



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 12/10/1999

GAIN Report #ID9088

## Indonesia

## Livestock

## Indonesian Meat Processing Industry

1999

Prepared by:

**Dennis Voboril**

**U.S. Agricultural Trade Office**

Drafted by:

Corey Rosenbusch-Texas A&M Intern Student & Fahwani Y. Rangkuti-ATO Jakarta

---

**Report Highlights:** The processed meat industry is an important and growing sector in Indonesia. *Bakso*, an Indonesian meatball, and sausages are increasing in popularity in this country of over 200 million people. The major companies are looking for the competitive advantage, and searching for substitute products to be used in their product lines. ATO Jakarta projects that there are excellent market prospects for U.S. suppliers of MDM turkey and other ingredients that are of high quality and competitively priced. Initial contacts would most likely necessitate technical assistance for the major processors in proper utilization of new ingredients.

---

Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Jakarta ATO [ID2], ID

## MARKET BRIEF: INDONESIAN MEAT PROCESSING INDUSTRY A POTENTIAL GROWTH MARKET FOR U.S. MEAT & POULTRY INGREDIENTS

### MARKET SUMMARY

When setting foot in any Indonesian city you are guaranteed to see small street stalls, called *warungs*, selling the popular Indonesian meatballs called *bakso*. *Bakso* is processed meat that can be compared to the American version of a meatball, but often contains other non-meat ingredients such as flour and cornstarch. These small meatballs are very popular in Indonesian soups and can also be a stand-alone product.

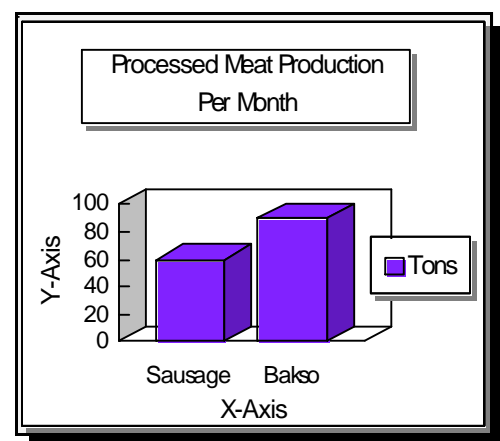
Next to chicken nuggets, *Bakso* can be considered as one of the top processed meats consumed in the archipelago. Traditionally, *bakso* hasn't been a product you would find in grocery store shelves. If you wanted to purchase *bakso*, you would find them being hand compressed on a street corner *warung*. Today, however, many supermarkets devote an entire refrigerated case to these bite size meatballs. The enormous consumption rate and recovering Southeast Asian economy has motivated meat processors to produce their own versions of the popular Indonesian food. The trend of processed meats has become a thriving market in the Jakarta area, and many producers are now buying raw meat products to produce a wide variety of processed meat, dominated by *bakso*, sausages, and chicken nuggets.

This report takes an in-depth look at the processing of meat into *bakso* and sausages, including information regarding consumption, production, market distribution channels, trade, and sales information.

### TRENDS IN CONSUMPTION

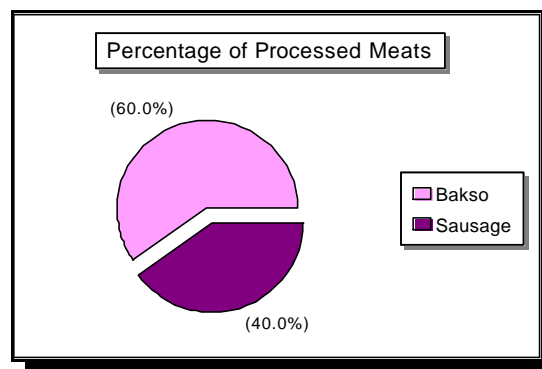
*Bakso* and sausage are two of the most common processed meats that are consumed in Indonesian. Of the total processed meats consumed, 60-70 percent is sausage and *bakso*. Estimates indicate that 150 tons of sausage and *bakso* are produced per month in the greater Jakarta area alone.

Perhaps it is even more important to understand that of all of the consumed *bakso*, 70 percent is produced by traditional means. Small *warungs*, restaurants, and families, all make their own *bakso* by hand, from scratch. This should be an invaluable indicator of the popularity of the product across the country. This is also a strong indicator that most processed meats cater to the middle and upper class, although all classes do eat the processed products. Some experts



estimate that 70 percent of the people consuming processed meats are in Java.

Sausage has also become a popular meat for Indonesia, but is not as big as *bakso*. Some experts indicate that of the total consumed sausage and *bakso*, 60 percent is *bakso*. As with most other products in Indonesia, processed sausage and *bakso* have experienced a decline in consumption because of the economy. One source suggests that the consumption rate of processed sausage and *bakso* should be back to normal by the year 2002.



### TRENDS IN PRODUCTION

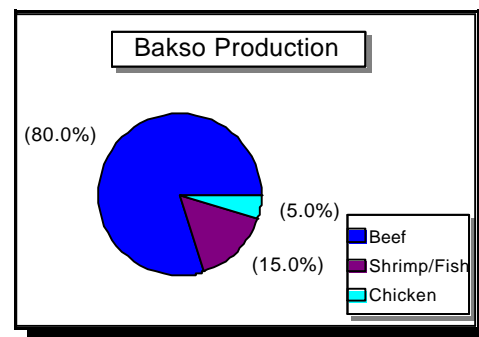
Since processing meat into sausages and *bakso* has become popular, four companies have dominated the industry, and all are highly competitive. The sensitivity of this competition has made exact figures of sales and production difficult to obtain.

