Required Report: Required - Public Distribution

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Report Name: Food Processing Ingredients

Country: Indonesia

Post: Jakarta

Report Category: Food Processing Ingredients

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Report Highlights:

In 2019, Indonesia's total agricultural imports reached $19.8 billion, 32 percent of total consumer-oriented product sales. The United States was the largest agricultural exporter to Indonesia, accounting for $3.2 billion, 16 percent of the total value of imports. The top U.S. agricultural exports include soybeans, cotton, feeds and fodders, wheat, dairy, distillers' grains, prepared food, fresh fruit and beef and beef products.

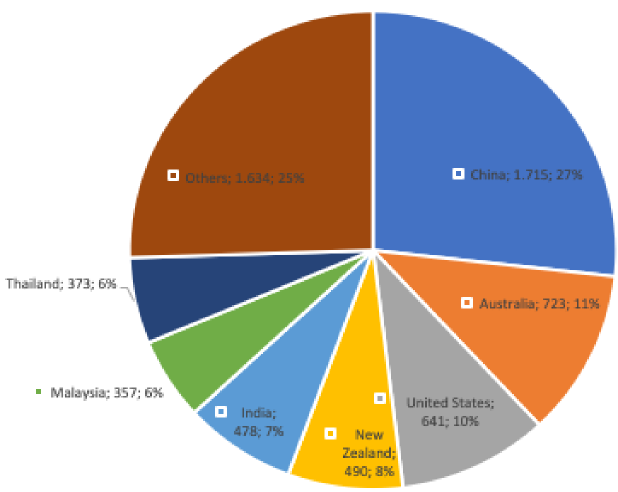
Post: Jakarta

Market Fact Sheet: Indonesia

Executive Summary

Indonesia is the fourth most populous nation in the world, with a population of approximately 268 million in 2019. Sixty-four percent of the population is on Java, one of the most densely populated areas in the world. In 2019, Indonesia's GDP reached $1,120 billion and GDP/capita reached $4,179(est.). Indonesia is a major producer of rubber, palm oil, coffee and cocoa. In 2019, agricultural imports reached $19.8 billion ($6.4 billion was consumer-oriented products). In addition to consumer-oriented products, soybeans and wheat are top U.S. exports. Agricultural self-sufficiency is a stated goal of the Indonesian government and is often used to justify trade barriers and restrictions.

Import of Consumer – Oriented Products to Indonesia, 2019 ($million)



Food Processing Industry

The food industry is comprised of approximately 7,485 large and medium-sized producers and 1.7 million micro and small-scale producers. Most of the products are consumed domestically (mostly retail) and the market is considered very competitive.

Food Retail Industry

Indonesian grocery retail sales reached $115 billion in 2019 (Traditional Grocery Retailers held 82 percent share). There are four players in the hypermarket group (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 activity's total contribution to GDP was about $24 billion (Rp341 trillion) in 2019. The sector is dominated by small restaurants, street-side restaurants known as warungs, and vendors that sell food to customers on the street.

Quick Facts for 2019

Agricultural Product Imports: $19.8 billion
U.S. Share (16%) – $3.2 billion
Consumer-Oriented Product Imports: $6.4 billion
U.S. Share (10%) – $642 million
Edible Fish & Seafood Products Imports: $330 million
U.S. Share (7%) – $22 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

Top 10 Retailers
Indomart, Alfamart, Transmart/Carrefour, Alfa Midi, Hypermart, Giant, Hero, Lotte Mart, Superindo, Familymart

GDP/Population
2019 Population (millions): 268
2019 GDP: $1,120 Billion
2019 GDP per capita: $4,179

Economic Growth
2019: 5.02%
2018: 5.17%

Source: Indonesia Statistics, GTA and Euromonitor

Strength/Weakness/Opportunities/Challenge

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 retail sector; Japanese, Korean, and Western restaurant chains; bakeries, growing HRI and tourism sectors.	Challenging business climate, and unpredictable regulatory environment.

Contact: FAS Jakarta, Indonesia
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SECTION I. MARKET SUMMARY

The food and beverages industry is the largest manufacturing sector in Indonesia, contributing 6.4 percent to GDP. This contribution has gradually increased over the past five years due to a rise in both domestic and export demand. As a result, food manufacturers continue to expand their business and increase production capacity. The industry is a priority under the Ministry of Industry "Making Indonesia 4.0" program, a roadmap for increasing technology, communication and productivity.

