

CHAPTER I

INTRODUCTION

This chapter aims to initiate readers on the research topic of this study and what kind of content that they can expect to find as they read into the report further. This chapter is intended to provide the readers with the results of previous researches on similar and related topics to the research topic incorporated in this study while discussing facts and available examples relevant to Indonesia as the sampling country.

1.1 Background

Indonesia is one of the biggest non-oil and gas production in the world, it consists of agricultural, forest, fishery, mining, and industrial products. Rubber, palm coffee, cloves, tea, pepper, quinine, tobacco and chocolate are the agricultural products. In this paper, we will be talking about coffee. Coffee is a type of drink that pretty substantial among people around the world, not only for the pleasure of drinking coffee, but its reasonable price that affects coffee demand around the world. In the last 3 years, Indonesia is the 4th largest coffee production around the world after Brazil, Vietnam, and Colombia. Based on the Fairtrade Foundation, more than 125 million people worldwide depend on coffee. In fact, around 25 million small farms produce around 80% of world coffee production. In Indonesia, coffee has become a lifestyle for a lot of people, they usually go to coffee shop not only for buying coffee but also to socialize to other, for meeting, studying, and many more. The enthusiasm of coffee in the United States has been escalating lately, drinking coffee used to be a trend but nowadays most people in the United

States drink coffee as a habit. It is like some kind of ritual that most of them usually do after they wake up, some people have coffee right after waking up before breakfast, some of them have coffee as their breakfast.

The table below shows the top 20 biggest coffee production in the world, and Indonesia sits in the 4th position.

Table 1.1
HIGHEST COFFEE PRODUCTION

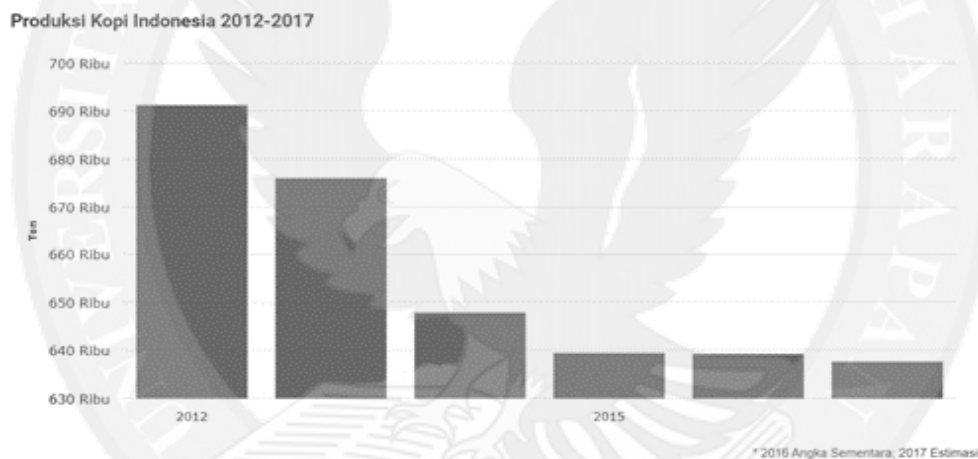
RANK	TERRITORY	VALUE	RANK	TERRITORY	VALUE
1	Brazil	38.0	11	Cote d'Ivoire	2.4
2	Vietnam	14.5	12	Uganda	2.4
3	Colombia	12.3	13	Costa Rica	1.8
4	Indonesia	7.4	14	El Salvador	1.4
5	Ethiopia	4.9	15	Nicaragua	1.3
6	India	4.7	16	Ecuador	1.1
7	Mexico	4.2	17	Papua New Guinea	1.1
8	Guatemala	3.8	18	Venezuela	0.9
9	Peru	3.4	19	Kenya	0.8
10	Honduras	2.9	20	Cameroon	0.8

Annual production in millions of 60-kg bags of green coffee beans

Source: <http://www.coffearea.org> (2014)

Coffee is essential in most of people's live, to some people coffee can be the substitute of mineral water, some thinks coffee as a energizer, and some thinks coffee as a mood changer. Coffee contains caffeine that helps people masks their sleep deprivation, it improved focus and alertness, According to Lucia Peters (2018 Bustle), coffee actually makes you like people more. Conducted by researchers at the University of California, Davis and published this spring in the Journal of Psychopharmacology. (Unnava, Singh, & Unnava, 2018)

