



Analysis of Opportunities and Threats for Trade in Tea Plantation Products: A Case Study of Indonesia's Trade with Malaysia

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ABSTRACT

This research aims to analyze opportunities and threats in Indonesian tea plantation product trade, with a focus on trade relations between Indonesia and Malaysia, which is one of the main export markets. The background of this research is based on the declining trend of tea land area and production volume in Indonesia, which may impact global competitiveness. This research uses a comparative qualitative approach supported by literature analysis from official sources such as the Central Statistics Agency (BPS). Export structure, production volume, and product diversification are analyzed to assess Indonesia's competitive advantage in tea. The research results show that despite significant challenges, including declining production and land limitations, there are great opportunities to increase tea exports to Malaysia and other international markets. Technological innovation and strengthening marketing strategies are key to maintaining and improving competitiveness. The implications of this research emphasize the importance of synergy among stakeholders in supporting the sustainability of Indonesia's tea industry.

Keywords: Agricultural Commodities, Bilateral Trade Relations, Competitive Advantage, ASEAN Export Market

1. INTRODUCTION

International trade is a buying and selling activity that occurs between various countries, encompassing activities such as sending and receiving goods. Sending goods abroad, called exports, is the process of selling products to other countries, generally done to increase foreign exchange earnings and establish good relations with other countries. Trade transactions between countries occur because there are differences in capacity and resources owned by each country (Darmawan & Sari, 2024). Therefore, to meet needs and achieve profit and economic efficiency, countries engage in international trade.

Export activities in Indonesia are divided into two categories: 1) oil and gas; and 2) non-oil and gas. The non-oil and gas category is further divided into three: industry, mining, and agriculture. One part of the agricultural sector that has great potential is the plantation sector. One of the plantation products in Indonesia is tea. Tea commodities have a very important contribution to Indonesia's economy, especially in terms of creating job opportunities, providing income, and increasing foreign exchange reserves. The majority of tea products in Indonesia are sold abroad with only a small portion sold in the domestic market. Therefore, tea becomes one of the main products exported by Indonesia. Tea has been sold for various purposes, such as beauty products, herbal medicine mixtures, and others. Thus, demand for tea exports also increases along with consumer needs in other countries. This will eventually increase Indonesia's GDP due to high demand for tea production.

Despite having great potential, Indonesian tea exports face various challenges, ranging from production fluctuations, dependence on certain markets, to product competitiveness in international markets. According to (Tupamahu & Kamisi, 2022), Indonesian tea export trends during 2000–2020 showed a decline, and projections until 2025 show a tendency for export volume to decrease by 12.3%. Meanwhile, Elpawati & Utama (2021) found that although Indonesia has comparative advantages in black tea exports, the country has not been able to demonstrate its competitive advantage in major markets such as Malaysia, Russia, and the United

States. Additionally, Putri et al. (2021) stated that tea production factors, rupiah exchange rates, and Malaysia's GDP have significant influence on Indonesian tea exports to Malaysia. Simbolon et al. (2022) also showed weak intra-industry tea trade integration between Indonesia and Asian countries such as Malaysia and Vietnam, indicating the need for strategies to strengthen trade relations.

The main problem raised in this research is the declining trend of Indonesian tea exports and Indonesia's weak competitive position in tea trade with Malaysia, which is actually one of Indonesia's main trading partners. Malaysia has been Indonesia's largest tea export destination since 2018 (Ali, 2023). This low competitiveness is suspected to be caused by various factors such as declining production, land limitations, and suboptimal marketing strategies. Therefore, the purpose of this research is to analyze opportunities and threats in Indonesian tea trade, particularly in the context of trade relations with Malaysia, considering export structure, production volume, and market conditions. This research also aims to provide strategic input to strengthen Indonesia's tea competitiveness in regional and global markets.

2. RESEARCH METHODS

This research uses a comparative qualitative approach to analyze opportunities and threats in Indonesian tea trade, particularly in the context of exports to Malaysia. The research design is descriptive-analytical with a focus on deep understanding of tea trade dynamics between countries. The data used is secondary data obtained from official sources, such as the Central Statistics Agency (BPS), Ministry of Agriculture reports, and other international trade publications. The collected data includes export volume, export value, tea plantation area, and Indonesian tea production during the period 2019 to 2023. Analysis techniques were conducted by qualitatively interpreting trends and patterns from quantitative data to describe Indonesia's competitive position and identify strategic opportunities and potential threats in the Malaysian market. Analysis results were then used as the basis for formulating policy recommendations and marketing strategies.

