



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

Date: 3/4/2007

GAIN Report Number: ID7008

Indonesia

Food Processing Ingredients Sector

Food Processing Update

2007

Approved by:

Fred Kessel
U.S. Embassy, Jakarta

Prepared by:

Fahwani Y. Rangkuti and Elisa Wagner

Report Highlights:

Significant growth potential exists for U.S. food ingredients with the growth in the Indonesian food-processing sector. The increase in consumption of processed foods can be attributed to an economy that is developing and a population that is becoming more urban, the introduction of new food products, aggressive promotional activities, growth of modern retail outlets, and growing health consciousness. Due to the large number of Indonesians with exposure to developed country diets and healthy food interest, there are a growing number of more sophisticated consumers demanding food fortified with vitamins and minerals.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Jakarta [ID1]
[ID]

SECTION I. MARKET SUMMARY

Indonesian's population of 222 million is relatively young, with half of the population between 15-44 years old. Approximately 20 percent of the Indonesian population is still living below the poverty line and the majority of the population is low income. In 2005, over half of consumer's incomes were devoted to food expenditures. The majority of people still prefer fresh foodstuffs, which are readily available in their neighborhood at affordable prices. Consumption of processed food in Indonesia is relatively low, with Indonesians spending 11 percent of their income on processed food and beverages in 2005. However because of the large population size, the total value of sales is \$8.7 billion. Trends in snacking and health awareness along with producers who are responsive to the demands of the market place, suggest the food processing industry will continue to grow.

In 2005, the output of the Indonesian food processing industry was \$23.9 billion, up 13 percent from 2004. It is comprised of about 4,700 large and medium-scale industries ranging from family businesses to multinational companies, 77,200 small-scale businesses, and 834,000 home-based producers. Large and medium-scale industries, which include family owned businesses to large multinational companies, account for 85 percent of the food industry output and about one fourth of the 3 million employees in the industry.

The continued expansion of modern retail outlets, especially hypermarkets and mini markets, provides consumers with better access to a wide range of packaged food products at affordable prices. In 2005, packaged food retail sales showed increases ranging from 3 to 20 percent in volume terms compared with 2004 and growth is expected to continue, ranging from 0.5 to 18 percent each year until 2010. The result is a growing food processing industry.

In 2005, \$2.2 billion of food and beverage ingredients were imported. Of that amount 62 percent were major inputs, such as wheat, sugar, dairy, and soybeans. The United States supplied 16 percent of the total agricultural, fish, and seafood product imports. Australia is the largest supplier, accounting for 20 percent. Other suppliers do not account for more than 10 percent of imports individually.

Wheat is imported by four mills that produce wheat flour to be consumed domestically. In 2005, the consumption of wheat flour in Indonesia was 4.6 million tons, with over 90 percent being from domestic mills. That same year, 400,000 MT of specialty and lower-quality flours were imported. The local flour mills produce primarily three quality grades of flour to supply the bakery and noodle industry. Noodle manufacturers, which produce wet, dry, and instant noodles, represent the largest user for wheat flour at 60 percent, while the bakery and snack food industry use 30 percent and households use about 10 percent. Larger processors consume 30 percent of the wheat flour in Indonesia.

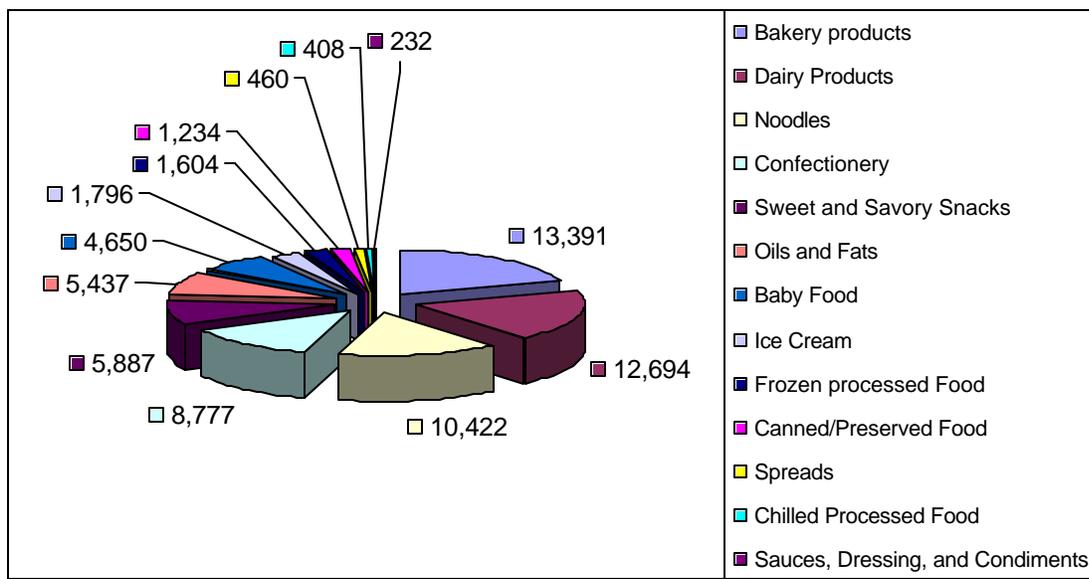
Food and beverage producers use imported and domestic sugar, consuming 1.1 million MT each year. Raw sugar must be imported by refineries and the finished product must be used by food and beverage producers. The Indonesian government requires importers of processed, or white, sugar to be registered for import and the sugar is used for domestic consumption. Refined sugar can only be imported by food and beverage manufacturers who will be using the sugar in their formulations. Of the total 3.9 million MT of sugar consumed in Indonesia, 45 percent is imported. The food and beverage industry reports a 120 percent increase in the use of other sweeteners including lactose, maltose, glucose, and fructose as a substitute for more expensive refined sugar. In 2005, imports of these substitute sweeteners totaled 67,000 tons.

