
Indonesia Coffee Diaspora

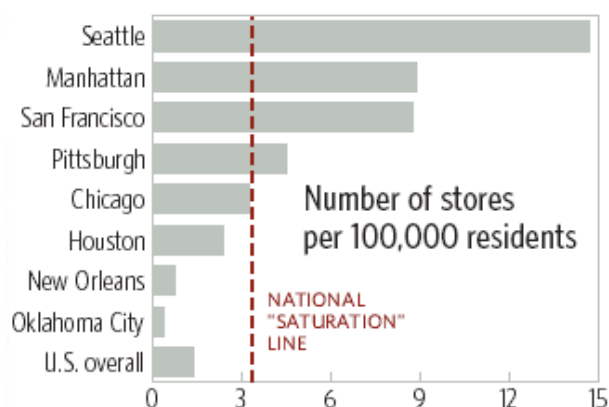
from Origins to Global Market; from Farmer to Cup

ITPC Chicago - July 15 2021



Introduction

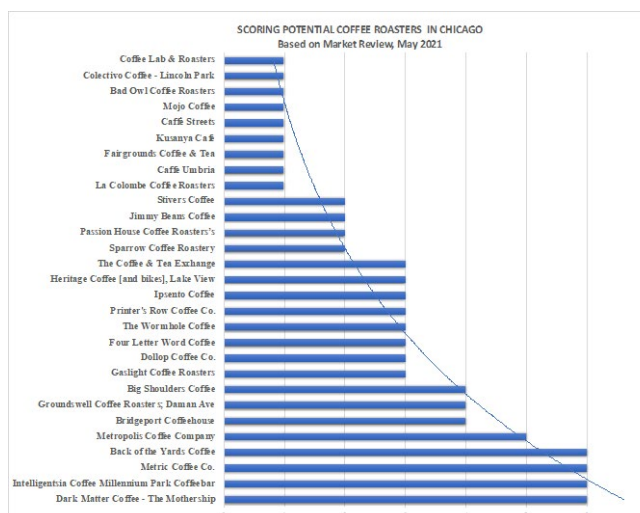
Specialty coffee sales are increasing by 20% per year and account for nearly 8% of the 18 billion dollar U.S. coffee market. Coffee statistics show that among coffee drinkers the average consumption in the United States is 3 cups of coffee per day. **Coffee Consumption:** Over 50% of Americans over 18 years of age drink coffee every day. This represents over **150 million daily drinkers**. 30 million American adults drink specialty coffee beverages daily; which include a mocha, latte, espresso, café mocha, cappuccino, frozen/iced coffee beverages, etc. **Average Espresso Price:** The average price for an espresso based drink is \$3.45. **Average Coffee Price:** The average price for brewed coffee is \$2.38.



Men drink as much coffee as women. Women seem to be more concerned about the price than men. Among coffee drinkers, the average consumption in the United States is 3 cups of coffee per day. Women indicated that drinking coffee is a good way to relax. Men indicated that coffee helps them get the job done.

The United States imports in excess of \$4 Billion worth of coffee per year. Americans consume **400 million cups of coffee per day** making the United States the leading consumer of coffee in the world. On an average, 250 Cups of espresso and coffee drinks are sold per day at almost any espresso drive-thru business with a great visible location (500 cups per day is extraordinary). Independent coffee shops manage to sell 31% of espresso-based drinks, while the rest is brewed coffee. When it comes to coffee shops nationwide (USA Only), the cities with the greatest number of stores per 100,000 residents includes: Seattle, Manhattan, San Francisco, Pittsburgh, **Chicago**, Houston, New Orleans and Oklahoma City¹. Chicago, as figure above, is on national "saturation" line, so It might need something different and fresh beyond current mainstream coffee, and it's about opportunity for Indonesian Coffees.

IIPC Chicago in the last recent months gets enquiries from local actors about Indonesian coffees, and Indonesian coffee actors either.



