COFFEE VALUE CHAIN ANALYSIS AND MARKET ACCESS

INDONESIA CASE STUDY

LEARNING EXPERIENCE FROM

- ACEH GOVERNMENT TRANFORMATION PROGRAM (AGTP-UNDP) 2010 : NATIONAL CONSULTANT ON COMMODITIES
- SUSTAIN ECONOMIC GROWTH FOR ACEH (SEGA PROJECT) 2011 – 2012 : AUCTION MARKET SPECIALIST – GAYO COFFEE
- AGRICULTURAL MARKETING AND SUPPORT ACTIVITY (AMARTA II) 2012 – 2013 : ECONOMIST/ VALUE CHAIN SPECIALIST – NORTH SUMATERA COFFEE, SOUTH SULAWESI COCOA, WEST JAVA HORTICULTURE
- CBI NETHERLAND FOOD INGREDIENT 2014 – 2015: LOCAL EXPERT – COFFEE & COCOA
- OXAM-PAPUA ENTERPRISE DEVELOPMENT PROGRAM 2012 – 2015: CONSULTAN – PAPUA COFFEE

VALUE CHAIN?

A series of actors and

activities needed to

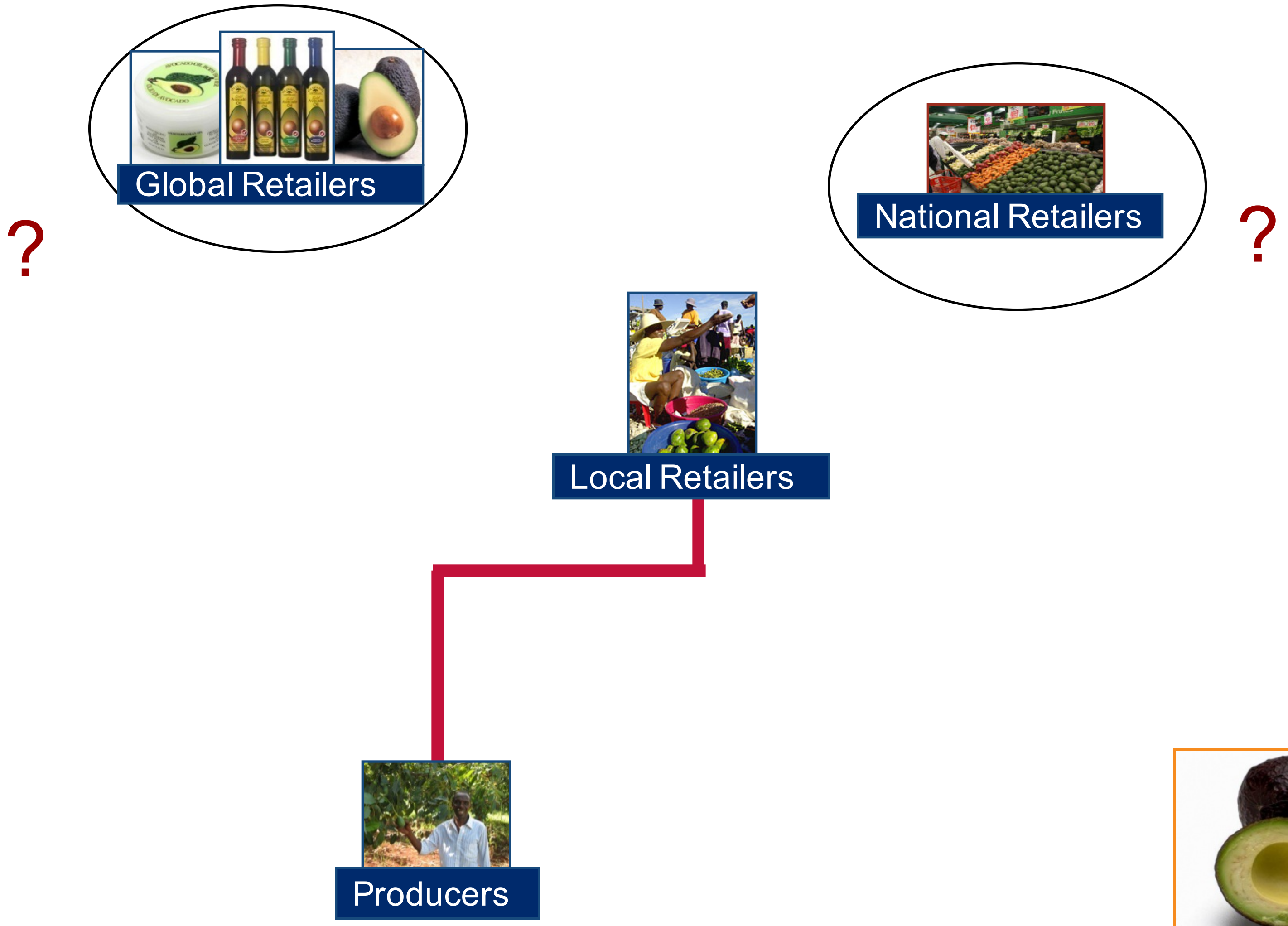
bring a product

from production to the

final consumer.

AVOCADO VALUE CHAIN

AVOCADO VALUE CHAIN



AVOCADO VALUE CHAIN

INDONESIA COFFEE PRODUCTION

Two main coffee species

1. Coffea Arabica

Plantations are generally at altitudes of over 1000 m, which makes it "highland coffee". The average length of coffee beans of this variety is approx. 9 mm and their colour is greenish to blue-green. The coffee beans have a strong, full flavour. Arabica beans have a caffeine content of approx. 1.2%.

2. Coffea Robusta

This is "lowland" coffee, as its plantations as a rule are below 1000 m. The beans of this coffee variety are small, roundish and generally brownish to yellowy green. Their beans

INDONESIA POSITION IN THE WORLD COFFEE TRADE

Total production by all exporting countries

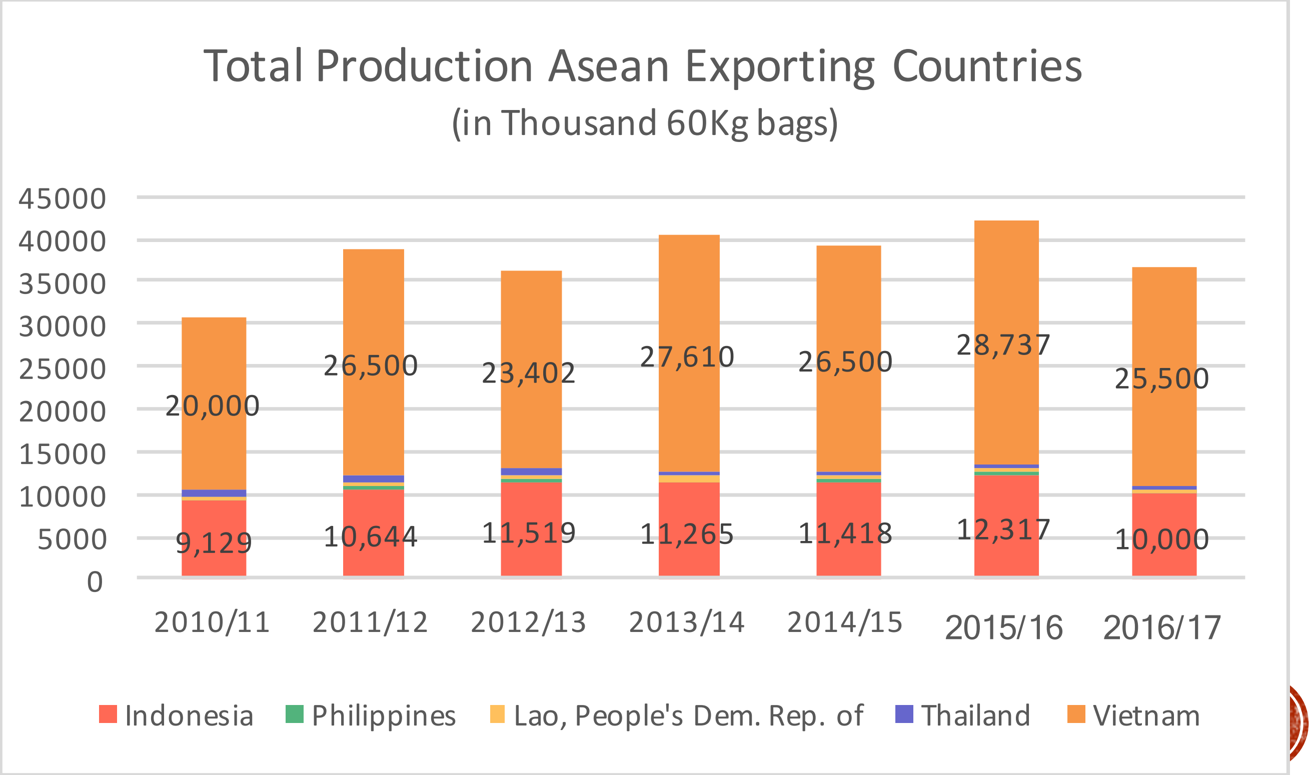
In thousand 60kg bags

Crop year		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	
									Volume	Contribution
Brazil	(A/R)	43,977	53,428	50,592	55,420	54,698	52,299	50,376	55,000	36%
Vietnam	**(R/A)**	**17,825**	**20,000**	**26,500**	**23,402**	**27,610**	**26,500**	**28,737**	**25,500**	17%
Colombia	(A)	8,098	8,523	7,652	9,927	12,163	13,339	14,009	14,500	10%
Indonesia	**(R/A)**	**11,380**	**9,129**	**10,644**	**11,519**	**11,265**	**11,418**	**12,317**	**10,000**	7%
Ethiopia	(A)	6,931	7,500	6,798	6,233	6,527	6,625	6,714	6,600	4%
Honduras	(A)	3,603	4,331	5,887	4,686	4,578	5,258	5,766	5,934	4%
India	(R/A)	4,827	5,033	5,233	5,303	5,075	5,450	5,800	5,333	4%
Peru	(A)	3,286	4,069	5,373	4,453	4,338	2,883	3,301	3,800	3%
Uganda	(R/A)	2,894	3,267	3,115	3,914	3,633	3,744	3,650	3,800	3%
Guatemala	(A/R)	3,835	3,950	3,850	3,763	3,189	3,310	3,420	3,500	2%
Total		**127,783**	**139,600**	**147,904**	**149,740**	**152,130**	**148,724**	**151,438**	**151,624**	**100%**

Total production by all exporting countries

In thousand 60kg bags

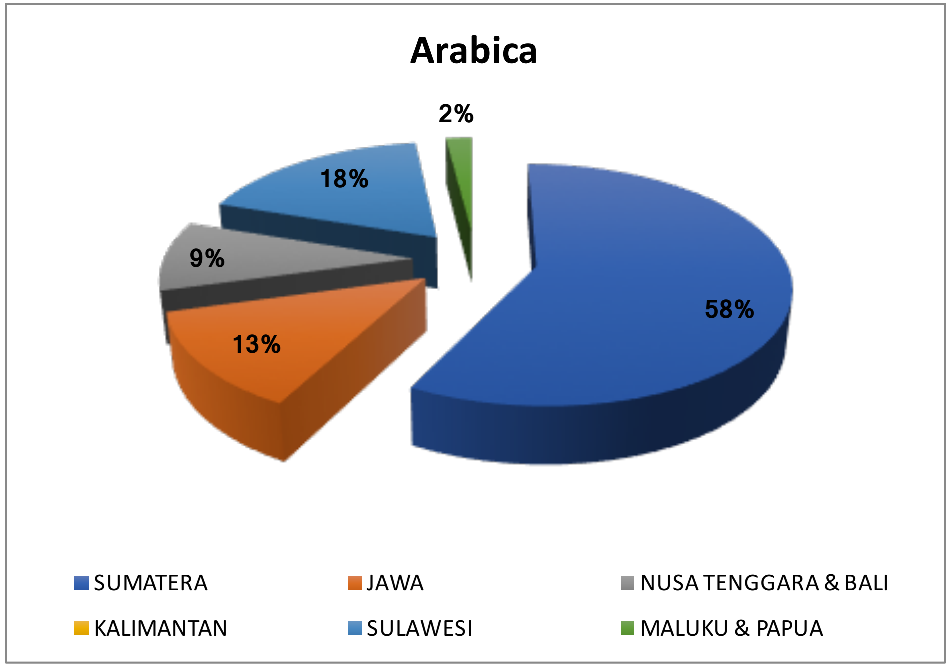
Crop year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	
Indonesia	9,129	10,644	11,519	11,265	11,418	12,317	10,000	(R/A)
Philippines	189	180	177	186	193	208	200	(R/A)
Lao, People's Dem. Rep. of	544	514	541	550	506	467	500	(R)
Thailand	828	831	608	638	497	485	435	(R/A)
Vietnam	20,000	26,500	23,402	27,610	26,500	28,737	25,500	(R/A)
Total Asean	**30,691**	**38,668**	**36,248**	**40,248**	**39,115**	**42,214**	**36,635**	
Total Global	**139,600**	**147,904**	**149,740**	**152,130**	**148,724**	**151,438**	**151,624**	

