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Report Highlights:

The global economic slowdown and illegal imports of cheaper textile products continue to hinder the growth of the Indonesian textile and textile products industry in 2023/24. To assist the struggling sector, the Government of Indonesia (GOI) is implementing new textile import restrictions that also limit the number of certain items in the luggage content of travelers. The enforcement of the regulation is expected to improve spinning mill utilization and increase 2023/24 cotton consumption.

Glossary:

API	: Indonesian Textile Association
BPS	: Indonesian Statistics Agency
GOI	: Government of Indonesia
MMT	: Million Metric Ton
MOA	: Ministry of Agriculture
MOI	: Ministry of Industry
UMSK	: District Sectoral Minimum Wage

Production

Cotton cultivation remains unattractive to Indonesian farmers due to lower profit margins and a lack of government incentives compared to other crops. Consequently, Indonesia's domestic cotton production is on the decline, meeting less than one percent of local industry demand. Production for 2023/24 is recorded at 2,000 bales as farmers continue to turn to producing other crops. Production in 2024/25 is forecast to remain stable at 2,000 bales. Indonesia's major cotton producing areas are East Nusa Tenggara, East Java, and Central Java. There are currently no Government of Indonesia (GOI) support programs or incentives in place for encouraging cotton production.

Consumption



Figure 1. Raw cotton in blow room of a spinning mill, West Java

The Indonesian textile and textile products industry faced significant challenges in 2022/23 that are expected to continue having an impact in 2023/24. The industry sells 30 percent of its products to export markets while 70 percent goes to the domestic market. Slowing demand from export destination countries and fierce competition from cheaper imported products in the domestic market are hindering the growth of textile and textile products manufacturers. The International Monetary Fund estimated that the global economy will grow by 3.1 percent in 2024 and 3.2 percent in 2025. The forecast for 2024 to 2025 is,

however, below the historical (2000–19) average of 3.8 percent, indicating that the global economic slowdown is not over yet. Consequently, Indonesian textile and textile products experienced slowed demand from export destination countries such as the United States and the European countries. The Indonesian Statistics Agency (*BPS, Badan Pusat Statistik*) reported that, in 2022/23, the export volume of Indonesia's textile industry reached a total of 1.49 million metric tons (MMT), a decline of 2.43 percent compared to 2021/22 (year-on-year/yoy). BPS also

reported that the export value of textile and textile products decrease by 14.78 percent to approximately \$3.6 billion. Commodities in this industrial group include spun yarn, woven fabrics, artificial staple fibers, artificial filament fibers, knitted fabrics, embroidered fabrics, textile fibers, silk and other textile goods. Global conflicts have put more pressure on demand for Indonesian textile and textile products exports.

Illegal imports of cheaper and lower quality products remains a problem faced by the Indonesian textile industry. The Indonesian textile association (*API, Asosiasi Pertekstilan Indonesia*) reported that the value of illegal imports of textile and textile products reached a total of \$2.9 billion per year, taking more than a 40 percent share of the local textile market in 2023.

In addition to lower demand from export destination countries and fierce competition from illegal imports, industry continues to face labor cost concerns. Law No. 13/2003 on Employment states a local minimum wage can be based on local standards at the provincial or district/city level, or a local minimum wage can be based on industry standards within a district/city (*UMSK*). A district/city's industry-based minimum wage can be determined by the provincial governor based on an agreement between that industry's employers' association and labor union; however, this industry-based minimum wage must not be lower than the provincial or district/city minimum wage. Based on Government Regulation No. 51/2023 on Wages, all provinces in Indonesia have decided to increase their minimum wage for 2024 (see Table 1).

Table 1. Indonesia: Minimum Wage by Province (2022-2023)

Provinces	2023	2024	Change
Aceh	3,413,666 IDR	3,460,672 IDR	1.38%
North Sumatera	2,710,494 IDR	2,809,915 IDR	3.67%
West Sumatera	2,742,476 IDR	2,811,915 IDR	2.74%
Riau	3,191,663 IDR	3,294,625 IDR	3.20%
Riau Island	3,279,194 IDR	3,402,492 IDR	3.76%
Jambi	2,943,033 IDR	2,037,121 IDR	3.20%
South Sumatera	3,404,177 IDR	3,456,874 IDR	1.55%
Bangka Belitung	3,498,479 IDR	3,640,000 IDR	4.04%
Bengkulu	2,418,280 IDR	2,507,079 IDR	3.38%
Lampung	2,633,285 IDR	2,716,497 IDR	3.16%
West Java	1,986,670 IDR	2,057,495 IDR	3.57%
Jakarta (Java)	4,901,798 IDR	5,067,381 IDR	3.80%
Banten (Java)	2,661,280 IDR	2,727,812 IDR	2.50%
Central Java	1,958,170 IDR	2,036,947 IDR	4.02%
Yogyakarta (Java)	1,981,782 IDR	2,125,897 IDR	7.27%
East Java	2,040,244 IDR	2,165,244 IDR	6.13%
Bali	2,713,672 IDR	2,813,672 IDR	3.68%

