

ESTATE CROPS PRODUCT OF INDONESIA

- **PALM OIL**
- **COCOA**
- **CASHEW**



**DIRECTORATE GENERAL PROCESSING AND
MARKETING OF AGRICULTURE PRODUCTS
DEPARTMENT OF AGRICULTURE
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FOREWARD


Within the agriculture sector, Estate Crop Sub sector plays an important role to the economy of Indonesia as a source of natural income, employment generation, poverty alleviation, source of foreign exchange earning, and rural development. It is therefore the Government of Indonesia views to pursued appropriate policies in developing the estate crops sub sector.

To effectively alter comparative advantage into competitive advantage, the strategy for optimizing estate crops base economic development is through agribusiness system development, where up stream and down stream industries is programmed to be developed integratedly in the production center of many estate crops spread through out the country. With an open economy and a free enterprise system, the government encourage the increasing role of the private sector to develop the estate crops sub sector in collaboration with small scale farmers.

The Government of Indonesia provides policies and programs supporting conducive climate for investment in the Estate crops sub sector. The Estate Crops Profile, first edition, is published as a means of giving more information about the sub sector on all aspects for those who might have commercial interest in the sub sector.

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Directorate Processing and Marketing of Estate Crops
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I. PALM OIL



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Attachment 1.

THE LIST OF INDONESIAN PALM OIL PRODUCERS
AND EXPORTERS



INDONESIAN OIL PALM

I. BACKGROUND

1. Brief History of Oil Palm in Indonesia



The oil palm is a West African native palm. It was first introduced to Asia through the Bogor Botanical Gardens in Indonesia in 1848. Due to its beauty, oil palm was planted as ornamental trees in the early days. In due course, it was discovered the palm grew and fruited better in many other

parts of Indonesia. In 1911, the first oil palm plantation was established in Sungai Liput and Asahan Indonesia.

2. Indonesian Oil Palm Plantation

With more than 18 million hectare suitable for oil palm, Indonesia has carefully expanded its oil palm plantation over the course of the past century. The expansion is mostly accomplished in ex logging areas where bare land can be converted to a green plantation environment. Nowa-

days, Indonesia's oil palm plantation can be seen as a large green carpet Indonesia covering almost 3.7 million hectares in many parts of Indonesia.



To some extent, oil palm has some environmental advantages even when compared to a tropical forest. The oil palm consumes more CO₂ and releases more O₂ which is beneficial for the environment. The oil palm absorbs more energy from nature and expresses it in the form of biomass and oil production. Such a high biomass production implies more production is returned to the nature (Table 1).

Tabel 1. Environmental related characteristic of oil palm plantation compare with tropical forest

Parameter	Unit	Tropical Forest	Oil palm Plantation
Biomass production	Ton dry matter/ha/year	22.9	36.5
CO ₂ fixation	Ton CO ₂ /ha/year	9.62	25.71
Photosynthesis rate	μ mol CO ₂ /m ² /sec	13-19	21-24
Energy absorption	mj/m ₂ /year	51.5	82.9
Respiration	Ton/CO ₂ /ha/year	121.1	96.5
O ₂ production	Ton/ha/year	7.00	18.70

3. Scale of the oil palm plantation

Based on the ownership status, around 23% of the oil palm plantation is owned by the smallholder, 32% to government owned companies and 45% to the private company. The smallholders are mostly attached to a large company under the umbrella of a nucleus estate and smallholder partnership scheme. Such a scheme in effect enlarges the size of the estate company.



3. Productivity and Production

Productivity of each ownership group differs quite significantly. The productivity of the smallholders is around 2.7 ton CPO per hectare mature palm, whereas the private companies are 2.8 ton and the government owned companies are 4.5 ton. From 3.726 million hectare of mature oil palm plantation, Indonesia produced palm oil product in the amount of 9.6 million in 2002 (Table 2).

**Table 2. Acreage and Indonesian Palm Oil Production,
1997 – 2002**

Year	Acreage (million ha)	Production (million tons)
1997	2.516	5.380
1998	2.788	5.640
1999	3.172	6.004
2000	3.993	7.289
2001	3.584	9.468
2002	3.726	9.616

4. Palm Oil Industry

The oil palm industry in Indonesia covers a range of activities extending from plantations, palm oil mill, down to frying oil, margarine, vanaspati, other food products and basic oleochemicals. The number of palm oil mills has been growing in line with the expansion of oil palm plantations. In the year 2000, the number of palm oil mills in Indonesia is 206 plants spread across 16 provinces with a total capacity of 8,100 FFB/

hour. The use of palm oil by downstream industry is in most part for edible oil production (3.5 million ton), although the growth rate of non-edible oil production is high (Table 3).

Table 3. The Usage of palm oil by edible oil and fats and non edible oil industry, 1988 - 2000

Industry	Palm Oil Usage ('000 tons)			
	1988	1993	1999	2000
Edible Oil and Fats	954	2,154	2,954	3,500
Non-edible Oil	254	496	650	765
Total	1,218	2,650	3,504	4,265

5. Refinery Industry

The installed capacity of refinery and fractionation plant that separates crude palm oil into solid and liquid fractions is higher than CPO production. At present 85% of Indonesian palm oil exports is in the form of processed oil and 15% in the form of CPO. Actually, the installed capacity of the refinery industry is sufficient to process all CPO produced. The sufficient installed capacity of fractionation plant enables Indonesia to export palm oil whatever form requested by the market. In 2000, the total installed refinery capacity was 11,082,000 ton/year (Table 4).



Table 4. The Location and Indonesian Palm Oil Refinery, 2000

PROVINCE	PRODUCTION (ton/year)
North Sumatera	4,290,000
Riau	1,920,000
Jambi	90,000
South Sumatera	540,000
Lampung	180,000
DKI	2,397,000
West Java	105,000
East Java	1,425,000
West Kalimantan	60,000
West Sumatera	75,000
Total	11,082,000

6. The oleo chemical industry

By volume, the use of palm oil by the oleo chemical industry is around 22% of total consumption. The Indonesian oleo chemical producers among others, fatty acids, fatty amide, fatty alcohol, glycerin, methyl ester and metallic soap. Most of these products can substitute the products deriving from petroleum. In 2000, the total installed of Indonesian oleo chemical industry was 847.4 thousand ton per year (Table 5).



Table 5. The Location and Production Indonesian Palm Oleo Chemical Industry , 2000

LOCATION (PROVINCE)	PRODUCTION (000 ton/year)
North Sumatera	245.79
Riau	252.00
West Sumatera	80.60
Jakarta	193.25
Central Java	47.64
Central Java	14.40
East Java	13.75
Total	847.43



II. PALM OIL USES FOR FOOD PRODUCTS

1. Frying or Cooking Oil

When frying, cooking oil from oil palms serves primarily as heat exchange medium, usually carried out at a temperature of more than 150°C. Fried food has a pleasant taste with an attractive golden brown color, delicate crunch or crispy, and rich flavor.

Palm olein has a moderate linoleic acid content and a very small linoleic acid content, and has no unpleasant odor, no trans – fatty acid, and has high resistance to oxidation. Therefore, it is suitable for frying and applications and it is commonly used for home cooking, either with pan frying and deep frying, in restaurants, fast food restaurants, and also in the manufacture of snack food and instant noodles. Palm oil can be reused several times.

2. Red Palm Oil



Red palm oil is refined from palm oil by a specially mild process, whereby, most of the natural carotenes are retained. It is rich in pro – vitamin A (400 – 500 ppm) and also rich in vitamin E (500 – 600 ppm).

It is 100% natural and non toxic, does not contain any artificial colorings and preservatives, therefore can be used in food production safely. It can be

used as cooking oil for spicy food, such as curry, satay sauce, or other dishes which are reddish in color.

It can also be used a portion in margarine blends to provide a natural source of coloring and the desired level of pro – vitamin A, and as Food nutrients for instant noodle, salad dressing, and peanut butter. It is ideal for stir – fried dishes but not recommended for repeated use, due to the degradation of carotenes.

3. Margarine

Margarine is used as an alternative to butter. Nowadays, most margarines are made with vegetable oils. Since the common vegetable oil contains, high polyunsaturated fatty acids, they require hydrogenation to convert liquid oils to solid fats. This process produces saturated fatty acids as well as trans – fatty acids. In the human body, trans – fatty acids have been shown to raise LDL – Cholesterol levels, thereby increasing the risk of coronary heart disease. Palm oil, palm steering, and palm kernel oil are suitable for various margarines types, such as table margarine, bakery margarine, and puff pastry margarine. These oils are usually used in various blend with other oils. There are several advantages of using palm oil or palm stearin for margarine production, i.e.(i) it is naturally semi – solid so that there is no need hydrogenation process, (ii) unlike other oils the palm oil crystal is in a beta-prime form to give the required spread able character, (iii) no flavor Reversion, and (iv) highly availability at with very competitive prices. The PKO contains short and medium chain length glycerides, and these properties give the right mouth feel and melting characteristics, especially when it is used in combination with the palm oil.



4. Bakery Shortenings and Margarine

The important function of shortenings is to tenderize or 'shorten' baked foods, such as breads, cookies, biscuits, cakes and pastry. Shortenings preventing the protein and carbohydrates components in the butter turning into a hard continuous mass during baking. It is also used as 'butter cream' fillings for sandwich – type biscuits, spraying on after baking, or in grilling process. Shortenings are made with a higher solid fat content than table margarines, They should not melt too quickly, and must retain the air bubbles during baking to obtain the smooth, light flake texture, or crumb structure. These products were originally formulated as substitutes for lard, but now the partially hydrogenated liquid oils, such as soybean, rapeseed, and sunflower oils, are used in shortenings formulae.

In some cases, bakery margarines are preferred in the production of cakes instead of the shortenings. Unlike the 'white' shortenings, margarines are formulated to have a higher solids content than table margarines.

Palm oil, palm stearin, and palm kernel oil are also suitable as a major component for all shortening products. The advantage of palm oil use in this regard is that there is no need for hydrogenation process to reach the semi –solid form it provides exterior gloss and moisture resistance in the baked foods, as well as provides emulsification, creaming.





5. Frying Shortenings

Frying shortenings are used in the commercial deep – fat frying of products such as doughnuts, meat, fish, nuts, potato chips or French –fried potatoes, and other snack items. The most important shortening characteristics are flavor stability, melting point, and solid fat content. The solid fat content of the shortening affects the palatability of the food, depending on the type of food to be eaten and the amount of fat normally absorbed by the food.

With a blend flavor, high stability, unhydrogenated nature, and having the required solid fat profiles and melting point, palm oil, palm kernel oil and theirs fractions can be used for frying shortenings formulae. With a good deodorization process, there are no noticeable

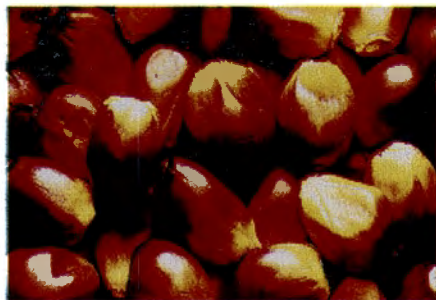
flavors of the palm oil transferred during frying. The High stability of palm oil gives a high turnover rate of the shortenings, and it also result in a thin, non greasy, acceptable organoleptic response, and good shelf life of the finished products. It has been show that the amount of fat taken up by the deep fried foods using tallow and palm oil is lower than that of partially hydrogenated oils.



6. Vanaspati

Vanaspati is an alternative traditional butter fat (ghee) that is used in India, Arabian, and several mediterranean foods. Originally, vanaspati is made from hydrogenated groundnut oil, the major produced oils in India, but now the vanaspati formulae are based on a variety of vegetable oils. The hydrogenation process is a necessary stage in producing vanaspati from liquid vegetable oils. It must be solid at room temperature but required to melt at 37 - 39 °C. Vanaspati has a granular or grainy texture and this characteristic is considered as an important quality criteria, especially in India and Pakistan. In the Middle – Eastern countries, vanaspati product must have a smoother texture.