Table 1.2



Source : Databoks id (2015)

Indonesian coffee production has decreased in the last four years, the production has reached its peak in 2012 in the amount of 691,163 tons. Most of coffee production in Indonesia is the Robusta type, which is come mostly from South Sumatera, Lampung Province. The amount of coffee production in Indonesia is very volatile due to the weather. Coffee production per hectare in Indonesia is still low compared to other country. In 2015, Indonesia produced 741-kilogram

robusta coffee beans and 808-kilogram arabica coffee beans per hectare, but in Vietnam they produced 1500 kilogram and Brazil reach 2000 kilogram per hectare.

On the table 1.3 its shown that Indonesian coffee export, from the green beans, instant coffee, coffee extract, till roasted coffee. In the table shows the volume and value of each category from 2007 until 2017.

Table 1.3

Ekspor Kopi Indonesia

2007-2017

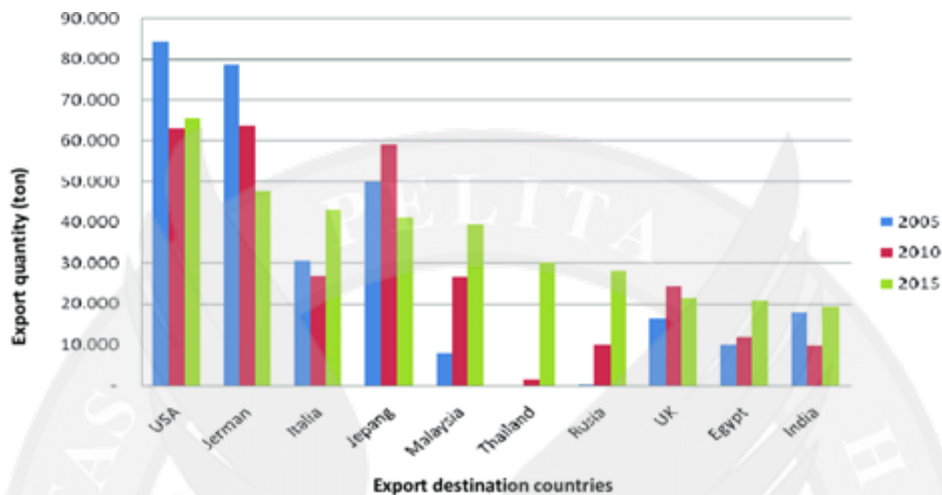
Tahun	Jenis								Total Value (000 US\$)
	Green Beans		Instant Coffee		Extract, Essence, Concentrate		Roasted Coffee		
	Volume (Ton)	Value (000US\$)	Volume (Ton)	Value (000US\$)	Volume (Ton)	Value (000 US\$)	Volume (Ton)	Value (000 US\$)	
2007	321,545	633,918	13,186	50,491	6,096	13,259	935	2,079	699,747
2008	468,018	989,399	7,829	49,098	15,618	40,915	727	2,055	1,081,467
2009	510,187	835,999	7,200	41,616	19,647	50,507	708	1,700	929,822
2010	432,780	812,531	7,384	40,812	43,870	126,445	812	4,210	983,998
2011	346,091	1,034,814	7,196	48,467	69,721	218,358	399	1,855	1,303,494
2012	447,064	1,244,146	71,685	274,598	14,941	42,695	1,526	5,366	1,566,805
2013	532,157	1,166,244	72,899	263,810	10,030	30,502	1,867	7,705	1,468,261
2014	382,775	1,030,807	92,094	308,727	1,427	5,155	1,867	8,512	1,353,201
2015	499,651	1,189,724	100,992	333,459	1,188	5,160	2,137	8,006	1,536,347
2016	412,529	1,001,068	136,197	402,540	669	4,103	2,109	7,380	1,415,091
2017	464,195	1,175,755	167,588	457,953	6,522	18,012	3,602	11,380	1,663,099

Source: BPS (2017)

The subtropical and tropical regions are good locations for coffee cultivation. Therefore, the countries that dominate world coffee production are in South America, Africa and Southeast Asia. As we can see from the table above, Indonesian coffee export has been fluctuant for the past 10 years. Since many aspects can influence the amount of Indonesia's coffee export, we want to research

this problem to know what causing this problem. Indonesia export their coffee to a lot of country such as US, Japan, Vietnam, and many more countries.

