



Investment Coordinating Board
The Republic of Indonesia

INDONESIAN COCOA CHALLENGES AND OPPORTUNITY

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On The Occasion of Biannual Partnership Meeting

World Cocoa Foundation

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WORLD COCOA BEAN PRODUCTION

(thousand ton)

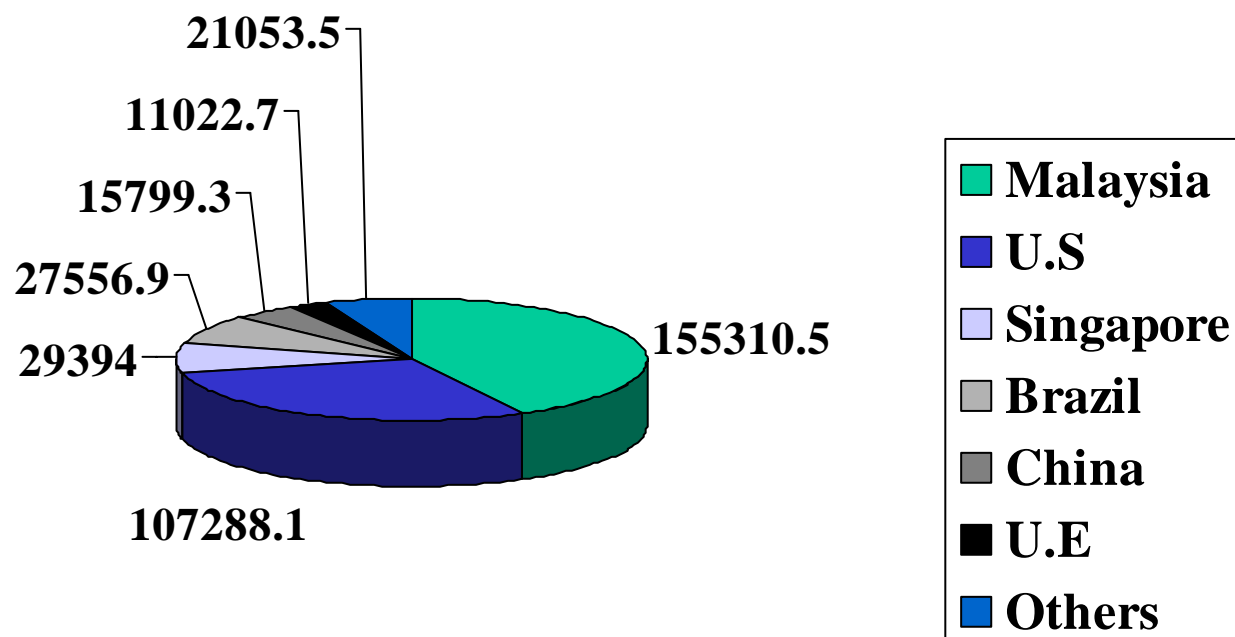
	2004/05		2005/06		2006/07 (forecasts)	
Africa	2380	70.4%	2625	71.4%	2479	71.4%
Cameroon	184		167		175	
Cote d' Ivoire	1286		1408		1300	
Ghana	599		740		720	
Nigeria	200		180		160	
Others	111		129		124	
America	443	13.1%	444	12.1%	447	12.9%
Brazil	171		162		155	
Ecuador	116		115		118	
Others	156		167		174	
Asia & Oceania	560	16.6%	605	16.5%	546	15.7%
Indonesia	460		500		440	
Others	100		105		106	
World Total	3383	100.0%	3675	100.0%	3472	100.0%

Cocoa Export of Indonesia

Commodity	2002		2003		2004		2005	
	Vol (ton)	Value (000 US\$)	Vol (ton)	Value (000.US\$)	Vol (ton)	Value (000.US\$)	Vol (ton)	Value (000.US\$)
Cocoa Beans	365,649	520,672	265,838	410,278	275,484	369,425	367,425	467,827
Cocoa Liquor	5,631	9,894	1,954	5,161	863	1,803	908	1,920
Cocoa Cake	2,558	980	3,388	1,298	6,920	2,650	20,971	8,032
Cocoa Butter	38,767	120,139	43,354	161,754	43,226	155,138	40,387	159,609
Cocoa Powder	31,289	74,155	27,133	76,814	28,694	34,605	26,265	21,380
Total	443,849	725,839	341,667	655,303	355,187	564,059	455,956	658,769