The physical properties of palm oil are suitable for the vanaspati formulae. Fully refined palm oil now is used directly in some countries, since the price is lower than pure ghee. Palm oil and palm stearin have semi – solid consistency at room temperature, and no need costly hydrogenation process. Several studies have been reported that with modification process. Several studies have been reported that with modification processes such as fractionation, blending, or interesterification, the use of palm oil and palm kernel oil can be minimize in the production of vanaspati.



7. Confectionery Fats

Confectionery fats are usually used to replace all or part of cocoa butter and dairy butter. These fats are formulated or modified from vegetables oils, since the cocoa butter and dairy butter are expensive and their supply unreliable. Best known products that used these fats are caramels, toffees, coating fats for biscuits, cakes, or sugar, and cream filling which are applied between layers of biscuits, wafers, or cakes. The role of these fats is to provide specific texture and richness of taste. Furthermore, the confectionery fats should have a sharp melting behavior to melt easily in the month.

The other kind of important confectionary fats are cocoa butter equivalent (CBE) and cocoa butter substitutes (CBS) or hard butters. The fats are compatible with cocoa butter, which are normally used in chocolates. Palm oil can be used as the confectionery fats material. It's long chain saturated fatty acid and significant amount of the SOS – type triglyceride, make the palm oil an excellent fat for confectionary due to its sharp melting behavior. Palm stearin, which contains a very high solid content, is suitable for solid chocolate products and coating formulation. The inclusion of palm oil stearin enables a butter profile in compound coating for biscuits and chocolate flavored baking chips. Palm kernel oil can also be also used in production activities, such as blending, fractionation, hydrogenation and interesterification.

Hydrogenated palm kernel oil can be interesterified and blended with palm oil products for CBS and toffee formulations. These fats improve the texture by providing lubricant and moisture sealing.



III. PALM OIL USES FOR NON FOOD PRODUCTS

1. Palm oil Bio Diesel

Biodiesel is a kind of diesel fuel derived from biological products such as animal and vegetable oils or fats. Recently, biodiesel has been used as a diesel fuel substitute. This is due to the fast depletion of petroleum reserves, greater environmental awareness, and the renewable nature of the vegetable oils as the biodiesel feedstock. Biodiesel emits less smoke, CO and no SO_2 , and therefore, is an environmentally friendly energy. To date, rapeseed oil constitutes about 80 % of the raw materials for biodiesel production, followed by sunflower oil and Soybean oil. Palm biodiesel derived from palm oil can be made by esterification with methanol in presence of catalyst at particular conditions. Technical specifications of bodies produced by IOPRI as follow : viscosity 5.55 cst, density 0.8624, flash point 172°C and refractive index 1.4302.

Using palm oil as a biodiesel raw material is more cost efficient. Malaysia and Indonesia have developed the necessary technology to produce palm biodiesel. The fuel relatively similar. Although the palm biodiesel viscosity is somewhat higher, it still flow under warm weather with a pour point of 15°C. The palm biodiesel has higher octane number than petroleum diesel. It indicates a shorter ignition delay characteristics and also has a higher flash point to make it safer for storage and transportation.



2. Palm Bio – Lubricant

Palm oil based bio – lubricant is synthesized by etherification of palm oil or palm fatty acids with poly alcohol and formulation with additives. Bio – lubricant might be used in agricultural and food machineries. The specification of the lubricant is comparable to conventional petrochemical – based lubricant : cinematic viscosity 34.95 cst (40°C), viscosity index 175, density 0.8624, and flash point 200 °C.

3. Palm Biomollient for Cosmetics

Emollient is fatty esters from monoglyceride alcohols. Best know fatty esters are isopropyl myristate, isopropyl palmitate, butyl stearate, and cethyl palmitate, that are used in skin lotions and creams, in bath oils, sun block lotion, shaving creams, in bath oils, sun block lotion, shaving creams, and lipstick formulation. Emollient is used in almost every cosmetics formula. The Emollient functions by tenderizing and moisturizing of the skin, of cream type of cosmetics, lotion, lipstick and soap. Conventional emollient is made of petrochemicals. IOPRI have developed palm oil based emollient, specially from stearic acid, using chemical and enzymatic processes. The advantage of palm biomollient petrochemical based emollient, biomollient is safe and non – toxic to humans, degradable, and has no side effect to skin such as irritation.



4. Plasticizer

Plasticizer commonly used in chemical industry for giving plasticity and strength to the synthetic resin, PVC and plastic. Most of plasticizer made of petrochemical derivatives i.e. dioctyl phthalate (DOP). IOPRI has developed technology for producing palm oil based elasticized i.e. epoxy RBDPO, epoxy methyl ester and butyl acetoxystearate of palm oil fatty acids. Epoxy RBDPO and epoxy methyl ester can be used as a plasticiser and stabilizer. Butyl acetoxystearate is used as plasticiser. The addition of up to 30 % palm oil based plasticiser may improve plasticity and elasticity of PVC. The advantages of using palm plasticisers are its biodegradability and non – toxic quality.

5. Fatty Alcohols

Fatty alcohols are important group of downstream products derived from oils / fats, that have limited uses. Cetyl and stearyl alcohols are used as suppressors of water evaporation in dry areas, and unsaturated alcohols are used as emulsifiers and textiles auxiliaries. The derivatives of fatty alcohols, such as fatty sulphates, fatty alcohol ethoxylates and fatty alcohol ether sulphates, fatty alcohol ethoxylated and fatty alcohol ether sulphates are extensively used in washing and cleaning products. A large portion of non-food usage of palm oil and palm kernel oils is in the soap industries. Soap is produced from the reaction between a fatty acid and ANRPC alkali. The fatty acid is obtained from the triglycerides of the natural oil/fats. This reaction is also known as the saponification process, that produces soap and glycerol.

The fatty acids that are usually C16-C18 and C12-C14 are important raw materials in soap making. These fatty acids contribute toward the cleaning action, good formability and solubility properties. No single oil or fats has all the optimal properties to make the ideal soap. Soap with C12-C14 fatty acids is usually hard, foams quickly, and readily soluble in water, while soap with C16-C18 fatty acids is softer, but has a better cleaning action in warm water.

The choice of soap raw materials is dependent on the types and prices of oil fats used. Traditionally oils and fats used in the soap making process are tallow and coconut but at higher and limited supply when compared with potential palm oil substitutes. Based on the fatty acids composition, palm oil and palm stearin can replace the tallow, while palm kernel oil 20% - 15% is good blended oils to produce soaps. Palm stearin is also suitable for soap making.

Another soap product are metal soap, which have widely used in the manufacture of lubricants, greases, paints, varnish, and plastics. Palm stearin, palm fatty acid distillate, which are richer in C16, usually give metal soaps with distinctive properties, such better odor, and good oxidative stability.

Transparent soap made of glycerin is usually tender on skin and gives high foam quality. The major raw material for commercial transparent soap are sodium tallowate, sodium carbonate, glycerin, alcohol, honey, trietanolamine, and EDTA. IOPRI has developed a transparent soap technology made of palm oil fatty acid. This transparent soap has some advantages such as the free fatty acid content of the soap is relatively lower than commercial one and conforms with the national standard SNI- 06-3235-1994. In addition, the transparent soap more easily foams on the skin surface.



IV. THE INDONESIAN PALM OIL TRADE

Export

The total export of Indonesian palm oil product in 1998 was 1.478 million tons with the value US\$ 0.775 billion. In 1999 the total export increased to 4.3 million with the value US\$ 1.114 billion. In 2000 the total export increased to 4.11 million but in the form of value decrease to US\$ 1.077 billion. It is resulting from the dropped value in the world market. The total export continue to increase in 2001 by 4.903 million tons with the value US\$ 1.080 billion, and 6.332 million with the value US\$ 2.092 billion (Table 6). During the period 1998 to 2002 in the form of volume, the total export growth average by 48.33% per year, while in the form of value growth average is 34.5% per year.

**Table 6. The Total Export of Palm Oil Product
1998 – 2002**

Year	CPO (million tons)	Other Palm Oil (million tons)	Total (million tons)	Value (US\$ billion)
1998	0.404	1.075	1.478	0.775
1999	0.865	2.434	3.200	1.114
2000	1.816	2.292	4.110	1.077
2001	1.849	3.054	4.903	1.080
2002	2.804	3.528	6.332	2.092

Source : BPS

In Table 6, from the total export volume 6.332 million in 2002, 3.528 million was exported in the form of other palm oil product such as cooking oil, RBD, olein or processed products, meanwhile in the form of CPO was 2.804 million. This data indicates that Indonesian palm industry is not dominated upstream industry, and the downstream palm oil industry has already developed.

Indonesian palm oil was exported into more than 20 countries in the world. Until 2002, India is the main country destination of Indonesian palm oil export. From the total 6.332 million tons, India was accounted by 1.77 million ton (27.8%), followed by the Nederland 1.1 million tons, China 482.8 thousand tons, Malaysia 404.97 thousand tons, Singapore by 371.5 thousand tons and other by 2.21 million tons (Table 7).

Table 7. The Principal Country Destination of Indonesian Export of Palm Oil Products, 1999 - 2002

Country Destination	1999	2000	2001	2002
India	1,028,436	1,639,068	1,519,819	1,765,623
Nederland	650,097	593,599	699,896	1,097,726
China	333,107	438,084	335,913	482,809
Malaysia	245,851	56,911	78,325	404,968
Singapore	92,035	273,322	327,016	371,531
Others	949,460	1,109,043	1,942,006	2,209,049
Total	3,298,986	4,110,027	4,903,075	6,332,708

During the period 1999 to 2002 the total palm oil export was growth by 24.4% per year, meanwhile export to India growth by 22.3 % per year, Nederland by 21.9% and China by 17.1%.

V. THE WORLD PALM OIL SITUATION

a. Production

The oil palm industry worldwide has provided the fastest increase in global oils and fats supplies over the last four decades. World palm oil production increased by 20 folds from a mere 1.2 million tons in 1962 to 25 million tons in 2002, growing at rate of 7.8% per year or more than double the total world oils and fats production growth of 3.5% per year during this period. In fact, the growth of palm oil output exceeded that of oilseeds production which only expanded moderately by 3.7% per year, despite a harvested area for the former which expanded 26 times more than the oil palm matured area. As a result, the global oils and fats had grown accustomed to the ever increasing availability of palm oil to meet their rising oils and fats demand.

The share of palm oil production in the world oils and fats complex has increased markedly by five folds from 4.0% in 1962 to 20.8% in 2002, as compared to the only two fold increase experienced by soyabean oil during the same period. The sharp increase in palm oil was mostly triggered by continued worldwide expansion of oil palm planted areas and matured areas coming into production as well as growing world demand for vegetable oils.

In 2001, the total world palm oil production was 23.55 million tons. Indonesia was in the second position as the biggest palm oil producer behind Malaysia by 7.48 million or by 32.3% from the world total production (Table 8).





Table 8. The World Palm Oil Producers, 1996 – 2001

(in 000 ton)

Country	1996	1997	1998	1999	2000	2001
Malaysia	8,386	7,221	9,069	8,319	10,842	11,804
Indonesia	4,540	5,380	5,100	6,250	7,000	7,480
Nigeria	670	680	690	720	740	750
Colombia	410	441	424	501	524	547
Ivory Coast	280	260	275	282	266	275
Thailand	375	390	405	495	525	535
PNG	272	275	215	264	336	325
Equador	188	203	200	230	238	240
Costa Rica	109	119	115	110	113	123
Honduras	76	77	88	80	78	94
Brazil	80	80	89	93	97	110
Venezuela	45	54	54	68	81	84
Guatemala	36	50	47	52	58	70
Others	815	825	898	932	927	918
TOTAL	16,282	17,903	16,919	20,631	21,825	23,355

Source : i) OIL WORLD

ii) MPOB – For data on Malaysia

b. Export

The total world export in 2001 was 17.37 million tons. Malaysia leads by 10.78 million ton (61.62%) and followed by Indonesia by 4.8 million tons or 27.63% (Table 9).

