

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Indonesia

### Coffee Annual

### Coffee Annual 2010

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**Report Highlights:**

FAS Jakarta forecasts marketing year (MY) 2010/11 coffee production at approximately 576,000 tons (9,600 million 60-kg bags). Indonesian coffee consists primarily of Robusta at 486,000 tons (8.1 millions 60-kg bags) and Arabica at 90,000 tons (1.5 million 60-kg bags).

**Executive Summary:**

FAS Jakarta forecasts marketing year (MY) 2010/11 coffee production at approximately 576,000 tons (9,600 million 60-kg bags). Indonesian coffee consists primarily of Robusta at 486,000 tons (8.1 millions 60-kg bags) and Arabica at 90,000 tons (1.5 million 60-kg bags).

On average, 67 percent of Indonesian coffee is for export, with 33 percent bound for the domestic market. In 1989 consumption was about 500 grams were consumed per capita. Since then, consumption has increased steadily, with annual consumption currently at about 850 grams per capita, a 70 percent consumption increase over the course of 20 years. In MY 2010, domestic consumption is forecasted at about 150,000 tons (2.5 million 60-kg bags).

**Commodities:**

Coffee, Green

**Production:**

FAS Jakarta forecasts marketing year (MY) 2010/11 coffee production at approximately 576,000 tons (9,600 million 60-kg bags). Indonesian coffee consists primarily of Robusta at 486,000 tons (8.1 millions 60-kg bags) and Arabica at 90,000 tons (1.5 million 60-kg bags).

Areas planted increased slightly from MY 2009/10, as some farmers switched from cocoa to coffee production. Farmers made this switch after the last quarter of 2009, when it was announce by the Ministry of Finance that export taxes would be levied against Indonesian cocoa exports. The Ministry of Finance began applying the cocoa export taxes on April 01, 2010 at a rate of 10 percent. The export taxes on cocoa will fluctuate according to international cocoa prices. With current international cocoa prices at around \$2,800 per ton, exporters pay about \$280 per ton in taxes. Prices at the farmer level for cocoa decreased by about 8 percent during the past year as a result of the export taxes.

Indonesia produces more specialty Arabica coffee than any other country, including:

- Gayo (Aceh)
- Mandheling (North Sumatera)
- Lintong (North Sumatera)
- Mangkuraja (South Sumatera)
- Java
- Bali
- Bajawa (Nusa Tenggara)
- Kalosi/Toraja/Celebes
- Baliem Valley (Papua)

Baliem Arabica is the most recent entry into In April 2009, the Baliem Arabica Cooperative was audited by the Rainforest Alliance Organization as part of the Papua Agriculture Development Alliance (PADA) coffee development program in the Baliem Valley, Papua. Subsequently, the Baliem Arabica Cooperative was awarded a certificate from Rainforest Alliance, stating that their coffee farmers fully comply with their standards for good socio-environmental management.

### **Consumption:**

On average, 67 percent of Indonesian coffee is for export, with 33 percent bound for the domestic market. In 1989 consumption was about 500 grams were consumed per capita. Since then, consumption has increased steadily, with annual consumption currently at about 850 grams per capita, a 70 percent consumption increase over the course of 20 years. In MY 2010, domestic consumption is forecasted at about 150,000 tons (2.5 million 60-kg bags).

Coffee drinking in Indonesia has a very long history, dating back to the Dutch colonial period. During that era, most of Indonesia's coffee beans were exported, with only damaged and low quality beans remaining in Indonesia. Indonesian coffee drinking habits resulted from of these low quality beans and have since been developed over decades, especially in Java. Typically, Indonesian coffee drinkers brew a mixture of one-part roasted coffee beans, mixed with seven-parts of roasted corn. The coffee beans and corn kernels are subsequently ground together and the resulting brew is believed to reduce stomach acidity. However lifestyle changes, increased standards of living and higher income levels of people over the last decade have equated to more modern coffee drinking habits, including instant coffee, widely know in Indonesia as 3-in-1 coffee (coffee, non-dairy creamer and sugar), and high-end coffee outlets such as Starbucks. In the past five years, the growth of the number of modern coffee shops has increased steadily. International and domestic coffee franchises have become common in larger cities, contributing significantly toward higher coffee consumption in Indonesia.

