

Indonesian Cocoa To See Deep Dip, Second-worst Globally: ICCO

Tanggal : Kamis , 08 Oktober 2020

Media : The Jakarta Post

Halaman : 5

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Muatan Berita : Netral

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Rubrik : Business

Topik : Kakao

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The Jakarta Post/Jakarta

The country is predicted to see the second-deepest drop in cocoa production volume this season, compared to other producing countries, due to the pandemic pressure on demand and operation, according to the International Cocoa Organization (ICCO).

The world's sixth-largest cocoa producer will see output dip by 20,000 tons year-on-year (yoy) to 200,000 tons between the 2019 and 2020 season, which runs from October to September, according to an ICCO report made available to *The Jakarta Post* on Oct. 2.

The decrease is the second-deepest behind Côte d'Ivoire and is on par with Nigeria, both of which are also among the world's top 10 cocoa producing countries.

"Cocoa production has generally shown resilience but concerns still remain as COVID-19 prevails," writes the ICCO report published in August.

Indonesia's continuous rise in COVID-19 cases is a lingering risk for the country's agriculture

industry, which has helped cushion the pandemic's impact on the economy.

On Monday, the country recorded more than 307,000 confirmed cases of the virus. The sector, the second-largest contributor to Indonesia's economy, managed to grow 2.19 percent yoy in the second quarter this year, while the economy shrank 5.32 percent yoy, according to Statistics Indonesia.

Globally, cocoa farmers have faced COVID-19 health risks and supply setbacks as international lockdowns restricted the influx of manpower, fertilizer and seedlings to cocoa farms and plantations.

Meanwhile, the weak global economy induced by the COVID-19 outbreak is also expected to have a negative impact on the demand for commodities, including cocoa, the report notes. The ICCO is forecasting a 1.2 percent yoy decline in worldwide production to 4.72 million tons for the 2019 to 2020 season, compared to the previous season.

In Indonesia, the challenge for farmers has been receiving state-sponsored seedlings in a timely

and precise manner, Indonesia Cacao Council (Dekaindo) chairman Dwiatmoko Setiono told the *Post* on Monday.

"It's better now, more so with subsidized fertilizer, but these programs need continuity and consistency," he said. Indonesia's top two cocoa producing islands are Sulawesi and Sumatra, which contribute nearly 90 percent of total output, Agriculture Ministry data show.

On the demand side, Indonesia's cocoa grindings — the industry's benchmark to measure demand — is expected to dip by 7,000 tons yoy to 480,000 tons this season, ICCO data show.

"Although at the time of writing economies were gradually opening, a speedy recovery is not expected," says the ICCO of the global cocoa demand outlook. The fall in domestic cocoa demand is also driven by falling chocolate demand as retailers closed shop while Indonesian cities imposed large-scale social restrictions.

A case in point, publicly-listed chocolate producer PT Wahana Interfood Nusantara (COCO) saw its sales drop by half due to the

lockdowns. The company's revenue fell 47 percent yoy to Rp 47.6 billion (US\$3.2 million) during the January-June period.

"Many malls were closed such that tenant COCO customers were unable to run as usual and thus, demand plummeted," wrote the company in a letter to the bourse on Sept 1.

The company, however, noted an uptick in online sales during the Idul Fitri period, when many Indonesians customarily bake pastries and cakes.

Going forward, the Indonesian Cacao Industry Association (AIKI) expects cocoa demand to recover next year "to the same level as before the pandemic", AIKI chairman Piter Jasman told *The Jakarta Post* via text message on Monday.

"We see demand already rising again in the fourth quarter of 2020," he said. Demand recovery, he continued, would be driven by improvements in people's purchasing power, which would trigger higher demand for cocoa-based products from supermarkets and online marketplaces.