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Indonesia

Coffee Semi-annual

Indonesia Coffee Semi-annual 2018

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Report Highlights:

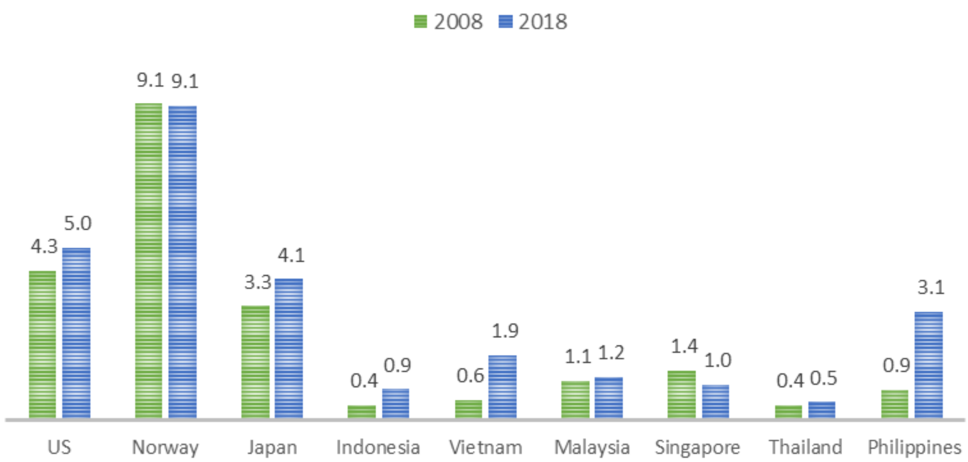
Arabica production is revised downward, while 2018/19 imports are increased and exports are decreased, resulting in higher ending stocks. Domestic demand remains strong, and the 2018/19 consumption forecast is unchanged.

Commodities:
Coffee, bean

Production
Production in 2018/19, based on favorable weather in key production areas, is forecast at 10.9 million bags, 500,000 bags higher than 2017/18, with the robusta production unchanged at 9.7 million bags. Due to a downward revision in 2017/18 Arabica output, the 2018/19 Arabica forecast output is similarly lowered.

Consumption
The consumption forecast is unchanged at 3.9 million bags. While growing, consumption is still much less than in neighboring economies such as Vietnam and Philippines.

Figure 1 Coffee Consumption (kg percapita)



Expectations for continued consumption growth are supported by the growth in the number of coffee business outlets. Major brands continue to open new outlets in shopping centers, office buildings, and transportation hubs. In addition, convenience stores increasingly offer both hot and cold coffee beverages.

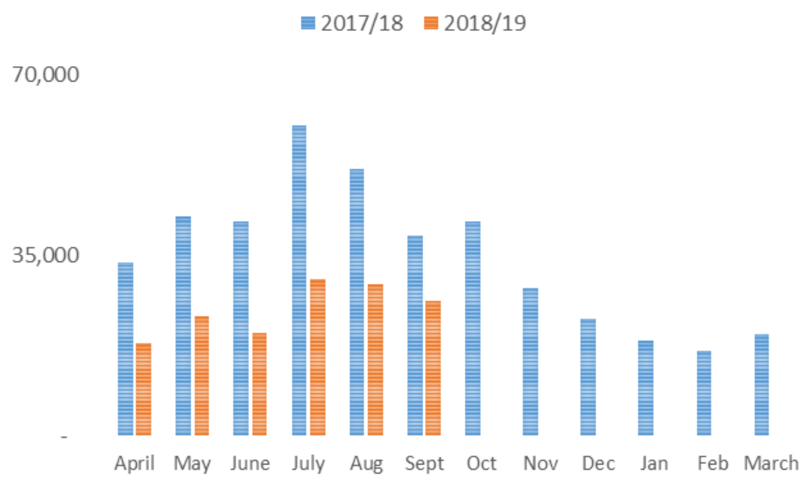
Coffee Specialty Outlets	New outlets in 2018
Starbucks	70
Caribou Coffee	7
The Gade Coffee and Gold	36

Source: Kontan, 2018

Trade

Due to continued strong domestic demand amid lower international prices and sluggish export demand, 2018/19 bean exports are lowered to at 6.5 million bags. The graph below shows the slow pace of exports this year relative to 2017/18.

