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Indonesia

Cotton and Products Annual

Indonesia Cotton and Products Annual Report 2014

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Report Highlights:
MY 2013/14 Indonesian cotton production is estimated to decline to 25 million bales as farmers switch to more lucrative food crops. Despite the rupiah's 7.6-percent appreciation since January 2014 and higher cotton supplies on the international market, Indonesian cotton imports and consumption are expected to grow slower than previously estimated. Post revised MY 2013/14 cotton imports and consumption to 2.6 million bales.

I. Situation and Outlook

Executive Summary

The Indonesian Ministry of Industry reported that Indonesia was the world's 9th largest textile exporter, with total exports valued at $12.5 billion in CY 2012. January - June 2013 textile exports are valued at $6.4 billion. Indonesia's textile and textile products industry is labor intensive, employing approximately 1.5 million workers, or 1.4 percent of Indonesia's workforce. The effects of 2011 cotton price volatility have started to subside and some large mills are expanding operations. Although demand for Indonesian textile and textile products has slowed in Europe, CY 2013 exports to Japan have increased 35 percent. Indonesian cotton yarn exports have increased to 138,000 MT for the January – November 2013 period compared to 77,000 MT in CY 2012. The weakening rupiah helped increase cotton yarn exports through the end of CY 2013. However, the rupiah's appreciation since January 2014, combined with lower cotton yarn prices on the international market, will slow the growth of Indonesian cotton imports and consumption in MY 2013/14. Since MY 2011/12, Brazil took over the United States' position as the largest supplier of cotton to Indonesia.

Production

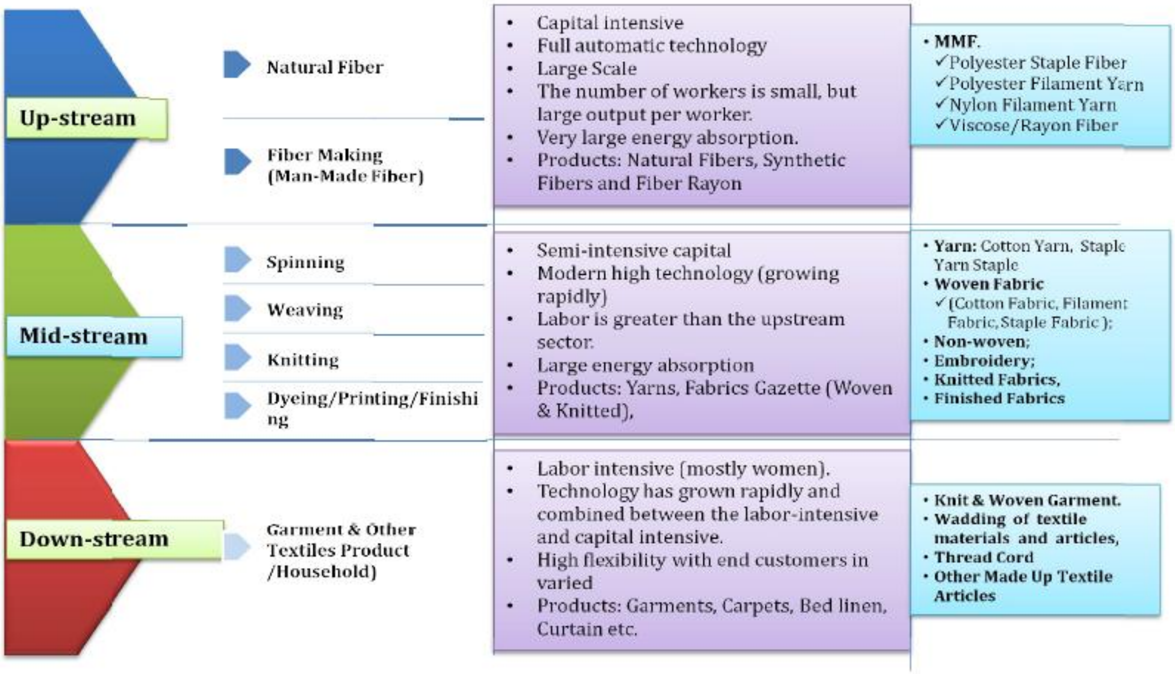
The Indonesian Meteorology, Climatology, and Geophysics Agency (*Badan Meteorologi, Klimatologi, dan Geofisika,* BMKG) predicted in January 2014 that Indonesia may experience an El Nino phenomenon by middle of 2014. El Nino will reduce dry season rainfall (April to October) and will lead to lower yields. Therefore, Post estimates that in MY 2013/14 and MY 2014/15, Indonesia's cotton production will decline to 25,000 bales and 23,000 bales respectively.

