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Report Highlights:

Indonesia's overall macroeconomic picture is stable and improving. U.S. exports of consumer-oriented products to Indonesia increased from \$78.9 million in 2001 to \$188,501 million in 2006. Imported food products in the form of raw materials, food ingredients and finished products will continue to increase to serve the growing modern retail and food service sectors as well as the food processing industry.

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I. MARKET OVERVIEW

Indonesia is a member of ASEAN with a population of over 200 million people. In 2006, annual gross domestic product grew 5.5 percent. Growth is expected to be 6.1 percent in 2007, and 6.5 percent in 2008.

A stable and improving macroeconomic environment and openness following the first directly elected president in 2004 has resulted in more of the Indonesian population moving to urban areas and becoming more sophisticated in their purchasing decisions. However, the Indonesian economy has not reached the levels seen prior to the 1997 crisis in part due to widespread corruption, lack of an efficient and transparent legal system, conflicting and non-transparent rules, inconsistent enforcement of regulations, and lack of infrastructure including port facilities, cold chain facilities, and reliable electric service. Because of the situation, the average Indonesian spends 53 percent of their total expenditures on food. The ratio is likely to go up for 2007, as the cost of staples such as rice and cooking oil have increased dramatically during the year.

Therefore the greatest growth potential exists among Indonesian with higher incomes and expatriates for U.S. processed foods. A growing number of Indonesians have been exposed to developed country diets and health concerns regarding food. So more Indonesians are demanding foods fortified with vitamin and minerals.

Evidence of the potential can be seen in the growing importance of Indonesia as an export destination for U.S. agricultural products. U.S. agricultural exports to Indonesia exceeded \$1 billion in 2003 and 2005, and in 2006 reached \$1.2 billion. Fiscal year 2006 data showed that Indonesia is the tenth-largest export market for U.S. agricultural, fish, and forestry products and the ninth largest for U.S. agricultural products. The fastest growing segment is consumer oriented agricultural products.

Market Opportunities

- Indonesia's population (222 million in 2006) is relatively young with half of the population between 15-44 years old. Nearly 58 percent of the population lives on Java and accounts for 60-65 percent of the sales of consumer goods. Java also has the best infrastructure although urban areas in Sumatera, Bali, and Sulawesi are also developing.
- It is currently estimated that the upper and middle-income groups combine to represent 15 percent of the population, or equal to about 33 million people. Most of these people live in the major urban areas. This population, together with a number of expatriates and families working in oil, mining, industrial, finance, and consultant companies, consume imported products.

Table 1. Population number in major urban areas

City	Island	Population (million)
Jakarta & surrounding	Java	12.5
Surabaya	Java	3
Yogyakarta & surrounding	Java	1.8
Bandung	Java	2
Semarang	Java	1.3
Medan	Sumatera	2.1
Palembang	Sumatera	1.5
Makassar	Sulawesi	1.5
Manado	Sulawesi	1
Bali	Bali	1.6
Balikpapan and Samarinda	Kalimantan	1

- The population has become increasingly more literate and Westernized during the past decade due to the increase in Indonesians who studied and traveled overseas; easier access to international TV; expansion of modern malls in major urban areas; and dramatic growth of major international hotel and restaurant chains (including fast food), and foreign tourist arrivals (4.9 million in 2006).
- Demand for imported ingredients is growing. Food manufacturers are continually developing new products to cater the increasing habit of snacking, which is a part of Indonesian culture and promoted in the media.
- The Indonesian consumer is very price conscious and susceptible to economic swings, particularly the middle and lower level income groups. Overall, customers tend to prefer purchasing imports in smaller, less expensive packaging.
- More urban women are entering the workforce and choosing to stay there after marrying and having children. With less time available for shopping and cooking, more urban women are basing purchasing decisions on convenience.
- The number of kitchen appliances throughout the country is relatively low. On average, 19 percent of households have a refrigerator (33.7 percent of urban households and 8.1 percent of rural households). About 10 percent of Indonesians use gas (17 percent of urban and 4 percent of rural household) and 2 percent use electric for cooking (2005). The rest still use kerosene stoves and fire wood.
- During holiday seasons consumer spending increases. The most important holiday seasons are Ramadan (the month-long Muslim fasting period in which food consumption goes up significantly), Lebaran or Idul Fitri (Muslim celebration of the end of Ramadhan), and Chinese New Year. Indonesians consume significantly greater amounts of flour, sugar, eggs, baking ingredients, poultry, meat, cheese, cakes, cookies, pastries, and fresh and dried fruits during these holidays.
- Even though Christmas is celebrated by less than 10 percent of the population, stores take advantage of the season and decorate and promote festive foods such as special fruits, sweets, and pastries. Other western celebrations such as Valentine's Day, U.S. Independence Day, and Halloween have also become trendy among upper-scale restaurants in Indonesia.