Table 9. The World Palm Oil Exporters, 1996 – 2001

(in 000 ton)

Country	1996	1997	1998	1999	2000	2001
Malaysia	7,212	7,490	7,465	8,914	9,081	10,618
Indonesia	1,851	2,982	2,002	3,319	4,140	4,800
PNG	267	275	235	254	336	320
Ivory Coast	99	73	102	105	110	124
Colombia	29	61	86	90	86	121
Singapore*)	289	298	241	292	240	259
Hongkong*)	305	173	103	94	158	187
Others	711	821	663	800	853	942
TOTAL	10,763	12,173	10,897	13,868	15,004	17,371

Source : i) OILWORLD

ii) MPOB – For data on Malaysia

VI. THE PRICE

a. The Domestic Price

The domestic palm oil is fluctuating, it could be high or low, follows the market trend. By 1995, the average domestic price of palm oil was Rp.1.275/kg, then was decreased to Rp. 1,148/kg in 1996. In 1997 was increased to Rp. 1,424/kg and reached the highest price in 1998 by Rp. 3,662/kg due to the high world CPO price. But in the following year was decreased to Rp. 2.979/kg. In 2002 the average price was Rp. 2,840 (Table 10).

**Table 10. The Domestic Average Palm Oil Prices
1995 - 2002**

(in Rp)

CPO	1,275	1,148	1,424	3,622	2,979	2,329	2,049	2,840
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Source : Antara

b. The International Price

The world palm oil price is fluctuating and characterized by following the world price of soya bean oil and the fluctuations of the global production. The price trends low when the price of soya bean decreases, and the price of palm oil will.

when the soya bean oil price increases. In 1995, based on the CIF Rotterdam CPO price was US\$ 628.3/ton, then decreased to US\$ 530.9 in 1996, but next increased to US\$ 568.7 in 1997. By 1998 increased sharply to US\$ 671.1, but in 1999 decreased sharply to US\$ 436.3 then to US\$ 310.0 in 2000, and continue to the lowest level by US\$ 284.6. In 2002 the price improved to US\$ 390.3/ton (Table 10).

**Table 10. The World Average Palm Oil Prices
1995 – 2002 *)**

(in US\$)

Year	1995	1996	1997	1998	1999	2000	2001	2002
CPO	628.3	530.9	568.7	671.1	436.0	310.0	284.6	390.3

Source : World Bank

*) Based on the CIF Price Rotterdam



VII. INVESTMENT POLICY IN INDONESIA

Foreign capital investment (PMA) activities in Indonesia based on the Foreign Capital Investment Law No. 1/1967, as amended by Law No. 11/1970. Since 1984 the Government of Indonesia has been embarking on a significant program of deregulation and debureaucratization to simplify license procedure, mainly in investment. The main investment measures which has been taken towards achieving a faster, easier and more transparent licensing procedure and better opportunities for investing in Indonesia among others are as follows :

1. PMA company allows 100 percent foreign share – holding in a company, except the sector which the lives of a great deal of people are involved, namely: sea ports, electricity production.
2. PMA company, in the sense of that the entire capital is owned by foreign citizens and/or foreign legal entities. Besides, the minimum capital requirement for foreign capital investment is not decided. The amount of invested depend entirely on the feasibility study of the project.
3. Giving more flexible for foreign investors in choosing their business fields, the Government of Indonesia simplify the List of Business Fields closed for investment. This new list has reduced the business fields absolutely closed for investment from 16 to only 11 fields. The business fields closed for investment in which a part the share are owned by foreign citizen and, or foreign legal entities, which has been reduced from previously 9 fields to only 8 fields. The business fields open for joint venture between foreign and domestic capital are only 9 field and another 20 sectors are open with special requirements.

4. Equipment and raw materials imported under the framework of building / development of investment projects shall be granted import duty exemption and final tariffs up to a maximum of 5%. In the case of import duty tariffs, which are mentioned in the Indonesian Custom Tariffs Book (BTBMI)/ HS Tariff, are lower than 5%, the effective tariffs applied shall be those in BTBMI/HS tariffs.

Import duty facilities for imported raw material is given for a 2 years period starting from the date of stipulation of the decision on relief of import duty.

The Corporate Income Tax Rates as follows:

- a. Taxable Income of less than Rp 50 million, the tax rate is 10%
- b. Taxable Income of over Rp 100 million, the tax rate is 30%

5. Tax incentive certain sectors and or certain areas as follows:
- a. Investment allowance. The investment allowance will be 30% for 6 years / 5% / year ;
 - b. Accelerated depreciation and amortization ;
6. Approval procedures for investment application has been simplified. Foreign investors can submit their application not only to the central government in Jakarta (BKPM) but also they can submit their application to Indonesian Representative Offices Overseas (Indonesian Embassy, Consulated General or Consulate), or to Regional Investment Agency (BKPMMD)
7. To simplify the foreign investors to coordinate their business activities, Government of Indonesia offers opportunities for the foreign companies to open its representative office in Indonesia, to do the preparation for the establishment of new project in Indonesia.

8. In order to create more certainty for foreign expatriate, the government has improved policy on working permit. The work permit for a longer period is given from previously one year to three years.
9. A PMA company is granted a period of 30 years to operate after its legal formation. It can be extended by 30 years anytime an invested expansion is committed.
10. The land Cultivation Right (HGU) is the right to use a State Owned land for the purpose of agricultural namely plantation, fishing, or cattle raising. By law the title is granted for a maximum period of 35 (thirty – five) years, but may be extended to 25 (twenty five) years if the land is properly used and managed. This title of right is given to Indonesian partner(s) or legal entities domiciled in Indonesia including PMA companies. It can be used a collateral or transferred to a third party with governments approval.
11. The Right of Building on Land (HGB) is the right to construct and own building on a piece of land that one has purchased. The title is granted for a maximum period of 30 years. The HGB title is granted to Indonesian individual(s) and/or legal entities domiciled in Indonesia, including PMA companies, also can be used as collateral or transferred to a third party.
12. Due to increase population and then food processing & chemical industries which use crude palm oil for their raw materials, demand for CPO and downstream industry either domestic demand or export fast increase. The gap between demand and production has been continually widening. Although Indonesia has huge potential area to develop agribusiness. The investment opportunities of palm oil plantation and downstream industry are wide open.



VIII. THE PROSPECT OF INDONESIAN PALM OIL INDUSTRY

a. Area

Research Center for Soil and Agroclimate (1997) has identified around 18 million hectares of land suitable for oil palm in some provinces that have been set for center of palm oil industry (Table 11).

Table 11. Acreage Potential for Oil Palm Expansion

Province	Good (ha)	Moderate (ha)
North Sumatera	333,700	95,500
Riau	973,000	223,400
Bengkulu	409,150	-
West Kalimantan	3,283,400	292,300
Central Kalimantan	3,197,900	1,249,800
East Kalimantan	4,221,300	304,900
Central Sulawesi	164,400	135,900
South Sulawesi	196,900	78,200
Papua	5,957,000	588,200
Total	18,736,750	2,986,200

Department Forestry, however stated that "only" 9.8 million hectares can be converted into estate crops and around 4.4 million hectares have been released. More than 1.5 million hectares have been released in Riau, and more than 500 thousand hectares in Central and East Kalimantan each.

This figures indicates that there are many lands available for oil palm expansion in Riau, and Kalimantan. The exploitation of such potential resources depends how the business environment that attract investors. It is projected that the national growth rate of oil palm area will be around 200 – 250 thousand hectare per year. Hence, it is expected that the Indonesian oil palm area may reach to 5.9 million hectares in 2010 with the production 14.33 million tons (Table 12).

Table 12. Acreage and Production of Palm Oil (Forecast)

Year	Acreage (million ha)	Production (million tons)
2003	4.19	9.57
2004	4.40	10.15
2005	4.62	10.76
2006	4.85	11.41
2007	5.09	12.10
2008	5.35	12.83
2009	5.61	13.61
2010	5.89	14.33

Source : OILWORLD

B. Demand and CPO Price

Palm oil is mostly used for frying oil in Indonesia. Taking the population and economic growth rate into consideration, the consumption is expected to increase by around 57 thousand tons per year. According to the study, the demand growth in the importing countries is estimated that China may need an addition of 400 thousand tons of palm oil per year,

Korea by 5 thousand tons, Australia 20 thousand tons, India 230 thousand tons, and Nigeria 30 thousand tons. These countries represent more than one third of the world population. The figures above are obtained by assuming that the portion of palm oil related to other oils in the same in these countries remain the same. For these countries alone, oil palm expansion rate needed is around 160 thousand hectares per year. In addition, new usage of palm oil like for diesel fuel may further increase the demand sharply. This demand growth rate drives the oil palm expansion rate.

Study on the price found that palm oil movement has a business cycle with a period of 5 – 6 years. The cycle is characterized by one major peak and two minor peaks. The price also has an insignificant upward trend, and seasonality. Evaluation on the previous price, indicates that we just passed the major peak of the price (2002-2003). Hence, we will expect a decline to follow the business cycle in the next two coming years. The annual CIF Rotterdam price will be around US\$ 350 for the next two years of course with seasonal change.



Attachment 1. The List of Indonesian Palm Oil Producer and Exporter

1. PT. Socfindo

Address : Jl. Yos Sudarso Medan, Sumut
Telephone : (62-61) 661 6066
Facsimile : (62-61) 661 4390
E-mail : socfindo@indosat.net.id
Products : CPO, RBD Palm Oil, RBD Palm Stearin, PFAD,
PKO and Palm Kernel Oil
Activities : Plantation, Miller and Exporter

2. PTP Nusantara 2

Address : Tanjung Morawa Medan, Sumut
Telephone : (62-61) 794 0055
Facsimile : (62-61) 794 0233, (62-21) 335091
Products : CPO, RBD Palm Olein, RBD Palm Stearin,
PFAD, Palm Kernel
Activities : Plantation, Miller and Exporter sales represented by Joint Marketing Board/KPB Jakarta)

3. PTP Nusantara 3

Address : Jl. Sei Batang Hari, Sei Sikambing Medan, Sumut
Telephone : (62-61) 845 2244
Facsimile : (62-61) 845 5177, (62-21) 335091
E-mail : ptpn3@indosat.net.id
Products : CPO and Palm Kernel
Activities : Plantation, Miller and Exporter (sales activities represented by Joint Marketing Board/KPB Jakarta)

4. PTP Nusantara 4

Address : Bah Jambi, Pematang Siantar Medan, Sumut
Telephone : (62-622) 563 001
Facsimile : (62-622) 563 003 , (62-21) 335091
Products : CPO and Palm Kernel, RBD Palm stearin, FPAD
Activities : Plantation, Miller and Exporter (sales activities represented by Joint Marketing Board/KPB Jakarta)

5. PTP Nusantara 5

Address : Jl. Ronggo Warsito, Pekanbaru / 40
Telephone : (62-761) 26744
Facsimile : (62-761) 24190 , (62-21) 335091
E-mail : pemasaran@pekanbaru.ptpn5.com
Products : CPO and Palm Kernel
Activities : Plantation, Miller and Exporter (sales activities represented by Joint Marketing Board/KPB Jakarta)

6. PTP Nusantara 6

Address : Jl. Hayam Wuruk No. 49, Padang
Telephone : (62-0751) 33612
Facsimile : (62-0751) 34392 , (62-21) 335091
E-mail : ptpn6pdg@indosat.net.id
Activities : Plantation, Miller and Exporter (sales activities represented by Joint Marketing Board/KPB Jakarta)

7. PTP Nusantara 7

Address : Jl. Teuku Umar Tanjung Karang / 300
Telephone : (62-721) 702 233
Facsimile : (62-721) 702 775, (62-21) 335091
E-mail : ptpn7@indosat.net.id
Activities : Plantation, Miller and Exporter (sales activities represented by Joint Marketing Board/KPB Jakarta)

8. PTP Nusantara 13

Address : Jl. Sultan A Rachman, Pontianak / 11
Telephone : (62-561) 34101
Facsimile : (62-561) 34110, (62-21) 335091
E-mail : ptpn13@kalimantan.ptpn13.com
Activities : Plantation, Miller and Exporter (sales activities represented by Joint Marketing Board/KPB Jakarta)

9. PTP Nusantara 14

Address : Jl. Urip Sumoharjo, Kotak Pos 1167, Makassar
Telephone : (62-441) 444 810
Facsimile : (62-441) 444 840, (62-21) 335091
E-mail : market14@indosat.net.id
Activities : Plantation, Miller and Exporter (sales activities represented by Joint Marketing Board/KPB Jakarta)