Indonesia produces 0.3 percent of its total domestic cotton demand. The Ministry of Agriculture reports that Indonesian cotton production has decreased an average of 24.79 percent annually since 2008. Farmers are reluctant to grow cotton due to agronomic concerns. With its high rainfall intensity, cotton growers face a high risk of harvest failures and high production costs. These costs, coupled with better profits from alternate crops, have led to cotton cultivation being marginalized to intercropping systems or marginal lands, mostly found on South Sulawesi, East Java, West Nusa Tenggara, and Central Java. Increased land conversion to nonagricultural uses also reduces the area dedicated to cotton. Farmers have very limited access to high yielding varieties and efficient cultivation practices due to financial constraints.

Consumption

The Indonesian textile industry plays a significant and strategic role in Indonesia's macro-economy. According to industry sources, the Indonesian textile and textile products sectors employ about 1.5 million workers, a little more than 10 percent of the 2012 Indonesian manufacturing workforce. The number of textile and textile companies increased to 2,930 in CY 2012 with a total investment of Rp. 164.8 billion, compared to 2,880 in CY 2011. The Indonesian National Statistics Agency (*Badan Pusat Statistik, BPS*) estimates that textile products comprised 1.41 percent of Indonesia's national gross domestic product (GDP) in 2012.

Figure 1. Characteristics of Indonesian Textile and Textile Products Industry



Source: Indonesian Textile Association (*Asosiasi Pertekstilan Indonesia*, API) in 2014 Facts and Figure of Indonesia Textile Book, Ministry of Industry.

Indonesian spinning mills primarily produce spun yarn and sewing thread. In CY 2012 there were 251 spinning companies in Indonesia, compared to 234 companies in CY 2011. Total Indonesian spinning mill capacity in CY 2012 was 3.094 MMT of yarn, compared to 3.045 MMT of yarn in CY 2011. Indonesia exports approximately 30 percent of its yarn production. In CY 2012, Indonesian spinning mills ran at about 70 - 80 percent capacity, with a total of 10.8 million spindles and 175,513 rotors, compared to 10.2 million spindles and 175,113 rotors in CY 2011. Indonesia's spinning industry consumes approximately 1.2 MMT of fiber as raw material annually. This breaks down to cotton (45 percent), synthetic fiber (45 percent), and rayon (10 percent).

Despite Chinese policy changes resulting in higher cotton supplies on the international market, the Indonesian cotton spinners association reports that cotton prices have remained high. Conversely, yarn prices are declining and the Indonesian Rupiah is strengthening. As of March 17, 2014, the Indonesian rupiah stands at Rp. 11,272 per $1, compared to Rp. 12,227 in January 2014. Cotton spinners are taking a wait-and-see approach, hoping for lower cotton prices in order to maintain yarn margins. Spinners note that cotton yarn prices remain high relative to viscose and rayon yarn. In March 2014, cotton yarn prices fell to $650/bale from the January price of $670/bale. The Indonesian cotton spinners association expects the situation to continue until June 2014.

Based on declining yarn prices and strong cotton prices, Post revised the MY 2013/14 Indonesian cotton consumption estimate from 2.7 to 2.652 million bales. MY 2012/13 consumption remains at 2.6 million bales. Reasonable margins for cotton yarn relative to man-made fibers are expected to prevent further cotton consumption declines in MY 2013/14.

