

# Performance And Prospect Analysis Indonesian Coffee Commodity In Domestic And International Markets

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DOI: <https://doi.org/10.37178/ca-c.23.1.117>

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## **Abstract**

*The plantation sector contributed 3.27% to GDP out of a total of 25.71% in the agricultural sector, although forestry and fisheries were superior in order. In the coffee plantation sector, it is one of the leading commodities that play a role in Indonesia's economic growth in obtaining foreign exchange. In Indonesia, most of the coffee exported dominates in the form of raw (coffee beans), of course, this is an added value and advantage in the final product by importing countries which can determine the selling price, as is the case in Indonesia which is of course the main commodity. from our country is unstable and dependent on consumer countries. This study uses secondary and primary data. The design in this study uses a qualitative descriptive research design, for the object of research comes from the suitability of Indonesian coffee export and import data. Our country, Indonesia, should strive to increase domestic production, provide policies that can stimulate farmers to be able to increase domestic production, this arises from opportunities from the continued increase in imports of coffee beans.*

**Keywords:** *Coffee, Export, Import, Domestic, Internasional*

## **Introduction**

The Indonesian economy in 2019 seen from Gross Domestic Product (GDP) is highly dependent on 3 (three) industries, namely processing and wholesale and retail trade by 19.70%, then the automotive and motorcycle sector by 13.01%, and the agricultural sector by 12.72%. One of the potential sectors in the agricultural industry is plantations. Plantation contributes to GDP by 3.27% of the total 25.71% in the

agricultural sector, although forestry and fisheries are superior in order. In the coffee plantation sector, coffee is one of the leading commodities that play a role in Indonesia's economic growth in obtaining foreign exchange, expanding employment, and of course a source of income for coffee farmers.

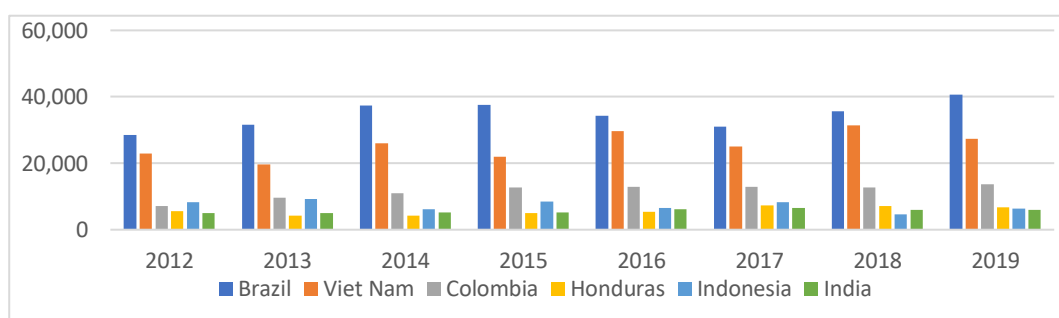
*Table 1*  
Area of People's Plantation Plants by Plant Type (Thousand Hectares)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Karet	4 137,60	4 356,09	4 422,40	4 535,40	4 739,30	5 697,90	5 818,90	5 896,80	6 003,80
Kelapa	3 740,30	3 614,67	3 570,90	3 548,90	3 617,60	3 437,50	3 385,10	3 369,90	3 365,80
Minyak kelapa sawit	2 987,00	3 026,02	3 067,40	3 075,60	3 092,40	3 103,30	3 235,80	3 269,10	3 305,40
Kopi	1 693,30	1 660,77	1 686,20	1 667,30	1 678,60	1 616,00	1 584,10	1 542,70	1 509,30
Kakao	1 187,70	1 194,08	1 183,70	1 183,20	1 198,90	1 191,60	1 210,70	1 221,10	1 220,90

Source: BPS (2020)

Data from BPS in 2020 explains that the contribution of coffee commodities to the plantation sector is in the 4th (fourth) position with an average of 11.83% for the last 9 (nine) years, below rubber, coconut, and palm oil. Indonesia is a developing country that is the main coffee exporter in the world. Until 2019 Indonesia's coffee production reached 742 thousand tons, of which the main production according to (Indonesian Coffee Statistics, 2019) 98.6% or 731.6 thousand tons was in the management of smallholder plantations, 0.8% of large state plantations, or 5 0.6 thousand tons and 0.6% or 4.4 thousand tons in large private plantations, Indonesia in 2019 was in the 5th (five) position as the largest exporting country in the world which can be seen in graph 1.