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS IN INDONESIA	
Advantages	Challenges
Market size - Indonesia has a population of around 222 million people.	Weak purchasing power of the majority of the population.
A large expatriate population of 17,000 in Indonesia buys imported goods. Indonesia also does not produce sufficient quantities of beef, dairy products, tree nuts, temperate fresh fruit and vegetables, and pet food	Muslims, who account for 88% of the population, require halal-certified products.
Applied duties on most food and agricultural products are 5 percent and 10 % on certain processed foods during 2006 to 2009.	Import regulations are often complex and non-transparent, thus requiring close business relationships with a local agent. Getting an ML number (registration number) for imported retail package food products is also complicated
The distribution system on the island of Java is improving, providing increased access to a population of 129 million.	Infrastructure outside of the main island of Java, including ports and cold storage facilities, is poorly developed.
U.S. food products have a reputation for quality.	Third-country competition remains strong, especially from Australia, New Zealand, and China. Food product imports from Malaysia, Philippines, and Thailand are also growing.
The food processing industry is constantly creating new products to accommodate Indonesian taste preferences using ingredients that are in limited supply or unavailable in Indonesia.	Bilateral free trade agreements with other countries encourage import of more lower-priced products , particularly from China
Distribution and availability of imported products is expanding due to the rapid growth of the modern supermarket sector, western restaurant chains and bakeries, as well as a well-developed tourism industry with many hotel chains and restaurants.	Consumers tend to require smaller package sizes and importers tend to require smaller shipment sizes, making it difficult for some companies to ship to Indonesia, unless products are transshipped through another Asian port or a consolidator is used.

II. EXPORTER BUSINESS TIPS

Business Customs

- It is strongly suggested that a local agent be used for products packaged for retail sale. Agents will register imported products in order to obtain an import registration (ML) number. Since only an importer may obtain a ML number for each product, choosing a local agent is a very important decision. Other considerations for agents are discussed in the Entry Strategy sections, but principles to keep in mind when choosing a local agent are:
 - Conduct careful, detailed research in order to confirm claims. Prospective representatives who claim connections to important people should be treated with

- extreme caution. Such connections are not necessary - commercial acumen is of greater value in the market.
- Do not grant exclusive rights to a local representative until after working with them in order to gain a clear understanding of their capabilities.
 - Pay attention to accounting standards applied in the preparation of reports supporting the financial standing of a potential representative or partner.
- Most importers also act as distributors whether as exclusive agents or as consolidators and have offices or local distributors in major cities all over Indonesia.
 - Educate the importer, the retailer, and the consumer about your product. Exporters should not assume that Indonesian companies know how to promote, handle, and prepare imported products. Food processors often require assistance developing products using imported food ingredients. Support your importer, distributor, and agent by maintaining product quality
 - Market research, especially for product testing, price comparison, and adjusting the product for local tastes is important. Importers, distributors, food service providers and retailers can help with market research as well as understanding government regulations, which is critical.
 - While quality and price are important, they are secondary to the personal interaction with business partners. Face-to-face meetings are very important to Indonesians, though younger importers are more comfortable with establishing their relationships via electronic communication. Exporters usually must visit Indonesia 2-3 times before details are finalized.
 - One place to start if considering exporting to Indonesia is Singapore. Shipments to Indonesia and Singapore can be combined and first sent to Singapore. The Indonesian market tends to require smaller shipment sizes than may be cost-effective to send to Asia and shipping times from Singapore are short. Singaporean agents, importers, distributors, and retailers are sophisticated and understand the Indonesian market well.
 - Product should be packed and shipped for a tropical climate and have clear storage instructions. Few cold storage or air-conditioned facilities and delivery trucks exist. Sometimes stores turn off cold storage facilities at night to conserve energy.

Food Standards and Regulation (FAIRS Report ID7027) & Export Certificate FAIRS Report (ID7032)

- According to Indonesian regulations, imported products packaged for retail sale must be registered with the National Agency for Drug and Food Control to obtain a ML number. The registration process can be lengthy, bureaucratic, and costly, so it is best to use a local agent.
- Food labeling is required. The government is currently in the process of implementing new food labeling guidelines. Halal certification and labeling is not mandatory at this time but these guidelines are also under review. Given that more than 88 percent of the population professes the Islamic faith, it is highly recommended that a halal certification be obtained. U.S. Islamic Center approved by Indonesian Muslim Council (MUI) must issue halal certificates.
- All beef and poultry products must be certified halal and the products must originate from slaughterhouses, which have been inspected and approved by Indonesian veterinary (DG Livestock) and religious authorities (MUI). Also, each imported meat shipment requires prior approval by the Ministry of Agriculture. U.S. beef is still banned

due to BSE. The Indonesian government does not permit import of U.S. poultry parts, but recently issued regulations allowing imports of mechanically deboned poultry meat.

- At this time, Indonesia is not accepting imports of pet food from the United States.
- Imported table grapes must be produced in a pest free area. In The United States, only the state of California has been declared by the Government of Indonesia as an area which is free from *Ceratitis capitata*. Fresh fruit and vegetables except table grapes originating in California, must be treated prior to shipment or subjected to in-transit cold treatment.

General Import and Inspection Procedures

- September 1, 2007, Customs at the port of entry tightened the verification, auditing, and inspection procedures of imported products to prevent the entry of imports with unsupported documents. The action was taken to address problems that occurred regarding the customs procedures and valuation made by the Indonesian Customs and the irregular and non-transparent fees required getting shipments released.
- Indonesia's bound tariff rates on major food and agricultural items generally range from 5 to 40 percent. Import duties for a number of processed food products range from 10 to 15 percent. The duty applied to all imported alcoholic beverages is 150 percent.
- The government levies a 10 percent value-added tax on the sale of all domestic and imported goods. A regulation in early 2007 stated that value added tax is exempted for certain strategic products, such as corn, meat, poultry, egg, and fresh milk. A luxury tax ranging from 40 percent to 75 percent is also levied on alcoholic beverages. For imports, these taxes are collected at the point of import and are calculated based on the landed value of the product, including import duties. Sales tax is 2.5 percent and excise for alcoholic beverage and alcoholic concentrate ranges between Rp.2,500-50,000/liter (approximately 25 cents to \$5), depending on the percentage of ethyl alcohol content.