Stocks

Current high cotton prices and declining yarn prices have led spinners to maintain stocks sufficient to cover one month's production. Post therefore estimates MY 2013/14 Indonesian cotton ending stocks at 374,000 bales, a decrease from the previous estimate of 529,000 bales. Following higher expected imports in MY 2014/15, cotton ending stocks are pegged to grow slightly to 391,000 bales.

Marketing

In response to the current market situation, industry reports that in order to maintain cash flow, spinners are:

1. Concentrating their efforts on cotton and away from man-made fibers.
2. Switching production from coarse count yarns to fine counts to maintain volume while reducing production costs.

Some small spinning mills are suffering from high price contracts in 2011, although some large manufacturers are expanding their operations. While textile exports to the United States and European countries are stagnant, this is offset by rising demand from Japan. Strong domestic demand for Indonesian textile products remains despite competition from lower-priced, high-quality imported textile and textile products.

Based on trade data and information from the Indonesian Cotton Spinners Association, Indonesian cotton import growth is expected to slow in MY 2013/14. Post therefore revises MY 2013/14 Indonesian cotton imports from 2.7 to 2.6 million bales. This marks a four percent increase over MY 2012/13 imports (2.5 million bales). Assuming higher cotton supplies on the international market will lower prices and an improving world economy will increase demand for textiles and textile products, Post forecasts MY 2014/15 Indonesian cotton imports to increase to 2.7 million bales.

According to Global Trade Atlas, Australia was the leading supplier of cotton to Indonesia with a total market share of 30 percent during the first quarter of MY 2013/14. This is followed by Brazil (19 percent market share), and the United States (12 percent). Despite high contamination levels, cotton from India, Brazil, and African countries are considered adequate by Indonesian industry standards. During the period of January – November 2013, Indonesia exported most of its yarn to India (42 percent), South Korea (25 percent), China (24 percent), and Hong Kong (7 percent).

II. Statistical Tables

TABLE 1. PSD COTTON (HS CODE 5201) IN BALES

Cotton Indonesia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0

Area Harvested	10	10	9	9		9
Beginning Stocks	479	479	504	404		374
Production	30	30	30	25		25
Imports	2,600	2,500	2,700	2,600		2,700
MY Imports from U.S.	0	533	0	700		700
Total Supply	3,109	3,009	3,234	3,029		3,099
Exports	5	5	5	3		3
Use	2,550	2,550	2,650	2,600		2,650
Loss	50	50	50	52		53
Total Dom. Cons.	2,600	2,600	2,700	2,652		2,703
Ending Stocks	504	404	529	374		393
Total Distribution	3,109	3,009	3,234	3,029		3,099
Stock to Use %	20	16	20	14		15
Yield	653.	653.	726.	605.		605.

Note: last column of each marketing year is not official USDA data.

TABLE 2. PSD COTTON (HS CODE 5201) IN MT

Cotton Indonesia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	10	10	9	9	0	9
Beginning Stocks	104,291	104,291	109,734	87,961	0	81,430
Production	6,532	6,532	6,532	5,443	0	5,443
Imports	566,089	544,316	587,861	566,089	0	587,861
MY Imports from U.S.	0	116,048	0	152,408	0	152,408
Total Supply	676,911	655,139	704,127	659,493	0	674,734
Exports	1,089	1,089	1,089	653	0	653
Use	555,202	555,202	576,975	566,089	0	576,975
Loss	10,886	10,886	10,886	11,322	0	11,539
Total Dom. Cons.	566,089	566,089	587,861	577,410	0	588,514
Ending Stocks	109,734	87,961	115,177	81,430	0	85,566
Total Distribution	676,911	655,139	704,127	659,493	0	674,734
Stock to Use %	20	16	20	14		15
Yield	653.	142,214.	726.	131,680.		131,680.

Note: Last column of each Marketing Year is not official USDA data.

