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Indonesia

Coffee Semi-annual

Coffee Semiannual Update

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Report Highlights:
Growing coffee consumption in Indonesia is transforming Indonesia's coffee trade. Industry sources estimate that local consumption growth (six to eight percent) is outpacing production growth (two or three percent). Given the reported growth of local coffee consumption, Post revises 2013/14 domestic use to 2.83 million bags (GBE) and 2014/15 domestic use to 2.9 million bags. 2014/15 Arabica production is revised down 100,000 bags to 1.45 million bags, following reports of drier weather in northern Sumatra.

Commodities:

Coffee, Green

Production:

USDA Post's Indonesian coffee production estimate remains unchanged 9.5 million bags (60 kilo) green bean equivalent (GBE) for the April-March 2013/14 marketing year. 2012/13 production is also stable at 10.5 million bags. 2014/15 Arabica production is revised down 100,000 bags to 1.45 million bags, following reports of drier weather in northern Sumatra. Mid-November weather reports indicate that light rains have arrived in northern Sumatera as well as Bengkulu on the west coast, while Lampung and Palembang in southern Sumatera continue to anticipate rain for the end of November. Semarang in central Java also reports light rain, with the expectations for more substantial precipitation towards the end of November. Growers recognize that a late onset El Nino phenomenon will result in yield declines, although U.S. National Weather Service forecasters have downgraded their confidence in a late 2014 El Nino event from 80 to 58 percent, noting that if an El Nino event does occur, it will be weak.

Indonesian industry contacts continue to report consistent two to three percent increases in overall production, reflecting marginal planting and yield increases. Yield increases are the result of pruning and cultivation techniques, which industry sources (including farmers) report are slow to catch on. New local demand is fueling increased planting, firming up prices and ensuring stable returns. Local coffee buyers expect planting expansion should continue into the foreseeable future.

Consumption:

Local roasters report an average increase of 6 to 8 percent annually in coffee consumption as popularity of the beverage increases. The largest growth category for Indonesian coffee is the ready-to-drink beverages category. While originally introduced as an import, local companies have started producing ready-to-drink coffee beverages. Industry contacts estimate that ready-to-drink beverages comprise 20 percent of the local market, and that the sector is growing rapidly from a small base. Soluble coffee is popular for its low price point and simplicity, although growth is now stagnant. Soluble coffee is estimated to comprise 30 percent of the Indonesian market. While roast ground domestic consumption remains stagnant, shifts are occurring as the market for premium coffee and espresso grows. The premium coffee market is being pushed ahead by the expansion of international and local franchise coffee shops. Jakarta is also experiencing the growth of local independent coffee houses, which are springing up throughout the capital city. Given the reported growth of local coffee consumption, Post revises 2013/14 domestic use up to 2.83 million bags (GBE) and 2014/15 domestic use up to 2.9 million bags.

Trade:

Growth of Indonesia's domestic consumption is a major driver transforming Indonesia's coffee trade. Industry sources estimate that local consumption easily outpaces production growth, with annual growth at six to eight percent for consumption and two or three percent for production.

Post revises imports for 2013/14 and 2014/15, based on industry source comments that local roaster's require at least 500 bags GBE of high-quality Arabica coffee annually. Although high quality Arabica beans are plentiful in Indonesia, local roasters require imports from various origins in order to market single-origin coffees. 2014/15 coffee export figures are revised down to 6.9 million bags from 7.2, reflecting increased domestic consumption.

Stocks:

2014/15 coffee stocks are expected to remain low as coffee prices remain approximately 70 percent higher than in October 2014 than they were at the same time in 2013. This is further supported by declining production in the 2014/15 period that was the result of excessive moisture during the 2013 dry season. 2012/13 and 2013/14 stocks are unchanged.

Production, Supply and Demand Data Statistics:

Coffee, Green Indonesia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Apr 2012		Market Year Begin: Apr 2013		Market Year Begin: Apr 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,240	1,234	1,235	1,236		1,238
Area Harvested	1,180	1,180	1,200	1,200		1,220
Bearing Trees	1,245	1,118	1,265	1,136		1,155
Non-Bearing Trees	65	50	40	34		17
Total Tree Population	1,310	1,168	1,305	1,170		1,172
Beginning Stocks	88	88	98	98		48
Arabica Production	1,700	1,700	1,650	1,650		1,450
Robusta Production	8,800	8,800	7,850	7,850		7,350
Other Production	0	0	0	0		0
Total Production	10,500	10,500	9,500	9,500		8,800
Bean Imports	300	300	200	350		200
Roast & Ground Imports	150	150	175	175		175
Soluble Imports	630	630	375	555		610
Total Imports	1,080	1,080	750	1,080		985
Total Supply	11,668	11,668	10,348	10,678		9,833
Bean Exports	6,900	6,900	6,000	6,000		5,100
Rst-Grnd Exp.	0	0	0	0		0
Soluble Exports	2,000	2,000	1,800	1,800		1,800
Total Exports	8,900	8,900	7,800	7,800		6,900
Rst,Ground Dom. Consum	2,040	2,040	2,070	2,115		2,150
Soluble Dom. Cons.	630	630	430	715		750
Domestic Use	2,670	2,670	2,500	2,830		2,900

Ending Stocks	98	98	48	48		33
Total Distribution	11,668	11,668	10,348	10,678		9,833
Exportable Production	7,830	7,830	7,000	6,670		5,900