Main export destination countries of Indonesian cocoa bean (2005)

1. Malaysia (42.27%)
2. United States (29.20%)
3. Singapore (8.00%)
4. Brazil (7.50%)
5. China (4.30%)
6. U.E (3.00%)
7. Others (5.73)



INDONESIAN COCOA PROBLEMS

ON FARM → Low Productivity : 630 kg/ha/year
Potential yield : 1,000 – 1,500 kg/ha/year

1. Cocoa Pod Borer (CPB), losses 40% productivity → US\$ 450 Million/year
2. Ageing trees (> 25 years)
3. Poor soil maintenance
4. Poor crop maintenance
5. Insufficient improved varieties

OFF FARM

1. Low credit system of farmers in cocoa beans transaction with traders
2. Farmers prefer to sell unfermented cocoa because of no significant different price between fermented and unfermented production (US\$ 0.1 – 0.16)
3. Good beans mixed with waste such as bad beans, leaves, stones, etc.
(Discount price → US\$ 100 Million/year)
4. International market acceptability and demand for various quality of cocoa bean does not provide incentive for farmers to improve bean quality

Efforts To Revitalize Cocoa Industry

1. Improve production and productivity :
 - Improve crops quality and provide good varieties of cocoa crops (fits with Indonesian National Standard/SNI).
 - Introduce "Good Farming Practice" on the use of rational fertilizing, frequent harvesting, pruning, good farm sanitation practices, plastic sleeving and continuous maintenance.
 - Tree regeneration technology (side grafting has attracted significant interest from farmers)

2. Effort to prevent Cocoa Pod Borer (CPB) Problems :
 - Integrated control technique including biological controls that use pheromones to trap male CPB.
 - Providing training and technical assistance to farmers.
 - Development of CPB resistant varieties in endemic area, which has been explored in North Sumatera and Sulawesi.

3. Quality improvement by fermentation
 - Obligation of the farmers to ferment the cocoa bean.
 - Counseling on cocoa fermentation.
 - Government regulation to discourage export of unfermented cocoa bean.