10. PT Musim Mas

Address : Jl. K.L Yos Sudarso, Km 7,8, Tanjung Mulia,
Medan
Telephone : (62-061) 661 5511
Facsimile : (62-061) 661 3060
E-mail : musimas@indosat.net.id
Products : CPO, RBD Palm Olein, RBD Palm Stearin
Activities : Plantation, Miller and Exporter

11. PT. Agra Masang Perkasa Plantation

Address : Jl. Imam Bonjol, BDN Building, Lt. IV
Medan
Telephone : (62-061) 4545 777
Facsimile : (62-061) 4554 891
Products : CPO, RBD Palm Olein, RBD Palm Stearin
Activities : Plantation, Miller and Exporter

12. PT. PP London Sumatra Tbk.

Address : Jl. A. Yani, Medan / 2
Telephone : (62-061) 4532 300
Facsimile : (62-061) 4513 596
E-mail : emir.pramudya@londonsumatra.com
Products : CPO and Palm Kernel
Activities : Plantation, Miller and Exporter

13. PT. Tolan Tiga Indonesia

Address : Jl. S. Parman, Medan / 217
Telephone : (62-061) 4152 043
Facsimile : (62-061) 4520 968
E-mail : master@tolantiga.co.id
Products : CPO and Palm Kernel
Activities : Plantation, Miller and Exporter

14. PT. Salim Ivomas Pratama

Address : Jl. Jend. Sudirman, Kav. 47, Gedung Plaza
Sentral, Lt. 20, Jakarta 12930
Telephone : (62-021) 5702 288
Facsimile : (62-021) 5702 244
E-mail : spnet@splantation.co.id
Products : -
Activities : Plantation, Miller and Exporter

15. PT. Smart Corp.

Address : Jl. Monginsidi, Medan no. 14/16
Telephone : (62-061) 4556 444 810
Facsimile : (62-441) 444 840, (62-21) 335091
E-mail : market14@indosat.net.id
Products : CPO and Palm Kernel
Activities : Plantation, Miller and Exporter (sales activities
represented by Joint Marketing Board/KPB
Jakarta)

16. PT. Supra Matra Abadi

Address : Jl. Letjen Haryono MT No. A1 Uni Plaza Building
Medan
Telephone : (62-061) 4532 155
Facsimile : (62-061) 4532 095
Products : CPO, PKO and RBD Palm Olein
Activities : Plantation, Miller and Exporter

17.PT. Permata Hijau Abadi

Address : Jl. Iskandar Muda No. 107, Medan
Telephone : (62-061) 4569 144
Facsimile : (62-061) 4569 755
E-mail : phsgroup@indosat.net.id
Products : CPO, RBD Palm Stearin and PFAD
Activities : Plantation, Miller and Exsporter and Trade

18.PT. PD Jaya Pinang

Address : Jl. Iskandar Muda No. 107, Medan
Telephone : (62-061) 4569 144
Facsimile : (62-061) 4569 755
E-mail : phsgroup@indosat.net.id
Products : CPO, RBD Palm Stearin and PFAD
Activities : Plantation, Miller and Exsporter and Trade

19. PT. Parasawita

Address : Jl. Jend. A. Yani No. 102-A, Medan
Telephone : (62-061) 4517 544
Facsimile : (62-061) 4511 638
E-mail : sawita@indosat.net.id
Products : CPO, Palm Kernel, Palm Kernel Oil and Palm Kernel Meal
Activities : Plantation, Miller and Exporter

20. PT. Asam Jawa

Address : Jl. Gajah Mada No. 40, Medan
Telephone : (62-061) 4156 600
Facsimile : (62-061) 4568 195
E-mail : -
Products : CPO and Palm Kernel
Activities : Plantation, Miller and Exporter

21. PT. Sumber Tani Agung

Address : Jl. Perniagaan baru No. 22-26 C, Medan
Telephone : (62-061) 4156 264
Facsimile : (62-061) 4554 165
E-mail : sta@indo.net.id
Products : CPO and Palm Kernel
Activities : Plantation, Miller and Exporter

22. PT. Tunggal Perkasa Plant

Address : Jl. Pulo Ayang Raya Blok. OR 1, Kawasan Industri
Pulo Gadung, Jakarta

Telephone : (62-021) 4616 555

Facsimile : (62-021) 4616 618

Products : CPO, Palm Kernel and Palm Olein

Activities : Plantation, Miller and Exsporter

23. PT. Torganda

Address : 26, Jl. Abdullah Lubis, Medan

Telephone : (62-061) 4551 950

Facsimile : (62-061) 4556 378

Products : CPO and Palm Kernel

Activities : Plantation, Miller and Exsporter

24. PT. Tasik Raja

Address : Jl. Diponegoro, Kav. 11, Wisma HSBC, 3 rd F1,
Medan

Telephone : (62-061) 4528 683

Facsimile : (62-061) 4520 029

E-mail : aepindonesia@attglobal.net

Products : CPO and Palm Kernel

Activities : Plantation, Miller and Exsporter



25.PT. Cipta Futura

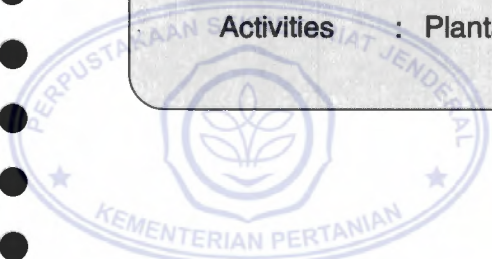
Address : 465, Jl. Mayor Ruslan, Palembang
Telephone : (62-771) 311 572
Facsimile : (62-771) 325 715
E-mail : cipuplg@plg.mega.net.id
Products : CPO and Palm Kernel
Activities : Plantation, Miller and Exsporter

26.PT. Duta Palma Nusantara

Address : Jl. Lingkar Mega Kuningan Lot 5.2 & 5.3, Plaza
Mutiara, Lt 8, Jakarta 12950
Telephone : (62-21) 5798 8633
Facsimile : (62-61) 5798 8633
Products : CPO and Palm Kernel Meal
Activities : Plantation, Miller and Exporter

27.PT. First Mujur Plantation & Industri

Address : 2, Jl. Babura, Kpt. Patimura, Medan
Telephone : (62-61) 4569866
Facsimile : (62-61) 4574487
Products : CPO and Palm Kernel Meal
Activities : Plantation, Miller and Exporter



28.PT. Rea Kaltim Plantation

Address : 26, Jl. Pulo Irian, Samarinda, 75133
Telephone : (62-541) 732898
Facsimile : (62-541) 732537
E-mail : rkpsam@smd.mega.net.id
Products : CPO and Palm Kernel Meal
Activities : Plantation, Miller and Exporter

29.PT. Bakrie Sumatra Plantation

Address : 20, Jl. Mongosidi, Medan 20152
Telephone : (62-61) 4538100
Facsimile : (62-61) 4538050
E-mail : bakriesp@indosat.net.id
Products : CPO and Palm Kernel Meal
Activities : Plantation, Miller and Exsporter

II. COCOA



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THE INDONESIAN COCOA

I. The Brief History of Cocoa in Indonesia

Cocoa (*Theobroma cacao* L.) has been planted in Indonesia since the Dutch colonialism. 70 percent of Indonesian cocoa plantation is cultivated by the small farmers, 30 percent cultivate by both private sector as well as state owned estate. Cocoa has a strategic position in Indonesian economy since it is as a source of livelihoods for millions of smallholder; foreign exchange earning, acceleration regional development; and downstream of cocoa base industry.

In 2000, the world cocoa plantation was 7,361,014 ha with the production 3,251,360 ton, total volume world cocoa export 2,406,059 ton.

Chocolate is one of the world popular food, chocolate is made for from cocoa and favoured by million's people. Cocoa bean can be processed into various products such as cocoa butter, paste, powder and for non food such as cosmetics material. Taking as the

consideration, the growth of the world population and economic development, trend and demand of the world cocoa market, the Indonesian cocoa development has a good prospect for the future.



II. The Indonesian Cocoa Development

a. Acreage and Production

In 1997 the total Indonesian cocoa acreage was 529,057 ha and increased to 669,211 ha in 2001. The acreage of smallholder plantation grows by 7.48% per year between 1997 to 2001, while government owned plantation decreased by 1% and private owned plantation decreased by 2.5% between 1997 to 2001 due to cocoa pod borer attack (Table 1).

The main cocoa plantation area is located in Sulawesi Island (339,305 ha), and recognized as "Cocoa Belt" and laying from Central Sulawesi Province to South Sulawesi and South East Sulawesi Province. This cocoa belt is mainly owned by smallholders, the cocoa plantation in Sumatera Island, which is the 2nd largest in the country is mostly owned by state owned enterprises. Up to 2001, it was recorded Sumatera Island (118,314 ha), Maluku and Papua (65,159 ha), Java Island (60,966 ha), and Nusa Tenggara (35,596 ha).

**Table 1. The Acreage of Indonesian Cocoa Plantation
1997- 2001 by scale**

Status	Year				
	1997	1998	1999	2000	2001
Smallholder	380,811	436,576	534,670	535,337	536,005
Gov. owned plant'n	62,455	58,261	59,990	59,994	59,998
Private owned plant'n	85,791	77,716	73,055	73,131	73,208
Total	529,057	572,553	667,715	668,462	669,211

Source : DGE

Along with the additional of cocoa plantation acreage through various programme such as extensification, rehabilitation of smallholder plantation, and self funding, cocoa production increased significantly.

In 2001, the total Indonesian cocoa bean production was 380,820 ton, Sulawesi Island by 238,077 ton, Sumatera by 65,000 ton, Jawa by 23,527 ton, Kalimantan by 14,625 ton, Maluku dan Papua by 20,013 ton dan Nusa Tenggara by 19,578 ton (Table 2).

Indonesian cocoa production grows by 5.4% per year between 1997 to 2001, from 1997 to 1998 grows by 35.9%, then drop to 18.2% in 1999 and increase in 2000 and 2001.

**Table 2. The Indonesian Cocoa Production
1997 – 2001**

Status	Year				
	1997	1998	1999	2000	2001
Smallholder	263,846	369,887	304,549	310,030	315,611
Gov. owned plant'n	35,644	46,307	37,064	37,731	38,408
Private owned plant'n	30,729	32,733	25,862	26,325	26,801
Total	330,219	448,929	367,475	374,086	380,820

Source : DGE



b. Export and Import

In 1998, the total volume of export of cocoa was 334,806 ton with the value US\$ 50,906,442. By 2002 the total volume export of cocoa was 459,238 ton with the value US\$ 701,034,279 (the highest level in the form volume and value).

The total volume of export of cocoa grows by 12.5% per year during 1998 to 2002, while the value was from 1998 to 2001 decreased by 18.2%% and sharply increased by 143.8% in 2002.

The volume of import of cocoa grows by 12.5% per year during 1998 to 2002, while the value was decreased by 18.2%% from 1998 to 2001, and in 2002 sharply increased 143.8%. Most of the cocoa that imported by Indonesia is a good quality cocoa to supply domestic cocoa industry. Even domestic cocoa bean is abundant the average size of Indonesian cocoa bean is small. Most of Indonesian cocoa bean is lower quality and exported for blending with other cocoa in export country destination.

**Table 3. Export and Import of Indonesian Cocoa
1998 - 2002**

Year	Export		Import	
	Volume (ton)	Value (US\$)	Volume (ton)	Value (US\$)
1998	334,806	502,906,442	7,616	12,885,269
1999	419,727	423,320,575	11,840	15,698,720
2000	424,088	341,859,304	19,310	22,055,297
2001	298,686	287,509,452	37,480	45,908,942
2002	459,238	701,034,279	36,585	63,973,666

Source : BPS

In the term of export destination, USA is still the main destination of Indonesian cocoa export. By 2000, the total volume export of cocoa to USA was 136,657 ton (40% of total export) with the value US\$ 84,056,303 (36% of total export), Malaysia 62,818 ton with the value US\$ 44,255,658, Singapore 58,762 ton with the value US\$ 42,537,815, Brazil 26,317 ton with the value US\$ 18,621,508, China 16,660 ton with the value US\$ 12,049,267, Germany 14,012 ton with the value US\$ 12,780,461, and others 25,414 ton with the value US\$ 18,751,223. Completely in Table 4.