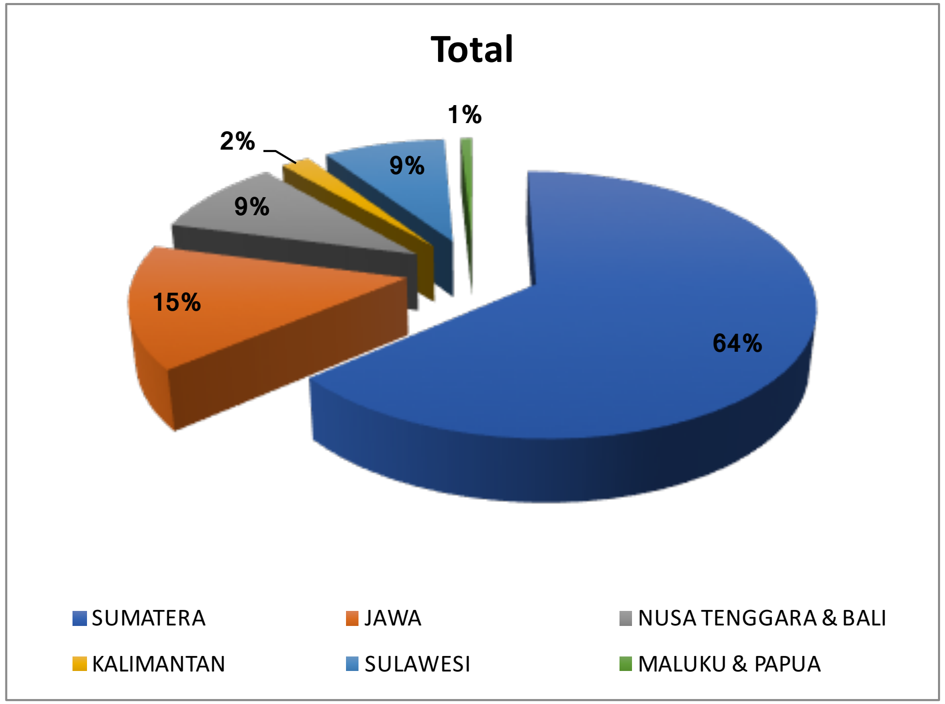


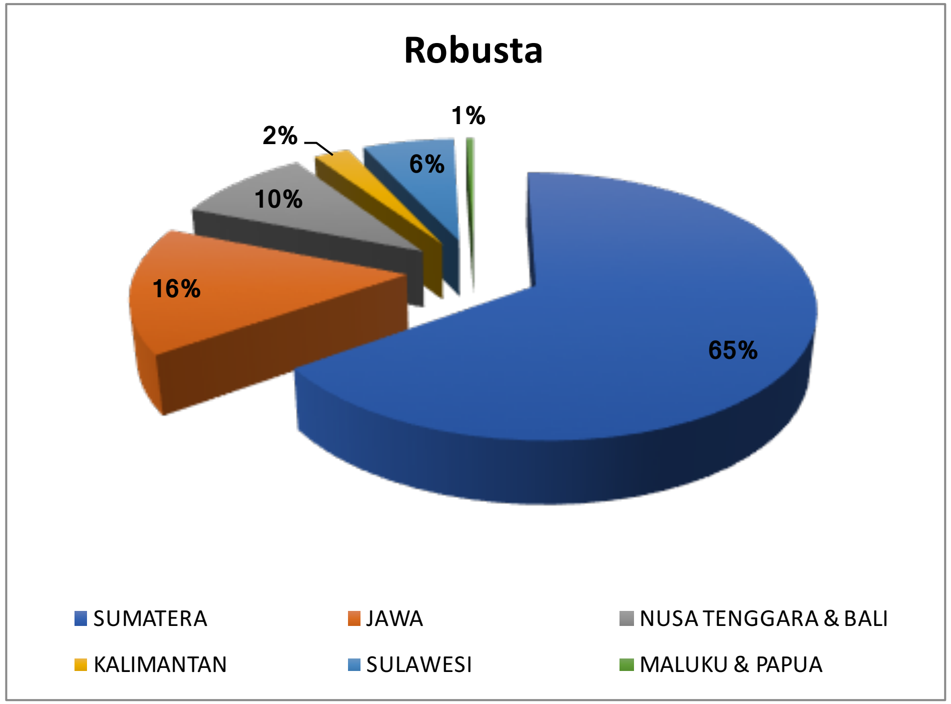
Luas Areal (Ha) Produksi Kopi Menurut Provinsi, 2014
Table Area (Ha) Coffee Production by Province, 2014

Provinsi/Province	Arabica	Robusta	Total
SUMATERA	118,358	585,327	703,685
JAWA	26,694	141,661	168,355
NUSA TENGGARA & BALI	19,391	85,796	105,187
KALIMANTAN		22,382	22,382
SULAWESI	36,650	57,848	94,498
MALUKU & PAPUA	4,098	4,618	8,716
I N D O N E S I A	**205,190**	**897,631**	**1,102,821**

Source: http://ditjenbun.pertanian.go.id/tinymcpuk/gambar/file/statistik/2016/KOPI%202014-2016.pdf



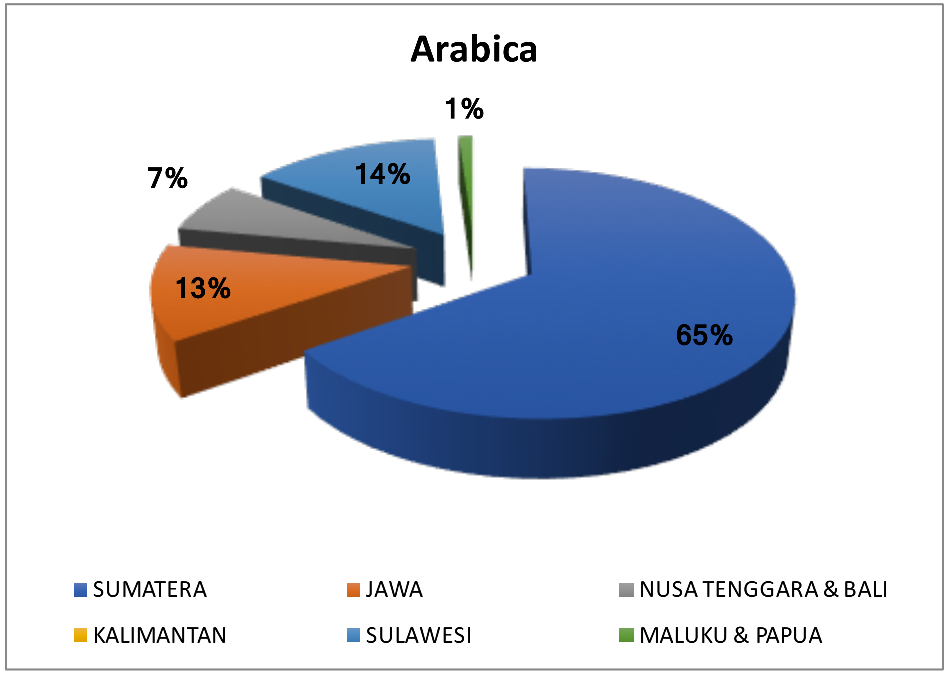


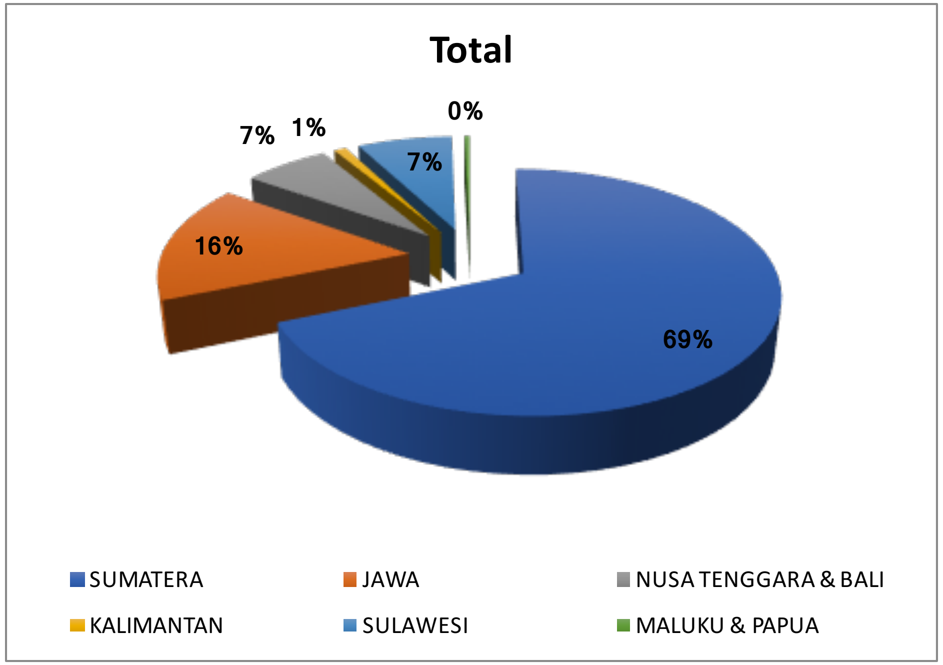


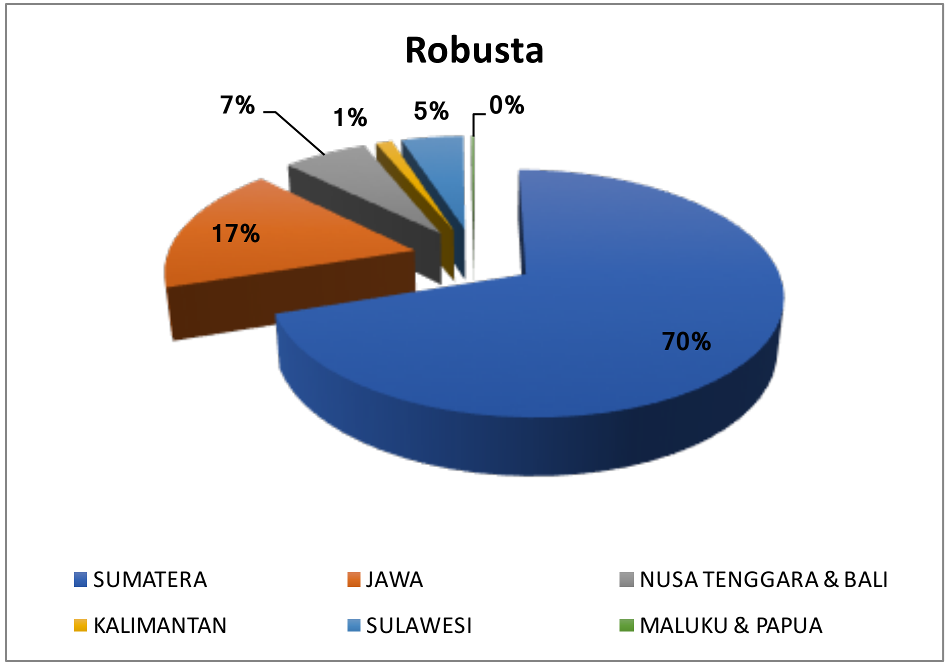
Produksi Kopi Arabika dan Robusta (Ton) Menurut Provinsi, 2014
Arabica and Robusta Coffee Production (Ton) by Province, 2014

Provinsi/Province	Arabica	Robusta	Total
SUMATERA	111,145	331,096	442,241
JAWA	21,416	82,086	103,502
NUSA TENGGARA & BALI	11,614	30,632	42,246
KALIMANTAN		5,937	5,937
SULAWESI	24,249	22,659	46,908
MALUKU & PAPUA	1,760	956	2,716
I N D O N E S I A	170,185	473,366	643,551

Source: http://ditjenbun.pertanian.go.id/tinymcpuk/gambar/file/statistik/2016/KOPI%202014-2016.pdf