III. MARKET SECTOR STRUCTURE AND TRENDS

A. Retail Sector

Market Overview

Modern retail outlets in urban areas with refrigeration and storage facilities provide good prospects for imported U.S. food products. In major urban areas throughout Indonesia traditional markets are being replaced by modern hypermarkets, supermarkets, and mini markets. At present, many large retailers are engaged in major expansion projects including foreign retail giants such as Carrefour, Giant, Makro, and Lion Superindo (Delhaize group). However, national and local retail chains dominating the market accounting for 97 percent of the market. Franchise mini-market is seeing rapid growth and small mini-market attached to gas station is also growing.

Table 2. Number of Modern Retail Outlets (rounded)

Description	2003	2004	2005	2006
Supermarket	900	960	1,140	1,230
Hypermarket	40	70	80	100
Mini market	4,080	5,600	6,470	7,480
Traditional store	1,745,590	1,745,590	1,874,810	1,846,750

Source: AC Nielsen

Traditional markets, modest kiosks, and street vendors are still entrenched, even in major urban areas. These usually sell traditional products made in homes. Most are made from local products; though soybeans, for tempe and tofu, and beef offal, for bakso (meatballs), are usually imported. Small-scale vendors also account for eighty percent of soft drink and beverage product sales. These traditional retailers accommodate Indonesians whose income only permits them to purchase food on a daily basis.

Table 3. Market Share of Modern Retail and Wet Market (%)

Year	Modern Outlets	Wet Market
2000	21.8	78.1
2001	24.8	75.2
2002	25.1	74.8
2003	26.3	73.7
2004	30.4	69.6
2005	32.4	67.6
2006	34.0	66.0

Source: AC Nielsen

Table 4. Sales of soft drinks and other beverage products by small-scale vendors in 2005

Products	Volume (million liter)	Value (Billion Rp.)	Volume growth (%)	
			2004/2005	Annual 2005-2010 (est.)
Bottled Water	10,130	8,580	11.0	5.7
Asian specialty drinks	820	4,550	6.4	7.1
Ready to drink teas	770	4,180	6.0	7.0
Carbonates	610	3,850	2.8	3.4
Sports drinks	140	2,110	24.2	17.5
Concentrate	60	3,270	5.0	3.5
Fruit-flavored drinks (no juice content)	40	110	20.0	16.1
Fruit and vegetable juices	30	300	14.9	12.9

Source: Euromonitor

Most supermarkets, hypermarkets, and wholesalers buy their imported fresh fruit, meat, and other processed food from distributors or agents. Some import perishable products, using multiple agents who purchase directly from foreign suppliers. This trend is expected to expand in the near future. For some national chain outlets, it is easier to purchase some items locally rather than have products purchased and shipped from headquarters in Jakarta. Private labels in the form of repacked bulk products such as flour, sugar, rice,

mung-bean, peanuts, egg, frozen foods, and bakery products, can be found in foreign and national chain outlets.

Table 5: Retail & Food Service Sales of Package Food in 2006

Product	Food Service	Retail	
	Volume	Volume	Value (Trillion Rp)
Dried processed food (000 ton)	1,809	5,197	28.9
Bakery products (000 ton)	638	843	14.9
Dairy products (not calculable)	-	-	14.9
Noodles (000 ton)	219	1,079	10.9
Confectionery (000 ton)	7	172	10.2
Sweet and savory snacks (000 ton)	63	254	6.4
Oils and fats (000 ton)	688	527	6.0
Baby food (000 ton)	-	79	5.6
Sauces, dressings and condiments (000 ton)	222	246	3.9
Ice cream (000 liter)	43,477	77,224	2.0
Frozen processed food (000 ton)	5	35	1.9
Canned & preserved food 000 ton)	3	43	1.4
Others (Meal replacement products, ready meals, soup, pasta, chilled processed food, spreads) (000 ton)	6	25	1.3

Source: Euromonitor

Future Trends

In the near future, consumer behavior to shop at modern outlets is expected to continue due to comfortable shopping spaces, a complete range of goods, a consistent quality of products, competitive prices, good service, and easy accessibility. The presence of bakeries, snack outlets, and other food specialty outlets in big cities also provide shopping alternatives for consumers. Consumers are adjusting to paying higher prices for imported and local food products. However since most spend a significant portion of their income on food, the average Indonesian consumer is not a significant buyer of imported products due to their low purchasing power relative to the cost of imported items. The imported products they purchase will be in small quantities and few in number. They will remain very selective in their choices. They will be looking for branded products they see advertised at prices they can afford. There is growing interest in the nutritional aspects of food products. Also, women working outside of their home are looking for ready-to-cook and ready-to-eat foods.

Entry Strategy

The volume of specific imported products is relatively small when compared to the size of the country and the regulation can be confusing. 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. The agent will also be responsible for obtaining a ML number.

Depending on the product and intended market, appointing a supermarket as agent and exclusive distributor is best, particularly for gourmet and specialty upscale products not likely to generate sufficient volume. Nevertheless before the decision is made, it is recommended

that initial sales efforts to Indonesia should include discussions with potential agents as well as with key retailers to determine the best local partners.