Retail packaged food sales are the highest among other SEA countries, accounting for $31 billion in 2019. Dairy, snacks, baked goods and processed meat are some of packaged foods that have seen significant growth over the past five years.

Table 1: Key Economic Data

Description	2014	2015	2016	2017	2018	2019
GDP ($billion) **	890	855	931	1,014	1,042	1,120*
GDP/Economic growth	5.01%	4.88%	5.03%	5.07%	5.17%	5.02%
Value of F&B industry ($billion)	47	48	56	62	65	72*
Contribution F&B industry to GDP	5.3%	5.6%	6.0%	6.1%	6.3%	6.4%
Investment realization in F&B sector ($billion)	4.2	3.0	4.3	4.4	3.9	3.8

Source: Bank Indonesia 2019, BPS 2019 & BKPM 2019
**preliminary figures, **GDP at market prices*

Major Food and Beverage expansions in 2019 include:

- Megniu, a Chinese dairy company, opened a yoghurt beverage factory in Indonesia with an investment of more than $50 million. Under YoyiC brand they produce 260 tons of yoghurt per day and distribute to 12,000 stores across Indonesia[1].
- The rising demand of confectionary and bakery in Indonesia has lead Kaneka Foods, a joint venture between Mitsubishi and Kaneka Corp., to open a new factory with total investment value at $46 million and production expected to Q1 of 2020[2]. The new plant will produce filling and other refined oil products such as margarine with a production capacity of 15,000 tons per year.
- Nestle expanded its three factories with an investment of $100 million to increase production capacity in Indonesia by 25 percent[3].
- Synergy Flavours, division of Carbery Group, has intention to open their first plant for cheese, butter and milk flavors, in line with the increasing demand for dairy products[4].
- After launching its new product (Ice Cream Joyday) in 2018 through PT Green Asia Food, Yili Group agreed to build an ice cream factory in Indonesia[5].

1 Bizlaw.id
2 Bisnis News
3 Nestle Indonesia
4 Food Navigator Asia
5 CNBC Indonesia news

Advantages	**Challenges**
Rising income and consumption. Large infrastructure investments.	Significant gaps remain large between urban and rural areas.
More than half of the population live in cities. and dominated by productive age (15 – 64 years), which account for 67.7 percent of the total population	
Increasing demand for processed food requiring a wide-range of global ingredients.	Food processors are dominated by SME that may be unable to use higher cost ingredients.
U.S. food ingredients are considered of high quality.	Competitors of some agricultural imports have tariff advantages.
Modern retail channels continue to expand into second-tier-cities and remote regions.	Imported products mostly available at Supermarkets, especially in the first and second-tier-cities.
Limited local ingredients to meet demand for innovative and high-value added products produced by large manufacturers.	Import requirements for agricultural products are complex and change frequently.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

Please see this report: Exporter Guide 2019, page 4 &10 for information on how to enter the Indonesian market, including market research, local business customs and information on trade shows in Indonesia.

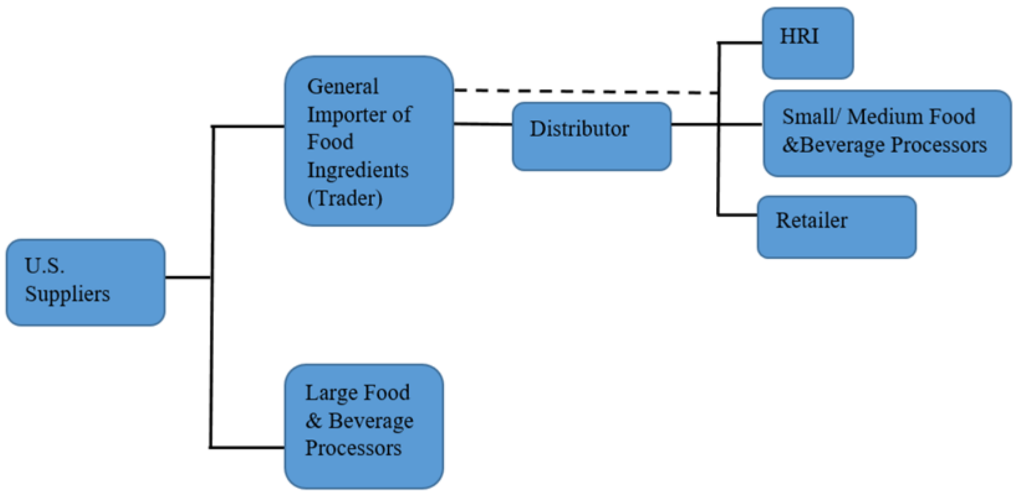
Import Procedure

For information on imported food standards, regulations, import procedures, and import tariffs please refer to the following:

