

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Indonesia

Exporter Guide

Exporter Guide Update

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Report Highlights:

In 2016 U.S. agricultural exports to Indonesia totaled more than \$2.6 billion, making it the 8th largest market for U.S. agriculture. Major exports include soybeans, cotton, wheat, feeds and fodders, dairy, fresh fruit and beef and beef products. Opportunities also exist for exporters to serve Indonesia's tourist market, aspirational time-sensitive urban population, and growing food processing industry. Indonesia has adopted policies to protect its growing domestic industry from international competition and to help secure its trade balance. Agricultural self-sufficiency is a stated goal of the Indonesian government, and is often used to justify trade barriers and restrictions.

Post:
Jakarta

I. MARKET OVERVIEW

Economic Situation

Indonesia maintained growth rates above 5.5 percent from 2007 to 2016. GDP fell to 5.0 percent in 2016, with the Bank of Indonesia estimating that economic growth will reach 5.0 and 5.4 percent in 2017 and 5.1 to 5.5 percent in 2018. Domestic demand will continue to be the major driver for economic growth. Despite weaker economic performance, Bank of Indonesia survey on economic conditions, business activity, and job availability indicated that Indonesian consumers are still optimistic. The main factor driving optimism is the acceleration of infrastructure development. The Consumer Confidence Index and Consumer Expectation Index support this, with measures at 122.1 and 134.8 respectively in November 2017. The survey has been conducted monthly by Bank Indonesia in 18 cities all over Indonesia since 1999 (measures above 100 show consumer optimism).

Gross Domestic Product per capita has increased from \$1,213 in 2005 to \$3,475 in 2016. As the Indonesian middle class grows and incomes rise, a new generation is seeking international food products. Middle class consumers have easier access to media and internet facilities, further exposing them to various international products, activities and lifestyles. The middle class population grew from 37 percent in 2004 to 56.7 percent in 2013. These domestic consumers, along with a large expatriate community, consume a wide array of imported products. Household consumption accounted for 56.50 percent of GDP growth in Indonesia in 2016.

The Indonesian Rupiah has weakened against the dollar since July 2013. Strong domestic demand and slower exports have increased Indonesia's trade deficit and import growth, encouraging the Government of Indonesia (GOI) to strictly limit food imports. The GOI also reduced certain fuel subsidies in June 2013 and November 2014, which led to higher fuel prices and electricity rates. Inflation and protectionist policies are likely to create challenges for the expansion of U.S. food product exports to Indonesia.

In 2001, Indonesia embarked on an ambitious and challenging decentralization effort. Today Indonesia is one of the most decentralized countries in the world with substantial funds and authorities devolved to the regional levels. In October 2014, Indonesia swore in its new president, Joko Widodo. Under President Widodo's leadership, Indonesia's agricultural trade policy has continued to prioritize food self-sufficiency.

Free Trade Agreement

Indonesia maintains free trade agreements (FTA) with ASEAN-China, ASEAN-South Korea, ASEAN-Australia and New Zealand, ASEAN-India, Indonesia-Japan

and Indonesia-Pakistan. Despite the gradual reduction in tariffs and quotas following these agreements, exporters and importers still continue to face lengthy and cumbersome custom procedures and non-tariff measures. In addition to Free Trade and Bilateral Agreements already implemented, Indonesia and ASEAN are working on the several Trade Agreements that will conclude in the near future such as: Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), Expansion of Indonesia-Pakistan (PTA), Indonesia-Chili Trade in Goods Agreement (TIGA), Indonesia-European Free Trade Association (EFTA-CEPA), ASEAN-Hongkong Free Trade Agreement (FTA), Expansion of Indonesia-Japan Economic Partnership Agreement (IJEPA), Indonesia-Turkey Trade in Goods Agreement, Indonesia-Iran Preferential Trade Agreement (PTA), ASEAN- RECP (ASEAN Regional Comprehensive Economic Partnership), Indonesia-Peru Trade in Goods Agreement (TIGA), Indonesia – Southern African Customs Union (SACU) PTA, Indonesia – EAC/Kenya PTA, Indonesia – Nigeria PTA, Indonesia Mozambique PTA, Indonesia – Eurasian Economic Union (EAEU) FTA, Indonesia – Taiwan PTA/ECA, Indonesia – Bangladesh PTA, Indonesia – Srilangka PTA, Indonesia – Peru PTA, Indonesia – Egypt PTA/FTA, Indonesia – Gulf Cooperation Council (GCC) TIGA. There are also three upcoming negotiations: Regional Comprehensive Economic Partnership (RCEP), ASEAN – Hongkong, China FTA and ASEAN – Canada FTA.

