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Indonesia

COFFEE SEMI-ANNUAL

Semi Annual 2009

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Report Highlights:

FAS Jakarta has revised the forecasts of MY 2009/10 coffee production from 456,000 tons (7.6 million 60-kg bags) to 516,000 tons (8.6 million 60-kg bags). Indonesian coffee consists primarily of Robusta at 435,000 tons (7.25 millions 60-kg bags) and Arabica at 81,000 tons (1.35 million 60-kg bags).

Commodities:
Coffee, Green

Production:
FAS Jakarta has revised the forecasts of MY 2009/10 coffee production from 456,000 tons (7.6 million 60-kg bags) to 516,000 tons (8.6 million 60-kg bags). Indonesian coffee consists primarily of Robusta at 435,000 tons (7.25 millions 60-kg bags) and Arabica at 81,000 tons (1.35 million 60-kg bags).

According to local sources, the planted area for coffee is decreasing, especially in the Robusta growing regions. This is reportedly due to lower coffee prices. Farmers are apparently shifting from coffee to cocoa trees, which require less maintenance and have generally provided higher, more stable prices over the past five years. It's been noted that more and more farmers in the Lampung area – traditionally a major coffee production area - are converting from coffee to cocoa production.

Source: Estate Crops, Ministry of Agriculture, 2008

Consumption:

Despite the global financial crisis, there is a growing market for organic coffee in the U.S and Canadian markets. According to the North American Organic Coffee Industry, in 2008 the U.S. and Canadian organic coffee markets grew by 12 percent, totaling of 40,406 tons, valued at roughly 1.3 billion dollars. While Indonesia has potential to compete with other suppliers of organic coffee, there is currently no legitimate Indonesian organic certifier for Indonesian organic coffees. There is growing interest for Indonesian Arabica in the world market. Some initiatives have been taken by several producers to develop specific Arabica varieties.

A current variety of Java Arabica originated from Preanger (West Java Arabica). However, during the Dutch colonial period, the Arabica was brought to East Java for production and slowly Arabica in West Java disappeared. Recently, there have been concerted efforts to re-introduce Preanger Arabica to Preanger, West Java and market the West Java Arabica variety.

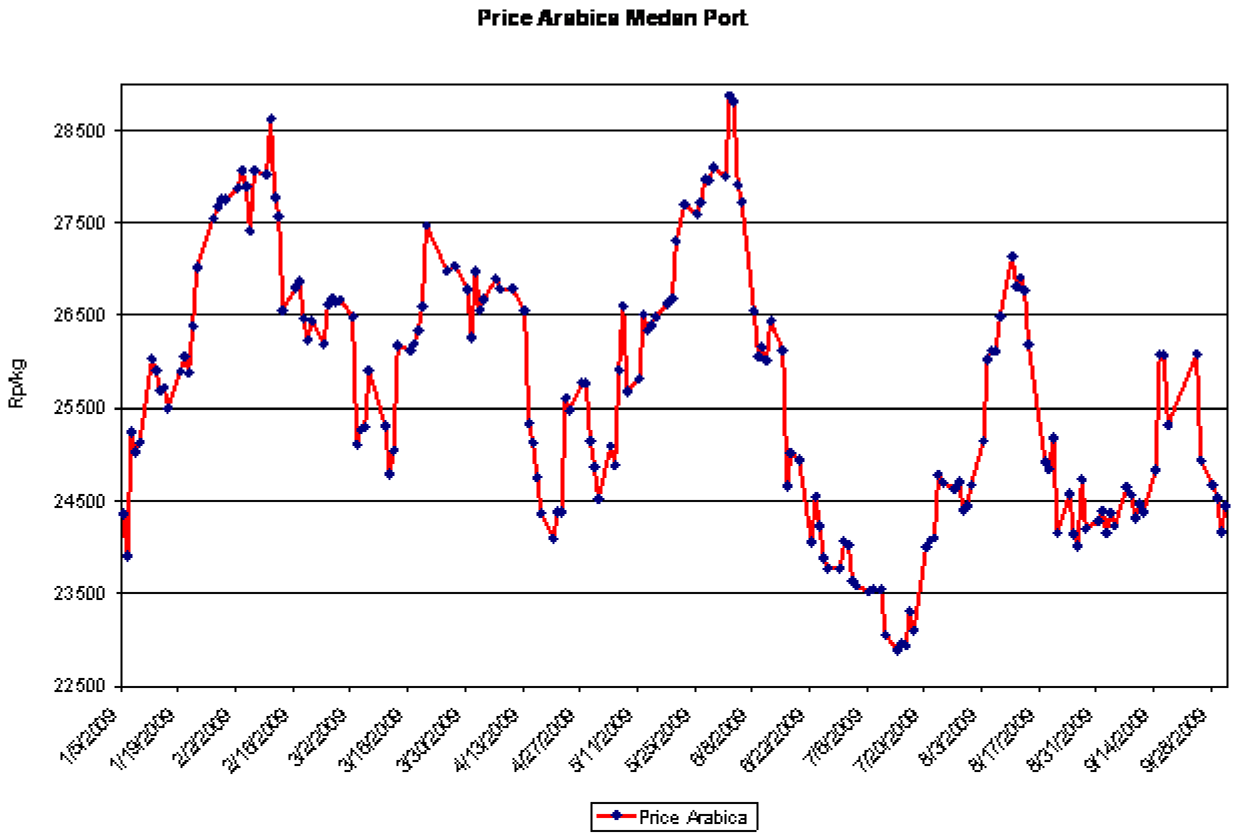
Other specialties Arabica under development include:

