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Prepared By: Arif Rahmanulloh

Approved By: Jasmine Osinski

Report Highlights:

Indonesia's 2022/23 coffee production is forecast to increase by 7 percent from the previous year to 11.35 million (60 kilogram) bags on favorable weather in southern Sumatra. Improved demand following the easing of pandemic-related restrictions is expected to raise domestic coffee consumption to 4.8 million bags in 2022/23. Indonesia's green bean exports are likely to increase to 6.5 million bags in 2022/23, with the United States continuing to be its top destination. Many green bean shipments to Russia, Ukraine, and the Black Sea region were suspended or rerouted due to logistical and freight insurance complications caused by the ongoing conflict in Ukraine.

Production

Post forecasts Indonesia's 2022/23 coffee production at 11.35 million (60 kilogram) bags, an increase of 7 percent from the previous year on favorable weather in key production areas. In the Robusta production areas of Lampung, farmers are expecting higher yields than last year as more cherries have appeared during the first flowering stage in early 2022 in the lowland areas. In the highlands area, Robusta crop yields are expected to rebound coming out of the off year of their biennial production cycle. The main harvest season in southern Sumatra began on time in March and is expected to continue through July 2022. Post forecasts Robusta production at 10 million bags, an increase of 700,000 bags from 2021/22.

Indonesia's 2022/23 Arabica production is projected to increase by 5 percent to 1.35 million bags in 2022/23 on improved maintenance and inputs following higher returns throughout 2021/22. Outside the northern Sumatra region, Arabica crop outputs are expected to increase due to favorable weather. In northern Sumatra, where more than 60 percent of Indonesian Arabica beans are produced, the main harvest typically occurs between October to February. The smaller harvest usually takes place from June to August.

Figure 1: Coffee Harvesting in Lampung, March 2022

Source: FAS Jakarta

Coffee area is expected to remain stable at 1.2 million hectares, and no major replanting programs or significant plantation expansions have taken place in recent years. Most coffee plantations are smallholder farms occupying about 1-2 hectares each. A few large plantations (around 2,000 hectares) located in Sulawesi and Sumatra are owned and maintained by private companies. A state-owned company in East Java also manages a large Robusta plantation.

Geographically, Arabica crops are mainly grown in northern Sumatra and some mountainous areas in Java, while Robusta is grown mostly in southern Sumatra. Sumatra accounts for more than 60 percent of total Indonesian coffee crop area, followed by Java Island with 15 percent, and Nusa Tenggara and Sulawesi with smaller shares.

Table 1. Indonesia Coffee Area Characteristics

	Topography	Key Production
Northern Sumatra	Highland areas (>90 pct)	Arabica
Southern Sumatra	Low (40 pct) and Highland (60 pct)	Robusta
Java and others	Low and Highland	Arabica, Robusta

Source: Industry contacts

Inputs

Indonesian coffee crops are mainly managed by smallholder farmers with minimal access to fertilizer. In addition to the unavailability of fertilizer in some regions, many smallholders lack technical knowledge on proper fertilizer application. In Lampung, southern Sumatra, smallholders often receive inputs such as fertilizers and pesticides from village-level coffee aggregators on credit to be paid off after harvest. These aggregators are often smallholder coffee farmers themselves.

Smallholders heavily depend on family labor, mainly for non-harvesting activities. Harvesting is often carried out on a rotational basis between farms to spread labor costs. Many farmers believe good planting materials are those that are long-proven suitable to grow in their particular area and so are reticent to adopt new planting materials from nurseries outside their area.

Yields

Indonesia's coffee crops rely on a balanced amount of sun and rain after flowering to produce optimal yields. Crops in highland areas may be comparatively less impacted by low moisture levels as the area's morning mists may mitigate drier conditions. Yields are most negatively affected by excess rain and strong winds during the cherry development stage.

Table 2. Indonesia Coffee Yield (Kg/ha)

	2018	2019r	2020r	2021e
Northern Sumatra	891	905	907	933
Southern Sumatra	855	859	864	856

