CASE STUDY OF FRUITS EXPORT IN INDONESIA

PRODUCTION AND ITS POTENTIAL

Ministry of Agriculture
2006

Departemen Pertanian Republik Indonesia
www.deptan.go.id

BACKGROUND

Indonesia has a strong comparative advantage in agricultural and marine resources

⇓

Agriculture plays an important role In Indonesian economy

⇓

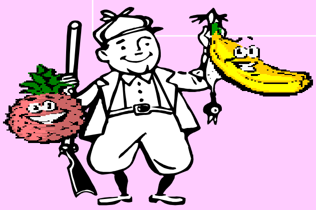
Comparative advantage has to be developed to attain a strong competitive agriculture

Picture of Agriculture in Indonesia:

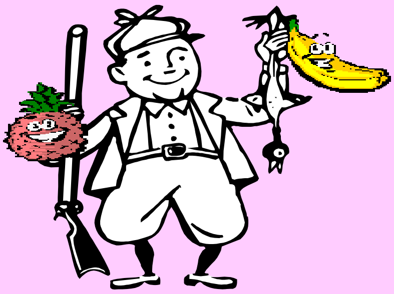
- Small scale farming (more or less 0.3 Ha)
- Level of income: < 500 US$/year/farmer
- Income of Hortic.Farmer : can be up to 1400 US$/year
- Share of agriculture in the GDP approx 16-17%
- The number of farmers: approx 41 millions
- Practices low inputs of agriculture production and modest technology

Sub sectors	US$ per person/year	Million HH Farmers
Food crops	± 300	18.0
Horticulture*	± 1400	9.3
Estate Crops	± 780	7.7
Livestock	± 650	6.5

Note: * only 22.4% farmers can earn UP TO appr. 1400 US$ per year



INDONESIAN CURRENT SITUATION OF FRESH FRUITS

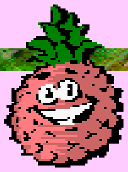


HARVESTED LAND FOR FRUITS (000 Ha)

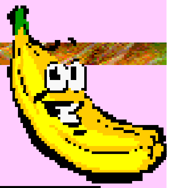
Commodities	Year					% Growth	% Avg
	2000	2001	2002	2003	2004	2003-2004	Growth
Mangoes	44,18	44,21	184,66	158,9	185,77	16,92	80,18
Oranges	37,12	35,37	47,82	69,14	72,31	4,58	19,91
Banana	73,54	76,92	74,75	85,69	95,43	11,37	6,95
Durian	23,02	49,81	41,03	53,77	48,28	(10,21)	29,89
Mangoes teen	5,19	4,61	8,05	9,35	8,47	(9,42)	17,56
Other Fruits*	223,22	272,03	294,27	345,12	296,86	(13,98)	8,33
TOTAL	**406,27**	**482,95**	**650,58**	**721,97**	**707,12**	**(2,06)**	**15,62**

PRODUCTIVITY OF FRUITS (Ton/Ha)

Commodities	Year					% Growth	% Avg
	2000	2001	2002	2003	2004	2003-2004	Growth
Mangoes	19,83	20,89	7,60	9,61	7,74	(19,44)	(12,82)
Oranges	17,35	19,55	20,24	22,13	28,64	29,45	13,74
Banana	50,95	55,91	58,65	48,75	51,08	4,78	0,63
Durian	10,29	6,97	12,80	13,60	14,00	1,48	15,14
Mangoes teen	5,08	5,60	7,71	8,45	7,33	(13,27)	11,06



PRODUCTION OF FRUITS (Million Tons)



Commodities	Year					% Growth	% Avg
	2000	2001	2002	2003	2004	2003-2004	Growth
Mangoes	0,87	0,92	1,40	1,53	1,44	(5,82)	15,08
Oranges	0,64	0,69	0,97	1,53	2,07	35,38	35,19
Banana	3,75	4,30	4,38	4,18	4,87	16,69	7,17
Durian	0,24	0,35	0,53	0,74	0,67	(8,89)	32,56
Mangoes teen	0,03	0,03	0,06	0,08	0,06	21,44	36,04
Other Fruits	2,88	3,67	4,32	5,50	5,23	4,91	276,55
TOTAL	8,41	9,96	11,66	13,56	14,34	5,88	14,39

