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Dairy and Products

Annual

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Report Highlights:

As the Indonesian economy continues toward recovery, the outlook for the dairy sector is for continued growth in both production and consumption. However, relative to other countries, Indonesia’s dairy market will remain small. CY00 fluid milk production is estimated to be up 16 percent from CY99 and the forecast for CY01 is for a further increase to 550,000 mt. Domestic production covers only 40 percent of total domestic dairy consumption and with consumption increasing to as much as 1.26 million liters in CY01 imports of NFDM and FFDM should increase to 100,000 mt and 8,000 mt, respectively. The ability of U.S. suppliers to take advantage of this growth will depend on their ability to provide competitively priced products.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Section I. Situation and Outlook

Production

After growing slowly in 1998 and 1999, the Indonesian dairy industry is picking up and approaching its pre crisis level as the Indonesian economy begins to recover from the economic crisis. Milk production for CY00 is estimated to reach at 498,000 mt of fluid milk (FM), up about 16 percent from the previous years 436,000 MT. Average milk production is estimated at 1,000 - 1,100 MT/day. Given this current trend, milk production is expected to show higher growth in the near future. Post forecasts CY01 production to increase to 550,000 mt. The increasing domestic milk output is traceable to an increase in the number of cattle being milked. The milking herd size has grown to 350,000 head in CY00, or 5 percent more compared to CY99 or 332,000 head. Although most dairy farms still have herds of 2 - 3 head per farmer, and remain as family-unit based production, there are indications of slight improvements in their productivity. Milk processors continue to increase cooperation with private small holder farmers by supplying them with equipment and other inputs. Additionally, their production technology has slowly improved, including the application of milk quality and sanitary standards.

However at the national level, total domestic dairy production has not been sufficient to satisfy Indonesia's fresh milk needs. Domestic production accounts for only 40 percent of total domestic dairy product consumption. On average in a traditional farming system, one cow produces 10 – 12 liters/day while in a modern dairy farming system, one cow could produce up to 20 liters/day. The high cost of feed, unfavorable weather, and low quality genetics, are major factors which limit dairy industry development and milk production.

Consumption

Consumer

Milk and dairy product consumption by the average Indonesian has been rising, but still remains the lowest in the South East Asian region. National per capita milk and milk product consumption of the in CY00 is approximately 5 liters/year or 1.05 million liters for the total national population. Consumption of milk and dairy products in urban centers, is estimated to be higher than in rural areas, mainly due to the comparatively higher urban incomes. [Per capita consumption in Jakarta is about 10 liters/year]. According to the Bureau of Statistics, the entire dairy market in Indonesia is estimated to account for less than 5 percent of total consumer expenditures. There remains among many consumers, the perception that milk is a luxury product. Most domestically produced dairy products are consumed in rural areas, while the trend in big cities is toward imported products and more added value products such as cheese, ice cream, yoghurt, and butter.

Per capita milk consumption is forecast to increase in CY01 to 6 liters/capita/year, due to improvements in purchasing power and an increasingly diversified and competitively priced dairy product supply.

Production

Locally produced milk is mostly consumed as powdered milk (full cream, nonfat dry milk or skim milk and infant formula), followed by sweetened condensed milk, ready to drink milk (fresh milk, ultra-high temperature, pasteurized and

homogenized) and other dairy products (ice cream, yogurt, butter, cheese and dairy deserts). Of these products, sweet condensed milk has shown the most significant growth among other dairy products, which is 80 percent.

Local processors do not produce NFDM. Total NFDM consumption went up as a consequence of the higher demand from the dairy manufacturing sector. The milk products are produced by blending fresh milk with imported NFDM (to bring the fat content down to a standard level), whey and other ingredients. Nonfat dry milk is used mainly in the manufacture of ready-to-drink milks and is also sold in retail packs. Full fat or whole milk powders, on the other hand are mainly utilized for infant formulas.

