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Food Processing Ingredients Sector

Food Processing Update

2009

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Report Highlights:
The Indonesian food processing industry produces food products with Asian flavors catering to all level of consumers and sales are expected to continue growing. This growth will create more opportunities for imported food ingredients used in formulations for snacks and other staple foods.

Includes PSD Changes: No
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I. MARKET SUMMARY

The Indonesian food processing industry serving a population of 225 million offers significant market potential for U.S. suppliers of food and ingredients. In 2007, the product value of the Indonesian food processing industry was $41.7 billion, up 17 percent from 2006.

The industry consists of businesses of all sizes. About 6,100 large and medium-size producers account for over 80 percent of output and over 20 percent of the 3.36 million employees. The remaining 20 percent of processed food is produced in homes and sold on the street in roadside outdoor small restaurants, small roadside retailer kiosks called warungs, or on the street by vendors with small carts called kaki limas. Warungs, small restaurants along the road, and kaki limas are ubiquitous in Indonesia and provide a variety of meals and popular snacks for Indonesians. In Indonesia, giving food as a gift is a tradition and remains popular and snacking is very popular.

In 2007, Indonesia import $9.2 billion of agricultural, fish and forestry products with 16 percent coming from the United States. Australia is the second-largest supplier, accounting for 12 percent, followed by Thailand with 10 percent. Other suppliers do not account for more than 10 percent of imports individually. In 2007, over 40 percent of imported products by value were major inputs for food processing, such as wheat, sugar, dairy, soybeans, wheat flour, and beef.

Several factors contributing to the growth of the food processing industry are the introduction of new flavors and products, aggressive promotional activities, growth of modern retail outlets, and growing health awareness particularly among consumers who were educated in the west. In 2007, package food retail sales showed increases ranging from 2 to 18 percent in volume terms from the previous year and growth is expected to continue, ranging from 0.6 to 15 percent each year until 2012.

Healthy eating is becoming more popular among educated consumers particularly exposed to western-style products when living abroad and is featured by newspapers, magazines, and television. Food manufacturers are continually developing new products catering to health awareness trends and snacking. In addition, more women in urban areas are entering the workforce and prefer the convenience of processed food products.

More processors are finding adding value by fortifying their products. Currently wheat flour, dairy products, noodles, cookies, and frozen processed chicken fortified with minerals and vitamins are for sale in the market. Other products that are growing in popularity include functional packaged foods, breakfast cereals, fresh and pasteurized milk, yogurt, pasta, and frozen snacks, such as Chinese snacks shiumai, chicken and shrimp puffs, spring rolls, dumplings, and croquettes. Since the large majority of Indonesians are Muslim, most foods are produced using methods and products that meet halal requirements.

Foods sold in warungs and kaki limas tend to be traditional foods with familiar flavors. U.S. soybeans and beef offal are popular ingredients for traditional dishes such as tempe, bakso and meatballs. Soy milk in small single-serving plastic bags produced using a juicer or blender is becoming a popular option for a healthy beverage in both urban and rural areas. Fresh bakery products sold in shopping areas and malls are popular as gifts and snacks for the middle and upper classes. Indonesians will also visit high-end retail food stores to buy small packages of imported snacks.

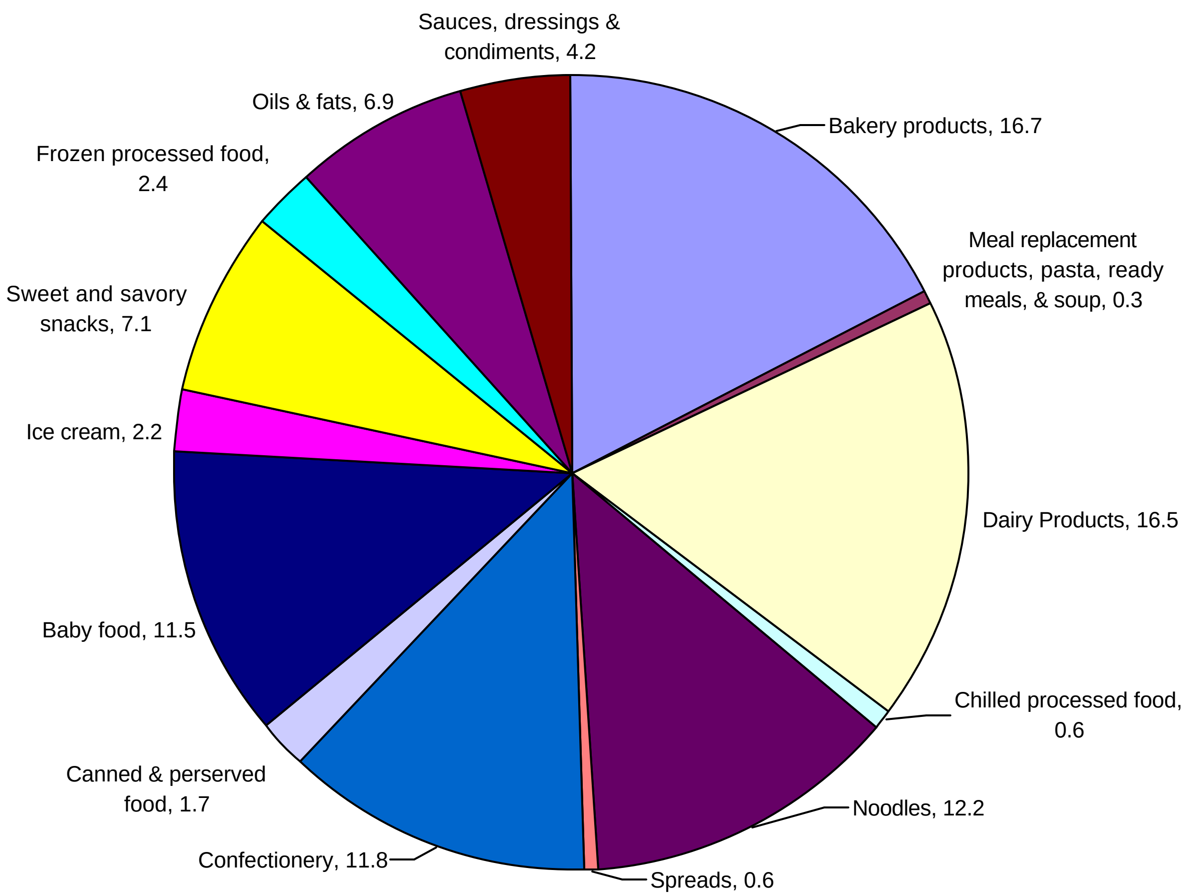
Rice is a staple eaten at every meal. However, noodles from imported wheat are a popular substitute and use of wheat continues to grow. Dairy products continue to offer opportunities for U.S. milk powder to be mixed with fresh milk and as an ingredient. Indonesia currently only produces about 25 percent of milk production needs.