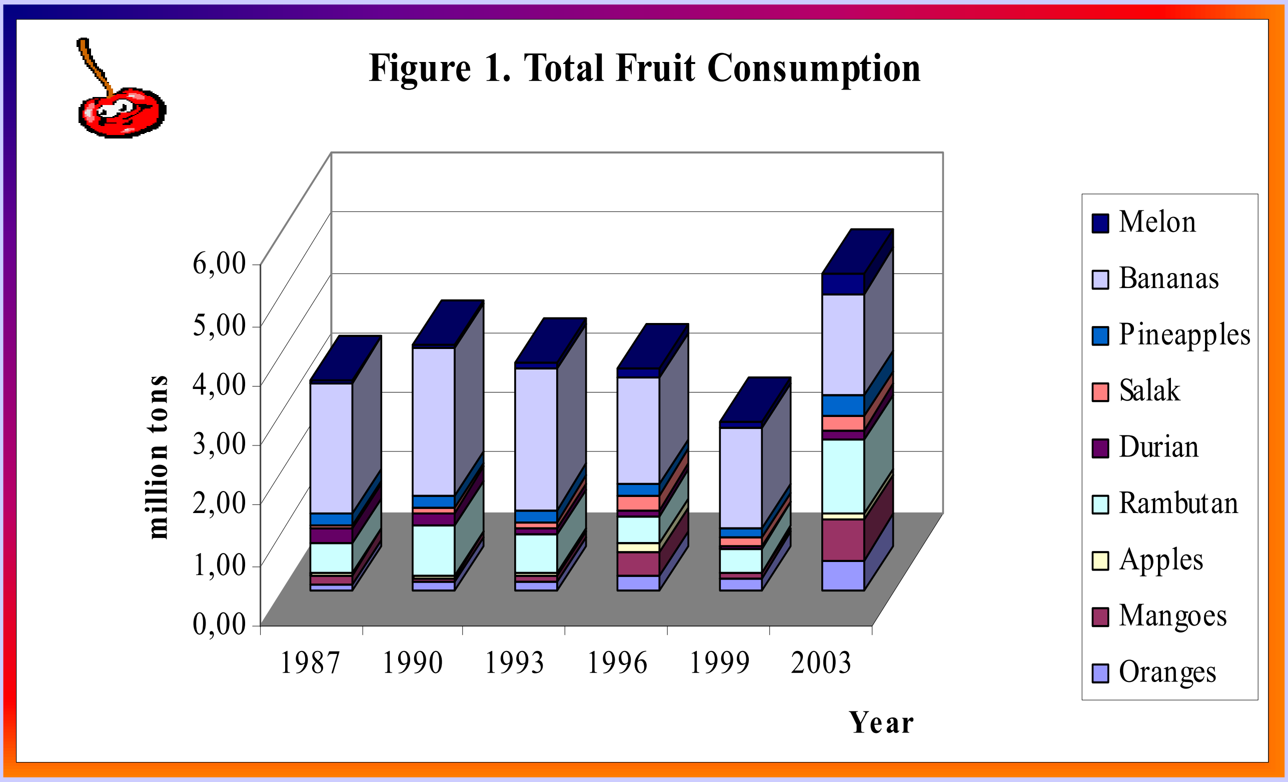
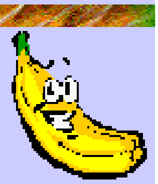


Figure 1. Total Fruit Consumption

PRODUCTION VS CONSUMPTION



Total fruits production in 2004 : 14.34 million Tons
Total fruits consumption in 2003: 6.39 million Tons

Indonesia has surplus production around 6-7 million tons/year

Potential for Export

FACTUAL ACHIEVEMENT → ?????

CONDITION OF PROCESSING INDUSTRY & MARKETING INFRASTRUCTURE

PROCESSING INDUSTRY

Most of fruits processing industries are small size, only few with large scale (pineapples), others considered middle or small size (oranges, marquise, guava, etc)

Government facilitate the development of rural industrialization in helping farmers to improve income and create employment opportunity in rural villages → home industries are now growing

Continued….EXISTING CONDITION MARKETING INFRASTRUCTURE

MARKETING FACILITIES & INSTITUTIONS

- **Marketing facilities for agricultural products in farmers areas are not well developed → farmer access to the market is limited**
- **Farmer Groups on marketing aspect are yet to be developed**
- **So far farmer groups are more focused on cultivating aspect**
- **Traders or 'Tengkulak' are the main actor in marketing agric. and even in providing credit for the farmers (in higher interest rate)**
- **Products → bargaining power of the farmers is weak**