1. Food and Agricultural Import Regulations and Standards - Export Certificate 2019
2. Food and Agricultural Import Regulations and Standards - Annual Report 2019
3. Tariffs and FTAs Information - Based on HS Code

Distribution Channels

Large food manufactures who also export, such as Indofood or Mayora , prefer to import directly rather than source from local distributors or importers due to advantages received through export incentives, which waive import duty and value added tax. The diagram below provides an overview of common distribution channels.



Market Structure

There are approximately 7,485 large and medium-sized food and beverage manufacturers and 1.7 million micro and small establishments in Indonesia[6]. The number of Indonesian workers in the food and beverage processing industry stands at 5.2 million people, or 28.52 percent of the total workforce in the manufacturing industry[7].

Large and medium-sized food processors in Indonesia source raw materials both locally and globally, with large food processors directly importing ingredients such as wheat, milk powder, cheese, meat and horticultural products. Food Processors usually purchase small quantities of additives, flavors, or preservatives through general importers or distributors.

Share of Major Segments in the Food Processing Industry

Indofood continues to lead the packaged food market in Indonesia. The company has a wide ranging product portfolio, including local and multinational brands. Other major processors include Nestlé and Royal Friesland Campina. Many of their products are sold through modern stores. The rapid expansion of convenience stores, which mostly stock locally produced products, has helped to expand the distribution of packaged food throughout Indonesia.

Table 2: Indonesia Sales of Packaged Food 2015 – 2019 (in US$ million)

Retail Packaged Food	2015	2016	2017	2018	2019	Share (2019)
Rice	6,180.5	6,997.5	7,444.9	7,416.2	7,808.0	25.21%
Dairy	2,861.1	3,178.4	3,437.5	3,530.7	3,792.1	12.24%
Noodles	2,407.7	2,631.3	2,698.9	2,731.0	2,878.3	9.29%
Baby Food	2,485.5	2,748.7	2,849.5	2,760.1	2,806.6	9.06%
Baked Goods	2,093.8	2,293.8	2,409.0	2,365.4	2,483.0	8.02%
Confectionery	1,755.1	2,022.9	2,030.9	1,988.5	2,101.9	6.79%

[6] BPS - Statistics Indonesia
[7] Ministry of Industry (2019)

Savoury Snacks	1,421.3	1,572.4	1,686.5	1,693.3	1,818.0	5.87%
Edible Oils	1,344.5	1,447.7	1,542.4	1,623.1	1,810.0	5.84%
Sauces, Dressings and Condiments	1,338.9	1,509.9	1,634.6	1,619.1	1,695.8	5.48%
Processed Meat and Seafood	1,385.2	1,601.2	1,706.9	1,462.0	1,649.8	5.33%
Sweet Biscuits, Snack Bars and Fruit Snacks	1,186.2	1,319.8	1,384.4	1,358.6	1,425.5	4.60%
Ice Cream and Frozen Desserts	353.0	392.8	406.1	393.5	416.9	1.35%
Sweet Spreads	94.2	105.1	113.2	111.0	115.4	0.37%
Breakfast Cereals	63.8	73.6	78.7	77.7	81.5	0.26%
Processed Fruit and Vegetables	36.7	40.2	42.6	41.6	43.3	0.14%
Pasta	22.8	25.8	27.4	27.0	28.1	0.09%
Ready Meals	10.1	10.3	10.9	10.7	11.2	0.04%
Soup	5.3	6.1	6.5	6.4	6.5	0.02%
Total Packaged Food	25,045.8	27,977.5	29,511.0	29,216.0	30,971.9	

