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Report Name: Food Service - Hotel Restaurant Institutional

Country: Indonesia

Post: Jakarta

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Report Highlights:

The Indonesian foodservice industry is valued at USD$22.8 billion, making it the largest market in Southeast Asia. Leading U.S. food prospects in this market include cheese, frozen potatoes, beef, fruits, pork, wine, and tree nut products that mostly used by international hotel chains, high-end restaurants, and international fast-food chains. The Government of Indonesia has lifted all Covid-related restrictions, including those affecting hotel and restaurant capacities and domestic and international travel, which has led to a rapid recovery of the foodservice sector, opening opportunities for imported foods.

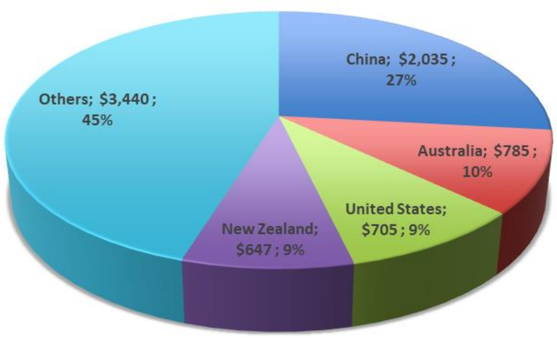
Post: Jakarta

Market Fact Sheet: Indonesia

Executive Summary

Indonesia is the fourth most populous nation in the world, with a population of approximately 273 million in 2021. Fifty-six percent of the population lives on Java Island, one of the most densely populated areas in the world. In 2021, Indonesia's GDP reached $1,185 billion and GDP per capita reached $4,349.5 (est.). Indonesia is a major producer of rubber, palm oil, coffee, and cocoa. In 2021, agricultural imports reached $24.4 billion, consisting of $7.6 billion of consumer-oriented products. Soybeans and wheat are the top imports from the United States. Agricultural self-sufficiency is a stated goal of the Indonesian government and is often used to justify trade barriers and restrictions.

Top Consumer – Oriented Product Suppliers to Indonesia, 2021 (million USD)



Food Processing Industry

The food processing industry is comprised of approximately 7,868 large and medium-sized producers; 1.6 million are considered micro and small-scale producers. Most of the products are consumed domestically (mostly retail) and the market is considered highly competitive.

Food Retail Industry

Indonesian grocery retail sales reached $71 billion in 2021 (traditional grocery retailers held 76 percent of the market share). There are four players in the hypermarket space (Carrefour/Trans Mart, Giant, Hypermart, and Lotte Mart), and six in the supermarket segment (Alfa Midi, Hero, Superindo, Ranch Market & Farmers Market, Food Mart, The Food Hall). Major convenience stores include Indomaret and Alfamart.

Food Service Industry

The foodservice sector's total contribution to GDP totalled nearly $23 billion in 2021. The sector is dominated by small restaurants and street-side restaurants known as *warungs*.

Quick Facts for 2021

Agricultural Product Imports: $24.4 billion
U.S. Share (13%) – $3.3 billion
Consumer-Oriented Product Imports: $7.6 billion
U.S. Share (9%) – $705 million
Edible Fish & Seafood Products Imports: $457 million
U.S. Share (6%) – $29 million
Top 10 Growth Products:
Dairy products, baked goods, baby food, confectionery, processed meat & seafood, savoury snacks, sauces, dressing & condiments, sweet biscuit, snack bars & fruit snack, and ice cream & frozen dessert
Food Industry Gross Sales: $78.3 billion
Top 10 Retailers
Indomaret, Alfamart, Alfa Midi, Transmart/Carrefour, Hypermart, Superindo, Giant, Lotte Mart, Farmer's Market, Hero
GDP/Population 2021
Population (millions): 273
GDP: $1,185 billion
GDP per capita: $4,341
Economic Growth
2020: (3.69%)
2021: (-2.07%)
Source: Indonesia Statistics, GTA and Euromonitor

Strength/Weakness/Opportunities/Challenges	
Strengths	**Weaknesses**
Large Consumer Base	Inadequate infrastructure, including ports and cold storage facilities outside of the main island of Java
Opportunities	**Challenges**
Rapid growth of the retail sector; Japanese, Korean, and Western restaurant chains; bakeries; expanding online sales platforms; and increasing export demand for processed products.	Challenging business climate, and unpredictable regulatory environment. Declining HRI and tourism sector due to COVID-19 travel restrictions.