Use of dairy products as an ingredient is becoming increasingly common, particularly milk powder. Use of whey protein concentrate is also increasing. Lately whey is very popular as a source for mineral and vitamin fortification in cookies and confectionary and bakery products because whey decreases the fat content and increases protein content.

Soybean-based products, such as tofu, tempe, and soy milk as a multi-functional health drink packed in a transparent plastic bags are produced in homes and sold in the small-scale neighborhood retailers, by street vendors, or door-to-door. Beef heart is also popular among these sectors for use in making meatballs.

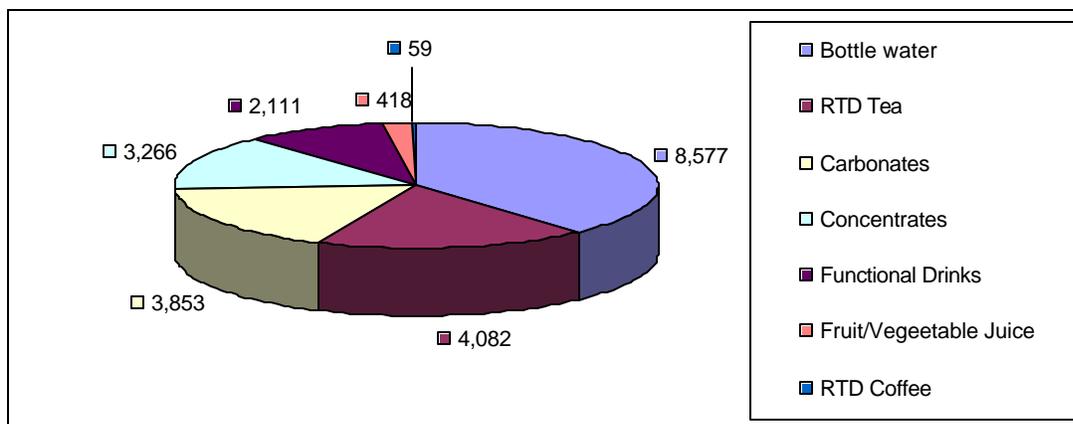
The challenges Indonesian manufacturers continue to face are high electricity and fuel prices, increasing labor costs, lack of infrastructure, and cheaper finished products from neighboring ASEAN countries and China.

Figure 1. Package and Branded Processed Food Retail Sales (IDR billion) in 2005



Euromonitor

Figure 2. Non-Alcoholic Beverages Sales in Traditional Channel (IDR billion) in 2005



Euromonitor

The following table summarizes the advantages and challenges for U.S. products in the Indonesian food-processing sector.

Advantages	Challenges
Market size - Indonesia has a population of around 222 million people	Import regulations are often complex and non-transparent, thus requiring a close business relationship with a local agent.
The industry is constantly creating new products based on consumer preference trends. These new products often require ingredients unavailable domestically	Quantities of ingredients for new product and market trials are usually not enough to fulfill the minimum amount required by U.S. suppliers
US products are considered high quality	Competitive products are often less expensive, and are used equivalently to US products
Singapore is close, making it easier for importers to ship the smaller lots required by the Indonesian market with shipment destined for other ASEAN Free Trade Area countries.	Food ingredients from the region enter Indonesia at lower prices due to the ASEAN Free Trade Area, while food ingredients from the U.S. have higher shipping cost.
During 2006 to 2009, applied duties on most food and agricultural products are 5 percent, with a 10 percent applied duty on certain processed foods	Weak purchasing power of the majority of the population. Muslims accounting for 88% of the population require halal-certified products

SECTION II: ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

The best way to overcome the hurdles associated with exporting to Indonesia is to select an agent. An agent should be chosen based on his ability to assure the widest distribution of products and the ability to undertake the marketing efforts necessary to create awareness for products among consumers. Price and quality are important to Indonesian agents but personal interaction with potential business partners is also important. A face-to-face meeting will likely be needed, though younger importers maybe more comfortable with establishing relationships via electronic communication.