Diagram 1: Largest Coffee Exporting Country in the World (In thousand 60kg bags)



Source: ICO 2019, processed

Indonesia's position in Asia is still below Vietnam, which since 1997 has always excelled in exporting coffee abroad. The large plantation area owned by Vietnam puts Indonesia in 4th (fourth) position in total production of 14,100 (in thousands of 60kg sacks) where Vietnam is 46.24% superior or with a difference of 16,387 (ICO, 2019). In 2019 around 48.51% of Indonesian coffee was exported from the total production of State Large Plantations with a total production of 731,600 tons plus 5,600 tons of Large Plantations and Private Large Plantations with a total of 4,400 tons, the remaining 51.49% of production was used to meet domestic consumption

In general, coffee is produced and then processed into ready-to-serve coffee in the form of ground coffee, instant coffee and mixed coffee [1]. Based on data from (Ministry of Industry, 2020) a total of both private and state-owned companies that produce coffee in 2020 there are 141 companies, which then process it into ready-to-serve coffee in well-known coffee brands in Indonesia such as Torabika, Nescafe, ABC, Indocafe, ABC and others. so on ([2]. [3] said that 40 percent of coffee bean trading activities are dominated by multinational companies.

In Indonesia, most of the coffee exported dominates in the form of raw (coffee beans), of course, this is an added value and advantage in the final product by importing countries which can determine the selling price, as is the case in Indonesia which is of course the main commodity. from our country is unstable and dependent on consumer countries. The production system and the fluctuating prices of domestic coffee offered greatly affect the formation of prices from the main importer market. Until now, in 2019 the proportion of Indonesian coffee exports was controlled by the top 3 (three) countries, namely America with 16.34% with 58.7 thousand tons, then neighboring Malaysia with a percentage of 10.28% (36.9 thousand tons), and the third-place exports with the aim of Japan 9.87% or 35.5 thousand tons.

Table 2

World Coffee Consumption

World coffee consumption In thousand 60kg bags			
	2017/18	2018/19	2019/20
<b>World</b>	<b>161 377</b>	<b>168 492</b>	<b>164 202</b>
Africa	11 087	12 017	12 024
Asia & Oceania	34 903	36 472	36 002
Central America & Mexico	5 273	5 431	5 327
Europe	53 251	55 637	53 372
North America	29 941	31 779	30 580
South America	26 922	27 156	26 898
<b>Exporting countries (Crop years)</b>	<b>49 686</b>	<b>50 245</b>	<b>49 982</b>
Brazil	21 997	22 200	22 000
Indonesia	4 750	4 800	4 806
Ethiopia	3 643	3 685	3 781
Philippines	3 180	3 300	3 250
Viet Nam	2 500	2 600	2 650
Mexico	2 400	2 450	2 425
Colombia	1 793	1 791	2 025
Venezuela	1 600	1 550	1 275
India	1 470	1 475	1 450
Thailand	1 375	1 400	1 400
Guatemala	395	395	393
Dominican Republic	390	390	377
Madagascar	365	375	375
Honduras	375	375	350
Costa Rica	353	365	352
Haiti	340	345	345
Côte d'Ivoire	317	317	317
El Salvador	300	300	292
Peru	250	250	250
Uganda	245	250	254
Others	1 647	1 631	1 615
	<b>111 691</b>	<b>118 247</b>	<b>114 220</b>

