Required Report: Required - Public Distribution **Date:** April 01, 2022

Report Number: ID2022-0009

Report Name: Food Processing Ingredients

Country: Indonesia

Post: Jakarta

Report Category: Food Processing Ingredients

Prepared By: Novi Yuningsih

Approved By: Jasmine Osinski

Report Highlights:

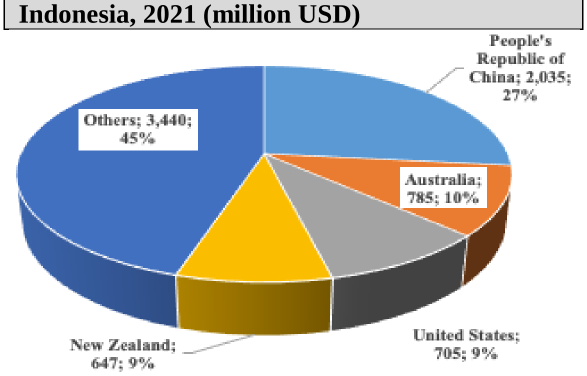
Indonesia currently imports 60 percent of the raw materials needed for its growing food processing industry. In 2021, exports of U.S. agricultural products to Indonesia increased by nine percent largely due to higher demand for soybean, beef, and corn. Top U.S. agricultural exports include soybeans, feeds and fodders, cotton, dairy, corn, wheat, fresh fruits, and beef and beef products.

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 2020, Indonesia's GDP reached $1,185 billion and GDP per capita reached $4,341 (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, animal feed, cotton, dairy products, 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)



Source: Trade Data Monitor

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 contribution to GDP totaled 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: $457million
U.S. Share (6%) – $29 million

Top 10 Growth Products:
Dairy products, baked goods, baby food, confectioneries, processed meat & seafood, savory snacks, sauces, dressings & condiments, sweet biscuits, snack bars & fruit snacks, and ice cream & frozen desserts

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
2021: (3.69%)
2020: (- 2.07%)

Source: Indonesia Statistics, GTA and Euromonitor

Strength/Weakness/Opportunities/Challenge	
Strengths	**Weaknesses**
Large consumer base with growing incomes	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

Contact: FAS Jakarta, Indonesia
AgJakarta@fas.usda.gov / http://www.usdaindonesia.org

SECTION I. MARKET SUMMARY

The Indonesian food processing industry serves a domestic population of 273 million and is increasingly seeking new export markets in the region and globally. According to Statistics Indonesia (BPS), Indonesia's economy grew 3.69 percent in 2021, a rebound from the 2020 pandemic-induced recession, marked by the resumption of normal investment and business activities. Java Island remained Indonesia's main economic driver in 2021, accounting for 58 percent of the country's economy.[1] The domestic food manufacturing industry is growing, driven by growing middle and upper-income consumption, which constitutes 82 percent of national food consumption. Indonesia is Southeast Asia's largest economy and continues to offer significant market potential for U.S. suppliers of food and ingredients, including consumer-oriented products such as fresh fruits and nuts, as well as products utilized in food processing including soybeans, wheat, milk powder and other dairy products, corn (wet milling), and beef.

Increasingly Indonesians are consuming more processed and packaged foods, including frozen desserts, processed fruits and vegetables, and various chips and snacks. As more women in urban areas enter the workforce and have less time to prepare meals for their families, the market for convenient, processed food products is expected to grow. In Indonesia, women remain the primary grocery shoppers and meal planners of households and so have the most decision-making power over household food purchases.

The Ministry of Industry has reported that 60 percent of the food and beverage industry's raw materials come from imports[2]. Additionally, the Indonesian Food and Beverage Industry Association (GAPPMI) notes that it imports 80 percent of milk ingredients, 70 percent of soybeans, 100 percent of sugar, and 80 percent of certain salts that it uses in its manufacturing.