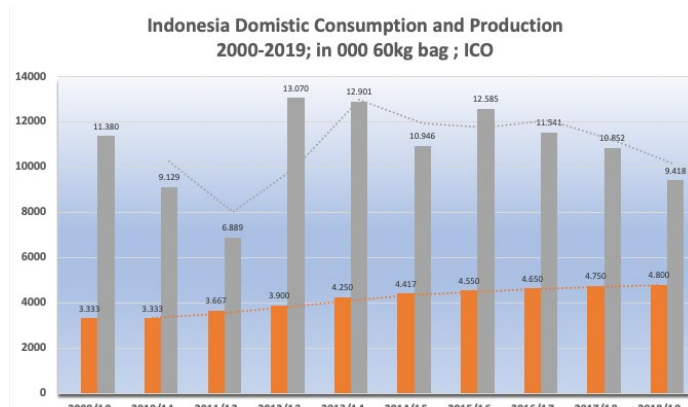
¹ Source: <https://www.e-importz.com/coffee-statistics.php>

Based on rapid assessment to local roastery dan café, which are quite popular based on rating google searchable like Umbria, Metric, Intelligentsia Coffee, they know little about Indonesian Coffee even no experience. Starbucks Reserve Roastery, located at 646 N Michigan Ave, Chicago, IL 60611, probably is one of the biggest display in the State or USA. They serves mostly South America & Africa's coffees, Sumatera had ever served but not year 2021. Colectivo coffee has experienced Indonesia Coffee under ATLAS importer. Thus, more efforts are needed to expose Indonesian coffee.

Historical Heritage

Coffee was introduced throughout the islands of Indonesia by the Dutch in the 1600s, and was first exported by the Dutch East India Company in the early 1700s: Java was the first of the islands to cultivate coffee, and that long history with the plant on the land is part of the reason that coffee is generically known as "java." Large Dutch-owned plantations were the norm, and the laborers and locals suffered financially and politically under the colonial regime: The 1860 novel *Max Havelaar: Or the Coffee Auctions of the Dutch Trading Company* outlined many of the ways that the Dutch government and landowners abused and oppressed the Indonesian people, specifically on Sumatra and Java. Poverty, starvation, and destitution were common among coffee workers and within the indigenous communities.

In the 1860s and 1870s, a coffee-leaf-rust epidemic decimated the coffee market in Indonesia, and led to the abandonment of many estates by the Dutch; as the plantations broke up, laborers took up small plots of the land, eventually replanting most of the old-stock Arabica with Robusta coffee and various more disease-resistant hybrids. This land redistribution created the predominance of smallholder growers on the islands, which exists to this day². Indonesia now



is 4th biggest coffee producers in the world after Brazil, Vietnam and Columbia. Production are still focusing on production and productivity, in other words "commercial" with 17 Arabica, 13 Robusta and 2 Liberica Geographical Indications (GI)³. Since 2015 production has been declining, whilst domestic consumption has been constantly increasing. During 2017-2019 Domestic Consumption is about 40,29%, 43,77%, and 50,97 of National Arabica/ Robusta Production, exportable 50-70% despite possible import for domestic consumption⁴, this means that most of the farmers' products still have to be exported.

² Source: https://en.wikipedia.org/wiki/Coffee_production_in_Indonesia

³ Source: <https://ig.dgip.go.id/>

⁴ Source: https://www.ico.org/new_historical.asp

Coffee Market

ICO Coffee market reports June 2021, indicates Although world consumption is increasing, it remains 1.4% below world production. Moreover, in coffee year 2021/22 the supply/demand ratio is expected to reverse as world production will barely meet world demand⁵. It could be also indicating, for production countries, commercial market is competitive and efficient. In terms of market fundamentals, exports by all exporting countries to all destinations totaled 9.8 million 60-kg bags in May 2021, a drop of 10.1% compared with 10.9 million bags in May 2020. The level of total exports in May 2021 represented a 21.5% reduction of the volume recorded in May 2019, before the pandemic. In other words, the pandemic reduces market demand, while production continues, meaning that the threat of oversupply can occur in the coming years. The availability of containers for shipments continue to be a major constraint to trade flows.