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SECTION I. MARKET SUMMARY

Foodservice sales reached $22.8 billion in 2021, a decline of 9.2 percent from the previous year due to the lingering effects of the COVID-19 pandemic. Full-service restaurants accounted for 83 percent of total foodservice sales, followed by fast food (6.3 percent), cafés/ bars (6.0 percent), street stalls (4.6 percent) and self-service cafeterias (1 percent). However, in 2022, the Government of Indonesia lifted COVID-related restrictions including those affecting hotel and restaurant capacities, and domestic and international travel, which has led to a rapid recovery of the foodservice sector, opening opportunities for imported foods.

Current trends in Indonesia's foodservice industry include:

- **Fast-food chains**. KFC, McDonald's, and Pizza Hut dominate the fast-food chain sector in Indonesia. In 2021, international fast-food chains opened new outlets in primary and secondary cities to expand their network coverage. Among them is KFC, which opened 10 new outlets, including one store under the Taco Bell brand.
- **Healthy restaurant concepts.** In recent years, new restaurants that offer healthy restaurant concepts have sprung up in Jakarta and other prominent cities. In 2020, KFC Indonesia opened a 'Naughty by Nature' outlet in Jakarta, offering a healthier way to consume their fried chicken combined with salads. Other restaurant chains that offer healthy menu items include Saladstop! and Burgreens. These restaurants use imported ingredients such as meat, almonds, chickpeas, salmon, seafood, nuts, etc.
- **Digitalization.** Takeaway and home-delivery services, which enabled the continuation of foodservice sales during the COVID-19 pandemic, continue to be highly popular in Indonesia. For example, KFC reported that their home delivery service recorded a sales growth of 26 percent and accounted for 30 percent of total sales in 2021. Many of these delivery service companies have expanded beyond Jakarta to smaller cities.
- **Specialty coffee shop chains.** The number of coffee shop chains in Indonesia has been continuously growing since 2018, despite the COVID-19 pandemic. In Indonesia, frequenting such venues is currently a major trend amongst middle- to high-income consumers, especially younger generations. Coffee chain Kopi Kenangan alone has grown to more than 500 outlets since it was first launched in 2018.
- **Café and bakery shops.** The growth of premium bakery shops in Indonesia offering a wide variety of artisanal breads, desserts, and pastries is driven by millennials and consumers who are increasingly adopting a westernized culinary lifestyle. In 2021, South Korean bakery giant Paris Baguette opened its first store in Jakarta and aims to open six or more stores by the end of 2022[1]. Local premium bakery chains are also expanding. For example, Monsieur Spoon recently expanded outlets outside Bali Island and has become one of the top go-to French-style bakeries in Jakarta and Bali.

Table 2. Key Economic Data

Year	2017	2018	2019	2020	2021
GDP ($billion) *	1,014	1,042	1,120	1,059	1,185
Economic Growth (%)	5.1	5.2	5.0	-2.1	3.7
Value of F&B Service Activity ($billion)	29	29	31	27	23

