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Indonesia

Coffee

Semi Annual Report

Indonesia Coffee Exports Down

2007

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Report Highlights:

Indonesia coffee production will decrease despite interest in Indonesia Arabica Mandheling coffee following the destruction of bearing trees due to natural disasters and farmers picking beans early to take advantage of high price.

Indonesian coffee bean exports are estimated to decrease 7 percent in MY 07 and forecast to decrease another 2 percent in MY 08 due to the decreases in production.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Jakarta [ID1]
[ID]

Production

During Marketing Year (MY) 2007, Indonesian coffee production is forecast to drop by 13 percent. Increasing international prices has affected the domestic price of coffee which increased by an estimated 14 – 18 percent during 2007, depending on the region and type of coffee. Farmers are harvesting coffee cherries early, to take advantage of the increased prices.

Overall MY 2007 coffee production is estimated to decrease compared with the previous year, though Arabica production is estimated to increase due to newly producing trees. Robusta production is estimated to decrease due to the drought of 2006 in major growing areas in southern Sumatera. For 2008, Post forecasts that overall coffee production will increase 2 percent. Robusta production will increase because the major planting areas received enough rain during 2007. However, Arabica production is forecast to decline due to low yields caused by farmers picking coffee cherries early following increased coffee prices and due to the destruction of trees due to natural disasters in North Sumatera.

Consumption

Post forecasts domestic consumption to increase about 1 percent due to the increasing popularity of coffee houses in Indonesia, particularly starting in the metropolitan Jakarta area, and the trend is spreading from there. The increased popularity has led to rapid expansion in the number of franchised coffee houses by both international and local firms.

Trade

The preference for Indonesian Arabica over Robusta coffee continues. Traders are seeing increasing interest in Arabica Mandheling coffee, due to its milder flavor compared with other types of Arabica. Milder flavor is reportedly preferred by younger consumers and women. It is also important for blending with other Arabica varieties. The decrease in production coupled with high prices on the international market will encourage exporters to pull down buffer stocks.

Despite the increased interest in Indonesian Arabica, exports are forecast to decrease in MY 2008 because of the decreased production following the destruction of bearing trees and early harvesting.

Policy

In 2007, the Quarantine Agency within the Ministry of Agriculture implemented policy requiring coffee to be fumigated at the port. Previously, fumigation could be performed in the exporter's warehouse. The new regulation has increased the price of fumigation from \$33 per container to \$165 – 220 per container. Quarantine has yet to put a process in place that permits exporters to fumigate at their warehouses.

PSD Table										
Country Indonesia										
Commodity										
Coffee, Green										
(1000 HA)(MILLION TREES)(1000 60 KG BAGS)										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		04/2005	04/2005		04/2006	04/2006		04/2007	04/2007	MM/YYYY
Area Planted	1050	1050	1050	1300	1300	1300	1300	1300	1300	(1000 HA)
Area Harvested	825	825	825	900	900	900	900	900	900	(1000 HA)
Bearing Trees	1145	1145	1145	1160	1160	1160	1180	1180	1150	(MILLION TREES)
Non-Bearing Trees	235	235	235	240	240	240	220	220	220	(MILLION TREES)
Total Tree Population	1380	1380	1380	1400	1400	1400	1400	1400	1370	(MILLION TREES)
Beginning Stocks	288	288	288	88	88	88	88	88	48	(1000 60 KG BAGS)
Arabica Production	750	750	750	900	900	890	1000	1000	800	(1000 60 KG BAGS)
Robusta Production	6000	6000	6000	5775	5775	5775	5850	5850	5850	(1000 60 KG BAGS)
Other Production	0	0	0	0	0	0	0	0	0	(1000 60 KG BAGS)
Total Production	6750	6750	6750	6675	6675	6665	6850	6850	6650	(1000 60 KG BAGS)
Bean Imports	100	100	100	300	300	300	350	350	400	(1000 60 KG BAGS)
Roast & Ground Imports	20	20	20	35	35	35	40	40	40	(1000 60 KG BAGS)
Soluble Imports	0	0	0	0	0	0	0	0	0	(1000 60 KG BAGS)
Total Imports	120	120	120	335	335	335	390	390	440	(1000 60 KG BAGS)
Total Supply	7158	7158	7158	7098	7098	7088	7328	7328	7138	(1000 60 KG BAGS)
Bean Exports	5000	5000	5000	4613	4613	4643	4750	4750	4570	(1000 60 KG BAGS)
Rst-Grnd Exp.	70	70	70	67	67	67	70	70	70	(1000 60 KG BAGS)
Soluble Exports	0	0	0	0	0	0	0	0	0	(1000 60 KG BAGS)
Total Exports	5070	5070	5070	4680	4680	4710	4820	4820	4640	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	1900	1900	1900	2200	2200	2200	2285	2285	2295	(1000 60 KG BAGS)
Soluble Dom. Cons	100	100	100	130	130	130	135	135	135	(1000 60 KG BAGS)
Domestic Use	2000	2000	2000	2330	2330	2330	2420	2420	2430	(1000 60 KG BAGS)
Ending Stocks	88	88	88	88	88	48	88	88	68	(1000 60 KG BAGS)
Total Distribution	7158	7158	7158	7098	7098	7088	7328	7328	7138	(1000 60 KG BAGS)
Exportable Production	4750	4750	4750	4345	4345	4335	4430	4430	4220	(1000 60 KG BAGS)