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Report Highlights:

Higher rainfall as a result of a La Nina weather pattern is expected to increase sugarcane yields, leading to increased production in 2021/2022. Total imports are forecast to decline on higher domestic production. In an effort to reduce and stabilize retail prices, the Government of Indonesia (GOI) has issued permits to import 680,000 tons of raw sugar for processing into plantation white sugar by mills.

General Summary

Sugar is included as one of the so-called “*Sembako*” (*Sembilan bahan pokok* - or nine staple food products of Indonesia), along with rice, corn, soybean, cooking oil, beef, poultry meat, shallot, and eggs as stated in Ministry of Trade (MOT) regulation 27/2017. Government of Indonesia (GOI) sugar policy classifies domestic sugar into three categories: white sugar for home consumption, raw sugar for domestic sugar refineries, and refined sugar for the local food and beverage industry. Since domestic demand far outpaces local production, significant volumes of imports are required. The timing and quantity of imported sugar is subject to considerable debate, with the government tightly controlling both total import volume and which companies receive import quota. In general, the GOI allows sugar refineries to import raw sugar to process into refined sugar for the food and beverage industry. Idle refining capacity is often used to partially assess the volume of imports allocated. Additionally, if refined sugar with certain specifications is unavailable in the local market, food and beverage companies may be permitted to import. National demand for both white and refined sugar continues to increase along with population and a growing food and beverage industry, increasing pressure to maintain stable prices.

A prolonged dry season in 2020 led to stunted growth of sugarcane which, along with lower recovery rates as a result of social distancing restrictions, reduced plantation white sugar production in 2020/21 to 2.13 million tons, compared to 2.25 million tons in 2019/20. In line with lower plantation white sugar production and higher household demand, 2020/21 raw sugar imports are estimated to increase to 4.9 million tons, compared to 4.6 million tons in 2019/20. A La Nina weather pattern that is forecast to last until May 2021 is increasing water availability and allowing for longer stalks. As a result, sugarcane production in 2021/22 is forecast to increase to 29.8 million tons, compared to 29.3 million tons in 2020/21. Consistent with the forecasted increase of sugarcane production, plantation white sugar production is forecast to rebound to 2.2 million tons in 2021/22, however ending stocks are expected to decline, reaching 1.287 million tons due to lower imports and higher consumption.

Social distancing measures related to COVID-19, which were initially implemented in April 2020 and have been extended to varying degrees since, have lowered demand for refined sugar in the food and beverage industry. However, the decline in demand, which was particularly sharp during the early months of the pandemic, has been balanced by an increase in demand for white sugar at the retail level. Panic buying during the months of April – June 2020 led to significant increases in the retail price for white sugar (see Table 3). As a result, the GOI authorized several state-owned companies to import up to 150,000 tons of white sugar for direct human consumption. To date, 136,800 tons (146,376 tons of raw sugar equivalent) of the import allocation has landed in country. Additionally, 163,200 tons of refined sugar with specifications that could not be met by local refineries was imported in 2020/21 by the food and beverage industry.

Sugar consumption for 2020/21 is expected to increase to 7.445 million tons of raw sugar equivalent from 7.356 million tons of raw sugar equivalent in 2019/20. In line with population growth and expected recovery of demand from the food and beverage industry, 2021/22 sugar consumption is forecast to reach to 7.5 million tons of raw sugar equivalent.

The average retail price of plantation white sugar has remained above the maximum retail price (*HET Harga Eceran Tertinggi*) of Rp. 12,500/kg (\$857/ton) as set by the GOI. The current average retail

price is Rp. 13,900/kg (\$953/ton), a decrease of 25 percent compared to Rp.18,550/kg (\$1,272/ton) in April 2020.

Table 1. PSD: Sugarcane for Centrifugal

Sugar Cane for Centrifugal Market Begin Year Indonesia	2019/2020		2020/2021		2021/2022	
	May 2019		May 2020		May 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	415	415	420	420	0	423
Area Harvested	411	411	415	415	0	420
Production	29100	29100	27000	29300	0	29800
Total Supply	29100	29100	27000	29300	0	29800
Utilization for Sugar	29100	29100	27000	29300	0	29800
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	29100	29100	27000	29300	0	29800
(1000 HA),(1000 MT)						