Source: Provincial websites, compiled by FAS/Jakarta

API reported that during the period of 2020-2022, the textile and textile products industry consisted of 5,863 medium-to-large scale textile companies and 900,000 small and medium

textile companies with a running capacity of around 65.9 percent. In 2023, the number of textile and textile products workers in medium-to-large scale industries reached 3.6 million people, around 18.8 per cent of total manufacture sector workers. Due to the constraints, the textile and textile products industry experienced a reduction in capacity to 50 percent at the end of 2023 from around 70 percent in early 2022, at one point during this time even reaching as low as around 40 percent. Before COVID-19, the spinning sector had a total of around 11 million spindles. Currently, spinning mills have an installed capacity of 8 million spindles with a running capacity of only 3.5 - 4 million spindles. Spinning mills use three main raw materials, namely cotton (30 percent), polyester (50 percent), and rayon (20 percent).



Figure 2. Sliver cans of carded cotton, West Java

Spinning mills use three main raw materials, namely cotton (30 percent), polyester (50 percent), and rayon (20 percent).

To combat the illegal imports, on December 11, 2023, the Indonesian Ministry of Trade (MOT) issued Regulation No. 36/2023 on Import Policy and Regulations. The regulation increased the control of imported goods, from post-border control to border control, allowing customs agents to put stricter controls over the traffic of imported goods. The regulation also increased the variety of goods on the list of prohibited and restricted imported goods. Following the enforcement of the regulation on March 10, 2024, the textile association expects that industry will improve utilization to 65 percent and absorb 100,000 workers by the second quarter of 2024. However, stricter import controls are also likely to hinder the production of synthetic fiber in the country. Approximately 90 percent of Mono Ethylene Glycol (MEG) supplies, the feedstock for synthetic fiber production, are still imported. Nonetheless, the reduction in synthetic fiber production will provide room for more cotton use.

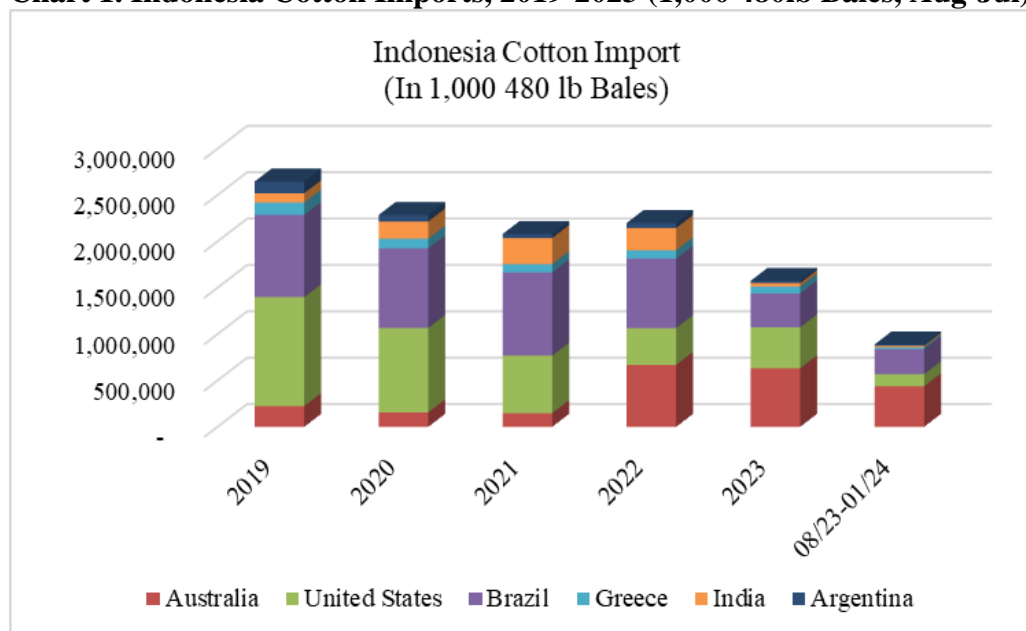
Therefore, considering the above-mentioned factors, 2023/24 cotton consumption is estimated to slightly increase by around 3 percent to 1.8 million bales compared to 1.75 million bales consumed in 2022/23. As the global economy is not predicted to recover fully in the near future, leading to slowing demand from both local and global industries, 2024/25 domestic consumption is forecast to only marginally increase by 6 percent to 1.8 million bales.