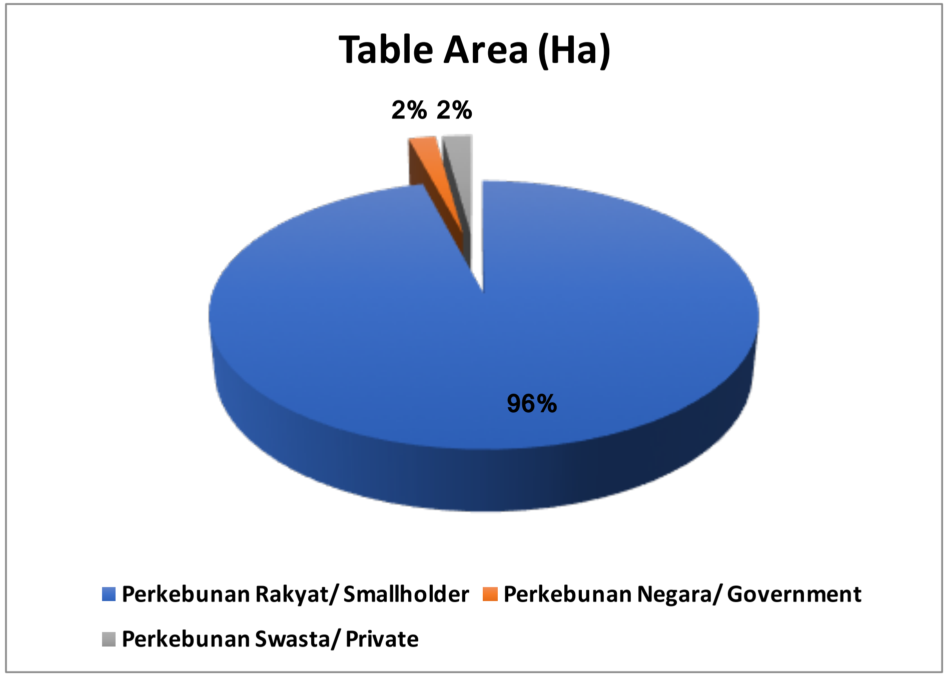


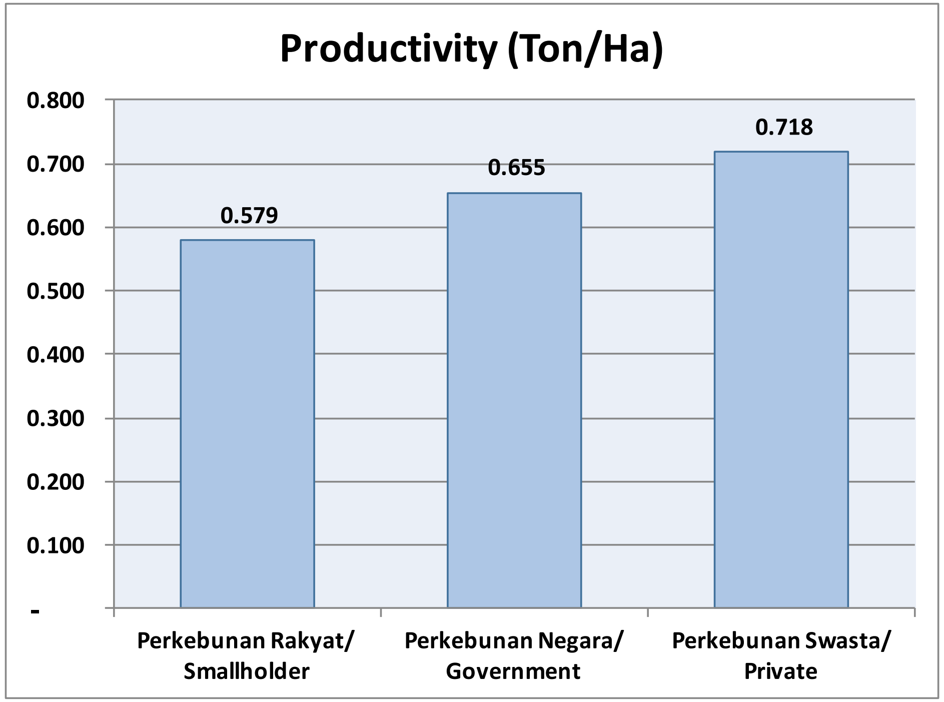


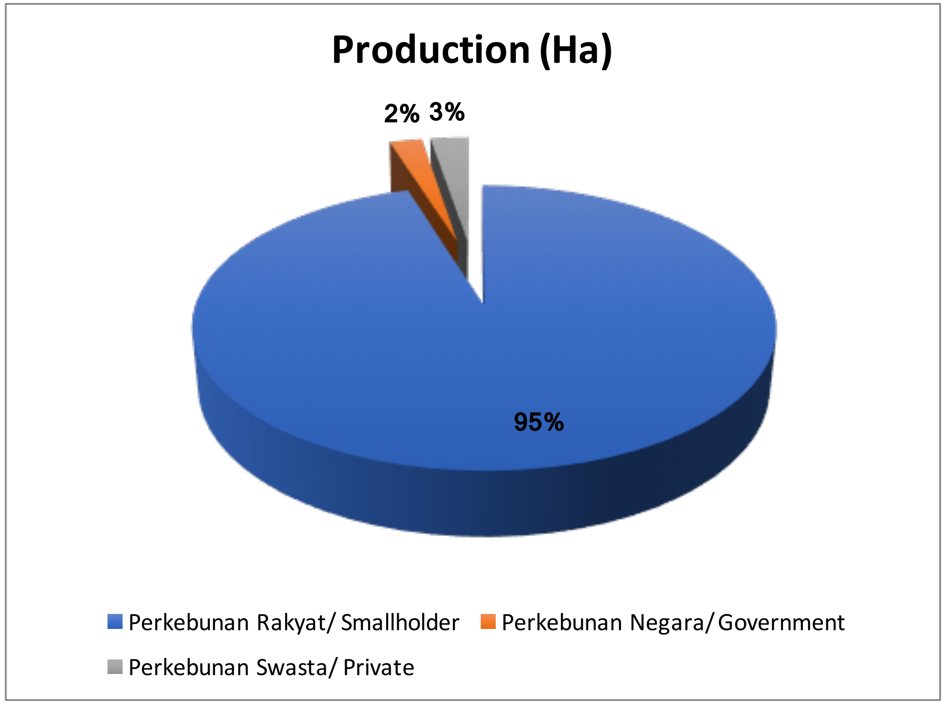
Produksi Kopi Menurut Provinsi dan Status Pengusahaan, 2014
Production by Province and Farming Category, 2014

In Term of	Perkebunan Raky Smallholder	Perkebunan Nega Government	Perkebunan Swas Private
Table Area	1,057,758	21,827	23,237
Production	612,571	14,293	16,687
Productivity	0.579	0.655	0.718

Source: http://ditjenbun.pertanian.go.id/tinymcpuk/gambar/file/statistik/2016/KOPI%202014-2016.pdf







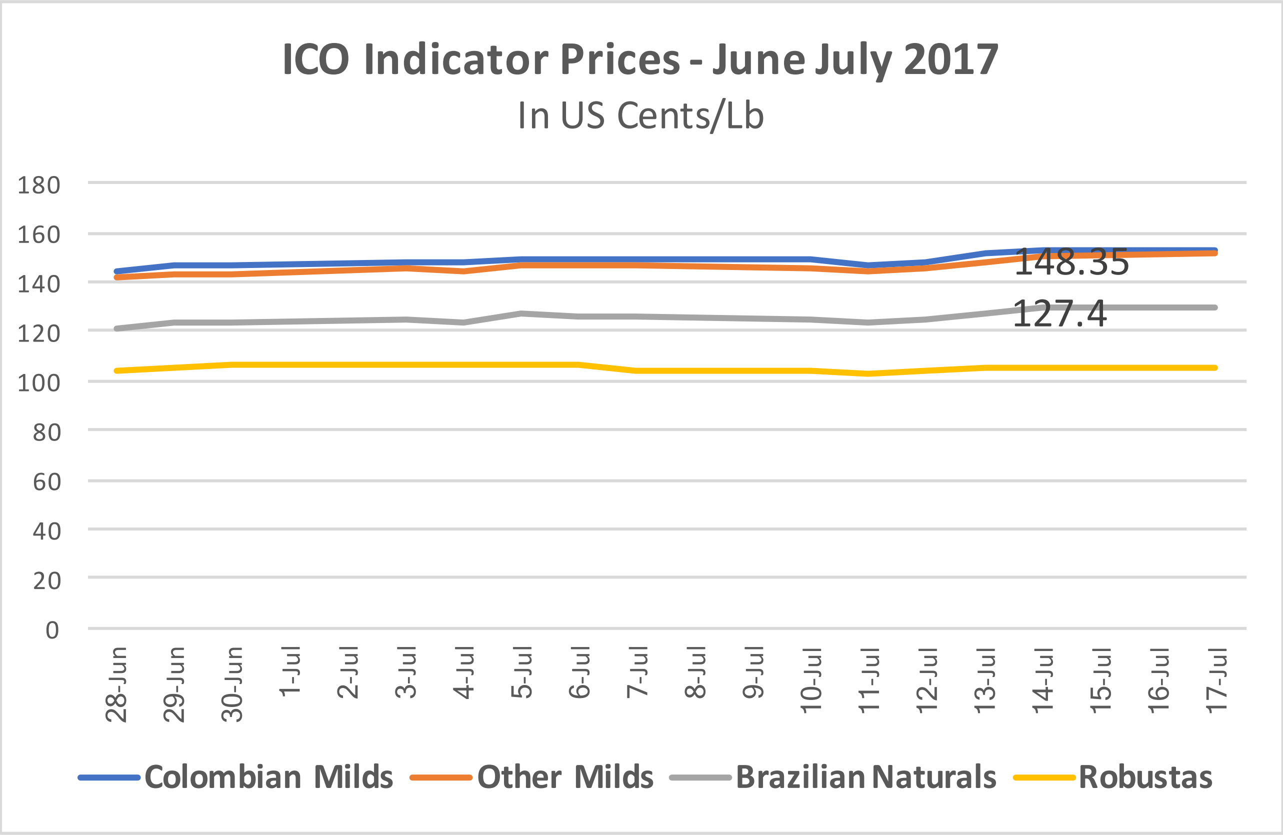
ICO INDICATOR PRICES

- **Colombian Milds**: One of the groups of Arabica coffee established under the Agreement. Countries in this group are: 1)Brazil 2)Ethiopia 3)Paraguay
- **Other Milds**: One of the groups of Arabica coffee established under the Agreement. Countries in this group are:1) Bolivia 2)Burundi 3)Costa Rica 4)Cuba 5)Dominican Republic 6)Ecuador 7)El Salvador 8)Guatemala 9)Haiti 10)Honduras 11)India 12)Jamaica 13)Malawi 14)Mexico 15)Nicaragua 16)Panama 17)Papua New Guinea 18)Peru 19)Rwanda 20)Venezuela 21)Zambia 22)Zimbabwe
- **Brazilian Naturals**: One of the groups of Arabica coffee established under the Agreement. Countries in this group are: 1)Brazil 2)Ethiopia 3)Paraguay
- **Robusta** : A type of coffee produced from a tree of the botanical species *Coffea canephora.* One of the groups of coffee established under the Agreement, grouping all exporting countries producing Robusta mainly or exclusively. Countries in this group are: 1)Angola 2)Congo, D.R. of 3) Ghana 4)Guinea **5)Indonesia** 6)Liberia 7)Nigeria 8)OAMCAF (Benin, Cameroon, Central African Rep., Congo, Cote d'Ivoire, Equatorial Guinea, Gabon, Madagascar, Togo) **8)Philippine** 9)Sierra 10)Leone 11)Sri Lanka **12)Thailand** 13)Trinidad and Tobago 14)Uganda **15)Vietnam**

COFFEE PRICES

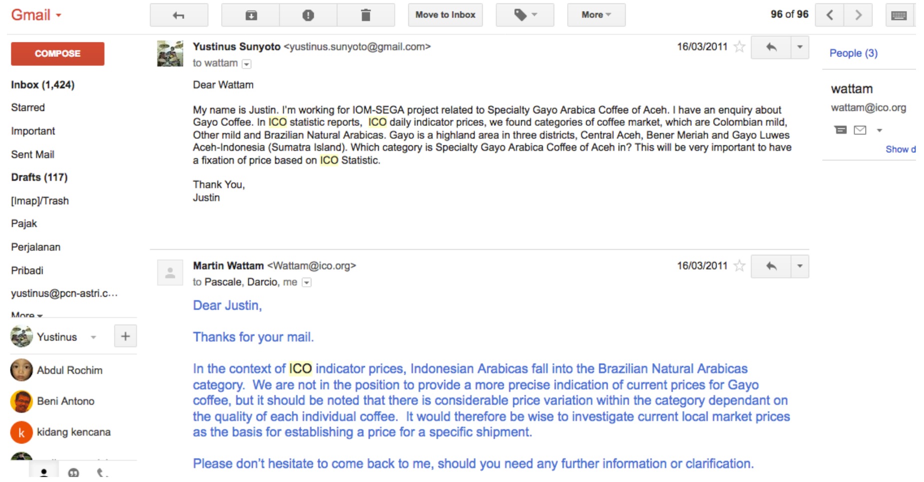
ICO Indicator Prices - June_July 2017
In US cents/lb

Date	Colombian Milds	Other Milds	Brazilian Naturals	Robustas
28-Jun	144.77	141.41	121.14	103.48
29-Jun	147.02	143.27	123.4	105.37
30-Jun	146.38	142.7	123.03	106.67
3-Jul	148.02	144.96	124.64	106.29
4-Jul	147.4	144.76	124.04	105.99
5-Jul	149.6	147.09	126.7	106.3
6-Jul	148.55	146.23	125.84	106.14
7-Jul	148.96	146.12	125.64	104.39
10-Jul	148.56	145.64	125.26	103.51
11-Jul	146.73	144.09	123.23	102.5
12-Jul	147.66	144.84	124.41	103.41
13-Jul	151.1	148.35	127.4	105.41
14-Jul	152.97	150.84	129.44	105.45
17-Jul	153.01	151.05	129.58	105.1
Everage	148.62	145.81	125.27	105.00



ICO STATAMENT

16 MARCH 2011


Gmail
Move to Inbox
More
96 of 96
COMPOSE
Inbox (1,424)
Starred
Important
Sent Mail
Drafts (117)
[Imap]/Trash
Pajak
Perjalanan
Pribadi
yustinus@pcn-astri.c...
Yustinus
Abdul Rochim
Beni Antono
kidang kencana

Yustinus Sunyoto <yustinus.sunyoto@gmail.com> 16/03/2011
to wattam

Dear Wattam

My name is Justin. I'm working for IOM-SEGA project related to Specialty Gayo Arabica Coffee of Aceh. I have an enquiry about Gayo Coffee. In ICO statistic reports, ICO daily indicator prices, we found categories of coffee market, which are Colombian mild, Other mild and Brazilian Natural Arabicas. Gayo is a highland area in three districts, Central Aceh, Bener Meriah and Gayo Luwes Aceh-Indonesia (Sumatra Island). Which category is Specialty Gayo Arabica Coffee of Aceh in? This will be very important to have a fixation of price based on ICO Statistic.