### **Trade:**

#### **Domestic coffee industries categories:**

##### ***1. Small Coffee Processing Industry (Home Industry)***

Small coffee processing facilities often ran out of people's homes and are found near coffee plantations and throughout the areas surrounding the plantations. These areas generally include Lampung, Bengkulu, South Sumatera, North Sumatera and East Java. Typically small processors form groups that purchase low grade beans from bigger processors. They process the beans traditionally, and sell the products in surrounding areas in markets or kiosks – with or without product branding. The characteristics of this kind of product usually not-uniformed in shape, taste, color and aroma, because it strongly depends on the quality of the beans they get from the bigger processing industries.

##### ***2. Medium Coffee Processing Industry***

Medium-scale processing facilities are larger scale than the previously discussed home industry operations. These also found in areas with coffee plantations and utilize low level industrial processing methods. Medium-scale coffee processing facilities produce ground coffee, as well as some coffee-based beverage products. Some are registered with the Ministry of Industry as small-medium enterprises. The products usually branded simply, packaged in paper or plastic. The quality (e.g. aroma and taste) of the coffee from medium-scale facilities is often low, due to the sub-standard packaging,

##### ***3. Big Coffee Processing Industry***

The most significant Indonesian coffee processors produce high-end coffee for the international market. Some of the products by the large processors include green beans, which are packaged exclusively for export, roasted beans, ground coffee, instant coffee, 3-in-1 coffee and a wide variety of other coffee-based, processed beverage products. These products are exported and consumed domestically. The packaging is also of high quality, with good quality packaging materials, attractive designs and a longer shelf-life.

Post forecasts beans export in 2010/11 is about 426,000 tons (7.1 million 60-kg bags) increased from previously 411,000 tons (6.85 million 60-kg bags).

### Stocks:

Reports indicate that Latin American coffee production is forecasted to decrease due to the bad weather. As a result, Indonesian stocks have increased in anticipation of increased market demand. Current Indonesian stocks are buffered at 13,380 tons (223,000 60-kg bags).

### Production, Supply and Demand Data Statistics:

Coffee, Green Indonesia	2008/2009			2009/2010			2010/2011			
	Market Year Begin: Apr 2008			Market Year Begin: Apr 2009			Market Year Begin: Apr 2010			
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Area Planted	1,320	1,320	1,320	1,300	1,350	1,300			1,320	(1000 HA)
Area Harvested	950	950	950	1,200	1,000	1,200			1,250	(1000 HA)
Bearing Trees	1,200	1,200	1,200	1,280	1,250	1,280			1,320	(MILLION TREES)
Non-Bearing Trees	190	190	190	190	200	190			190	(MILLION TREES)
Total Tree Population	1,390	1,390	1,390	1,470	1,450	1,470			1,510	(MILLION TREES)
Beginning Stocks	158	88	158	100	100	103			103	(1000 60 KG BAGS)
Arabica Production	1,200	1,000	1,200	1,350	1,000	1,380			1,500	(1000 60 KG BAGS)
Robusta Production	7,000	5,900	7,000	7,650	5,800	7,700			8,100	(1000 60 KG BAGS)
Other Production	0	0	0	0	0	0			0	(1000 60 KG BAGS)
Total Production	8,200	6,900	8,200	9,000	6,800	9,080			9,600	(1000 60 KG BAGS)
Bean Imports	125	400	200	100	450	150			200	(1000 60 KG BAGS)
Roast & Ground Imports	45	45	100	50	50	50			80	(1000 60 KG BAGS)
Soluble Imports	0	0	0	0	0	0			0	(1000 60 KG BAGS)
Total Imports	170	445	300	150	500	200			280	(1000 60 KG BAGS)
Total Supply	8,528	7,433	8,658	9,250	7,400	9,383			9,983	(1000 60 KG BAGS)
Bean Exports	6,600	4,500	6,650	6,800	4,620	6,850			7,150	(1000 60 KG BAGS)
Rst-Grnd Exp.	75	100	75	80	80	80			100	(1000 60 KG BAGS)
Soluble Exports	0	0	0	0	0	0			0	(1000 60 KG BAGS)
Total Exports	6,675	4,600	6,725	6,880	4,700	6,930			7,250	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	1,608	2,588	1,685	2,120	2,500	2,200			2,400	(1000 60 KG BAGS)
Soluble Dom. Cons.	145	145	145	150	100	150			160	(1000 60 KG BAGS)
Domestic Use	1,753	2,733	1,830	2,270	2,600	2,350			2,560	(1000 60 KG BAGS)
Ending Stocks	100	100	103	100	100	103			173	(1000 60 KG BAGS)
Total Distribution	8,528	7,433	8,658	9,250	7,400	9,383			9,983	(1000 60 KG BAGS)

