

CHAPTER I

INTRODUCTION

This chapter introduces the problem to be researched and solved, starting from the background, problem formulation, research objectives, scopes, and outline of the proposal. The details of each sub-chapter will be explained as follows.

1.1 Background of the Problem

Export is one of the international trade activities that bring great benefits to the country. Export refers to the activity of removing goods from the customs area (Customs Law No. 17 of 2006), entering the customs area of another country with certain rules regarding goods and their transportation system (Rizki, 2019), so that the implementation must be in accordance with the stipulated export procedures and documents (Briana, 2013). Exports are also the main source of the country's foreign exchange reserves which play an important role in the country's economic growth. This indicates that export activities play a major role in increasing the country's economic growth rate.

In various countries, including Indonesia, export activities play an important role in supporting the national economy and become the largest contributor to foreign exchange reserves. In 2020, Indonesia's export value reached 163,191.8 million USD with a volume of 579,678.2 thousand tons. This value decreased by 2.68% compared to 2019. The development of Indonesia's export value in the last ten years during 2011–2020 can be seen in **Figure 1.1**. Based on that figure, it can be seen that the long-term performance of Indonesia's export value in the last ten years has experienced a downward trend.



Figure 1.1 The Development of Indonesia’s Export Value, 2011–2020
(Source: Central Bureau of Statistics, processed in 2022)

In general, export commodities consist of oil and gas and non-oil and gas commodity. Over the past three decades, Indonesia’s export commodity has been dominated by non-oil and gas commodity. In 2020, non-oil and gas commodity accounted for 95% of Indonesia’s total export value. The development of non-oil and gas commodity’s contributions to the Indonesia’s total export value from year to year can be seen in **Figure 1.2**. In that figure, it can be seen that the contribution of non-oil and gas commodity to the Indonesia’s total export value has increased significantly since 1987, where in previous years, the largest contribution to the Indonesia’s total export value came from oil and gas commodity.

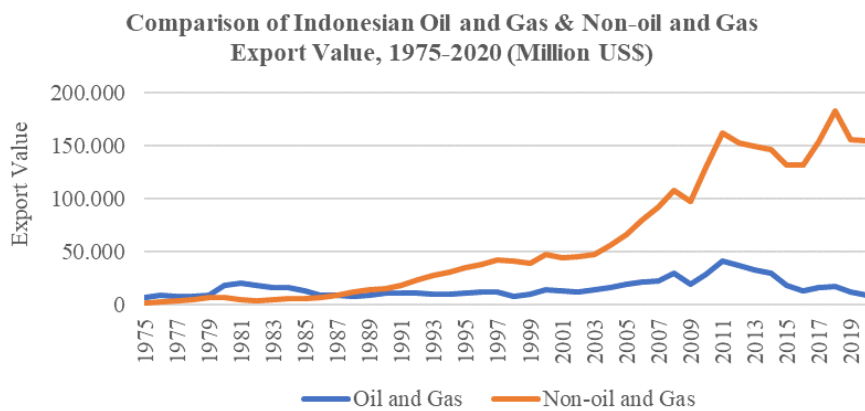


Figure 1.2 Indonesia’s Oil and Gas & Non-oil and Gas Export Value
(Source: Central Bureau of Statistics, processed in 2022)

Cocoa is one of the leading non-oil and gas export commodities from the estate crop sector which become the raw material for the final product of chocolate and its processed products. The role of cocoa export is crucial for the state economy, especially as provider of employment and foreign exchange reserves. According to Ariningsih et al (2019), it was estimated that there are more than 1.84 million families whose main income depends on cocoa commodities and 1 million families rely on their source of income from the downstream cocoa industry. This shows that the role of cocoa farmers for the national economy is significant, because Indonesia's cocoa land ownership is dominated by the Smallholders with a share of 98.8% of the total cocoa land area in Indonesia.

Cocoa is also one of Indonesia's leading estate crop export commodities with great potential and promising prospects. This is supported by the world's cocoa situation which has experienced a deficit in recent years. This is a condition where the level of demand is higher than the amount of supply or available stock. Based on **Table 1.1**, it can be seen that the world's cocoa bean production during the last two years (2018–2019) experienced a deficit. According to the National Leading Estate Crop Statistics (2020), Indonesia is the 3rd largest cocoa producing country after Ivory Coast and Ghana. As one of the largest cocoa beans producing countries in the world, this situation can be a potential for Indonesia to become the world's largest contributor by producing more domestic supplies of cocoa beans which are then exported to the world market to meet global consumer demand.