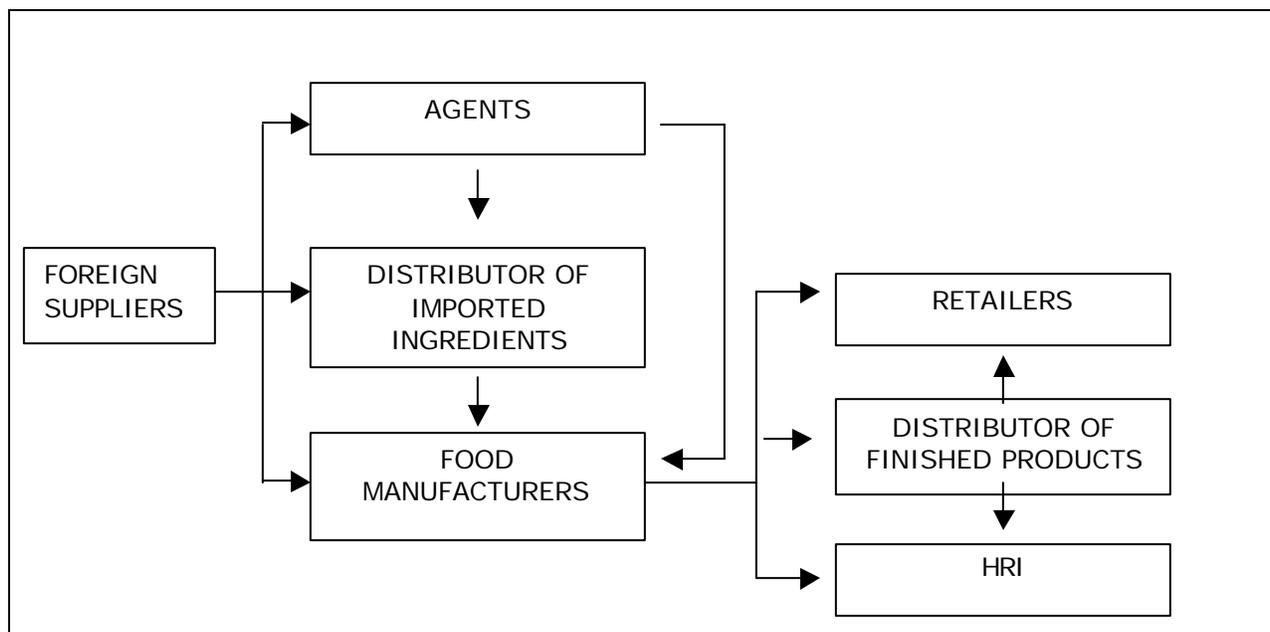
Market research for product testing, price comparison, and adjusting the product for local tastes is important. Agents and distributors can help with market research and their assistance has proved to be an effective strategy in expanding sales since they understand the regulation system and can bridge cultural differences.

According to local importers, while U.S. prices may be competitive, ingredients from European countries are the most popular. European suppliers are reportedly the most responsive to inquiries and more willing to tailor ingredients to meet specific tastes and needs.

Participating in local food shows to introduce your products to a large audience and to meet with potential importers is strongly suggested.

B. MARKET STRUCTURE

Food ingredients can be imported by agents, distributors, or food manufacturers. The diagram below provide an overview of the common distribution channels.



Food processors commonly import primary inputs, such as frozen meat or beef offal, wheat, and skim milk powder. Food processors generally purchase essential complementary inputs like flavorings or preservatives from a local agent or distributor because they are used in smaller quantities and often have limited shelf life.

Food processors who depend on a consistent supply of a product may have an exclusive sales agreement with a local agent. Some processors may choose to act as an importer if they find a better-priced alternative, such as an exporter who uses Singapore as a distribution point.

Many multinational food processors operating in Indonesia must follow global product specifications. These companies have central purchasing offices, often in the United States or in Europe.

Larger, modern retail companies usually have an exclusive agreement with the processors to supply the food product that they need. Processors will reach an agreement with the retail company to supply specified quantities at agreed upon intervals and prices. In return, the retailer agrees to display products attractively and at agreed upon quantities. On the other hand, smaller independent retail stores and so-called traditional markets get products mostly from distributors. These traditional markets include wet markets, warungs, which are small-scale neighborhood retailers, and street-side kiosks.

Although cold chain facilities are generally available in urban areas, many food items are sold without any temperature control in the more traditional distribution channels. Limited capital, low awareness of the benefits of refrigeration, and the practice of buying and consuming meals on the spot are still very common and limit the development of a cold chain network.