Thank You,
Justin

Martin Wattam <Wattam@ico.org> 16/03/2011
to Pascale, Darcio, me

Dear Justin,

Thanks for your mail.

In the context of ICO indicator prices, Indonesian Arabicas fall into the Brazilian Natural Arabicas category. We are not in the position to provide a more precise indication of current prices for Gayo coffee, but it should be noted that there is considerable price variation within the category dependant on the quality of each individual coffee. It would therefore be wise to investigate current local market prices as the basis for establishing a price for a specific shipment.

Please don't hesitate to come back to me, should you need any further information or clarification.

People (3)
wattam
wattam@ico.org

Dear Wattam

My name is Justin. I'm working for IOM-SEGA project related to Specialty Gayo Arabica Coffee of Aceh. I have an enquiry about Gayo Coffee. In ICO statistic reports, ICO daily indicator prices, we found categories of coffee market, which are Colombian mild, Other mild and Brazilian Natural Arabicas. Gayo is a highland area in three districts, Central Aceh, Bener Meriah and Gayo Luwes Aceh-Indonesia (Sumatra Island). <u>Which category is Specialty Gayo Arabica Coffee of Aceh in?</u> This will be very important to have a fixation of price based on ICO Statistic.

Thank You,

Justin

Dear Justin,

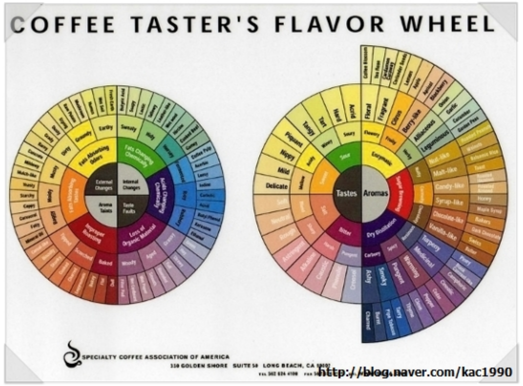
Thanks for your mail.

<u>In the context of ICO indicator prices, Indonesian Arabicas fall into the Brazilian Natural Arabicas category.</u> We are not in the position to provide a more precise indication of current prices for Gayo coffee, but it should be noted that there is considerable price variation within the category dependant on the quality of each individual coffee. It would therefore be wise to investigate current local market prices as the basis for establishing a price for a specific shipment.

Please don't hesitate to come back to me, should you need any further information or clarification.

Best regards,

Martin Wattam

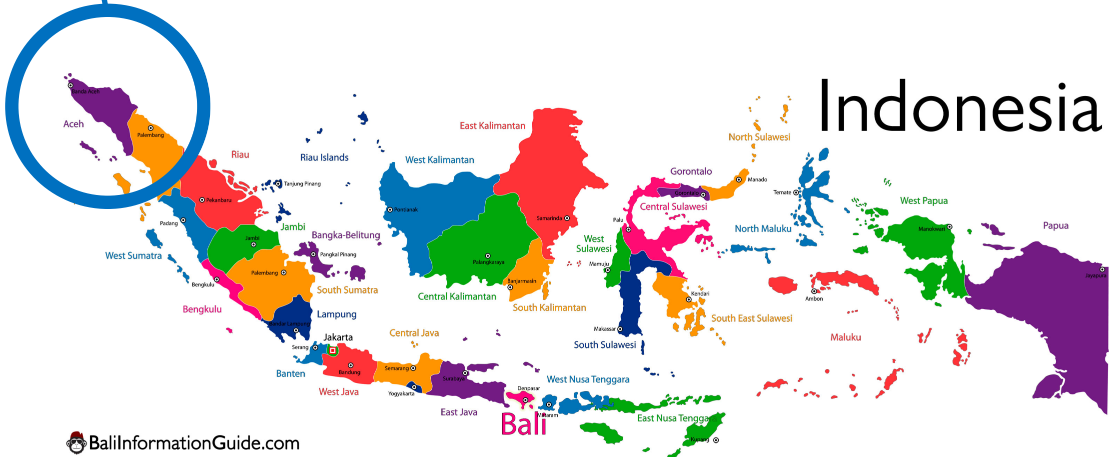


LEARNING EXPERIENCE
FROM GAYO COFFEE

GAYO ON MAP

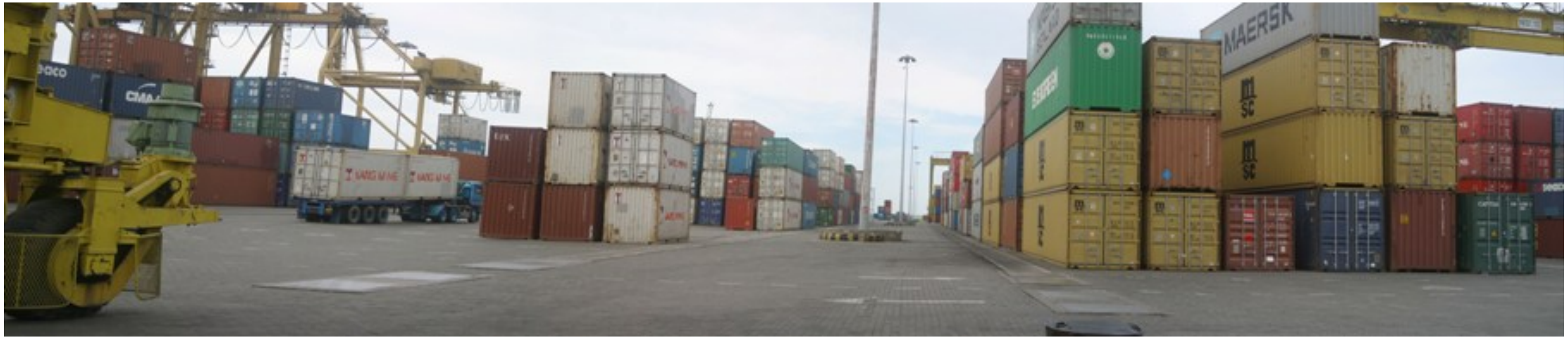
Gayo Indicator Geopraphic :
-Aceh Tengah
-Bener Meriah
-Gayo Lues

As Central of Gayo Coffee Production



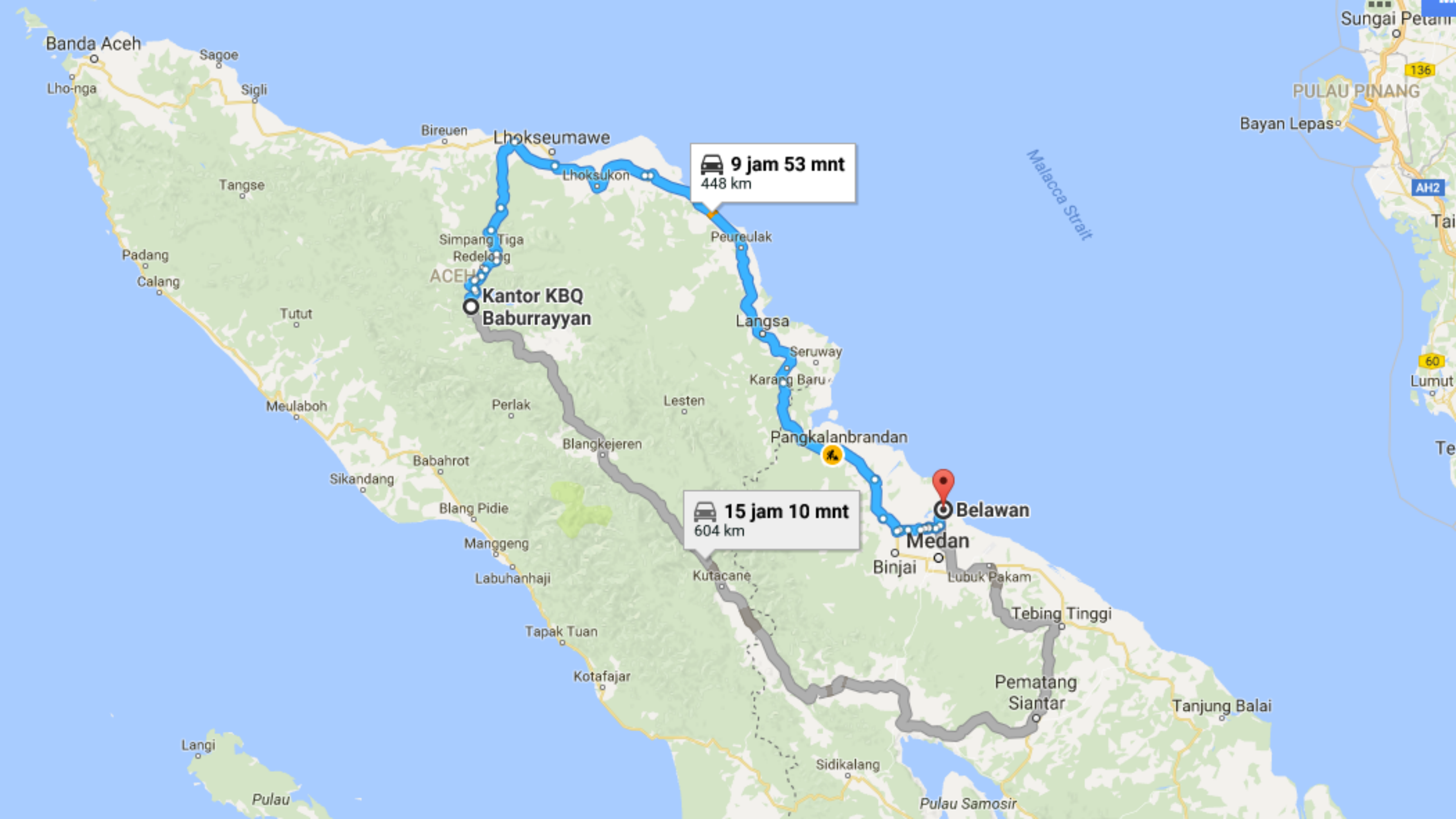
Closest Existing Port in 2011
Lhokseumawe Aceh

Existing
Lift on Empty Container
At Sparrow Freight Internationals
Container Yard in Belawan Port-Nort Sumatera



Container Port Belawan – Nort Sumatera

Loading – Uploading at Muat Malahayati Port - Aceh



Banda Aceh
Sagoe
Sigli
Lho-nga
Bireuen
Lhokseumawe
Lhoksukon
9 jam 53 mnt
448 km
Tangse
Simpang Tiga
Redelong
ACEH
Padang
Calang
Kantor KBQ
Baburrayyan
Tutut
Peureulak
Langsa
Seruway
Karang Baru
Lesten
Meulaboh
Perlak
Pangkalanbrandan
Blangkejeren
Babahrot
Sikandang
Blang Pidie
15 jam 10 mnt
604 km
Belawan
Medan
Binjai
Manggeng
Labuhanhaji
Kutacane
Lubuk Pakam
Tebing Tinggi
Tapak Tuan
Kotafajar
Pematang
Siantar
Tanjung Balai
Langi
Sidikalang
Pulau
Pulau Samosir
Malacca Strait
Sungai Petani
136
PULAU PINANG
Bayan Lepas
AH2
60
Lumut

CHALLENGES FOR ACEH

- **INFRASTUKTUR**

  - Poor Road Accessing to Central of Production

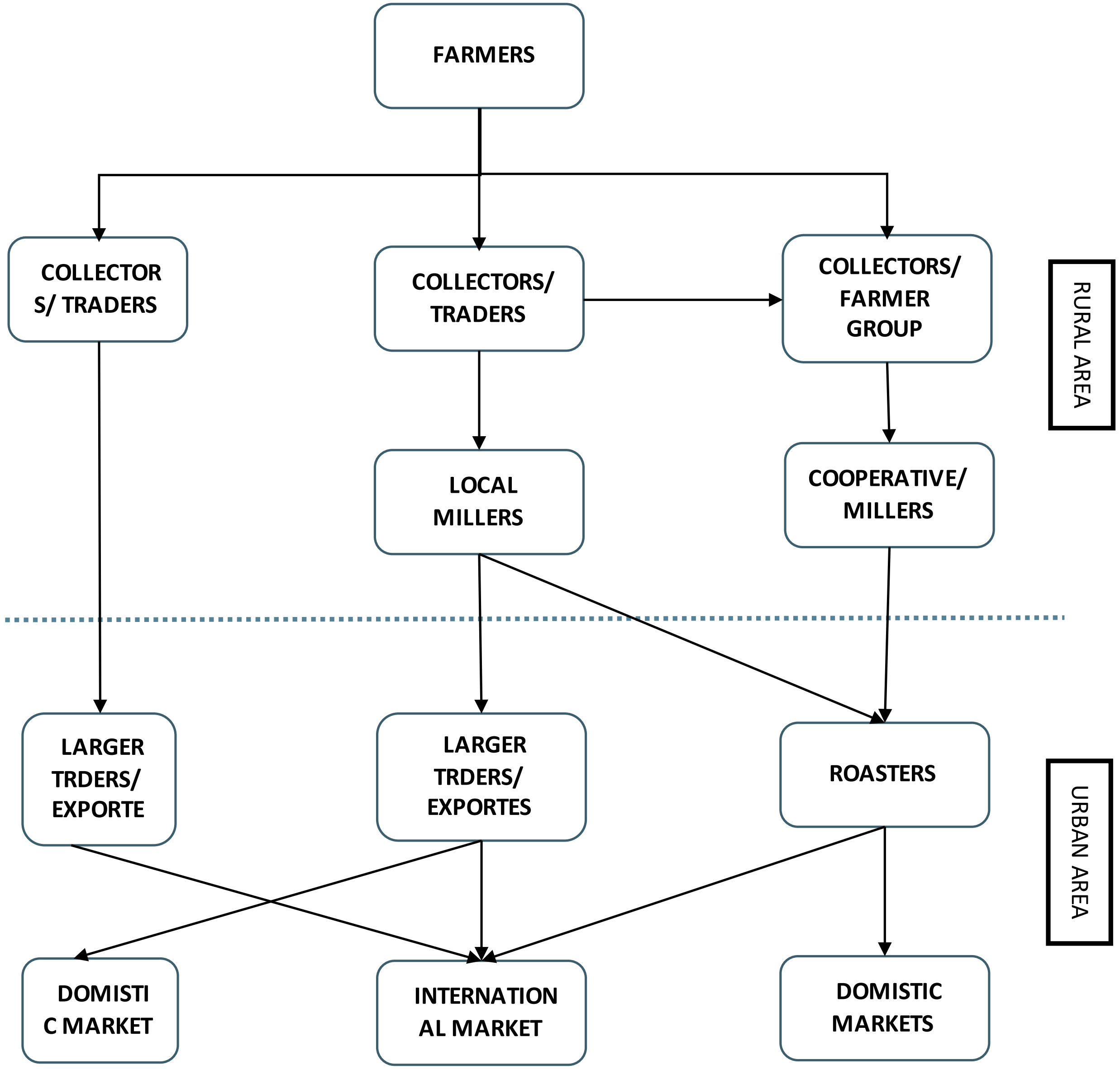
  - Poor Port (Dry port/ Area Development)