How the price discovered? Almost impossible for commercial market to discover price without talking about Commodity Futures Market (The "C" Market) most popular for Gayo & Sumatera Coffee actors as "Gate Price" and The Intercontinental Exchange (ICE). In 1882, the first coffee exchange was founded in New York City following a period of oversupply. The Exchange created standards for coffee grades, established an arbitration procedure to deal with disputes (none existed previously), and allowed buyers and sellers to hedge the risks associated with market volatility by enabling prices to be fixed in the present for coffee to be delivered at a future date. If market prices are unstable, it will be beneficial for producing countries that have economic stability.

Indonesia is country with high economic growth, high inflation and coffee production scattered in many areas, in different islands. 95% production is produced by small holder farmers, who are working on land less than 1 hectare in average, allow for instability in the local market. Even though Indonesia has truly been blessed with good nature for coffee, which can produce good coffees, as an archipelago with diversity in nature, people and culture is quite challenging in term of organizing farmer organization, livelihood & farmer welfare, environmental issues, logistic, which lead to cost push, which reduces the competitiveness of Indonesian coffee. The emerging Specialty coffee market in the last decade has been a new hope for Indonesian coffees then.

Specialty coffee is a term for the highest grade of coffee available, typically relating to the entire supply chain, using [single origin](#) or single estate coffee. The term was first used in 1974 by Erna Knutsen in an issue of Tea & Coffee Trade Journal. Knutsen used specialty coffee to describe beans of the best flavor which are produced in special micro-climates. Specialty coffee is related to the farmers and the brewer what is known as the [third wave of coffee](#), especially throughout North America. This refers

⁵ ICO Market Report (2020/2021), June 2021

to a modern demand for exceptional quality coffee, both farmed and brewed to a significantly higher than average standard⁶.

Covid19 outbreak could lead to drop demand to bottom level for couple years, whilst supply will possible stay stable. This could lead to price & demand crisis. Indonesia should change thinking and method in responding the condition. An approach shifts the focus from the individual parts of a system to how the parts are organized, recognizing that the interactions of the parts are not static, but dynamic and fluid. This approach also acknowledges that change is non-linear and happens at multiple levels over multiple time scales⁷. In response to the potential crisis, ITPC Chicago initiates Indonesia Diaspora Coffee Economic, as pilot.

Indonesia Diaspora Coffee Economic

In response to price crisis and existence of Indonesia coffees in the future, ITPC



Indonesia listens

Chicago initiates to build partnership in a mutual interest of roasters, cafes, coffee actors, Indonesian related actors and whoever see mutual benefit in coffee business. As background of Chicago, which knows little about Indonesian Coffee, even no experiences, ITPC Chicago has piloted a not static strategy by introduce Indonesia coffee closer to potential buyers. Potential Buyers are importer for large quantity

commercial (Full Container Loaded-FCL), commercial certification and specialty (Less/ Full Container Loaded-L/FCL); Café and Roastery for smaller quality higher price (Micro Lot); traders for distribution and parties which may possibly interesting in coffee business. American, Indonesian or Indonesian Connection family are welcome taking part as Indonesia diaspora.

ITPC Chicago believe that this will be dynamic and fluid strategy to Indonesian Coffees in the USA Market. Event Indonesia Coffee Diaspora has brought Indonesian Coffee Origins to table of Chicago actors in a Mini Expo and seminar format due to restriction in Pandemic situation, and as pilot. Attended by 27 participants from roastery, café and company, but surely will be good input for Indonesian Coffees in:

- Promoting (Public Exposures on profiles of Indonesian Coffee Origins)
- Channeling (Micro Roaster & Café to Coffee Origin)
- Coffee Aggregation (Micro lot or many origins in lot), that will bring
- Competitive Price (Accepted & Reasonable Price to Market),

and the experience brings ITPC Chicago to the next level of managing bigger Expo.