C. COMPANY PROFILES

Company (Product Types)	Sales (\$Mil/Year)	End-Use Channels	Production Location	Procurement Channels
Indofood Sukses Tbk, PT(dry goods, condiments, beverages, snack foods, oilseed products)	\$1,962.5 (2005)	Retail	29 plants throughout Indonesia, mostly on Java	Direct; Importers
Heinz ABC Indonesia, PT (dry goods and condiments, beverages, fish and seafood products)	NA	Retail	Jakarta (Joint Venture)	Direct; Importers
Unilever Indonesia, Tbk (oil seed products, dry goods, condiments, snack foods, ice cream, beverages)	\$1,026 (2005)	Retail; HRI	Cikarang, West Java; Surabaya, East Java	Direct; Importers
Mayora Indah Tbk (beverages, snack foods, candy)	NA	Retail	Tangerang, West Java	Importers; Distributors
Garudafood group (snack foods, beverages)	NA	Retail	Central Java; Banten; Lampung	Importers
Jakarana Tama, PT (dry goods, condiments, fish and seafood products,	NA	Retail	Sukabumi, Central Java,	Direct; Importers
Siantar Top Tbk, PT (snack foods, candy)	NA	Retail	Sidoarjo, East Java	Importers
Sayap Mas Utama, PT (dry goods, condiments, beverages)	NA	Retail	Sidoarjo, East Java	Direct; Importers
Lassale Food Indonesia, PT (meat and poultry products, beverages, condiments)	NA	Retail	Bogor, West Java	Importers; Distributors
Charoen Pokphand Indonesia, PT (poultry meat products)	NA	Retail	Banten	Importers; Distributors
Supra Sumber Cipta, PT (poultry meat and seafood products)	NA	Retail	Jakarta	Importers; Distributors
Belfoods Indonesia, PT (poultry meat products)	NA	Retail	Jakarta	Importers; Distributors

Sierad Produce Tbk, PT (poultry meat products)	NA	Retail	Bogor, West Java	Importers; Distributors
Frozen Food Pahala, PT (poultry meat products)	NA	Retail	Bogor, West Java	Importers; Distributors
Madusari Nusaperdana, PT (meat and poultry products)	NA	Retail	Beaksi, West Java	Importers; Distributors
Eloda Mitra, PT (meat and poultry products)	NA	Retail	Sidoarjo, East Java	Importers; Distributors
Maya Muncar, PT (fish and seafood products)	NA	Retail	Banyuwangi, East Java	Importers; Distributors
Canning Foods Indonesia, PT (fish and seafood products)	NA	Retail	Denpasar, Bali	Importers; Distributors
Surya Jaya Abadi Perkasa, PT (fish and seafood products, prepared vegetables)	NA	Retail	Probolinggo, East Java	Importers; Distributors
Nestle Indonesia, PT (diary products, cookies, breakfast cereals, chocolate, candy)	NA	Retail	Pasuruan, East Java	Direct
Indomilk, PT (diary products)	NA	Retail	Jakarta; Sukabumi, West Java	Direct; Importers
Friesche Vlag Indonesia, PT (diary products)	NA	Retail	Jakarta, Pasuruan East Java	Direct
Sari Husada Tbk, PT (diary products, baby foods)	\$127 (2005)	Retail	Yogyakarta, Klaten, Central Java	Direct
Ultrajaya Milk Industry & Trading Co Tbk, PT (diary products, beverages)	\$86 (2005)	Retail	Bandung, West Java	Direct; Importers
Konimex Pharmaceutical Laboratories PT (candy, snack foods)	NA	Retail	Solo, Central Java	Importers; Distributors
Khong Guan Indonesia, PT (cookies)	NA	Retail	Bogor, West Java	Importers; Distributors
Arnott's Indonesia, PT (cookies)	NA	Retail	Bekasi, West Java	Importers; Distributors
Danone Biscuits Indonesia, PT (cookies).	NA	Retail	Bekasi, West Java	Importers; Distributors

Simba Indosnack Makmur, PT (breakfast cereals)	NA	Retail	Bogor, West Java	Importers; Distributors
Nippon Indosari Corp PT (Baked goods)	NA	Retail	Cikarang, West Java; Pasuruan, East Java (2)	Importers; Distributors
Chandrabuana Surya Semesta PT (baked goods)	NA	Retail	118 franchises, outlets, & facilities in Jakarta, Semarang, Surabaya, and Makassar	Importers; Distributors
Perfetti Van Melle Indonesia, PT (sugar confectionary products)	NA	Retail	Bogor, West Java	Importers; Distributors
Ceres, PT (chocolate confectionary, cookies)	NA	Retail; HRI	Bandung, West Java	Importers; Distributors
Agel Langgeng PT (sugar confectionary)	NA	Retail	Bekasi, West Java	Importers; Distributors
Cadbury Indonesia PT (chocolate confectionary)	NA	Retail	Jakarta	Importers; Distributors
Sinar Sosro, PT (beverages)	NA	Retail; HRI	Spreads on Sumatera, Java, and Bali	Importers; Distributors
Multi Bintang Indonesia Tbk, PT (beer)	\$88	Retail; HRI	East Java and Tangerang, Banten	Importers; Distributors
Delta Djakarta Tbk, PT (beer)	NA	Retail; HRI	Bekasi, West Java	Importers; Distributors

Note: \$1= IDR 9,734 (2005)

NA = Information not available

D. SECTOR TRENDS

Consumption Trends:

Food manufacturers are continually developing new products to cater to the tastes of those exposed to western-style products through the media and living abroad as well as the habit of snacking, which is a part of Indonesian culture. In addition, more women in urban areas are entering the workforce and prefer the convenience of processed food products.