TRADE MATRIXES

TABLE 3. COTTON IMPORT TRADE MATRIX (MY 2012 - 2014)

Country Indonesia

Commodity Cotton

Time Period	**Aug - Jul**	Units:	1,000 MT	Units:	1,000 MT
Imports for:	**2011/12**	Imports for:	**2012/13**	Imports for:	**2013/14**

U.S.	72	U.S.	116	U.S.	34
Others		Others		Others	
Brazil	143	Brazil	152	Australia	84
Australia	83	Australia	111	Brazil	53
Pakistan	41	India	28	Pakistan	10
Greece	36	Mali	23	Greece	6
India	29	Greece	23	Cote d'Ivoire	5
Argentina	16	Tanzania	22	India	3
Cote d'Ivoire	12	Cote d'Ivoire	22	Malaysia	3
Tanzania	11	Mozambique	19	Spain	3
Burkina Faso	9	Pakistan	15	Argentina	3
Uganda	9	Argentina	11		
South Africa	8	Uganda	11		
Zimbabwe	7	South Africa	10		
Mali	7	Zimbabwe	10		
Mozambique	6				
Switzerland	4				
Malaysia	4				
Total for Others	425	Total for Others	457	Total for Others	170
Others not Listed	47	Others not Listed	15	Others not Listed	16
Grand Total	544	Grand Total	588	Grand Total	220

Note: MY 2013/14 only for the period of Aug – Nov 2013.
Source: Global Trade Atlas.

TABLE 4. COTTON EXPORT TRADE MATRIX (MY 2012 – 2014)

Country	Indonesia				
Commodity	Cotton, HS Code 5201				
Time Period	Aug-Jul	Units:	MT	Units:	MT
Exports for:	2011/12		**2012/13**		**2013/14**
U.S.	0	U.S.	0	U.S.	0
Others		Others		Others	

Taiwan	309	Thailand	743	Thailand	139
India	146	Japan	406	Italy	101
Sri Lanka	112			Sri Lanka	101
				Malaysia	66
				Germany	59
Total for Others	567		1149		466
Others not Listed	37		14		0
Grand Total	604		1163		466

Note: MY 2013/14 only for the period of Aug – Nov 2013.
Source: Global Trade Atlas.

TABLE 5. COTTON YARN IMPORT TRADE MATRIX (CY 2011 – 2013)

Country Indonesia

Commodity Yarn

Time Period	Jan-Dec	Units:	1,000 MT		
Exports for:	2011		2012		2013
U.S.	0	U.S.	0	U.S.	0
Others		Others		Others	
China	5	Vietnam	7	India	7
India	2	South Korea	5	South Korea	4
Vietnam	2	India	5	China	4
Malaysia	2	China	4	Hong Kong	1
Pakistan	2	Hong Kong	1		
South Korea	1				
Taiwan	1				
Thailand	1				
Hong Kong	1				
Total for Others	17	Total for Others	22	Total for Others	16
Others not Listed	0	Others not Listed	0	Others not Listed	1
Grand Total	17	Grand Total	22	Grand Total	17

Note: For CY 2013 only until November 2013.
Source: Global Trade Atlas.

TABLE 6. COTTON YARN EXPORT TRADE MATRIX (CY 2011 – 2013)

Country Indonesia

Commodity Yarn

Time Period	Jan-Dec	Units:	1,000 MT		
Exports for:	2011		2012		2013
U.S.	1		2		1
Others		Others		Others	

Japan	17	China	32	China	93
China	11	Japan	18	Japan	18
South Korea	8	South Korea	7	South Korea	6
Bangladesh	4	Hong Kong	5	Turkey	3
Hong Kong	3	Bangladesh	4	Hong Kong	3
Srilanka	3	Srilanka	1	Bangladesh	3
Vietnam	1	Taiwan	1	Thailand	1
Malaysia	1	Turkey	1	Taiwan	1
Taiwan	1	Germany	1	Germany	1
Egypt	1				
Germany	1				
Philippines	1				
Total for Others	52	Total for Others	70	Total for Others	129
Others not Listed	7	Others not Listed	5	Others not Listed	8
Grand Total	60	Grand Total	77	Grand Total	138

Note: For CY 2013 only until November 2013.
Source: Global Trade Atlas.