Table1. Indonesia: Free Trade and Bilateral Agreement

| Country | International Cooperation | Signed | Effective date |
|---|---------------------------|--|--|
| ASEAN Free Trade Area (AFTA)/ASEAN Trade in Goods | | 2002 | |
| ASEAN -Japan | Regional | October 2003 | December 1, 2008 |
| ASEAN -South Korea | Regional | May 2006 | July 2006 |
| CAFTA ASEAN -China | Regional | 2002 frame work of FTA | 2010 for Brunei, Indonesia, Malaysia, Philippines, Singapore Thailand 2015 for Burma, Cambodia, Laos, Vietnam |
| AANZFTA | Free Trade Agreement | February 2009 by ASEAN and Indonesia January 10, 2010 | |
| AIFTA ASEAN - India | Free Trade Agreement | August 2009 by ASEAN and Indonesia October 1, 2010 | |
| IJEPA - Japan | Bilateral | August 20, | July 1, 2008 |

| | | | |
|----------|---|------------------|--|
| | <p><i>Indonesia will exempt 93% import duty of 11,163 Japan products amounting of 92% of its export value and fostering the service sector and the export of workers to Japan.</i></p> <p><i>Japan exempt 90% import duty of 9,275 Indonesian products amounting 99% of its export value and ensured the steady supply of energy and raw materials from Indonesia.</i></p> | 2007 | |
| Pakistan | <p>Preferential Trade Agreement. <i>Indonesia offered reduced tariff on 216 tariff line including fresh fruit, cotton yard, garments, fans, sporting goods and leather goods.</i></p> <p><i>Pakistan extended preferential rates on 287 tariff lines, on crude palm oil and its derivative, sugar confectionery, cocoa products, consumer goods, chemicals, table ware, kitchen ware, rubber products, wood products, glassware products, and electronic items.</i></p> | February 3, 2012 | Ratified in November 20, 2012 in Presidential Regulation PP No 98/2012 |

The ASEAN Economic Community (AEC) was integrated January 1, 2016, as declared in the 2003 ASEAN Leader summit in Bali and affirmed 2007 summit in Cebu. The integrated AEC aspires to four characteristics: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy. Areas of cooperation include integrating industries across the region to promote regional sourcing.

Key Demographic and Customer Expenditure

Indonesia is the most populous country in the ASEAN region, with approximately 265 million people in 2018, mostly concentrated on the main islands of Java, Sumatra, Kalimantan, Sulawesi and Papua. It is home to approximately 13,500 islands and hundreds of local languages and ethnic groups. It is bestowed with vast natural resources, including petroleum and natural gas, logs, fisheries and iron ore. Indonesia is a major producer of rubber, palm oil, coffee and cocoa.

U.S. Food Product Exports to Indonesia

In 2016 U.S. agricultural exports to Indonesia totaled more than \$2.6 billion, making it the 8th largest market for U.S. agriculture. Major exports include soybeans, cotton, wheat, feeds and fodders, dairy, fresh fruit and beef and beef products.