A recent trend in retail stores is the presence of products from Malaysia, Singapore, China, and Thailand sold at competitive prices. In addition, several domestic producers are outsourcing manufacturing to China to take advantage of low import tariffs while avoiding high production costs, such as higher fuel and electricity, as well as raw material prices particularly for sugar and flour.

Product Trends:

Snack products: Single servings of jelly, non-microwave popcorn, fruit snacks, filled and chocolate-coated wafers and cookies, and chocolate with nuts candy bars for younger consumers

Fruit flavored soft drinks and dairy products as well as coffee and multi flavored ice cream products: Orange, melon, and mixed fruit flavored UHT milk; guava, grape fruit, lemon, passion fruit, orange, and strawberry flavored sports drinks; apple flavored ready-to-drink tea; honey and orange flavored green tea; dragon fruit, fruit punch, guava, lychee and sour sop flavored fruit juice; mango and strawberry flavored bottled water splash; durian, coconut, cappuccino and tiramisu and chocolate mousse combined flavored ice cream.

Local flavor: Most instant noodles are popular in Indonesia and produced with local flavors. In addition, flavorings for local foods are available, such as sweet soy sauce for fried noodles, flavorings for chicken soup ("soto"), and flavoring for chicken curry ("kari"). Prepared cooking sauces with local, Chinese, and Thai flavorings are becoming popular. Flour coatings for chicken, fish, tempe, and banana are also growing.

Alternative staple food: Rice is an important staple for most Indonesians and is present at most meals. A common substitute is instant noodles. However with growing incomes and the accompanying changing lifestyles, other carbohydrate sources are becoming popular, particularly wheat products. Bakery mixes produced by independent manufacturers are also becoming popular. Distributors may also own a small manufacturing facility to produce bakery mixes for further processing by bakeries. Commonly used bakery ingredients purchased locally are cooking chocolate, emulsifiers, and mixes, whereas nuts, dried fruit, and canned fruit are imported.

Health awareness: Nutritious high-protein snacks, products fortified with vitamins and fiber, and dairy products are becoming more popular, although skimmed and fat free milk are not as popular as whole milk because of taste preference and price. Reduced sugar and sugar-free cookies, confectionary products, and cough drops are being seen. Bite-sized cookies with low-fat and low-sugar formulations are becoming preferred over candies because they are more filling and appeal to health awareness. Sales of sports drinks are increasing since they are useful in preventing dehydration that can be caused by dengue fever.

Packaging: Smaller package sizes are preferred due to convenience and price considerations. Inconsistent and unsteady incomes force many Indonesian to purchase food in small quantities, in some cases in daily portions. Milk and fruit juice in 90 and 125-ml packaging and bite-sized snacks in smaller package sizes for school children with packages designed to appeal to younger ones were successfully introduced in the last few years. Vacuum-packed chilled and frozen products are preferred over canned and preserved processed foods.

Note: The government strictly controls alcoholic beverage production, distribution, selling, consumption, and advertisement in Indonesia because the majority of Indonesians are Muslim. Alcohol drinks are subject to high luxury taxes and import and excise duties. Only three local companies produce beer.

Foreign Companies Profiles

A number of multinational companies have food manufacturing plants in Indonesia, some were acquisitions of existing companies while others are joint ventures.

Unilever Indonesia, Tbk, PT and its subsidiaries

Established in Indonesia in 1933, Unilever Group is well known as a producer of consumer goods. The company is engaged in the manufacturing of soaps, detergents, Blue Band brand margarine, dairy based foods, Walls brand ice cream, tea based beverages, soy sauces, Best Foods brand dressings and condiments, and cosmetic products. In Indonesia, Unilever has 1 percent share by retail value of snacks, 14 percent of oils and fats, 11 percent of spread, 44 percent of ice cream, and 17 percent of sauces, dressing and condiments products.

Walls ice cream competes with local brands of ice cream such as Diamond and Campina, while Blue Band brand margarine spread has strong competition from the popular local brand Simas in the retail market.

Nestlé Indonesia, PT

Nestlé Indonesia is one of the leading International food companies in Indonesia. Their production line includes dairy (Dancow, Nan, Lactogen, Milkmaid, Carnation, Bear brand), coffee (Nescafé brand), tea (Nestea brand), other beverages (Milo and Nesquik brands), sauces (Maggi brand), chocolate and candies (Kit-Kat and Polo brands), and baby foods and cereals. Nestlé's existence in Indonesia was started in 1971 when Nestlé built a milk processing plant in East Java.

Nestlé dominates the dairy products and baby food market with sweetened condensed milk, milk powder, baby formulas, and liquid milk. Seventy percent out of its production fulfills local demand, while the other 30 percent is exported to the region and Middle Eastern countries. In Indonesia, Nestlé has 24 percent share by retail value of dairy products, 4 percent of confectioneries, 20 percent of baby food, and 37 percent of ready- to-drink coffees.