Trade

In line with increased consumption, 2023/24 cotton imports are expected to increase by 8.2 percent to 1.8 million bales compared to 1.7 million bales imported in 2022/23. Imports are forecast to further increase to 1.9 million bales as demand from the domestic market improves. During the period of August 2023 to January 2024, Australia remained the largest supplier of cotton to Indonesia with a total market share of 44.2 percent and a volume of 437,000 bales.

Brazil followed with 27.3 percent (270,000 bales) and the United States with 131.1 percent (130,000 bales).

Chart 1. Indonesia Cotton Imports, 2019-2023 (1,000 480lb Bales, Aug-Jul)



Source: Trade Data Monitor, March 2024.

Indonesia's cotton yarn exports during the period of January to December 2023 slightly declined by 0.4 percent to 90,051 MT from 90,458 MT during the same period in 2022. The People's Republic of China (PRC) received the majority of Indonesia's cotton yarn exports (48 percent), followed by Bangladesh (18 percent), Japan (11 percent), and South Korea (5 percent). Meanwhile, Indonesia's cotton fabric exports during the period of January to December 2023 declined due to slower demand from Japan, the United States, the PRC, and the Netherlands. Exports of cotton fabrics during the period of January to December reached a total of 7,441 MT, 15 percent lower than 8,786 MT exported during the same period of 2022. The main destinations for Indonesian cotton fabric exports in 2023 were Japan (53 percent), the United States (17 percent), the PRC (5 percent), and the Netherlands (3 percent).

Chart 2. Indonesia Yarn Imports, 2019-2023 (MT)



Source: Trade Data Monitor, March 2024

Stocks

Spinners continue to source raw materials hand-to-mouth. Cotton stocks in 2023/24 are estimated to decline slightly to 348,000 bales from 361,000 bales in 2022/23 due to lower beginning stocks and higher demand from the domestic market. For the same reason, 2024/25 ending stocks are forecast to further decline to 335,000 bales.

Policy

Textile manufacturers have been facing tighter competition in the domestic market from lower quality, cheaper imports. To reduce external competition for textile and textile products, the Indonesian Customs and Excise Agency is enforcing regulations restricting the import of competing goods, particularly MOT Regulation No. 3/2024 on the Amendment of MOT No. 36/2023 on Import Policies and Regulations which went into effect March 10, 2024. The regulation limits the number of certain items within the luggage of passengers arriving in Indonesia. There are five types of items which are limited in number: electronic devices, footwear, bags, textile items, and shoes. The limits on these items are as follows:

- Maximum 2 pairs of footwear per passenger.
- Maximum 2 bags per passenger.
- Maximum 5 units of electronic equipment with a total price of \$1,500 per passenger.
- Maximum 2 units of cell phones, computers, tablets, and/or headsets per passenger.
- Other finished textile goods, maximum 5 pieces per passenger.

The Ministry of Trade is re-reviewing the regulations following many complaints from the public whose belongings have been confiscated by officials at ports of entry due to the enforcement of Customs and Excise Agency.

On January 30, 2024, Ministry of Industry issued Regulation No. 5/2024 on the Issuance of Technical Considerations for Imports of Textiles, Textile Products, Bags, and Footwear. The regulation states that business actors can import textiles, textile products, bags and/or footwear as raw materials, supporting materials and/or consumer goods after obtaining import approval from the relevant ministry. Referring to MOT Regulation No. 36/2023 on Import Policies and Regulations, to obtain an import approval, business actors must obtain technical considerations from the Ministry of Trade. Ministry of Industry (MOI) Regulation No. 5/2024 classified business actors into three categories:

1. Companies holding an Import-Producer Identification Number (*API-P, Angka Pengenal Importir Produsen*) with a valid business registration number as importer-producer identification;
2. Companies holding General Import Identification Numbers (*API-U, Angka Pengenal Importir Umum*) with a valid business registration number as general importer identification; and,
3. Raw materials and/or auxiliary materials provider centers (*PPBB, Pusat Penyedia Bahan Baku*), which are business entities that provide raw materials and/or auxiliary materials to meet the needs of small and medium industries.