Best Market Prospects

Best market prospects for U.S. suppliers include fresh fruit, beef offal, frozen french fries, frozen vegetables, snack foods (confectionery, potato chips, popcorn), canned foods, sauces and seasonings, and salad dressings. Niche markets exist for frozen meat and poultry, delicatessen items, cooking and salad oils, breakfast cereals, pasta, tomato paste, and non-alcoholic beverages.

B. HRI Food Service Sector

Market Overview

Indonesia's HRI sector is extremely diverse, consisting of hotels and restaurants that serve local and international cuisine, fast food outlets, clubs, small restaurants, street-side open air restaurants known as warungs, and vendors that sell food to customers on the street. Catering operations serve airlines, factories, private social functions, cruise and military ships, mining and oil operations, prisons, and hospitals. The sector is concentrated in the urban areas, with Jakarta having the highest number of food service outlets, followed by Surabaya, Bandung, Bali, Medan, and Makassar.

In the HRI sector, four and five-star hotels catering to the tourist industry and up-scale restaurants specializing in Western and other non-Indonesian foods are the dominant users of imported food products. Local caterers and restaurants tend to purchase local products.

The number of foreign tourists remains stable. Bali remains the most visited tourist destination in Indonesia. Singapore, Japan, Malaysia, Australia, Taiwan, and South Korea account for the highest tourist arrivals by nationality during 2000-2005.

Table 6. Indonesian Tourism Indicators

Description	Year					
	2001	2002	2003	2004	2005	2006
No. of foreign tourists (mil)	5.2	5.0	4.5	5.3	5.0	4.9
Revenue (US \$mil)	5,396	4,306	4,037	4,798	4,522	4,448
Occupancy Rate (%)	45	44	45	45	45	45
Number of hotel rooms	260,000	260,000	263,000	273,000	280,000	285,530

Source: Central Bureau of Statistic-Indonesia

Over the last few years, more foreign and local owned boutique and resort hotels have been built in Bali. New hotels are being constructed in other Indonesian cities to accommodate business visitors, MICE (Meetings, Incentives, Conferences, and Exhibitions), and local cultural events.

The expansion of franchise restaurants such as fast food, casual dining cafés, international and family style restaurants, and food courts is expected to increase demand for imported food products. International franchise outlets have a relatively strong presence; local restaurant and bakery franchise outlets are also rapidly increasing. The number of restaurants has increased in conjunction with the proliferation of new shopping malls and office buildings in recent years. Western style fast food outlets purchase imported food, but

the variety is limited to such items as frozen french fries, mozzarella cheese, and condiments. Restaurants serving noodles, Japanese food, pizza, and fried chicken, as well as bakery product outlets and coffee houses are prominent and tend to use imported frozen potato products, dressings, sauces, whipping cream, bakery products, and a variety of coffee ingredients, such as creamer, honey, and flavorings. Most Korean restaurants in Jakarta would prefer to serve U.S. beef. Local restaurants offering traditional food use beef offal.

Caterers are mainly small to medium-sized private enterprises that serve factories, mining and oil operations, offices, schools, hospitals, company events, private social functions, and weddings. Imported products used by caterers tend to be beef offal, fresh fruit, vegetables, dressings, and bakery ingredients.

Away-from-home eating is a common activity across all levels of income. About 28 percent of the population eats at fast food restaurants at least once a week. In addition to more eating lunch out during the work week, the change to a more westernized life style and increased income levels has contributed to more Indonesians dining out with peers in standard Western food service outlets and visiting shopping malls for recreation during the weekend. Eating out as a family every weekend is done by a smaller number, but is becoming increasingly popular.

Future Trends

Travel warnings from several foreign countries for security reasons have not severely impacted the number of individual tourist arrivals, meetings, conferences, or exhibitions. Though the number of foreign tourists should increase, the customer base for most of the HRI trade is expected to shift to a higher percentage of Indonesian customers due to domestic airfare prices becoming more competitive in the past three years. This has led many in the HRI sector to focus more on Indonesian customers, who tend to be more price conscious.

Entry Strategy

The need for a local agent also applies when selling to the HRI trade in Indonesia. A reputable importer or distributor can represent imported products, obtain the import licenses and have knowledge of customs clearance procedures required to successfully bring in products.

Jakarta and Bali remain the ideal locations to target the HRI food service sector. These cities have a large number of five star hotels and up-scale restaurants that purchase imports to cater to a sizeable expatriate community and a large numbers of foreign visitors.

Best Market Prospects

Best market prospects for U.S. suppliers include duck, turkey, seafood, french fries, bakery ingredients, sauces and seasonings, oil and vinegars, cereals, canned seafood, canned food, fresh fruits, soft drinks, juices, tree nuts, ice cream, snacks, beer, reasonably-priced wines, liquor, and beef, beef liver, heart, and prime rib.

C. Food Processing Sector

Market Overview

Indonesia offers significant market potential for U.S. suppliers of food and agricultural ingredients to the local food-processing sector. 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 that sell in traditional warungs or as street vendors. Large and medium-scale industries, which includes 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. Large-scale food processors use halal-approved production methods and have certificates approved by MUI.

The growth of the food-processing sector can be attributed to the introduction of new food products, aggressive promotional activities, growth of modern retail outlets, customer sophistication, and growing health consciousness. In the future, more consumers are expected to make purchasing decisions based on health and wellness concerns and mostly in the form of fortified foods. More processors are finding they can add value by fortifying their products. Currently, noodle and dairy products account for 91 percent of health and wellness packaged foods. However, sales of sports drinks are also expected to grow. The variety offered in packaged foods has also increased in the last few years. This includes frozen poultry and seafood products, sausages, sugar confectionery, instant noodles, savory snacks, dairy drinks, and soft drinks. Fruit-flavored water drinks are popular because the price is only a little more than bottled water.