Table 1.4



Shift of major export destination countries of Indonesian coffee (Source: UN Comtrade, 2017)

As we can see from the chart above, Indonesia export the most to the United States of America (65.000 tons), followed by Germany (48.000 tons), Italy (45.000 tons), Japan (40.000 tons), Malaysia (39.000 tons), Thailand (30.000 tons), Russia (29.000 tons), United Kingdom (38.000 tons), Egypt (21.000 tons), India (19.000 tons). From 2010 to 2015 Indonesia coffee export to USA has increasing, but that situation not occur to German. The United States of America is the main destination country for Indonesia coffee export because, USA is a country with the highest coffee consumptions compared to Germany, Japan, Italy, and other countries. According to Elisha (2015) USA is a very potential market for Indonesia to develop coffee export.

Table 1.5

PDB Seri 2010 (Milyar Rupiah)

Harga konstan 2010

PDB Lapangan Usaha	2014	2015	2016	2017
A. Pertanian, Kehutanan, dan Perikanan	1129053	1171446	1210750	1256894
1. Pertanian, Peternakan, Perburuan dan Jasa				
Pertanian	880389.5	906805.5	936334.7	968338.2
a. Tanaman Pangan	268526	280018.8	287212.1	293149.1
b. Tanaman Hortikultura	124300.9	127110	130832.3	134820.8
c. Tanaman Perkebunan	338502.2	345164.9	357137.7	373054
d. Peternakan	132221.1	136936.4	142999.5	148473.1

Source: BPS (2015)

From this data, Indonesian GDP from plantation crops is increasing year by year. From Farming, Forestry, and Fishery give a big contribution to overall Indonesia GDP every year.

1.2 Problem Statement and Research

The problems in this study is that Indonesian coffee export occupies the 4th position, USA's GDP is also has been increasing in the last 25 years, Exchange rate has been fluctuate but overall the value of the exchange rate itself (USD/IDR) is increasing. Meanwhile, the coffee demand from the United States keeps on increasing, and the next problem that Indonesia have to face is the competitiveness

of the coffee price with other exporting countries, it weakens our coffee price in the international market. So that

1.3 Research Questions

Based on the background of the study above, the following research questions as follows:

1. Does Price have an impact towards Indonesian coffee export?
2. Does GDP have an impact towards Indonesian coffee export?
3. Does Exchange rate have an impact towards Indonesian coffee export?

1.4 Research Objective

1. To analyze the impact of price towards Indonesian coffee export.
2. To analyze the impact of GDP towards Indonesian coffee export.
3. To analyze the impact of Exchange rate towards Indonesian coffee export.

1.5 Limitation

Due to the breadth of the problem about Export, then researcher make a limitation in this research, because there are a limited fund, limited time, and limited sources. Because of these limitations, researcher only choose Exchange rate, GDP, and Population as independent variable, and Export as a dependent variable.

1.6 Research Contribution

1. Theoretical contribution

Theoretically, this research could increase understanding in variables used in the study. For students, this research could be helpful to support previous study.

2. Practical contribution

This research is expected to be an additional information for coffee exporters in Indonesia to further understand the impact of coffee price, exchange rate, and GDP towards Indonesian coffee export volume.

1.7 Chapter Outline

The outline of the research is designed as written below:

CHAPTER 1 INTRODUCTION

In this chapter, the author will discuss the background of the topic in the research, research problems, research objectives, research benefit, research limitation and research outline.

CHAPTER 2 LITERATURE REVIEW

In this chapter, theoretical background will be composed of the theories that support this research. The theory itself will be provided at the basis of understanding what the research is about.

CHAPTER 3 RESEARCH METHOD

In this chapter, the author will describe the conceptual and operational definition of research variable, data collection method, sampling design, reliability and validity of the research and data analysis.

CHAPTER 4 EMPIRICAL RESULT

In this chapter, author will discuss and analyse the finding and result of this research to find solution for the research problem.

CHAPTER 5 CONCLUSION

In this chapter, author will present the conclusion of the research, limitation, and implication of the finding in this research. A recommendation will also be provided for further research in the future.