Nutricia Indonesia Sejahtera, PT

Nutricia Indonesia Sejahtera specializes in nutritional products for babies and toddlers. It was established in 1987 as part of the Royal Numico N.V. group, a Dutch company specializing in baby food and clinical nutrition. Nutricia products include milk formulas both for healthy babies and for babies with specific nutritional needs, and food for children being weaned. Nutricia's brand portfolio consists of Nutrilon, Bebelac, Nutricia Complete, and Nutricia Meal Time. In 1989, Nutricia's modern factory located in Jakarta began operations supplying products to the domestic market and markets in the Asia Pacific region. Nutricia has 4-percent share by retail value of baby foods.

Sari Husada Tbk, PT

Sari Husada Tbk was established in 1954. Sari Husada pioneered the development and production of baby milks in 1965. In 1998, Sari Husada allied with Nutricia International BV, as part of the Royal Numico group, which is the majority shareholder in Sari Husada. Sari Husada produces various kinds of milk products for babies and children at affordable prices, from fortified milks to specialty milks for lactose intolerant infants and babies born with low weight. Sari Husada also provides milks for pregnant and breast-feeding women. Sari

Husada's brand portfolio includes SGM, Vitalac, Vitaplus, Lactamil, SGM Biscuit, SGM Cereals, and Vitalac Genio. Sari Husda has a 25-percent share by retail value of baby foods.

Frisian Flag Indonesia, PT

Frisian Flag Indonesia is a subsidiary of Royal Friesland Foods N.V. Frisian Flag produces baby and infant foods, condensed milk, milk powder, and long-life milk under the Frisian Flag brand. It operates two production facilities in Jakarta. Frisian Flag has 12 percent share by retail value of dairy products and 7-percent share of baby food.

Kievit Indonesia, PT

Kievit Indonesia is another subsidiary of Friesland Foods in Indonesia. Kievit develops, produces, and markets powdered ingredients for use in the food processing industry, such as coffee creamers, and soup ingredients. It operates in Salatiga, Central Java as a regional facility for the ASEAN market.

Greenfields Indonesia, PT

Greenfields Indonesia was established in 1997 to meet the growing need for high quality fresh milk. Greenfields processes fresh milk from Australian imported cattle on its own dairy farm in Gunung Kawi, East Java. Greenfields produces pasteurized, ESL (Extended Self Life), and UHT (Ultra High Temperature) milk under the Yahui, Real Good, and Greenfields, as well as private label brands. Greenfields exports to Singapore, Malaysia, Hong Kong, and several African countries. In Indonesia, Greenfields has 0.5 percent share by retail value of dairy products.

Danone Group

Danone group has 4 companies in Indonesia that produces biscuit, bottled water, and fermented dairy beverages. Danone group is made of Danone Biscuits Indonesia, PT which has a 3-percent share by retail value of cookies; Aqua Golden Mississippi, Tbk, PT which has a 15-percent share by retail value of soft drinks; Ades Alfindo Putrasetia, Tbk, PT which has a 3-percent share by retail value of soft drinks; Tirta Investama, PT which has 2-percent share by retail value of soft drinks; Ajinomoto Calpis Beverage Indonesia, PT and Danone Dairy Industry, PT that produces dairy products.

Coca-Cola Bottling Indonesia, PT

Coca-Cola Amatil from Australia entered Indonesia in 1992, however its Indonesian partner was already producing and distributing Coca-Cola products under license from the Coca-Cola Company since 1932. It operates under the name PT Coca-Cola Bottling Indonesia with a brand portfolio consisting of Coca-Cola, Diet Coke, Sprite, Fanta, Schweppes, Frestea, A&W, and Powerade Isotonic. Products made by Coca-Cola Indonesia are the most popular carbonated drinks, with a 16-percent share by retail value.

Other multinational companies in Indonesia:

- **Amerta Indah Otsuka, PT (Japan)**: manufactures the popular sports drink Pocari Sweat, which has with a 21-percent share by retail value of sports drinks
- **Berrivale Indosari, PT (Australia)**: produces Berri fruit juice, which has a 9-percent share by retail value of fruit juices