Source: Central Bank of Indonesia 2022

[1] https://www.koreaherald.com/view.php?ud=20220324000380

*GDP at market prices

Table 3. Indonesia: Advantages and Challenges for U.S. HRI Food Products

Advantages	Challenges
Food service online sales through delivery and pick-up service have been increasing during the COVID-19 pandemic, including online sales of U.S. fast-food chains.	Many food service outlets have experienced financial adversity due to dine-in restrictions during the outbreak of COVID-19.
International restaurants, hotel chains, boutique hotels, and specialized cafés are increasingly using high-quality imported products such as meat, pork, wine, cheese, fruits, etc.	Animal based products must have an import recommendation from the MoA, product registration from The National Agency for Drug and Food Control (BPOM) as well as an import permit from the MOT.
U.S. food products have an excellent reputation and considered high- quality, healthy, and consistently available.	Imported products are more expensive compared to domestic goods.
Indonesia has a strong "dine-out" and domestic travel culture.	The availability of U.S. foods is limited to restaurants, which are in first and second tier cities.
Consumers are increasingly seeking new and unique products and tastes beyond traditional local cuisine.	Competition from similar imported products produced in Australia, New Zealand, and China may enter duty-free.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

There are several food shows in Indonesia, which provide a great opportunity to offer new to market products and a good first-step market entry venues (please see table 4). In addition, the following reports or websites provide useful information on import regulations, market entry guidance, and import duties:

1. Food and Agricultural Import Regulations and Standards - Export Certificate 2021 - This report provides information on certificates required to export food and agricultural products to Indonesia.
2. Food and Agricultural Import Regulations and Standards - Annual Report 2021 - This report provides information on Indonesia's import requirements for food and agricultural products.
3. Exporter Guide 2021 - This is a useful tool for new-to-export companies which provides an overview of the market dynamics and trends and practical tips on doing business in Indonesia.
4. Indonesia Halal Overview - This report provides an overview of relevant regulations, decrees, and standards related to halal certification and the implementation of Indonesia's 2014 Halal Law.
5. Guide to Re-selling Containerized Cargo After Arrival - This report provides an overview of the general procedures for re-selling containerized cargo after arrival to Indonesia.
6. Tariffs and FTAs Information - Based on HS Code
7. Approved U.S. establishments: Dairy Products, Meat Products

8. U.S. Dairy Plant Registration Guidelines – this report provides information on the questionnaire/process required to apply for approval to export U.S. dairy products.

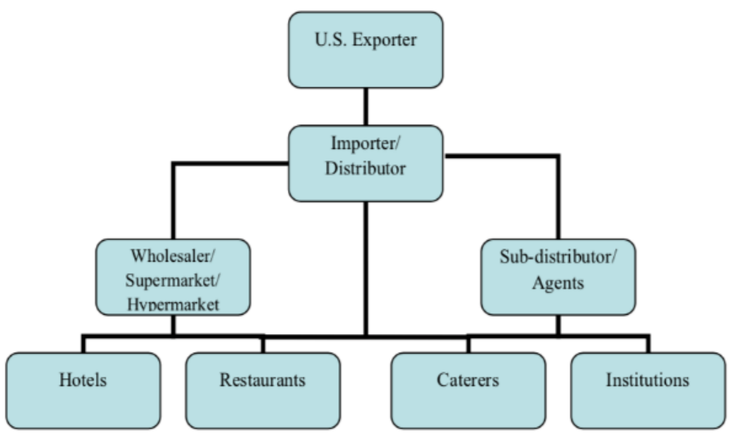
Table 4. Trade Shows in Indonesia

Name of Event	Location	Dates of Event	Website
SIAL Interfood 2022	Jakarta	09 – 12 November, 2022	https://sialinterfood.com/
Indo Livestock	Jakarta	July 6 – 8, 2023	https://www.indolivestock.com/
Food and Hotel Indonesia 2023	Jakarta	25 – 28 July 2023	www.foodhotelindonesia.com
Hotelexpo Indonesia 2023	Jakarta	26 – 28 July, 2022	www.hotelexpoindonesia.com
Food Ingredients Asia 2023	Jakarta	4 - 6 September, 2023	https://www.figlobal.com/asia-indonesia/en/home.html

B. Distribution

Many imported products for the HRI industry enter Indonesia through reputable local importers or distributor agents. They represent imported products, obtain import licenses and permits, understand customs clearance procedures, and distribute products all over Indonesia.