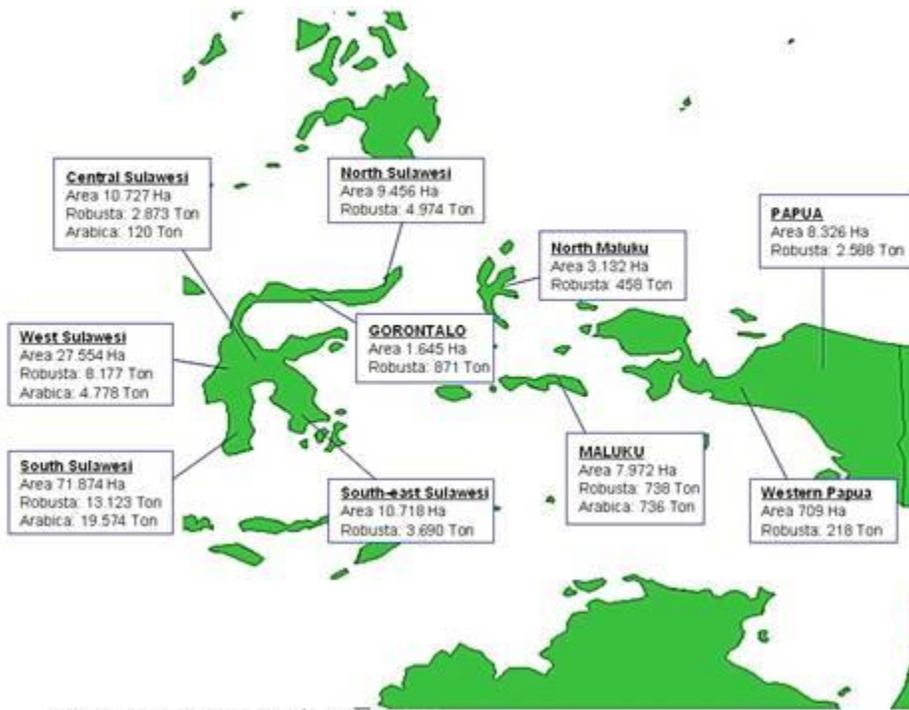
Exportable Production	6,447	4,167	6,370	6,730	4,200	6,730		7,040	(1000 60 KG BAGS)
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Comments To Post

**Author Defined:  
Coffee Growing Area**



## Coffee Growing Area



Source: Estate Crops, Ministry of Agriculture, 2008

## Coffee Processing in pictures



**Caption:** modern process in big scale coffee processing industry for beans export, North Sumatera – during field trip.



**Caption:** women workers in big scale coffee processing plant, North Sumatera – during field trip.