Figure 3. Cones of wound cotton yarn, West Java

API-Ps cannot import textile and/or textile products as raw materials or auxiliary materials once they have imported the textile and/or textile products through API-Us in the same calendar year. The regulations are expected to improve the competitiveness of locally produced textile and textile products in domestic markets.

Marketing

Cotton Council International (CCI) continues to be active in the Indonesian market. In September 2023, CCI organized an in person “Cotton Day 2023.” The event provided information that can help build a direct network between cotton suppliers and buyers. The Cotton Day featured seminars, U.S. cotton exhibitions, a networking forum, and a fashion show of U.S. cotton-rich garments by prominent mills, brands, and fashion designers in Indonesia. During the event mills learned how to achieve peak performance with U.S. cotton through COTTON USA SOLUTIONS®, five business-building programs that show how using U.S. cotton can boost a mill’s productivity, efficiency, and profitability. In addition to the Cotton Day, CCI also provided in-house technical training to mills that are using U.S. cotton as their feedstock for production. CCI maintains and expands its industry contacts by providing regular updates on U.S. cotton crop quality and technology as well as consumer trends in domestic and international markets to sustaining interest in U.S. cotton.

I. Statistical Tables

Table 2. Production, Supply, and Distribution: Cotton (HS Code 5201) in Bales

Cotton	2022/2023		2023/2024		2024/2025	
Market Year Begins	Aug 2022		Aug 2023		Aug 2024	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	1	1	1	1	0	1
Beginning Stocks 1000 480 lb. Bales	462	462	361	361	0	348
Production 1000 480 lb. Bales	2	2	2	2	0	2
Imports 1000 480 lb. Bales	1664	1664	2000	1800	0	1900
Total Supply 1000 480 lb. Bales	2128	2128	2363	2163	0	2250
Exports 1000 480 lb. Bales	17	17	15	15	0	15
Domestic Use 1000 480 lb. Bales	1750	1750	1900	1800	0	1900
Loss 1000 480 lb. Bales	0	0	0	0	0	0
Domestic Use and Loss 1000 480 lb. Bales	1750	1750	1900	1800	0	1900
Ending Stocks 1000 480 lb. Bales	361	361	448	348	0	335
Total Distribution 1000 480 lb. Bales	2128	2128	2363	2163	0	2250
Stock to Use % (PERCENT)	20.43	20.43	23.39	19.17	0	17.49
Yield (KG/HA)	435	435	435	435	0	435

(1000 HA) ,1000 480 lb. Bales ,(PERCENT) ,(KG/HA)

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

Table 3. Production, Supply, and Distribution: Cotton (HS Code 5201) in MT

Cotton	2020/2021		2021/2022		2022/2023		
Market Begin Year	Aug 2020		Aug 2021		Aug 2022		
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	1	1	1	1	-	1	(1000 HA)
Area Harvested	100,590	100,590	78,599	78,599	-	75,769	(1000 HA)
Beginning Stocks	435	435	435	435	-	435	MT
Production	362,297	362,297	435,453	391,908	-	413,680	MT
Imports	463,322	463,322	514,488	470,942	-	489,884	MT
MY Imports from U.S.	3,701	3,701	3,266	3,266	-	3,266	MT
Total Supply	381,021	381,021	413,680	391,908	-	413,680	MT
Exports	-	-	-	-	-	-	MT
Use	381,021	381,021	413,680	391,908	-	413,680	MT
Loss	78,599	78,599	97,541	75,769	-	72,938	MT
Total Dom. Cons.	463,322	463,322	514,488	470,942	-	489,884	MT
Ending Stocks	20.43	20.43	23.39	19.17	-	17.49	MT
Total Distribution	94,711	94,711	94,711	94,711	-	94,711	MT
Stock to Use %	2.5	2.5	2.8	2.3	-	2.1	(PERCENT)
Yield	101,025	101,025	79,035	79,035	-	76,204	(KG/HA)
TS=TD	384,723	384,723	416,946	395,173	-	416,946	

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

TRADE MATRIXES

Table 4. Cotton Export Trade Matric (MY 2022 - 2023)