Though Indonesian ties to Europe remain strong and this influences taste choice and manufacturing methods, Australian, U.S., and Korean, and Japanese packaged foods are common as well. In Jakarta where about one-third of the upper and middle class live, foreigners from Asia are replacing western foreigners offering opportunities for Asian-style foods and flavors.

Smaller ready to eat packages are popular because of the lower price and the variety offered is increasing. Popular products include frozen poultry, frozen seafood, sausages, sugar confectionery, instant noodles, sweet and savory snacks, dairy drinks, and soft drinks. New brands and products with local flavors are also growing. All ages and income levels enjoy extruded snacks and other snacks of all kinds because snacking is a part of the Indonesian culture.

A troubling trend is the recent increase in trade protectionist measures by the Indonesian government. The upcoming elections, recent food safety scares, efforts to curb illegal imports, and the global financial crisis have prompted the FDA-equivalent National Agency of Drug and Food Control, or BPOM, and the Ministry of Trade to issue new requirements for packaged products and ingredients as well as resume implementing old decrees that were not being enforced.

Figure1. 2007 Package processed Food Retail Sales (IDR billion)



Source: Euromonitor

The previous volume growth of each sector as well as the prediction average growth until 2012 can be seen in the following table

Table1. Volume Growth of Sales of package Food

Package Food	2006- 2007 Growth (%)	2007 - 2012 Forecast Growth per year (%)
Confectionery	9.10	8.72
Bakery products	6.10	5.67
Ice cream	5.54	5.90
Sweet and savory snacks	5.47	4.60
Meal replacements products	18.14	14.74
Ready meals	1.54	0.58
Soup	14.62	9.19
Pasta	9.50	11.00
Noodles	6.37	5.00
Canned/preserved food	7.29	5.89
Frozen processed food	13.51	10.71
Dried processed food	10.84	8.75
Chilled processed food	9.83	8.95
Oils and fats	7.99	6.54
Sauces, dressing and condiments	5.45	4.10
Baby food	14.32	11.88
Spreads	7.55	6.51
Meal solutions	10.59	8.56

Source: Euromonitor

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

Advantages	Challenges
Market size - Indonesia has a population of around 225 million people	Import regulations are often complex and non-transparent and permits can be difficult to obtain, thus requiring a close business relationship with a local agent
The industry is constantly creating new products based on consumer preference trends. These new products often require ingredients unavailable domestically	Quantities of ingredients for new product and market trials are usually not enough to fulfill the minimums required by U.S. suppliers
US products are considered to be of high quality	Competitive products are often less expensive, and are used equivalently to U.S. products
Singapore is close, making it easier for importers to consolidate shipments to accommodate the smaller lots required by the Indonesian market.	Food ingredients from the region enter Indonesia at lower prices due to the ASEAN Free Trade Area, while food ingredients from the U.S. have higher shipping cost.
Applied duties on most food and agricultural products are currently 5 percent, with a 10 percent applied duty on certain processed foods	Weak purchasing power of the majority of the population. Muslims accounting for 88% of the population require halal-certified products

II. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

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

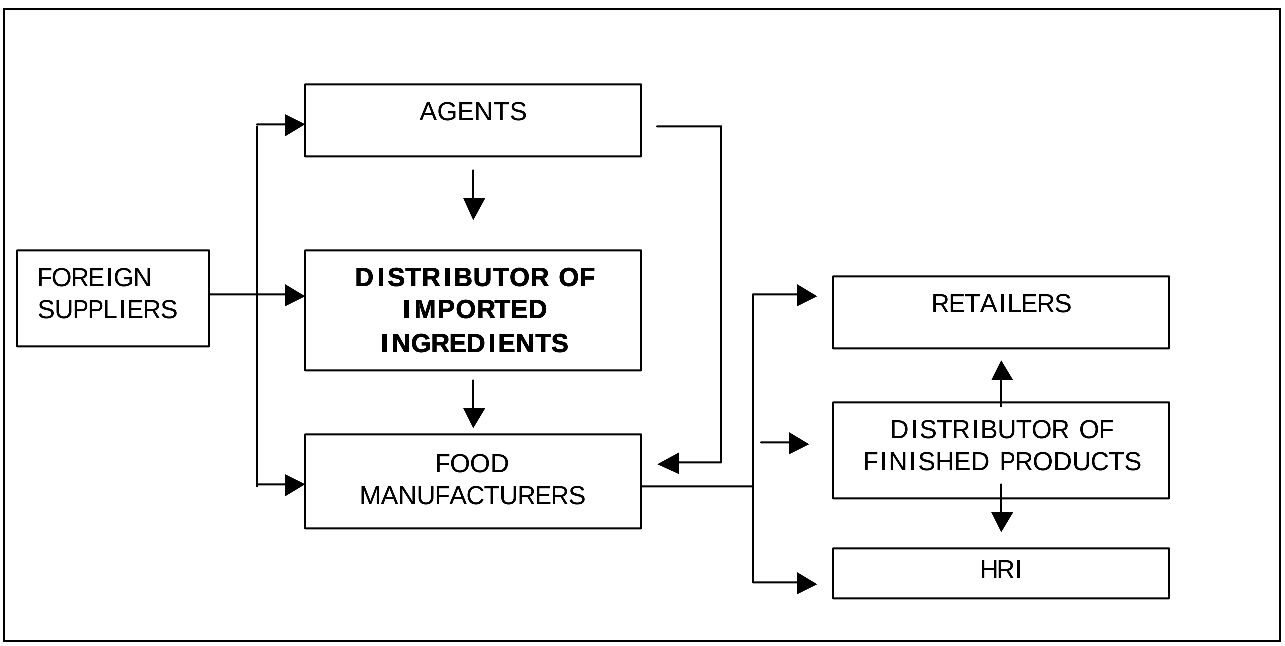
Market research for product testing, price comparison, and adjusting the product for local tastes is important. Agents and distributors can help with market research and their assistance has proved to be an effective strategy in expanding sales since they understand the regulatory system and can bridge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

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

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

B. MARKET STRUCTURE

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



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

Food processors that depend on a consistent supply of a product may have an exclusive sales agreement with a local agent. Some processors may choose to act as an importer if they find a better-priced alternative, such as an exporter who uses Singapore as a distribution point. Many multinational food processors operating in Indonesia must follow global product specifications. These companies have central purchasing offices, often in the United States or in Europe.

Larger, modern retail companies usually have an exclusive agreement with the processors to supply the food product that they need. Processors will reach an agreement with the retail company to supply specified quantities at agreed upon intervals and prices. In return, the retailer agrees to display products attractively and at agreed upon quantities. On the other hand, smaller independent retail stores and traditional markets get products mostly from distributors.

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

C. COMPANY PROFILES

Company (Product Types)	Sales / Year	End-Use Channels	Production Location	Procurement Channels
Baby Food				
Nestle Indonesia, PT (Baby Food, Breakfast Cereals, Drinking Milk Product, Chocolate Confectionary, Gum, Sauces, Dressing & Condiments, soup, sugar confectionary)	NA	Retail	Joint Venture (Switzerland) Pasuruan, East Java	Direct
Sari Husada, PT (Baby Food)	Rp. 1.8 trillion (2006)	Retail	Joint Venture (France) Yogjakarata, Kemudo, Citereup-East Java	Direct
Nutricia Indonesia Sejahtera, PT (Baby Food)	NA	Retail	Joint Venture (France) Jakarta	Direct
Kalbe Farma Tbk. PT (Baby Food, Meal Replacement Product)	Rp.7.0 trillion (2007)	Retail	Jakarta	Direct
Frisian Flag Indonesia, PT (Baby Food, Drinking Milk Products)	NA	Retail	Joint Venture (Netherlands) Jakarta, Pasuruan East Java	Direct; Importer; Distributor
Chandrabuana Surya Semesta, PT (Buana Bakery), Baked Goods	NA	Retail	More than 100 franchises, outlets, & facilities in Jakarta, Semarang, Surabaya, and Makassar	Importers; Distributors

Nippon Indonesia Corp, PT (Baked Goods)	NA	Retail	Joint Venture (Japan) Cikarang, West Java; Pasuruan, East Java (2)	Importers; Distributors
Khong Guan Indonesia, PT (Biscuit)	NA	Retail	Bogor, West Java	Importers; Distributors
Arnotts Indonesia, PT Biscuit)	NA	Retail	Joint Venture (U.S.) Bekasi, West Java	Importers; Distributors
Kraft Ultrajaya Indonesia, PT (Biscuit, Cheese, Breakfast Cereals, Chocolate Confectionary)	NA	Retail, Food Service	Join Venture (U.S.) Bekasi and Bandung, west Java	Direct; Importers; Distributors
Danone Biscuit Indonesia, PT (Biscuit)	NA	Retail	Join Venture (France) Bekasi, West Java	Importers; Distributors
Mayora Indah Tbk, PT (Biscuit, Chocolate confectionary, sugar confectionary))	NA	Retail	Tangerang, West Java	Direct; Importers; Distributors
Simba Indosnack Makmur, PT (Breafast Cerelas, Ready Meals)	NA	Retail	Bogor, West Java	Importers; Distributors
Maya Muncar, PT Canned/Preserved Food)	NA	Retail	Banyuwangi, East Java	Importers; Distributors
Heinz ABC Indonesia, PT (Canned/Preserved Food, Sauces, Dressing & Condiments)	NA	Retail	Joint Venture (U.S.) Jakarta, Pasuruan	Direct; Importers
Jakarana Tama, PT (Canned/Preserved Food, Dried Processed Food, Noodle, sauces, dressing &* condiments)	NA	Retail	Sukabumi, Central Java,	Direct; Importers
Canning Foods Indonesia, PT (Canned/Preserved Food, Ready Meals)	NA	Retail	Denpasar, Bali	Importers; Distributors
San Miguel Pure Foods Indonesia (Chilled Processed Food, Soup)	NA	Retail	Join Venture (Philippines) Bogor, West Java	Importers; Distributor
Madusari Nusa Perdana, PT (Chilled Processed Food, Frozen Food)	NA	Retail	Bekasi, West Java	Importers; Distributors
Eloda Mitra, PT (Chilled Processed Food, Canned/ Preserved Food, Frozen Food, Soup)	NA	Retail	Sidoarjo, East Java	Importers; Distributors
Kemang Food Industries, PT (Chilled Processed Food , Frozen Food)	NA	Retail	Jakarta	Importers; Distributors
Ceres, PT (Chocolate Confectionery, Spread)	NA	Retail and HRI	Bandung, West Java	Direct;
Fajar Mataram Sedayu, PT	NA	Retail	Bandung, West Java	Importers; Distributors