Table 1: Key Economic Data

Description	2017	2018	2019	2020	2021
GDP ($billion) **	1,014	1,042	1,120	1,059	1,185
GDP/Economic growth	5.07%	5.17%	5.02%	-2.07%	3.69%
Value of F&B industry ($billion)	62.3	65.0	71.7	72.3	78.3
Contribution F&B industry to GDP	6.1%	6.3%	6.4%	6.8%	6.6%
Investment realization in F&B sector ($billion)	4.8	4.0	3.9	3.5	4.1

Source: Bank Indonesia 2021, BPS 2021 & BKPM 2021
***GDP at market prices*

Major Food and Beverage Expansions in 2021:

- Asia's largest dairy processor, Yili Group, officially launched its first ice cream factory in Indonesia with an estimated investment of $133 million. Currently, the factory is rolling out

[1] Statistics Indonesia (BPS)
[2] https://ekonomi.bisnis.com/read/20211206/257/1474259/impor-bahan-baku-industri-mamin-tinggi-ini-strategi-kemenperin

its first phase, and upon completion of its second phase, Yili aims to produce 4 million units of ice cream daily.[3]

- PT Nestlé Indonesia invested $220 million to build a new dairy plant in Batang, Indonesia to produce *Bear Brand* liquid milk products and ready-to-drink beverage mixes *Milo* and *Nescafe*.
- With the addition of these new dairy processing plants which will begin operations in 2023, as well as other investments by PT Friesian Flag in early 2021, the Dairy Processing Industry Association (AIPS) notes that dairy processors' annual need of 3.8 million metric tons (MT) of fresh milk will likely increase.
- The rising demand for healthy food products in Indonesia has led the largest instant noodle producer in the world, Indofood, to launch a new brand of healthier instant noodle, *Supermi Nutrimi*, for retail.

Advantages	**Challenges**
Large consumer base with a total population around 273 million, dominated by millennials and Gen Z, who account for 49 percent of the population[4].	Challenging to expand some U.S. products beyond middle and upper-income consumers due to price-sensitivities.
Indonesia does not produce/produce enough quantities of key ingredients or specific varieties (e.g., wheat, fresh milk, beef, dried fruits, grapes, apples, pears, almonds, raisins).	Import requirements for agricultural products are complex and change frequently. Registration processes for retail products and foreign establishments can be lengthy and costly.
Indonesian consumers' knowledge of and demand for healthier ingredients has increased.	This typical consumer is only concentrated in urban areas.
Upper middle-income consumers are more likely to purchase from modern stores due to convenience and quality.	About 95 percent of modern grocery retailers are minimarkets/convenience stores, which mostly sell local products[5].
Approximately 60 percent of ingredients are imported.[6]	Most of the ingredients are required to be halal-certified, especially dairy and beef products.
Industry is constantly creating new products based on consumer preferences and trends, which often require ingredients unavailable domestically.	Quantities of ingredients for new products and market trials are usually not enough to fulfill the minimum required by U.S. suppliers.

[3] https://biz.kompas.com/read/2021/12/10/225508928/perusahaan-olahan-susu-nomor-1-di-asia-yili-group-resmikan-pabrik-es-krim

[4] BPS data, millennials (24 – 39 years), Gen Z (10 - 23 years)

[5] Euromonitor data 2021

[6] https://ekonomi.bisnis.com/read/20211206/257/1474259/impor-bahan-baku-industri-mamin-tinggi-ini-strategi-kemenperin