Market Access Issues

Uneven enforcement of existing regulations and under-reporting of new regulations to trading partners and the World Trade Organization (WTO) creates confusion amongst

stakeholders. In general terms, market access barriers are a result of a combination of protectionism, nationalism, corruption, and lack of soft infrastructure among inspection agencies. Additional information on Indonesia's trade barriers can be found in U.S. Trade Representative's National Trade Estimate on Foreign Barriers to Trade: <https://ustr.gov/sites/default/files/files/reports/2017/NTE/2017%20NTE.pdf>

Since December 2007, GOI has maintained a National Single Window (NSW) system to facilitate the movement of exported and imported products at the port. The NSW system requires all related government institutions to coordinate the process to clear exported & imported goods through an electronic system. The NSW system linked with the ASEAN Single Window (ASW) in 2009. All ASEAN countries were required to completely harmonize their NSW systems in 2012. However, the electronic system creates additional problems for Indonesian traders as confusion persists regarding unclear classifications of HS codes for the online system as well as requirements demanded by new regulations.

Meanwhile, the product registration number (ML) requirements for retail food packaging remain time consuming and bureaucratic, although significant progress has been made. Issues pertaining to food labeling remain complicated and unclear.

For more information please refer to the 2017 sector reports on Retail, [Food Service](#), and [Food Processing Ingredients](#).

Market Opportunities

- Indonesia's 2017 population of 261 million is relatively young, with 16.90 percent of the population between 15-24 years and 16.0 percent between 25-34 years. Nearly 57 percent of the population lives on Java. Java also has the best infrastructure, although urban areas in Sumatera, Sulawesi and Kalimantan are developing rapidly. 53.3 percent of Indonesian people (135.9 million) were estimated to live in urban areas as of 2015.
- The middle class population grew from 37 percent in 2004 to 56.7 percent in 2013. This group spends \$2 to \$20 a day on food.

Table2. Indonesia: Population number in major urban areas in 2015

| City | Island | Population (million) |
|-------------------|----------|----------------------|
| Jakarta | Java | 9.99 |
| Surabaya | Java | 2.80 |
| Medan | Sumatera | 2.47 |
| Bekasi | Java | 2.38 |
| Bandung | Java | 2.34 |
| Makassar | Sulawesi | 1.65 |
| Depok | Java | 1.63 |
| Semarang | Java | 1.62 |
| Tangerang | Java | 1.56 |
| Palembang | Sumatera | 1.55 |
| Tangerang Selatan | Java | 1.22 |

| | | |
|--------------------------|-------------|------------------------|
| Samarinda + Balikpapan | Kalimantan | 1.35 |
| Batam | Riau Island | 1.03 |
| Lampung | Sumatera | 1.17 |
| Malang + Batu | Java | 1.00 |
| Bogor | Java | 0.93 |
| Yogyakarta + Surakarta | Java | 0.96 |
| Padang | Sumatera | 0.87 |
| Pakanbaru | Sumatera | 0.86 |
| Banjarmasin & Banjarbaru | Kalimantan | 0.85 |
| Denpasar | Bali | 0.63 (Total Bali 4.17) |
| Pontianak | Kalimantan | 0.65 |
| Jambi | Sumatera | 0.60 |

Source: Ministry of Internal Affairs Regulation No. 56/2015

- The population has become increasingly literate and Westernized during the past decade, due to the number of Indonesians who have studied and traveled abroad; easier access to international media including internet and cable television; increased numbers of smart phone and internet users (more lap top and WiFi locations); expansion of modern malls in major urban areas; growth of major international hotels, restaurants, quick serve restaurants, bakery chains; and continued growth of foreign tourists.
- Indonesians generally tend to be internet savvy and there is widespread use of social media. Facebook, Twitter, Path, Instagram, and Ask.fm are widely used as a medium to share information, especially among younger, middle class adults. In the second quarter of 2017, Facebook Indonesia reported that 115 million Indonesians were active Facebook users, with 97 percent accessing the website via smartphone (the world's 4th largest Facebook account after U.S. India and Brazil) . According to market researchers, Indonesia will have 112.6 million internet users by the end of 2016 (the world's 6th largest internet user after China, U.S., India, Brazil and Japan). As of May 2016, Indonesia was the 3rd largest user of Twitter following the U.S. and India.
- Demand for imported food ingredients is growing. Food manufacturers are continually developing new food and beverage products including snacks.
- Indonesian consumers tend to be price conscious and are susceptible to economic swings, particularly amongst middle and lower income level consumers. Overall, customers tend to prefer purchasing imported products in smaller, less expensive portions.
- There is growing interest in organics and products perceived as 'healthy'.
- More urban women are entering the workforce and are choosing to keep working after marrying and having children. With less time available for shopping and cooking, these consumers seek time saving and convenience products.
- The number of kitchen appliances throughout the country is relatively low. In 2016 about 72 percent of Indonesians used liquid petroleum gas (LPG). Fire wood made up the second largest group at 21 percent, followed by kerosene stoves at 4 percent. Less than one percent of Indonesians cooked using

