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Post: Jakarta

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Report Highlights:

Indonesia's recently booming coffee and café industry continues to suffer as a result of weaker demand related to COVID-19. Consumption is expected to decline 9 percent, with higher-end Arabica experiencing significant declines as customers stay home and consume less costly varieties. Robusta production is expected increase modestly based on higher yields in highland regions. Arabica exports are forecast to decline on weaker overseas and local demand.

Production

According to the national weather agency (BMKG), a moderate La Nina is expected to impact most of Indonesia's coffee growing region during the onset of the rainy season. The La Nina weather pattern is predicted to peak at the end of 2020 before gradually subsiding through February 2021. Historically, La Nina patterns have increased average monthly rainfall accumulation by up to 40 percent. The increased rainfall can raise humidity levels, impacting the quality of beans, though not necessarily the production volume.

Indonesia's Robusta production is centered in Southern Sumatera, covering Lampung, Bengkulu and South Sumatera provinces. Approximately 60 percent of Robusta crops are grown in highland regions with the remainder occupying lowland areas.

Robusta production in lowland areas has declined in 2020, due to the late onset of the 2019 rainy season in Southern Sumatera. The late arrival of rainfall, especially around Lampung, resulted in some harvests being delayed from April to June, 2020.

Improved yields in Robusta highland regions, which were less impacted by delayed rainfall, are expected to offset declines in the lowland regions. Industry sources also note considerably improved yields among some farmers at the sub-district level who through improved crop management have managed to increase yields approaching 1,000 kg per hectare, far above the national average.

Accordingly, Post increases Robusta production for 2020/21 to 9.4 million bags on higher than expected yields in highland areas. Arabica production, centered in Northern Sumatera, is unchanged at 1.3 million bags in 2020/21.

Consumption

Indonesia's coffee consumption has yet to fully recover from the contraction experienced during the implementation of large-scale social restriction measures (PSBB) begun in April 2020 (see GAIN Report ID2020-0010). Nearly all major metropolitan areas across Indonesia adopted PSBB during the April-May period, with many extending measures into June and beyond. Following a relaxing of PSBB in the capital region of Jakarta, a resurgence in COVID-19 infections during July and August forced the Governor of Jakarta to re-impose restrictions for another month beginning mid-September.

The restrictions have had an outsized impact on brick and mortar coffee bars and cafes. Industry contacts have reported sales declines of 80 percent at sit-down coffee houses during April and May. Many outlets saw a recovery in sales to 50-60 percent of pre-pandemic levels during the relaxing of restrictions from June-August, only to again see sales drop off following the re-imposition of restrictions in September. The declining sales has disproportionately impacted higher-end Arabica coffee as consumers have shifted purchases to mid-lower end varieties as a result of economic uncertainty and greater at-home consumption.

Social distancing measures have increased demand for instant coffee products as more consumers work from home or split time between home and office. However, the increase in home consumption has fallen far short of offsetting weak demand from the HRI sector. Additionally, consumption of ready to drink (RTD) products, though still strong and demonstrating significant historical growth, is expected to modestly decline as a result of less consumers "on-the-go".

Table 1. RTD Coffee Market Size 2010-2020 (Million liters)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Off-trade Volume	15.7	18.7	21.0	44.4	58.5	73.2	88.5	116.2	197.2	248.7	247.7
On-trade Volume	0.5	0.6	0.7	0.7	0.8	0.9	1.0	1.0	1.1	1.1	0.7
Total Volume	16.2	19.2	21.7	45.1	59.3	74.1	89.5	117.2	198.3	249.8	248.4

Source: Euromonitor

As of November, many local governments have lifted restrictions allowing restaurants to operate dine-in services with half capacity. While malls, hotels and stand-alone restaurants have begun to see an uptick in customers, many chain coffee outlets remain closed. However, long-term it appears many still see considerable opportunity for growth in the market, as witnessed by several outlets, (including a recent startup) continuing to expand locations[1].