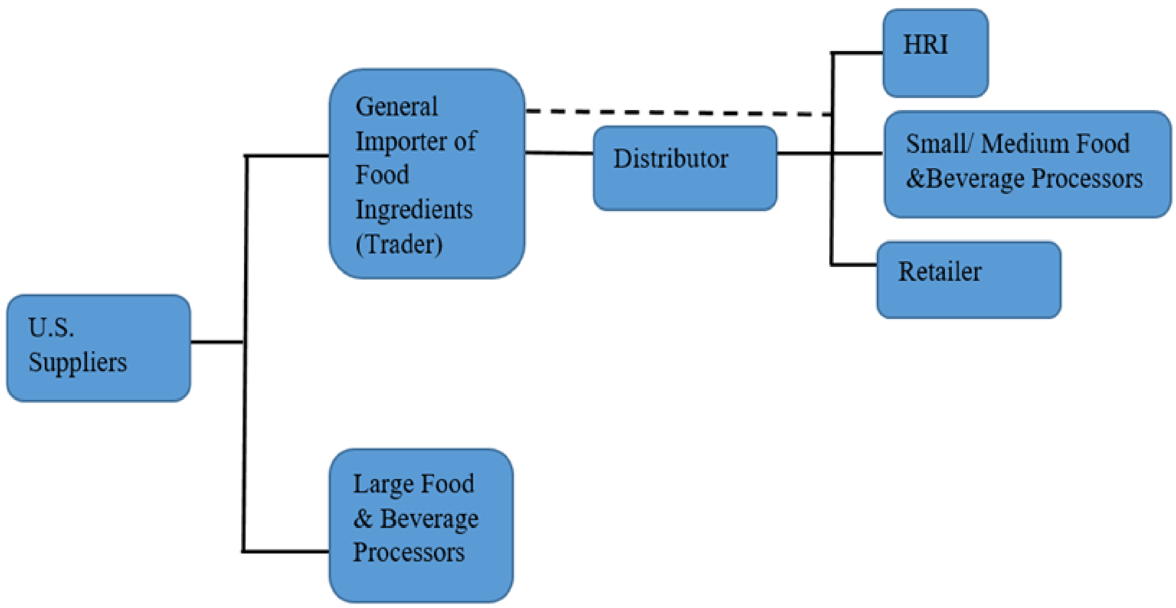
SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

Please see Exporter Guide 2021 for information on how to enter the Indonesian market, including market research, local business customs, import procedures and regulations, and information on trade shows in Indonesia.

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 7,868 large and medium-sized food and beverage manufacturers and 1.6 million micro and small establishments in Indonesia. The number of Indonesian workers in the food and beverage processing industry stands at 4.6 million, or 28 percent of the total workforce in the manufacturing sector[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.

[7] BPS - Statistics Indonesia 2022

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 (Frisian Flag). 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 2017 – 2021 (in US$ million)

Retail Packaged Food	2017	2018	2019	2020	2021	Share 2021
Rice	7,761	7,972	8,225	8,675	9,073	25.8%
Noodles	2,813	2,936	3,032	3,176	3,285	9.3%
Baby Food	3,008	3,008	2,997	2,904	2,777	7.9%
Drinking Milk Products	1,991	2,129	2,264	2,394	2,556	7.3%
Baked Goods	2,523	2,556	2,632	2,515	2,455	7.0%
Edible Oils	1,705	1,927	1,993	2,206	2,397	6.8%
Sauces, Dressings and Condiments	1,967	2,013	2,070	2,166	2,240	6.4%
Confectionery	2,049	2,072	2,155	2,008	1,985	5.6%
Savory Snacks	1,766	1,829	1,924	1,913	1,935	5.5%
Sweet Biscuits, Snack Bars and Fruit Snacks	1,532	1,584	1,693	1,720	1,727	4.9%
Processed Meat, Seafood and Alternatives to Meat	1,620	1,427	1,671	1,625	1,670	4.8%
Other Dairy	979	993	1,009	1,077	1,115	3.2%
Yoghurt and Sour Milk Products	375	406	446	534	603	1.7%
Ice Cream and Frozen Desserts	425	425	441	442	444	1.3%
Cheese	148	173	187	265	331	0.9%
Sweet Spreads	168	174	182	195	209	0.6%
Butter and Spreads	123	123	124	138	146	0.4%
Breakfast Cereals	93	95	98	102	107	0.3%
Processed Fruit and Vegetables	44	45	46	47	49	0.1%
Pasta	29	29	30	30	30	0.1%
Ready Meals	12	13	13	13	14	0.0%
Soup	7	7	7	7	7	0.0%
Total	31,138	31,934	33,238	34,154	35,154	

Source: Euromonitor International

Table 3: Top Company Profiles & Product (2021)