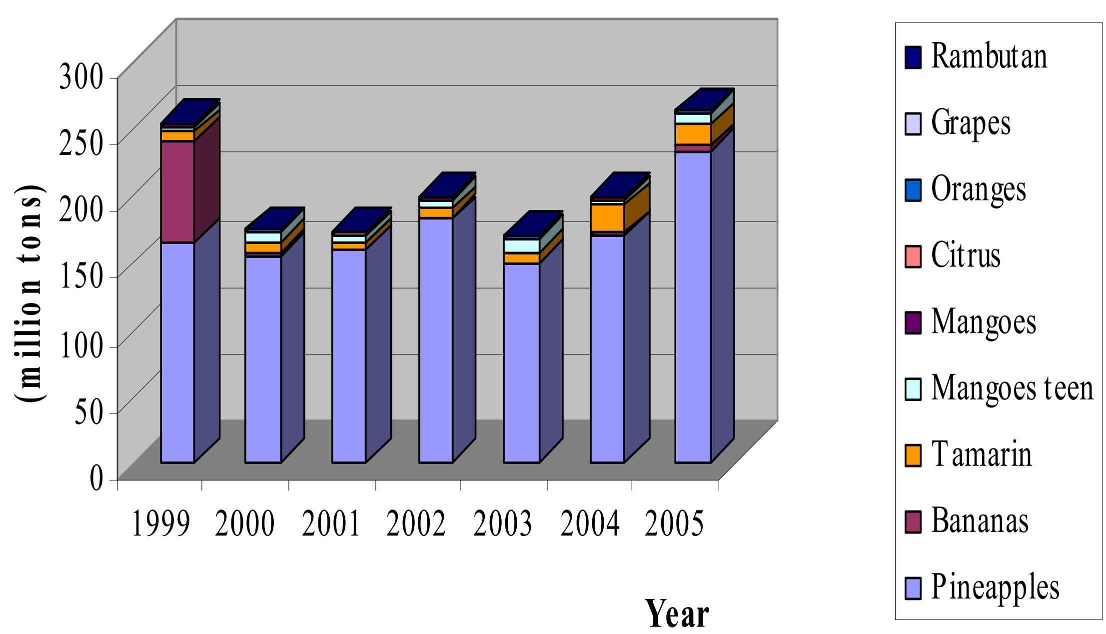
EXPORT – IMPORT OF FRUITS

Main Fruits Export: Pineapples, Bananas, Tamarinds, Mangoes teen, Mangoes, Citrus, Oranges, etc

Main Country Destination: China, Hong Kong, Taiwan, Malaysia, Singapore, United Arab Emirate, Saudi Arabia

Main Fruits Import: Dates, Oranges, Mandarins, Grapes, Apples, Pear (sub-tropical fruits), and Durians

