

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Indonesia

Cotton and Products Update

Indonesia Cotton and Products Update

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Report Highlights:

Favorable cotton prices relative to synthetic fiber prices, combined with the expansion of large mills, have led to higher imports and consumption of cotton in MY2014/2015. However, continued depreciation of the Indonesian rupiah against the U.S. dollar and weak demand from major importers is lowering demand for Indonesian textile and textile products. Post therefore estimates MY 2014/15 Indonesian cotton imports to increase by 10 percent to 3.3 million bales while MY 2015/16 Indonesian imports of cotton will decline to 3.1 million bales.

Post:
Jakarta

Situation and Outlook

Executive Summary

The Indonesian rupiah continues to decline, reaching Rp. 13,739/\$1 on November 23, 2015, (compared to Rp. 13,022/\$1 on March 5, 2015). Indonesian cotton spinners report that futures contracts have helped offset the depreciating currency in MY 2014/15. If the situation persists, Indonesian cotton spinners may be obligated to reduce cotton imports. Additionally, weakening economies in major importing countries are diminishing exports of Indonesian textiles and textile products. The Indonesian Textile Association (API, *Asosiasi Pertekstilan Indonesia*) reports that Indonesian textile and textile product exports during the first semester of CY 2015 declined by 2.2 percent to \$6.33 billion compared to \$6.476 billion in 2014. This includes a decrease of cotton fabric exports from 188,000 MT in CY 2014 to 76,000 MT during the period of January to August 2015. Indonesian exports of cotton yarn reached 106,000 MT during the period of January to August 2015. Japan, Belgium, Italy, and the United States are Indonesia's major export destinations for cotton fabric.

Production

Indonesia produces less than one percent of its total domestic cotton demand, with official reports indicating that production has decreased an average of 24.79 percent annually since 2008. Cotton production declines are due to high production costs as well as agronomic risks such as excessive rainfall or drought. The conversion of land to nonagricultural uses, financial constraints, minimal access to high yielding varieties, and inefficient cultivation practices also limit production. Farmers report that alternate crops such as corn or mung bean are more profitable than cotton. Given these realities, Post estimates that cotton production will continue to decline, falling to 9,000 bales in MY 2014/15 and to 5,000 bales in MY 2015/16.

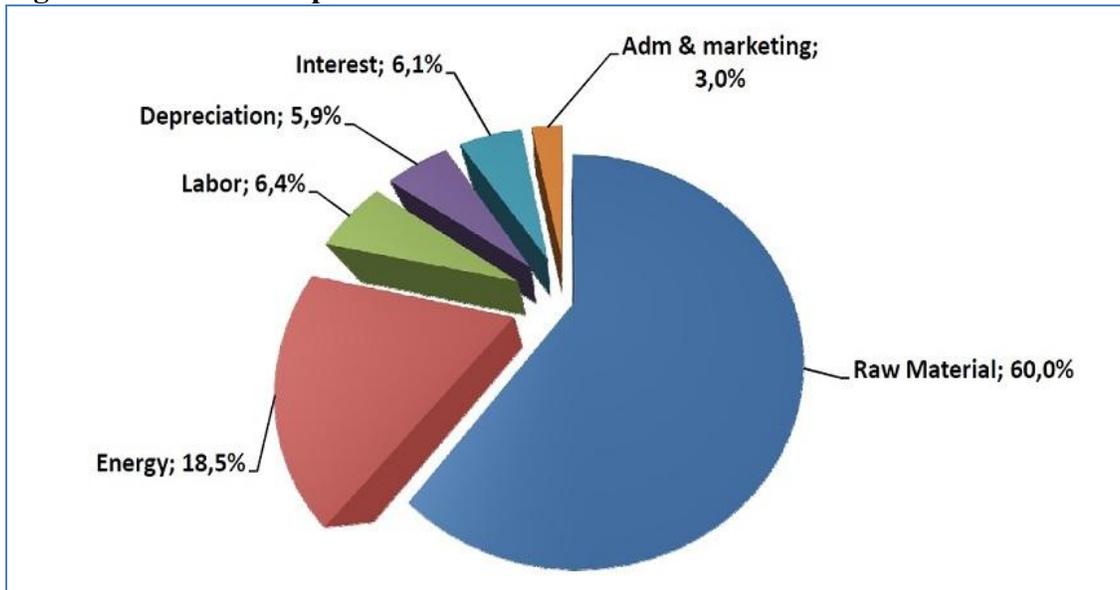
Indonesian cotton production has been marginalized to intercropping systems on less productive lands. It is primarily grown on South Sulawesi.