- electricity.
- During both Muslim and Chinese holiday seasons, consumer spending increases. The most important holiday seasons are Ramadan (the month-long Muslim fasting period in which food consumption goes up significantly), Idul Fitri (the Muslim celebration at the end of Ramadhan), and Chinese New Year. Indonesians consume significantly greater amounts of flour, sugar, eggs, baking ingredients, poultry, meats, cheeses, cakes, cookies, pastries, fresh and dried fruits and nuts during these holidays.
 - Although Christmas is celebrated by less than 10 percent of the population, stores take advantage of the season and decorate and promote festive foods such as special fruits, sweets, and pastries. Western celebrations, including Valentine's Day and Halloween, have also become trendy among upper-scale restaurants in Indonesia.

Table3. Indonesia: Advantages and Challenges Facing U.S. Product in Indonesia

| ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS MARKET | |
|---|--|
| ADVANTAGES | CHALLENGES |
| Large Consumer Base: Indonesia will have a population of 265 million people in 2018 with more than half of the population falling in the middle class. | Weak purchasing power of the majority of the population. |
| The distribution system on the island of Java is improving, providing increased access to 57% of the total population. | Infrastructure, including ports and cold storage facilities outside of the main island of Java, are poorly developed. |
| The availability of imported products will be accommodated by the rapid growth of the modern retail sector; Japanese, Korean, and Western restaurant chains; bakeries and a growing tourism industry. | Import regulations are often complex and non-transparent, thus requiring close business relationships with a local agent. Getting an ML number for imported retail packaged food products is complicated, but required. Labels must be written in Indonesian and attached before entering Indonesia. Consumers tend to require smaller package sizes and importers tend to require smaller shipment sizes, making it difficult for some companies to ship to Indonesia |
| Many Indonesian consumers are aware of the quality and safety of the U.S. products. | Prices of imported products are relatively high compared to locally produced products. |
| Low Duties: Duties on most foods are 5% except for 153 value added food products (GAIN report ID1530). | Consolidated shipments with products from several suppliers are often more cost effective for Indonesian retailers. This increases documentation problems. |
| More urban women are entering the workforce. As time becomes less available for shopping and cooking, consumers are increasingly focusing on convenience. | Product shelf life should be considered for shipments to Indonesia due to the extended transportation and inconsistent (non-transparent & unpredictable) custom clearance procedures & time. |
| Some multinational companies have commissary and catering services that need imported products. The food | Third-country competition and promotion remains strong, especially from Australia, New Zealand and China. Food product imports from Malaysia, |