3. RESULTS AND DISCUSSION

3.1. Indonesia-Malaysia Trade

Tea exports from Indonesia to Malaysia play a significant role in global business between the two countries. Indonesia is one of the countries that produces tea in large quantities, producing various types of tea, such as black tea, green tea, and herbal tea. Meanwhile, Malaysia is an important market for tea with high demand from local buyers and also serves as a major market for distribution to neighboring countries in Southeast Asia. Supportive trade policies, quality of tea produced, and strong business relationships between tea industries in both countries have helped increase tea exports from Indonesia to Malaysia. Free trade agreements between Indonesia and Malaysia have also made shipping goods like tea easier between them.

Tea exports from Indonesia to Malaysia have social and cultural impacts in addition to economic aspects. The entry of Indonesian tea into the Malaysian market expands available choices for consumers and enriches Malaysian tea traditions with various flavor and aroma nuances. Thus, Indonesian tea shipments to Malaysia are more than just commercial activities but also reflect strong agricultural partnerships between the two countries, simultaneously promoting economic growth and cultural interaction.

Table 1. Tea Export Volume and Value by Destination Country, 2023

No	Country of Destination	Volume (ton)	Value (000 US \$)	Volume Percentage (%)
1	Malaysia	9.299	13.955	25,85
2	Russia Federation	4.538	6.740	12,62
3	United States	2.402	3.987	6,68
4	Germany, FED, REP	2.308	3.089	6,42
5	China	2.185	3.342	6,07
6	Others	15.239	37.903	42,36
	Totals	35.971	69.015	

Source: Directorate of Food Crops Horticulture and Estate Crops Statistics (2024)

Tea production in Indonesia is generally exported to other countries, while only a small amount is marketed domestically. These products have reached all continents: Asia, Africa, Australia, America, and Europe. In 2023, the top 5 countries importing tea from Indonesia were Malaysia with export volumes reaching 9,299 tons, equivalent to 25.85 percent of total Indonesian tea exports. Export value to Malaysia was 13.9 million US dollars. In second position was Russia with total exports of 4,538 tons, contributing 12.6 percent and exports worth 6.7 million US dollars. Next, third position was the United States contributing 6.7 percent with export volume of 2,402 tons and export value of 3.99 million US dollars. In 4th and 5th positions were Germany and China. Exports to Germany in 2023 reached 2,308 tons or approximately 6.4 percent with export value of 3.1 million US dollars. For China, the amount was 2,185 tons or 6.1 percent with export value of 3.3 million US dollars.

3.2. Trade Opportunities

The Ministry of Agriculture reported that Indonesian tea exports to Malaysia amounted to 7.46 million kg with a value of 11.7 million US dollars. From this data, we can see that export opportunities from Indonesia to Malaysia are quite promising, providing ease for us to enter the export market in Malaysia. Indonesia is an important supplier for Malaysia due to the abundance of tea products in Indonesia and the well-established cooperative relationship between the two countries. Indonesia has become the largest tea shipper to Malaysia with increasing quantities and export results reaching hundreds of millions of ringgit annually.

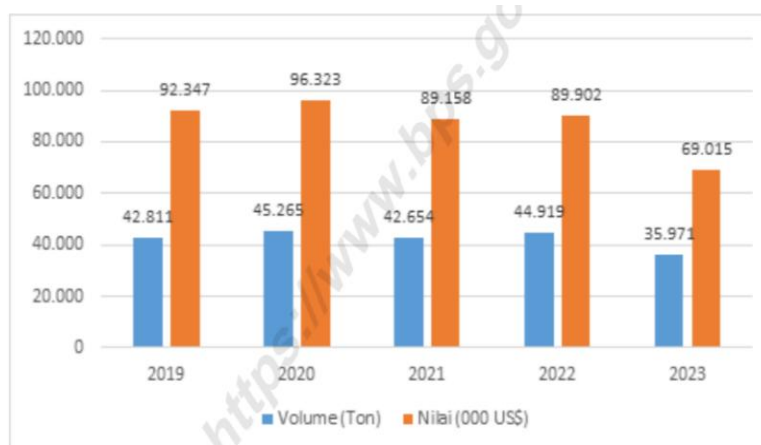


Figure 1. Growth in Tea Export Volume and Value, 2019–2023

Source: Directorate of Food Crops Horticulture and Estate Crops Statistics (2024)