There is no precise number for cheese production. However, there is an increasing trend in cheese consumption over the past years and it has already reached the pre crisis level. The local cheese market is dominated by one manufacturer. Besides cheese, yogurt is also showing potential in Indonesia. Imports of yoghurt for the first five months of CY00 reached 41 MT, 70 percent more greater than during the same period in CY99 when total imports reached 57 MT.

Price

Milk prices have remained relatively stable for CY00. This price stability resulted from a relatively balanced supply and demand situation coupled with a relatively stable exchange rate. The average price received by farmers from the cooperatives in CY00 was Rp 1,200 per liter, slightly higher than the previous year. The average price received by the cooperatives from milk processor was Rp 1,350 per liter. This price was still below the imported milk price of Rp 2,200 - Rp 2,300 / kg (US\$ 1 = Rp 8,000), even when the world milk prices were down to Rp 1,800/kg. Therefore, processors remain dependent on local dairy production. Price penalties for low quality milk, as tends to be the case with milk, which is produced on the small traditional farms.

Stocks

Stocks of dairy products are basically a function of price. According to Post's industry sources, stocks for this year are higher than usual. Processors took advantage of low world market prices and built up their stock levels. Post estimates that stocks could reach up to 5 or 6 months of utilization or 14 MT.

Trade

During CY99, total dairy product imports including NFDM, FFDM and other dairy processed (yoghurt, cheese, butter, and ice cream) was about US\$ 91.8 million. Total dairy product imports from the U.S. were US\$ 8.9 million. More than 60 percent of the country's milk requirements for NFDM and FFDM in CY99 were imported mainly from Australia and New Zealand. NFDM dominated dairy imports in CY99, with about 90 percent of the total amount of imported dairy products while FFDM was only 4 percent.

Imports of dry milk powder from the U.S. for CY99 increased markedly as the result of some 6,500 MT of humanitarian aid was shipped under the 416 (b) program. For CY00, the U.S. plans to donate 10,000 MT for the school milk program. Besides improving the health of children, this program is an important market development tool for the U.S. dairy industry as it paves the way for future commercial sales to Indonesian customers.

Policy

Domestic and trade policy are unchanged from last year. The import duty remains at 5 percent for NFDM and FFDM and the Value Added Tax (VAT) is 10 percent for both products.

Marketing

Indonesia's dairy sector relies on the domestic market. Sales are dominated by only a few players, including Nestle Indonesia, Friesche Vlag Indonesia, Indomilk, Ultra Jaya, and Sarihusada, which accounted for 90 percent of total sales in volume. Competition among the milk companies in the form of promotion and marketing campaigns has increased the demand for milk. Each company is constantly coming up with its own market promotional program by introducing new and improved products, increased segmentation, adding new product variations to give consumers wider choices, low fat milk for those who are health conscious, various flavors of liquid milk and innovative packaging to keep up with the changing demands of consumers.

In general, imports of yogurt, butter, cheese, and ice cream presently have the best opportunities given the rising consumption. The existence of a well-developed retailing sector is also a favorable factor for the introduction of imported food products.

Dairy genetics continues to be the most attractive market for the U.S. in Indonesia's dairy cattle sector. During CY99, dairy genetics (semen) imports from the U.S. totaled US \$ 285 thousand, about 40 percent of total imported semen.

The position of U.S. dairy products will mostly depend on price and quality. According to industry sources, if the U.S. wants to increase its market share in Indonesia its landed price must be more competitive, so the price can compete with Australia and New Zealand.

Investment

Although investment in the dairy industry is still considered to be a risky business at this time, there is an indication that investors are coming back. Expansion of new plants may occur in the next few years due to continued increasing consumer demand.