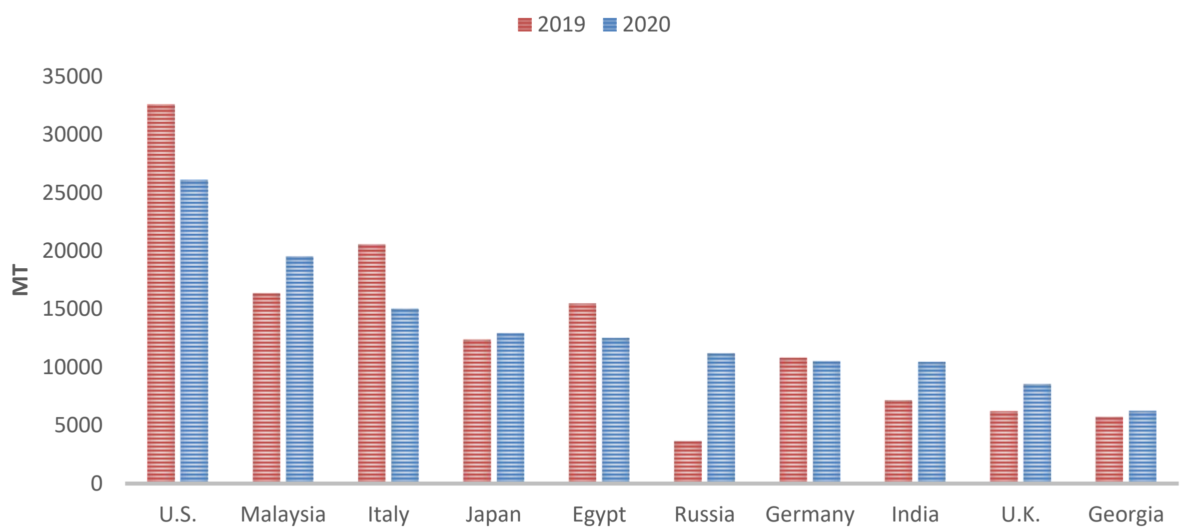
Based abovementioned factors, Post has revised Indonesian coffee consumption down 9 percent to 4.45 million bags in 2020/21.

Trade

Post expects Indonesia green bean exports in 2020/21 to reach 6 million bags due to pandemic-related weakening demand in key destination markets. During the April to September 2020 period, green bean shipments to major markets have show mixed results. Exports to the U.S. during the period reached 436,000 bags, 20 percent lower than the previous period in 2019. However, several markets have increased purchases compared to 2019. Combined, Malaysia, Japan, Russia, India and U.K have increased imports by more than 281,000 bags over the same period in 2019.

[1] At least three coffee chain companies have opened new outlets since June 2020; a start-up company, a subsidiary state-owned company, and largest international coffee chain.