No	Global Company Name	Product Portfolio	Retail Sales Value ($million)
1	Indofood Sukses Makmur Tbk PT	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	4,136
2	Nestlé SA	Confectionery and chocolate, coffee, beverages (drinking milk and RTD beverages), breakfast cereals, condensed milk	1,357
3	Royal Friesland Campina NV	Drinking and condensed milk products	1,095
4	Danone (Sari Husada Generasi Mahardhika PT)	Baby food and maternal milk products	1,018
5	Kraft Heinz Co	Juices, condiments and sauces, baby food	711
6	Unilever Group	Soy sauce, juice, ice cream, tea, mayonnaise, bouillon (seasoning)	653
7	Mayora Indah Tbk PT	Biscuit, beverages (coffee, tea, bottled water), candy, wafer & chocolate, coffee, cereal, instant food (noodles and porridge)	646
8	Wings Corp	Instant noodles, sauces, powdered drinks, RTD beverages (tea, juice, energy drinks), coffee	636
9	Garuda Group	Instant noodles, sauces, powdered drinks, RTD beverages (tea, juice, energy drinks), coffee	542
10	Delfi Ltd	Chocolate, wafer, biscuits, candy, RTD chocolate beverages	426
Others			23,934
Total			35,154

Source: Euromonitor International and Company Website

Sector Trends

About 70 percent of Indonesians are considered "working age." Increasingly, many consumers research and shop for food products online, are social media savvy, and seek out products with nutritious ingredients. The majority of Indonesian consumers prefer products with strong flavors such as sweet products, chocolate, fruity flavors, and chili. As awareness of a healthy lifestyle among consumers in urban areas increases (a trend prior to the pandemic that had only increased in the past year), more products are being offered which promote their health benefits.

Plant-based products: According to Euromonitor International between 2012 and 2017, the number of vegetarians in Indonesia increased by 12.8 million, the largest rise in absolute terms globally. Middle and upper-class urban Indonesians are moving toward healthier diets and plant-based eating trends continue to increase. This trend also can be seen from the increased number of local and foreign plant-based products over the last few years that are currently being distributed in Indonesia. Unilever Indonesia recently introduced plant-based product lines for the foodservice sector, i.e., *Knorr Mushroom & Vegetable Seasoning* and *the Vegetarian Butcher* (a plant-based processed meat which is currently used by Burger King Indonesia for their plant-based Whopper menu.

Wheat flour-based products: Domestic flour dominates the local market with nearly 100 percent market share. According to the wheat industry association, demand for wheat flour consumption is growing rapidly, both for domestic consumption and export of processed products (crispy/savory products, wafers, instant noodles, and pasta), which accounted for 8.6 MMT in 2021. Local artisan bakeries are also on the rise as entrepreneurs establish small enterprises to sell baked goods online, which became a booming business during the COVID-19 pandemic. There is also an increasing number of fresh bakery products sold in shopping areas and malls which are popular as gifts and snacks for the middle and upper class. Additionally, brick and mortar cake and bakery shops continue to sprout up in larger cities, offering high-quality products by using premium ingredients such as imported butter, almonds, raisins, and cheese. For more information, please see: Grain and Feed Update 2021.

Drinking milk products: During the pandemic, consumption of drinking milk products increased and is expected to continue in 2022. Major players include international companies such as Nestlé and Frisian Flag which are actively expanding their businesses in Indonesia to fulfil the domestic and export market. Indonesia's import demand for U.S. dairy (e.g., SMP) is high and mostly used as an ingredient by large food and beverage manufactures. For more information, please see Indonesia: Dairy and Product Annual 2021.

Frozen foods: More consumers in urban areas are turning to frozen/chilled processed foods sold in retail shops (especially poultry products like nuggets and sausages) as opposed to wet markets. In addition to food manufacturers, retailers have started selling private label frozen food products, including sausages and nuggets.

Snack foods: According to Euromonitor International, Mayora Indah is the leading player in Indonesia's overall snack industry, which offers a wide range of products such as confectioneries (sugar and chocolate) and sweet biscuits. Other local prominent players include Garuda Food and Indofood which produce mostly savory snacks. These locally owned companies have a strong presence in the market with an extensive distribution network, promotional campaigns, and new product launches. Within the snack category, sweet biscuits have the highest retail sales in Indonesia due to their popularity for breakfast, followed by salty snacks, chocolates, and sugar confectioneries. There is also increasing demand for healthy but convenient products from busy urban consumers who are shifting their preferences to more nutritious snack foods.

Fruit Ingredients: Frozen/dried fruits, such as dates, coconuts, raisins, prunes, apricots, blueberries, and cranberries have considerable market potential. Demand from artisanal bread and cake makers for high-quality ingredients combined with consumer preferences for healthy products are pushing up demand for these ingredients. Demand for dates in particular is high during the month of Ramadan when they are often consumed as part of the ritual of breaking the daily fast.

