java's small Arabica production compared with Northern Sumatera, the region has seen steady increases in production as more farmers replace vegetables with coffee and area expands in government forestry lands.   Much of the West Java Arabica production is sold domestically to meet increased consumer demand for coffee, though some volumes are exported directly or shipped to Medan in North Sumatera for blending with other Arabica beans.

Production for 2018/19 is lowered 300,000 bags to 9.4 million bags based on lower than expected output of Robusta beans. Higher yields in Southern Sumatera regions, such as Pagaralam, were not enough to offset lower Robusta yields in highland areas resulting from heavy rain and high winds during cherry development.

Table 1. Indonesia coffee production (million 60-kg bags)

Variety	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*
Arabica	1.5	1.3	1.0	1.2	1.25
Robusta	10.6	9.3	9.4	9.4	9.45
Total	12.1	10.6	10.4	10.6	10.7

Inputs

Most smallholder farmers utilize few inputs for their coffee crops. Fertilizer and pesticides are limited in use and are usually applied with the assistance from local collectors who have a stake in ensuring a crop's production. Daily maintenance activities, such as weeding or pruning, are often carried out by farmers themselves with assistance from family labor. The harvest periods require additional labor, which is often arranged between farmers of the same area who rotate from farm to farm to assist one another. Planting materials, such seedling, are available locally in small quantities, often provided by more experienced farmers. Improved-yield seedlings are distributed by local governments, but in small quantities and irregularly. Most area is un-irrigated.

Figure 1. Farmer's Nursery of Arabica in West Java

Yields

Coffee yields are generally low for both Robusta and Arabica varieties, both in terms of potential and compared with other major producing countries. Robusta yields vary by regions, but generally range between 700-1000 kilograms per hectare. The lower yields are often the result of limited fertilizer or crop protection inputs, the quality of planting material, and the absence of extension services in many areas. Weather also plays an important factor, as heavy rainfall and strong winds may threaten various stages of development.

Consumption

Consumption for 2018/19 is increased to 4.3 million bags, based on strong consumer demand for fresh roasted, soluble and Ready to Drink (RTD) products. Consumption for 2019/20 is forecast at 4.9 million bags based on continued strong consumer demand. Indonesia's booming coffee-drinking lifestyle continues to expand in urban areas. Coffee outlets, both chain and independent, are opening in nearly every shopping center, transportation hub and office complex.

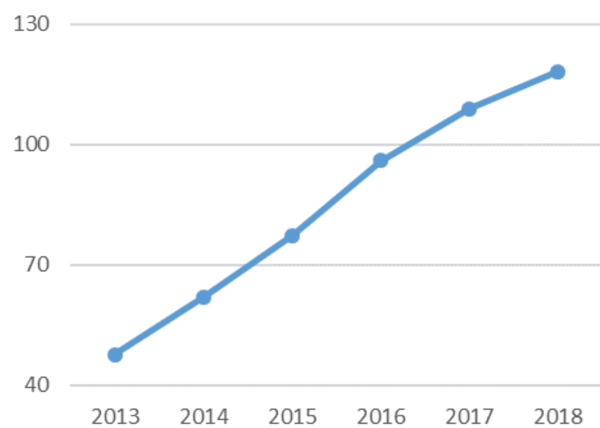
Table 2. Chain Coffee Shops in Indonesia Continue to expand

Chain coffee shops	First Opening	Number of outlets and city coverage
Starbucks	2002	403 in 25 Cities (2019)
Maxx Coffee	2014	83 outlets in 23 Cities (April 2019)
Coffee Toffee	2006	126 outlets in 30 cities (2016)

The Gade Coffee & Gold	2018	33 Outlets in 30 cities (2019)

Industrial processing capacity for coffee products has increased from approximately 250,000 tons in 2015/16 to 300,000 tons in 2018/19. The increase can be attributed to newcomer mid-size processors and expansion among existing processors. New coffee products frequently enter the market, expanding the variety of flavors and packaging sizes.
In particular, demand for RTD coffee products has increased significantly. RTD coffee has experienced record sales growth through convenience stores, supermarkets, and traditional grocery outlets.

Figure 2. Indonesia RTD Coffee Retail Sales Volume 2013-2018 (million liters)



Source: Euromonitor Passport (March, 2019)

