Coffee and Cocoa Connection
Potential Impact of I-EU CEPA to Indonesian Farmers

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Trade in Goods

$ 11.4B
EU -> Indonesia

$ 14.5B
Indonesia -> EU

Investments

$ 2B
EU -> Indonesia

Source: ASEM Sustainable Connectivity Portal
I-EU CEPA

• Some key areas of negotiations:
  • Trade in goods -- tariff liberalizations
  • Rules of origin
  • Customs and trade facilitations
  • Sanitary and phytosanitary measures
  • Investment liberalizations
  • Trade and sustainable development
  • Economic cooperation and capacity building
Coffee

Top Producing Country:
1. Brazil
2. Vietnam
3. Colombia
4. Indonesia
5. Ethiopia

Coffee Export Value:
$1,175.4 million

20.8% to EU member states

Farmers:
1,726,359 farmers

Source: Statistics Indonesia (2018); Direktorat Jenderal Perkebunan (2017)
Cocoa

Top Producing Country:
1. Côte D’Ivoire
2. Ghana
3. Indonesia
4. Ecuador
5. Cameroon

Cocoa Export Value:
$ 53.5 million

Farmers:
1,770,508 farmers

Source: Statistics Indonesia (2018); Direktorat Jenderal Perkebunan (2017)
Coffee and Cocoa Production and Productivity Rates

Source: Statistics Indonesia
Production Challenges

• Aging trees
• Aging farmers
• Low priority crops
• Diseases
• Lack of finances
• Lack of value-adding activities
• Low quality
Government Interventions

$250 million for cocoa in 2010-2014

- Seedling for farmers
- Subsidized fertilizers & pesticides
- Research & development
- Value-adding machines
- Indonesian National Standard (SNI)
- GAP training & extension services
- Land expansion
More investments in agriculture is needed

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<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
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<tbody>
<tr>
<td>Domestic investment</td>
<td>USD 2 billion</td>
<td>USD 2.9 billion</td>
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<tr>
<td>(MoA)</td>
<td></td>
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<tr>
<td>Foreign Direct</td>
<td>USD 1.72 billion</td>
<td>USD 936.3 million</td>
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<tr>
<td>Investment (BKPM)</td>
<td></td>
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<tr>
<td>TOTAL (MoA)</td>
<td>Rp 3.72 trillion</td>
<td>Rp 3.84 trillion</td>
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Case Studies

Sustainable Cocoa Production Program (SCPP)

NESCAFÉ Plan in Lampung

Yayasan Kalimajari in Bali
Private Sector Initiatives

Access to finances

Contract farming

GAP training

Extension services
Results: Increased Productivity

Swisscontact trained 154,000 cocoa farmers

Productivity rate (ton/hectare)

Nestlé trained 20,000 coffee farmers

Productivity rate (ton/hectare)
Results: Increased Selling Price

Kalimajari trained 619 smallholder cocoa farmers in GAP and helped farmers obtain USDA certification and UTZ certification

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<tr>
<th>National Average</th>
<th>Kalimajari</th>
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<tr>
<td>0.4 ton/ha</td>
<td>0.6 ton/ha</td>
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<tr>
<td>Rp. 20,000/kg</td>
<td>Rp. 40,000-Rp. 50,000/kg</td>
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Policy Implications

- Trade
- Investment
- Productivity
Thank You

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