Section II. Statistical Tables

PSD Table Dairy, Milk, Fluid						
Country:	Indonesia					(1000 head)
Commodity:	Dairy, Milk, Fluid					(1000 MT)
		1999		2000		2001
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1999		01/2000		01/2001
Cows In Milk	0	332	0	350	0	370
Cows Milk Production	0	436	0	498	0	550
Other Milk Production	0	0	0	0	0	0
TOTAL Production	0	436	0	498	0	550
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	0	436	0	498	0	550
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Fluid Use Dom. Consum.	0	22	0	25	0	28
Factory Use Consum.	0	392	0	448	0	495
Feed Use Dom. Consum.	0	22	0	25	0	27
TOTAL Dom. Consumption	0	436	0	498	0	550
TOTAL DISTRIBUTION	0	436	0	498	0	550
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix Dairy, Milk, Fluid			
Country:	Indonesia	Units:	1,000 MT
Commodity:	Dairy, Milk, Fluid		
Time period:	Jan-May		Jan-May
Imports for	1999		2000
U.S.	0	U.S.	0
Others		Others	
New Zealand	0.4	New Zealand	0.1
Australia	0	Australia	0.1
Total for Others	0.4		0.2
Others not listed	0.1		0.0
Grand Total	0.5		0.2

Import Trade Matrix			
Country:	Indonesia	Units:	1,000 MT
Commodity:	Dairy, Milk, Fluid		
Time period:	Jan-Dec		Jan-Dec
Imports for	1998		1999
U.S.	0	U.S.	0
Others		Others	
New Zealand	0.3	New Zealand	0.4
Australia	0.3		
France	0.1		
Total for Others	0.7		0.4
Others not listed	0.1		0.1
Grand Total	0.8		0.5

PSD Table Dairy, Milk, Nonfat Dry						
Country:	Indonesia					
Commodity:	Dairy, Milk, Nonfat Dry					(1000 MT)
		1999		2000		2001
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	0	0	0	4	0	14
Production	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	51	58	60	80	0	100
TOTAL Imports	51	58	60	80	0	100
TOTAL SUPPLY	51	58	60	84	0	114
Intra EC Exports	0	0	0	0	0	0
Other Exports	8	14	8	20	0	24
TOTAL Exports	8	14	8	20	0	24
Human Dom. Consumption	43	40	52	50	0	70
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	43	40	52	50	0	70
TOTAL Use	51	54	60	70	0	94
Ending Stocks	0	4	0	14	0	20
TOTAL DISTRIBUTION	51	58	60	84	0	114
Calendar Yr. Imp. from U.S.	9	6	0	10	0	10
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix Dairy, Milk, Nonfat Dry			
Country:	Indonesia	Units:	Metric Ton
Commodity:	Dairy, Milk, Nonfat Dry		
Time period:	Jan-May		Jan-May
Imports for	1999		2000
U.S.	1,267	U.S.	2,010
Others		Others	
New Zealand	9,124	New Zealand	17,281
Australia	7,531	Australia	5,278
Ireland	1,122	Germany	2,254
Argentina	1,006	Netherlands	1,429
Poland	950	Ireland	1,173
United Kingdom	583	Canada	650
Netherlands	444	Argentina	375
Germany	284	Denmark	347
Denmark	248	Sweden	300
Czech Republic	210	United Kingdom	300
		France	265
Total for Others	21,502		29,652
Others not listed	899		1,933
Grand Total	23,668		33,595

Import Trade Matrix			
Country:	Indonesia	Units:	Metric Ton
Commodity:	Dairy, Milk, Nonfat Dry		
Time period:	Jan-Dec		Jan-Dec
Imports for	1998		1999
U.S.	1,667	U.S.	6,263
Others		Others	
New Zealand	17,544	New Zealand	16,590
Australia	11,705	Australia	14,822
Ireland	1,907	Poland	4,525
Netherlands	1,101	Ireland	3,830
Germany	1,018	Netherlands	2,402
Finland	916	Germany	2,205
Denmark	705	Switzerland	1,525
Poland	698	Czech Republic	1,160
China	598	South Africa	1,006
France	430	Denmark	851
		United Kingdom	716
Total for Others	36,622		49,632
Others not listed	1,601		2,205
Grand Total	39,890		58,100