Indofood Sukses Makmur Tbk, PT (Dried Processed Food, Wheat Flour, Baby Food, Biscuit, Noodle, Pasta Ready Meals, sauce, dressing & condiments, soup, sweet & savory snacks, oils and fats)	Rp. 21.9 trillion (2006) + Rp. 3 trillion from Intiboga Sejahtera, PT that produces oil & fats (2005)	Retail and HRI	34 manufacturing plants scattered in Java, Sumatera, Kalimantan, and Sulawesi	Direct Import; Distributor
Sayap Mas Utama, PT (Dried Processed Food, Noodle, soft drink)	NA	Retail	Gresik, East java	Direct Importers; Distributors
Indomilk, PT (Drinking Milk products, ils and Fats, Yogurt)	NA	Retail	Jakarta; Sukabumi, West Java; Pasuruan, East Java	Direct; Importers
Ultra Jaya Milk Industry & Trading Co Tbk, PT (Drinking Milk products, Soft Drink)	Rp. 835 billion (2006)	Retail	Bandung, West Java	Direct; Importers
Charoen Pokphand Indonesia, Tbk (Frozen Processed Food, Chilled Processed Food, Soup)	NA	Retail	Join Venture (Thailand) Banten	Direct Importers;
Supra Sumber Cipta, PT-Japfa Comfeed Group (Frozen Processed Food, Bakery Products, Confectionary, Soup, Soft Drink), the group also produce drinking milk and as an integrated poultry industry	Rp. 5.3 trillion (2005)	Retail and HRI	7 processing plants in East Java, Banten, and Lampung-South Sumatera	Direct; Importers
Belfood Indonesia, PT (Frozen Processed Food)	NA	Retail	Jakarta	Importers; Distributors
Frozen Food Pahala, PT (Frozen Processed Food, Ready Meals, Soup)	NA	Retail	Bogor, West Java	Importers; Distributors
Perfetti Van Melle, PT (Gum, Sugar Confectionary)	NA	Retail	Join Venture Bogor, West Java	Importers; Distributors
Lotte Indonesia, PT (Gum, Sugar Confectionary)	NA	Retail	Join Venture (Japan), Cikarang, East Java	Direct; Importers
Unilever Indonesia Tbk. PT (Ice Cream, Oils and Fats, Sauces, Dressing & Condiments, Soup, Spread, Sugar Confectionary, Sweet & Savory Snacks)	Rp12.5 trillion (2007)	Retail; HRI	Join Venture Cikarang, West Java; Surabaya, East Java	Direct; Importers
Campina Ice Cream Industry, PT (ice Cream)	NA	Retail; HRI	Surabaya	Importer; Distributor
Indo Meiji Dairy Food, PT (Ice Cream)	NA	Retail; HRI	Join Venture (Japan) Sukabumi, West Java	Importer; Distributor
Diamond Cold Storage, PT (Ice Cream)	NA	Retail; HRI	Jakarta	Importer; Distributor
Nutrifood Indonesia, PT (Meal Replacement Products, Drinking Milk)	NA	Retail	Bogor, West Java	Importer; Distributor
Yakult Indonesia Persada, PT (Yogurt)	NA	Retail	Joint Venture (Japan), Sukabumi, West Java	Direct; Importer

Ultra Prima Artaboga, PT	NA	Retail	Jakarta	Importer; Distributor
Kokin Indocan, PT (Ready Meals Indonesia, Canned Preserved Food)	NA	Retail	Pandaan, East Java	Importer; Distributor
Marizarasa, PT (Spread, Baked Goods)	NA	Retail; HRI	Jakarta	Importer; Distributor
Astaguna Wisesa, PT (Spread)	NA	Retail; HRI	Bekasi, West Java	Importer; Distributor
Pido, PT (Spread)	NA	Retail; HRI	Jakarta	Importer; Distributor
Agel Langgeng, PT (Sugar Confectionery)	NA	Retail	Bekasi, Pasuruan-West Java	Importer; Distributor
Konimex Pharmaceutical Laboratories, PT (Sugar Confectionery, Biscuit)	NA	Retail	Solo, Central Java	Importer; Distributor
Garudafood Group Sweet and Savory Snacks, Biscuits, Soft Drink)	NA	Retail	Pati – Central Java, Gresik-East Java, Bandung-West Java, Tangerang-Banten, Lampung-South Sumatera	Importer; Distributor
Kraft Foods Indonesia (Sweet and Savory Snacks, Sauces, Dressing & Condiments)	NA	Retail; HRI	Bekasi- West Java,	Direct; Importer

NA - Not avilable

D. SECTOR TRENDS

Consumption Trends

Health Awareness: More consumers are making decisions based on health and wellness concerns and fortified foods are increasing in popularity. As a result, consumption of many products are expected to grow such as:

- sports drinks, also useful for preventing dehydration with illness including dengue fever
- liquid ready-to-drink milk
- yogurt and other dairy products
- energy foods
- fortified foods
- high-protein snacks

Popular flavors:

- strawberry, vanilla, and chocolate for ice cream, raisin and other berry fruit flavors also start to be preferred
- fruity flavors for yogurt
- exotic cookie flavors

Alternative staple foods: Rice is an important staple for most Indonesians and is present at most meals. However noodle, bread, pasta and milk are starting to become important substitutes. As more food service outlets feature pasta and spaghetti on their menu, spaghetti is becoming more popular.