Figure 2. Export Volume of Some Important Fruits



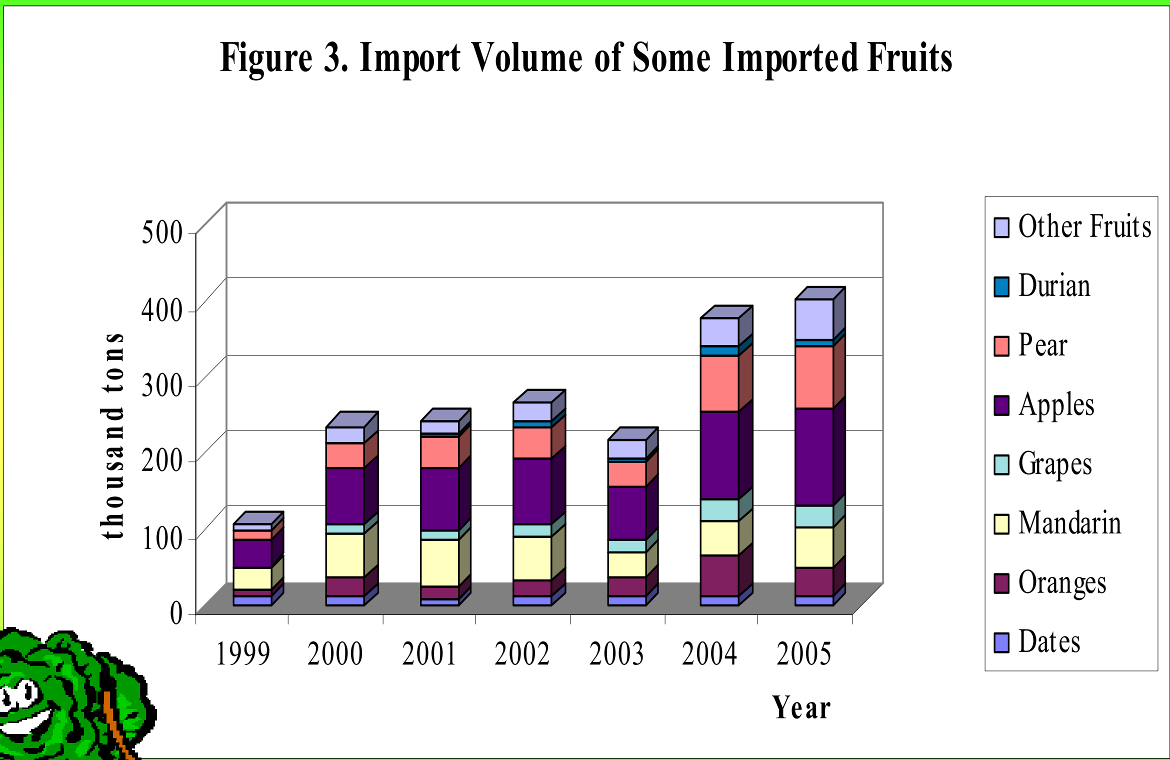
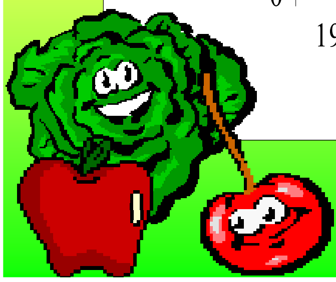


Figure 3. Import Volume of Some Imported Fruits



TRADE BALANCE OF FRUITS

Deficit → Import is much higher than export

Significant increase on import of subtropical fruits since 2004

→ Domestic market (super/hyper market and traditional market) is flooded by cheap import fruits,

→ Threaten farmers, surplus production could be unsold

TRADE BALANCE OF FRUITS

YEAR	1999	2000	2001	2002	2003	2004	2005
EXPORT							
(000 Tons)	264,95	187,34	188,04	225,37	189,65	210,18	270,66
Million US$	132,97	94,7	100,63	138,37	131,5	122,84	148,3
IMPORT							
(000 Tons)	110,41	246,62	250,62	274,78	228,65	393,35	410,49
Million US$	61,35	145,06	147,1	220,25	195,01	224,59	232,14
TRADE BALANCE							
(000 Tons)	154,54	-59,28	-62,58	-49,41	-39	-183,17	-139,83
Million US$	71,62	-50,36	-46,47	-81,88	-63,51	-101,75	-83,84

PROBLEMS HAMPERING FRUITS DEVELOPMENT IN INDONESIA

- Limited access to the farmyng services especially to the capital or credit
- poor knowledge and ability to produce products demanded by foreign consumers
- Lack of farmer institutions and weak bargaining power
- Poor agriculture infrastructure (esp irrigation, seed industries)

Continued….PROBLEMS HAMPERING

- Inefficient and long market channel
- Poor marketing infrastructure (esp.
- transportation and supply chain facilities)
- Macro economic policy does not favor agric. sector

low quality of fruits products, in-continuous supply or unpredictable outputs,

led to the difficulties to establish long term contracts with foreign buyers.

STRATEGY FOR ACHIEVING FRUITS COMPETITIVENESS

- Increase productivity/and production and quality

→ government facilitated the joint-cooperation among different provinces/districts to produce similar product, so called KAWASAN

→ 17 Kawasan for Oranges; 13 Kawasan for Mangoes, 9 Kawasan for Rambutan; 4 kawasan for Pineapples; and 6 Kawasan for Bananas.

