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Constant temperatures and humidity are ideal conditions for the tea plant to grow. Such conditions can be found in the tropical and subtropical climates in Asia where most of total global tea is cultivated. In particular, the cooler highlands will produce a good quality of tea leaves. This explains why the Puncak area in West Java is particularly known for its tea plantations.

The tea plant can be first harvested after it has reached the age of around four years. When harvesting, only young leaves are selected, implying that manual picking is more efficient than using mechanical equipment. Tea production is therefore a labor-intensive business.

There exist more than a thousand different tea varieties around the world (based on the degree of oxidation), with the most common ones being white, green, oolong and black. Oxidation, which occurs when tea leaves are crushed and muddled together, produces a bright and tangy taste and has a higher caffeine content. Meanwhile, teas that have low oxidation levels are believed to offer more health benefits.

Two countries that dominate the global tea production are China and India. Together, these two countries account for around 70 percent of the world's total tea production.

Table 1; World's Largest Tea Producers in 2022

1. China	3,181,039
2. India	1,365,230
3. Kenya	535,043
4. Sri Lanka	251,499
- Others	1,143,911

in metric tons

Source: Statista

Unfortunately, Indonesia is now out of the top five of biggest global tea producers. In 2019 it still ranked fifth, but by 2023 it has been overtaken by Iran, Turkey, and Vietnam.

TEA CULTIVATION IN INDONESIA

As noted above, Indonesia is well-suited for tea cultivation. It mainly produces black tea (with Java and Sumatra particularly known for their robust and flavourful black teas), albeit green and other specialty teas are also grown on these islands. Domestic tea production caters both to domestic and foreign (export) markets. And so, tea also plays a role in the Indonesian economy.

There are some dark clouds at the horizon, though, that jeopardize the future of tea plantations in Indonesia. And, it is certainly very interesting to take a closer look at this development.

Tea Plantation Size

In 2022, the total size of Indonesia’s tea plantations was recorded at 101,281 hectares (ha). It is important to note that this is quite small compared to total plantation sizes of other crops in Indonesia, such as cacao (1,410,900 ha in 2023) or coffee (1,268,900 ha in 2023), not to mention oil palm plantations (at 15.4 million ha in 2023).

Table 2; Total Tea Plantation Size in Indonesia:

	2002	2022
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Government Tea Estates	44,608	29,561
Private Tea Estates	39,810	21,407
Smallholders	66,289	50,313
Total	150,707	101,281

Source: 2022 Indonesian Tea Statistics Report, Badan Pusat Statistik (BPS)

What table 2 clearly shows is that the total tea plantation size of Indonesia has decreased considerably in the two-decade period between 2002 and 2022 (a 33 percent contraction). This is obviously a negative omen for tea production and tea exports.

Table 2 also shows that smallholders play a crucial role in tea plantations as they control 49.7 percent of total tea plantations. The remainder is controlled by the big state-owned enterprises and big private tea enterprises. Over the years, the role of smallholders has become increasingly important as the size of tea plantations that are operated by big enterprises (whether state-owned or privately-held) has been shrinking at a much quicker rate than that of the smallholders.



What is also interesting is that –based on the data from BPS– the only tea growing islands in Indonesia are Java and Sumatra. None of the other islands have tea plantations (or, at least, not officially).

The province that is most important for tea cultivation across Indonesia is West Java, as it is home to 72,308 hectares of tea plantation (which is about 71 percent of total tea plantations across Indonesia). On second place, and by a clear margin, is Central Java (with 8,880 hectares of tea plantations). And so, compared to Java, Sumatra actually also plays a relatively small role in national tea cultivation.

However BPS data show that since 2020 more than 10,000 hectares of tea plantation has been removed in West Java. Moreover, in North Sumatra the tea plantations have nearly halved since 2020. And so, this shift away from tea cultivation means that tea will play an increasingly smaller role in the local and national economies.

Tea Production in Indonesia

In line with the declining size of tea plantations in Indonesia, BPS also notes sharp declines in tea production over the past two decades. Whereas in 2002 Indonesia's tea production stood at 165,194 tons, it had fallen to 122,700 tons in 2023.

Table 3; Tea Production in Indonesia:

	2020	2021	2022	2023	2024	2025
Tea Production (in metric tons)	144,063	137,837	124,662	122,700	n/a	n/a
	2014	2015	2016	2017	2018	2019
Tea Production (in metric tons)	154,369	132,615	138,935	146,251	140,236	129,832
	2008	2009	2010	2011	2012	2013
Tea Production (in metric tons)	153,971	156,901	156,604	150,776	145,575	145,460

Source: 2022 Indonesian Tea Statistics Report, Badan Pusat Statistik (BPS)

Despite this overall decline, there's also one very interesting –and positive– development visible, namely that tea production among smallholders has grown over the years (by 11.4 percent between 2002 and 2022). This growing tea output happens when at the same time there has been a significant decline in smallholders' tea plantation size (which was cut by 24 percent between 2002 and 2022). And so, their productivity must have improved quite markedly over the past two decades (which is attributable to various government programs).