Source: Euromonitor

Table 3: Top Company Profiles & Products

No	Global Company Name	Product Portfolio	Retail Sales Value ($ million) 2019
1	Indofood Sukses Makmur Tbk PT (Salim Group)	Dried ready meals, bouillon, dried sauces, pasta sauces, cooking sauces, ketchup, soy sauces, chili sauces, baby food, butter and spreads, drinking milk products, ice cream, snacks, biscuits, noodles, pasta	3,398.2
2	Nestlé Indonesia PT (Nestlé SA)	Confectionery and chocolate, coffee, beverages (drinking milk and ready to beverages), breakfast cereals, condensed milk	1,331.8
3	(Frisian Flag Indonesia PT) Royal Friesland Campina NV	Drinking and condensed milk product	1,088.6
4	Danone Group (Sarihusada Generasi Mahardhika PT)	Baby food	1,030.0
5	Mayora Indah Tbk PT	Biscuit, beverages (coffee, tea, bottled water), candy, wafer & chocolate, coffee, cereal, instant food (noodles and porridge)	586.5
6	Unilever Indonesia Tbk PT	Soy sauce, drinking juice, ice cream, tea, mayonnaise, bouillon (seasoning)	568.7
7	Heinz ABC Indonesia PT (Kraft Heinz Inc)	Drinking juice product, concentrate, chilly sauces, soy sauces	568.6
8	Wings Group	Instant noodle, sauces, powder drink, ready to drink (tea, juice, energy), coffee	558.7
9	Delfi Ltd (Perusahaan Ceres PT)	Chocolate, wafer, biscuits, candy, drinking chocolate	494.0
10	Malvolia Pte Ltd (So Good Food PT)	Sausage, frozen meat (chicken), nugget and other processed chicken meat	375.7

Source: Euromonitor and company website

Sector Trends

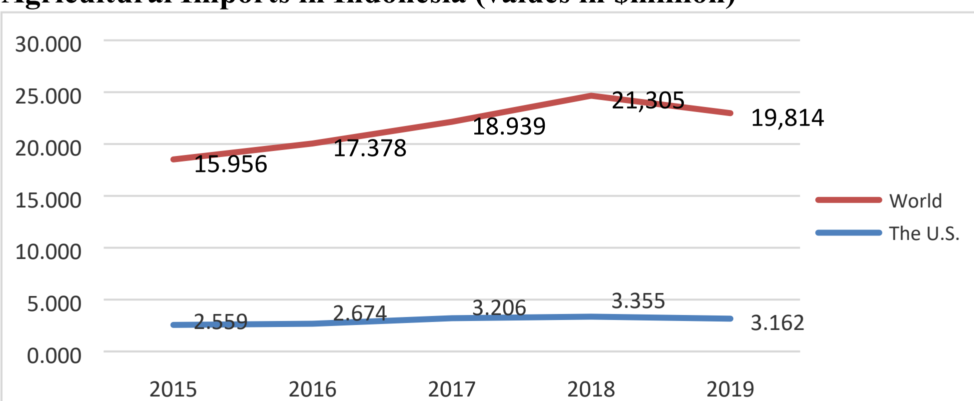
The Indonesian food and beverage market is dominated by young consumers. They are well-connected online and increasingly seek out products with nutritious ingredients. Younger and middle-upper end consumers are increasingly consuming products with Western flavors and ingredients in addition to traditional Indonesian flavors. As a result, imported ingredients such as almonds, cheese, cranberries, raisins, blueberries, and dates have been widely used to combine with local dishes.

There is also increasing awareness of the benefits of a healthy lifestyle, especially among consumers in urban areas. Over the past three years a variety of health food outlets and restaurants have emerged, offering healthy menus using high quality local and imported ingredients. The food processors have followed this trend and launched new health-oriented products which include snacks, beverages, biscuits.

SECTION III. COMPETITION

The United States is the largest supplier of Indonesia's agricultural imports, with a 16 percent market share. Main competitors include China (garlic, apple, pears and grapes), Thailand (cane sugar, rice, starch and longan), Australia (wheat, live cattle, cane sugar and beef), Argentina (soybean meal, wheat, corn and cotton) and Brazil (soybean meal, cotton, tobacco and corn).