- Kintamani Coffee (Bali Arabica)
- Banjawa Coffee (Banjawa District, Nusa Tenggara Timur)
- Jaya Wijaya Coffee (Papua)
- Mangkuraja Coffee (Lampung and Bengkulu area)

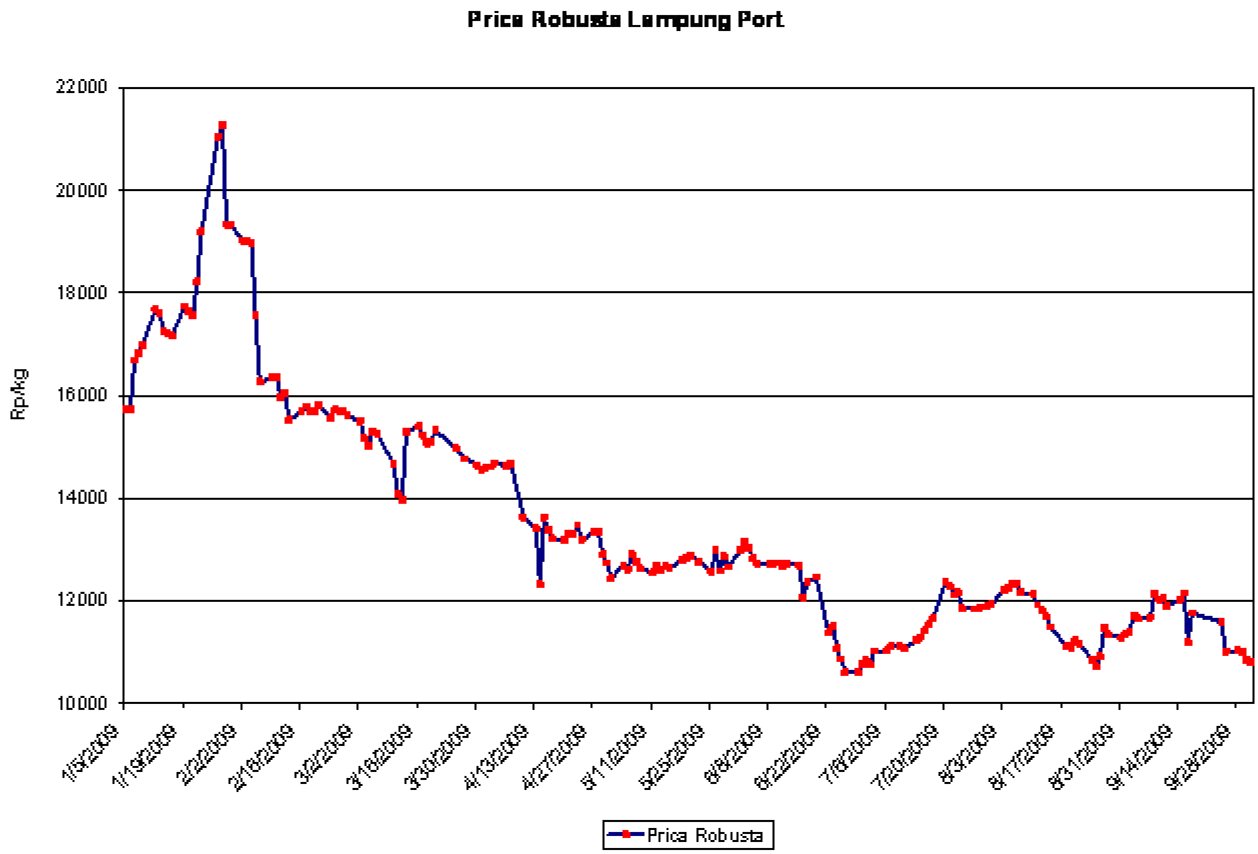
The domestic consumption of coffee in Indonesia continues to grow. Indonesian imports of processed coffee (specialty grade) have grown by an average 43.4 percent over the last three years, although the imported processed coffees usually originated from Indonesia.