Time Period	Aug-Jul	Units:	MT
Exports for:	2022/23		2023/24*
U.S.	0	U.S.	0
Others		Others	
Philippine	2066	Bangladesh	809
Bangladesh	1026	Philippine	496
Saudi Arabia	241	Thailand	96
Thailand	131	Japan	44
Cameroon	60		
India	51		
China	36		
Total for Others	3611		1445
Others not Listed	25		12
Grand Total	3636		1457

Source: Trade Data Monitor

Note: * Only for the period of Aug 2023 – Jan 2024

Table 5. Cotton Import Trade Matric (MY 2022 – 2023)

Time Period	Aug - Jul	Units:	1,000 MT
Imports for:	2022/23	Imports for:	2023/24*
U.S.	96	U.S.	28
Others		Others	
Australia	137	Australia	95
Brazil	79	Brazil	59
Greece	17	Turkey	9
India	8	Greece	4
Argentina	5	India	4
Mexico	4	Pakistan	4
Turkey	2	Paraguay	4
Mali	2	Pakistan	3
Benin	2	Argentina	3
Pakistan	1	Mexico	1
Total for Others	257	Total for Others	186
Others not Listed	9	Others not Listed	1
Grand Total	362	Grand Total	215

Source: Trade Data Monitor

Note: *Only for the period of Aug 2023 – Jan 2024

Table 6. Cotton Yarn Export Trade Matrix (CY 2022 – 2023)

Time Period	Jan-Dec	Units:	1,000 MT
Exports for:	2022		2023
U.S.	1		1
Others		Others	
China	27	China	43
Bangladesh	22	Bangladesh	16
Honduras	10	Japan	10
Japan	10	South Korea	4
South Korea	4	Thailand	2
Malaysia	3	Peru	1
Peru	3	Egypt	1
Thailand	1	South Africa	1
Morocco	1	Dominican Rep.	1
Dominican Rep.	1	The Philippines	1
The Philippines	1		
Total for Others	83	Total for Others	80
Others not Listed	6	Others not Listed	9
Grand Total	90	Grand Total	90

Source: Trade Data Monitor

Table 7. Cotton Yarn Import Trade Matrix (CY 2022 – 2023)

Time Period	Jan-Dec	Units:	1,000 MT
Exports for:	2022		2023
U.S.	0	U.S.	0
Others		Others	
Vietnam	6	Vietnam	7
China	6	China	6
India	3	India	3
Pakistan	1		
Thailand	1		
Total for Others	17	Total for Others	16
Others not Listed	1	Others not Listed	1
Grand Total	18	Grand Total	17

Source: Trade Data Monitor

Table 8. Cotton Fabric Export Trade Matrix (CY 2022 – 2023)

Units:	MT		
Time Period	Jan-Dec		
	2022		2023
U.S.	1341	U.S.	1280
Others		Others	
Japan	4650	Japan	3925
Malaysia	350	China	387
China	347	Netherland	230
United Kingdom	301	Singapore	151
Netherland	220	Malaysia	136
		Fiji	121
Total for Others	5868	Total for Others	4950
Others not Listed	1577	Others not Listed	1211
Grand Total	8786	Grand Total	7441

Source: Trade Data Monitor

Table 9. Cotton Fabric Import Trade Matrix (CY 2022 – 2023)

Units:	1,000 MT	Units:	
Time Period	Jan - Dec		
Exports for:	2022	Exports for:	2023
U.S.	0	U.S.	0
Others		Others	
China	44	China	39
India	3	Vietnam	4
Hong Kong	3	Hong Kong	3
Vietnam	3	Pakistan	3
Pakistan	3	India	2
South Korea	3	South Korea	1
Taiwan	1	Taiwan	1
Total for Others	60	Total for Others	53
Others not Listed	1	Others not Listed	2
Grand Total	61	Grand Total	55

Source: Trade Data Monitor

Table 10. Exchange Rate (IDR/USD)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	14,084	14,229	14,459	14,453	14,292	14,452	14,548	14,306	14,321	14,171	14,320	14,278
2022	14,392	14,369	14,306	14,480	14,592	14,848	14,990	14,853	15,232	15,596	15,668	15,619
2023	14,992	15,240	15,418	14,661	15,003	15,000	15,026	15,237	15,487	15,897	15,587	15,439
2024	15,803	15,630	15,624									

Source: Bank of Indonesia

Note: Exchange rate was 15,624/IDR/\$1 in March 2024

Attachments:

No Attachments