

WORKING PAPER 4

Overview of the Coffee Sector in Indonesia

BY MUHAMMAD IBNU, S.P., M.M., M.Sc., Ph.D



**FAKULTAS PERTANIAN
UNIVERSITAS LAMPUNG
2018**

Overview of the Coffee Sector in Indonesia

Coffee plant was introduced in Indonesia by VOC (Verenigde Oost-Indische Compagnie) around 1696 and Java, renowned for its soil fertility at that time, was the first place for the Dutch's coffee project (AEKI, 2013; Wahyudi and Jati, 2012; Sukarna, N and Sumino, 2008). Thenceforth, coffee has been growing and spreading rapidly in many regions in Indonesia, such as Sumatera, Java, Bali, Sulawesi, and Papua. Latterly, Indonesia has been becoming the world's fourth-largest coffee producer after Brazil, Vietnam and Colombia (AEKI, 2013; OECD, 2012; Sukarna, N and Sumino, 2008). Coffee is grown in more than 32 provinces in Indonesia, involving more than 1.84 million household smallholder farmers cultivating an average holding of 1.0 to 1.5 hectares and deriving approximately \$ 910.00/year per hectare (Robusta) and \$ 1680.00/year per hectare (Arabica) (Wahyudi and Jati, 2012; Sukarna, N and Sumino, 2008; Ottaway 2007).

Coffee ranks high among the most important agricultural commodities traded in international markets, in terms of both volume and value (TCC, 2012). It is also a preponderant commodity and is considered as one of the major perennial crops of Indonesia. Along with other agricultural merchandises (i.e. rice, maize, soybeans, sugar, palm oil fruit, natural rubber, cocoa bean, cassava, bananas, milk, beef, poultry meat, pig meat and eggs), coffee account for 70% of the total value of Indonesia's gross agricultural output (GAO) during 1990-2010 (OECD, 2012). Moreover, coffee is also one of the exportable products of Indonesia besides palm oil fruit, natural rubber, cocoa bean, coffee, cassava and banana (OECD, 2012; Sukarna, N. and Sumino, 2008). For the last five years (2007-2012), the average value of Indonesian coffee export was \$ 153,156.5 or 3.4 % of the countries' total GDP (Euromonitor International, 2012).

Coffee trading serves as the country foreign exchange earner, source of local governments' revenue, sources of farmers' income and purveyor of employment, especially in

rural areas. Coffee registers 7% off-trade volume growth in 2011 to reach 94,639 tonnes and is expected to increase at a CAGR of 6% over the forecast period from 2011-2016 (Euromonitor International, 2012). Most of the coffee produced in Indonesia are exported (approximately 67%), and only small portions (33%) are meeting the domestic demand (AEKI, 2013; West Lampung Regency Plantation Office, 2007). According to AEKI (2013), Indonesian coffee-export volumes are averaging around 350 thousand tons per annum including Robusta (85 %) and Arabica (15 %). There are more than 50 countries of coffee-export destinations, albeit United States, Japan, Germany, Italy, and the United Kingdom are the main objectives (AEKI, 2013).

At present, most of Indonesia's coffee plantations are located in Sumatra, which stretches ranging from Aceh Gayo region to Lampung Province (Sukarna, N and Sumino, 2008). By possessing large plantations in Bengkulu, Lampung and South Sumatra, Sumatra is a dominant coffee producer by accounting for 74.2% of the country's production compare to Sulawesi (9.0%), Java (8.3%), Nusa Tenggara (5.8%), Kalimantan (2.0%), Maluku and Papua (0.6%). Nevertheless, more than half of the national productions are significantly burgeoned in five provinces, namely South Sumatra (21.4%), Lampung (12.6%), Nangroe Aceh Darussalam (8.7%), Bengkulu (7.4%), and East Java (7.2%) (Wahyudi and Jati, 2012).

Sumatra is an apposite landscape for coffee cultivation in that it has the high and lows of regions as well as the fitting climate. Although both coffee species of Arabica and Robusta are cultivated in this island, Robusta seems more adaptive to the environment and grows very properly than another species. Robusta mostly found in the lower region of Southern Sumatera while Arabica species that prefer higher altitude grow well in mountainous regions in the north and West Sumatra, which is commonly referred to as the Bukit Barisan.

Sumatra has a long history of coffee since it has been introduced in the Island in 1700s (Sukarna, N. and Sumino, 2008) and the economic value of coffee also makes many farmers rely on coffee for their livelihoods (Wahyudi and Jati, 2012). Different from Java where most of the plantations are owned by plantation companies, coffee plantations in Sumatra are preponderantly owned by small farmers (Sukarna, N. and Sumino, 2008). Coffee productions are pre-eminently located in rural areas, especially in dry lands and mountains, involving more than 4 million families (Wahyudi and Jati, 2012). The small coffee producers managed their plantations traditionally and most of them only provide stricture care to the perennials due to the vast gardens and circumscribed support of labors. This conservative farming practice depends on the kindness of Mother Nature to sustain the coffee plants and farmers hardly putting extra efforts to maintain them. Usually farmers give more their heed only during flowering season, which naturally happens once a year. This kind of farming practice might one of the factors that contribute to the conditions where farmers and their families sustaining a low of productivity, income and quality of live.

References:

AEKI (*Asosiasi Eksportir Kopi Indonesia*/Association of Indonesian Coffee Exporter). 2013. Available at <http://www.aeki-aice.org>.

Euromonitor International. 2013. Coffe in Indonesia June 2012. Euromonitor International from national statistics/OECD/International Monetary Fund (IMF), International Financial Statistics (IFS). Accessed 14 June 2013 from: <http://www.portal.euromonitor.com.ezproxy.ub.unimaas.nl/Portal>.

Euromonitor International. 2013. Hot Drinks: Euromonitor from trade sources/national statistics Trade Balance as % of GDP. Euromonitor International from national statistics/OECD/International Monetary Fund (IMF), International Financial Statistics (IFS). Accessed 14 June 2013 from: <http://www.portal.euromonitor.com.ezproxy.ub.unimaas.nl/Portal>.

OECD (Organisation for Economic Co-operation and Development). 2012, OECD Review of Agricultural Policies: Indonesia 2012, OECD Publishing. Available at <Http://dx.doi.org/10.1787/9789264179011-en>.

Ottaway, A. 2007. A Rapid Assessment of the Specialty Coffee Value Chain in Indonesia. Prepared for review by U.S. Agency for International Development. Available at http://pdf.usaid.gov/pdf_docs/PNADL910.pdf.

TCC (The Tropical Commodity Coalition). 2012. Coffee Barometer 2012. Available at <http://www.teacoffeecocoa.org/tcc/Publications/Our-publications>.

Wahyudi, T. and M. Jati. 2012. Challenges of Sustainable Coffee Certification in Indonesia. Seminar on the Economic, Social and Environmental Impact of Certification on the Coffee Supply Chain, International Coffee Council 109th Session, London, United Kingdom 25th September 2012. Available at http://www.ico.org/event_pdfs/seminar-certification/certification-icri-paper.pdf.

West Lampung Regency Plantation Office. 2007. Road Map *Pengembangan Komoditas Kopi Lampung Barat*. West Lampung Regency Plantation Office. West Lampung Indonesia.