TABLE 7. COTTON FABRIC IMPORT TRADE MATRIX (CY 2011 - 2013)

Country	Indonesia				
Commodity	Fabric				
Units:	1,000 MT	Units:			
Time Period	Jan-Dec	Time Period	Jan-Dec	Time Period	Jan-Dec
Exports for:	2011	Exports for:	2012	Exports for:	2013
U.S.	0	U.S.	1	U.S.	0

Others		Others		Others	
China	271	China	234	China	37
Korea, Rep. of	100	Korea, Rep. of	92	Korea, Rep. of	12
Hong Kong	88	Hong Kong	71	Hong Kong	12
Taiwan	18	India	18	Taiwan	2
Pakistan	13	Taiwan	15	Pakistan	2
India	12	Pakistan	12	India	1
Vietnam	9	Vietnam	10	Vietnam	1
Malaysia	5	Japan	4		
Thailand	4	Malaysia	2		
Japan	3	Thailand	2		
Total for Others	523	Total for Others	460	Total for Others	67
Others not Listed	3	Others not Listed	2	Others not Listed	3
Grand Total	526	Grand Total	463	Grand Total	70

Note: For CY 2013 only until November 2013.

Source: Global Trade Atlas.

TABLE 8. COTTON FABRIC EXPORT TRADE MATRIX (CY 2011 - 2012)

Country	Indonesia				
Commodity	Fabric				
Units:	1,000 MT				
Time Period	Jan-Dec		Jan-Dec		Jan - Dec
	2011		2012		2013
U.S.	14	U.S.	15	U.S.	2

Others		Others		Others	
Japan	59	Japan	48	Japan	8
Bangladesh	15	Belgium	14	Belgium	2
Turkey	8	Italy	8	Italy	2
Vietnam	8	Bangladesh	7	Bangladesh	2
Belgium	8	Turkey	7	Turkey	2
China	6	Korea Rep. of	6	Korea Rep. of	3
Germany, Fed. Rep.	6	China	5	China	1
Italy	6	Netherlands	5	Netherlands	1
Thailand	5	Portugal	5	Vietnam	1
Sri Lanka	4	Germany, Fed. Rep.	4		
Netherlands	4	Israel	4		
United Arab Emirates	3	Thailand	4		
Canada	3	United Arab Emirates	3		
Australia	3	Brazil	3		
Taiwan	3	Malaysia	3		
Brazil	3	Sri Lanka	2		
Egypt	2	Canada	2		
Portugal	2	Hong Kong	2		
South Africa	2	Australia	1		
Hong Kong	1	Taiwan	1		
Malaysia	1	Spain	1		
Singapore	1	Singapore	1		
Total for Others	153	Total for Others	136	Total for Others	22
Others not Listed	20	Others not Listed	18	Others not Listed	5
Grand Total	187	Grand Total	169	Grand Total	29

Note: For CY 2013 only until November 2013.
Source: Global Trade Atlas.

TABLE 9. TEXTILE AND TEXTILE PRODUCT EXPORTS IN 2011 - 2012
Value is in $1,000 and volume is in MT

Products	2011		2012	
	Value	Volume	Value	Volume
Manmade Fibers	852,708	349,783	592,541	334,858
Yarns	2,407,493	707,080	2,218,870	748,597
Fabrics	1,964,624	288,014	1,855,659	281,833

Garments	7,689,916	447,629	7,184,171	446,282
Other Textile Products	443,773	148,539	610,459	143,124
TOTAL	13,358,514	1,941,045	12,461,700	1,954,694

Source: BKPM, BPS, and MOI

TABLE 10. TEXTILE AND TEXTILE PRODUCT IMPORTS IN 2011 - 2012
Value is $ 1,000 and Volume is in 1,000 kg

Products	2011		2012	
	Value	Volume	Value	Volume
Manmade Fibers	2,666,441	749,382	2,214,182	940,703
Yarns	559,272	153,339	658,065	206,353
Fabrics	4,447,899	541,695	4,163,624	521,498
Garments	347,117	38,514	378,639	43,929
Other Textile Products	409,699	95,058	729,043	181,154
TOTAL	8,430,428	1,577,988	8,143,553	1,893,637

Source: BKPM, BPS, and MOI

Note: Exchange rate is Rp. 11,272/$ 1, as of March 17, 2014.

Commodities:
Select