| | |
|--|--|
| processing industry is also creating new products to accommodate Indonesian taste preferences, requiring imported ingredients. | Philippines, Thailand and Vietnam are growing. Bilateral free trade agreements provide opportunities to competitors. |
| The food safety control system for U.S. Fresh Foods of Plant Origin (FFPO) has been recognized by the GOI. This status allows U.S. horticultural products expedited quarantine inspection and access to the Port of Jakarta (Tanjung Priok). | The GOI will review U.S. FFPO recognition every three years. Current regulations stipulate that only three sea ports and one airport are allowed as a horticultural entry points. Approximately 28 horticultural products must have an import recommendation from Indonesian Ministry of Agriculture and an import permit from Ministry of Trade before imported to Indonesia. |
| Ninety eight U.S. dairy manufacturing plants, 22 beef establishments, 9 pork establishments and one lamb establishment are eligible to ship to Indonesia and new plants are able to apply for access. | Animal-based processed food must be certified “halal.” Import recommendations from MOA are required to obtain an ML. Besides that, animal based processed food must have an import recommendation from BPOM and MOA and also import permit from MOT before imported to Indonesia. |
| Indonesia does not produce sufficient quantities of beef, dairy products, tree nuts, temperate zone fresh fruit and vegetables, and pet food. | U.S. freight costs are high relative to competing origins. |

II. EXPORTER BUSINESS TIPS

Local Business Customs

1. Only Agents/importers are allowed to register imported package products for retail purpose in order to obtain an imported food registration (ML) number to BPOM. So choosing a local agent is a very important decision. Several principles to keep in mind when choosing a local agent are:
 - Conduct careful, detailed research in order to confirm claims. Prospective representatives who claim connections to important people should be treated with extreme caution. Such connections are not necessary - commercial acumen is of greater value in the market.
 - Do not grant exclusive rights to a local representative until after working with them in order to gain a clear understanding of their capabilities.
 - Pay attention to accounting standards applied in the preparation of reports supporting the financial standing of a potential representative or partner.
2. Most importers also act as distributors, whether as exclusive agents or as consolidators, and have offices or local distributors in major cities all over Indonesia.
3. Educate the importer, the retailer, and the consumer about your product. Exporters should not assume that Indonesian companies know how to promote, handle, and prepare imported products. Food processors often require assistance developing products using imported food ingredients. Support your importer, distributor, and agent by maintaining product quality.

4. Market research, especially for product testing, price comparison, and adjusting the product for local tastes is important. Importers, distributors, food service providers, and retailers can help with market research as well as understanding government regulations, which is critical.
5. While quality and price are important, they are secondary to the personal interaction with business partners. Face-to-face meetings are very important to Indonesians, though younger importers are more comfortable with establishing their relationships via electronic communication. Exporters usually must visit Indonesia 2-3 times before details are finalized.
6. Product should be packed and shipped for a tropical climate and have clear storage instructions. Few cold storage or air-conditioned facilities and delivery trucks exist. Sometimes stores turn off cold storage facilities at night to conserve energy.

General Consumer Tastes and Preferences

- The majority of consumers prefer fresh foodstuffs, which are readily available in their neighborhood at affordable prices. Healthy eating is becoming more popular among educated consumers and is regularly featured in print and broadcast media. Fresh foods, fruit juices, fruit concentrated-based beverages, organic foods, sugar-free confectionary, packaged food with higher fiber content, dairy products, vitamin and calcium fortified packaged food and beverages are also preferred by middle to upper-income consumers.
- Traditional and modern snack foods, such as confectionaries, pastries, cakes, biscuits, ice cream, or sweet and savory snacks are very popular among Indonesians.
- Local flavors are generally preferred and local food manufacturers are exploring opportunities to produce new products using a combination of local and imported flavors.
- Frozen foods including frozen ready to eat meals and instant noodles, which are easy to prepare, are popular among working mothers.
- Smaller package sizes are often preferred due to convenience, price considerations, and weight management concern.
- Consumers are showing a concern about food additives, high amounts of MSG, fat, sugar, salt, and preservatives in packaged food.

Food Standards and Regulations & Export Certificates

- According to Indonesian regulations, imported products packaged for retail sale must be registered with the BPOM to obtain a ML number. The registration process can be lengthy, bureaucratic, and costly.
- Food labeling is required. Requirements for labeling of food products are broad in scope. However, due to the different perception among government institutions and the difficulties in the implementation of this requirement, this issue always creates difficulties for the importer to work on obtaining ML number.
- Halal certification is not mandatory at this time but it will be enforced in October 2019 base on Halal Product Assurance (JPH) Law No, 33/2014. Given

that almost 90 percent of the population professes the Islamic faith, it is highly recommended that halal certification be obtained.