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

Table 2. PSD: Centrifugal Sugar

Sugar, Centrifugal Market Begin Year Indonesia	2019/2020		2020/2021		2021/2022	
	May 2019		May 2020		May 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	2300	2300	1952	1952	0	1787
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2250	2250	2200	2130	0	2200
Total Sugar Production	2250	2250	2200	2130	0	2200
Raw Imports	4617	4617	5500	4900	0	4500
Refined Imp.(Raw Val)	141	141	150	300	0	300
Total Imports	4758	4758	5650	5200	0	4800
Total Supply	9308	9308	9802	9282	0	8787
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	0	0	50	0	0
Total Exports	0	0	0	50	0	0
Human Dom. Consumption	7356	7356	7762	7445	0	7500
Other Disappearance	0	0	0	0	0	0
Total Use	7356	7356	7762	7445	0	7500
Ending Stocks	1952	1952	2040	1787	0	1287
Total Distribution	9308	9308	9802	9282	0	8787
(1000 MT)						

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

Production

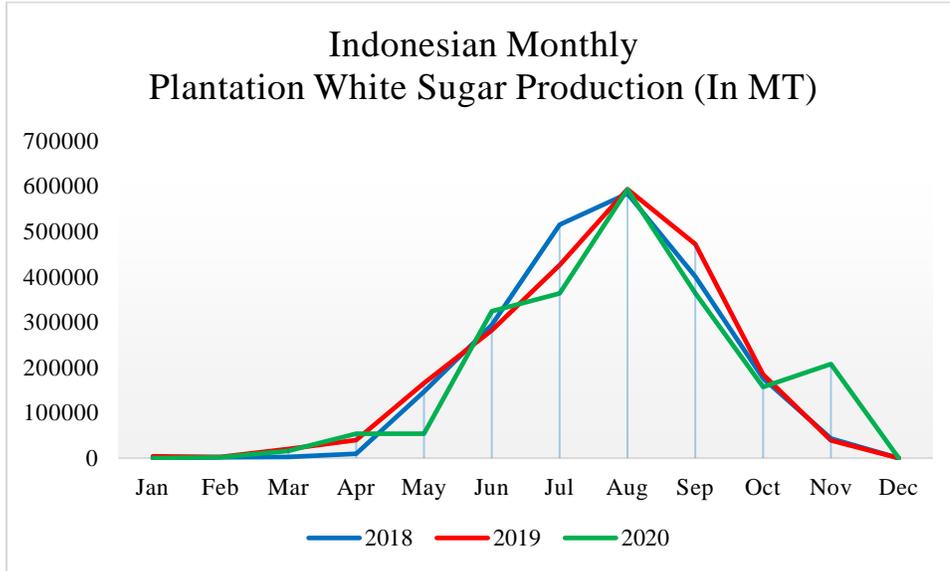
White sugar is produced from sugarcane and is primarily for direct human consumption. Refined sugar is made from imported raw sugar, which is generally used for processing by the food and beverage industry. Refined sugar produced from imported raw sugar is prohibited from being distributed to retail markets for human consumption.

During the period of 2015 to 2020, seven sugar mills came online with installed capacity ranging from 8,000 to 12,000 Tons of Cane per Day (TCD). During the same period, due to the aging machinery and low efficiency, 12 state-owned sugar mills on Java island shuttered operations. Currently, a total of 62 sugar mills are operating in Indonesia, with a national installed capacity of 316,950 TCD. Of these mills, 43 mills are administered by state-owned companies and 9 are privately-owned. Approximately 56 percent of sugarcane harvested area is located on Java, with Lampung Province in Sumatera accounting for an additional 30 percent. Small holder farmers account for approximately 54 percent of total sugarcane area, while the balance is managed by state-owned and private companies. Rapid infrastructure development on Java as well as competition with other food crops such as corn and paddy which can provide higher margins, are the main cause of declining sugarcane area. Locating appropriate land for expanding sugarcane cultivation outside of Java has proved challenging. As a result, harvested area in 2020/21 is estimated to only marginally increase to 415,000 hectares compared to 411,000 hectares in 2019/20. Harvested area in 2021/22 is forecast to increase to 420,000 hectares from area expansion in Sulawesi and Sumatera where new mills have been constructed.