As can be seen in Figure 1, conditions in 2019 showed export volume of 42,811 tons with a value equivalent to US\$92.3 million. In 2020, export volume increased by about 5.73% to 45,265 tons with a value equivalent to US\$96.3 million. While in 2021, there was a decrease in export volume to 42,654 tons or down 5.77% with a value of around US\$89.2 million. In 2022, there was an increase in export volume to 44,919 tons or up 5.31% with a value of around US\$89.9 million. The latest condition in 2023 showed a quite significant decrease in export volume to 35,971 tons or down 19.92% with a value of around US\$69.0 million.

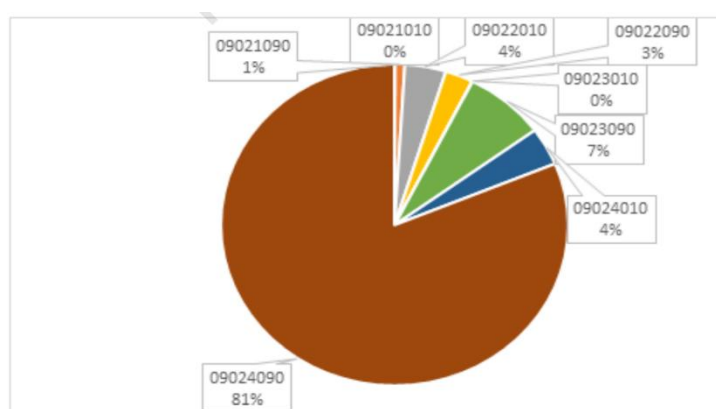


Figure 2. Comparison of Tea Export Volume by Type, 2023

Source: Directorate of Food Crops Horticulture and Estate Crops Statistics (2024)

Among the many types of tea exported from Indonesia, there are two categories that are most exported: Black Tea (Fermented), in packaging over 3 kg, Types Other than Leaves (HS 09024090) with total volume in 2023 reaching 29,279 tons, covering about 81.22% of total tea exports. Next, there is also Black Tea (fermented) and semi-fermented tea, other than leaves, in packaging of 3 kg or less (HS 09023090) with export volume of about 2,716 tons, or 7.55%.

The amount of production and size of tea plantation areas in Indonesia have the potential to increase tea export volumes from Indonesia. Without tea land, tea plantations would not exist. Therefore, plantation areas are very important for increasing export volumes. High demand and increasing use of tea products create opportunities for Indonesia to export to Malaysia.

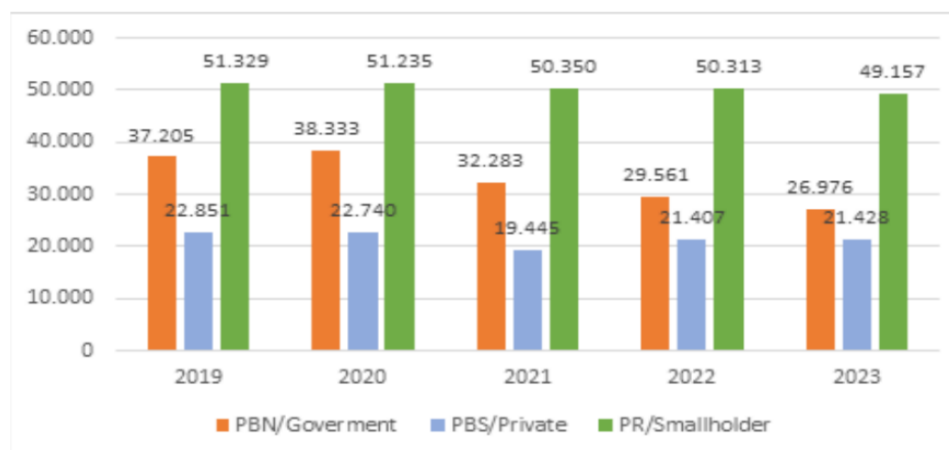


Figure 3. Growth of Tea Plantation Area by Management Status (ha), 2019–2023

Source: Directorate of Food Crops Horticulture and Estate Crops Statistics (2024)