Figure 1. Green Beans Exports by Destination, April-September, 2019-2020

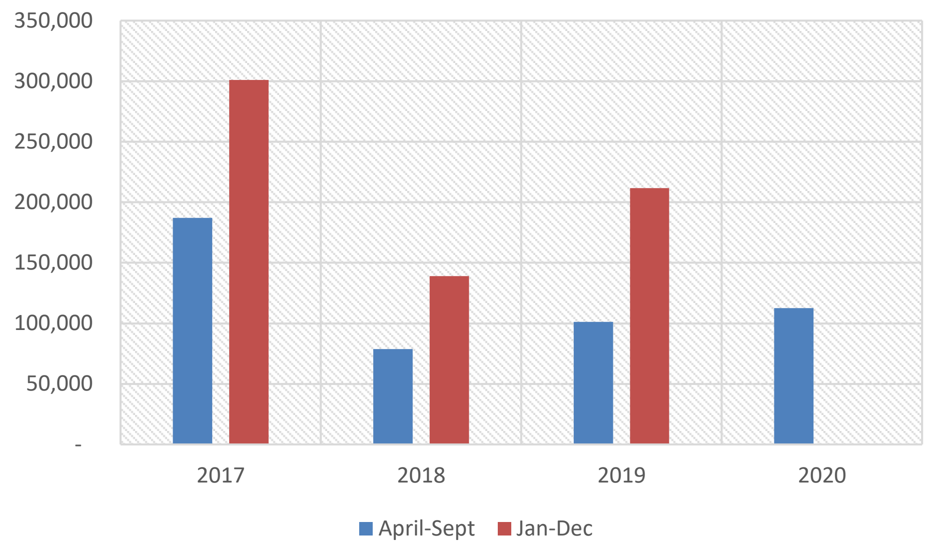


Source: TDM

COVID-19 related lockdowns in overseas markets have reduced exports of Arabica beans from Northern Sumatera. Average monthly shipments in Q2 and Q3 of 2020 from Belawan port in North Sumatera dropped by 10 percent to 5,300 metric tons, leaving higher than average stocks at the start of harvesting season.

Robusta bean exports during April to September 2020 from Panjang port in Lampung reached 113,000 tons, an increase from 2018 and 2019, though still 40 percent lower than 2017 volumes. Although export demand in some markets is expected to weaken as a result of the pandemic, price competitiveness of Indonesian Robusta has attracted buyers. After peaking in November 2018, Robusta prices steadily declined, reaching a low of Rp16,943/kg in June 2020.

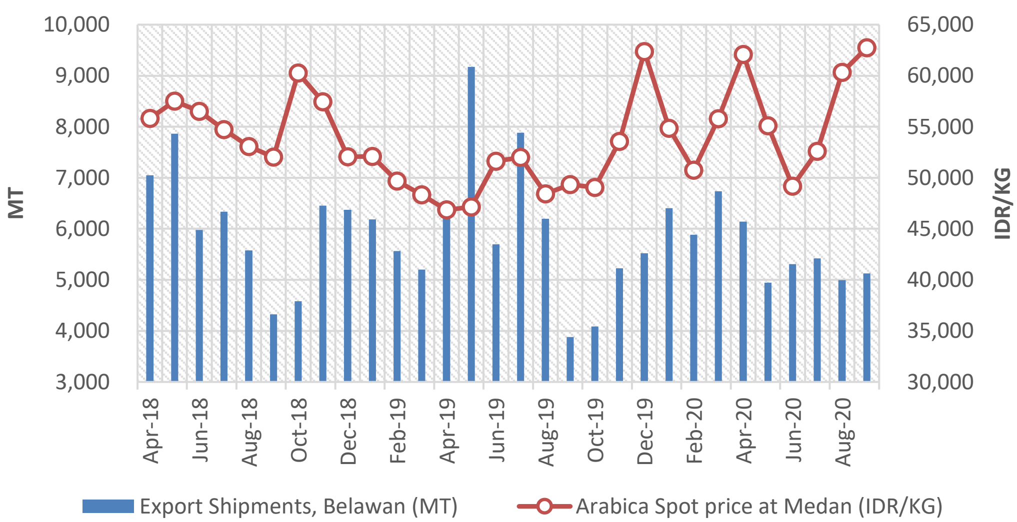
Figure 2. Exports Shipments from Panjang port of Lampung, 2017-2020



Source: BPS

Green beans imports are also projected 32 percent lower to 300,000 bags in 2020/21, as many large coffee outlets have temporarily closed locations and industrial users have shown preference to local Robusta as prices have declined. Weaker demand both overseas and domestically is expected to lower Indonesian total exports to 7.085 million bags in 2020/21.

Figure 3. Shipments from Belawan Port and Arabica Price 2018-2020



Source: BPS, Bappebti

Table 2. Robusta Spot Price at Lampung 2014-2020 (IDR/kg)

	2014	2015	2016	2017	2018	2019	2020
Jan	19,633	21,446	16,460	26,655	24,930	22,528	18,529
Feb	20,008	21,803	15,953	25,741	25,855	22,462	17,980
Mar	22,265	20,592	16,089	25,723	26,317	22,226	18,352
Apr	21,559	20,194	17,092	24,812	25,265	20,628	18,195
May	21,452	19,040	18,795	23,318	26,219	19,829	17,701
Jun	20,631	20,927	19,192	23,976	25,686	20,469	16,943
Jul	21,118	21,354	20,403	25,981	26,674	20,135	18,353
Aug	20,725	19,723	20,806	25,873	25,311	18,998	21,951
Sep	22,416	19,539	22,270	24,289	24,104	18,812	22,606
Oct	25,649	18,819	24,078	24,545	26,943	17,862	19,073
Nov	22,708	18,248	25,767	24,704	25,346	19,491	
Dec	21,514	17,719	24,916	24,787	22,758	20,238	