- **Develop rural industrialization in the farmer areas**
- **Develop agric-based civil society (LM3) → through religion institutions**
- **Develop and empower farmers group**
- **Provide credit for small-middle scale agribusiness activities**
- **Provide enough budget for research and development**
- **Develop and empower existing infrastructures → market facilities such as terminal and sub-terminal agribusiness**

TERMINAL AND SUB-TERMINAL AGRIBUSINESS
--- in achieving competitiveness--

Terminal agribusiness (TA):
developed in central consumers,

while

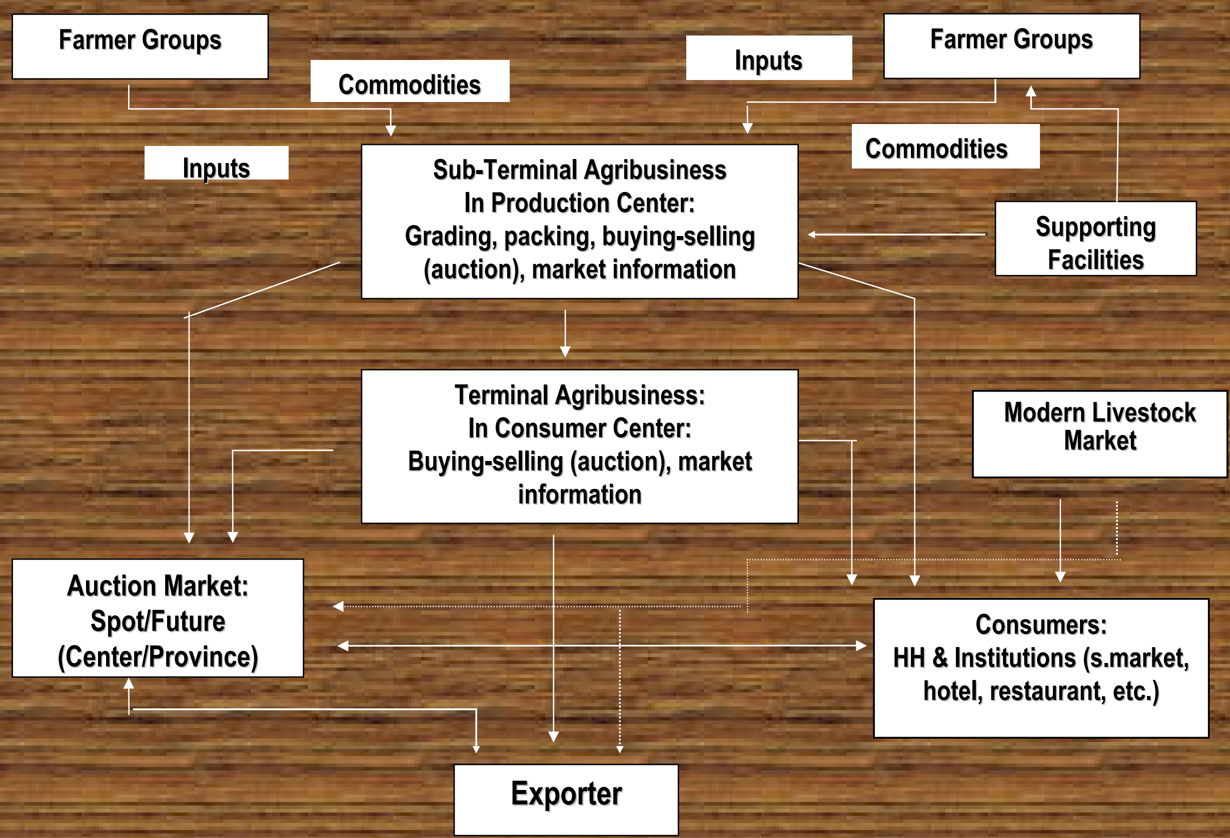
Sub terminal (STA):
established in farmers areas (center production).

Continued…. TERMINAL AND SUB-TERMINAL AGRIBUSINESS

Expectation from TA and STA:

- Farmers sell their products directly to the STA in their region, and subsequently, the STA sell the products either to TA or other markets such as traditional, super- and hyper market.
- The marketing channel is shortened (lessen the role of tengkulak)
- Farmers' bargaining power improves , and finally income increases.
- Terminal agribusiness is then expected to sell the products not only in domestic markets, but also export the products.

DISTRIBUTION CHANNEL OF FRUIT MARKETING




THANK YOU
TERIMA KASIH