Trade:

Germany, the United States, and Japan remain the three largest importers of Indonesian coffee, with 17.8 percent, 16.8 percent and 12.8 percent respectively. Robusta remains the highest in terms of exports, with Arabica showing an increasing demand. This is particularly true with specialty Arabica beans.

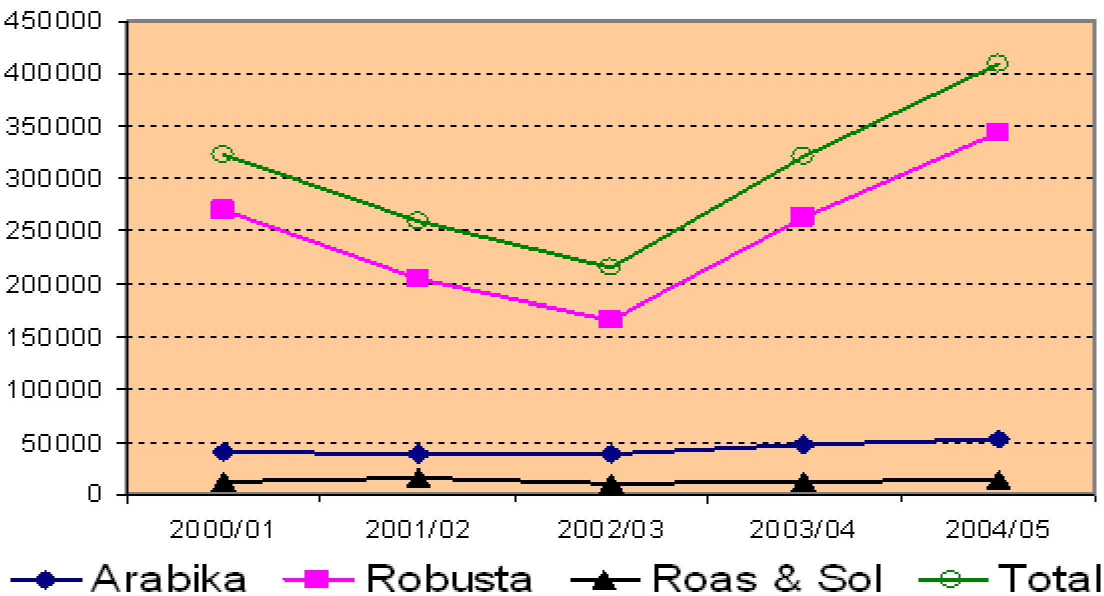


Source: http://www.bappebti.go.id/



Source: http://www.bappebti.go.id/

Indonesia coffee export:



Source: AEKI (2006)

Stocks: FAS Jakarta final stocks number for MY 2009/10 reflects a slight increase over last year's 153,000 60-kg bags.