Source : ICO 2020

The data above explains that the highest coffee consumption is held by countries in Europe In 2017 with a total consumption of 53,251/thousand 60kg then it increased by 4.48% in 2018 to a total of 55,637/thousand of 60kg and decreased in 2019 with a total of 53,372/thousand 60kg or -4.07%. After European countries that controlled the highest consumption, then followed by countries in Asia with a participation percentage of 21.92% followed by countries in North America with 18.62%, South America with 16.37%, Africa with 7.32% and the smallest of Central America and Mexico with 3.24%. For consumption, which represents a direct exporting country, Indonesia is in the 2nd (two) position below Brazil with consumption in 2017 of 4,750/thousand 60kg then increased by 10.52% in 2018 to 4,800/thousand of 60kg and moved slightly in 2019 with a total of 4,806/thousand of 60kg. thousands of 60kg (0.12%). From the data above, it can be concluded that

domestic consumption needs have not been able to cover the production of large state plantations, large plantations and large private plantations.

**Research Methods**

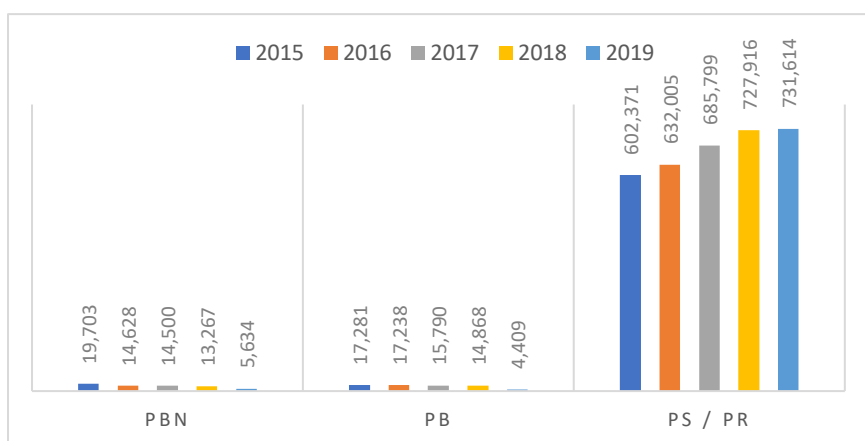
In this study using secondary and primary data. Secondary data is a group of data that is used and later published from many organizations that are not derived from the processing, [4] said that the data is presented in the form of a questionnaire from the object of research and primary data can be obtained from the results of the questionnaire from the research object. The design in this study uses a qualitative descriptive research design, which describes the facts obtained during the study and then analyzed to a further stage based on the theory and facts obtained and for the object of research derived from the suitability of Indonesian coffee export and import data.

**Performance of Indonesian Coffee Commodities in the Domestic Market**

Based on data submitted by the Directorate General of Plantations of the Archipelago through the Indonesian Ministry of Agriculture in 2020, it shows that coffee production in the last 5 (five) years has increased with an average of 3.84%. in 2017 with a percentage increase of 8.51% from 632,005 tons to 685,799 tons, for large state plantations and large plantations it did not contribute too much with an average for 5 (five) years of 1.96% for large state plantations (PTPNusantara) and 2.01% of large plantations.

Table 3

Growth in Indonesian Coffee Bean Production



Source: BPS through the data of the Ministry of Agriculture 2020 processed

Consistently domestic consumption in the last 5 (five) years has shown increasing progress, starting in 2015 with consumption of 4,550 sacks or equivalent to 273,000 tons compared to 2019 with 4,806 or equivalent to 288,360 tons of national coffee consumption (up 5.63 tons). (%). If in 2019 Indonesia's population has been in the census of 260 million people, it can be assumed that the average national coffee consumption per capita is 6.92 ounces with details of 6,257 in 2015, 8,021 in 2016 – 2017, 7,947 in 2018 and 7,980 in 2019.