Packaging: Smaller package sizes are preferred due to convenience and price considerations. Inconsistent and unsteady incomes force many Indonesian to purchase food in small quantities, in some cases in daily portions. Toy insert and individual cartons with bright colors and attractive designs including popular cartoon characters are popular for children. Shelf-stable milk and fruit juice in 90 and 125-ml packaging and bite-sized snacks in smaller package sizes for school children were successfully introduced in the last few years. Single serving jelly and ready to eat sausages for kids are also popular.

More consumers are turning to frozen processed foods especially poultry outside of urban areas due to media coverage of avian influenza, freezers in traditional wet markets, and major retail expansion.

Table 2. Popular processed food products with highest sales in retail outlets during 2007

Product type	Processed food
Baby food	Toddler milk formula
Baked goods	Bread, filled pastry, and cake
Biscuit	Sandwich biscuit, chocolate coated biscuit
Breakfast cereal	Children breakfast cereal and hot cereal
Canned/preserved food	Canned tuna and canned sardine, ready to eat preserved beef and chicken sausages
Cheese	Processed cheese
Chilled processed food	Chilled processed meat (sausages and beef ball)
Chocolate confectionery	Bagged chocolate and filled tablets
Dried processed food	Package rice and instant noodle
Milk products	Powder milk, fresh & pasteurized milk, flavored UHT milk drinks, condensed & evaporated milk
Frozen processed food	Frozen processed poultry (chicken nugget, cuts of boneless chicken coated, chicken sausages, seasoned chicken wins), frozen processed beef (meat ball), frozen processed fish (fish balls), frozen Chinese snack (dimsum)
Ice cream	Chocolate, strawberry, vanilla, rum, and raisin flavor
Yogurt	Drinking yogurt
Pasta	Dried pasta (macaroni and spaghetti)
Sauces, dressing, and condiments	Soy and chili sauces
Spreads and preserve	Chocolate, srikaya (egg and coconut milk based), fruit flavor.
Sweet and Savory Snacks	Chips, extruded snacks, microwave pop corn, and cup jelly

Source: Euromonitor

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

Foreign Company Profiles:

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

<u>Unilever Indonesia, Tbk, PT and its subsidiaries</u>

Established in Indonesia in 1933, Unilever Group is well known as a producer of consumer goods. The company is engaged in the manufacturing of soaps, detergents, Blue Band brand margarine and Skippy spread, Walls brand ice cream, tea-based beverages, Bango soy-based sauces, Best Foods brand mayonnaise and condiments, Knorr soup and sauces, and cosmetic products. In late 2007, Unilever also acquired Buavita fruit juice from Ultrajaya Milk Industry and Trading Co Tbk PT (Ultrajaya). Unilever Indonesia had 2.4 percent share by retail value of sweet and savory snacks in 2007, and in 2006 had 14 percent of oils and fats, 12 percent of spread, 45 percent of ice cream, 23 percent of soup, 18 percent of sauces, dressings, and condiments and in 2007 had 15 percent retail value of fruit and vegetable juices

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

Nestlé Indonesia, PT

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

Nestlé dominates the dairy product and baby food market with sweetened condensed milk, milk powder, baby formulas, and liquid milk.

Nestlé Indonesia PT and Indofood Sukses Makmur Tbk PT, each own half of a joint venture. Nestlé Indofood Citarasa Indonesia PT (NICI) was established in February 2005. The joint venture focuses on producing sauces, dressings, and condiments. The company markets both Indofood and Nestlé's brands, including Indofood brand, Piring Lombok and Maggi.

In 2006, Nestlé Indonesia had 48 percent share by retail value of breakfast cereals; 24 percent of drinking milk products, 3 percent of chocolate confectioneries, 6 percent sugar confectionery, 25 percent of baby food, and in 2007 had 14 percent of sauces, dressings, and condiments and 5 percent of soup, and 46 percent of ready-to-drink coffees.

Nutricia Indonesia Sejahtera, PT

Nutricia Indonesia Sejahtera specializes in nutritional products for babies and toddlers. It was established in 1987 as part of the Royal Numico N.V. group, a Dutch company specializing in baby food and clinical nutrition. Now, Nutricia Indonesia is a subsidiary of Group DANONE, a global leader in the consumer goods industry with a growing emphasis on healthy nutrition. Nutricia products include milk formulas both for healthy babies and for babies with specific nutritional needs, and food for children being weaned. Nutricia's brand portfolio consists of Nutrilon Royal, Bebelac, Nutricia Complete, and Nutricia Meal Time. In 1989, Nutricia's factory located in Jakarta began operations supplying products to the domestic market and markets in the Asia Pacific region. In 2006, Nutricia had a 12-percent share by retail value of baby foods.

Sari Husada, PT

Sari Husada, PT was established in 1954. Sari Husada pioneered the development and production of baby formula in 1965. In 1998, Sari Husada allied with Nutricia International BV, as part of the Royal Numico group, which is the majority shareholder in Sari Husada. At the end of 2007 when Royal Numico was acquired by Danone Group, Sari Husada became part of Danone. Sari Husada produces various kinds of milk products for babies and children at affordable prices, from fortified milk to specialty milk for lactose intolerant infants and babies born with low weight. Sari Husada also provides milk for pregnant and breast-feeding women. Sari Husada's brand portfolio includes SGM, Vitalac, Vitaplus, Lactamil, SGM Biscuit, SGM Cereals, and Vitalac Genio, and Lactamil RTD. In 2006, Sari Husada had a 18-percent market share by retail value of baby foods.

