

Indonesia Investments

Commodities in Focus: Coffee

- What Explains the Rapidly Rising Coffee Prices Around the World?
- Global Coffee Consumption Expected to Rebound in 2021; Coffee Production Seen Falling
- Can Indonesian Exporters Benefit from High Global Coffee Prices? Or Do High Shipping Costs and Shortage of Container Ships Form Obstacle?
- What About Indonesia's Coffee Production, Plantation Size, and Export Performance?
- Coffee Increasingly Becoming Part of Indonesian Lifestyles

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**Van Der Schaar Investments B.V.
CV Indonesia Investments**

Indonesia Investments

Update – 16 November 2021

**Commodities in Focus: People to Pay
Higher Price for a Cup of Coffee?**



Preface

In addition to our reports, Indonesia Investments sends updates on key economic, political or social developments to our subscribers to make sure that our subscribers do not miss out on vital information. The topics in these updates will be discussed in more detail (and in an updated form) in the forthcoming report.

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- Commodities Update -

Coffee in Focus: Will It Become More Expensive for People to Be Productive?

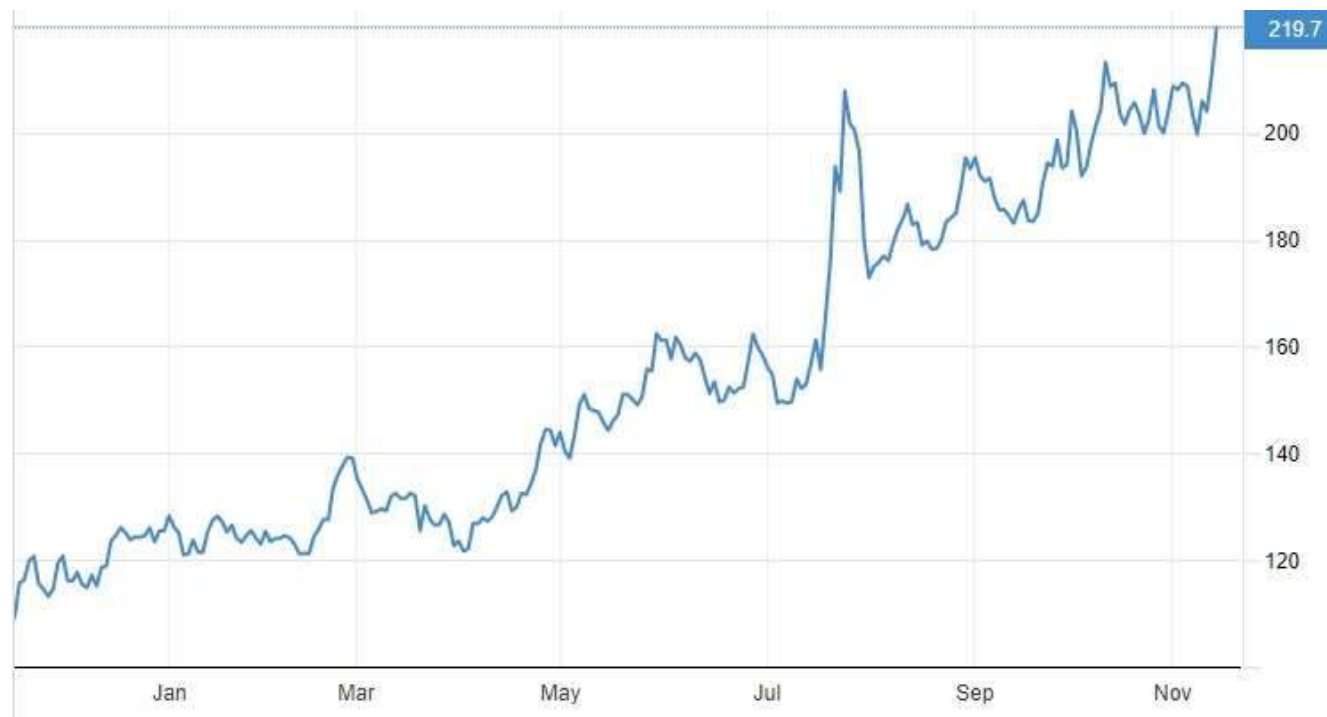
For many people coffee is the perfect beverage to start the day. Thanks to caffeine, a cup of coffee stimulates people's physical and mental performance, hence allowing us to be more productive. So, when your employer allows you to have a coffee break at work, it could very well be in his/her interest as you are about to become more productive!

It is interesting that health experts still seem to disagree on whether coffee has good or bad effects on people's health (well, obviously adding sugar is bad). Possibly, it can trigger both effects (depending on the quality, quantity, and the individual), and therefore moderation is always a good advice ("everything in moderation, including moderation", Irish poet and playwright Oscar Wilde would say).



Just like other commodities (particularly crude palm oil and coal), coffee prices have shown a sharp upward movement in 2021, soaring more than 60 percent so far this year, reaching levels we had not seen since the fourth quarter of 2014.