Soybean based products such as tofu, tempe, and soy milk as a health drink packed in a transparent plastic bag, are produced in homes and sold in the traditional warungs, by street food vendors, or door to door. Beef heart is also popular among these sectors for use in making meatballs to be sold also by traditional warungs and by street food vendors.

Entry Strategy

Primary imports for food processing such as, frozen beef offal, wheat, and skim milk powder are most commonly imported directly by the food processor. Essential complementary inputs such as flavorings or preservatives are usually bought from a local importing agent 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 companies may choose to act as importers 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.

Investment Trends

The AFTA (ASEAN Free Trade Agreement) zone, which gives favored treatment to regional production, will create further competition from ASEAN members, but may offer some opportunities for U.S. suppliers as well. AFTA will make it easier for food processors based in one ASEAN country with good supporting investment facilities to distribute its products to neighboring countries. U.S. food ingredient suppliers should be able to ship food ingredient

products in larger volumes to Asia and then transship to other countries that require smaller quantities, such as Indonesia. However, U.S. companies that have a food processing in one of ASEAN country will distribute their finished products to neighbor countries, such as almond processor in Thailand.

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. In addition, recent supply decreases have increased the prices of important inputs such as cooking oil and beef.

There is a tendency among Indonesian packaged food and candy manufacturers to contract manufacturing out to processors on mainland China to avoid high production and raw material costs, such as labor and sugar.

Consumption Trends

The majority of consumers are price conscious. Out of the 54 percent of income spent on food, only 11 percent is spent on processed food and beverages, though this represents about US \$8.7 billion annually. To address consumer price concerns, producers are providing smaller package sizes and single-serve packaging, refill packaging, and no-frill products.

Best Market Prospects

Best market prospects include food-use soybeans, beef, cheese and other dairy products, flavorings, processed poultry products, processed potato products, fruit concentrates, bakery ingredients, and wheat flour-based food products as an alternative to rice for use in processing noodle and baked goods.

D. Distribution System

The distribution system is complex due to the widespread and diverse nature of the country with its thousands of islands. In many cases, the infrastructure is insufficient to handle refrigerated products, especially outside of the cities and the island of Java. There are only a few national distributors who service the whole country. Most agents and distributors have a local reach, so there are hundreds of wholesalers and millions of retailers.

Inadequate ports are the single largest and most consistent complaint in every province among all levels of the distribution system. Ports have shallow drafts, which require smaller ships, inadequate loading and unloading facilities resulting in frequent congestion, unreliable shipping schedules, and an inadequate number of smaller ships serving eastern Indonesia, particularly during periods of bad weather. As a result, there are frequent shortages and firms hold higher than desired inventories, with the accompanying higher costs.

Imported products that enter the Indonesian market often move to a distributor or agent, who in turn, sells them directly to modern retail outlets, food service industry, and food and beverage manufacturing. Delivery of the products may be direct to the stores or to the warehousing facilities of the retailer, food service provider, or processor. Only a few retailers buy directly from foreign suppliers and assume responsibility for logistical functions. Major food processors tend to import directly while smaller operations tend to buy through local agents.

The trade in fresh fruit differs from other consumer-ready food products. Fresh fruit imports are dominated by trading houses that specialize in fruit. Unlike direct deliver to modern

outlets, fresh fruit will change hands several times before reaching the consumer, usually at the wet market or curbside fruit stands.

The poor distribution system makes it difficult for restaurants and retailers to get a consistent supply of quality food products. Sometimes distributors sell outdated products that were purchased inexpensively or a frozen product that was not stored correctly and later refrozen. In addition, restaurants and retailers must deal with a large number of distributors since most of the distributors carry only a handful of products or carry a limited supply.

IV. BEST HIGH-VALUE PRODUCT PROSPECTS

Best market prospects for imported product, as identified by the FAS Jakarta based Global Trade Data (Indonesian Custom data) report is as follows:

Product Category	2006 Import (\$mil)	2006 Import from US (\$mil)	5Yr. Avg Annual Import Growth (%)	Import Tariff Rates	Key Constraints to Market Development	Market Attractiveness for USA
Dairy Products excl cheese	547	80 (Mainly Non fat dry milk, Lactose, whey)	14.8	5% except Yogurt & SCM - 10% during 2006-2009	Competition from Australia and New Zealand	Demand for dairy processors, food & beverage industries, and bakeries are increasing
Fresh fruit	318	40 (Mainly Apples & Grapes)	20.60	5% except mandarin 25%	Competition from China, Thailand, Australia, and Pakistan. Recent regulations inhibit some US fresh fruit imports	Health awareness pushes the demand for quality fresh products
Other consumer oriented food products	398	40 (Mainly food prep, canned food, mayonnaise, gelatin, starch, pastry)	15.8%	5%	Competition from Netherlands, Malaysia, China, Thailand, Singapore and South Korea	Food service and food processors need more and consistent supply of products due to growth
Red meats fresh, chilled, frozen	86	0	16.6	5%	Competition from Australia and New Zealand, ban of US beef due to BSE	Prime beef for high-end restaurants and offal for the lower to mid-class food service industry
Processed fruit & Vegetables	66	24 (Mostly onion powder, French fries potato flakes, sauces, celery)	18.6	Mostly 5% 10% for processed fruit during 2006-2009	Competition from China, Canada, Thailand, and Singapore	Increased consumption of fruit juice due to health awareness
Snack food excl nuts	46	0.4 (Mainly confectionary, potato chips, popcorn)	-8	5%	Competition from China, Malaysia, Switzerland, Thailand, Singapore	Retail industry development pushes sales of snack food products
Tree nuts	6	2.6 (Mostly Almonds)	44.4	5%	Competition from China and local products	Fast-growing bakery industry needs
Pet foods	7	3 (Mostly dog & cat food)	18.8	5%	Competition from Thailand and Australia	Demand exists for niche market
Fish & Sea	44	2	30.6	5% except	Competition	High-end