The Indonesian Meteorology, Climatology, and Geophysics Agency (*BMKG, Badan Meteorologi, Klimatologi, dan Geofisika*) estimated in February 2021 that the 2020/21 rainy season, influenced by the global climate phenomenon La Nina, may increase rainfall by up to 40 percent. The La Nina is expected to continue until May 2021. Currently, 96 percent of Indonesia's season zones have entered the rainy season. It is predicted that in March-April 2021, rainfall in most parts of Western Indonesia will still have medium to high intensity (200-500 mm/month), while most of Eastern Indonesia, including Papua and parts of Sulawesi have the potential to receive higher intensity rainfall of more than 500 mm/month. In 2020/21, due to a prolonged dry season, which led to stunted sugarcane crops, yields declined to 70.6 tons per hectare compared to 70.8 tons per hectare achieved in 2019/20. Sugar mills contacted by Post reported that higher rainfall is expected to increase per hectare sugarcane yields in 2021/22 as crops will have an opportunity to grow longer segments during the vegetative period. Yields are forecast to increase to 70.95 tons per hectare in 2021/22. Taking into account the larger harvested area and higher yields, 2021/22 sugarcane production is estimated to increase to 29.8 million tons.

Indonesia's state-owned sugar mills are aging, with approximately 37 out of 43 over 100 years old. These sugar mills contribute to 45 percent of total national plantation white sugar production. Only six sugar mills operating in 2019 were less than 25 years old. As a result, the average 5-year recovery rate across the entire industry is only 7.56 percent. The implementation of strict social distancing measures adversely impacted operations during the 2020 harvest period. The measures reduced the number of workers available to cut sugarcane and increased the lead time from field to mill. The longer transportation time resulted in a lower overall recovery rate of 7.27 percent in 2020/21, compared to 7.73 percent in 2019/20. The Muslim fasting month of Ramadan starts in mid-April 2021. In an effort to avoid less efficient operations due to worker holiday travel, most mills are expected to begin milling season in mid-June 2021 and conclude by November 2021. Increasing vaccinations and fewer social distancing measures are also expected to aid the 2021 harvest, increasing recovery rates to 7.38 percent. Combined with larger contribution of private sugar mills with better machinery and efficiency, 2021/22 plantation white sugar production is forecast to increase to 2.2 million tons from 2.13 million tons produced in 2020/21.

Chart 1. Indonesia: Monthly Plantation White Sugar Production (MT)



Source: Industry.

There are 11 sugar refineries processing imported raw sugar into refined sugar, with a total installed capacity of 5.016 million tons. Running capacity of these refineries varies depending on the GOI's issuance of raw sugar import permits. The COVID-19 pandemic (which has weakened the exchange rate by more than 20 percent), changes in origin supplying countries due to COVID-19 closures, and reduced consumption by the food and beverage industry, are negatively impacting refinery running capacity. In 2020/21 running capacity declined to 77 percent, compared to 78.68 in 2019/20. Food and beverage industry demand for refined sugar is expected to increase by 5 percent to 3.25 million tons (3.47 million tons of raw sugar equivalent) in 2021/22, up from 3.1 to 3.2 million tons of refined sugar in 2020/21 (3.317 to 3.424 million tons of raw sugar equivalent). Accordingly, 2021/22 refinery running capacity is forecast to reach approximately 80 percent.

Consumption

Sales of retail packaged white sugar for home consumption during the period of March to June 2020 increased significantly as indicated by soaring retail prices of white sugar. With less visits to malls and restaurants, sugar consumption by the food and beverage industry declined. Industry reported that per capita consumption of white sugar for direct human consumption in 2020 reached 11.71 kg, an increase from 11.55 kg in 2019, while per capita refined sugar consumption by the food and beverage industry in 2020 declined slightly to 11.52 kg, compared to 11.56 kg in 2019. Despite the changing consumption dynamics, and in line with population growth, sugar consumption for 2020/21 is estimated to increase to 7.445 million tons of raw sugar equivalent, consisting of 4.0 million tons of sugar for direct consumption and 3.445 million tons of food and beverage industry consumption.

As Indonesia expands its vaccination program (launched in January 2021), fewer social distancing and travel restrictions are expected to reduce home consumption of sugar, while growing demand in the food and beverage industry is expected to increase consumption of refined sugar. As a result, total consumption is expected to increase to 7.5 million tons of raw sugar equivalent in 2021/22. However,

as the increase falls short of population growth, per capita sugar for direct human consumption in 2021/22 is forecast to slightly decrease to 23.14 kg.