Agricultural Imports in Indonesia (values in $million)



Source: Trade Data Monitor

Table 4: Indonesia - Best Consumer-Oriented Products

Product (Import Value in 2019)	Top 4 Suppliers				Key Import Requirements
	Country	Annual Growth (2015 – 2019)	Share by Value (2019)	Import Duty (2020)	
Fresh Fruit* ($1.4billion)	China Thailand Australia U.S.	33.9% 17.6% 16.6% -1.6%	59.1% 10.2% 10.0% 7.3%	0% 0% 0% 5%	• 2-step import license (MoA & MoT) • Country Recognition of the food safety control system for fresh foods or laboratory registration • Pre-shipment inspection at the country of origin
Beef ($851million)	Australia India U.S. New Zealand	15.1% 33.5% 57.4% -5.9%	45.0% 36.4% 10.1% 4.9%	0% 5% 5% 0%	• Halal certificate required • Plant registration (including on site audit)

					• 2-step import licenses (MoA & MoT)
Powdered milk ($630million)	New Zealand U.S. Belgium Australia	8.6% 10.6% 21.1% -13.0%	31.8% 22.8% 12.9% 10.8%	0% 5% 5% 0%	• Halal certificate • Plant registration • 2-step import licenses (MoA & MoT)
Sugars (Glucose/ dextrose, lactose, fructose, sugar syrups, artificial honey and caramel) ($233million)	China U.S. India Malaysia	10.4% -4.7% 9.0% 19.7%	62.7% 10.6% 2.3% 3.5%	0% 5% 0% 0%	• BPOM (Indonesian FDA) registration
Cheese ($133million)	New Zealand U.S. Australia Netherlands	4.1% 22.8% 13.7% 35.8%	41.6% 22.0% 17.4% 2.9%	0% 5% 0% 5%	• Halal certificate required • Plant registration • 2-step import licenses (MoA & MoT)

*import duty except for mandarin, 20% (U.S., China and others), 25% (New Zealand and Australia), 0% (Pakistan and ASEAN countries), Source: Trade Data Monitor, INSW

SECTION IV. BEST PRODUCT PROSPECT CATEGORIES

Table 5: Best Prospects Products

Product Group	Indonesia World Imports (US$)			Indonesia Imports from U.S. (US$)		
	2019	2015 - 2019		2019	2015 - 2019	
		Absolute*	Annual Growth**		Absolute*	Annual Growth**
Total Consumer Oriented Products	6,410,612,147	2,471,801,333	13.0%	641,090,349	166,431,721	6.7%
Fresh Fruit	1,367,558,124	756,509,433	22.6%	99,787,250	7,648,865	-1.6%
Dairy Products	1,323,211,069	275,485,922	7.1%	223,329,174	55,004,605	7.7%
Food Preps. & Misc. Bev	867,519,725	187,110,523	7.3%	122,046,473	2,417,212	2.2%
Beef & Beef Products	851,094,684	599,855,315	30.8%	85,614,563	75,187,624	57.4%
Fresh Vegetables	625,724,649	166,118,520	6.7%	120,221	-3,141,415	-50.1%
Chocolate & Cocoa Products	191,363,751	67,318,690	9.8%	2,352,390	1,484,418	24.4%
Processed Vegetables	191,079,507	85,036,813	14.6%	56,127,166	19,759,885	10.6%
Spices	159,978,618	88,867,748	21.5%	314,177	107,297	13.5%
Processed Fruit	133,920,602	59,606,488	17.6%	14,127,228	6,808,336	18.8%
Snack Foods NESOI	122,033,376	42,370,331	11.5%	471,211	96,178	6.2%
Coffee, Roasted and Extracts	113,548,161	11,879,089	9.7%	2,071,254	979,416	18.9%
Condiments & Sauces	100,032,349	44,405,615	16.9%	3,719,972	1,652,108	16.7%
Dog & Cat Food	94,764,440	39,021,089	16.0%	4,469,445	-2,980,547	-12.2%
Tea	64,116,863	24,491,097	10.9%	1,938,959	1,472,315	52.5%
Non-Alcoholic Bev. (ex. juices, coffee, tea)	63,092,911	-8,450,529	-2.7%	1,712,223	1,550,828	80.7%
Tree Nuts	56,388,214	29,964,827	20.0%	15,969,242	5,415,514	9.2%
Fruit & Vegetable Juices	24,698,839	-1,404,683	-3.5%	2,330,585	-558,924	-6.2%
Meat Products NESOI	17,428,547	-10,765,970	-13.1%	271,688	101,006	18.2%
Wine & Beer	16,582,239	14,200,470	63.2%	1,094,696	1,011,142	86.6%
Eggs & Products	11,483,248	-5,099,753	-13.6%	72,462	-7,896,278	-71.7%
Nursery Products & Cut Flowers	9,332,108	6,912,646	37.4%	664	-85,446	-73.7%
Pork & Pork Products	4,270,926	1,500,010	17.7%	2,025,219	-237,615	-7.0%
Poultry Meat & Prods. (ex. eggs)	1,389,197	-3,132,358	-40.5%	1,124,087	635,197	21.5%