Tea plantations in Indonesia are grouped based on management type into two categories: Large Plantations (PB) and Smallholder Plantations (PR). Large Plantations consist of two types: State Large Plantations (PBN) and Private Large Plantations (PBS). In 2020, the total area of Indonesian Tea PBN was about 38,333 hectares, declining to 32,283 hectares in 2021 or a decrease of 15.78 percent. In 2022, it decreased by 8.43 percent from 2021 to 29,561 hectares, and in 2023 it declined again to 26,976 hectares or down 8.74 percent from 2022. Meanwhile, the total area of Indonesian Tea PBS in 2020 was about 22,740 hectares, declining to 19,445 hectares in 2021 or experiencing a decrease of about 14.49 percent. In 2022, it increased by about 10.09 percent compared to 2021 to 21,407 hectares, and in 2023 it increased to 21,428 hectares or up 0.09 percent from 2022.

PR (Smallholder Plantation) Tea data in Indonesia was taken from the Directorate General of Plantations, Ministry of Agriculture. In 2020, the total land area managed by PR reached 51,235 hectares, declining by about 1.73 percent to 50,350 hectares in 2021, and to 50,313 hectares in 2022 or down about 0.07 percent. In 2023, it declined again to 49,157 hectares or down 2.29 percent from 2022.

3.3. Trade Threats

In the Indonesian Tea Statistics 2023 report published by the Central Statistics Agency (BPS), it was found that tea production decreased from 165,000 tons in 2002 to 122,700 tons in 2023. Most tea production is controlled by West Java, contributing 67%. Additionally, Central Java, North Sumatra, and several other regions, including Bengkulu and West Sumatra, also contribute, with total plantation area of about 85,000 hectares, which represents the largest portion of the national tea plantation total area in 2023, reaching 110,000 hectares.

This low output indicates the urgent need for technological innovation in plantation management and production procedures to improve efficiency. Meanwhile, domestic tea demand shows an increasing pattern. Through technological development, effective marketing strategies, and sustainable land management, Indonesia's tea sector has opportunities to recover in both domestic and international markets.

To address this issue, increasing production areas should be a primary concern. One step that can be taken is renovating existing old tea plantations. With cooperation between government and business,

replanting programs can be implemented by providing quality seeds, fertilizers, and training to farmers to increase yields.

Current global trends show increasing demand for high-quality, nutritious, and environmentally friendly tea. Therefore, developing new types of tea such as green tea, herbal tea, and organic tea with attractive packaging can be an effective strategy to attract global market attention. Additionally, utilizing digital platforms such as social media and e-commerce has become a very effective method to reach young consumers. Digital promotion highlighting the uniqueness of Indonesian tea traditions can generate emotional appeal for consumers worldwide.

4. CONCLUSIONS

Tea trade between Indonesia and Malaysia plays a crucial role in strengthening economic and cultural ties between the two countries, with Malaysia functioning as the largest market for Indonesian tea exports. Indonesian tea export figures and values to Malaysia show favorable trends, despite variations in recent years, influenced by production elements and global market conditions. The decline in domestic tea production necessitates the implementation of technological innovation in plantation management and manufacturing processes, alongside the implementation of plantation area rehabilitation programs to increase yields. High international demand for quality and sustainable tea creates opportunities for Indonesia to expand green, herbal, and organic tea products with attractive packaging and utilize digital channels for promotion.

The implications of these findings indicate that Indonesia not only needs to maintain existing markets like Malaysia but also strengthen global competitiveness through product diversification and modern marketing strategies. This research contributes to international trade literature and agricultural product exports by highlighting the importance of synergy between production quality, policy, and promotional strategies. Practically, these results can serve as reference for policymakers and tea industry players in designing more adaptive support policies for global market challenges and opportunities.

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