Other sweetener producers include several corn wet mills with an installed capacity of 4,000 Tons per Day (TPD). In 2020, the industry produced 304,000 tons of corn starch, 71,000 tons of glucose syrup, 56,000 tons of high fructose corn syrup (HFCS 55, equal to 45,920 tons of raw sugar), 22,000 tons liquid dextrose, and 18,000 tons of maltodextrin from a total of one million tons of imported corn. As local production increases, imports of HFCS 55 have declined to 53,355 tons of raw sugar equivalent in 2019/20 from 74,410 tons of raw sugar equivalent imported in 2018/19. During the period of May 2020 to January 2021, imports of HFCS 55 reached a total of 25,172 tons of raw sugar equivalent, a decline of 34.81 percent compared to the same period of 2018/19. During the period of May 2020 to January 2021, Indonesia imported HFCS 55 from China (86.02 percent), Turkey (8.31 percent), and South Korea (5.16 percent).

Prices

Despite increasing white sugar production costs, MOT maintains its retail reference price for sugar as stated in MOT regulation 7/2020 ([ID2020-0008](#)). Retail plantation white sugar prices surged following the implementation of social distancing restrictions and GOI appeals to conduct all social activities from home to curb the spread of COVID-19. Prices of plantation white sugar began to decline when newly harvested supplies from sugar mills entered the market in June 2020. Prices declined further as imports of raw sugar for processing into white sugar increased and state-owned procurement agency BULOG began direct imports of white sugar. Nonetheless, plantation white sugar retail prices remain well above the maximum retail price (*HET, Harga Eceran Tertinggi*) of Rp. 12,500/kg (\$857/ton).

Table 3. Indonesia: Jakarta Monthly Average Retail White Sugar Prices (Rp. /Kg)

Month	2017	2018	2019	2020	2021
January	14,500	13,455	11,790	14,100	13,800
February	14,580	12,450	11,790	14,750	14,000
March	14,591	12,339	11,971	15,850	13,900
April	14,614	12,363	12,122	18,550	13,900
May	14,445	12,416	12,609	16,700	
June	14,409	12,350	12,753	15,800	
July	14,303	12,335	12,776	15,300	
August	14,159	12,301	12,746	14,500	
September	13,920	12,229	12,694	14,100	
October	13,750	12,266	12,722	14,100	
November	13,796	12,207	12,824	13,800	
December	13,693	11,897	12,945	13,700	
Average	14,230	12,384	12,479	15,104	13,900

Source: Market Information Center (PIP), Ministry of Trade and Jakarta Provincial Food Prices Info.

Stocks

Despite increased imports, lower production of plantation white sugar and higher demand for home consumption is expected to reduce 2020/21 ending stocks to 1.787 million tons of raw sugar equivalent. Stocks are forecast to decline further to 1.287 million tons of raw sugar equivalent in 2021/22, reflecting lower imports and growing consumption.

Trade

The GOI expects the food and beverage industry to consume domestically produced refined sugar, although industry with specific refined sugar requirements unavailable from domestic producers may still import a limited amount of refined sugar to meet demand. The GOI normally issues import allocations for raw sugar at the beginning of the calendar year. These allocations are subject to change when certain sugar products cannot be sourced domestically.

In 2020, sugar refineries imported a total of 3.028 million tons of raw sugar from the total allocation of 3.281 million tons. This sugar must be refined and may only be distributed to the domestic food and beverage industry. During the period of May to December 2020, a total of 2.067 million tons of raw sugar imports for refineries materialized, a decline compared to 2.150 million tons of raw sugar imports during the same period in 2019. The decline is the result of changing consumption as consumers' increased at-home consumption and reduced demand for products normally consumed outside the home.

During an inter-ministerial meeting on December 14, 2020, the GOI estimated total demand of 3.1 million tons of refined sugar for the food and beverage industry throughout 2021. Referring to the estimate, GOI allocated an import quota of 3.2 million tons of raw sugar for refineries. Import permits for the allocation are issued in two phases. The GOI issued import permits for 1.9 million tons of raw sugar for the first semester of 2021 in December 2020. Import permits for the remaining 1.3 million tons for the second semester of 2021 have yet to be issued.

In an effort to prevent soaring prices of plantation white sugar as occurred in the months leading up to the 2020 domestic harvest, in December 2020 the GOI issued permits to import 680,000 tons of raw sugar to fill sugar mills idle capacity and to be processed into plantation white sugar for direct household consumption. The authorization was issued earlier and in a larger volume compared to the previous year when permits were issued in March 2020 for a total of 472,630 tons of raw sugar. The imported raw sugar for sugar mills is expected to arrive before June 2021. In line with the estimated increase of plantation white sugar in 2021/22, raw sugar imports are forecast to decline to 4.5 million tons, consisting mainly of raw sugar imports for refineries.