food		(Mostly crab, crab meat, & other seafood)		fish canning - 10% during 2006-2009	from China, Japan, Singapore, local products, Thailand, and Malaysia	restaurants need non-tropical seafood products
Cheese	30	3	5.2	5%	Competition from Australia, New Zealand, France, and Netherlands	Demand from the food industry and bakeries are increasing
Fruit & vegetable Juice	8	1 (mix fruit juice)	18.4	10% during 2006-2009	Competition from Australia, Singapore, Brazil, and Japan	Health awareness creates demand for quality fresh products

V. KEY CONTACTS AND FURTHER INFORMATION

Government of Indonesia Contacts for Food & Beverage Control				
Organization	Contact Person	Address	Phone	Fax
POM (National Agency for Drug and Food Control)	DR. Husniah Rubiana Thamrin Akib, MS., M.Kes, SpFk	Jl. Percetakan Negara 23, Jakarta Pusat, Indonesia	62-21-424-4688; 424-3605	62-21-425-0764
Ministry of Agriculture - Department of Agriculture-Directorate General of Livestock Services	Zainal Bachruddina – acting Director	Central Office of Agriculture, , C Bld, 6 th Floor, Departemen, Jl. Harsono R.M. No.3, Jakarta 12550, Indonesia	62-21-781-5580	62-21-781-5581
Ministry of Agriculture – Agency for Agricultural Quarantine	Ir. Syukur Iwantoro, MS., MBA – Director General.	1 st Floor, Building E, Jl. Harsono RM. No. 3, Ragunan, Jakarta 12550	T: 62-21 781-6481, 780-5641 to 44 ext 1103	F: 62-21-781-6481/6483 syukur@deptan.go.id
Indonesian Trade Association Contact List				
APRINDO (Indonesian Retail Merchants Association)	Mr. Handaka Santosa, Ketua Satria Hamid Ahmadi S. – Secr.	E-Trade Building, 3 rd Floor, Jl. Wahid Hasyim No.55. Jakarta 10350, Indonesia	62-21-315-4241; 392-8545	62-21-3192-3267 aprindo@cbn.net.id
ASIBSINDO (Indonesian Fruit & Vegetables Importers Association)	Drs. Hendrawan - Chairman	Plaza Dwima I, Lt IV Jl. Jend. A. Yani Kav 67 Jakarta Pusat	62-21-420-6544	62-21-420-6544 kahansamitrabuana@yahoo.com
ASPIDI (Association of Indonesian Meat Importers)	Mr. Thomas Sembiring, President	Jl. Raden Inten No. 82C, Duren Sawit Jakarta	62-21-7033-0972/0973	62-21-8661-4162 asp_1984@cbn.net.id

		13440		
NAMPA (national meat Producers Association)	Ms. Betsy Monoarfa	Jl. Pembangunan II No. 27 Jatibening I, Pondok gede Bekasi 17412	62-21- 9290-7948	62-8499-8279
ASRIM (Association of Beverage Industries)	Mr. Mugijanto	Wisma GKBI Lt 8 Jl. Jend. Sudirman Kav 28 Jakarta 10210	62-21- 572-3838	62-21-574-0817
APIKI (Indonesian Fish Cannery Association)	Hendri Sutandinata, MBA, Chairman	Jl. Cipinang Indah Raya No. 1, Jakarta 13420, Indonesia	62-21- 819-6910	62-21-850-8587
IPS (Dairy Processor Association)	Mr. Sabana, Director & Mr. Syahlan Siregar (Secretary)	Wisma Nestle, 5 th . Arcadia Office Park, Jl. Letjen T.B. Simatupang Kav 88, Jakarta 12520	62-21- 7883-6000 ext 1501	62-21- 7883-6001
GAPMMI (Indonesian Food & Beverage Association)	Ir. Thomas Dharmawan – Executive Director	Building F, 2 nd Floor, Room 224A Ministry of Agriculture Jl. Harsono RM No. 3 Jakarta 12550	62-21- 7032- 2626/27	62-21-780-4347 gapmmi@indosat.net.id
Indonesian Cold Chain Association (ARPI/Assoc Rantai Pendingin Indonesia)	Ir. Hasanuddin Yasni, MM Executive Director	IBA Building, 2 nd Floor, Jl. Raya Pasar Minggu No. 2 B-C, Pancoran, Jakarta 12780	62-21- 797-2311	62-21-797-2519 arpi@arpionline.org hsyasni@arpionline.org