Coffee Price Past 12 Months (per 15 November 2021):



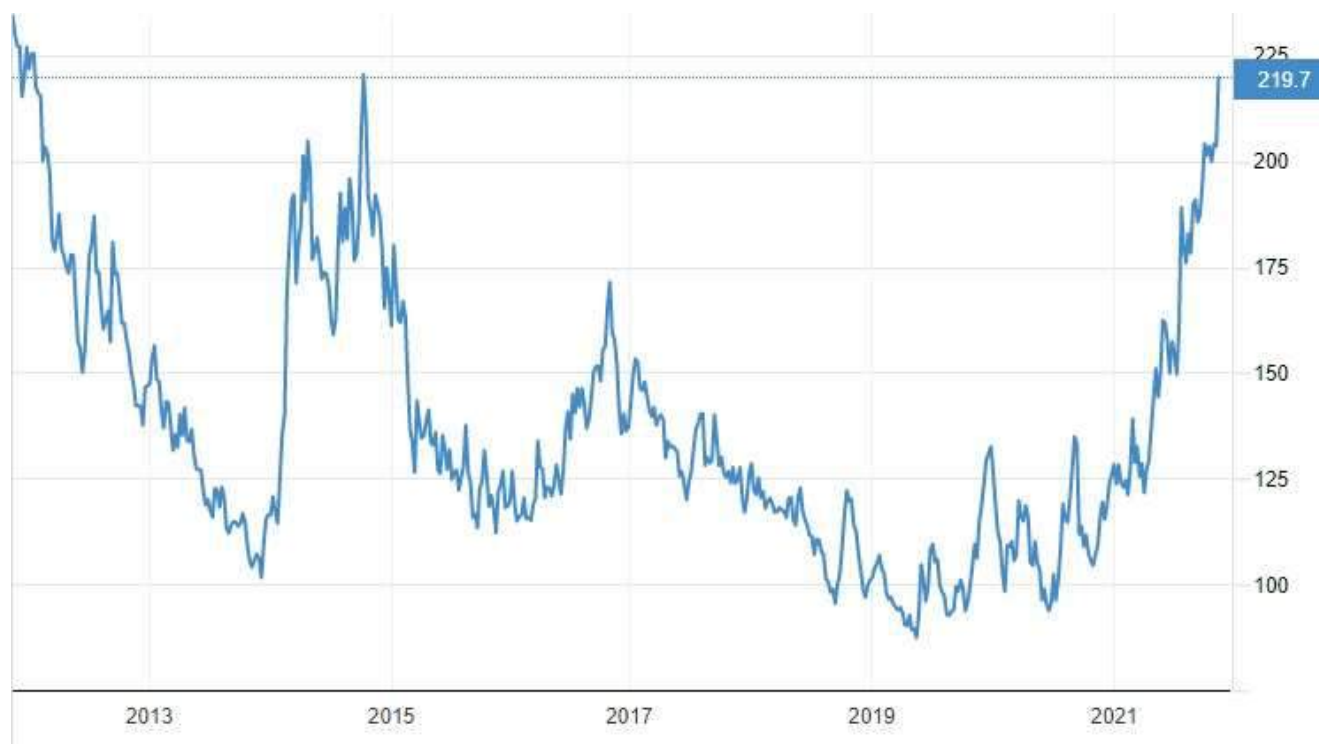
Source: www.tradingeconomics.com

The coffee price (using Arabica coffee as the benchmark for coffee futures contracts that trade on the Inter Continental Exchange, or ICE) is now around USD \$220 per pound (lb), and there certainly seems to be room for further growth. Meanwhile, the chart below shows how steep the coffee price has grown since mid-2020. This timing in fact gives rise to the assumption that the COVID-19 crisis is a key factor behind the price increase as this unprecedented crisis broke out in full force – around the

world – in the second quarter of 2020, even though essentially all cafes, restaurants, and hotels saw a huge decline in customers, while many of these places were also forced to temporarily close their doors because of governments’ social and business restrictions. So, it is unlikely that demand for coffee strengthened amid the COVID-19 crisis (although it could be the case that people have started to consume more coffee at home, for example due to work-from-home policies).

Nonetheless, data from [Statista.com](https://www.statista.com) show a 2.3 percent year-on-year (y/y) decline in global coffee consumption in the 2019-2020 season to a total of 164.53 million bags of coffee (one bag containing 60 kilogram of coffee).

Coffee Price Past 10 Years (per 15 November 2021):



Source: www.tradingeconomics.com

[...]

Order this article (or the November 2021 report in which it is included) - by sending an email to info@indonesia-investments.com or a message to +62.882.9875.1125 (including WhatsApp) - to read the full text. This article about Indonesia's coffee industry discusses:

- What causes global coffee prices to skyrocket over the past year?
- What is the impact of these high coffee prices on Indonesia?
- How has the COVID-19 crisis impacted on the coffee industry?
- Indonesia's coffee production, consumption and export performance (2001-2021)
- Indonesia's specialty coffees

Size of this article: 25 pages

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