On average, tea productivity in Indonesia is about 1,800 kilograms per hectare, with productivity at government-run estates being highest (in line with deeper financial pockets of this producer category), while the smallholders have lowest productivity at around 950 kg/ha. But as mentioned above

productivity of smallholders has been rising in recent years. Unfortunately, compared to productivity in other countries, Indonesia scores poorly. In Iran, for example, tea productivity is highest at around 5,900 kg/ha.

If we take a look at the type of tea that is produced in Indonesia, it mainly involves black tea, followed by green tea.

The provinces that produce most of Indonesia's tea output are:

1. West Java (accounts for around 70 percent of national tea production)
2. Central Java
3. North Sumatra



Indonesia's Tea Export and Import

Although it is certainly not Indonesia's most lucrative export item, Indonesia collects around USD \$90.0 million in tea exports, every year. However, this is just half of what it collected in 2010 (USD \$178.5 million) from its tea shipments. And so, it certainly feels like there are missed opportunities here. On the other hand, there also remains potential due to the combination of Indonesia's good tea-growing conditions and the ever rising global tea price.

Indonesian tea that is exported primarily originates from the country's large plantations, both state-owned and private (this is usually high-grade or premium tea), while the majority of smallholders are more oriented towards the domestic market (having a lower quality of tea and thus cheaper selling price).

Table 4; Tea Export Indonesia:

	2018	2019	2020	2021	2022
Export Volume (in metric tons)	49,038	42,811	45,265	42,654	44,979
Export Value (in 1,000 USD)	108,451	92,347	96,323	89,158	89,990

Source: 2022 Indonesian Tea Statistics Report, Badan Pusat Statistik (BPS)

Most important tea export items are black tea and green tea. However, the BPS data show that exports of green tea have been contracting in recent years, both in terms of volume and value. Exports of black tea, on the other hand, have been growing over the years (both in value and volume).

Key export markets for Indonesian tea are Malaysia and Russia. Together, these two countries absorb nearly 35 percent of total Indonesian tea export volumes.

When we zoom in on tea imports into Indonesia, we should expect to see an increase in imports amid the decline in domestic tea production. And, indeed, this is what we see in the BPS data. Whereas in 2002 Indonesia only imported 3,526 tons of tea (for a total value of USD \$3.65 million), imports have risen to 10,883 tons (USD \$29.76 million) in 2022 (although in more recent years tea import volumes have somewhat fallen, which might be related to the COVID-19 crisis).

Table 5; Tea Import into Indonesia:

	2018	2019	2020	2021	2022
Import Volume (in metric tons)	14,922	16,326	14,909	10,609	10,833
Import Value (in 1,000 USD)	29,430	36,037	25,857	23,019	29,761

Source: 2022 Indonesian Tea Statistics Report, Badan Pusat Statistik (BPS)

Top suppliers for Indonesia are Vietnam and Kenya, which together account for nearly 80 percent of total tea imports into Indonesia. Most – around 70 percent – of tea imports involves black tea, followed by green tea (at around 30 percent of total tea imports).

Tea Consumption in Indonesia

Although Indonesians are not the world's greatest tea drinkers, we do see an interesting trend. Since the late 2000s we see a clear rising trend in terms of tea consumption across Indonesia. In 2008, Indonesia's per capita tea consumption stood at around 0.23 kilogram (per person, per year). However, by 2022 it had risen to around 0.38 kilogram. It are particularly the ready-to-drink (ice) teas that have become very popular in Indonesia, hence pushing up per capita tea consumption in Indonesia.

There certainly is room for further growth of tea consumption in Indonesia. For comparison, in Malaysia the per capita tea consumption rate stands at 0.84 kilograms (per person, per year), while Turkey remains the leading nation with a per capita tea consumption rate of 3.20 kilogram.

Concluding Remarks

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Based on the trend we have been seeing over the past two decades, there is ample room for concern over the future of tea in Indonesia. Plantation size is contracting drastically (and structurally), while growth of productivity cannot keep up with that decline in plantation size, hence overall tea production is declining too. If the current trend continues, then Indonesia won't have tea plantations left by the mid-2060s.

As a consequence, Indonesia misses out on additional export earnings, while it also needs to import a growing amount of tea as domestic demand for tea (such as ready-to-drink tea beverages) is expected to rise in the coming decades.

[Updated on 12 October 2024]

For a more in-depth analysis of Indonesia's (upstream) tea industry we refer readers to our latest Tea in Indonesia report. It is an electronic report (PDF, 23 pages) priced at Rp 50,000 (or equivalent in foreign currency). Contact us at info@indonesia-investments.com (<mailto:info@indonesia-investments.com>) to order this report.