U.S. Cooperator and MAP Participants				
Organization	Contact Person	Address	Phone	Fax
AgriSource Co., Ltd Regional representative for USA Dry Peas, Lentils & Chickpeas	Tim Welsh, Managing Director	Ambassador's Court, 4 th Floor, No. 416, 76/1 Soi Lang Suan, Ploenchit Road, Bangkok, Thailand 10330	(66-2) 251- 8655 /6	(66-2) 251-0390 E-mail: agsource@loxinfo.co.th
Lieu Marketing Assoc. Pte. Ltd Regional representative for: California Pistachio Commission, California Table Grape Commission, California Tree Fruit Agreement, Pear Bureau Northwest, Raisin Administrative Committee, United States Potato Board, Wine Institute of California,	Richard Lieu, Director	48 Toh Guan Road East # 02-129 Enterprise Hub Singapore 608586	(65) 6515- 6113	(65) 6278-4372 E-mail: gabaric@singnet.com.sg
Peka Consult, Inc. Country representative for Washington Apple Commission, California Table Grape Commission, Pear Bureau Northwest, Sun-maid raisin, Sunkist Pistachious	Kafi Kurnia, Leonard Tjahjadi, Dian Mediana	Jl. Kemang Raya No. 1, Jakarta, Indonesia 12160 Wijaya Grand Center Blok D 14; Jl. Wijaya II; Jakarta 12120	(62-21) 721- 1358 (62-21) 720- 5077	(62-21) 721-1357 (62-21) 720-5013 E-mail: peka@indo.net.id
PT Swaco Prima Windutama Country representative for U.S. Grain Council and American Soybean Association	A. Ali Basry, Director	Wisma Mitra Sunter #201, Blok C-2, Blvd Mitra Sunter, Jl. Yos Sudarso Kav 89, Jakarta, Indonesia 14350	(62-21) 651- 4752/53	(62-21) 6583-1087 E-mail: asagrain@indosat.net.id
PacRim Assoc. Ltd Regional Representative for the	Dan Fitzgerald, Director	11/14 Soi Ruam Council, Wireless Road, Bangkok 10330	(66-2) 689- 6311	(66-2) 689-6314 E-mail: usdec@pacrim.co.th

U.S. Cooperator and MAP Participants				
Organization	Contact Person	Address	Phone	Fax
U.S. Dairy Export Council				
U.S. Meat Export Federation	Eric Choon, Asean Director	39 Tyrwhitt Road, 3 rd Floor Suite, Singapore 207538	(65) 6733-4255/6	(65) 6732-1977 E-mail: echoon@usmef.com.sg
USA Poultry & Egg Export Council	Margaret Say Regional Director	# 15-04 Liat Towers, 541 Orchard Road, Singapore 238881	(65) 6737-1726	(65) 6737-1727 E-mail: usapeec_sing@pacific.net.sg
U.S. Wheat Associates	Mark Samson Vice President for South Asia	# 15-02 Liat Towers, 541 Orchard Road, Singapore 238881	(65) 6737-4311	(65) 6737-9359 E-mail: msamson@uswheat.org
American Soybean Association	John Lindblom Regional Director	#11-03 Liat Towers, 541 Orchard Rd., Singapore 238881	(65) 6737-6233	(65) 6 737-5849 E-mail: asaspore@pacific.net.sg
U.S. Grains Council	Kimberly Rameker - Regional Director	Suite 3B-7-3A, Block 3B Level 7, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia	(60-3) 2273 6826	(60-3) 2273 2052 E-mail: krameker@usgc.com.my

VI. POST CONTACT AND FURTHER INFORMATION

The Foreign Agricultural Service (FAS) of The U.S. Embassy in 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 to the Indonesian market. Questions or comments regarding this report should be directed to FAS in Jakarta at the following local or U.S. mailing address:

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

Foreign Agricultural Service

U.S. Embassy-Jakarta
Box 1, Unit 812
FPO AP 96520-0001

Please browse 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 other countries.

APPENDIX I- STATISTIC

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

Item	Import from the World (million)			U.S. Market Share (%)		
	2006	2005	2004	2006	2005	2004
Agricultural Products	6,138	5,333	3,221	17	16	18
Consumer-Oriented Agr.	1,706	1,403	1,224	11	12	11
Edible Fish & Seafood Products	44	35	87	5	7	3
Demographic Information: Indonesia						
Total Population (million) in 2005	219		Annual Growth Rate in 2005		1.34%	
Urban Population (million) in 2002	90		Annual Growth Rate		N/A	
Number of major Metropolitan Areas	10					
Size of the Middle Class (millions) in 2005	33		Growth Rate in 2005		N/A	
Per Capita Gross Domestic Product in 2006	US \$1,641*					
Unemployment Rate in Feb 2007	13.18%					
Per Capita Food Expenditures in 2006	US \$204*					
Percent of female Population Employed in February 2007	59%					
*: In 2006, average per capita expenditure US \$384 (53% for food); US \$1=IDR 9,158						

Exchange Rate (Rp./1US \$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	9,369	9,280	9,117	8,826	9,212	9,353	9,124	9,1119	9,205	9,110	9,165	9,020
2007	9,090	9,160	9,118	9,083	8,828	9,054	9,186	9,375				

Source: Central Bureau of Statistic (BPS-Badan Pusat Statistik) and Business Indonesia Daily Newspaper