Indonesia: HRI Sector Distribution Channels



C. Sub-Sector Profile

Jakarta and Bali remain the ideal locations to target the HRI food service sector. These cities are home to many hotels and international restaurants that cater to sizeable expatriate communities, foreign visitors, and high-income consumers. Bali remains the ‘trendsetter’ in specialized cafés, hotel chains, and restaurants. Other large cities such as Surabaya, Bandung, Medan, Batam, Balikpapan, Lombok, and Makassar also have potential for import growth.

Hotel

The number of hotels in Indonesia increased significantly from 16,685 to 27,607 hotels, offering 718,898 rooms (2013 – 2021). Although most international hotel chains are in Jakarta, Bali, Bandung, Surabaya, Yogyakarta, and Medan, more are expanding into secondary cities due to infrastructure development and promotion of new tourist destinations.

Major hotel operators in Indonesia:

- Accor (more than 130 hotels), brands: Raffles, Grand Mercure, Pullman, Banyan Tree, Sofitel, Fairmont, Novotel, Ibis, and All Seasons etc.
- Archipelago International (more than 145 hotels), brands: Grand Aston, The Alana, Hotel Neo, Favehotels, Aston Heritage Collection, Quest Hotels, Huxley, Kamuela and Harper etc.
- Starwood (49 hotels), brands: The Bulgari Resort Bali, The Ritz-Carlton, Courtyard, JW Marriot, St. Regis, Westin, Sheraton, Le Meridien, Four Points, Loft, etc.
- Swiss-bel hotel (more than 30 hotels), brands: Swiss-Bel, Zest, Ciputra World etc.
- Hilton (6 hotels), brands: DoubleTree, Hilton, Conrad, Hilton Garden In

Table 5. Number of hotels and rooms in Indonesia, 2020 - 2021

Hotel	2020		2021	
	Hotel	Room	Hotel	Room
5 stars	234	48,251	220	45,839
4 stars	776	113,723	762	112,854
3 stars	1,442	125,870	1,409	122,186
2 stars	808	18,622	760	49,318
1 star	384	53,297	370	14,865
Other	27,179	503,087	24,086	373,836
Total	30,823	870,783	27,607	718,898

Source: BPS - Statistics Indonesia: Statistics of Hotels and Other Accommodations in Indonesia 2021

Table 6. Occupancy Rate of Star Hotels 2018 - 2022

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	51.5	52.4	52.9	53.9	43.5	52.3	56.7	54.1	53.5	56.8	58.6	59.4
2020	49.2	49.2	32.2	12.7	14.5	19.7	28.1	32.9	32.1	37.5	40.1	40.8
2021	30.4	32.4	36.1	34.6	31.8	38.6	22.4	25.1	36.7	45.6	47.8	51.6
2022	42.4	38.5	45.1	34.2	49.9	50.3	49.8					

Source: BPS - Statistics Indonesia

Restaurant

The Indonesian foodservice market is fragmented, with international chains, such as KFC, McDonald's and Pizza Hut, dominating the market. In 2021, these three leading players accounted for just 4% of the market, leaving space for expansion and further consolidation. Most restaurant chains utilize a mix of local and imported products, with cheese, sauces, flavoured beverages and beef items, which are mostly imported. International chains import their ingredients directly through franchisees and buy from local food ingredient importers.

Table 7. Top 10 Foodservice (by value) in 2020 - 2021

No	Restaurant Brand	Category	Number of Outlet		Sales Value (US$ million)	
			2020	2021	2020	2021
1	KFC (Fastfood Indonesia PT, Tbk)	Fast food restaurant	724	724	358.4	334.4
2	McDonald's (Rekso Group)	Fast food restaurant	233	235	334.9	314.1
3	Pizza Hut (Sarimelati Kencana PT, Tbk)	Fast food restaurant	508	510	264.2	235.8
4	Starbucks (Sari Coffee Indonesia PT)	Coffee shop	443	443	96.3	82.8