Table 4. Country destination of Indonesian Cocoa Export 2000

Country Destination	Volume (ton)	Value (US\$)
USA	136,570	84,056,303
Malaysia	62,818	44,255,658
Singapore	58,762	42,537,815
Brazil	26,317	18,621,508
China	16,660	12,049,267
Germany	14,012	12,780,461
Others	25,414	18,751,223
Total	340,641	233,052,235

Source : BPS

Table 4 showed that USA was the biggest importer of Indonesian cocoa by 40.12%, Malaysia by 18.43%, Singapore 17.24%, Brazil 7.72 %, China 4.88%, Germany 4.11%.



III. The Price

a. The Domestic Price

The domestic fluctuation of cocoa price sometimes low and then suddenly increase sharply follows the trend of world cocoa price and the foreign exchange rate. Before the crise periode (1997), the domestic cocoa bean price was Rp 2,000 to Rp 3,000 per kg, after the crise periode (1998) the average cocoa price move to Rp 6,000 – Rp 9,000 per kg due to weakening of Rupiah currency to US\$. In 1998 cocoa price was Rp 8,903 per kg, then dropped to Rp 6,673 in 1999, and increased to Rp 7,847 per kg in 2000, Rp 7,208 in 2001 and increased significantly in 2002 to Rp 8,948 per kg due to lack of supply in the world market (Table 5).



Tabel 5. The Average of Domestic Cocoa Price 1998 – 2002

Year	Price (Rp/kg)
1998	8,903
1999	6,673
2000	7,847
2001	7,208
2002	8,948

Source : BPS

a. The International Price

Based on the CIF price in New York and London terminal market, in 1998 the average of cocoa international price was US\$ 1,676 per ton, in 1999 was dropped to US\$ 1,135 per ton due to over supply in world market. By 2000 the price continue dropped to US\$ 906, this situation resulted from the oversupply of world cocoa production, mainly from several African countries cocoa producer. In 2001 the price was improved to US\$ 1,069, and continue increased to US\$ 1,778 in 2002 (Table 6). With the improvements of the world economic situation the cocoa demand will continue to increase and could trigger the price better in the following years.

Tabel 6. The Average of International Cocoa Price 1998 – 2002

Year	Price (US\$/ton)
1998	1,676
1999	1,135
2000	906
2001	1,069
2002	1,778

Source : Worldbank



IV. THE WORLD COCOA MARKET

a. Production

In 1998 the world cocoa production was 3,103,119 ton, in 1999 decreased to 2,918,783 ton and increased in 2000 by 3,251,360 ton, then dropped to 3,064,638 ton in 2001, and continue to 2002 by 2,830,724 ton. Until 2002 Ivory Coast was still the biggest cocoa producer by one million ton in 2002 (35.2 % of total world production), followed by Ghana with 380,000 tons (13.4 % of total world production). Indonesian position was the third largest cocoa producer with 348,000 tons (12.3% of total world cocoa market). Indonesian cocoa production may further increase and will reach to higher position (Table 6).

Tabel 6. The World Cocoa Production 1998 - 2002

(in ton)

Country	Year				
	1998	1999	2000	2001	2002
Ivory Coast	120,260	1,153,000	1,300,000	1,150,000	1,000,000
Ghana	409,360	397,500	436,700	410,000	380,000
Indonesia	334,400	344,400	362,000	340,000	348,000
Nigeria	370,000	225,000	338,000	338,000	338,000
Brazil	280,801	204,762	192,940	200,064	172,743
Cameroon	125,000	115,000	120,000	115,000	115,000
Mexico	43,968	41,055	34,322	38,000	56,233
Malaysia	90,183	83,600	98,000	100,000	50,000
Papua NG	29,200	35,100	39,000	39,000	42,500
Peru	22,134	20,964	25,049	22,000	17,837
Others	277,813	298,202	305,340	312,574	310,411
Total	3,103,119	2,918,783	3,251,360	3,064,638	2,830,724

Source : FAO

b. Export

Since 1995, Ivory Coast lead the world cocoa export. By 1999, Ivory Coast was accounted by 1,081,562 tons (44.95% of the world total export), followed by Indonesia 280,914 tons (13.87%), Ghana 280,914 tons (11.68%), Nigeria 196,377 tons (8.2%), Camerun 98,100 tons (4.1%) and others 415,411 tons (17.3%) (Table 7).

Table 7. The World Principal Cocoa Exporter 1995 -1999

Country	Year				
	1995	1996	1997	1998	1999
Ivory Coast	741,294	1,054,047	899,759	938,932	1,081,562
Ghana	238,841	429,751	235,648	292,838	280,914
Indonesia	196,443	274,119	219,782	278,146	333,695
Nigeria	132,713	170,009	140,000	128,065	196,377
Cameroon	105,636	122,216	92,635	95,890	98,100
Others	403,788	464,401	475,036	672,188	415,411
Total	1,818,715	2,514,543	2,062,860	2,138,609	2,406,059

Source : FAO, 2001

From 1995 to 1999 the world cocoa export growth by 14% per year. Following the food trend consumers today, the world cocoa demand tend to increase in the future.

Cocoa traded in the whole world to supply for food industry and non food industry. There are two important reason from cocoa as source the raw material for food industry and non food industry, namely specific flavor in cocoa bean and fat content that is melted with the human temperature body.

Up to now the Nederland is leading the world cocoa processed products. In the form of cocoa liquour and powder in 2001 the Nederland produced 173,738 ton and 180,491 ton respectively. Ivory Coast lead in the form of cocoa pasta by 86,077 ton. Indonesia was in 5th position in the form of cocoa liquour and powder product with 33,180 ton and 26,433 ton respectively. The next following Table 8 shows the world cocoa processed products.

Table 8 : The World Export of Cocoa Processed, 1997 - 2001

(in ton)

Processed Form	Country	Year				
		1997	1998	1999	2000	2001
Butter	Nederland	144,111	127,821	156,504	164,130	173,738
	France	41,778	50,201	62,375	67,069	61,645
	Malaysia	35,000	32,003	38,980	41,490	43,031
	Ivory Coast	29,011	30,337	38,543	33,550	33,550
	Indonesia	24,825	29,880	28,366	32,072	33,180
	Others	158,772	162,729	188,011	372,442	206,500
Powder	Nederland	159,284	159,573	179,481	191,515	180,491
	Malaysia	33,390	39,208	40,511	45,852	45,692
	USA	16,090	22,130	31,470	25,636	28,765
	Spain	19,571	19,966	28,356	39,983	27,502
	Indonesia	16,528	19,028	23,826	25,137	26,433
	Others	168,973	205,744	218,595	233,930	199,660
Pasta	Ivory Coast	58,371	82,860	87,816	91,060	86,077
	Belanda	30,060	29,098	49,909	48,354	52,847
	Cameroon	11,941	14,689	18,096	17,244	26,094
	France	24,864	24,918	22,934	20,956	23,693
	Belgium	14,094	15,226	12,187	12,551	13,432
	Others	116,086	85,050	90,209	92,163	92,163

Source : FAO



c. Import

The world biggest cocoa bean importer is the Nederland, in 2001 accounted in 539,283 ton (22.91% of the total world cocoa import). The Nederland also the world biggest cocoa processor with the yearly industrial capacity up to 500,000 ton. In the second position is USA with 467,210 ton, followed by United Kingdom by 236,370 ton, Germany by 212,271 ton, France 138,888 ton and others 415,411 ton (Table 9).

Table 9. The World Cocoa Bean Pricipal Importers, 1995 - 1999

(in ton)

Country	Year				
	1995	1996	1997	1998	1999
The Nederland	396,496	412,953	285,023	337,522	539,283
Germany	290,573	303,961	320,422	289,486	212,271
USA	283,430	453,079	342,224	423,844	467,210
United Kingdom	166,876	220,405	164,869	198,495	236,370
France	113,443	119,856	110,221	105,834	138,888
Others	403,788	464,401	475,036	672,188	415,411
Total	1,918,877	2,141,485	1,970,827	2,120,671	2,354,353

Source : FAO,2001



In the form of cocoa butter, in 2001 Germany is the biggest importer with 80,839 ton, followed by USA with 80,806 ton, Belgium 51,557 ton, France 51,145 ton, United Kingdom 41,827 ton and others 229,023 ton. USA is the biggest importer in the form of cocoa powder with 113,592 ton, followed by Spain with 46,195 ton, Germany 32,621 ton, France 25,631 ton, Italy 19,224 ton and others by 318,523 ton. Cocoa pasta mainly imported by France with 67,675 ton, Nederland with 41,322 ton, Belgium 25,421 ton, USA 17,937 ton, Germany 17,548 ton and others 139,217 ton (Table 10.)

Table 10. The Principal Country Importers of Processed Cocoa, 1997 - 2001

(in ton)

Processed Formed	Country	Year				
		1997	1998	1999	2000	2001
Butter	Germany	71,094	76,059	70,455	72,014	80,839
	USA	87,689	65,307	80,475	94,649	80,806
	Belgium	36,616	36,821	45,201	51,826	51,577
	France	46,514	43,721	56,923	54,197	51,145
	U.Kingdom	34,749	33,355	38,023	38,023	41,827
	Others	216,502	237,900	202,085	226,569	229,023
Powder	USA	106,811	128,771	113,746	130,611	113,592
	Spain	36,029	36,480	42,929	58,978	46,195
	Germany	42,370	38,742	38,681	39,498	32,621
	France	26,016	25,091	27,229	37,165	25,631
	Italy	15,909	17,164	16,885	18,249	19,224
	Others	269,914	264,412	297,052	332,739	318,523
Paste	France	61,152	71,213	75,307	68,132	67,675
	Netherland	8,352	12,438	28,641	30,528	41,322
	Belgium	30,473	22,281	23,411	28,253	25,421
	USA	17,851	21,894	12,823	10,902	17,937
	Germany	10,298	9,121	14,007	14,356	17,548
	Others	132,262	110,132	115,325	123,782	139,217

V. INVESTMENT POLICY IN INDONESIA

Foreign capital investment (PMA) activities in Indonesia based on the Foreign Capital Investment Law No. I/1967, as amended by Law No. 11/1970. Since 1984 the Government of Indonesia has been embarking on a significant program of deregulation and debureaucratization to simplify license procedure, mainly in investment. The main investment measures which has been taken towards achieving a faster, easier and more transparent licensing procedure and better opportunities for investing in Indonesia among others are as follows :

1. PMA company allows 100 percent foreign share – holding in a company, except the sector which the lives of a great deal of people are involved, namely: sea ports, electricity production.
2. PMA company, in the sense of that the entire capital is owned by foreign citizens and/or foreign legal entities. Besides, the minimum capital requirement for foreign capital investment is not decided. The amount of invested depend entirely on the feasibility study of the project.
3. Giving more flexible for foreign investors in choosing their business fields, the Government of Indonesia simplify the List of Business Fields closed for investment. This new list has reduced the business fields absolutely closed for investment from 16 to only 11 fields. The business fields closed for investment in which a part the share are owned by foreign citizen and, or foreign legal entities, which has been reduced from previously 9 fields to only 8 fields.

The business fields open for joint venture between foreign and domestic capital are only 9 field and another 20 sectors are open with special requirements.

4. Equipment and raw materials imported under the framework of building / development of investment projects shall be granted import duty exemption and final tariffs up to a maximum of 5%. In the case of import duty tariffs, which are mentioned in the Indonesian Custom Tariffs Book (BTBMI)/ HS Tariff, are lower than 5%, the effective tariffs applied shall be those in BTBMI/HS tariffs. Import duty facilities for imported raw material is given for a 2 years period starting from the date of stipulation of the decision on relief of import duty.