Frisian Flag Indonesia, PT

Frisian Flag Indonesia is a subsidiary of Royal Friesland Foods N.V. Frisian Flag produces baby and infant foods, condensed milk, milk powder, and long-life milk under the Frisian Flag brand. It operates two production facilities in Jakarta. Frisian Flag had 10 percent share by retail value of baby food in 2006, and 21 percent of drinking milk product.

Kievit Indonesia, PT

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

Greenfields Indonesia, PT

Greenfields Indonesia was established in 1997 to meet the growing need for high quality fresh milk. Greenfields processes fresh milk from Australian imported cattle on its own dairy farm in Gunung Kawi, East Java. Greenfields produces pasteurized, extended self-life, and UHT milk under Yahui, Real Good, Greenfield, and private label brands. Greenfields exports to Singapore, Malaysia, Hong Kong, and several African countries. In Indonesia, Greenfields has a 1-percent share by retail value of dairy products.

Danone Group

Danone group has 6 companies in Indonesia that produce cookies, bottled water, fermented dairy beverages, and baby food. Danone group is made of Danone Biscuits Indonesia, PT which has a 10-percent share by retail value of cookies in 2006; Aqua Golden Mississippi, Tbk, PT which had a 13-percent share by retail value of soft drink group in 2007; Ades Waters Indonesia, Tbk , PT which has a 2-percent share by retail value of soft drinks in 2007**;** Tirta Investama, PT which has 2-percent share by retail value of soft drinks in 2007**;** and Ajinomoto Calpis Beverage Indonesia, PT and Danone Dairy Industry, PT that produce dairy products.

Coca-Cola Bottling Indonesia, PT

Coca-Cola Amatil from Australia entered Indonesia in 1992, however its Indonesian partner was already producing and distributing Coca-Cola products under license from the Coca-Cola Company since 1932. It operates under the name PT Coca-Cola Bottling Indonesia with a brand portfolio consisting of Coca-Cola, Diet Coke, Sprite, Fanta, Schweppes, Frestea, A&W, and Powerade Isotonic. Products made by Coca-Cola Indonesia are the most popular carbonated drinks with almost 90 percent of the market by retail value in 2007, and followed by ready to drink tea with 12 percent of the market.

Other multinational companies in Indonesia:

- **Amerta Indah Otsuka, PT** (Japan): manufactures the popular sports drink Pocari Sweat, which had with 43-percent share by retail value of functional drinks in 2007

- **Berrivale Indosari, PT** (Australia): produces Berri fruit juice, which had 4 percent share by retail value of fruit and vegetable juices
- **Charoen Pokphand Indonesia, PT** (Thailand): produces frozen poultry products. The company had 34-percent share by retail value of frozen processed products in 2007
- **Heinz ABC Indonesia, PT** (United States): produces sauces, dressings, and condiments, beverages, and fish and seafood products, with a 16-percent share of canned and preserved food retail sales in 2007. The company had 29 percent share of sauces, dressings, and condiments, 9 percent share of concentrates, 9 percent of fruit and vegetable juices, and 13 percent of ready to drink coffees in 2007.
- Kraft from United States has three companies in Indonesia:

  Kraft Ultraya Indonesia, PT: produces cheese. In 2006, the company had 72 percent share by retail value of cheese products.

  Nabisco, PT: produces cookies with 11 percent of retail value in 2006

  Arnott's Indonesia, PT (Kraft group): produces cookies. In 2006, the company had 11 percent share by retail value. The company also had a 3-percent share of chocolate confectionery by retail value share.
- **Pepsi-Cola Indo Beverages, PT** (United States): produces Pepsi Cola and Mirinda carbonated drinks with 4 percent retail value share.
- **URC (Universal Robina Corporation) Indonesia, PT** (Philippines): Established in 2002, had 1 percent share of chocolate confectionery in 2006, and 1 percent share by retail value of sweet and savory snacks in 2007
- **Indofood Fritol-Lay Corp, PT** (United States): produces potato chips and extruded snacks that total 10 percent share by retail value of sweet and savory snacks in 2007
- **Nippon Indosari Corp, PT** (Japan): Two plants produce bread and pastry products that total to 4 percent share by retail value of bakery products in 2006.
- **Effem Indonesia, PT** (United States): produces chocolate. The company has two plants and had 4 percent share by retail value of confectionary products in 2006.
- **Lotte Indonesia, PT** (Japan): Established in 1993. The company produces gum and had 20 percent share by retail value of gum in 2006.
- **Perfetti Van Melle Indonesia, PT** (Italy and Netherlands): produces confectioneries. In 2006, the company had 54 percent share by retail value of gum products, and 17 percent of sugar confectionery.
- **San Miguel Pure Foods Indonesia, PT**(Philippines): acquired the company from TTC (Vietnam) Co, Ltd in 2003. This company product line includes sausages, meatballs, luncheon meats, and cold cuts in assorted retail packaged sizes for modern and traditional outlets. Farmhouse and Vida are the brand for beef processed meat and Gusto for pork-based processed meat. In 2007, the company had 27 percent of the share of chilled processed retail foods, and 4 percent of soup.
- **Indo Meiji Dairy Food, PT** (Japan): Established in 1997. In 2006, the company had 13 percent share of the retail value of ice cream
- **Yakult Indonesia Persada, PT** (Japan); Established in 1990. In 2006, the company had 85 percent retail value share of yogurt.

- **Ajinomoto Indonesia, PT** (Japan): Establish 1969. The company had 4 percent of sausages, dressings, and condiments retail value share.