5	Hokben (Eka Bogainti PT)	Fast food restaurant	170	183	92.9	82.7
6	Restoran Sederhana (Sederhana Citra Mandiri PT)	Indonesian traditional dishes	144	147	79.4	71.3
7	Chatime (Kawan Lama Sejahtera Group)	Milk & tea shop	380	389	67.1	65.2
8	Kopi Kenangan (Bumi Berkah Boga PT)	Coffee shop	411	532	53.6	60.3
9	J Co Donuts & Coffee (Johnny Andrean Group)	Bakery and coffee shop	280	245	80.1	59.6
10	Kopi Janji Jiwa (Luna Boga Narayan PT)	Coffee shop	900	920	58.6	52.7

Source: Euromonitor International and company website

Table 8. Sales Value and Outlet Growth of Indonesia's Foodservice by Type, 2020 - 2021

Foodservice Type	Outlet		Sales Value (US$ million)		Outlet Growth (2021/2020)	Value Growth (2021/2020)	Annual Growth (2016 – 2021)	
	2020	2021	2020	2021			Outlet	Sales
Full-Service Restaurants	103,898	103,165	20,679	18,892	-0.7%	-8.6%	0.5%	-7.7%
Limited-Service Restaurants*	6,929	6,859	1,663	1,450	-1.0%	-10.7%	2.2%	-2.9%
Cafés/Bars	7,670	7,977	1,551	1,361	4.0%	-12.2%	8.1%	-8.7%
Street Stalls/ Kiosks	98,803	97,495	1,197	1,044	-1.3%	-12.8%	0.6%	-2.9%
Self-Service Cafeterias**	588	6,590	132	136	0.3%	-14.9%	-0.1%	-8.8%
Total	217,868	216,086	25,183	22,860	-0.8%	-9.2%	0.8%	-7.3%

Note: *Fast Food and Delivery
**Self-Service Cafeterias: ready-to-eat food from food and beverage areas in grocery outlets
Source: Euromonitor International

Catering

Indonesia's catering industry comprises four categories: hospitality (i.e., hotel, weddings, and other events), institutional, online, and in-flight catering. Hospitality, institutional and online catering services are highly fragmented. Services offered in these categories range from five-star hotels and large institutional suppliers to individually run boutique catering businesses and low-cost providers. In-flight catering, institutional (mining and petroleum companies), and international standard catering services mostly use imported foods such as beef, fresh and canned fruits, frozen potatoes, fruits, cheese, etc. The hospitality sector was quickly growing prior to Covid-19, especially wedding receptions. The sector generated an estimated annual expenditure of $4 billion, of which 70–80 percent were food and beverage sales.

Catering services suffered considerably because of Covid-19. The lack of social gatherings and celebrations, school and office closures, and general prohibition on large events had cut deeply into the profitability of the industry. CAS food, one of Indonesia's leading catering services, reported that meals served in the aviation sector declined by 32.3 percent, while meals served for institutional/industrial catering increased by 25.2 percent in 2021 due to the massive Covid-19 vaccination program led the manufacturing sector to begin its recovery back to its pre-Covid phase.

Major catering company in Indonesia include Pangansari Utama, Aerofood ACS, and Cardig Aero Service Group. Those companies mostly provide international and local menu catering to airlines, industrial and remote catering.

SECTION III. COMPETITION

The U.S. exported $705 million of consumer-oriented products to Indonesia in 2021, making it the third largest exporter after China and followed by New Zealand and Australia. U.S. market share for this segment reached 9 percent in 2021, a decline of 3 percent from the previous year due to a lower export of dairy and fresh fruits.

Products from the United States are considered high-quality and consistently available, but strong competition from China for fresh fruits and from Australia and New Zealand for dairy, beef, and fresh fruits. Consolidated shipments with products from several suppliers are highly favored and can be cost effective for Indonesian importers.