  - Dependent to Other Province

- **REGULATION AND POLICY**

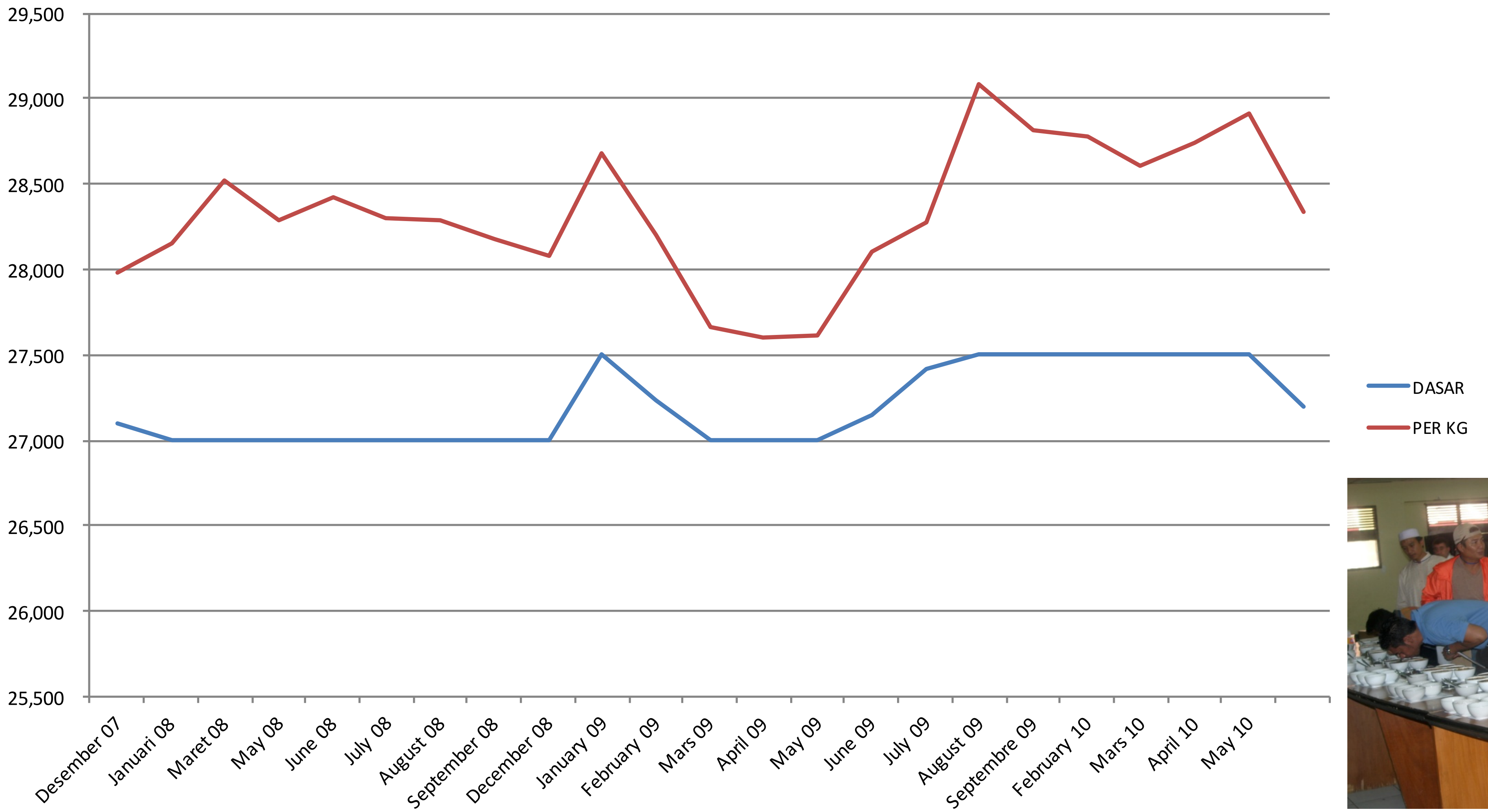
  Ekspor-Import Barrier (Belawan, Bandara Soekarno Hatta, Tanjung Perak Surabaya dan Makassar, Free Trade Zone : Batam)

GENERALIZED VALUE CHAIN



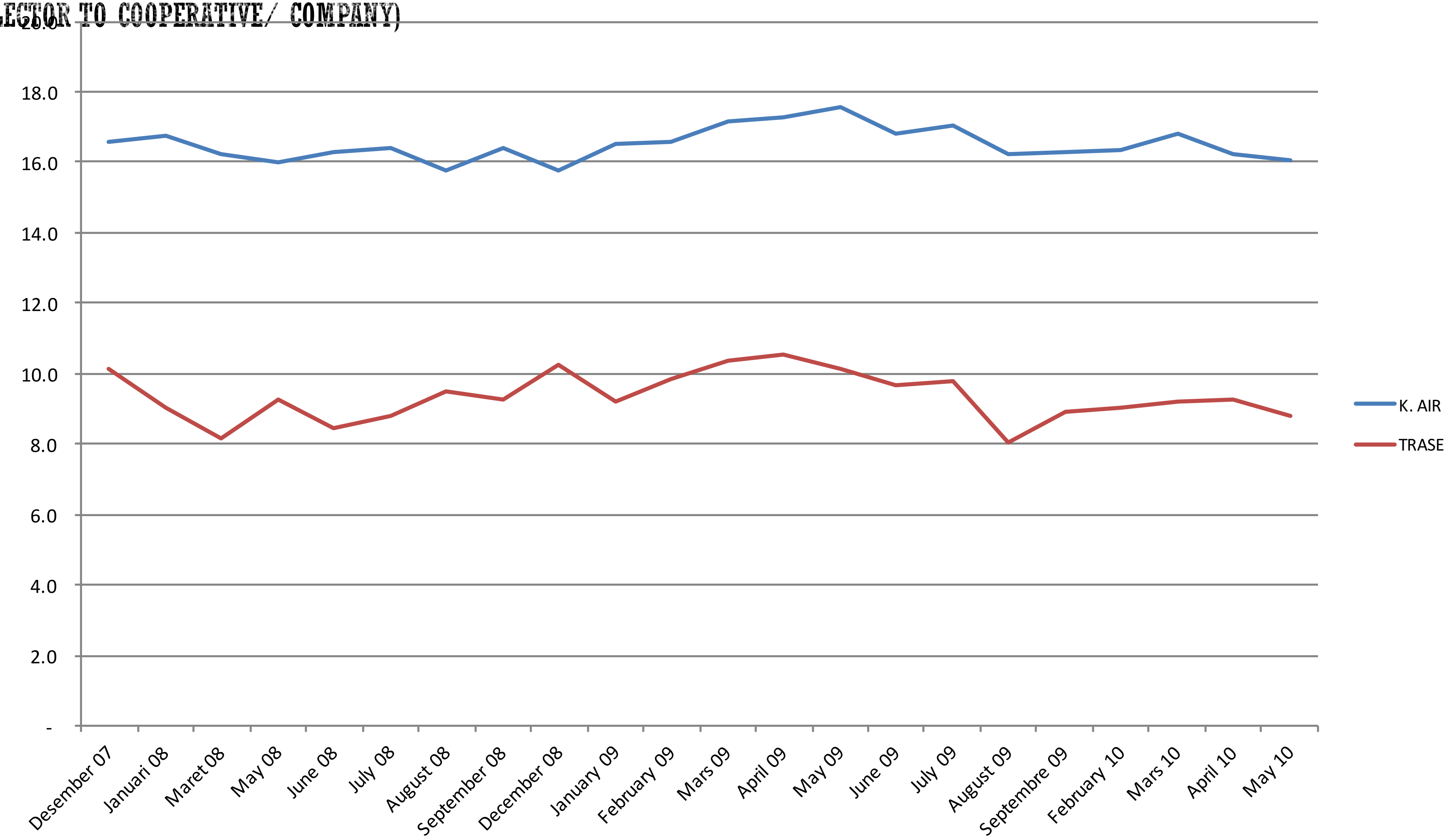
PRICE BEFORE & AFTER CUPPING

(COLLECTOR TO COOPERATIVE/ COMPANY)