SECTION III. COMPETITION

Despite the economic slowdown during the pandemic, in 2021, exports of U.S. agricultural products to Indonesia increased by nine percent largely due to higher demand for soybean, beef, and corn. However, Australia overtook the United States as the largest supplier of imported agricultural products to Indonesia for the first time in the seven years due mainly to a substantial increase in Australian wheat exports to Indonesia in 2021.

Indonesia has implemented trade agreements with ASEAN countries, the People's Republic of China, Chile, the Republic of Korea, India, Japan, Hong Kong, New Zealand, Australia, and Pakistan in the form of Comprehensive Economic Partnership Agreements, Free Trade Agreements, and Preferential Trade Agreements. Agricultural products from those countries, such as milk powder, beef, apples, grapes, cheese, and oranges, enter the market at more competitive rates than U.S. products. However, many U.S. products continue to increase their market share based on price, quality, and availability.

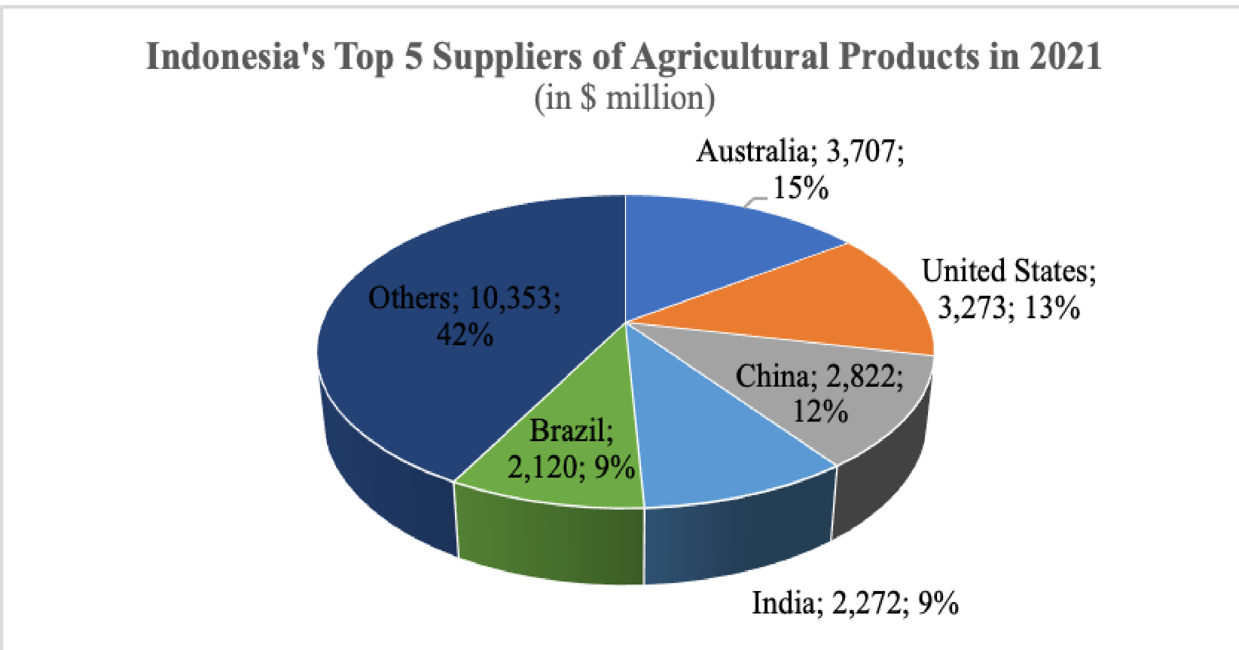


Table 4: Competitive Situation for Selected Food Ingredients 2021

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Local Market Situations
Wheat Total imports: $3.4 billion From USA: $134.7 million	1. Australia (42%) 2. Ukraine (25%) 3. Canada (19%) 5. USA (4%)	Australia has a geographic proximity advantage. Indonesia also prefers Australian wheat due to quality preferences for specific purposes (noodles).	No wheat produced domestically. Limited availability of wheat breeds suitable for Indonesian soils.
Dairy Total imports: $1.9 billion From USA: $315.8 million	1. New Zealand (28%) 2. USA (17%) 3. Australia (10%)	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.	Demand for dairy-based products continue to increase, but local production of fresh milk remains low (only around 15%) and of poor quality. Local cheese production is dominated by processed cheeses using mostly imported raw ingredients.
Soybean Total imports: $1.5 billion From USA: $1.3 billion	1. USA (87%) 2. Canada (9%) 3. Argentina (4%)	Indonesian tempeh and tofu producers prefer to buy U.S. soybeans due to supply consistency, quality, texture, and bean color.	Soybean is categorized as secondary crop after rice and corn, as a result local production is low and only able to fulfil around 14% of total food use consumption.
Beef Total imports: $970 million From USA: $106 million	1. Australia (42%) 2. India (30% 3. USA (11%)	Australia has price and geographic proximity advantages. Currently, only the Government of Indonesia is authorized to source beef from India and Brazil to stabilize beef prices.	Shortage of supply and most of domestic production is sold fresh to traditional markets. The meat processing industry and food service sector rely on imports from Australia and United States.