The Corporate Income Tax Rates as follows:

- Taxable Income of less than Rp 50 million, the tax rate is 10%
 - Taxable Income of over Rp 100 million, the tax rate is 30%
5. Tax incentive certain sectors and or certain areas as follows:
 - a. Investment allowance. The investment allowance will be 30% for 6 years / 5% / year ;
 - b. Accelerated depreciation and amortization ;
 6. Approval procedures for investment application has been simplified. Foreign investors can submit their application not only to the central government in Jakarta (BKPM) but also they can submit their application to Indonesian Representative Offices Overseas (Indonesian Embassy, Consulated General or Consulate), or to Regional Investment Agency (BKPMMD).



7. To simplify the foreign investors to coordinate their business activities, Government of Indonesia offers opportunities for the foreign companies to open its representative office in Indonesia, to do the preparation for the establishment of new project in Indonesia.
8. In order to create more certainty for foreign expatriate, the government has improved policy on working permit. The work permit for a longer period is given from previously one year to three years.
9. A PMA company is granted a period of 30 years to operate after its legal formation. It can be extended by 30 years anytime an invested expansion is committed.
10. The land Cultivation Right (HGU) is the right to use a State Owned land for the purpose of agricultural namely plantation, fishing, or cattle raising. By law the title is granted for a maximum period of 35 (thirty – five) years, but may be extended to 25 (twenty five) years if the land is properly used and managed. This title of right is given to Indonesian partner(s) or legal entities domiciled in Indonesia including PMA companies. It can be used a collateral or transferred to a third party with governments approval.
11. The Right of Building on Land (HGB) is the right to construct and own building on a piece of land that one has purchased. The title is granted for a maximum period of 30 years. The HGB title is granted to Indonesian individual(s) and/or legal entities domiciled in Indonesia, including PMA companies, also can be used as collateral or transferred to a third party.



Due to increase population and the world economic recovery then food processing which cocoa for their raw materials, demand for cocoa and chocolate either domestic demand or export fast increase. The gap between demand and production has been continually widening. Although Indonesia has huge potential area to develop agribusiness. The investment opportunities of cocoa industry are wide open.



VI. THE PROSPECT OF INDONESIAN COCOA INDUSTRY

Looking at the world consumption itself, the world demand for cocoa has grown rapidly during the twentieth century as a direct result of the growth in demand for chocolate.

Higher domestic and international demand of cocoa is achieved by a combination of rising incomes and populations, together with falling real retail prices, although lower import duties, improved transportation methods, modern advertising techniques and a much wider choice of chocolate products have also played a significant part. Per capita income is an important determinant, with countries with higher per capita income levels generally enjoying higher per capita consumption. In general, a US\$ 1,000 increase in income leads to 100 gr rise in annual per capita consumption.

Concerning the world demand for cocoa in the future, Indonesian cocoa industry has a good prospect. According to LMC International, by three scenarios of the world cocoa demand growth : 1.5 percent, 3 percent and 4.5 percent per year respectively, in 2010 Expansion of cocoa production may continue to be increased. Beside a good prospect, Indonesian cocoa is facing with many problems such as cocoa pod borer threats, a type of a moth. This insect was responsible for the decline Indonesian production in the yearly 20th century and still affects production in several key growing areas. Also automatic cococa detention that applied by USA.



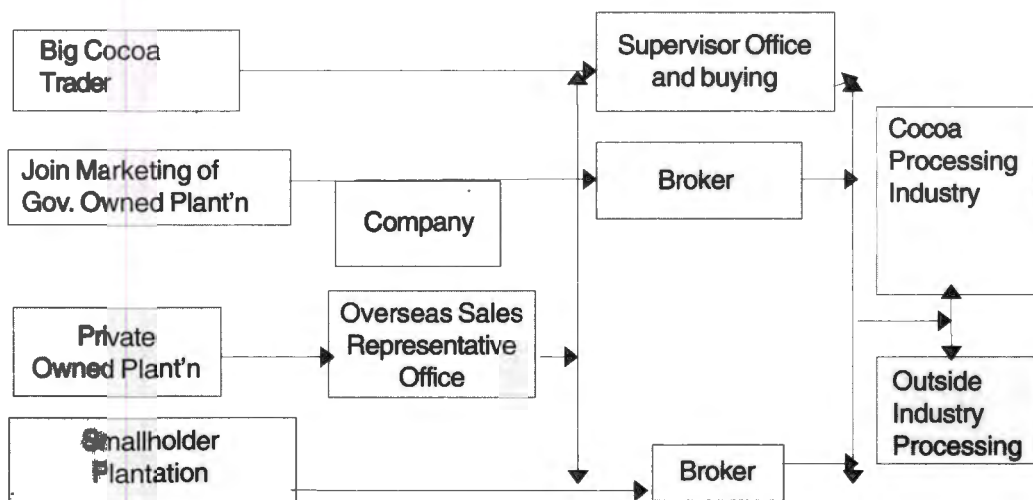
Indonesian cocoa smallholders yields are considerably higher than West African cocoa producers. A Major factor is the age of the tree stock, with as much as half under ten years ols, thus providing sufficient potential for the further expansion of production. There are some substantial areas of suitable land available for new planting, together with a plentiful supply of labour.

Indonesia cocoa export is dominated by cocoa bean (over 70% of total Indonesian cocoa export), this situation is challenging for cocoa industry due to the abundant of raw material. Cocoa processing plant may establish in the main area of cocoa such as South Sulawesi, South East Sulawesi through cooperation scheme with local cocoa smallholders. Several regional government offers chance for the investor both local and overseas to invest in their respective area in cocoa industry.



Attachment 1.

The Market Channel of Indonesian cocoa



Attachment 2.The List of Indonesian Cocoa Producer

1. Adijaya Mulia, PT

Jalan Stasiun Senen No.52-D

Telp. 62-21.421-4421

Fax. 62-21-421-9237

Contact Person : Danny Richard Sumendap

2. Agrindo Panca Tunggal Perkasa, PT

Jl. KH. Wahid Hasyim No. 10, Menteng,

Jakarta Pusat

Tlp.62-21-310-1176,310-1177

Fax : 62-21-310-2851

Contact Person : Ir. H. Adiwarsita Adinegara

3. Agro Sinjatar, PT/Bintang Jaya Intercakrawala, PT

Jl. Yos Sudarso No. 20 Tarakan, Kaltim

Tlp. 62-551-228-26, 233-71

Fax : 62-551-238-35

Contact Person: Nur Ibrahim

4. Agronusa Sejahtera, PT

Perum Winajaya D-80, Tasikmalaya 46182

Telp. 62-265-337-745

Fax. 62-21-328-531

Contact Person : Ir. Nana Supriatna

5. Arya Dwipantara

Jln. Taman Tanah Abang III No. 26, Jakarta Pusat

Telp. 62-21-352-2269

Fax. 62-21-352-1274

Contact Person : Rizal Siregar

6. Astra Agro Lestari TBK, PT

Pulo Ayang Raya Blok OR Kav. I, Jakarta Timur 13930

Jakarta Timur 13930

Telp.62-21-461-6555

Fax.62-21-461-6548, 461-6689

www.astra-agro.co.id-pra@astra.co.id

Contact Person : Benny Subianto

7. Berhan Industries, PT

Industries Kawasan Berikat Nusantara

Marunda, Jl. Denpasar Blok A4 No.3, Jakarta Utara 14120

Telp. 62-21-440-2481

Fax. 440-2483, 440-2485

Contact Person: Yaminsyah Andrean

8. Cacao Wangi Murni, PT

Jl. Kali Besar Barat No. 50-B, Jakarta Barat

Telp. 62-21-690-3675

Fax. 62-21-692-9717

cocoa@six.net.id

Contact Person: Paul Setiawan

9. Dasa Anugrah Sejati, PT

Jl. Jend. Sudirman Kav.1 Jakarta Pusat 10220

Telp. 62-21.570-6047, 570-6062, 570-2610, 330-134

Fax. 62-21-570-2604, 570-1011

Contact Person : Ir. Andi Wisata Suhanjaya

10. Dharma Niaga,(Ltd), PT

Jl. Kali Besar Barat No. 11, Jakarta 11230

Telp. 62-21-690-1885, 690-8280, 690-9442

Fax. 62-21-690-6533, 692-9886

www.tradezone.com/tradesites/Dharma.html

www.dharma-niaga.com

exportdiv@dharma-niaga.com

Contact Person : Ir. Sudadi M

11. Effem Indonesia, PT

Jl. Kima 10 Kav A6 Kawasan Industri Makassar

Telp. 62-411.515-702

Fax. 62-411-515-704

Contact Person : Sari Nurlan

12. Gemilang Sentosa Permai

Jl. Raya No. 135 Singosari, Malang 65153

Telp. 62-341-458-057, 458-563, 458-079

Fax. 62-341-361-016, 458-061

Contact Person : Rudi Sukoyo



13. Indo Cocoa Specialties, PT

Jl. MG Manurung, Tanjung Morawa, Medan

Telp. 62-21-786-6540

Fax. 62-21-786-6535

indococo@idola.net.id

Contact Person : Irma Dumayanti

14. Inter Green Estate, PT

Jl. Lautze Al/17K, Jakarta Pusat 10710

Telp. 62-21-345-6005

Fax. 62-21-345-7712

Contact Person : A. Setiadi

15. Kakao Mas Gemilang, PT

Jl. Pelita Desa Batu Ceper Km. 19, Kebun Besar,
Tangerang

Telp. 62-21-619-1950

Fax. 62-21-619-1950

Contact Person : Dharmawan Atmaja

16. KPB

Jl. Taman Cut Mutiah No. 11, Jakarta Pusat

Telp. 62-21-314-2694, 314-5666, 390-2746

Fax. 62-21-335-091, 336-919

Contact Person : Drs. H. Zaini Taibin



17. Karya Bina Bersama

Jl. Gatot Subroto KM. 5 Komp. Tomang Blok I No. 24 Sei Sikambing
Medan

Telp. 62-21-846-2230, 846-2231

Fax. 62-21-846-1090, 846-1091

karyabba@indosat.net.id

Contact Person : Tju Ai Liang

18. Kimia Tirta Utama, PT c/o PT. Astra Agro Lestari TBK.

Jl. Puloyang Raya Blok OR-I

Pulogadung Estate, Jakarta 13930

Telp. 62-21-461-6555

Fax. 62-21-461-6548

www.astra-agro.co.id

aan2jkt@indo.net.id

19. Multi Sarana Rasa Agung, PT

Jl. Raya Tangerang Serang KM 7,2, Tangerang

Telp. 62-21-590-2664, 590-2665

Contact Person : Ir. DN Baskoro

20. Olam Indonesia, PT

Jl. Trans Sulawesi KM 6 Tondo Palu, Sulawesi Tengah

Telp. 62-451-451-410

Fax. 62-451-424-356

olam@palu.wasantara.net.id

Contact Person : Andi Faik



21. Pagilaran, PT

Jl. Fari dan M.Noto No. 11-E, Yogyakarta 55224

Telp. 62-274-380-889, 561-392, 562-885

Fax. 62-274-540-628

Contact Person : Ir. Mas Soejono M

22. PTPN IX

Jl. Mugas Dalam Atas, Semarang 50011

Telp. 62-24-841-4635, 415-408

Fax. 62-24-841-5408, 415-408

ptpnlXsm@vinatelkom.net.id

23. Sumber Manggis, PT

Jl. Darmokali No. 5-C, Surabaya 60241

Telp. 62-31-561-6622

Fax. 62-31-380-78-351-35

bambang.wasantara.net.id

Contact Person : Santi

24. Teja Sekawan Cocoa Industries, PT

Jl. Rungkut Industri II/27, Surabaya 60292

Telp. 62-31-843-9118, 843-9764

Fax. 62-21-843-2956

Contact Person: Hartono Tedjo Prawiro



4. Equipment and raw materials imported under the framework of building / development of investment projects shall be granted import duty exemption and final tariffs up to a maximum of 5%. In the case of import duty tariffs, which are mentioned in the Indonesian Custom Tariffs Book (BTBMI)/ HS Tariff, are lower than 5%, the effective tariffs applied shall be those in BTBMI/HS tariffs.