⁶ https://en.wikipedia.org/wiki/Specialty_coffee

⁷ <https://sca.coffee/pricecrisis>

Coffee samples had been curated by Gayo Cuppers Team, an Independent Quality Control based in Gayo origin at Central of Aceh Province during April 2021. Samples from Cooperative and Individual Suppliers who are willing to participate. Successful samples are Coffee with Score above 80, no major and minor defects. ITPC Chicago has designed a leaflet, as marketing tools, which brings information Agri-climatology of the Origin, traceability and profile of each coffee. Most of local attendants had never been to Indonesia, never experienced first-hand before, so to bring Indonesia closer, leaflets has designed to bring the sense of Indonesia: nature, people, culture, farmer, process, food, transportation and activities in each Origin; supported by Indonesia Coffee Value Chain specialist and certified QGrader-farmer-processor as resource persons to confirm and sharing knowledge of Indonesia coffees.



Market Response (Experiencing Cupping Session)

Some of coffee roasters, in the beginning of discussion, have in mind, a good coffee or preference is full washed dry hulling coffee, Colin Frew of Metric Coffee has mentioned in group discussion at cupping session, so has Joe Pichett of Colectivo. They slightly prefer South American due to clean cup and complex flavor, Costa Rica is one of their preference. After cupping session, they are aware of Indonesian coffee potential. Mrs/Ms. Nguyen of Intelligentsia Coffee had been the most active one in the forum to tell experiencing Indonesian coffee. She contributes to provide some notes based on Chicago Market and her experiences so far. She had kept on asking about each samples to resources persons.



In this cupping session Gayo Coffee is the one, which was most getting attention from participants, but in the other hand they still compare to Sumatera Mandailing profile. It confirms Indonesian Coffee Origins haven't well known by Chicago's actors. Whilst USA is market barometer for Indonesian Coffees, where most of Gayo Coffee exported to, so It is clear that Indonesia needs different strategy in introducing Indonesian Coffee Origins.

SCA Cupping form had been provided; Cupping participants: Al Liu & Joe Pichetti-Colectivo; Christopher-Café Dangdut New York; Avery Davis & Mackenzie-Roastery & Café Umbria; Didier Thierry-Kapej Café; Hendra Handoyo-Harvest

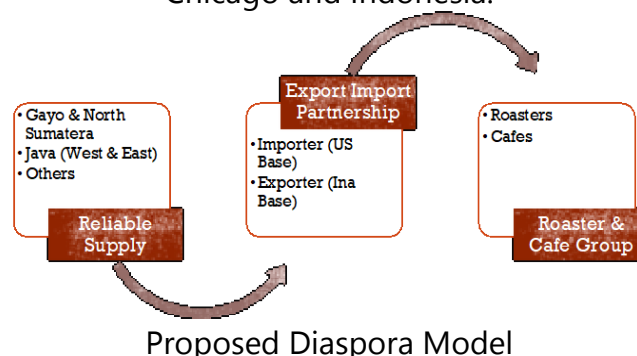
International; Colin Frew-Metric Coffee, but most of them had given different scoring using same cupping form. In term cupping, Market needs to calibrate Indonesian Coffees and scale up. It means the strategy was definitely right strategy to bring actors in the same table.

Importance of Diaspora Indonesia-Chicago

Addressing the challenges of Indonesian coffee; Indonesia Diaspora Coffee will be a catalyst to promote Indonesia coffee by securing existing market, potentially replacing market (considerate in a perfect competition market) by synergic partnership with local actors and diaspora Indonesia in a mutual benefit. Coffee will bring more than just coffee, but also information of the origins for potential tourism promotion, business/ investment opportunity in coffee here in Chicago and Indonesia.



Diaspora Coffee Indonesia-Chicago



Proposed Diaspora Model

In responding price crisis, ITPC Chicago's been anticipated by building Indonesia Coffee Diaspora, believing the methods will bring Indonesia origins more well recognized globally, encouraged Indonesian diaspora taking parts in activities in the coffee value chain from sources of the origin to the market. Closed value chain will bring cost effective and efficiency that will strengthen Indonesia coffee competitiveness. Believing it will promote sustainability to Indonesian Coffees, with access to global markets and strengthening the local economy, and become a bridge for farmers to end consumers (farmers to cups).

Finally, thank you to the ITPC Chicago and Support Team who have worked hard with all the limitations during the pandemic by giving the best for the organization of this event, and for Indonesian Coffee.