- **Charoen Pokphand Indonesia, PT (Thailand)**: produces frozen poultry products. Has a 32 percent share by retail value of frozen processed products
- **Heinz ABC Indonesia, PT (United States)**: produces sauces, dressings, and condiments, beverages, and fish and seafood products, which has a 15 percent share of canned & preserved food retail sales. Has a 29-percent share of sauces, dressings, and condiments, and a 2-percent share of soft drinks
- Kraft from United States has two companies in Indonesia
Kraft Ultraya Indonesia, PT: produces cheese. Has a 2.5-percent share by retail value of dairy products.
Nabisco, PT: produces cookies
- **Helios Arnott's Indonesia, PT (Australia)**: produces cookies. Has 4-percent share by retail value of bakery products
- **Pepsi-Cola Indo Beverages, PT (United States)**: produces Pepsi Cola and Mirinda carbonated drinks
- **URC (Universal Robina Corporation) Indonesia, PT (Philippines)**: Established in 2002, produces snack foods that have a 0.5-percent share by retail value of sweet and savory snacks
- **Indofood Fritol-Lay Corp, PT (United States)**: produces potato chips and extruded snacks that total to a 10-percent share by retail value of sweet and savory snacks
- **Nippon Indosari Corp, PT (Japan)**: produces bread and pastry products that total to 2.5-percent share by retail value of bakery products.
- **Effem Indonesia, PT (United States)**: produces chocolate. Has a 2-percent share by retail value of confectionary products
- **Lotte Indonesia, PT (Japan)**: Established in 1993, produces gum and candy that have a total 2-percent share by retail value of confectionary products.
- **Perfetti Van Melle Indonesia, PT (Italy and Netherlands)**: produces confectioneries. Has a 13-percent share by retail value confectionary products.

III. COMPETITION

Product Category	Major Supply Sources in 2005 (volume)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Wheat (from US: soft white winter, hard red winter, dark northern spring; from Australia: Australian standard white, Australian prime hard, Australian hard) Net import: 4,428.5 thousand ton \$799.0 million	Australia 55.1% Canada 20.1% Argentina 9.7% Ukraine 8.6% United States 2.7%	Australian wheat price is competitive and consumer prefer it's color for noodle production	No domestic production
Sugar and sugar derivatives (lactose, fructose, glucose) Net import: 2,094.2	Thailand 53.7% Australia 12.3% South Africa 5.5% United Kingdom 4.9%	Thailand offers competitive prices	Domestic production is not enough to supply industry needs

thousand ton \$616,4 million	Malaysia 2.2% Philippines 2.0%		
Skim milk powder and whole milk powder Net import: 159,635 ton \$386,1 million	Australia 24.5% New Zealand 20.1% United States 16.1% Philippines 11.6% Singapore 7.1%	Australia and New Zealand are the largest suppliers due to competitive pricing	Domestic production can supply only 25% of industry needs
Whey Net import: 35,916 ton \$38.2 million	Australia 28.0% Netherlands 26.4% France 23.3% United States 11.9%	Australia, Netherlands, and France due to competitive pricing	No domestic production
Cheese Net import: 9,883 ton \$28.3 million	Australia 59.3% New Zealand 29.3% United States 4.2%	Australia and New Zealand have competitive prices	No domestic production
Soybean Net import : 1,365 thousand ton \$299.3 million	United States 82.7% Argentina 13.3%	U.S. has exportable supplies and good quality	Domestic production is not enough to supply industry needs
Wheat flour Net import: 477,977 ton \$128.0 million	Australia 39.2% Sri Lanka 14.9% Belgium 13.0% Turki 9.3% China 9.0%	Australian wheat flour price and quality	Locally-produced wheat flour is priced higher than imported wheat flour
Red meats (beef) Net import: 55, 710 ton \$77,5 million	Australia 38.5% New Zealand 34.9% United States 25.7 %	Australia and New Zealand competitive pricing and there are no case of FMD and BSE in both countries	Shortage of supply. Most are sold fresh to traditional markets and modern outlets
Food preparation (baby food, medical food, ice cream powder, fortification premix, other food mixture with nutrition value) Net import: 9,987 ton \$65.5 million	Netherlands 23.3% United States 19.0% Denmark 16.8%	Ingredients from these countries are considered to be good quality. European countries can supply tailor made ingredients	No domestic production
Non-alcoholic preparation Net import: 34,591 ton \$59.0 million	South Korea 29.8% Malaysia 28.1% Netherlands 20.8% Thailand 14.5%	Taste preferred by Asian consumers	Domestic product is limited
Cocoa beans Net import: 30,292 ton \$ 47.9 million	Cote d Ivoire 54.9% Papua New Guinea 28.9% Nigeria 7.9% Ghana 7.3%	Industry needs variety of cocoa beans for blending to get desired taste	Domestic product is abundant

Dextrin and other modified starches Net import: 93,071 ton \$44.0 million	Thailand 64.5% United States 7.3% Germany 4.8% Australia 3.2% China 2.4% Netherlands 2.3%	Thailand has exportable supply of the kind of starch needed to produce glucose	Domestic product is limited
Fish and seafood products Net import: 31,796 ton \$35.4 million	Singapore 18.8% Malaysia 16.9% Japan 13.0% China 11.2 % Thailand 6.5 % Taiwan 4.9% United States 4.6 % South Korea 4%	Tuna, mackerel, and sardines are used as an additional source for the fish canning industry	Local fish and seafood production is high
Peptones and derivatives Net import: 4,708 ton \$11.3 million	United States 37.7% Brazil 27.5% China 16.0% Netherlands 6.4% Japan 5.4%	U.S. has quality products	No domestic production
Protein concentrates and textured protein substances Net import: 1,643 ton \$10.5 million	China 38.2% Australia 21.0% United States 8.7% Netherlands 6.8%	China and Australia offer lower prices for soybean based products	No domestic production
Dehydrated potato Net import: 4,363 ton \$4.7 million	United States 68.7% Germany 16%	U.S. has exportable supplies and is also aggressively promoted	No domestic production
Poultry meat Net import: 3,978 ton \$3.8 million	Singapore 87 %	Singapore usually is a transit port only for many kinds of exported products to Indonesia	Local poultry meat production is significant in volume and ban of poultry part imports has been implemented since 2000
Tree nut Net import: 1,644 ton \$3.2 million	China 33.6% United States 19.5% Philippines 13.4% Singapore 12.8% Thailand 9.2%	Singapore is a transit port; Thailand processes almond from U.S.; China supplies pistachios and chestnuts; U.S. supplies walnuts, almonds and pistachios	Local nut production is limited to the cashew nut