Trade

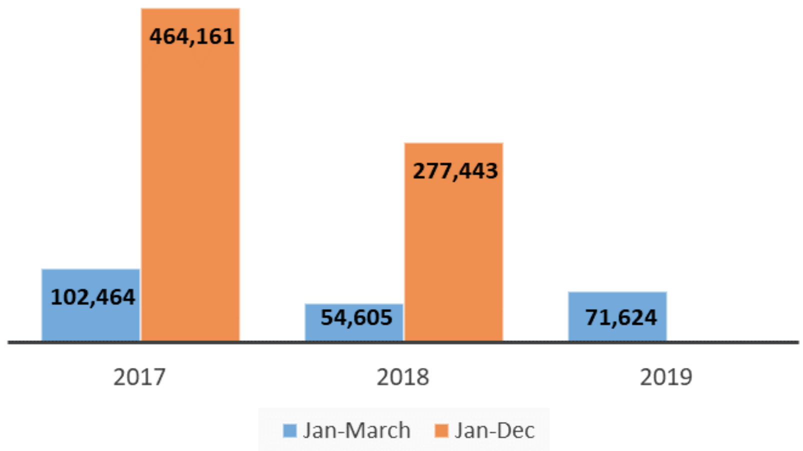
Exports

Green bean exports in 2018/19 were the lowest since 2001, falling 29 percent from 6.94 million bags in 2017/18 to 4.907 million bags. Shipments to Russia, E.U. and China all dropped significantly, as buyers switched their Robusta sources, mainly to Vietnam. Over the same period, Robusta prices decreased 16 percent.

Major export markets include U.S., Malaysia, Japan, Egypt and Italy. Volumes peaked in July following the main harvest period of March-June in Southern Sumatera.

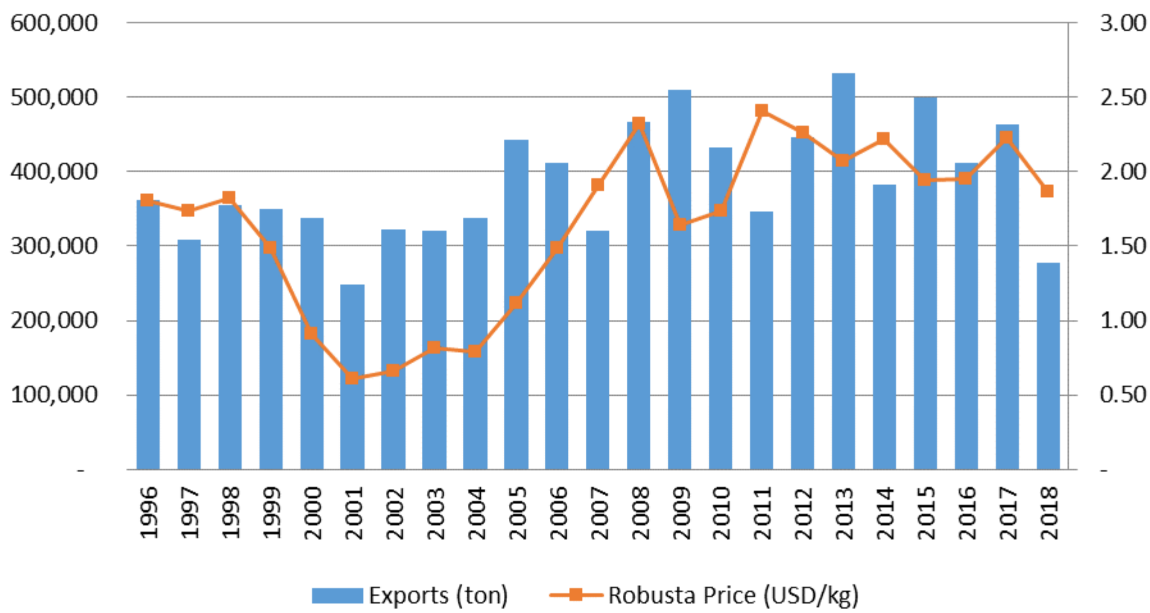
In 2019/20, green bean exports are forecast to rebound to 5.7 million bags assuming more competitive pricing with upcoming harvest period in Southern Sumatera. Demand is expected to increase from traditional export markets as shipments during January-March 2019 reached 71,000 tons, a 31 percent increase over the corresponding period in 2018.