Table 4

National Coffee Consumption

	Konsumsi (60 kg/karung)	Konsumsi (ton)
2015	4.550	273.000
2016	4.650	279.000
2017	4.750	285.000
2018	4.800	288.000
2019	4.806	288.360

Source : ICO 2020

National coffee products are not only in the form of coffee beans but also finished products in the form of packaged instant coffee, ground coffee and beverages made from coffee. Currently, exports in green beans and roasted coffee are experiencing a decline in demand, which is experiencing an increase in exports, namely in the form of ground coffee and coffee-based drinks, the exception being a sudden decline, namely instant coffee in 2019. Apart from the irregularities and oddities that occurs but creates added value for domestic coffee, which in 2019 refers to data on instant coffee in packaging arising from the industrialization of these processed products in Indonesia. To meet domestic needs, one of the main solutions is imports from the largest producing country in the world, namely Brazil, the question arises why Indonesia must import coffee while many domestic productions have been exported abroad, a representative answer according to [5] that until now Indonesia is still importing from Brazil, the main factor is that Indonesia is still dependent on Brazil to cover the need for coffee consumption which is getting higher but not accompanied by domestic coffee production.

Table 4

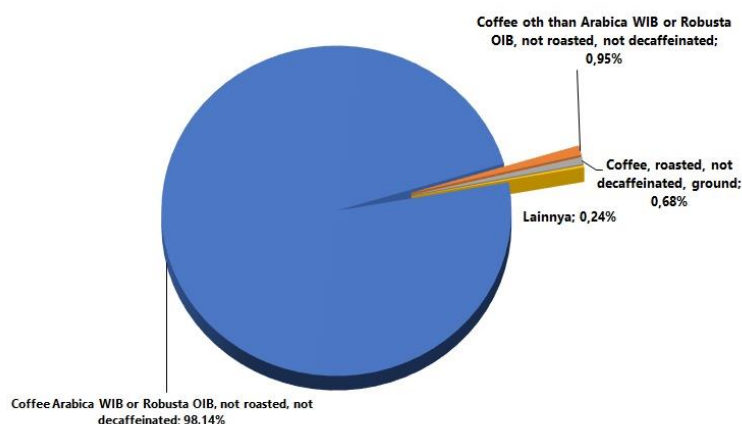
Growth of Indonesian Coffee Imports

	Volume (ton)	Nilai
2015	12.462	31.492
2016	25.172	48.473
2017	14.220	33.583
2018	78.847	155.778
2019	32.102	66.186

Source: BPS through Statistics Indonesia Coffee 2019

The table above explains that from the last 5 (five) years the highest demand growth for Indonesian coffee imports was in 2018 with a percentage increase in demand of 362.86% due to a decrease in production, especially for producers from the provinces of Sumatra Utama and Aceh, which are included as the top coffee producers in Indonesia. impacted on the decline in the value of exports by 31.27 (US\$ 815,123 thousand) to meet domestic consumption.

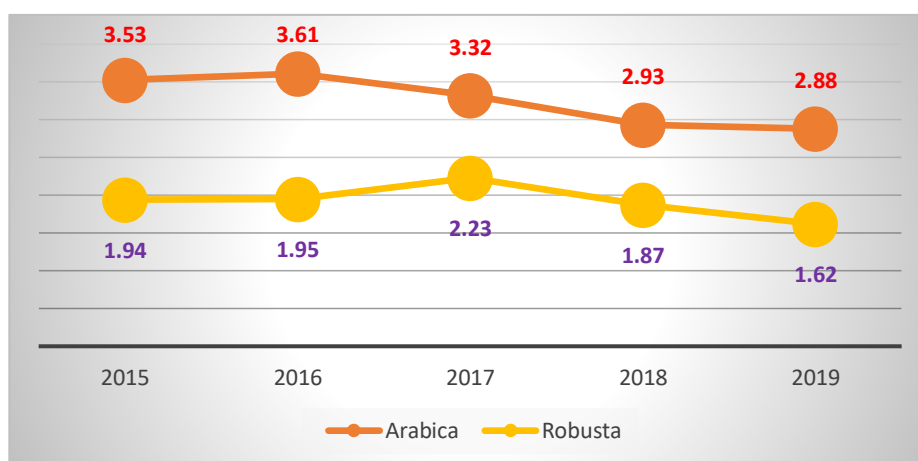
Diagram 3: Contribution of Indonesian Coffee Types in International Trade