Table 10. Competitive Situation U.S. Suppliers Face in the Indonesian Foodservice Market

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Local Market Situations
Cheese Total imports: US$139 million From USA: US$29 million	1. New Zealand (41%) 2. USA (21%) 3. Australia (13%)	New Zealand and Australia enjoy preferential tariff treatment under the AANZFTA agreement. Both countries also enjoy geographic proximity and lower transportation costs compared to the United States.	Local cheese production is dominated by processed cheeses, while the majority of QSR and premium restaurants use imported cheese such as mozzarella and cheddar.
Fresh fruit Total imports: US$1.4 billion From USA: US$78 million	1. China (66%) 2. Australia (9%) 3. Thailand (8%) 4. USA (6%)	China offers competitive prices with apples, pears, mandarins and grapes and accounted for 87% of Chinese fresh fruits exports to Indonesia.	Tropical fresh fruits dominate the local production with inconsistent supply and poor quality.
Beef & beef products Total imports: US$970 million From USA: US$107 million	1. Australia (42%) 2. India (30%) 3. USA (11%)	Australia has geographic proximity and competitive pricing advantages. The market opened for Indian buffalo meat in 2016 and Brazilian meat in 2019 as an effort to stabilize beef prices, mostly sold through wet markets and middle supermarkets.	Shortage of domestic supply, food service sector relies on imports. Increasing Korean, Japanese BBQ and steak-house restaurants have contributed to the sales of imported beef.
Seafood products Total imports: US$457 million From USA: US$29 million	1. China (14%) 2. Australia (7%) 3. USA (6%)	China supplies mackerels, crabs, and tuna with competitive prices, while Atlantic salmon from Australia gained an advantage from the absence of Norway salmon for the past two years in Indonesia due to regulatory issues (health certificate).	Indonesia is one of the largest producers as well as exporters of tuna and shrimp in the world. Imported crabs and salmon dominate the consumption in premium restaurants.
Pork & pork products Total imports: US$7.8 million From USA: US$1.1 million	1. Denmark (31%) 2. China (31%) 3. Spain (29%) 4. USA (9%)	China mostly offers canned pork for retail consumption, while Denmark and Spain offer frozen pork meat with competitive price compared to the United States.	Local production is available in Bali, but premium restaurants rely on imported products.
Wine &beer Total imports:	1. Italy (20%) 2. Australia (20%)	Australian wine is well known with its quality and offers wide brand in	Local production is centralized in Bali with few brands in the market.

US$10 million From USA: US $0.7 million	3. France (14%) 5. USA (7%)	the market, French wine is considered as premium due to its quality and higher average price. Italy rolled out a strong promotional campaign for Italian wine during the pandemic.	Foodservice remains the largest distribution channel and relies on imported brands.

Source: TDM

SECTION IV. BEST PROSPECTS FOR U.S. CONSUMER-ORIENTED PRODUCT EXPORTS TO INDONESIA

Top 10 Consumer-Oriented Products Imported from the United States

1. Dairy products (milk and cream powder, cheese)
2. Fresh fruit (grapes, apples, oranges)
3. Food preps. & misc. beverages (i.e., food supplement, bread, pastry, mixes and dough, pasta, soup, cereal)
4. Beef & beef products
5. Processed vegetables (French fries)
6. Processed fruit (dried fruits, raisins, dates, cherries, prunes)
7. Tree nuts (almonds, hazelnuts, pistachios, walnuts)
8. Dog & cat food
9. Condiments & sauces (sauces, tomato ketchup, vinegar)
10. Fruit & vegetable juice (oranges juice, grapefruit juice, apple juice)

Products Not Present in Significant Quantities, but have Good Sales Potential

1. Wine
2. Almonds
3. Figs (fresh or dried)
4. Beverage: juice/ concentrate
5. Dried fruits: prunes, cherries
6. Fresh cut flowers
7. Fresh fruits: cherries, avocado, peaches, raspberries/ blackberries/ blueberries
8. Prepared pork luncheon meat
9. Baby food
10. Breakfast cereals

Products Not Present Because They Face Significant Import Barriers

- Poultry and eggs
- Beef and dairy from plants that are not yet approved by the GOI

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

For a list of key contacts, please refer to Page 12 of the 2021 Food Service - Hotel Restaurant Institutional report.

Attachments:

No Attachments