Export Trade Matrix Dairy, Milk, Nonfat Dry			
Country:	Indonesia	Units:	Metric Ton
Commodity:	Dairy, Milk, Nonfat Dry		
Time period:	7Jan-May		Jan-May
Exports for	1999		2000
U.S.	37	U.S.	19
Others		Others	
Malaysia	2,859	Iraq	5,723
Singapore	2,083	Malaysia	3,007
Thailand	620	Singapore	2,675
Pakistan	37	Thailand	710
Netherlands	37	British Indian Oc.	592
Trinidad&Tobago	37	Costa Rica	356
		Comoros	89
		Tonga	80
		Kenya	72
Total for Others	5,673		13,304
Others not listed	154		883
Grand Total	5,864		14,206

Export Trade Matrix			
Country:	Indonesia	Units:	Metric Ton
Commodity:	Dairy, Milk, Nonfat Dry		
Time period:	Jan-Dec		Jan-Dec
Exports for	1998		1999
U.S.	4	U.S.	104
Others		Others	
Thailand	2,086	Singapore	6,022
Singapore	1,725	Malaysia	5,380
Malaysia	869	Thailand	1,838
Netherlands	49	Netherlands	150
Malawi	43	Pakistan	94
Myanmar	19	Comoros	88
		Tonga	38
Total for Others	4,791		13,610
Others not listed	1		669

Grand Total	4,796		14,383
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PSD Table Dairy, Dry Whole Milk Powder						
Country:	Indonesia					
Commodity:	Dairy, Dry Whole Milk Powder					(1000 MT)
		1999		2000		2001
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	0	0	0	2	0	4
Production	35	43	42	49	0	54
Intra EC Imports	0	0	0	0	0	0
Other Imports	2	4	2	6	0	8
TOTAL Imports	2	4	2	6	0	8
TOTAL SUPPLY	37	47	44	57	0	66
Intra EC Exports	0	0	0	0	0	0
Other Exports	1	2	1	2	0	1
TOTAL Exports	1	2	1	2	0	1
Human Dom. Consumption	36	43	43	51	0	61
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	36	43	43	51	0	61
TOTAL Use	37	45	44	53	0	62
Ending Stocks	0	2	0	4	0	4
TOTAL DISTRIBUTION	37	47	44	57	0	66
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix Dairy, Dry Whole Milk Powder			
Country:	Indonesia	Units:	Metric Ton
Commodity:	Dairy, Dry Whole Milk Powder		
Time period:	Jan-May		Jan-May
Imports for	1999		2000
U.S.	5	U.S.	3
Others		Others	
New Zealand	602	Philippines	910
Australia	211	New Zealand	854
Thailand	37	Australia	582
China	27	Denmark	436
Netherlands	20	France	110
		Malaysia	45
		Thailand	36
Total for Others	897		2973
Others not listed	35		154
Grand Total	937		3130

Import Trade Matrix			
Country:	Indonesia	Units:	Metric Ton
Commodity:	Dairy, Dry Whole Milk Powder		
Time period:	Jan-Dec		Jan-Dec
Imports for	1998		1999
U.S.	584	U.S.	7
Others		Others	
New Zealand	1240	Australia	1736
Australia	831	New Zealand	1400
Netherlands	508	Netherlands	301
Thailand	282	Thailand	248
Belgium	231	Malaysia	77
Singapore	170	Singapore	72
Malaysia	101	China	63
Denmark	52	France	53
Germany	17	Denmark	20
Total for Others	3432		3970
Others not listed	8		68
Grand Total	4024		4045

Export Trade Matrix Dairy, Dry Whole Milk Powder			
Country:		Units:	Metric Ton
Commodity:			
Time period:	Jan-May		Jan-May
Exports for	1999		2000
U.S.	1	U.S.	1
Others		Others	
Iran	371	Malaysia	397
Singapore	63	Hong Kong	104
Sri Lanka	40	New Zealand	72
Pakistan	39	Taiwan	47
India	35	Pakistan	44
Netherlands	12	Sri Lanka	37
		Netherlands	17
Total for Others	560		718
Others not listed	25		52
Grand Total	586		771