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 - b. Taxable Income of over Rp 100 million, the tax rate is 30%
5. Tax incentive certain sectors and or certain areas as follows:
- a. Investment allowance. The investment allowance will be 30% for 6 years / 5% / year ;
 - b. Accelerated depreciation and amortization ;
6. Approval procedures for investment application has been simplified. Foreign investors can submit their application not only to the central government in Jakarta (BKPM) but also they can submit their application to Indonesian Representative Offices Overseas (Indonesian Embassy, Consulated General or Consulate), or to Regional Investment Agency (BKPMMD)
7. To simplify the foreign investors to coordinate their business activities, Government of Indonesia offers opportunities for the foreign companies to open its representative office in Indonesia, to do the preparation for the establishment of new project in Indonesia.

Attachment 3.The List of Indonesian Cocoa Exporter

1. Adijaya Mulia, PT

Jalan Stasiun Senen No.52-D Jakarta

Telp. 62-21-421-4421

Fax. 62-21-421-9237

Contact Person : Danny Richard Sumendap

2. Agri Indonusa, PT

Jl. Sasmita No.29 RT 01/09 Grendeng,

Tangerang 15113

Telp. 62-21-553-6516

Contact Person : Dedy Irwanto

3. Cacao Wangi Murni, PT

Jl. Kali Besar Barat No. 50-B, Jakarta Barat

Telp. 62-21-690-3675

Fax. 62-21-692-9717

cocoa@six.net.id

Contact Person : Paul Setiawan

4. Dharma Niaga,(Ltd), PT

Jl. Kali Besar Barat No. 11, Jakarta 11230

Telp. 62-21-690-1885, 690-8280, 690-9442

Fax. 62-21-690-6533, 692-9886

www.tradezone.com/tradesites/Dharma.html

www.dharma-niaga.com

exportdiv@dharma-niaga.com

Contact Person : Ir. Sudadi M

5. Effem Indonesia, PT

Jl. Kima 10 Kav A6 Kawasan Industri Makassar

Telp. 62-411.515-702

Fax. 62-411-515-704

Contact Person : Sari Nurlan

6. Gemilang Sentosa Permai

Jl. Raya No. 135 Singosari, Malang 65153

Telp. 62-341-458-057, 458-563, 458-079

Fax. 62-341-361-016, 458-061

Contact Person : Rudi Sukoyo

7. Gunung Lintong, PT

Jl. Pemuda No. 22/40 Medan 20151

Telp. 62-61-451-1900, 703-0088

Fax. 62-61-727-910-36

gudempor@yahoo.com

Contact Person :Suyanto Hasan

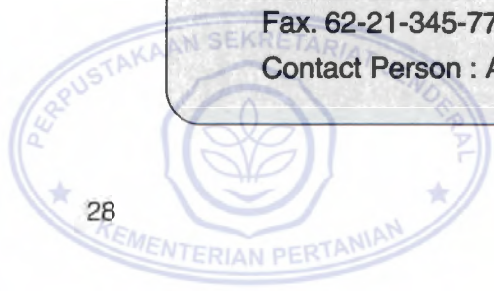
8. Inter Green Estate, PT

Jl. Lautze AI/17K, Jakarta Pusat 10710

Telp. 62-21-345-6005

Fax. 62-21-345-7712

Contact Person : A. Setiadi



9. Join Marketing Office of PTP

Jl. Taman Cut Mutiah No. 11, Jakarta Pusat

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Fax. 62-21-335-091, 336-919

Contact Person : Drs. H. Zaini Taibin

10. Karya Bina Bersama

Jl. Gatot Subroto KM. 5 Komp. Tomang Blok I No. 24 Sei
Sikaming.Medan

Telp. 62-61-846-2230, 846-2231

Fax. 62-61-846-1090, 846-1091

karyabba@indosat.net.id

Contact Person : Tju Ai Liang

11. Kimia Tirta Utama, PT c/o PT. Astra Agro Lestari TBK.

Jl. Puloyang Raya Blok OR-I Pulogadung Estate, Jakarta 13930

Telp. 62-21-461-6555

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12. Pagilaran, PT

Jl. Fari dan M.Noto No. 11-E, Yogyakarta 55224

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Fax. 62-274-540-628

CP. Ir. Mas Soejono M



III. CASHEW



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Attachment 1.

THE LIST OF INDONESIAN CASHEW EXPORTERS



THE INDONESIAN CASHEW

I. The Brief History of Cashew

Cashew is a tropical crop and originally from Brazil. In the 16th and 17th century brought by Portuguese to West Africa and Goa, India, from those places then spread to many countries included Indonesia. Intensive cashew cultivation started in 1920's by the development of manual processing model in Kerala, India. In 1930's Indian is the biggest importer of raw cashew nut from West Africa then processed into cashew kernel.

The development of cashew cultivation growth fastly after the 2nd world war. In 1950 the world raw cashew nut production was 100 thousand ton. In the 1950 – 1960 cashew extensification by the smallholder growth sharply in Mozambique and Tanzania. In 1965 both countries produced 75% of world raw cashew nut. In 1960 the first cashew plant processing established in West Africa.



In Indonesia cashew cultivation formerly is directed to the reforestation program of critical land in order to prevent run-off and soil erosion, not for the economic reason as farmers livelihood. It can be seen by close and monoculture planting, small agro input. That simple cultivation resulted in very low yield.

Cashew nut is an exotic food that favored by a lot of people in the world compared with walnut, Brazilian almond or ground nut and the price is higher than other nuts. This situation is a good prospect for the development of cashew plantation in Indonesia to supply the world market.

Cashew is a perennial crop that can be harvested 3 – 4 years after planting. To support the farmers livelihood before the cashew can be harvested, cashew should be planted by intercropping system with food crops such as rice, corn, etc.



II. The Development of Cashew In Indonesia

a. Acreage and Production

The Indonesian cashew development program for farmers livelihood reason started in the first of Five years Development Plan (PELITA I) through the Project Management Unit (PMU) in 1979 and funded by government budget. Later, most of the cashew development is funded by smallholders it self and under the supervision of the government.

Based on the Indonesian climatic and land suitability, there is 14.5 million ha critical that is suitable for cashew plantation. Most of this critical land is located in Eastern Region of Indonesia, such as South Sulawesi, South East Sulawesi, West Nusa Tenggara, East Nusa Tenggara, Maluku, Papua, a little part in Central Java, East Java and DI Yogyakarta.

The Indonesian acreage of cashew plantation is increase from 253,515 ha in 1990 to 543,727 ha in 2002 with the production 29,907 ton of cashew kernel in 1990 to 74,536 ton in 2002.

In 1994, the acreage of Indonesian cashew was 409,755 ha with the production 72,077 ton. In the 2002, the acreage was 543,427 ha with 74,536 ton (Table 1)



Table 1. The Acreage and Production of Indonesian Cashew Plantation, 1994 - 2002

Year	Acreage (ha)	Production (ton)
1994	409,755	72,077
1995	455,920	74,995
1996	484,357	67,676
1997	490,074	73,732
1998	521,695	87,696
1999	547,724	90,304
2000	551,442	69,927
2001	543,527	74,104
2002	543,427	74,536

Source : DGE

The main area of Indonesian cashew are Sulawesi Tenggara, Sulawesi Selatan, Nusa Tenggara Timur, Jawa Tengah, Jawa Timur, Nusa Tenggara Barat, Bali and Sulawesi Tengah with the total of area is 261,044 ha (48% of Indonesian cashew plantation) and production 71,650 ton (96% of Indonesia cashew production) see Table 2.



Table 2. The Main Area of Indonesian Cashew Plantation, 2002

No.	Province	Acreage (ha)	Production (ton)
1.	Sulawesi Tenggara	92,114	15,018
2.	Sulawesi Selatan	51,947	22,733
3.	Nusa Tenggara Timur	42,120	10,811
4.	Jawa Tengah	20,309	5,742
5.	Jawa Timur	19,113	7,937
6.	Nusa Tenggara Barat	16,613	4,646
7.	Bali	10,120	3,196
8.	Sulawesi Tengah	8,708	1,567

Source : DGE

The national productivity of cashew kernel is very low (350 kg/ha/year), compare with the potential productivity by 800 – 1,500 kg/ha/year. Government of Indonesia has created various programs to extent cashew plantation and improves its productivity. By farmer empowerment program, government tries to improve cashew productivity by their own resources in order to improve cashew yield, through farmers training and providing the simple processing tool to produce processed cashew such as roasted cashew nut and promote cooperation with the private company to buy the farmers cashew.



b. Export

In 1998 the export volume of Indonesian cashew was 30,287 ton (34,54 % of total production) with the value US\$ 34,996,612 and in 2002 the export volume increased to 51,718 ton (69,39 % of total production) but the value decreased to US\$ 34,810,043 due to lower price in the world cashew market (Table 3).

Table 3. The Indonesian Cashew Export, 1998 - 2002

Year	Volume (ton)	Value (US\$)
1998	30,287	34,996,612
1999	34,520	43,507,237
2000	27,619	31,502,068
2001	41,313	28,929,320
2002	51,718	34,810,043

Source : BPS



Up to now the export of Indonesian cashew is dominated by cashew nut kernel, and it caused lower price in the world market. In 1998, the volume of cashew nut in shell was 28,037 ton while the cashew nut shelled 1,684 ton. In 2002 the export volume of cashew nut in shell was 50,385 ton (97.4 % of total export) and the cashew nut shelled 1,332 ton (2.6% of total export). In the term value, in 1998 cashew nut in shell export gained US\$ 31.121 million (88.72% of total) and cashew nut shelled (11.28% of total), completely in Table 4.

**Table 4. Indonesian Cashew Nut Export with HS Code,
1998 - 2002**

Year	Cashew Nut in Shell (HS. 0801.31.000)		Cashew Nut Shelled (HS. 0801.32.000)	
	Vol. (ton)	Value (US\$)	Vol. (ton)	Value (US\$)
1998	28,037	28,060,092	1,684	6,291,520
1999	31,639	30,774,038	2,882	12,733,199
2000	25,621	22,780,879	1,998	8,721,189
2001	39,547	23,946,882	1,767	4,983,266
2002	50,385	31,121,597	1,332	3,597,446

Source : BPS



Most of Indonesian cashew nut in shell is exported to India (34,394 ton in 2002 with the value US\$ 20.33 million), Vietnam (16,650 ton with the value US\$ 10.1 million), and the rest to Japan, Hongkong, and China (Table 5).

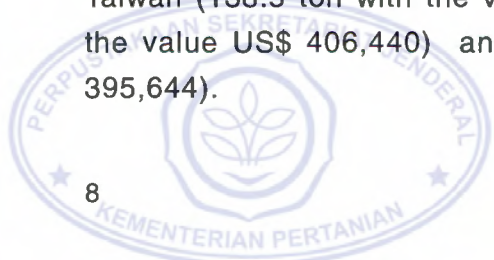


**Table 5. Indonesian Cashew Nut in Shell Export
Country Destination, 2002**

No.	Country	Volume (ton)	Value (US\$)
1.	India	34,394	20,074,664
2.	Vietnam	15,651	10,141,139
3.	Japan	94	392,540
4.	Hong Kong	60	268,486
5.	China	54	29,505

Source : BPS

In 2002 Cashew nut shelled was mostly exported to USA (190 ton with the value US\$ 376,676), India (176 ton with the value US\$ 219,573), Taiwan (138.5 ton with the value US\$ 466,929), Canada (120 ton with the value US\$ 406,440) and Australia (120.6 ton with the value US\$ 395,644).



**Table 6. Indonesian Cashew Nut Shelled Export
By Country Destination, 2002**

No.	Country	Volume (ton)	Value (US\$)
1.	United States	190	376,676
2.	India	176	219,573
3.	Taiwan	139	466,929
4.	Canada	121	406,440
5.	Australia	121	395,644

Source : BPS



III. THE PRICE

a. Domestic Price

The domestic cashew nut price is fluctuating, it could be high or low, and there is a big gap price between cashew nut in shell and cashew nut shelled. By 1998, the average of cashew nut in shell was Rp. 3,776/kg and cashew nut shelled was Rp. 16,288/kg, in 2002 by the average of cashew nut in shell was Rp. 5,481/kg and cashew nut shelled was Rp. 35,622/kg (Table 7).