- Currently, all beef, poultry and animal-based food products must be certified halal by a Halal certifying body in the country of origin approved by Indonesia's officially recognized halal authority Majelis Ulama Indonesia (MUI). However Indonesia's new Halal Product Guarantee Agency (BPJPH) under the Ministry of Religious Affairs was launched on October 11, 2017. BPJPH will oversee the collection of fees and issuance of halal certificates for specific products, but MUI will still issue halal fatwas and certify halal auditors. However, to date no halal law implementing regulations have been issued by the government. Therefore, businesses are expected to follow existing MUI rules and procedures.
- Meat products must originate from slaughterhouses that have been approved by Directorate General of Livestock and Animal Health Service (DGLAHS), Ministry of Agriculture. Each imported animal-based food shipment requires prior approval by the Minister of Agriculture and Trade. The GOI does not issue import permits for U.S. poultry.
- Certain imported fruits and vegetables must receive an import recommendation from the MOA, and an import permit from the MOT. The procedure is designed to limit the entry of imported horticultural products. Importers will not be granted import recommendations from the MOA if the imports compete with local production.
- The GOI has recognized the state of California as free from 9 types of fruit flies. Fresh fruits and vegetables originating in California area able to enter Indonesia without pre-shipment or in-transit treatment.
- The U.S. food safety control system for Fresh Foods of Plant Origin (FFPO) is recognized by GOI. Imported U.S. FFPO therefore does not require a pesticide residue certificate of analysis (COA) and is allowed to enter port of Jakarta (Tanjung Priok), pending requested FFPO extension.

General import and inspection procedures

- The Indonesian Ministry of Trade issued regulations 83/2012 and 61/2013 (amended by MOT Regulation No. 87/2015 and MOT No Regulation No 81/2017), limiting ports of entry and pre-shipment inspection for imported products falling under 505 Indonesian 10-digit harmonized tariff codes, (including 215 food and beverage lines).
- Horticultural products that arrive in Indonesia after November 28, 2012, should be inspected by a surveyor at the country of origin prior to shipment.
- Indonesian bound tariff rates on major food and agricultural items generally range from 5 to 40 percent. Import duties for a number of processed food products mostly range from 5 to 10 percent except for 153 items of imported high value products (GAIN ID1530).
- Duties are applied to all imported alcoholic beverages. Starting July 2015, the specific tariff charge moved back to ad valorem tariff. Sales tax is 2.5 percent and excise tax for imported alcoholic beverage and alcoholic concentrate ranges between Rp. 13,000-139,000/liter (approximately \$1.06 to \$11.30),

depending on the percentage of ethyl alcohol content. Additional information on alcoholic beverages can be found at the following links: [ID1530](#), [ID1408](#) and [ID 1411](#).

- The government levies a 10 percent value-added tax on the sale of all domestic and imported goods. For imports, these taxes are collected at the point of import and are calculated based on the landed value of the product, including import duties. However, Customs values imported products based on their own calculation, known as the “Check Price”.
- Import documents should be concise, simple and complete. If all documentation is complete, customs clearance can be finished in two days (green line) and 5-7 days (red line and yellow line). Incomplete documentation can result in long delays. A presidential initiative was introduced in 2015 to reduce port dwelling times. Importers report that progress is slow, but that the President is monitoring progress closely.

III. MARKET SECTOR STRUCTURE AND TRENDS

A. Retail Sector

Market Overview

Hypermarkets, supermarkets, and minimarkets are developing rapidly in Indonesia as purchasing power increases. Development is primarily occurring in urban areas, and the prospects for the continued retail sector expansion throughout Indonesia remain promising. Land availability and permitting are a constraint to retail expansion.