Source: Trade Data Monitor; *Absolute value change from 2015 to 2019, **Growth as Annual Growth Rate

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. bev (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 juices (oranges juice, grapefruit juice, apple juice)

Products Not Present in Significant Quantities but which 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 luncheon meat
9. Baby food

Product Not Present Because They Face Significant Barriers

- Poultry and eggs

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

FAS/ Jakarta
U.S Embassy
Jl. Medan Merdeka Selatan 5 Jakarta
Web: www.usdaindoneisa.org
E-mail: AgJakarta@fas.usda.gov
Tel: +62 21 50831162

Food Standard and Registration
The National Agency for Drug and Food Control (BPOM)
Web: www.pom.go.id

Indonesian Food & Beverage Association
Web: www.gapmmi.or.id
Email: gapmi@cbn.net.id

Indonesian Fruit & Vegetables Exporters & Importers Association
Email: info@aseibssindo.org

Association of Indonesian Meat Importers
Email: asp_1984@cbn.net.id
National Meat Processor Association
Email: nampa@napa-ind.com

Dairy and Meat Approval Directorate General of Livestock
and Animal Health Services
www.ditjennak.pertanian.go.id

Animal/Plant Quarantine and Inspection
Indonesian Agricultural Quarantine Agency
www.karantina.pertanian.go.id

U.S Cooperators and MAP Participants
U.S Cooperators and MAP Participants U.S Cooperators and MAP

Calendar or Trade Shows in Indonesia

Name of Event:	FOOD, HOTEL & TOURISM BALI 2020
Event Location:	Bali International Convention Center, Nusa Dua - Bali, Indonesia
Industry theme:	The11th International Exhibition for Equipment, Food, Beverages and Services to Support Indonesia's Tourism and Hospitality Industries;
Dates of Event:	April 16 - 18, 2020
Type of Event:	International Exhibition
Name of Organizer:	P.T. Pamerindo Buana Abadi
E-mail of Organizer:	wiwiek@pamerindo.com
Web site:	www.pamerindo.com or www.fhtbali.com

Name of Event:	HOTELEXPO INDONESIA 2020
Event Location:	Jakarta International Expo (JIEXPO)
Industry theme:	Hotelexpo Indonesia and Specialty Food Indonesia covers the latest trend and innovation in hospitality and culinary sector.
Dates of Event:	July 22 - 24, 2020
Type of Event:	International Exhibition
Name of Organizer:	P.T. Pamerindo Buana Abadi
E-mail of Organizer:	wiwiek@pamerindo.com
Web site:	www.pamerindo.com or www.hotelexpoindonesia.com

Name of Event:	INDO LIVESTOCK 2020
Event Location:	Balai Sidang Jakarta Convention Center
Industry theme:	Indonesia's No. 1 Livestock, Feed, Dairy and Fisheries Industry Show
Dates of Event:	July 08 - 10, 2020
Type of Event:	International Exhibition
Name of Organizer:	P.T. Napindo Media Ashatama
E-mail of Organizer:	contact@merebo.com
Web site:	https://indolivestock.merebo.com/

Name of Event:	FOOD INGREDIENT ASIA 2020
Event Location:	Jakarta International Exhibition Center, Kemayoran, Indonesia
Industry theme:	The only exhibition that unites the growing ASEAN food ingredients community in one place. The location alternates with Bangkok. The fair encompasses all ingredients.

Dates of Event:	September 09 - 11, 2020
Type of Event:	International Exhibition
Name of Organizer:	Informa Markets
E-mail of Organizer:	informamarkets@informa.com
Web site:	https://www.figlobal.com/asia-indonesia/

Name of Event:	SIAL InterFOOD 2020
Event Location:	Jakarta International Exhibition Center, Kemayoran, Indonesia Industry theme: Dedicated B2B Platform for the Indonesia and ASEAN Food & Beverage Industry
Dates of Event:	November 11 - 14, 2020
Type of Event:	International Exhibition
Name of Organizer:	Krista Exhibitions
E-mail of Organizer:	info@kristamedia.com
Web site:	https://sialinterfood.com/

Attachments:

No Attachments