Consumption

The Indonesian spinning sector produces spun yarn and sewing thread. The sector is expanding, having grown from 251 companies in CY 2012 (installed capacity 3.094 million metric tons (MMT) of yarn) to 260 companies in CY 2013 (installed capacity 3.483 MMT). In CY 2013, Indonesian spinning mills ran at 86.2 percent capacity, with a total of 10.967 million spindles and 179,385 rotors, compared to 10.21 million spindles and 175,513 rotors in CY 2012. In 2013, industry sources reported that the Indonesian spinning industry consumed a total of 2.6 MMT of fiber, consisting of cotton (26 percent), man-made fiber (73 percent), and others (1.1 %). Indonesia exports approximately 30 percent of its yarn production.

A gradual increase in electricity tariffs since May 2014 has increased synthetic fiber production costs, pushing up synthetic yarn and thread prices. Simultaneously, Chinese cotton production policy changes and higher international cotton supplies have helped drive cotton prices down, while cotton yarn prices remain high relative to synthetic yarn. As a result of these factors, Indonesian spinners have switched from synthetic fibers to cotton.

Figure 1. Indonesian Spinners' Production Cost Structure



Source: Indonesian Textile Association

Post estimates that MY 2014/15 Indonesian cotton consumption will increase to 3.2 million bales from 3.05 million bales due to favorable international cotton prices and supplies. MY 2015/16 Indonesian cotton consumption, however, is expected to decrease to 3.07 million bales due to lower demand for cotton yarn and fabric due to general economic slowdown in major importing countries.

Stocks

Despite declining cotton prices, rising storage costs prevent Indonesian spinners from maintaining large inventories. As a result, spinners prefer to source raw materials on an as-needed basis. Therefore, Post estimates MY 2015/16 Indonesian ending stocks will decline from 502,000 bales in MY 2014/15 to 482,000 bales, tracking with expected lower imports and consumption.

Marketing

Large and export-oriented manufacturers with stronger cash flows are expanding their capacity through the procurement and installment of new machinery. Unlike smaller mills using 20 year old technology, these larger mills are using newer and more efficient cotton spinning equipment. There is strong demand for Indonesian textile products in the Indonesian market, although local textile manufacturers face strong competition from lower-priced imports. Despite strong domestic demand, higher labor costs and electricity tariffs, depressed consumer purchasing power, and lower demand from major ASEAN and European importers will reduce Indonesian cotton imports in MY 2015/16.

Based on import data and the factors listed above, Post estimates MY 2014/15 Indonesian cotton imports at 3.3 million bales, compared to 2.989 million bales in MY 2013/14. Post forecasts MY 2015/16 Indonesian cotton imports to decrease to 3.1 million bales due to the abovementioned conditions.

The United States was the largest cotton exporter to Indonesia in MY 2014/15, with a 29 percent market share. Brazil and Australia followed with 16 percent and 11 percent market shares, respectively. Despite quality issues, Indian, Brazilian, and African cotton are considered adequate by Indonesian industry standards. Indonesia's primary yarn export destinations were China (75 percent), Japan (12percent), and South Korea (5 percent) in CY 2015. Japan, Belgium, Italy, and the United States are Indonesia's major export destinations for cotton fabric.

Policy

In an effort to boost economic growth, the Government of Indonesia is reviewing several import regulations. On October 20, 2015, the Indonesian Minister of Trade issued regulation no. 85/M-DAG/PER/10/2015 on the Import of Textiles and Textile products. This regulation states that imports of textiles and textile products intended to be used as raw materials for further manufacturing are limited to importers holding a producer importer identification number (*API – P, Angka Pengenal Importer Produser*). (This applies for raw materials falling under HS Codes: 5208 - 5212, 5402, 5407, 5501, 5503, 5506, 5512 - 5516, 5801, 6001, 6002, 6004, 6005, 6006, 7019, 5007, 5111, 5112, 5309, 5310, 5311, 5701 - 5705, 5802, 5804 - 5811, 5901, 5902, 5903, 5907 and 5911). Regulation 85/2015 revokes the requirement that textiles and textile products can only be imported by importers holding a textile products importer identification number (*API – P Tekstil dan Produk Tekstil*). Importers will no longer be required to obtain import recommendations from the Indonesian Minister of Industry before importing the raw material. Once an importer submits an electronic application for import, the Indonesian Minister of Trade will issue an import approval (*PI, Persetujuan Impor*). The import approval will state the imported product's HS code, type and volume of product, country of origin, loading port, destination port, and the validity of the import approval.

The GOI requires that importers import a volume of textile and textile products that does not exceed the production capacity of the importing company. Imported goods must only be used by the importing company and cannot transferred to another company. The importer must use the port closest to the location of the manufacturing plant. The new regulation, which becomes effective effective October 25, 2015, may increase the number of cotton and yard importers.