Source: BPS Through Indonesian Coffee Statistics 2019

Based on the data from the graph above, the volume of coffee exports in the international market is divided into 4 (four) groups, namely Arabica Robusta (0901111000) which contributes to the export trade by 98.14%, second place is Coffee and Arabica WIB / Robusta OIB. (0901119000) contributed 0.95%, the third place was 0.68% Coffee Roasted not Decaffeinated ground (091212000) 0.68% and 0.24% contributed from other types of coffee. The market price of national coffee beans follows the movement of international coffee prices

**Graph 1: International Coffee Prices (in US\$)**



Source: Indonesian Secretariat General of Agriculture, 2020

Based on the data in the graph above, the price received by the farm gate price for Arabica coffee is on average higher than the Brazilian Naturals price in the international market, which is 108%, while for Robusta it is 63%, the data in the graph above also explains that the average coffee bean is intended for Indonesian farmers during the 2015-2019 period. It can be seen that the prices of Arabica and Robusta have fallen in the past 5 (years) with a decline of 18.41% for Arabica and 16.49% for Robusta. In 2019, the domestic coffee supply was influenced by the large amount of products produced by farmers, 95% of Indonesian coffee came from coffee farmers. The area for growing domestic Arabica coffee depends on the province on the island of Sumatra, namely the provinces of Aceh and North Sumatra, while the robusta type comes from the provinces of Lampung, South Sumatra and Bengkulu.

Government policies supported by the Directorate General of Agriculture, in this case, are devoted to plantations, namely policies in assisting coffee farmers who play a very important role in meeting domestic needs and in helping to increase the country's foreign exchange in Indonesian exports. The growth of coffee retailers and roasters makes the demand for coffee beans increase in almost all regions in the country, this demand growth is strongly influenced by coffee quality and world market demand. In Indonesia, the price is determined by quality or not quality, seen from the content of impurities, moisture content and levels of damaged beans, in 2019 the quality of the coffee traded has reached the single-origin and specialty level which is equipped with organic certificates, geographical indications and sustainability. Policies that certainly encourage appreciation in the domestic and international markets

**Performance of Indonesian Coffee Commodities in the International Market**

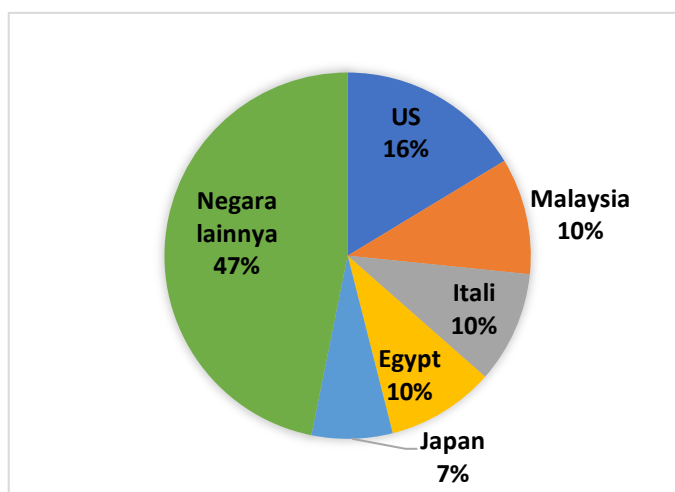
In the last 5 years, coffee production worldwide has increased by around 21 million kg (60 kg/bag) from a total of 150 million kg (60 kg/bag) in 2014 to 171 million kg (60 kg/bag), where the increase came from other countries. The main producers are producers in April consisting of 15 countries (Brazil, Bolivia, Angola, Burundi,



Ecuador, Indonesia, Malawi, Madagascar, Rwanda, Papua New Guinea, Peru, Paraguay, Zimbabwe and Timor Leste (from 69 million Kgr (60 kg) /bag)) to 78 million Kgr (60kg/bag), then the group of harvesting countries in the July season consists of 8 (eight) countries, namely Cuba, Congo, Dominican, Philippines, Haiti, Zambia and Tanzania (from a total of 1.869 million Kgr (60kg/bag) to 2.369 million Kgr (60kg/bag), and the group of countries that harvest coffee in October consists of 35 countries, namely Cameroon, Central African Republic, Costa Rica, Colombia, Congo, Cote d'Ivoire, Guinea, Ghana, Gabon, Nepal, Mexico, El Salvador, Equatorial, Ethiopia, Guatemala, Guinea, Guyana, Honduras, India, Jamaica, Kenya, Lao, Liberia, , Nicaragua, Togo, Veitnam, Nigeria, Thailand, Panama, Sri Lanka, Sierra Leone, Trinidad and Tobago, Uganda, Venezuela and Yemen (from 78 million Kgr (60kg/Sacks) to 89 million Kgr (60kg/Sacks).