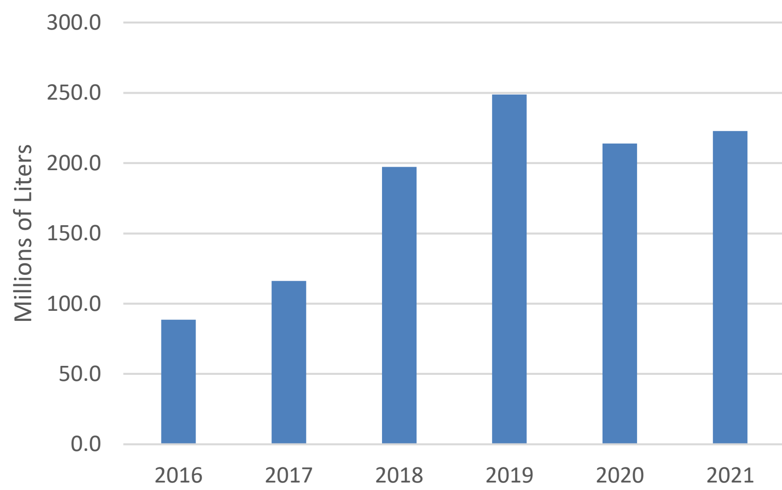
Source: Ministry of Agriculture, r: revised, e: estimate

Consumption

Indonesia's 2022/23 coffee consumption is forecast at 4.8 million bags, an increase of 50,000 bags compared to previous year, following recovered demand from coffee outlets and greater consumer mobility due to eased pandemic-related social restrictions.

In 2021, several ready-to-drink (RTD) coffee producers introduced new lines of more affordable products in smaller packages to consumers whose purchasing power was had diminished due to pandemic-related social restrictions. In 2022, Indonesian coffee processing capacity is expected to increase as one of its largest coffee processors recently opened a new plant in Central Java in anticipation of growing demand for bottled coffee drinks. Consumption of RTD coffee is projected to climb in line with increasing travel, commuting, public gatherings, and outdoor events. RTD coffee sales are supported by a wide distribution network of convenience stores located in transportation hubs and public venues, representing 19 percent of total off-trade sales in 2021. Before the pandemic, sales of RTD coffee had grown annually by about 42 percent on average from 2016 to 2019.

Figure 2. Ready-to-Drink Coffee Sales 2016-2021 (million liter)



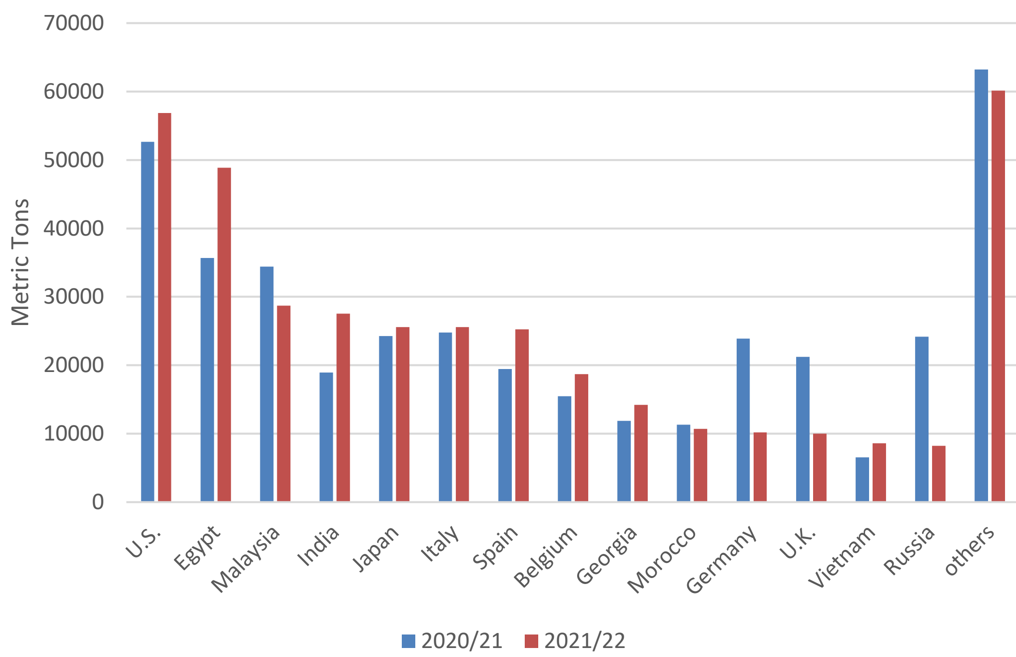
Source: Euromonitor

Trade

Post forecasts Indonesia green bean exports at 6.5 million bags in 2022/23 on improved demand in key markets after the lifting of pandemic-related social restrictions. The United States is expected to continue being Indonesia's top green bean export destination, followed by Egypt and Malaysia. From April 2021 to March 2022, those destinations accounted for 15 percent, 13 percent, and 8 percent of Indonesia's green bean exports, respectively. Latest trade data also indicates Indonesia's green bean exports reached 6.3 million bags in 2021/22, a 2 percent decrease compared to 2020/21.