III. COMPETITION

On February 27, 2009, Australia and New Zealand signed a free trade agreement with ASEAN (AANZ-FTA). The agreement calls for Indonesia to gradually eliminate the tariff on imports of many Australian and New Zealand products. Most tariffs will be gradually reduced starting in October 2009 and completely eliminated by 2014, with exception such as dairy and meat products.

AANZFTA is the first region-to-region free trade agreement for both ASEAN and Australia and New Zealand. It is ASEAN's fourth free trade agreement with dialogue partner after China, Korea, and Japan.

Thailand and Indonesia also signed an MOU on sugar which identifies the procedures for implementing the "Protocol to Provide Consideration for Rice and Sugar" signed in August 2007 under the Common Effective Preferential Tariffs Scheme in the ASEAN Free Trade agreement (CEPT-AFTA). Based on this MOU, sugar products that fall under seven harmonized tariff code will be moved from the Temporary Exclusion List to the Highly Sensitive List. Tariffs will be reduced gradually to 5 percent or 10 percent by 2015.

Product Category	Major Supply Sources in 2007 (volume)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Wheat (from US: soft white winter, hard red winter, dark northern spring; from Australia: Australian standard white, Australian prime hard, Australian hard) **Net import: 4,615.7 thousand ton** **$1,181.3 million**	Canada: 32.3% Australia: 32.6% United States: 21.6% China: 9.4%	Australian wheat price is competitive and consumer prefer it's color for noodle production. U.S. wheat is becoming a major supplier.	No domestic production
Sugar and sugar derivatives (lactose, fructose, glucose) **Net import: 3,076.9 thousand ton** **$1,079.4 million**	Thailand: 43.8% Australia: 23.2% India: 6% Malaysia: 5.1% Brazil: 5.0%	Thailand offers competitive prices and Australia supplies raw sugar for refinery industry (food & beverages and pharmaceutical)	Domestic production is not enough to supply industry needs
Skim milk powder and whole milk powder **Net import: 181 thousand ton** **$617.4 million**	New Zealand: 26.1% Australia: 17.2% United States: 15.8% Philippines: 10.6% Singapore: 9.1%	Australia and New Zealand are the largest suppliers due to competitive pricing.	Domestic production can supply only 25% of industry needs
Whey **Net import: 54 thousand ton** **$100.8 million**	Netherlands: 25.3% United States: 19.4% France: 19.2% Australia: 17.6% New Zealand: 4.6% Germany: 4.3%	Basis of European Milk Industry (Netherlands & France), and Australia offer a competitive pricing. U.S. start to become a major supplier	No domestic production

Cheese **Net import: 14 thousand ton** **$46 million**	Australia: 52.1% New Zealand: 31.0% United States: 8.6%	Australia and New Zealand have competitive prices	No domestic production
Soybean **Net import : 1,411.6 thousand ton** **$479.4 million**	United States 85.2% Argentina 12.8%	U.S. has exportable supplies and good quality	Domestic production is not enough to supply industry needs
Wheat flour **Net import: 580.9 thousand ton** **$180.3 million**	Turkey: 29.7% Australia: 26.3% Sri Lanka: 19.8% China 13.3% Belgium 7.9%	Can supply wheat flour with lower price.	Locally-produced wheat flour is priced higher than imported wheat flour
Red meats (beef) **Net import: 80.5 thousand ton** **$149.9 million**	Australia: 54.4% New Zealand: 43.0% Canada: 2.4%	Australia and New Zealand have a competitive price and no case of FMD and BSE in both countries	Shortage of supply. Most are sold fresh to traditional markets and modern outlets
Food preparation (infant food preparation, fortification premix, other food mixture with nutrition value)) **Net import: 12.8 thousand ton** **$88.0 million**	Netherlands: 26.7% Singapore: 13.2% United States: 13.0% China: 11.7% Malaysia: 9.9% Japan: 8.6%	Singapore (transit country), China and Malaysia have a competitive price. Netherlands (most of European countries) can supply tailor made ingredients	No domestic production
Non-alcoholic preparation use for making beverages in packing **Net import: 44.0 thousand ton** **$69.5 million**	Malaysia: 43.7% South Korea: 18.7% Thailand: 16.7% Netherlands: 7.9% China: 6.5%	Taste preferred by Asian consumers	Domestic product is limited
Cocoa beans **Net import: 19.7 thousand ton** **$ 39.2 million**	Cote d'Ivoire: 56.4% Papua New Guinea: 24.7% Ghana: 9.8% Cameroon: 6.6%	Industry needs variety of cocoa beans for blending to get desired taste	Domestic product is abundant
Dextrin and other modified starches **Net import: 82 thousand ton** **$50.2 million**	Thailand: 66.2% China: 6.7% United States 6.4% Germany: 4.1% Netherlands:2.8% Australia: 2.6% Belgium: 2.4%	Thailand has exportable supply of the kind of starch needed to produce glucose	Domestic production is limited
Fish and seafood products **Net import: 66.5 thousand ton** **$53.5 million**	Malaysia:22.0% China:15.6% Pakistan: 15.0% Thailand: 12.8% Japan: 7.6% Netherlands: 3.5% Singapore: 3.4% Taiwan: 30.1%	Tuna, mackerel, and sardines are used as an additional source for the fish canning industry	Local fish and seafood production is high