Global Trade Statistics

IV. BEST PRODUCT PROSPECTS

Category A: Products Present in the market Which Have Good Sales Potential

Product Category	2005 Imports (Value)	5-Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for USA
Wheat	\$799.0 million	6.7%	0%	Consumers prefer Australian wheat color for noodles and the price is competitive	Demand of high quality flour for bakery industry
Wheat flour	\$128.0 million	7%	5%	Lower prices offered by competitor	Wheat-based noodles and bread are becoming a substitute for rice
Sugar and sugar derivatives (lactose, fructose, glucose)	\$616,4 million	-4.4%	Cane, beet sugar, chemical pure sucrose in solid form: IDR 550/kg raw; IDR 790/kg refined; others 5%	Market is limited to cheaper product sources and the food processing industry lacks knowledge of how to replace sugar with other substitutes efficiently	Demand of dairy sugar derivatives such as lactose is growing
Skim milk powder and whole milk powder	\$386,1 million	8.8%	5%	U.S. prices are relatively higher than competitors	Consumption is growing rapidly
Whey	\$38.2 million	17.0%	5%	Still lack of knowledge for using whey as an ingredients in food and beverages	No competitor and consumption is growing rapidly
Cheese	\$28.3 million	12.3%	5%	Limited consumer base due to pricing	Consumption is growing for bakery and snack food products
Soybean	\$299.2 million	-2.54%	10%	Lower prices offered by competitor	Popular traditional dish consumes a lot of soybean
Food preparations (baby food, medical food, ice cream powder, fortification)	\$65.5 million	31.8%	5%	Demand is scattered and required specifications vary widely	Consumption has grown rapidly in the last two years

premix, other food mixture with nutrition value)					
Non-alcoholic preparation	\$59.0 million	36.6%	5%	Demand is scattered and required specifications vary widely	Consumption is growing
Dextrin and other modified starches	\$44.0 million	2.8%	5%	Competitors offer competitive pricing	Consumption is growing
Peptones and derivatives	\$11.3 million	28.1%	5%	Competitors offer competitive pricing	Consumption is growing
Protein concentrates and textured protein substances	\$10.5 million	4.5%	5%	Competitors offer competitive pricing	Consumption is growing
Dehydrated potatoes	\$4.7 million	53.3%	5%	Most consumers do not know how to use this product	Consumption is growing
Tree nuts	\$3.2 million	17.7%	5%	Demand is still limited to middle and high-income consumers	Demand from bakery and confectionary industry is growing

Category C: Products not Present in the Market Because They Face Significant Barriers

Product Category	2005 Imports (Value)	5-Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for USA
Red meats (beef)	\$77,5 million	0.2%	5%	Ban on US beef due to BSE	Only one competitor and meat processing needs more inputs

V. POST CONTACT AND FURTHER INFORMATION

The Foreign Agricultural Service (FAS) of the U.S. Embassy Jakarta maintains up-to-date information covering food and agricultural import opportunities in Indonesia and would be pleased to assist in facilitating U.S. exports and entry into the Indonesian market. Questions or comments regarding this report should be directed to FAS Jakarta at one of the following local or U.S. mailing addresses:

Foreign Agricultural Service
U.S. Embassy Jakarta
Jl. Medan Merdeka Selatan # 3-5
Jakarta 10110 - Indonesia
Tel: +62 21 3435-9161
Fax: +62 21 3435-9920
e-mail: agjakarta@usda.gov
Home page: <http://www.usembassyjakarta.org/fas>

Foreign Agricultural Service
U.S. Embassy-Jakarta
Box 1, Unit 8129
FPO AP 96520-0001

Please visit the Foreign Agricultural Service's Home Page at: <http://www.fas.usda.gov> for more information on exporting U.S. food products to Indonesia and to other countries.

Additional Sector Reports for Indonesia:

The Retail Food Sector (ID4032) <http://www.fas.usda.gov/gainfiles/200411/146118072.pdf>
The HRI Sector (ID6001) <http://www.fas.usda.gov/gainfiles/200601/146176609.pdf>
Product Brief-Bakery Ingredients (ID6013)
<http://www.fas.usda.gov/gainfiles/200606/146198046.pdf>