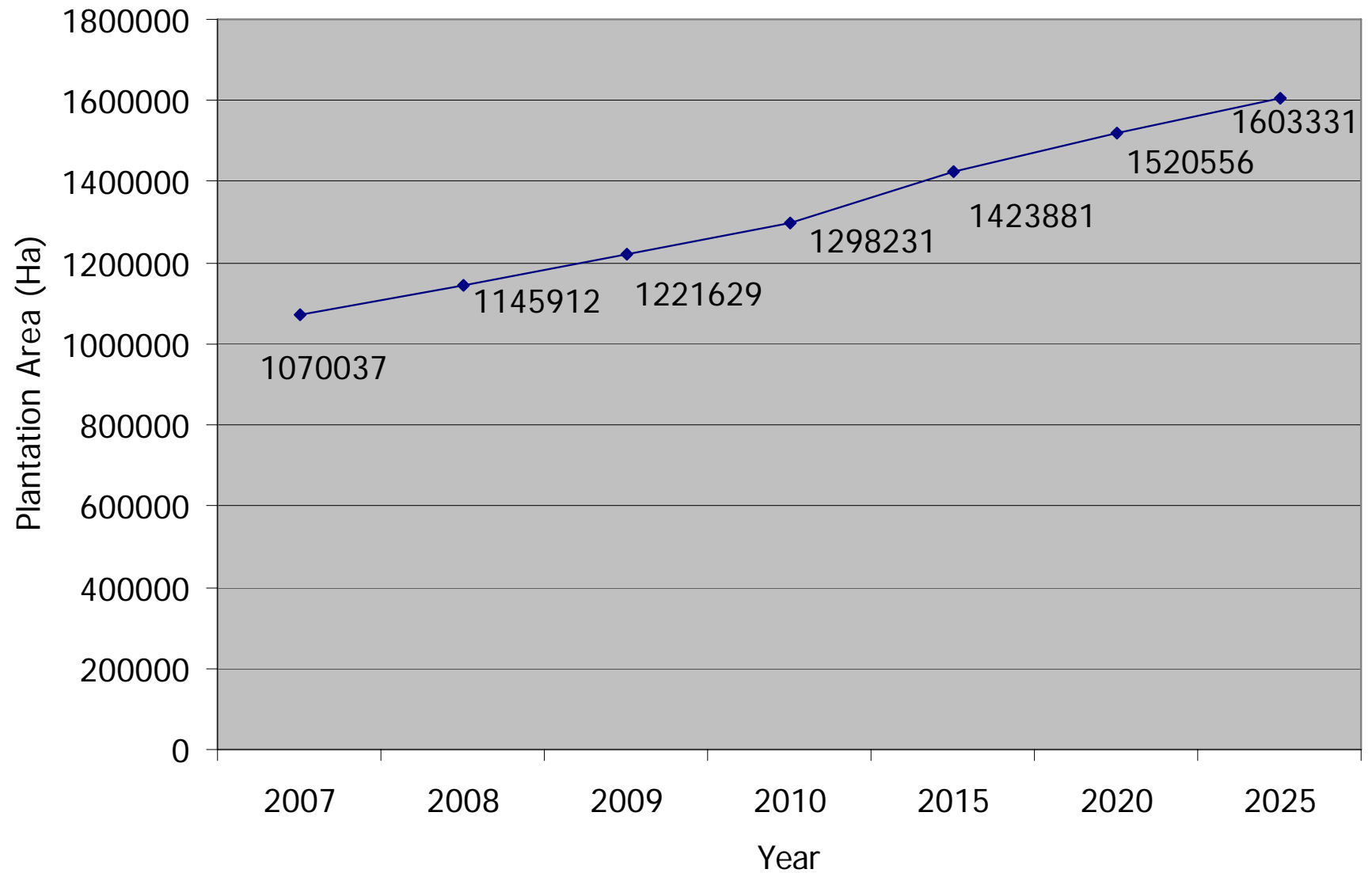
4. Improving farmers competence
 - Development of research center (now already set-up in Soppeng, South Sulawesi).
 - Sustainable technical counseling.
 - Need infrastructure (such as building, seedling, roads, tools) and qualified people.