I. Statistical Tables

TABLE 1. PSD COTTON (HS CODE 5201) IN BALES

Cotton	2013/2014	2014/2015	2015/2016
Market Begin	Aug 2013	Aug 2014	May 2015

Year						
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	9	9	9	6	9	3
Beginning Stocks	541	541	500	450	609	502
Production	25	25	21	9	21	5
Imports	2989	2989	3345	3300	3100	3100
MY Imports from U.S.	152	152	211	211	0	110
Total Supply	3555	3555	3866	3759	3730	3607
Exports	5	5	7	7	7	5
Use	3050	3050	3250	3200	3150	3070
Loss	0	50	0	50	0	50
Total Dom. Cons.	3050	3050	3250	3200	3150	3070
Ending Stocks	500	450	609	502	573	482
Total Distribution	3555	3555	3866	3809	3730	3657
Stock to Use %	16.37	14.73	18.7	15.65	18.15	15.67
Yield	605	0	508	0	508	0

Note: last column of each marketing year is not official USDA data.

TABLE 2. PSD COTTON (HS CODE 5201) IN MT

Cotton	2013/2014	2014/2015	2015/2016
Market Begin Year	Aug 2013	Aug 2014	May 2015

Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	9	9	9	6	9	3
Beginning Stocks	117,790	117,790	108,863	97,977	132,595	109,299
Production	5,443	5,443	4,572	1,960	4,572	1,089
Imports	650,784	650,784	728,295	718,497	674,952	674,952
MY Imports from U.S.	33,094	33,094	45,940	45,940	0	23,950
Total Supply	774,017	774,017	841,730	818,434	812,120	785,339
Exports	1,089	1,089	1,524	1,524	1,524	1,089
Use	664,066	664,066	707,611	696,725	685,838	668,420
Loss	0	10,886	0	10,886	0	10,886
Total Dom. Cons.	664,066	664,066	707,611	696,725	685,838	668,420
Ending Stocks	108,863	97,977	132,595	109,299	124,757	104,944
Total Distribution	774,017	774,017	841,730	829,320	812,120	796,225
Stock to Use %	3,564	3,207	4,071	3,408	3,952	3,413
Yield	131,724	-	110,605	-	110,605	-

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

TRADE MATRIXES

TABLE 3. COTTON IMPORT TRADE MATRIX (MY 2013 - 2015)

Country	Indonesia					
Commodity	Cotton					
Time Period	Aug - Jul	Units:	1,000 MT	Units:	1,000 MT	
Imports for:	2012/13	Imports for:	2013/14	Imports for:	2014/15	
U.S.	116	U.S.	152	U.S.	211	
Others		Others		Others		
Brazil	152	Brazil	115	Brazil	115	
Australia	111	Australia	79	Australia	80	
Malaysia	38	India	56	Burkina Faso	34	
India	29	Cote d'Ivoire	34	Greece	31	
Greece	23	Mali	25	Pakistan	29	
Mali	23	Burkina Faso	21	Argentina	26	
Cote d'Ivoire	22	Greece	16	Mali	26	
Tanzania	22	Tanzania	16	Cote d'Ivoire	25	
Mozambique	19	Pakistan	15	India	22	
Pakistan	15	Mozambique	13	Benin	18	
Argentina	11	Argentina	12	Cameroon	11	
Nigeria	11	Malaysia	7	South Africa	9	
Uganda	11	Spain	6	Malaysia	7	
South Africa	10	South Africa	6	Togo	7	
Paraguay	6	Uganda	4	Spain	6	
Mexico	3	Paraguay	1	Nigeria	4	
Spain	3	Senegal	1			
Total for Others	509	Total for Others	427	Total for Others	450	
Others not Listed	28	Others not Listed	80	Others not Listed	57	
Grand Total	653	Grand Total	659	Grand Total	718	

Source: Global Trade Atlas.

TABLE 4. COTTON EXPORT TRADE MATRIX (MY 2013 – 2015)

Country	Indonesia					
Commodity	Cotton, HS Code 5201					
Time Period	Aug-Jul	Units:	MT	Units:	MT	
Exports for:	2012/13		2013/14		2014/15	
U.S.	0	U.S.	0	U.S.	0	
Others		Others		Others		
Nigeria	844	Thailand	552	Thailand	650	
Thailand	539	Malaysia	455	Malaysia	630	
Germany	229	Indonesia	389	Italy	335	
Hong Kong	211	Italy	316	Indonesia	224	
Italy	203	Poland	277	Sri Lanka	178	
Malaysia	181	Sri Lanka	264	Hong Kong	159	
Colombia	80	Hong Kong	240	Poland	139	
Japan	73	Germany	60	India	87	
Ireland	51	Ireland	57			
China	16	South Africa	34			
		Japan	33			
Total for Others	2427		2677		2402	
Others not Listed	10		16		7	
Grand Total	2437		2693		2409	

Source: Global Trade Atlas.