Table 7. The Domestic Cashew Price, 1998 - 2002

(in Rp/kg)

Type	1998	1999	2000	2001	2002
= Cashew nut in shell	3,766	4,167	5,255	6,343	5,481
= Cashew nut shelled	16,288	34,392	41,566	34,178	35,622

Source : Antara

From Table 7 above we can see that the cashew nut in shell price growth by 10.9% per year, while the cashew nut shelled price growth by 29.3%. Because Indonesian cashew nut export is dominated by cashew nut in shell, the foreign currency from cashew export gained lower. For this reason we should push processing of cashew nut, mainly in central cashew nut plantation.

b. The International Price

The international cashew nut price is characterized, year in year out, by unexpected sharp high and low fluctuations of the global production. The price trend low in the harvesting season and may suddenly increase to high level during non harvesting season. In 1998, cashew kernel price was US\$ 2.1/lb then increased sharply to US\$ 3.15/lb in 2000, but next drop in 2001 by US\$ 1.85/lb and US\$ 1.75/lb in 2002 (Table 8).

Table 8 . The World Cashew Kernel Price, 1998 - 2002

(in US\$/lb)					
Type	1998	1999	2000	2001	2002
Cashew kernel (W1-320)	2.10	2.80	3.15	1.85	1.75

Source : Treenuts.org



IV. The World Cashew Market

a. Production

The world cashew nut market is characterized, year in year out, by unexpected sharp high and low fluctuations of the global production. Some year, production may suddenly decline to halving past year's production level. Variations in the global Asian output are less or more significant, depending on the degree of variation levels in India and Vietnam. The worldwide evolution of the production of raw nut and processed nut depends on the main factors : the resumption of production in countries like India, Brazil, Vietnam, West Africa, East Africa and the increase of plantation's acreage in India and Brazil. The combined effect of both factors may trigger an "explosion" of the production level. Production output of a certain year can thus double comparison to previous year.

In that case, the amount of all kinds of raw nut can then explode from the normal 395,000 MT in 1998 to 810,000 MT in 1999 (Table 7). The resulting quantities of cashew nuts swell from 75,000 MT to 150,000 MT.

Total world raw cashew nut production in 1998 was 350,000 ton, and increased to 1,135,000 ton in 2002. India was the biggest producer by 350,000 ton in 2002, followed by West Africa (250,000 ton), Vietnam (200,000 ton), Brazil (165,000 ton), East Africa (120,000 ton) and others (50,000 ton). See table 9.

Table 9. The World Raw Cashew Production 1998 - 2002

(000 MT)

Country	1998	1999	2000	2001	2002
India	130	300	325	300	350
Brazil	105	115	180	175	165
Vietnam	-	75	155	170	200
E. Africa	76	145	139	170	120
W. Africa	-	150	200	220	250
Others	39	25	25	40	50
TOTAL	350	810	1,024	1,075	1,135

Source : FAO



b. Import

The world principal importing countries of processed cashew nut (90% of world's import) are: The United States of America, European Union, China, Japan, and Australia.

The United States market is fundamental in cashew nut's trading. It stands for 52% of world's import of processed cashew nut, and therefore, it dictates international selling price and most of the cashew imported from Brazil.



European Union is the second largest cashew nut importers, in 2002 they import 1,700,000 cartons (20%), China by 570,000 cartons (7%).

Japan 290,000 cartons (3%) and other countries 1,140,000 cartons (Table 10).

Table 10. The World Cashew Nut Importer 2000 - 2002

(000 cartons)

Country	2000	2001	2002
USA	2,511	3,800	4,450
E U	680	1,665	1,700
China	-	625	570
Japan	190	280	290
Australia	124	320	350
Others	796	1,010	1,140
TOTAL	4,301	7,700	8,500

Source : Treenuts.org

VII. INVESTMENT POLICY IN INDONESIA

Foreign capital investment (PMA) activities in Indonesia based on the Foreign Capital Investment Law No. 1/1967, as amended by Law No. 11/1970. Since 1984 the Government of Indonesia has been embarking on a significant program of deregulation and debureaucratization to simplify license procedure, mainly in investment. The main investment measures which has been taken towards achieving a faster, easier and more transparent licensing procedure and better opportunities for investing in Indonesia among others are as follows :

1. PMA company allows 100 percent foreign share – holding in a company, except the sector which the lives of a great deal of people are involved, namely: sea ports, electricity production.
2. PMA company, in the sense of that the entire capital is owned by foreign citizens and/or foreign legal entities. Besides, the minimum capital requirement for foreign capital investment is not decided. The amount of invested depend entirely on the feasibility study of the project.
3. Giving more flexible for foreign investors in choosing their business fields, the Government of Indonesia simplify the List of Business Fields closed for investment. This new list has reduced the business fields absolutely closed for investment from 16 to only 11 fields. The business fields closed for investment in which a part the share are owned by foreign citizen and, or foreign legal entities, which has been reduced from previously 9 fields to only 8 fields. The

business fields open for joint venture between foreign and domestic capital are only 9 field and another 20 sectors are open with special requirements.

4. Equipment and raw materials imported under the framework of building / development of investment projects shall be granted import duty exemption and final tariffs up to a maximum of 5%. In the case of import duty tariffs, which are mentioned in the Indonesian Custom Tariffs Book (BTBMI)/ HS Tariff, are lower than 5%, the effective tariffs applied shall be those in BTBMI/HS tariffs. Import duty facilities for imported raw material is given for a 2 years period starting from the date of stipulation of the decision on relief of import duty.

The Corporate Income Tax Rates as follows:

- a. Taxable Income of less than Rp 50 million, the tax rate is 10%
 - b. Taxable Income of over Rp 100 million, the tax rate is 30%
5. Tax incentive certain sectors and or certain areas as follows:
 - a. Investment allowance. The investment allowance will be 30% for 6 years / 5% / year ;
 - b. Accelerated depreciation and amortization ;
 6. Approval procedures for investment application has been simplified. Foreign investors can submit their application not only to the central government in Jakarta (BKPM) but also they can submit their application to Indonesian Representative Offices Overseas (Indonesian Embassy, Consulated General or Consulate), or to Regional Investment Agency (BKPMMD)

By 2002 Indonesian cashew export was 97.4% in the term of raw



7. To simplify the foreign investors to coordinate their business activities, Government of Indonesia offers opportunities for the foreign companies to open its representative office in Indonesia, to do the preparation for the establishment of new project in Indonesia.
8. In order to create more certainty for foreign expatriate, the government has improved policy on working permit. The work permit for a longer period is given from previously one year to three years.
9. A PMA company is granted a period of 30 years to operate after its legal formation. It can be extended by 30 years anytime an invested expansion is committed.
10. The land Cultivation Right (HGU) is the right to use a State Owned land for the purpose of agricultural namely plantation, fishing, or cattle raising. By law the title is granted for a maximum period of 35 (thirty – five) years, but may be extended to 25 (twenty five) years if the land is properly used and managed. This title of right is given to Indonesian partner(s) or legal entities domiciled in Indonesia including PMA companies. It can be used a collateral or transferred to a third party with governments approval.
11. The Right of Building on Land (HGB) is the right to construct and own building on a piece of land that one has purchased. The title is granted for a maximum period of 30 years. The HGB title is granted to Indonesian individual(s) and/or legal entities domiciled in Indonesia, including PMA companies, also can be used as collateral or transferred to a third party.



12. Due to increase population and the world economic recovery, then food processing which use cashew their raw materials, demand for cashew either domestic demand or export fast increase. Although Indonesia has huge potential area to develop agribusiness. The investment opportunities of cashew processing industry are wide open.



V. The Prospect of Indonesian Cashew Industry

cashew kernel and the cashew processed export only gained 2.6%. The cashew production potentially to be increased in the future with several farming system improvements such as fertilizer application, harvesting, post harvest handling, packing, transportation. Investment in the processing industry of cashew nut is still open for domestic and foreign company. Several province such as South Sulawesi and South East Sulawesi as the central area of cashew plantation offers good infrastructure for the investors.



Attachment 2.The List of Indonesian Cashew Exporters

1. CV. SARI MAKMUR

Jalan Kenari 7A

Medan, Indonesia

Phone : (62-61) 856120, 854294

Fax : (62-61) 854294

2. CV. SEKAWAN

Jalan Duyung 97

Medan, Indonesia

Phone : (62-61) 538935, 327039

Fax : (62-61) 325332

3. PT. SUPLAN FISEI INDO

Jalan Diponegoro 13

Padang, Indonesia

Phone : (62-751) 34621

Fax : (62-751) 34261-27

4. CV. REMPAH SARI

Jalan Pulau Air 30

Padang, Indonesia

Phone : (62-751) 25761, 22854

Fax : (62-751) 28455



5. PT. TAMAN SARI

Jl. 6. PT. BUDI SAUDARA

Jl. Tikala Baru 50 Manado, Indonesia

Phone : (62-431) 861662

6. PT. BUDI SAUDARA

Jl. Tikala Baru 50 Manado, Indonesia

Phone : (62-431) 861662

Fax. : (62-431) 961763

7. PT. ARMA & CO

Jl. Timor 113-115

Medan, Indonesia

Phone : (62-61) 530188, 538385

Fax. : (62-61) 527338

8. PT. HAKAYA INDOMAN

Jl. Tanjung Sari 3A

Surabaya, Indonesia

Phone : (62-31) 7480929

Fax. : (62-31) 7481682

9. PT. HAKAYA INDOMAN

Jl. Tanjung Sari 3A

Surabaya, Indonesia

Phone : (62-31) 7480929

Fax. : (62-31) 7481682



10. PT. PALAWITAMA BINAGUNA

Jl. M. Yamin 5F Deli Serdang, Indonesia

Phone : (62-61) 856120, 854491

Fax. : (62-61) 854294

11. CV. INDOSPICE

Jl. Tikala Ares 43 Manado, Indonesia

Phone : (62-431) 864428

Fax. : (62-431) 64965

12. PT. INDI PRIMA

Jl. Balai Kota 12

Manado, Indonesia

Phone : (62-431) 63349, 63350

Fax. : (62-431) 64965

13. PT. PHONIX MAS

Jl. AA. Ngurah Rai, Cakranegara Mataram, Indonesia

Phone : (62-31) 5671371

Fax. : (62-31) 5672318, 5676240

14. PT. SEKAR ALAM

Jl. Raya Darmo 23 – 25 Surabaya, Indonesia

Phone : (62-31) 5671371

Fax. : (62-31) 5672318, 5676240

15. PT. CITRA SEKARWANGI AGRO PERSADA

Jl. Kima VII – Kav. R2A Makassar, Indonesia

Phone : (62-411) 510864, 511874

Fax. : (62-411) 510865

16. PT. JAWA MUNA AGRO

Jl. Bandara Timur F-383 Semarang, Indonesia

Phone : (62-24) 542681, 545665

Fax. : (62-24) 517645

17. PT. JAWA TOHUKU INDUSTRIES

Jl. Wonosalam Demak

Demak, Indonesia

Phone : 62-291-859, 24.45.665

Fax. : -

18. PT. METALINDO ERA BUANA

Jl. H. Ismail No. 44 Lamongan Ros

Bukit Duri, Jakarta, Indonesia

Phone : 62-21- 8314121

Fax : 62-21- 8310632

19. PT. NDK. AGRINDO

Istana Pasar Baru 3FL

Jl. Pintu Air Raya No. 56-64 Jakarta Barat, Indonesia

Phone : 62.21.348.30625

Fax : 348.30625

20. PT. NUSA INDAH SEJAHTERA

Bumi Satria Kencana Office Comp.

Jl. Kalimantan Blok C/8

Bekasi Selatan, Indonesia

Phone : 62.21.884-0977,
884-0875, 886-94245

Fax : 884-0770

21. PT. OLAM INDONESIA

Jl. Trans Sulawesi KM. 6 Sondo Palu

Phone : 62451.451-410

Fax : 424-356

22. PT. PANGAN LESTARI

Jl. Raya Darmo 23-25

Surabaya, Indonesia

Phone : 62-31-896 – 3032,
567-1371

Fax : 62-21-896-2050
5672318