According to exporters, global supply chain issues affecting shipping containers have begun to subside as freight costs decline. However, shipments of green beans to Ukraine and some of its Black Sea neighbors were disrupted and rerouted after the outbreak of the ongoing conflict in Ukraine in late February 2022. The conflict reportedly caused freight insurance costs to become prohibitively expensive and payment terms to become much more restrictive. In addition, some green bean exporters reportedly had to reroute shipments originally destined for Russia due to the suspension of international financial services. However, Ukraine and Russia only make up around 2 percent of Indonesia's total annual green bean exports.

Figure 3. Indonesia Green Bean Exports, 2020-2022



Source: Trade Data Monitor

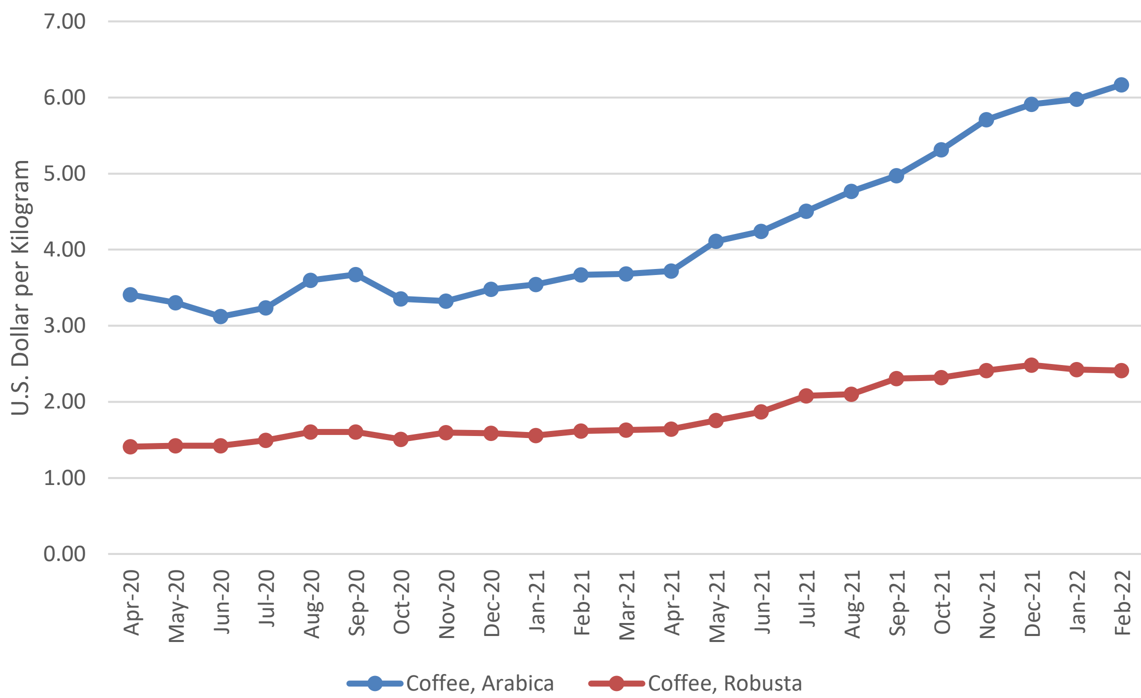
Table 3. Green Bean Shipments to Black Sea Port Region (MT)

Black Sea port region	2020/21	2021/22	Change	Note
Romania	625	358	-43%	No shipment in March 2022
Bulgaria	865	476	-45%	
Georgia	11,872	14,220	20%	March 2022 shipment 76 percent higher vs March 2021
Russia	24,184	8,234	-66%	No shipment in March 2022
Ukraine	115	170	48%	No shipment in Feb-March 2022
	37,661	23,458	-38%	

Source: Trade Data Monitor

As for imports, Indonesia's total 2022/23 green bean imports are projected to increase by 56,000 bags to 300,000 bags on recovered demand from roasters and major coffee outlets. Many coffee outlets are entirely dependent on revenue from foot traffic at shopping malls and other commercial centers which have gradually reopened since pandemic-related social restrictions started relaxing in late 2021. Indonesia sources green beans mainly from Vietnam for Robusta coffee and Brazil for Arabica. Increased global prices for Arabica beans will likely limit import growth as roasters are expected to procure cheaper beans locally. Global Arabica prices have risen 81 percent since 2020, while Robusta prices have risen 71 percent over the same period.