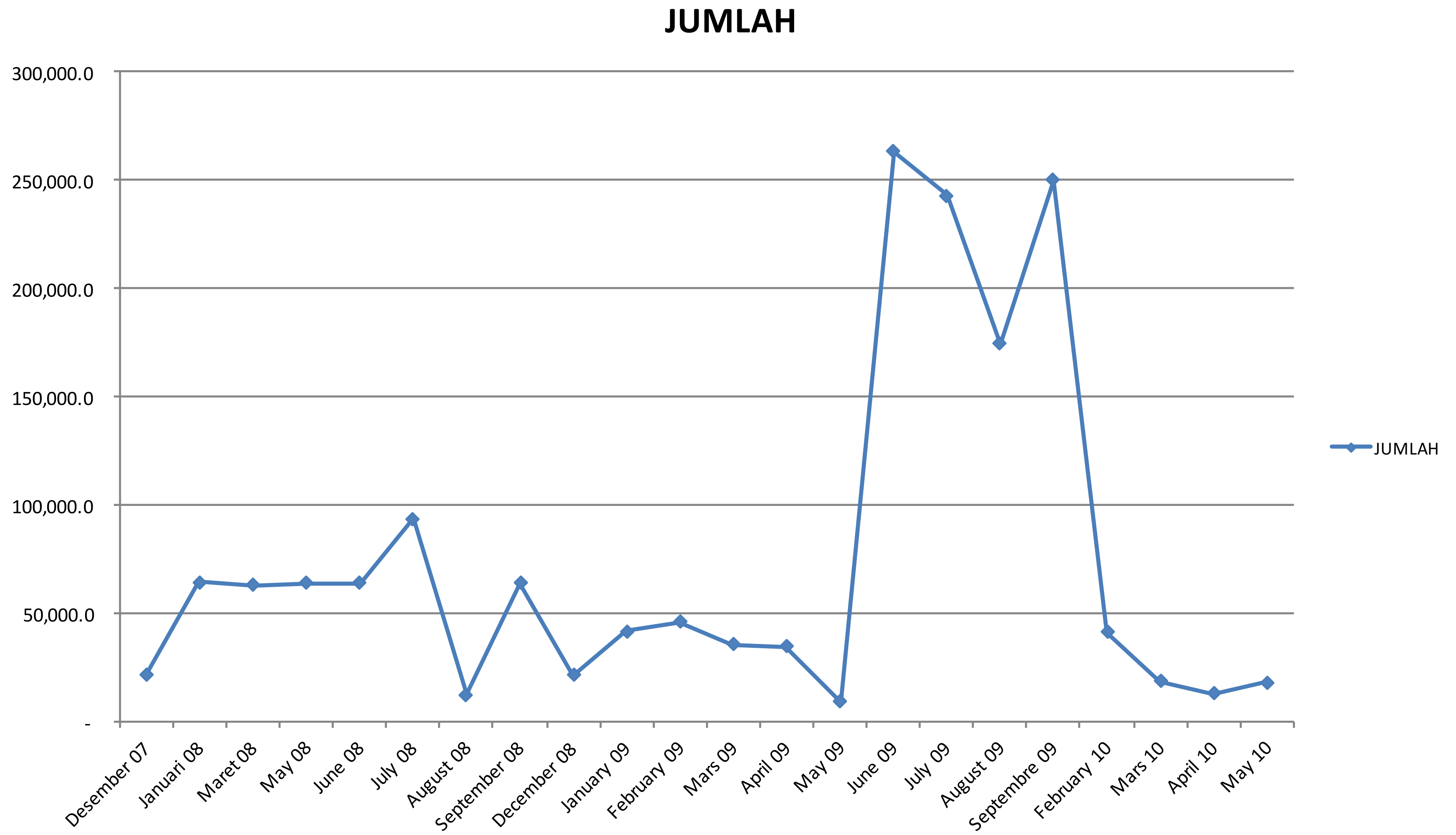


QUALITY OF COFFEE ACCEPTED

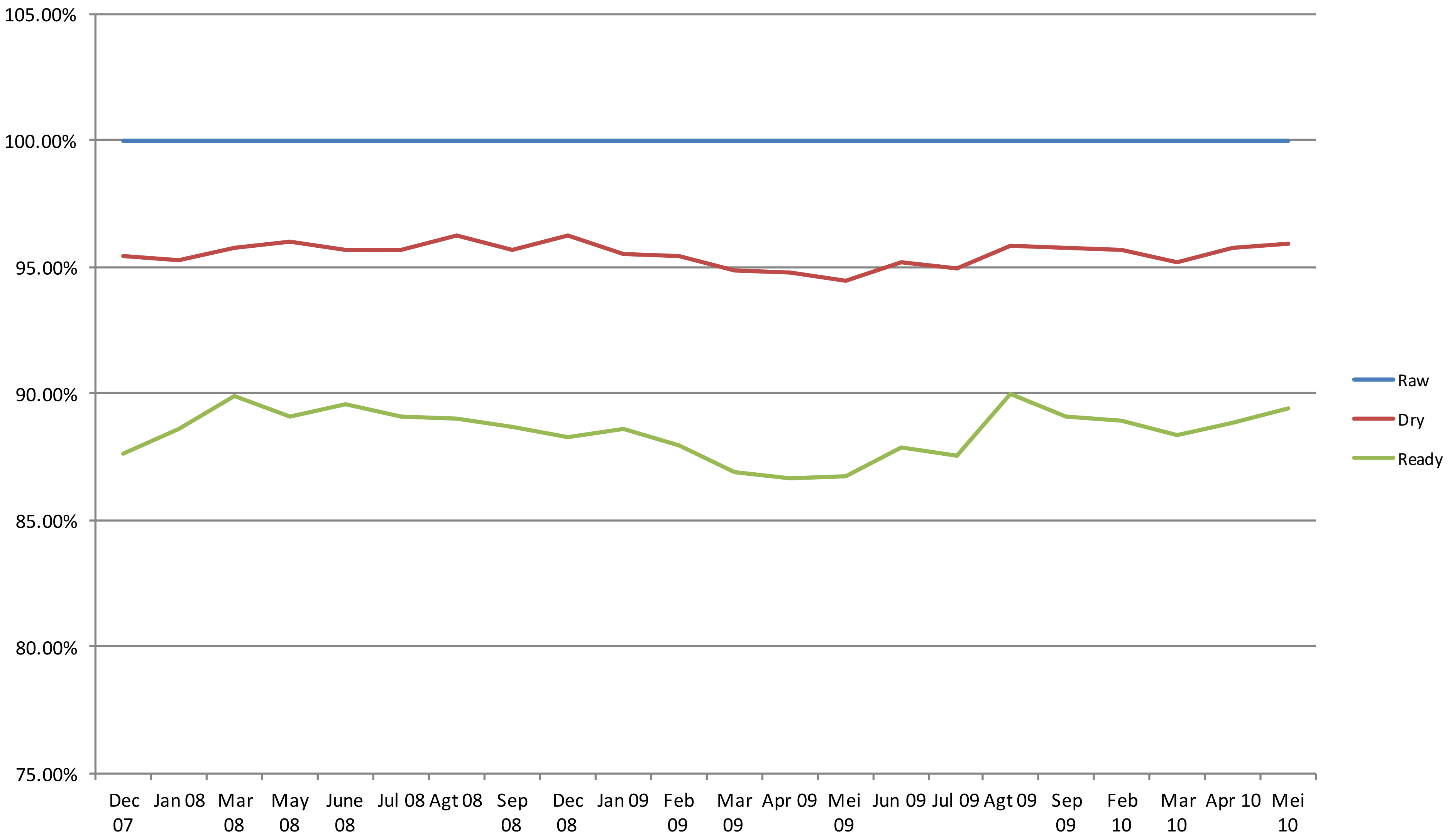
(COLLECTOR TO COOPERATIVE/ COMPANY)



QUANTITY OF COFFEE ACCEPTED

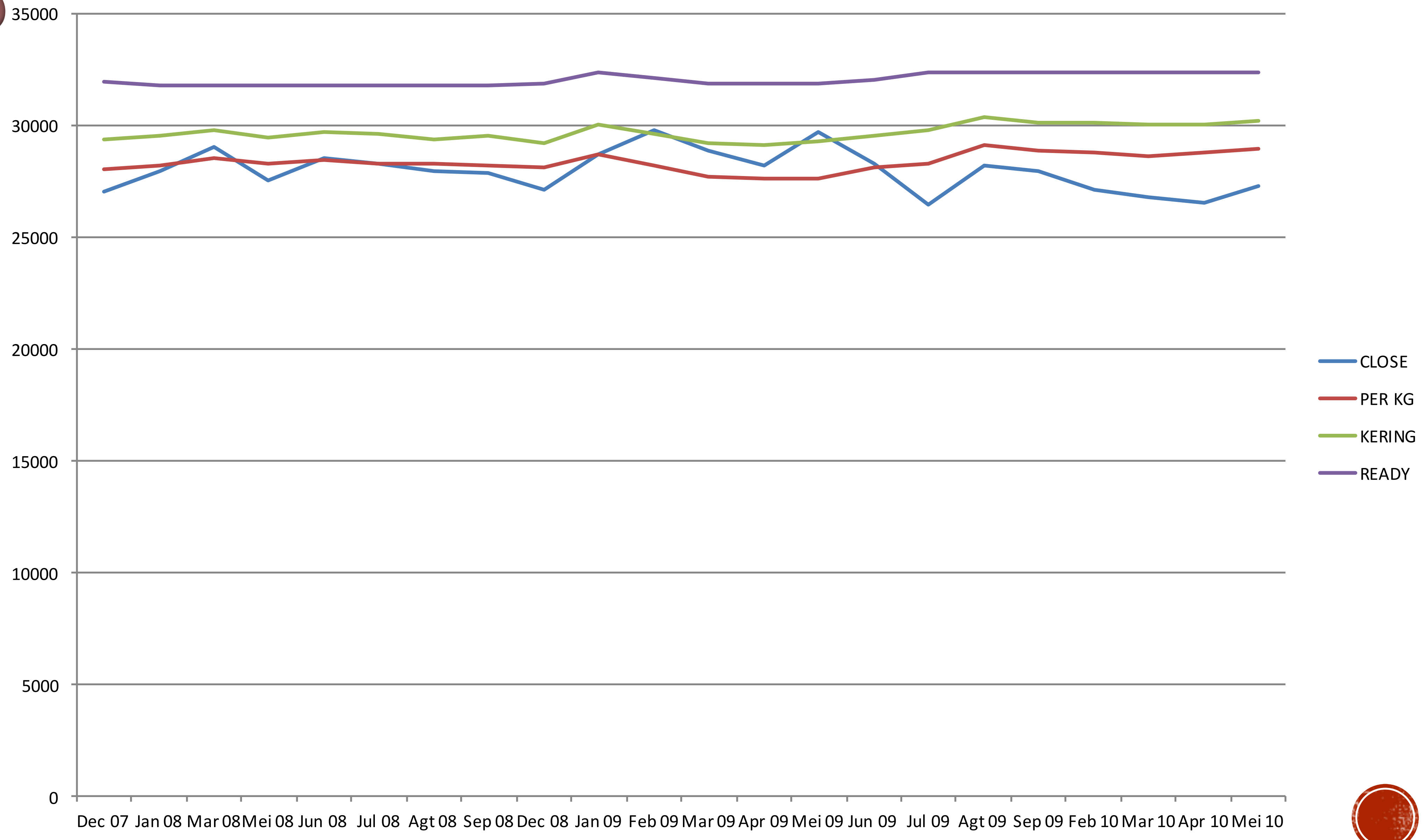


FROM COOPERATIVE (ASALAN) TO READY EXPORT

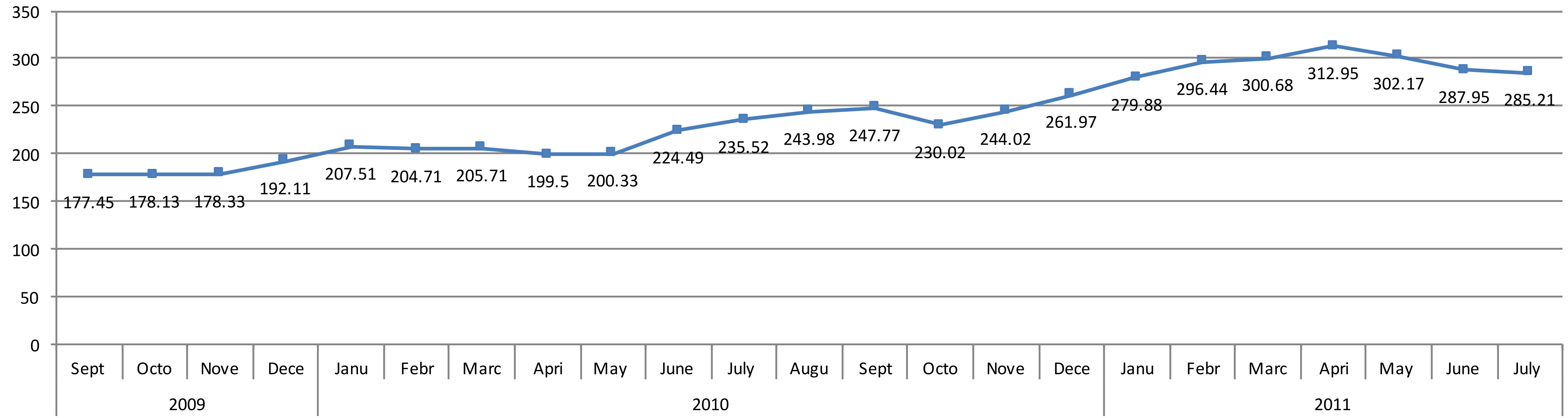


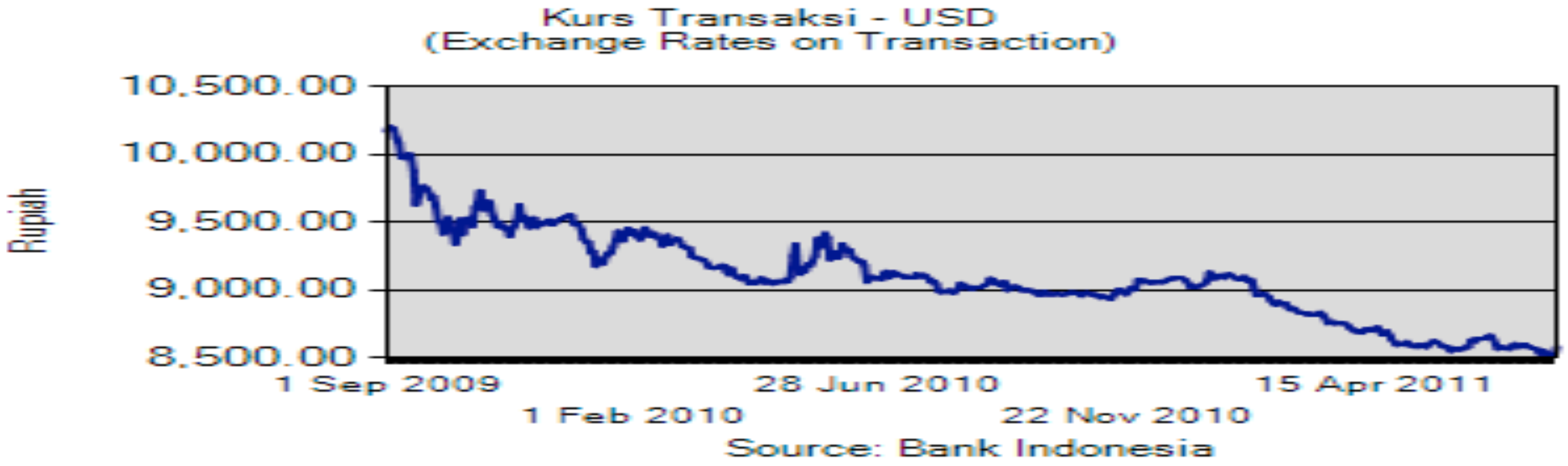
PRICES

(LOCAL VS GLOBAL)



EXPORT MARKET 2009 - 2011





GLOBAL VS LOCAL PRICE

<u>11 August 2011</u>

Bloomberg-Coffee "C" 238.35 (-0.15) cents

1 Kg = 2.20462 pound

1 Kg = 525.471.. Cents/ $5.25471

1 US$ = Rp. 8,520

1kg Coffee = Rp. 8,520 x 5.25471

= Rp. 44,770.1292

Price of Coffee at Collector Level (Ready Export) was

= Rp. 59,000 or $6.92/ Kg

ALTERNATIVE/ SOLUTION

If Exchange Rate's been assumed constant Rp. 8.520/ 1 US%, and price at farmer level will be constant at Rp. 59.000

Than : Global price minimum $7.3 or 331,12 cents/ pound, **PRICE DILEMA?**

Solution

1. Cost Effective & Efficiency
2. Quality 🖼(competitiveness)
3. New Marketing Strategy (Certification; **Specialty/Niche Market)**

DEFINITION : SPESIALTY ?