5. Financial support

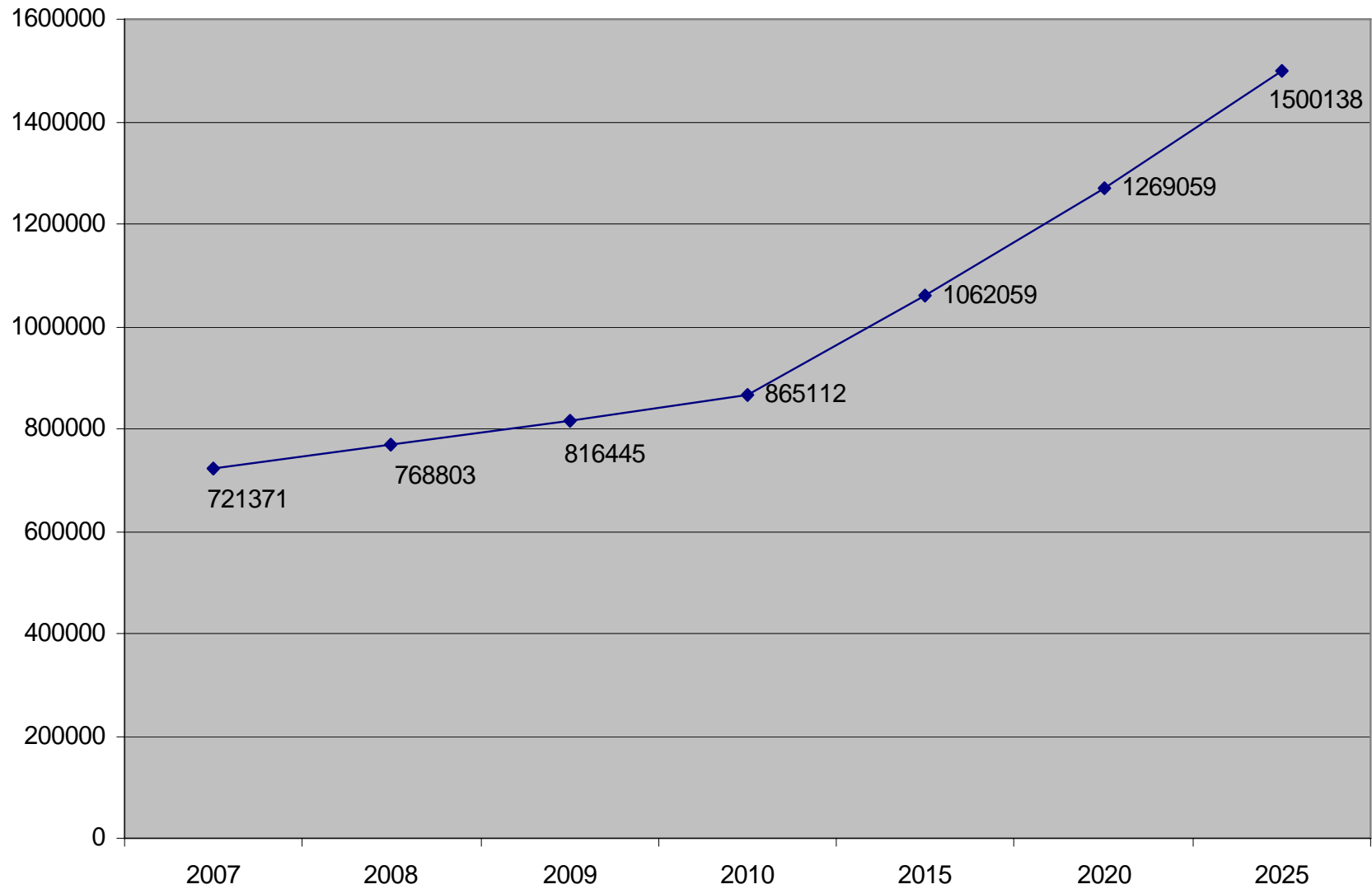
- Loan for farmers by Bank, such as BRI and Regional Development Bank of Southeast Sulawesi.
- Better price to attract farmers to produce fermented cocoa bean.

6. Encourage cooperation/partnership between farmers and cocoa industries as well as traders to produce high quality cocoa bean.

PROJECTED OF COCOA BEAN PLANTATION AREA



PROJECTED COCOA BEAN PRODUCTION IN INDONESIA



Basic Features of Law on Investment

1. Legal Certainty Guarantee
2. Equal Treatment
3. Dispute Settlement
4. Investment Incentives

Facilities on Investment Law

- Land rights
 - 95 years of cultivation rights
 - 80 years of building rights
 - 70 years of land usage rights
- Immigration
 - For investors and foreign workers
- Fiscal incentives
 - Revitalize tax holiday

Fiscal Incentives

Meet one of the following criteria :

- Pioneer Industry
- Absorption of labor
- High priority
- Infrastructure development
- Technology transfer
- Remote area, undeveloped region, cross-border region
- Environmental preservation
- R&D and innovation
- SMEs partnership
- Domestic capital goods procurement

INVESTMENT OPPORTUNITY

Investment opportunity in cocoa grinding :

- cocoa butter
- cocoa powder
- cocoa cake
- final products, such as Candy, Chocolate

Supported by:

1. Cocoa Production :

- 2010 : 865,112 ton (optimistic scenario: CPB's problem can be solved).
- 2015 : 1,062,059 ton

2. Existing domestic industry :

- 16 cocoa grinding industries with production of 121,300 ton

3. Indonesian and ASEAN market :

- Domestic consumption per capita: 0.06 kg (13,200 ton per year). Other figures also estimated that Indonesian consumption on cocoa: 0.15 kg, this is much smaller than other countries consumption such as Europe and U.S.
- Asia and Oceania consumption per capita : 0.12 kg

THANK YOU

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