Figure 4. Global Arabica vs. Robusta Prices, 2020-2022 ($/KG)



Source: World Bank

Table 4: Arabica Spot Price at Medan, 2016-2022 (IDR/kg)

	2016	2017	2018	2019	2020	2021	2022
Jan	51,976	57,733	57,495	52,101	54,862	60,558	115,135
Feb	50,242	57,135	56,625	49,683	50,733	61,201	120,659
Mar	50,946	55,772	56,591	48,342	55,802	64,574	109,210
Apr	50,667	54,384	55,820	46,849	62,087	66,022	112,295
May	52,024	53,420	57,515	47,156	55,112	73,426	
Jun	53,289	51,575	56,509	51,637	49,194	76,932	
Jul	55,739	51,989	54,738	52,010	52,600	83,641	
Aug	55,144	52,139	53,079	48,415	60,338	89,133	
Sep	57,260	52,359	52,032	49,328	62,736	92,147	
Oct	58,042	53,223	60,281	49,062	55,339	97,821	
Nov	60,790	54,154	57,451	53,557	55,249	107,508	
Dec	55,692	56,846	52,077	62,365	59,127	114,524	

Source: Commodity Futures Trading Regulatory Agency (Bappebti)

Table 5: Robusta Spot Price at Lampung, 2016-2022 (IDR/kg)

	2016	2017	2018	2019	2020	2021	2022
Jan	16,460	26,655	24,930	22,528	18,529	19,208	35,694
Feb	15,953	25,741	25,855	22,462	17,980	19,635	35,316
Mar	16,089	25,723	26,317	22,226	18,352	20,693	34,569
Apr	17,092	24,812	25,265	20,628	18,195	20,555	32,711
May	18,795	23,318	26,219	19,829	17,701	22,043	
Jun	19,192	23,976	25,686	20,469	16,943	24,333	
Jul	20,403	25,981	26,674	20,135	18,353	27,666	
Aug	20,806	25,873	25,311	18,998	21,951	28,552	
Sep	22,270	24,289	24,104	18,812	22,606	32,259	
Oct	24,078	24,545	26,943	17,862	19,073	33,041	
Nov	25,767	24,704	25,346	19,491	20,089	35,249	
Dec	24,916	24,787	22,758	20,238	20,593	36,428	

Source: Commodity Futures Trading Regulatory Agency (Bappebti)

Table 6: Exchange Rate 2016-2022 (IDR/$)

	2016	2017	2018	2019	2020	2021	2022
Jan	13,889	13,359	13,380	14,163	13,732	14,062	14,341
Feb	13,516	13,341	13,590	14,035	13,776	14,044	14,350
Mar	13,193	13,346	13,758	14,211	15,195	14,417	14,348
Apr	13,180	13,307	13,803	14,143	15,867	14,551	14,360
May	13,420	13,323	14,060	14,393	14,906	14,334	
Jun	13,355	13,297	14,049	14,227	14,196	14,351	
Jul	13,116	13,342	14,415	14,044	14,582	14,507	
Aug	13,165	13,342	14,560	14,242	14,725	14,390	
Sep	13,118	13,303	14,869	14,111	14,848	14,258	
Oct	13,017	13,526	15,179	14,118	14,758	14,191	
Nov	13,311	13,527	14,697	14,069	14,237	14,270	
Dec	13,417	13,557	14,497	14,017	14,166	14,327	

Source: Bank of Indonesia

Table 7: Production, Supply and Distribution: Coffee

Coffee, Green	2020/2021		2021/22		2022/23	
Market Begin Year	Apr-20		Apr-21		Apr-22	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	2,298	2,298	1,669	1,669		1,072
Arabica Production	1300	1,300	1280	1,280		1,350
Robusta Production	9400	9,400	9,300	9,300		10,000
Other Production	-	-	-	-		
Total Production	10,700	10,700	10,580	10,580		11,350
Bean Imports	230	230	200	244		300
Roast & Ground Imports	12	12	10	16		15
Soluble Imports	751	751	675	725		800
Total Imports	993	993	885	985		1,115
Total Supply	13,991	13,991	13,134	13,234		13,537
Bean Exports	6,466	6,466	6,500	6,319		6,500
Rst-Grnd Exp.	56	56	50	43		50
Soluble Exports	1,350	1,350	1,000	1,050		1,100
Total Exports	7,872	7,872	7,550	7,412		7,650
Rst,Ground Dom. Consum	3,000	3,000	3,250	3,250		3,280
Soluble Dom. Cons.	1,450	1,450	1,500	1,500		1,520
Domestic Consumption	4,450	4,450	4,750	4,750		4,800
Ending Stocks	1,669	1,669	834	1,072		1,087
Total Distribution	13,991	13,991	13,134	13,234		13,537
	-	-	-	-		-
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

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

Attachments:

No Attachments