The GOI sets sugar import duties as follows:

Table 4. Indonesia: Sugar Import Duty (ID) and Value Added Tax (VAT), 2017

No.	Commodity	ID		VAT (%)
		(Rp./Kg)	(US\$/ton)	
1.	Raw cane sugar	550	37	10
2.	White sugar	790	54	10
3.	Refined sugar	790	54	10

Source: Indonesian Customs Tariff Book 2017.

Thailand remains the main supplier of raw and refined sugar to Indonesia with an average of more than 70 percent market share. COVID-19 related closures implemented by Thailand forced sourcing of raw sugar from other suppliers. For the period May 2020 to January 2021, Indonesia's raw sugar imports originated from Brazil (40 percent), Australia (24 percent) and Thailand (17 percent). Refined sugar was supplied mostly by India (90 percent), while the balance was from Thailand (8.4 percent).

Policy

Indonesian policy on sugar imports as stated in MOT regulation number 14/2020 remains in effect ([ID2020-0008](#)). In addition, considering the seasonal supply of sugarcane for white sugar production and to ensure continuous supplies of both white sugar for direct consumption and refined sugar for the food and beverage industry, on January 28, 2021, the Ministry of Industry (MOI) issued regulation 3/2021 on *Assurance of Raw Material Availability for Sugar Industry to Meet National Sugar Needs*. The regulation states that companies producing plantation white sugar (sugar mills) and sugar refineries producing refined sugar can use raw materials from domestically produced sugarcane or from imported raw sugar. When domestic raw materials are not sufficient to meet the demand to produce plantation white sugar and refined sugar, imports of raw material can be granted after obtaining an import recommendation from MOI. The imported white sugar must meet the color solution standard (ICUMSA, International Commission for Uniform Methods of Sugar Analysis) of no less than 600 IU (international unit). Sugar mills must only produce white sugar from the imported raw sugar while refineries must only produce refined sugar for food and beverage industry from the imported raw sugar. However, only mills and refineries which hold industrial business licenses or have expanded production capacity since May 25, 2010 are eligible to receive the import recommendation. The regulation has created controversy among industry players as the requirements disqualify most older sugar mills.

A recent investigation by the Indonesian Trade Safeguard Committee (KPPI) found domestic industry suffered serious losses due to a surge in imports of fructose syrup products. As a result, on September 9, 2020, the Ministry of Finance issued regulation 126/2020 on the *Imposition of Safeguard Duty on Imports of Fructose Syrup*. All products under HS Code 172.60.20 are subject to the regulation. The safeguard duty is in addition to general the import duty (Most Favored Nation); or additional preference based on import duties for goods traded under international trade agreement schemes. The safeguard duty is effective for three years under the following conditions:

Table 5. Safeguard Duty Timeline

No.	Effective Period	Amount of Safeguard Duty
1.	First year, effective from September 16, 2020	24 %
2.	Second year, effective immediately after the end of the first year period.	22 %
3.	Third year, effective immediately after the end of the second year period.	20 %

Source: MOF 126/2020

The safeguard duty is imposed on imports of HFCS 55 from all countries except countries listed on the [appendix](#) of the regulation. Imports from the exempted countries must be completed with Certificate of Origin. The regulation appears to target imports of HFCS 55 from China and South Korea which are not listed on the regulation's appendix.

TRADE MATRICES

Table 6. Import Trade Matrix, Raw Sugar 2020 -2021

Import Trade Matrix			
Country	Indonesia		
Commodity	Sugar, Raw		
Time Period	May-Apr	Units:	1,000 MT
Exports for:	2019/20		2020/21*
U.S.	0		0
Others		Others	
Thailand	3364	Brazil	1485
Australia	1037	Australia	897
Brazil	159	Thailand	830
India	56	India	411
Total for Others	4616		3623
Others not Listed	0		125
Grand Total	4616		3748

Note: * Only for the period of May 2020 – January 2021 Source:

Trade Data Monitor

Table 7. Import Trade Matrix, Refined Sugar 2020 -2021

Import Trade Matrix			
Country	Indonesia		
Commodity	Sugar, Refined		
Time Period	May-Apr	Units:	1,000 MT
Exports for:	2019/20		2020/21*
U.S.	0		0
Others		Others	
Thailand	119	India	239
South Korea	9	Thailand	22
		South Korea	3
		China	1
Total for Others	128		265
Others not Listed	4		2
Grand Total	132		267

*Note: * Only for the period of May 2020 – January 2021*

Source: Trade Data Monitor.

Note: Exchange rate is Rp. 14,580/US \$1, as of April 9, 2021.

Attachments:

No Attachments