Policy:

GOI regulations *(Ministry of Trade Regulation No. 41/M-DAG/PER/9/2009)* require that only those companies recognized under a two-tiered system are allowed to export coffee. The exporting companies are recognized by the GOI as either Temporary Coffee Exporters (EKS) or full-fledged Registered Coffee Exporter (ETK). An EKS company must export a minimum of 200 MT of coffee in one marketing year in order to gain ETK status. Currently, there are 873 EKS exporters and ETK 223 active exporters. This regulation, coupled with the ASEAN Integrated System of Preferences, have led some Indonesian traders to import duty free coffee from Vietnam and re-export the same coffee to third country markets as their own. This allows EKS companies to fulfill the minimum export requirement of 200 MT and achieve ETK status. It also minimizes the ability of small traders to speculate on coffee prices and thus, influence local market prices. This scenario likely began in 2006, which was followed by an increase of coffee imports in 2007, as was reflected in PSD FAS Jakarta's MY 2007/08.

Production, Supply and Demand Data Statistics:

Coffee, Green Indonesia	2008			2009			2010			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Apr 2007			Market Year Begin: Apr 2008			Market Year Begin: Apr 2009			
	USDA Official Data		Old Post Data	USDA Official Data		Old Post Data	USDA Official Data		Jan Data	
Area Planted	1,300	1,300	1,300	1,320	1,320	1,320	1,350	1,350	1,300	(1000 HA)
Area Harvested	1,000	1,000	1,000	950	950	950	1,000	1,000	1,000	(1000 HA)
Bearing Trees	1,200	1,200	1,200	1,200	1,200	1,200	1,250	1,250	1,260	(MILLION TREES)
Non-Bearing Trees	190	190	190	190	190	190	200	200	190	(MILLION TREES)
Total Tree Population	1,390	1,390	1,390	1,390	1,390	1,390	1,450	1,450	1,450	(MILLION TREES)
Beginning Stocks	48	48	48	158	88	158	183	100	103	(1000 60 KG BAGS)
Arabica Production	1,000	800	800	1,000	1,000	1,200	1,000	1,000	1,350	(1000 60 KG BAGS)
Robusta Production	6,500	5,800	6,500	6,600	5,900	7,000	6,600	5,800	7,250	(1000 60 KG BAGS)
Other Production	0	0	0	0	0	0	0	0	0	(1000 60 KG BAGS)
Total Production	7,500	6,600	7,300	7,600	6,900	8,200	7,600	6,800	8,600	(1000 60 KG BAGS)
Bean Imports	470	500	800	400	400	200	350	450	200	(1000 60 KG BAGS)
Roast & Ground Imports	45	45	45	45	45	100	50	50	50	(1000 60 KG BAGS)
Soluble Imports	0	0	0	0	0	0	0	0	0	(1000 60 KG BAGS)
Total Imports	515	545	810	445	445	300	400	500	250	(1000 60 KG BAGS)
Total Supply	8,063	7,193	8,158	8,203	7,433	8,658	8,183	7,400	8,953	(1000 60 KG BAGS)
Bean Exports	5,400	4,570	5,300	5,500	4,500	6,200	5,600	4,620	6,350	(1000 60 KG BAGS)
Rst-Grnd Exp.	75	70	75	75	100	75	80	80	80	(1000 60 KG BAGS)
Soluble Exports	0	0	0	0	0	0	0	0	0	(1000 60 KG BAGS)

Total Exports	5,475	4,640	5,400	5,575	4,600	6,070	5,680	4,700	6,300	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	2,290	2,325	2,400	2,300	2,588	2,340	2,200	2,500	2,400	(1000 60 KG BAGS)
Soluble Dom. Cons.	140	140	150	145	145	145	150	100	100	(1000 60 KG BAGS)
Domestic Use	2,430	2,465	2,600	2,445	2,733	2,485	2,350	2,600	2,500	(1000 60 KG BAGS)
Ending Stocks	158	88	158	183	100	103	153	100	153	(1000 60 KG BAGS)
Total Distribution	8,063	7,193	8,158	8,203	7,433	8,658	8,183	7,400	8,953	(1000 60 KG BAGS)
Exportable Production	5,070	4,135	4,700	5,155	4,167	5,715	5,250	4,200	6,100	(1000 60 KG BAGS)
TS=TD			0			0			0	
Comments										
AGR Number										