Peptones and derivatives **Net import: 5.6 thousand ton $13.2 million**	Brazil: 30.9% China: 30.4% United States:8.8% Netherlands: .8% Japan:6.3%	Brazil and China have a competitive price	No domestic production
Protein concentrates and textured protein substances **Net import: 2.2 thousand ton $5.6 million**	France: 37.7% United States 14.7% China: 13.9% Italy: 7.0% Netherlands: 6.8% Japan: 6.1% New Zealand: 5.7%	China offers lower prices for soybean based products	No domestic production
Dehydrated potato **Net import: 4.9 thousand ton $6.8 million**	United States: 30.9% China: 23.2% India: 18.6% Germany: 13.5%	U.S. has exportable supplies and is also aggressively promoted, but China is becoming a major supplier	No domestic production
Poultry meat **Net import: 5.8 thousand ton $8.0 million**	Brazil: 40.0% Singapore: 34.7% Malaysia: 16.3% France: 5.0%	Brazil has stock and the importer has the permit to import. Singapore usually is a transit port for many kinds of exported products to Indonesia	Local poultry meat production is significant in volume and ban of poultry part imports has been implemented since 2000
Tree nut **Net import: 4.4 thousand ton $5.7 million**	Singapore: 31.6% India: 19.8% China: 16.0% United States 10.8% Philippines: 5.8% Thailand: 4.9%	Singapore is a transit port; India supplies Walnut; China supplies walnut processed US pistachios: U.S. supplies walnuts, almonds and pistachios.	Local nut production is limited to cashew nut

Source: Global Trade Statistics

IV. BEST PRODUCT PROSPECTS

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

Product Category	2007 Imports (Value)	5-Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for USA
Wheat	$1,181.3 million	2.76 %	0%	Consumers prefer Australian wheat color for noodles and the price is competitive. Canada can supply continually	Demand of high quality flour for bakery industry
Sugar and sugar derivatives (lactose, fructose, glucose)	$1,079.4 million	30.10%	Cane, beet sugar, chemical pure sucrose in solid form: IDR 550/kg raw; IDR 790/kg refined; others 5%	Market is limited to cheaper product sources and the food processing industry lacks knowledge of how to replace sugar with other substitutes efficiently	Demand of dairy sugar derivatives such as lactose is growing
Skim milk powder and whole milk powder	$617.4 million	13.69%	5%	U.S. prices are relatively higher than competitors	Consumption is growing rapidly as an ingredient for dairy industry
Soybean	$479.4 million	1.43%	10%	Almost no competitor, although lower prices offered by them	Popular traditional dish consumes a lot of soybean and there is still an opportunity to use it in other traditional dishes
Wheat flour	$180.3 million	13.11%	5%	Lower prices offered by competitor	Wheat-based noodles, bread, and pasta are becoming a substitute for rice
Whey	$100.8 million	20.85%	5%	Still lack of knowledge for using whey as an ingredient in food and beverages	Consumption is growing rapidly as an ingredient for food and beverage manufacturers
Food preparations (infant food preparation, fortification premix, other food mixture with nutrition value)	$88 million	30.98%	5%	Demand is scattered and required specifications vary widely	Consumption is growing due to healthy food choices
Non-alcoholic preparation use for making beverages in packing	$69.5 million	37.14%	5%	Demand is scattered and specification requirements vary widely	Consumption is growing

Dextrin and other modified starches	$50.2 million	0.99%	5%	Competitors offer competitive pricing	Consumption is stagnant
Cheese	$46 million	15.83%	5%	Limited consumer base due to pricing	Consumption is growing for bakery and snack food products
Peptones and derivatives	$13.2 million	21.4%	5%	Competitors offer competitive pricing	Consumption is growing
Dehydrated potatoes	$6.8 million	18.35%	5%	Consumers start to know how to use this product, but China and India start to supply it with competitive price	Consumption is growing for snack and bakery industry
Tree nuts	$5.7 million	44.55%	5%	Demand is still limited to middle and high-income consumers	Demand from bakery and confectionary industry is growing. Also there is an opportunity for premium cookie products
Protein concentrates and textured protein substances	$5.6 million	23.67%	5%	Competitors offer competitive pricing	Consumption is growing

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

Product Category	**2007 Imports (Value)**	**5-Yr. Avg. Annual Import Growth**	**Import Tariff Rate**	**Key Constraints Over Market Development**	**Market Attractiveness for USA**
Red meats (beef)	$149.9 million	13.34%	5%	Australia and new Zealand offer competitive price and only limited US establishments approved by Indonesian Government	Meat processing needs more inputs
Poultry meat	$8.0 million	71.36%	5%	Indonesian government only allow U.S. whole birds and MDM poultry to enter Indonesia	Poultry processing needs more input

V. POST CONTACT AND FURTHER INFORMATION

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

Foreign Agricultural Service
U.S. Embassy Jakarta
Jl. Medan Merdeka Selatan # 3-5
Jakarta 10110 - Indonesia
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U.S. Embassy-Jakarta
Box 1, Unit 8129
FPO AP 96520-0001

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

Additional related reports for Indonesia:

New Requirements for Selected Food & Beverages (ID9001)
http://www.fas.usda.gov/gainfiles/200901/146327020.pdf

Exporter Guide (ID8032)
http://www.fas.usda.gov/gainfiles/200811/146306465.pdf
The contact information of the cooperators that active in Indonesia is available in this report

Dairy and products (ID8028)
http://www.fas.usda.gov/gainfiles/200810/146296192.pdf

FAIRS Export Certificate (8024)
http://www.fas.usda.gov/gainfiles/200811/146306465.pdf

FAIRS Country Report (ID8022)
http://www.fas.usda.gov/gainfiles/200808/146295366.pdf

The Retail Food Sector (ID7036)
http://www.fas.usda.gov/gainfiles/200711/146293001.pdf

The HRI Sector (ID6001)
http://www.fas.usda.gov/gainfiles/200601/146176609.pdf

Product Brief-Bakery Ingredients (ID6013)
http://www.fas.usda.gov/gainfiles/200606/146198046.pdf