The SCAA Specialty Standard for All Arabica Coffee

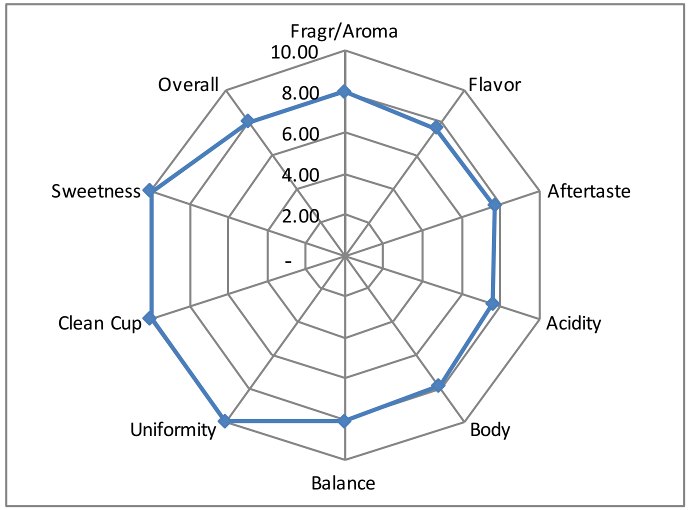
	Standard	Conditions
Primary Defects	*0*	*350 Grams Sample Green Coffee Grading To SCAA Standards*
Scondary Defects	*Maximum 5*	
Moisture Content	*10 - 12 % (Upon Import)*	
Cup Evaluation	*80 Points Or Above*	*100 Gram Sample Roasted Coffee*
Quackers	*0*	*100 Gram Sample Roasted Coffee*

Coffee Quality Institute (CQI) and the Q Coffee System (Programs Manager, Alexandra Katona-Carroll). SCAA Protocols | Cupping Specialty Coffee. Published by the Specialty Coffee Association of America (SCAA), Revised: November 21, 2009 • Pages: Cover + 7

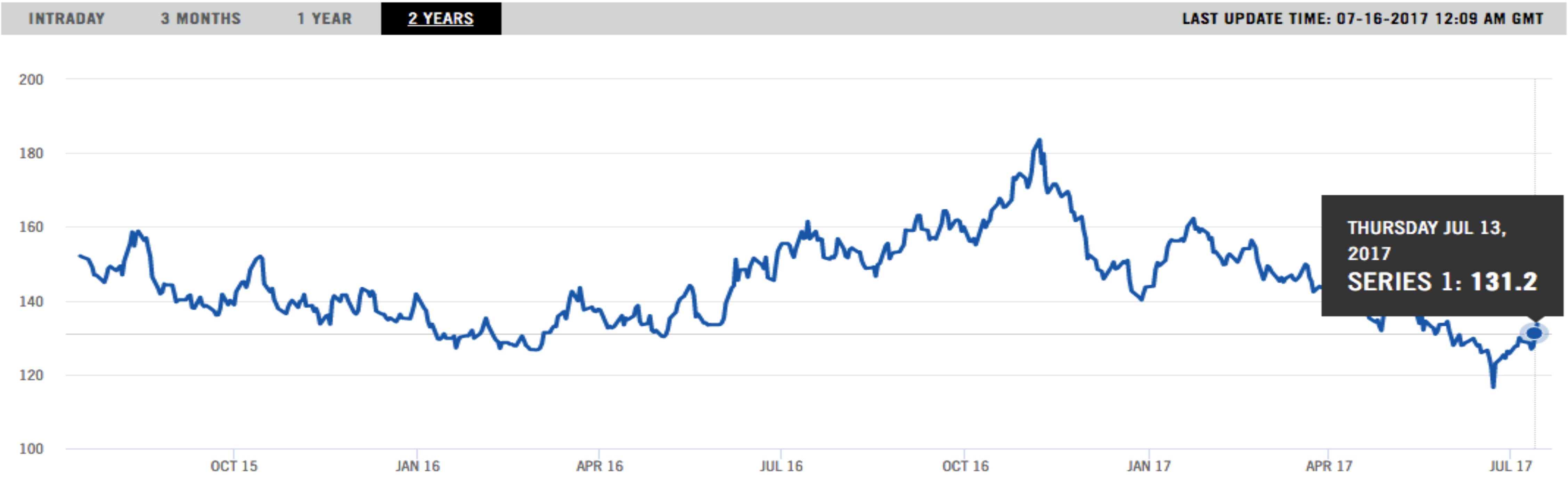
Classification based on Final Score

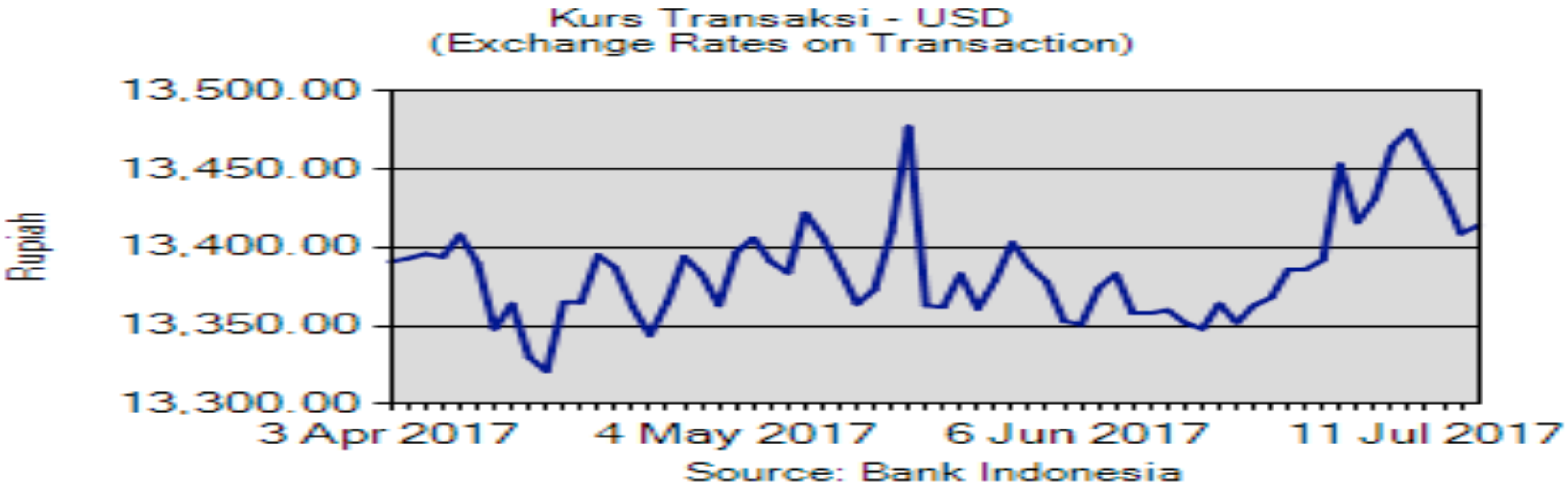
Range	Grade	Classification
90 – 100	Outstanding	Specialty
85 – 89.99	Excellent	
80 – 84.99	Very Good	
< 80.00	*Below Specialty Quality*	*Not Specialty*

Atribute	Score
Fragr/Aroma	8.00
Flavor	7.63
Aftertaste	7.75
Acidity	7.63
Body	7.88
Balance	8.13
Uniformity	10.00
Clean Cup	10.00
Sweetness	10.00
Overall	8.00
Total Score	**85.00**
Defect	-
Final Score	**85.00**



EXPORT MARKET 2017





GLOBAL VS LOCAL PRICE

<u>13 July 2017</u>

Bloomberg-Coffee "C" 131.20 (+3.60) cents

1 Kg = 2.20462 pound

1 Kg = 289.246.. Cents/ $2.892

1 US$ = Rp. 13,275

1kg Coffee = Rp. 13,275 x 2.892

= Rp. 38.397,742

Price of Coffee at Collector Level (Ready Export) was

= Rp. 63.000 or $4.7457/ Kg

LEARNING EXPERIENCE
FROM BATANG COFFEE (CENTRAL JAVA)

COFFEE CONDITIONS

- **PRODUCTION AREA**

  - Scattered;
  - Robusta 700 ha, cultivated about 500-900 dpl
  - Arabica 300 ha, cultivated about 1,200 dpl
  - Per Farmer 500m^2 – <1ha
  - Poor Knowledge on Good Agriculture Preactices

- **POST HARVEST**

  - Selling in Cherry
  - Poor Processing
  - Poor Knowledge on Good Processing Practices


JAWA TENGAH
Pembagian Administratif
Kota
Kabupaten
Ibukota Kabupaten
JAWA BARAT
A
B
C
D
E
F
Brebes
Tegal
Pemalang
Peka-
longan
Batang
Kendal
Demak
Kudus
Pati
Rembang
Blora
Grobogan
Semarang
Purba-
lingga
Banjar-
negara
Temanggung
Boyo-
lali
Sragen
Wono-
sobo
Magelang
Banyumas
Cilacap
Kebumen
Purworejo
Karang-
anyar
Klaten
Suko-
JAWA TIMUR
KOTA
A: TEGAL
B: PEKALONGAN
C: SEMARANG
D: SALATIGA
E: MAGELANG
F:SURAKARTA
Indonesia
Central Java
Bali
BaliInformationGuide.com

COFFEE INDUSTRY IN INDONESIA

- Very Likely form Upstream to Downstream at Every Coffee Region
- Involve Many Actors in Supply Chain
- Long Term Investment with Competitive Margin
- People Economic (Potentially Sustain in respecting people's economic)

Sustainable Supply

Sustainable Market

THE STATE OF THE GLOBAL COFFEE TRADE

The latest facts and figures about the global coffee trade from the International Coffee Organization.

MONTHLY TRADE STATS: EXPORTS

LATEST UPDATE: 30 NOVEMBER 2016

- **9.13 million bags**

World coffee exports amounted to 9.13 million bags in October 2016, compared with 9.31 million bags in October 2015.

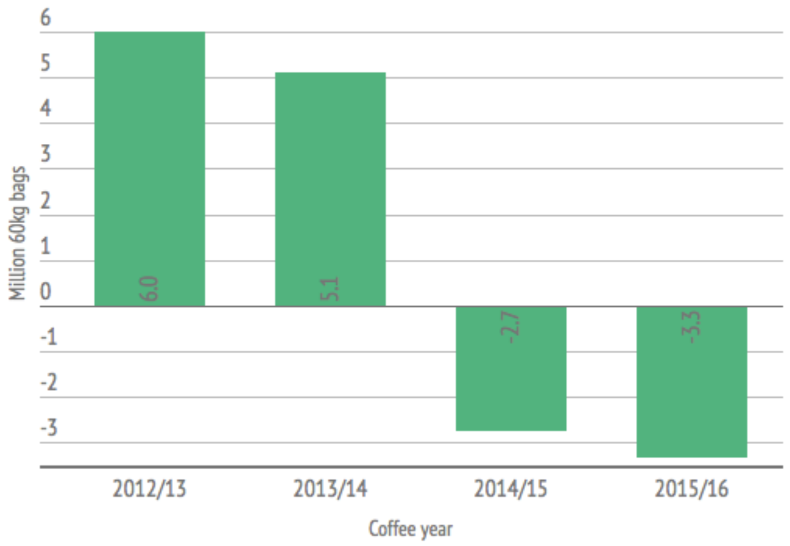
- **71.93 million bags of Arabica**

In the twelve months ending October 2016, exports of Arabica totaled 71.93 million bags compared to 69.21 million bags last year

- **40.46 million bags of Robusta**

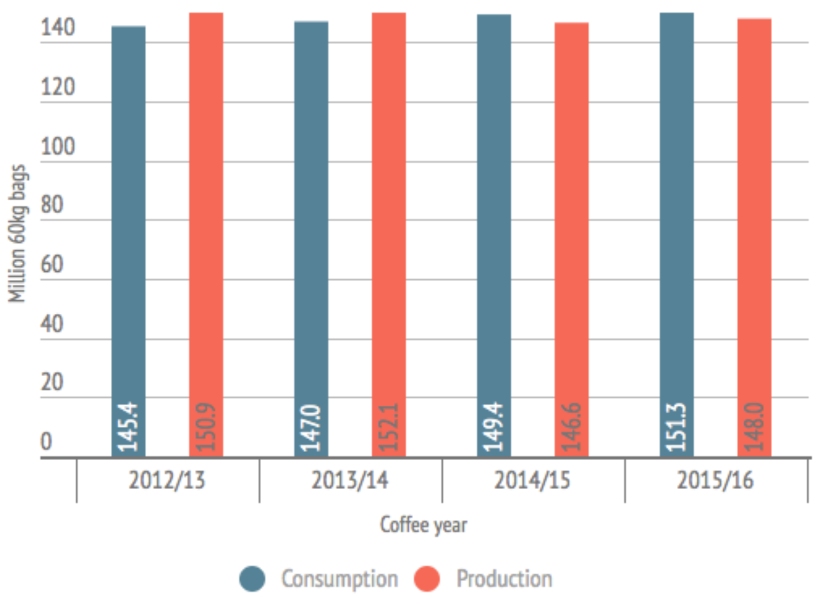
In the twelve months ending October 2016, Robusta exports amounted to 40.46 million bags compared to 43.81 million bags last year.