Source: Bappebti

Table 3. Arabica Spot Price at Medan 2014-2020 (IDR/kg)

	2014	2015	2016	2017	2018	2019	2020
Jan	39,550	56,705	51,976	57,733	57,495	52,101	54,862
Feb	48,933	53,891	50,242	57,135	56,625	49,683	50,733
Mar	57,072	48,942	50,946	55,772	56,591	48,342	55,802
Apr	57,490	49,499	50,667	54,384	55,820	46,849	62,087
May	56,544	48,697	52,024	53,420	57,515	47,156	55,112
Jun	54,210	52,134	53,289	51,575	56,509	51,637	49,194
Jul	52,042	56,946	55,739	51,989	54,738	52,010	52,600
Aug	57,187	54,035	55,144	52,139	53,079	48,415	60,338
Sep	57,900	54,431	57,260	52,359	52,032	49,328	62,736
Oct	64,093	53,462	58,042	53,223	60,281	49,062	55,339
Nov	59,865	51,420	60,790	54,154	57,451	53,557	
Dec	57,881	52,434	55,692	56,846	52,077	62,365	

Source: Bappebti

Table 4. Exchange Rate 2014-2020 (IDR/$)

	2014	2015	2016	2017	2018	2019	2020
Jan	12,180	12,579	13,889	13,359	13,380	14,163	13,732
Feb	11,935	12,750	13,516	13,341	13,590	14,035	13,776
Mar	11,427	13,067	13,193	13,346	13,758	14,211	15,195
Apr	11,436	12,948	13,180	13,307	13,803	14,143	15,867
May	11,526	13,141	13,420	13,323	14,060	14,393	14,906
Jun	11,893	13,313	13,355	13,297	14,049	14,227	14,196
Jul	11,689	13,375	13,116	13,342	14,415	14,044	14,582
Aug	11,712	13,782	13,165	13,342	14,560	14,242	14,725
Sep	11,891	14,396	13,118	13,303	14,869	14,111	14,848
Oct	12,145	13,796	13,017	13,526	15,179	14,118	14,758
Nov	12,158	13,673	13,311	13,527	14,697	14,069	
Dec	12,438	13,855	13,417	13,557	14,497	14,017	

Source: Bank of Indonesia

Production, Supply and Demand Data Statistics

Coffee, Green	2018/2019		2019/2020		2020/2021	
Market Begin Year	Apr-18		Apr-19		Apr-20	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	593	593	2,419	2,419	2,298	2,298
Arabica Production	1,200	1,200	1250	1,250	1300	1,300
Robusta Production	9,400	9,400	9450	9,450	9000	9,400
Other Production	-	-	-	-	-	-
Total Production	10,600	10,600	10,700	10,700	10,300	10,700
Bean Imports	674	674	445	445	400	300
Roast & Ground Imports	19	19	20	20	20	10
Soluble Imports	983	983	766	766	800	650
Total Imports	1,676	1,676	1,231	1,231	1,220	960
Total Supply	12,869	12,869	14,350	14,350	13,818	13,958
Bean Exports	4,907	4,907	6096	6,096	5900	6,000
Rst-Grnd Exp.	43	43	56	56	50	65
Soluble Exports	1,200	1,200	1000	1,000	1000	1,020
Total Exports	6,150	6,150	7,152	7,152	6,950	7,085
Rst,Ground Dom. Consum	3,100	3,100	3400	3,400	3,000	3,000
Soluble Dom. Cons.	1,200	1,200	1500	1,500	1,300	1,450
Domestic Consumption	4,300	4,300	4,900	4,900	4,300	4,450
Ending Stocks	2,419	2,419	2298	2,298	2,568	2,423
Total Distribution	12,869	12,869	14,350	14,350	13,818	13,958
	-	-	-	-	-	-
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

Attachments:

No Attachments