Figure 1. Indonesia: Modern Retailer Sales (USD Billion)



Source: Euromonitor

The Indonesian retail sector started a rapid expansion in 1999, when Presidential Decrees 96/2000 and 118/2000 allowed Carrefour, a French retailer, to expand retail operations in Jakarta. As other retailers followed, the Indonesian retail sector became more competitive, benefitting consumers and taking market share from traditional retail outlets. Foreign retailers in Indonesia include Carrefour (now locally owned and operated by CT Corp/PT Trans Retail and rebranded as Trans Mart), Giant, Lotte Mart (formerly Makro), Lion Superindo, Spar, AEON, Lulu, Circle K, Lawson, Family Mart and GS Supermarket (Korean). Some modern retailer chains have multi-format outlets. Hypermarket, supermarkets, convenience shops and minimarkets are all present in Jakarta.

Convenience stores are expanding rapidly in Indonesia. Convenience stores differ from Indonesian minimarkets in that they offer fewer SKUs than minimarkets while offering ready to eat foods and a dining area. Locally owned minimarkets are progressively expanding to residential and office areas throughout Java, Bali and other provinces. Minimarkets are in direct competition with traditional independent small grocers (warungs), on the basis of price, cleanliness, food safety, and comfort. Independent small grocers face this challenge by offering personalized, flexible services to their community.

There are a variety of specialty stores serving high-end consumers in major urban areas. These businesses provide greater imported goods selections. There are also shops specializing in dairy products, fresh fruits and vegetables, frozen products such

as: fish and seafood, and poultry products (owned by integrated poultry companies; Prima Fresh). Western as well as Japanese and Korean – style bakeries are also growing due to new consumer awareness. The Kalbe E-store offers online retail and home delivery services for grocery and health products. Currently, several retailers also offer on-line shopping services.

Since September 2008, BPOM has enforced the ML number regulation for all imported package food for retail purpose. As of January 2013, supplementary labels should be affixed prior to customs clearance (before arriving in Indonesia), be written in Indonesia and to note GMO-derived ingredients. Statements or claims on the benefit of the food product shall only be included if they are supported by scientific facts which can be accounted for. Many of these stores have suffered from import registration number (ML) requirements for processed food and retail packaging issues.

The Ministry of Agriculture (MOA) and Ministry of Trade (MOT) have blocked the sale of imported beef to traditional markets and supermarkets, and have also limited the cuts of beef eligible for import. This was reformed in 2016, however, through MOA regulation No 34/2016. Under 34/2016, Indonesia permits imports of most U.S. beef cuts, manufacturing meat, and variety meats (heart, liver and lungs). Additionally, these products can now be sold in retail markets. Indonesian halal concerns continue to challenge U.S. food exporters.

Figure2. Indonesian Retail Sales Value Share



Source: Euromonitor

Modern Retail Market Growth

Hypermarkets and supermarkets offer a wide range of food and beverage products and are generally located as anchor stores in shopping centers. One way they differentiate themselves from local retailers is by marketing high-quality fresh produce, a substantial portion of which is imported. Indonesian middle and upper income level consumers are increasingly shopping at these stores, however, despite growth in the modern retail sector, the majority of Indonesians continue to shop at traditional stores located near their homes or places of work.

Domestic Industry Concentration

Local businesses dominate the market for baked goods, noodles and wheat-based products, snacks, frozen poultry products, processed dairy products such as UHT drinking milk, cheese and yogurt, processed seafood products, canned fish, soft drinks, teas, coffee mix, tropical fruits and vegetables, and fresh sea food. Businesses featuring fresh produce compete on their ability to supply competitively priced locally grown products, while businesses featuring processed food and beverages compete on brand name. There are several multinational companies in this sector, including Unilever, Nestle, Kraft/Mondelez, Danone, Heinz, and Frito Lay.

Local food producers are largely specialized on conventional Asian staples. As a result, many premium categories and western-style foods are underserved in Indonesia. Indonesian consumers also associate quality and safety with U.S. food products. These two points are possible advantages for U.S. businesses seeking to export to Indonesia.