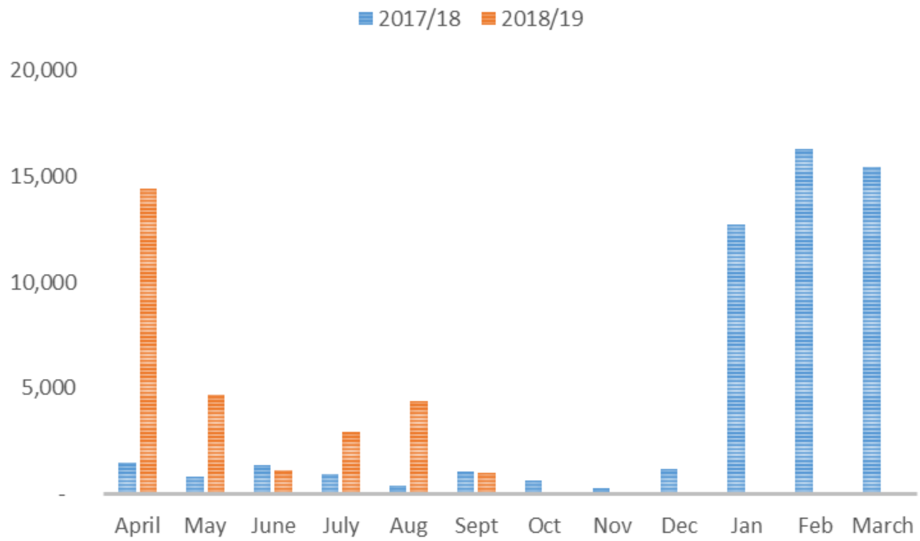
Figure 2 Indonesia green beans exports April-August period (MT)



Source: GTA, BPS

Green bean imports reached 477,000 bags during April to September 2018. Due to this pace, the 2018/19 import forecast is raised to 600,000 bags in 2018/19. Benefitting from proximity and the ASEAN duty free import status, Vietnam's coffee prices were quite competitive following their harvest. At the end of 2017 when stocks were low, Indonesian importers made multiple purchases for one-year delivery contracts. However, the pace of imports is expected to slow in the next few months as domestic stocks rebound.

Figure 3 Indonesia green beans imports April to August period (MT)



Source: GTA, BPS

Value Chain

Producers market coffee through several intermediaries at the district level, but pricing information is transparent and easily accessible. Certification schemes are more important for Arabica, as buyers are more willing to pay a premium. Compared to Robusta production in Southern Sumatera, the intermediaries' position in Arabica is somewhat shorter and more diverse.

Key Factors	**North Sumatera**	**Southern Sumatera**
Beans	Arabica	Robusta
Area	Aceh, North Sumatera	Lampung, South Sumatera, Bengkulu
Demand driver	Coffee shops, roasters	Industrial (soluble, instant coffee)
Middleman	Fewer, 2-3 between farmers and exporters able to connect at district level.	More than 3 levels between farmers and exporters
Certification scheme	Affecting farmers agronomic practice and recognition on beans' source	Insignificant

Coffee, Green	2016/2017		2017/2018		2018/2019	
Market Begin Year	Apr-16		Apr-17		Apr-18	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1240	1,240	1250	1250	1250	1260
Area Harvested	1200	1,200	1210	1210	1210	1210
Bearing Trees	1160	1,160	1160	1160	1160	1160
Non-Bearing Trees	15	15	15	15	15	15
Total Tree Population	1175	1,175	1175	1,175	1175	1,175
Beginning Stocks	46	46	12	12	835	598
Arabica Production	1300	1300	1200	1,000	1400	1200
Robusta Production	9300	9300	9400	9,400	9700	9700
Other Production	0	0	0	0	0	0
Total Production	10,600	10,600	10600	10,400	11,100	10,900
Bean Imports	342	342	877	877	300	600
Roast & Ground Imports	10	10	48	48	20	15
Soluble Imports	391	391	828	828	400	850
Total Imports	743	743	1,753	1,753	720	1,465
Total Supply	11,389	11,389	12,365	12,165	12655	12,963
Bean Exports	7309	7,309	6900	6,938	7200	6,500
Rst-Grnd Exp.	48	48	70	69	60	40
Soluble Exports	800	800	1000	1,000	1020	1,100
Total Exports	8,157	8,157	7,970	8,007	8,280	7,640
Rst,Ground Dom. Consum	2410	2,410	2650	2,650	2900	2,900
Soluble Dom. Cons.	810	810	910	910	1000	1,000
Domestic Consumption	3,220	3,220	3,560	3,560	3,900	3,900
Ending Stocks	12	12	835	598	475	1,423
Total Distribution	11,389	11,389	12,365	12,165	12,655	12,963
		-	-	-		-
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						