Indonesian Economy–The Agriculture: kopi luwak

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The increasing demand of kopi luwak began in 2003 when The Oprah Show featured it as “The Most Expensive Coffee in the World” and the movie “The Bucket List” made a bunch of reference to kopi luwak in 2007. The booming demand encouraged local farmers to establish The Association of Indonesian Coffee Luwak Farmers in 2009, with most of them being small businesses that have international market access (Pratono & Radjamin, 2012). Despite the huge demand, kopi luwak only contributed around 0.0000437% (20-30 ton per annum) of the total Indonesian coffee production in 2018 (686,344 ton per annum–projection number) (PUSAT DATA DAN SISTEM INFORMASI PERTANIAN SEKRETARIAT JENDERAL KEMENTERIAN PERTANIAN, 2016) (GAEKI, 2018).

The Coffee Surplus Projection in Indonesia, 2016-2020

Year	Projection (Tons)		Surplus (Tons)
	Production	Consumption	
2016*)	667,655	302,176	365,479
2017**)	672,283	304,231	368,052
2018**)	696,344	306,183	380,161
2019**)	689,504	307,915	381,589
2020**)	692,906	309,771	383,136
Average			375,683

Legend: *) Estimation

***) Projection Of Pusdatin

World's Coffee Specialty

A. Arabica (High Level World's Coffee Specialty)		
1. Aceh	Gayo Coffee	30,000-40,000 tons
2. North Sumatera	Mandheling Coffee	10,000-15,000 tons
3. North Sumatera	Linthong Coffee	5,000-10,000 tons
4. Bengkulu	Mangkuraja Coffee	1,000-1,500 tons
5. West Java	Java Preanger	500-1,500 tons
6. East Java	Java Coffee	3,000-5,000 tons
7. South Sulawesi	Toraja Coffee	5,000-10,000 tons
8. South Sulawesi	Toarco Toraja Estate Coffee	500-1,000 tons
9. South Sulawesi	Kalosi Coffee	5,000-10,000 tons
10. Bali	Bali Kintamani Coffee	2,000-3,000 tons
11. Bali	God Mountain Coffee	500-1,000 tons
12. NTT	Flores Bajawa Coffee	2,000-3,000 tons
13. Papua	Baliem Valley Coffee	500-1,000 tons
14. Sumatera, Java, Bali, etc	Kopi Luwak	20-30 tons
B. Robusta Specialty (On Progress / Promotion)		
1. East Java	Java Robusta WIB	10,000-15,000 tons
2. Bali	Bali Robusta WIB	500-1,500 tons
3. Lampung	Linthong Coffee	100,000-150,000 tons
4. NTT	Flores Robusta AP	10,000-20,000 tons

The low production capacity of kopi luwak indicates that kopi luwak represents a niche product (Pratono & Radjain, 2012), which is basically a concept of “Big fish in small pond” (Choudhary, 2014). Niche product focuses on a specialized consumer segment and limited market with few customers and competitors (Parrish, 2010) (Toften & Hammervoll, 2009). For emerging economies, niche marketing is more suitable (Kotler, et al., 2009) and firms with niche products or services tend to be more aware of their customers (Luz, 2010) which enhances the competitive aspect of small firms.

While being a niche product has its advantage, kopi luwak also relies on resource-based as a strategy. This strategy is a major theory in strategic management that emphasizes the resources of firm as the determinants of competitive advantage and performance (Bridoux, 2004) thus represents the Schumpeterian view of entrepreneurship that outlines how to seize opportunities within the potential utilization of resources or market imperfections (Hjorth & Søren, 2011). A resource-based firm can gain a competitive advantage of its unique, valuable, non-substitutable to get more customer value (Liang, You, & Liu, 2010) (Gerald, Janet, Kotabe, & Lu, 2010). However, a common issue of resource-based taxonomy arises in these small to medium enterprises (Andersén, 2012). In the local market, the marketing of kopi luwak involves PT Rolas Nusantara

Mandiri as an alliance strategy between PTPN XII and PTPN VIII. The establishment of several Rolaas cafes in Java and Bali contributed a significant sales growth of \$10,000 with the café located in Tunjungan being the highest contributor (Pratono & Radjamin, 2012).

To complement niche marketing, PR strategy was implemented. PR itself is often associated with information flow management. Since advertising is quite ineffective due to an overwhelming number of advertisement, society finds PR strategy to be more relevant (Szondi, 2010). A negative perception from the media, however, becomes challenge PR practitioners have to deal with. Improving the relations with media is a must as media hostility is often hypocritical (Graeme, 2010). For PR practitioners in the future, organizational strategic position and communication competence will be a critical issue they need to address (Gregory, 2011).

Producing and marketing kopi luwak may be a good opportunity to penetrate global market; however, the production of kopi luwak itself reaped many controversy as People for the Ethical Treatment of Animals (PETA) published their investigation in 2013 and claimed that the making-process of kopi luwak reeks animal cruelty (Natahadibrata, 2013). BBC also made the same report after they did an undercover visit to some civet farms in northern part of Sumatra (Peresthu, 2013) which later triggered condemnation from wildlife activists over the cruel practice of kopi luwak production.

From this finding, PETA, that popularizes the motto “animals are not ours to eat, wear, experiment on, or use for entertainment” forced the Indonesian government to take an action over the mislabelling of ‘wild’ kopi luwak (Peresthu, 2013), which the government complied with the new law (PERATURAN MENTERI PERTANIAN REPUBLIK INDONESIA NOMOR 37/Permentan/KB.120/6/2015) regarding the production of kopi luwak that is cruel-free and focuses on the animal welfare.

The claim made by PETA, however, contradicted common sense as basically food like eggs, meats, fish, dairy products, and others are produced through animal cruelty (Peresthu, 2013). The accusation also pressured the producers, distributors, and expoters of kopi luwak in Indonesia as it made the international demand of kopi luwak kept declining. The demand in Europe and the U.S. was drastically decreased while the demand in Asian countries such as China, Japan, and Korea was still stable (Sucahyo, 2016).

Still, the government and farmers work together to resolve the issue and try to make a better production system that is done under the name of conservation (Pratono & Radjamin, 2012).

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