Export Trade Matrix			
Country:	Indonesia	Units:	Metric Ton
Commodity:	Dairy, Dry Whole Milk Powder		
Time period:	Jan-Dec		Jan-Dec
Exports for	1998		1999
U.S.	0	U.S.	1
Others		Others	
Taiwan	241	Iran	821
Iran	124	Malaysia	291
Vietnam	66	Singapore	144
Uzbekistan	61	Sri Lanka	92
Australia	56	Philippines	88
Pakistan	42	New Zealand	74
Sri Lanka	38	Pakistan	73
Netherlands	31	Bangladesh	50
India	24	Hong Kong	40
Bangladesh	19	Netherlands	25
Total for Others	702		1,698
Others not listed	7		78

Grand Total	709	1,777
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Exchange Rates

Exchange Rate (Rp./1US\$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1997	2387	2403	2418	2443	2458	2450	2528	2190	3350	3700	3740	5700
1998	13513	9377	8740	8211	10767	15160	13850	11700	11314	9142	7755	8100
1999	9419	8992	8778	8632	8179	6750	6989	7736	8571	6949	7439	7161
2,000	7414	7517	7598	7988	8728	8742	9055	8290	8780	8925		

Source : Central Statistic Agency and Business Indonesia Daily Newspaper
(As of October 18, 2000)

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**Average Retail Prices of Powder Milk and Sweet Condensed Milk 1999
(at the Jakarta Markets)**

Month	Powder Milk (Rp/400 g)	Sweet Condensed Milk (Rp/397 g)
January	13,005	3,730
February	12,925	3,773
March	12,975	4,105
April	12,935	4,155
May	12,920	4,145
June	12,403	4,079
July	12,590	4,080
August	12,625	4,070
September	12,113	4,090
October*)	11,475	4,120
November	10,944	4,110
December	12,635	4,110

Source : Center for Market Information (PIP)

**Average Retail Prices of Powder Milk and Sweet Condensed Milk 2000
(at the Jakarta Markets)**

Month	Powder Milk (Rp/400 g)	Sweet Condensed Milk (Rp/397 g)
January	12,625	4,100
February	12,625	4,090
March	11,994	4,078
April	12,461	4,080
May	12,485	4,095
June	12,475	4,088
July	12,415	4,080
August	12,420	4,100
September	12,553	4,138
October*)	12,533	4,153
November	-	-
December	-	-

Source : Center for Market Information (PIP)

Indonesian Customs Tariff 2000

HS Number	Description of Goods	Import Duty	VAT	Sales Tax on Luxury Goods	Import License	Other
	Milk and cream, concentrate or containing added sugar or other sweetening matter. In powder, granular or other solid forms, of a fat content, by weight, not exceeding 1.5%					
04.02.10.100	In powder form, in packing of 12.5 kg net or more	5	10	-	General Importer (GI)	
04.02.10.900	Other	5	10	-	GI	
	Buttermilk, curdled milk and cream, yoghurt, kphir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavored or containing added fruit, nuts, or cocoa					
04.03.90.100	Buttermilk, in packing of 25 kg net or more	5	10	-	GI	
04.03.90.900	Other	5	10	10*	GI	
	Milk and cream, concentrated or containing added sugar or other sweetening matter. Not containing added sugar or other sweetening matter. In powder form, in packing of 25 kg net or more					
04.02.21.110	For infants	5	10	-		
04.02.21.190	Other	5	10	-	GI	
04.02.29.000	Other	5	10	-	GI	
04.02.91.000	Other, not containing added sugar	5	10	-		
	or other sweetening matter					
04.02.99.000	Other	5	10	-		

Note: * Applies to some products in this category.