Table 1.1 World Cocoa Bean Surplus or Deficit Condition, 2011–2019 (Ton)

<i>Year</i>	<i>Supply / Production</i>	<i>Demand / Consumption</i>	<i>Surplus / Deficit</i>
2012/13	3.943.000	4.219.000	-276.000
2013/14	4.370.000	4.379.000	-9.000
2014/15	4.252.000	4.195.000	57.000
2015/16	3.994.000	4.167.000	-173.000
2016/17	4.768.000	4.442.000	326.000
2017/18	4.647.000	4.631.000	16.000
2018/19	4.794.000	4.832.000	-38.000
2019/20	4.735.000	4.754.000	-19.000

(Source: International Cocoa Organization, processed in 2022)

Regardless of the existing potential in the world market, the key lies in how well this potential is utilized so that it can generate the expected results. At the same time, the government has targeted that Indonesia can become the world's largest cocoa bean producing country in 2025 because it is estimated that Indonesia's total cocoa plantation area reaches 1.35 million hectare and is capable in producing 1.3 million tonnes/year of cocoa beans in that year. The success in utilizing the existing potential as well as efforts to realize the target that have been set depends on the performance of the domestic cocoa export industry itself, where exactly how well it performs has not yet been identified. The performance aspect is very important because it determines how future prospects can be achieved, as well as the factors that influence them because they can be important key for stakeholders in guiding decision making to formulate more effective and efficient improvement strategies. For that reason, it is necessary to know, identify, and conduct a more in-depth study of how the domestic cocoa export industry has worked so far, what influences it, and what its future prospects will be like, so that the existing potential utilization and efforts to realize the targets that have been set can be achieved properly and the results can be achieved as expected.

1.2 Problem Formulation

The description in the background of the problem above shows the current potential and expectation for the domestic cocoa export industry. The deepening of the condition of the domestic cocoa export industry requires further in-depth study that can assist in making better decision. The problem in this study is:

1. How has the performance of the domestic cocoa export industry been in the last few years?
2. What are the factors that affect the past performance of the domestic cocoa export industry?
3. What will the future prospect of the domestic cocoa export industry be like?
4. What will be the recommendations for improving the performance of the domestic cocoa export industry?

1.3 Research Objectives

Based on the problem formulation above, this study aims to analyze the condition of the domestic cocoa export industry which is focused on the following:

1. To analyze the past performance of the domestic cocoa export industry to obtain insight related to the past performance of the domestic cocoa export industry.
2. To analyze the factors that affect the past performance of the domestic cocoa export industry.
3. To analyze the prospect of the domestic cocoa export industry to obtain foresight related to future prospect of the domestic cocoa export industry.
4. To propose recommendations based on the analysis results of the domestic cocoa export industry that have been obtained previously.

1.4 Research Scopes

The scopes of conducting this research include:

1. The analysis of performance, factors, and prospects carried out focuses on the domestic cocoa export value only.
2. The analysis of performance, factors, and prospects is carried out referring to historical data ranging from 1969–2020.
3. Performance analysis is assessed from two aspects: the growth trend and the average distribution.

1.5 Outline of the Proposal

CHAPTER I INTRODUCTION

This chapter contains the introduction of the problem to be researched, starting from the background, problem formulation, research objectives and scopes, and outline of the proposal.

CHAPTER II	LITERATURE REVIEW	This chapter contains theories related to the topic of the problems discussed in the research.
CHAPTER III	RESEARCH METHODOLOGY	This chapter contains procedural explanations related to the stages that are passed during conducting research.
CHAPTER IV	DATA PROCESSING	This chapter contains the details of the data processing process based on the research objectives that have been set previously.
CHAPTER V	ANALYSIS AND DISCUSSIONS	This chapter contains an analysis of the results of data processing.
CHAPTER VI	CONCLUSIONS	This chapter contains the conclusions of the research results and suggestions for relevant stakeholders and future researchers.