Data from the International Coffee Organization (ICO) shows that Indonesia's position as a producer of coffee in the world has not changed in the last 5 years, namely the largest 5 (five) under Brazil, Vietnam, Colombia and Honduras, but nominally Indonesia's production during 5 (five) years. years) decreased by 12.14%.

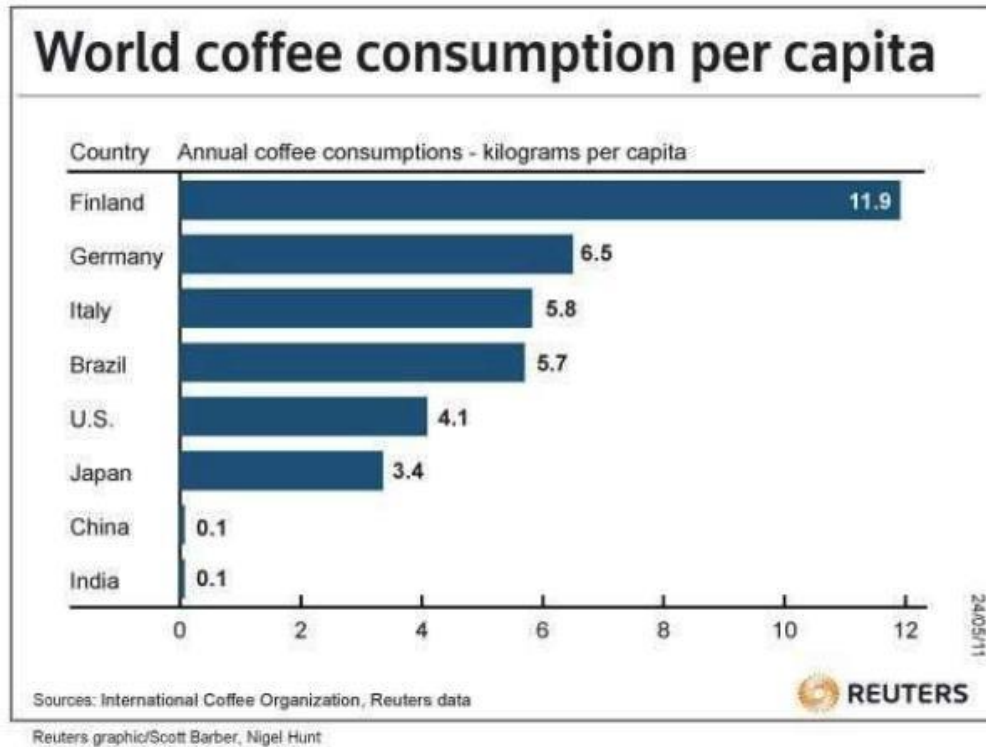
**Diagram 4: Indonesian Coffee Export**



Source: BPS Through Indonesian Coffee Statistics 2019

The national coffee export share covers 5 (five) continents, namely Africa, Asia & Oceania America, Australia and Europe with the largest market share with a percentage of 32.50%. The table above describes a total of 5 (five) top countries importing coffee from Indonesia, namely the United States (16.34%) 58.67 thousand tons with a total of US\$ 253.87 million, Malaysia (10.28%) 36.90 thousand tons with total exports worth US\$ 62.94 million, in third place Italy (9.87 percent) 34.45 thousand tons with a total export of US\$ 60.35 million, the fourth country Egypt (9.55%) 34.29 thousand tons with total exports worth US\$ 59.06 million and Japan (7.13%) 25.59 thousand tons worth US\$ 58.57 million in 2019, this number increased from the previous year in 2018 with a percentage increase in market demand of 8.28% from a total of US\$ 815,233 million in 2018.