WORLD CONSUMPTION, PRODUCTION AND STOCK CHANGE
(2012/13 - 2015/16)



- **The coffee market ended 2015/16 <u>in deficit</u> for the second consecutive year, but <u>stocks accumulated</u> in 2012/13 and 2013/14 have allowed <u>the market to remain well supplied</u>.** Data as at 14 October 2016
- **-3.3 million 60kg bags**

Estimated deficit between production and consumption in 2015/16



GLOBAL COFFEE PRODUCTION

DATA AS AT 14 OCTOBER 2016 - NEXT UPDATE JANUARY 2017

- **148 million**

Estimated number of 60 kg bags of coffee produced in 2015/16

- **+0.9%**

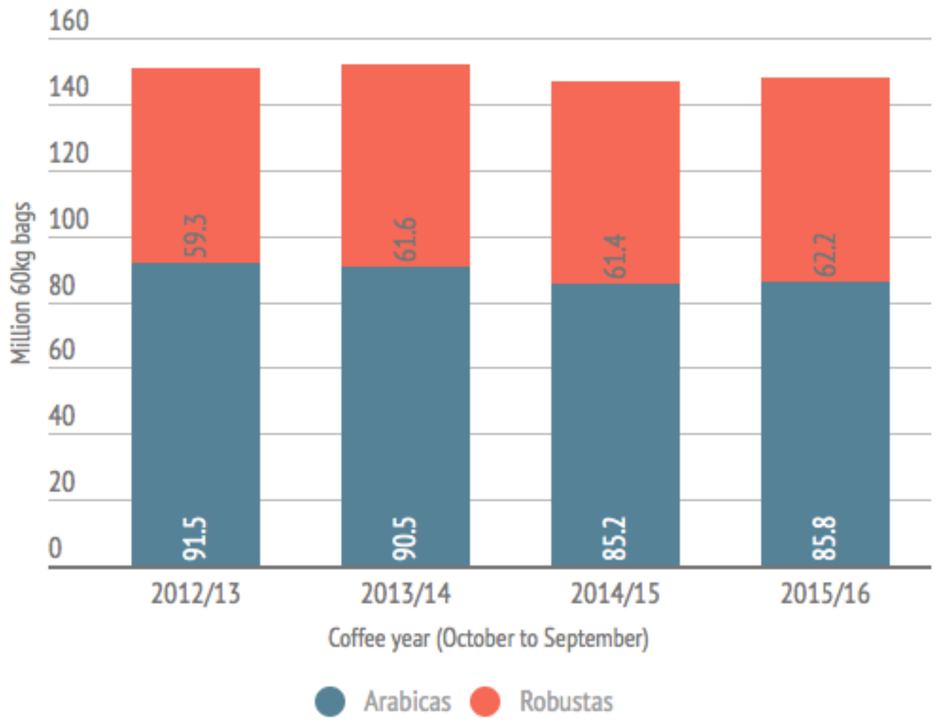
Estimated increase in global coffee production in 2015/16 compared to 2014/15

- **0.7%**

Estimated change in global production of Arabica coffees in 2015/16 compared to previous coffee year

- **1.3%**

Estimated increase in global production of Robusta coffees in 2015/16 compared to previous coffee year



GLOBAL COFFEE CONSUMPTION

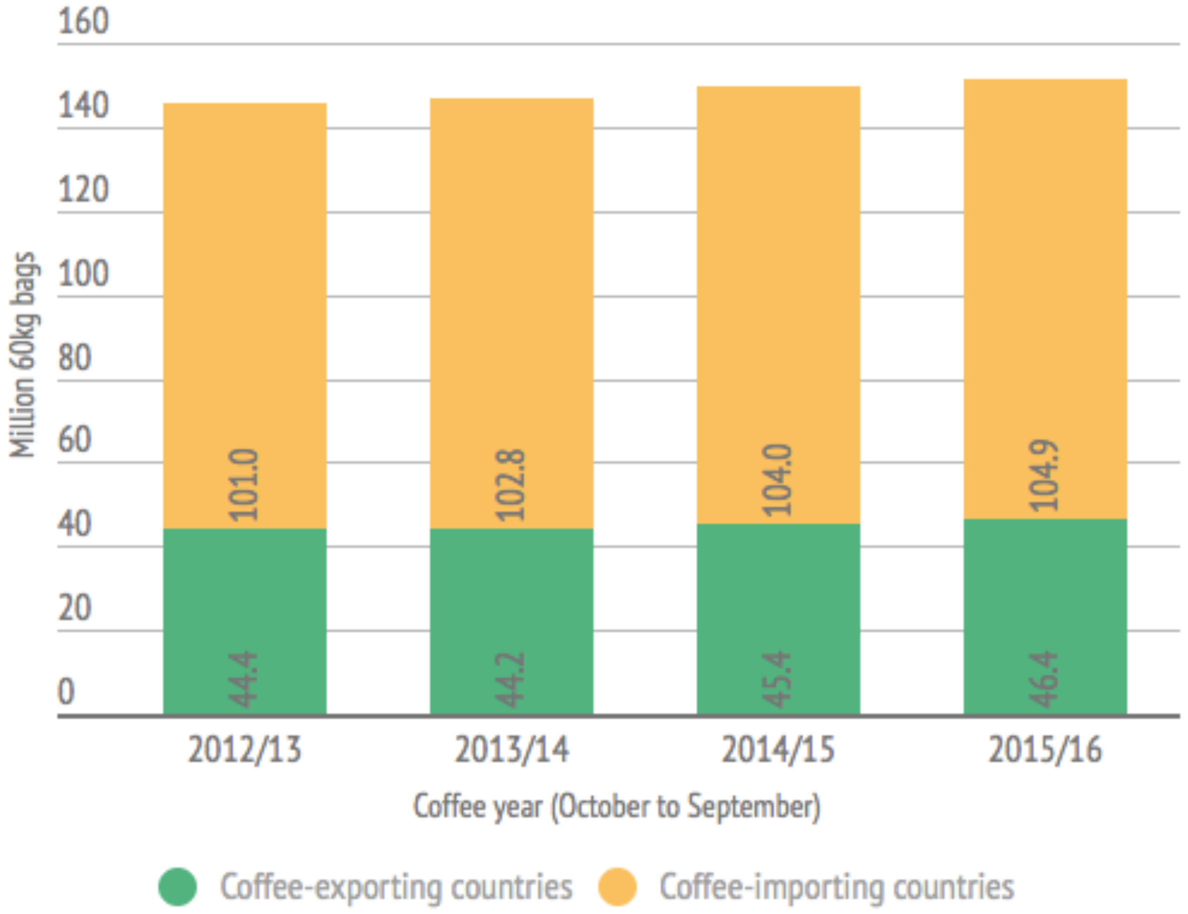
DATA AS AT 14 OCTOBER 2016 - NEXT UPDATE JANUARY 2017

- **151.3 million**

Estimated number of 60 kg bags of coffee consumed in coffee year 2015/16 (Oct. 2015 to Sep. 2016)

- **1.3%**

Average annual growth rate in global coffee consumption since coffee year 2012/13



CURRENT ICO ISSUES ON COFFEE

Highlights

- Research by the ICO shows that price volatility in the coffee market and increasing costs of production for farmers means that many producers operate at a loss in both the short and long term.
- Coffee production is not economically sustainable for many producers, and those who can make a profit struggle to cover the costs of establishment and plant renewal.
- Costs of production generally increase consistently over time, whereas international prices vary significantly with no clear upwards or downwards trend, meaning that **coffee growing is on average becoming less profitable over time.**

Source: https://icocoffeeorg.tumblr.com/post/152020502925/new-ico-study-assessing-the-economic

WHY DOES THIS MATTER?

- The living conditions of millions of coffee farmers are deteriorating
- Reduced profitability over time could result in consolidation of coffee farms and/or disruption to coffee supplies, with farmers choosing to leave the market, or even abandoning their crops, which can pose a phytosanitary threat to neighboring coffee farms.

Source: https://icocoffeeorg.tumblr.com/post/152020502925/new-ico-study-assessing-the-economic

WHAT NEXT – COOPERATIVE (NATIONAL LEVEL)

- Know Your Coffee : Agri-Climatology, Varieties, Profile
- Understand Existing Condition : Input Supplies, Agriculture Practices; Processing Practices, Logistic and Financial Support
- Understand Your Market : Local, National, International - Green Bean, Roasted, End
- Institutional Building : Strengthen Capacity
- Develop Strategy :

    1) Business Audit : Go (more) international or not?

    2) Selecting Target Markets : Which market to enter?

    3) Develop Entry Strategies : How to enter target Markets?

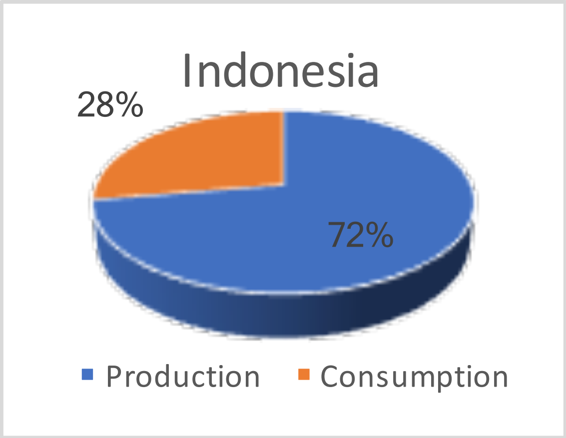
    4) Business Planning : How to Market to Target Markets?

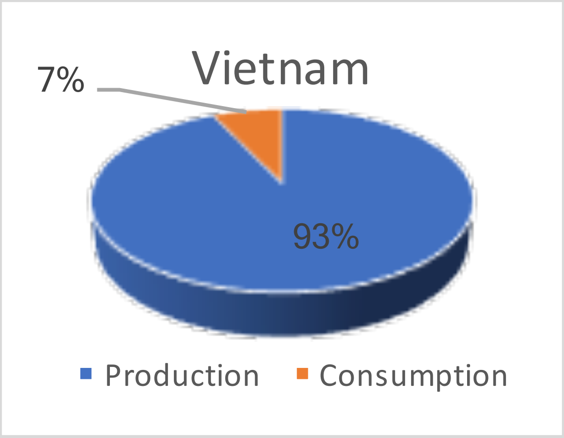
INFO GRAPH

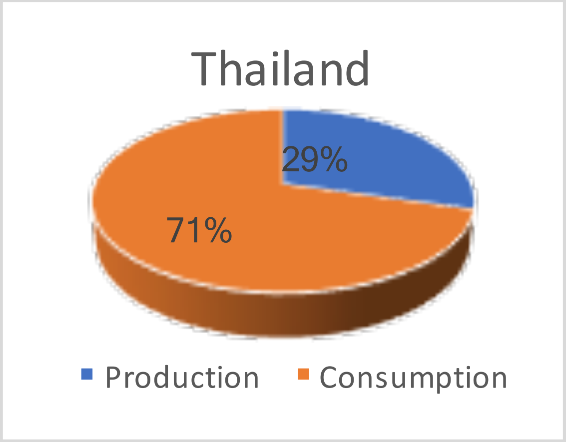
Coffee Statistics 2015/2016

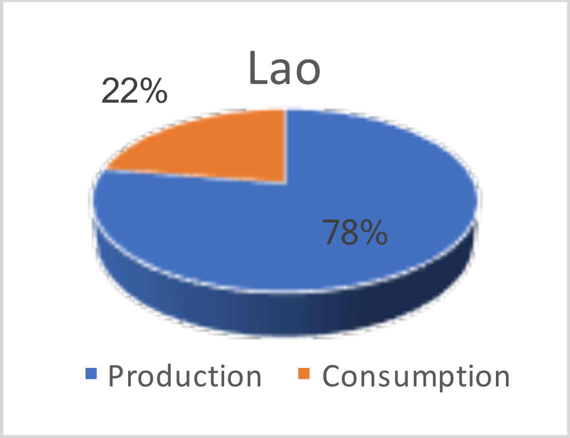
In 60kg bags

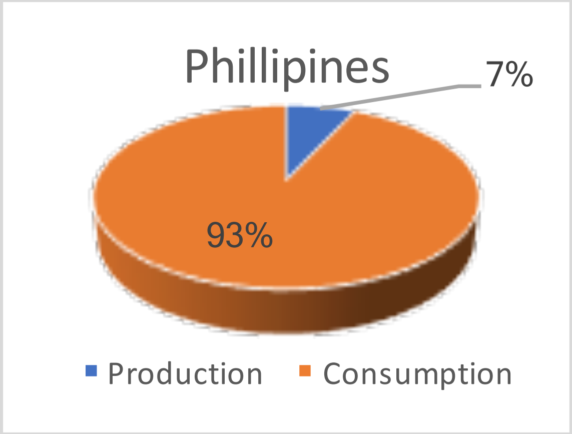
Countries	Production	Consumption	%	Kg/ Capita
Indonesia	11,000,000	4,200,000	38.18%	0.98
Philippines	200,000	2,700,000	1350.00%	1.32
Lao, People's Dem. Rep. of	520,000	150,000	28.85%	1.35
Thailand	500,000	1,200,000	240.00%	1.07
Vietnam	27,500,000	2,100,000	7.64%	1.34
Total	**39,720,000**	**10,350,000**	**26.06%**	**1.21**











WHAT NEXT – ASEAN LEVEL

FOCUS

- *Research is needed to find out how to address low profitability of coffee farming, strategizing production and market*
- *To increase productivity and the quality of coffee through capacity building of coffee farmers and their cooperatives and strengthening the linkages with other stakeholders in the sector (National and Asean)*
- *To increase the quality and productivity of coffee processing businesses in terms of entrepreneurship development and business improvements through capacity building, and improve market access through a possible matching fund scheme (National and Asean)*
- *To ensure better export markets through strengthened linkages with exporters and capacity building among key exporters (National and Asean)*
- *To encourage better coffee exchange in between Asean Counties*