TABLE 5. COTTON YARN IMPORT TRADE MATRIX (CY 2013 – 2015)

Country	Indonesia		Country	Indonesia		Country	Indonesia	
Commodity	Yarn		Commodity	Yarn		Commodity	Yarn	
Time Period	Jan-Dec	Units:	1,000 MT	Units:	1,000 MT			
Exports for:	2013		2014		2015*			
U.S.	0	U.S.	0	U.S.	0			
Others		Others		Others				
India	8	India	10	India	7			
South Korea	4	South Korea	4	China	2			
China	4	China	3	South Korea	1			
Hong Kong	1	Hong Kong	1	Hong Kong	1			
Total for Others	17	Total for Others	18	Total for Others	11			
Others not Listed	1	Others not Listed	1	Others not Listed	0			
Grand Total	18	Grand Total	19	Grand Total	11			

Source: Global Trade Atlas.

TABLE 6. COTTON YARN EXPORT TRADE MATRIX (CY 2013 – 2014)

Country	Indonesia					
Commodity	Yarn					
Time Period	Jan-Dec	Units:	1,000 MT	Units:	1,000 MT	
Exports for:	2013		2014		2015*	
U.S.	2		1		0	
Others		Others		Others		
China	99	China	93	China	79	
Japan	20	Japan	21	Japan	13	
South Korea	6	South Korea	7	South Korea	5	
Bangladesh	4	Hong Kong	6	Hong Kong	4	
Turkey	3	Malaysia	2	Sri Lanka	1	
Hong Kong	3	Germany	1	Guatemala	1	
Taiwan	1	Guatemala	1	Germany	1	
Germany	1	Turkey	1	Turkey	1	
Total for Others	137	Total for Others	132	Total for Others	105	
Others not Listed	9	Others not Listed	4	Others not Listed	1	
Grand Total	148	Grand Total	137	Grand Total	106	

Source: Global Trade Atlas.

TABLE 7. COTTON FABRIC IMPORT TRADE MATRIX (CY 2013 - 2014)

Country Indonesia

Commodity		Fabric					
Units:	1,000 MT	Units:		Units:		Units:	
Time Period	Jan-Dec	Time Period	Jan - Dec	Time Period	Jan - Dec	Time Period	Jan - Aug
Exports for:	2013	Exports for:	2014	Exports for:	2014	Exports for:	2015
U.S.	0	U.S.	2	U.S.	2	U.S.	0
Others		Others		Others		Others	
China	37	China	229	China	229	China	104
Korea, Rep. of	12	Korea, Rep. of	78	Korea, Rep. of	78	Korea, Rep. of	30
Hong Kong	12	Hong Kong	61	Hong Kong	61	Hong Kong	28
Taiwan	2	Pakistan	12	Pakistan	12	Pakistan	6
Pakistan	2	Malaysia	10	Malaysia	10	Taiwan	5
India	1	Vietnam	9	Vietnam	9	India	5
Vietnam	1	Japan	8	Japan	8	Vietnam	3
		Taiwan	8	Taiwan	8	Japan	1
		India	7	India	7	Trukey	1
		Italy	2	Italy	2	Thailand	1
		Macau	2	Macau	2		
		Turkey	2	Turkey	2		
		Thailand	1	Thailand	1		
		Belgium	1	Belgium	1		
Total for Others	67	Total for Others	430	Total for Others	430	Total for Others	184
Others not Listed	3	Others not Listed	5	Others not Listed	5	Others not Listed	2
Grand Total	70	Grand Total	437	Grand Total	437	Grand Total	186

Source: Global Trade Atlas.

TABLE 8. COTTON FABRIC EXPORT TRADE MATRIX (CY 2013 - 2014)

Country Indonesi
a

Commodity

Fabric

Units:

1,000 MT

Time Period

Jan-Dec

2013

U.S.

Others

2

8

2

2

2

2

3

1

1

1

U.S.

Others

13

56

16

13

10

10

8

7

7

6

4

3

3

3

2

2

2

2

2

2

2

1

1

Jan-Dec
2014
13

U.S.

Others

19

10

3

3

3

3

3

3

3

2

2

2

2

1

1

1

1

1

1

Jan-Aug
2015
7

U.S.

Others

22

5

29

Total for Others

22

Total for Others

167

Total for Others

64

Others not Listed

5

Others not Listed

8

Others not Listed

5

Grand Total

29

Grand Total

188

Grand Total

76

Source: Global Trade Atlas.

Note: Exchange rate is Rp. 13,739/\$ 1, as of November 23, 2015.

