Export Duty of Cocoa Boost Development of Indonesian Downstream Industry

Batam, 15 June 2013 – Export Duty on exports of cocoa beans, which has been in effect since 1 April 2010, has boosted the development of Indonesia’s downstream industry. Such was said by the Indonesian Minister of Trade, Gita Wirjawan, during his working visit to Batam to review PT. Asia Cocoa Indonesia, today (Saturday, 15/6).

Besides that, according to the Trade Minister, Indonesia’s Cocoa Industry has also experienced significant increase in production capacity. “The Export Duty Policy seems to be quite successful because it has proven to have developed the downstream industry. This success is evident from the 6 new cocoa processing factories with a total capacity of 430 thousand tonnes per year that have been established.”

Furthermore, the Trade Minister explained that an increase in industry production has occurred by 87%. “This is caused by several industries that previously ceased production coming back into operation,” he added.

What is no less important, said the Trade Minister, is that the implementation of the Export Duty has provided more opportunities for cocoa farmers because they are now able to sell their cocoa beans not only to traders/exporters but also to domestic cocoa processing industries.

The Trade Minister also explained, “There is no need to worry about the entry of foreign investors. It will not affect the existing cocoa industry because of different market segments.” Some foreign investors such as Cargill, ADM and JB Cocoa produce premium class processed cocoa for the European market. Meanwhile, the industries that currently exist in Indonesia mostly produce middle class cocoa for the developing countries market.

The development of Indonesia’s downstream industry is also marked by the expansion plan of PT Nestle Indonesia for Milo and Dancow milk factories in Pasuruan and Karawang.

PT. Asia Cocoa Indonesia is an investor from Malaysia that has begun operations of their factory in Batam that processes cocoa beans into cocoa butter with an installed capacity of 65.000 tonnes.
Cocoa Beans production in 2010 increased by 29.335 tonnes compared to 2009. Meanwhile, in 2011 production decreased by 125.687 tonnes compared to 2010, which reached 837.918 tonnes. In 2012, the current temporary number of production stands at 936.266 tonnes, which is an increase of 224.035 tonnes.

**Visit to PT Citra Tubindo**

During the working visit, the Trade Minister also reviewed PT. Citra Tubindo Tbk. PT Citra Tubindo is a company that produces level quality oil and gas drilling pipes to be used in depths of more than 4000 meters. As for this factory’s main export destinations, they are Middle East countries, namely Saudi Arabia and Iran. Meanwhile, exports to the US are about 20% of the total exports.

From the installed production capacity available, the real capacity is relatively low because of competition from imported goods of the same type, especially from China, Japan, and Singapore. As an overview, in 2012, imports of national casing and tubing produced by this company increased significantly, an increase of 232% (YoY) with an import volume that reached 119 thousand tonnes worth USD 240 million or about IDR 2.4 trillion. For that, the Government will soon impose a safeguard measure to protect domestic industries and investment in those aforementioned industries.

On the sidelines of his visit, the Trade Minister also had the opportunity to review the prices of basic commodities at Botania Market ahead of the upcoming Fasting month and led Fitr Holiday. “The result of the review shows that prices of basic commodities are still normal and availability is also still sufficient,” the Trade Minister concluded.

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