Some companies have identified their own niches to compete, specializing in fresh *bakso*, whereas others strictly sell their *bakso* in vacuum packs. In looking at the production as a whole, including traditional production, only 5 percent of the total produced *bakso* is vacuum packed.

*Bakso* is a very complex processed product. The primary ingredients are the meat, flour, cornstarch, and assorted spices. The *bakso* is then graded on a scale of 1 to 14 based on the content of the meat in the product. A grade 1 is the highest quality and would contain a higher meat content percentage than the lowest quality, grade 14. Since most commercially processed *bakso* is purchased by the upper and lower classes, processors usually don't make anything below a grade 7.

The quality grade of the *bakso* also has an impact on the cost of the product. A grade 1 product would cost Rp 25,000 for a 700 gram unit<sup>1</sup>. Grade 7 *bakso* is half of that cost, at Rp 6,000 per 700 grams.

When exploring *bakso* production, beef dominates the production, followed by seafood, and chicken. Some industry sources indicate that beef's 80 percent of produced *bakso* is likely to slump as alternate products become available. High quality beef is a rarity in Indonesian and any high quality product has to be imported. This results in higher priced product. Chicken *bakso* will ultimately become more and more popular for two reasons. Chicken is more abundant in the country and channels have

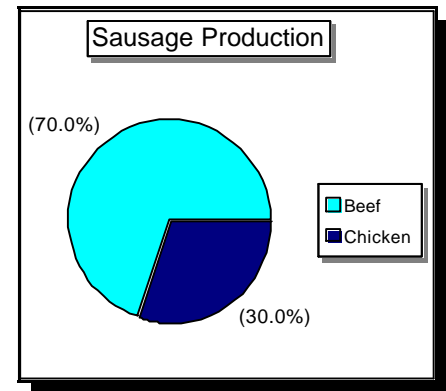


<sup>1</sup>Rp: Indonesian currency of rupiah is approx. US\$1/Rp 7,000 as of year-end 1999.

become available to import cheap, high quality product from countries such as the United States.

Other sources disagree with the increasing demand of processed chicken. Some say that if Indonesians want chicken they will consume a more traditional product. Additionally *bakso* is their opportunity to eat beef without the expensive price associated with unprocessed products, such as steak. Instead, the same source turns to seafood as the new arena in *bakso* production. When looking at the current trend seafood products such as shrimp and fish are 10 percent more popular than poultry *bakso*.

Sausage, on the other hand, is primarily dominated by the beef industry. One expert indicates that 70 percent of processed sausages are beef based, whereas only 30 percent are chicken based. Companies have their eyes, however, on an exciting new product to use in production - turkey. Two of the large processors experimenting with the possibility of implementing a turkey sausage line in their plants. Turkey is an excellent alternative they indicate because it's a niche, its cheap, high quality, and can be sold as the healthy alternative.



### ***DISTRIBUTION CHANNELS***

Because such a small amount of the total consumed sausage and *bakso* is processed commercially, most of production is centered in the Java area. The central Indonesian hub is one of the few areas with the infrastructure to handle the production and distribution of the processed meats. As a matter of the fact, 80 percent of the total processed *bakso* and sausage is sold on the island of Java, and a large percentage of the remaining 20 percent is centered in Bali.

Most *Bakso* that is sold in the area is centralized in the supermarkets and restaurants. Sausage and *Bakso* produced in the Central Java are distributed by company owned refrigerated trucks directly to the stores and restaurants. Both venues split the market share with supermarkets selling 51 percent of the product and restaurants 49 percent.

### ***TRENDS IN TRADE***

Of the three products to use in processing sausage and *bakso*, the chicken and seafood are 100 percent local. Ninety percent of the beef, however, primarily is imported from Australia and New Zealand in quarters. Australia dominates the beef imports for processed meats with 90 percent of the market share. There is some local beef used in the production of sausage and *bakso* but in very little amounts, and only in the lower quality products.

### ***CONCLUSION***

One can obviously see the importance of the processed meat industry in Indonesia. *Bakso*, an established product, and sausage, increasing in popularity, have entered the commercial market. The future for commercially processed meats has a bright future in this country of over 200 million people. The major companies are looking for the competitive advantage, and searching for substitute products to be used in their product lines. ATO Jakarta projects that there are excellent market prospects for U.S. suppliers of MDM turkey and other ingredients that are of high quality and competitively priced. Initial contacts would most likely necessitate technical assistance for the major processors in proper utilization of new ingredients.

#### **POST CONTACT AND FURTHER INFORMATION**

The U.S. Agricultural Trade Office in Jakarta maintains up-to-date information covering food and agricultural import opportunities in Indonesia and would be pleased to assist in facilitating U.S. exports and entry to the Indonesia market. Questions or comments regarding this report should be directed to the U.S. ATO in Jakarta at the following address:

U.S. Commercial Center  
Wisma Metropolitan II, 3rd Floor  
Jalan Jenderal Sudirman Kav.29-31  
Jakarta 12920 - Indonesia  
Tel: +62215262850  
Fax: +62215711251  
e-mail:atojkt@cbn.net.id  
Homepage:<http://www.usembassyjakarta.org/fas>

Please contact our home page for more information on exporting U.S. food products to Indonesia, including *Exporter Guide: Indonesia*; *Food Processing Sector Report: Indonesia*; *The Retail Sector Report: Indonesia*; *Market Brief: Indonesian Fresh Fruit Imports*, *Market Brief - Indonesian Wine Imports*; and *Hotel and Restaurant Industry: Bali*. As of January 2000, the following reports are available: *The HRI Food Service Sector Report: Indonesia*; *Market Brief - Indonesian Bakery Industry*; and *Market Brief - Indonesian Beverage Industry*.

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service's Home Page: <http://www.fas.usda.gov>

C:\RPT25556549.WPD