TABLE B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

Indonesian Imports (in million of dollars)	Import from the World			Import from U.S.			U.S. Market Share (%)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
CONSUMER-ORIENTED AGRICULTURAL TOTAL	1,224	1,403	1,706	139	165	106	11	12	11
Snack Foods (Excl. Nuts)	54	49	47	0	1	0	1	1	1
Breakfast cereals & Pancake Mix	7	9	9	1	1	1	9	8	8
Red Meats, Fresh/Chilled/Frozen	54	77	86	9	11	0	16	14	0
Red Meats, Prepared/Preserved	5	8	14	0	0	0	1	0	0
Poultry Meat	1	4	5	0	0	0	30	9	4
Dairy Products (Excl. Cheese)	417	508	547	45	61	80	11	12	15
Cheese	28	28	31	1	2	3	5	5	11
Eggs & Products	3	3	4	0	0	1	1	2	18
Fresh Fruit	211	212	318	37	38	40	17	18	13
Fresh Vegetables	79	100	157	0	1	1	0	1	1
Processed Fruit & Vegetables	51	53	66	18	16	24	35	30	37
Fruit & vegetable Juice	7	12	8	0	0	1	4	3	9
Tree Nuts	3	3	6	2	2	3	46	52	42
Wine & Beer	0	0	0	0	0	0	0	0	0
Nursery Products & Cut Flowers	1	2	2	0	0	0	2	1	2
Pet Foods (Dog & Cat Food)	5	6	8	1	2	3	24	34	39
Other Consumer-Oriented Products	298	328	398	25	30	40	8	9	10
FISH & SEAFOOD PRODUCTS	87	35	44	2	3	2	3	7	5
Salmon	2	3	3	0	0	0	0	0	2
Surimi	1	0	0	0	0	0	2	0	27
Crustaceans	58	10	8	2	2	1	3	17	17
Groundfish & Flatfish	6	6	4	0	0	0	1	2	1
Molluscs	4	3	3	0	0	0	11	8	9
Other Fishery Products	16	14	26	0	1	0	3	5	1
AGRICULTURAL PRODUCTS TOTAL	5,220	5,333	6,138	940	864	1,038	18	16	17
AGRICULTURAL, FISH & FORRESTRY TOTAL	5,458	5,557	6,405	944	869	1,042	17	16	16

TABLE C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

CONSUMER-ORIENTED AGRICULTURAL TOTAL -400				FISH & SEAFOOD PRODUCTS-700			
(\$1,000)	2004	2005	2006	(\$1,000)	2004	2005	2006
China (Peoples Republic of)	188,849	224,271	362,091	China (Peoples Republic of)	35,431	3,793	9,605
Australia	151,583	195,989	215,228	Japan	3,681	3,668	4,492
United States	138,848	164,676	195,838	Singapore	3,583	6,501	4,430
New Zealand	125,619	153,163	195,695	Indonesia	4,484	3,760	3,887
Thailand	102,207	103,278	134,874	Thailand	6,987	1,516	3,836
Singapore	49,814	88,576	99,144	Malaysia	5,998	3,166	3,446
Netherlands	97,261	93,209	92,469	South Africa	680	20	2,455
Malaysia	63,407	65,874	81,807	United States	2,475	2,586	2,229
Philippines	76,635	72,307	75,615	Taiwan	3,044	887	1,687
France	23,839	27,609	31,906	Vietnam	925	624	1,529
Korea, South	20,718	24,417	29,592	Norway	1,101	1,475	1,319
Germany	17,825	18,076	17,628	Chile	386	561	1,015
Canada	12,401	19,262	14,980	Korea South	356	687	790
Denmark	21,754	25,393	11,791	Namibia	0	0	490
Belgium	7,882	10,012	11,380	Pakistan	792	336	473
Other	125,747	103,995	126,120	Other	17,473	5,821	2,807
World	1,224,389	1,403,467	1,706,176	World	87,400	35,403	44,489

APPENDIX II. CALENDAR OF TRADE SHOWS IN INDONESIA

Name of Event	FOOD & HOTEL INDONESIA 2008
Event Location	Bali International Convention Center, Nusa Dua - Bali, Indonesia
Industry theme	The 6 th International Exhibition for Equipment, Food, Beverages and Services to Support Indonesia's Tourism and Hospitality Industries; The 6 th International Retail Technology, Equipment, Display, and Storage Exhibition
Dates of Event	February 28-March 1, 2008
Type of Event	International Exhibition
Name of Organizer	P.T. Pamerindo Buana Abadi
Phone of Organizer	(62-21) 316-2001
Fax of Organizer	(62-21) 316-1983/4
E-mail of Organizer	wiwiek@pamerindo.com
Web site	www.pamerindo.com

Name of Event	FOOD & HOTEL INDONESIA 2009
Event Location	Jakarta International Exhibition Center, Kemayoran, Indonesia
Industry theme	The 10 th International Hotel, Catering Equipment, Food and Drink Exhibition; The 6 th International Retail Technology, Equipment, Display, and Storage Exhibition
Dates of Event	April 1-4, 2009
Type of Event	International Exhibition
Name of Organizer	P.T. Pamerindo Buana Abadi
Phone of Organizer	(62-21) 316-2001
Fax of Organizer	(62-21) 316-1983/4
E-mail of Organizer	wiwiek@pamerindo.com
Web site	www.pamerindo.com

OTHER RELEVANT REPORT

1. Food and Agricultural Import Regulations and Standard Annual Report (ID7027)

<http://www.fas.usda.gov/gainfiles/200708/146291902.pdf>

2. Export Certificate FAIRS Annual Report (ID7032)

3. Food Processing Ingredients Sector Update (ID7008)

4. Product Brief: Bakery Ingredients (ID6013)

<http://www.fas.usda.gov/gainfiles/200606/146198046.pdf>

5. HRI Food Service Sector Update (ID6001)

<http://www.fas.usda.gov/gainfiles/200601/146176609.pdf>