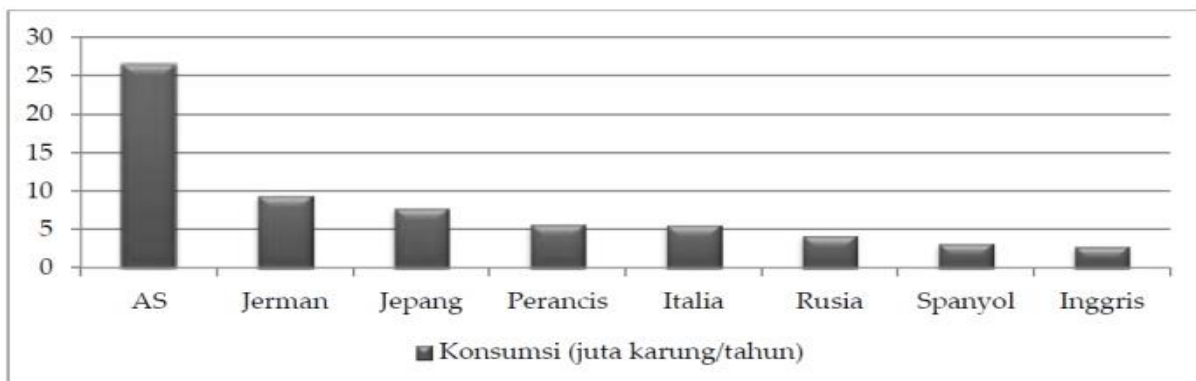
**Graph 2: World Coffee Consumption Per capita**



Source : ICO & Reuters (2020)

Looking at the graph above, the highest coffee consumption that dominates more is countries in Europe, America, Asia, where in order Europe represented by Finland is in the top position with 11.9kg per capita per year, followed by Germany at 6.5kg per capita per year, Italy with 5.8 kg per capita per year, Brazil with 5.7 kg per capita per year, the US with 4.1 kg per capita per year and Japan with 3.4 kg per capita per year, but of the total population in a country as seen from "Consumption per capita x number of people living in a country", the first is the US with 26.5 million sacks (/60kg), then Germany with 9.4 million sacks (/60kg), then Japan 7.8 million sacks (/60kg), Italy 5.6 million sacks (/60kg), Russia 4.2 million sacks, Spain 3.2 million sacks (/60kg) and finally from England 2.8 million sacks (/60kg).

**Graph 3: Coffee Consumption in Importing Countries**



Source : ICO (2020)



Total coffee consumption worldwide can be divided into 2 (two) groups, namely consumption from exporting countries (consumed within their own country) and consumption in importing countries. The trend of increasing coffee consumption is suspected as a substitute for soft drinks and alcohol because in the last 5 (five) years there has been an increase in consumption from 127 million sacks to 137 million sacks.

Coffee as the main commodity under rubber, coconut and CPO is still very prospective to be developed both in the short and long term both in the international market and domestic market, by looking at the increasing consumption of coffee or its derivatives it can be concluded that the need for production will also increase, if in the future, our country, Indonesia, can expand its production area, starting from the scope of the large state plantations, large plantations, and large private plantations, as long as farmers continue to maintain coffee. In terms of domestic production, coffee production is still said to still require import assistance from exporting countries such as Brazil. During the last 5 (five) years, imports of Indonesian coffee beans continued to increase in 2019 by 30 thousand tons. This adds value to the prospect of the coffee business being higher and further developed.

### **Conclusions and suggestions**

From the initial description, it can be concluded and provides suggestions that our country, Indonesia, should strive to increase domestic production, provide policies that can stimulate farmers to increase domestic production, this also arises from opportunities from the continued increase in imports of coffee beans. Domestic coffee trading activities adhere to a free trade system. The implementation of the Indonesian National Standard on coffee beans has gradually brought quality Indonesian coffee beans to the international market, which is strengthened by the demand for quality coffee beans from European countries or from America.

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