Figure 3. Indonesia green bean exports January-March 2017-2019



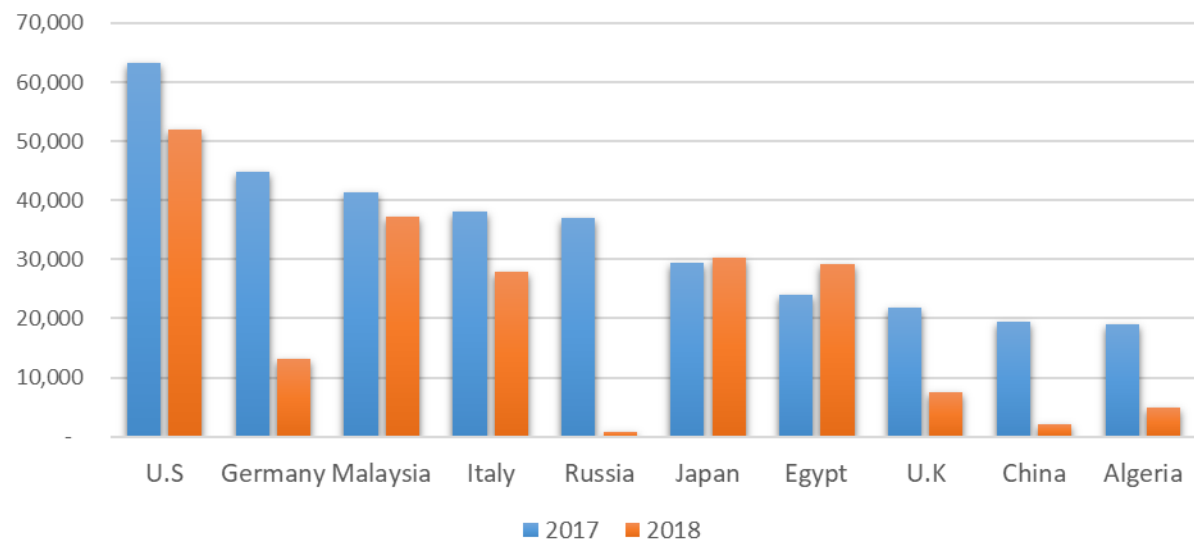
Source: GTA

Figure 4. Indonesia Green Bean Exports and World Robusta Price 1996-2018



Source: GTA, indexmundi

Figure 5. Indonesia Green Beans Export Markets 2017 vs 2018 (ton)



Source: GTA

Imports

The high level of stock carryover from the 2018 harvest reduced green bean imports by 84 percent during the peak import period of January - March 2019. Normally, during this period there is a spike in imports from Vietnam following their main harvest as domestic stocks reach low levels before Indonesia's main harvest period of March – June. The high carryover stocks leading into the first harvest of 2019 are expected to lower green bean imports by 274,000 bags to 400,000 bags in 2019/20.

Price

The following table shows spot prices published by the Indonesia Commodity Futures Regulatory Agency (Bappebti) for both Robusta and Arabica varieties. These local spot prices are derived using a formula for international futures and forward price as a reference.

Table 3. 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	
Jun	20,631	20,927	19,192	23,976	25,686	
Jul	21,118	21,354	20,403	25,981	26,674	
Aug	20,725	19,723	20,806	25,873	25,311	
Sep	22,416	19,539	22,270	24,289	24,104	
Oct	25,649	18,819	24,078	24,545	26,943	
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 4. 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	
Jun	54,210	52,134	53,289	51,575	56,509	
Jul	52,042	56,946	55,739	51,989	54,738	
Aug	57,187	54,035	55,144	52,139	53,079	
Sep	57,900	54,431	57,260	52,359	52,032	
Oct	64,093	53,462	58,042	53,223	60,281	
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 5. Average Monthly Exchange Rate of IDR to U.S. dollar

Year	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	
Jun	11,969	13,332	13,180	13,319	14,404	
Jul	11,591	13,481	13,094	13,323	14,413	
Aug	11,717	14,027	13,300	13,351	14,711	
Sep	12,212	14,657	12,998	13,492	14,929	
Oct	12,163	13,563	13,051	13,572	15,227	
Nov	12,196	13,747	13,563	13,514	14,339	
Dec	12,436	13,794	13,436	13,548	14,481	

Source: Bank of Indonesia

Coffee, Green	2017/2018		2018/2019		2019/2020	
Market Begin Year	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
Area Harvested	1,210	1,210	1,210	1,210		1,210
Bearing Trees	1,160	1,160	1,160	1,160		1,160
Non-Bearing Trees	15	15	15	15		15
Total Tree Population	1,175	1,175	1,175	1,175		1,175
Beginning Stocks	12	12	593	593		2,419
Arabica Production	1,000	1,000	1,200	1,200		1,250
Robusta Production	9,400	9,400	9,700	9,400		9,450
Other Production	-	-	-	-		-
Total Production	10,400	10,400	10,900	10,600		10,700
Bean Imports	875	875	600	674		300
Roast & Ground Imports	48	48	15	19		15
Soluble Imports	828	828	850	983		900
Total Imports	1,751	1,751	1,465	1,676		1,215
Total Supply	12,163	12,163	12,958	12,869		14,334
Bean Exports	6,940	6,940	7,000	4,907		5,700
Rst-Grnd Exp.	70	70	40	43		45
Soluble Exports	1,000	1,000	1,100	1,200		1,300
Total Exports	8,010	8,010	8,140	6,150		7,045
Rst,Ground Dom. Consum	2,650	2,650	2,900	3,100		3,400
Soluble Dom. Cons.	910	910	1,000	1,200		1,500
Domestic Consumption	3,560	3,560	3,900	4,300		4,900
Ending Stocks	593	593	918	2,419		2,389
Total Distribution	12,163	12,163	12,958	12,869		14,334
	-	-	-	-		-
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						