Sugars & sweeteners: **Total imports:** $2.6 billion From USA: $6.9 million	1. India (34%) 2. Australia (22%) 3. Thailand (19%	India, Thailand, and Australia benefit from preferential import duties from Free Trade Agreements.	Domestic demand far outpaces local production. Significant volumes of imports are required with a growing population and food and beverage industry.

Source: FAS Jakarta and data from Trade Data Monitor

SECTION IV. BEST PRODUCT PROSPECT CATEGORIES

Products Present in the Market which have Good Sales Potential

Consumer-oriented products: dairy, fresh fruit, beef and beef products, tree nuts, powdered cheese, dried egg yolk.
Intermediate agricultural products: sugar and sweeteners, textured soy protein, cornstarch, natural honey, odoriferous substances.

Products with Limited Presence in the Market but which have Good Sales Potential

Wine, almonds, juices/concentrate, fresh cut flowers, cherries, avocado, peaches, raspberries, blackberries, blueberries, prepared luncheon meat, frozen meals, frozen bakery items, fresh cheese, and baby food.

Product Not Present Because They Face Significant Barriers

Poultry and egg products.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Government Data Sources

Statistic Indonesia

Website & Social Media Info of Government Agency

Website: Ministry of Agriculture; Ministry of Trade; Ministry of Industry; National Agency of Drug and Food Control; Ministry of Marine Affairs and Fishery; Indonesia Customs

Facebook: Statistic Indonesia; Ministry of Agriculture; Ministry of Trade; Ministry of Finance; National Agency of Drug and Food Control

You Tube: Ministry of Agriculture; Ministry of Finance; National Agency of Drug and Food Control; Ministry of Industry; Statistic Indonesia; National Standardization Agency of Indonesia - BSN SNI

Twitter: Ministry of Agriculture; Ministry of Finance; Ministry of Industry; National Agency of Drug and Food Control; National Standardization Agency of Indonesia BSN SNI

Instagram: Ministry of Agriculture; National Agency of Drug and Food; Ministry of Industry; Ministry of Trade

Government Regulatory Agency/Food Policy Contacts

- Horticulture Products: Directorate General of Horticulture, Ministry of Agriculture
- Animal and animal-based food: Directorate General for Livestock and Animal Health Service, Ministry of Agriculture
- Animal and fresh fruit & vegetable-based foods: Agency for Agricultural Quarantine, Ministry of Agriculture
- Import License: Directorate General of Foreign Trade, Ministry of Trade
- Refined sugar, wheat flour, cocoa powder, bottle water, biscuit, instant coffee: Directorate General for Agro Industry, Ministry of Industry
- Halal product: Halal Product Guarantee Agency, Ministry of Religious Affairs
- Processed food: National Agency of Drugs and Food Control (BPOM)
- Products standardization: National Standardization Agency (BSN)

Post Contact

FAS/ Jakarta

U.S Embassy

Jl. Medan Merdeka Selatan 5 Jakarta

Web: www.usdaindonesia.org www.fas.usda.gov

Tel: +62 21 50831162, Email Agjakarta@usda.gov

Attachments:

No Attachments