Opportunities for Foreign-Supplied Products

Temperate fresh fruit, processed fruits and vegetables, beef, tree nuts, and pet foods are mostly imported. Sixty percent of fresh fruit sold in hypermarkets is imported.

Western cuisine is becoming more common and western products such as breakfast cereals, spreads and baked goods are often consumed in the place of traditional rice or noodle breakfasts. Changing dietary habits are driving consumption growth of milk, yoghurt, cheese, pasta, nuggets, sausages, and red meats.

U.S. food products are sometimes less competitive in Indonesia due to high freight costs relative to competing origins, locally produced products as well as the trade agreements such as AFTA, AANZFTA and CAFTA. Consolidated shipments with products from several suppliers are highly favored and are often more cost effective for Indonesian importers. Competition remains strong from countries in the region, especially Australia, New Zealand and China. Food product imports from ASEAN countries such as Malaysia, Philippines, Thailand and Vietnam are also growing.

Trends in Promotion and Marketing Strategies

Expatriates and high-income Indonesian consumers are not as price sensitive as the Indonesian middle class and often look for branded, gourmet, and imported items. Organic, healthy and convenience products are starting to become more popular. Younger consumers from middle and upper income families are less cost conscious

and seek variety. Small serving size packaging is rising due to price concerns.

Modern retailers use television and print media for regular and seasonal promotions while social media marketing is increasingly targeting children, teenagers and young adults. A Nielsen survey found that Indonesian consumer purchasing decisions for food is 19 percent influenced by online reviews, consumer researching is 23 percent influenced by online reviews, and 17 percent will not buy without consulting online reviews. In Indonesia, about 30 percent of consumers will share a negative product experience online.

Trends in Tourism Sales, Holiday Gift Sales, and Internet Sales

Indonesian consumers tend to buy food gifts during holidays and after travel. Lately, on-line order and purchase of food using smart phone application is growing. Currently, several retailers offer on-line shopping. These include Klikindomart.com by Indomaret; Alfacart.com by Alfamart; shop.hypermart.co.id by Hypermart; and PT Supra Boga Lestari (Ranch Market group) by Kesupermarket.com and also tokopedia.com.

Ranch Market, Farmers Market, Transmart, Grand Lucky, Superindo, Papaya Supermarket, Total Buah Segar, Loka Supermarket, Prima Freshmart, Hokky and Groovy Petshop use happyfrsh.com online shopping and delivery order facility.

Best Product Prospects

Fresh fruits demonstrate better growth potential than any U.S. product categories already present in the Indonesian market. U.S processed vegetables products, processed fruit, dairy products, juice, snack food, tree nut and pet food have also shown growth. Some of the best-selling foods includes apples, table grapes, lemons, oranges, frozen french fries, dates, raisin, jams, nut paste, cheese, ice cream, mix fruit juice, popcorn, potato chips, almond, and dog & cat food. Additionally, the latest regulations on importation of meat support the increase of U.S. meat exports to Indonesia.

There are good opportunities for high-value U.S. items that are not yet imported in significant quantities. These include baby foods, organic foods, and specialty fruits (especially berries).

B. HRI (Hotel, Restaurant, and Institutional) Food Service Sector

Market Overview

The Indonesian Hotel Restaurant Institutional (HRI) sector is extremely diverse, consisting of high-end hotels and restaurants that serve local and international cuisine, fast food outlets, cafés and bars, bakeries, low-end small restaurants, and street-side restaurants known as *warungs*, in which vendors sell food to customers on the street. Catering operations serve airlines, factories, private social functions, cruise and

military ships, and offshore mining and oil operations with expatriate staffs.

Jakarta and Bali remain the ideal locations to target the HRI food service sector. These cities are home to many hotels and international restaurants that cater to sizeable expatriate communities, foreign visitors, and high- income consumers. Bali remains the ‘trendsetter’ in specialized cafés, hotel chains, and restaurants followed by other secondary and tertiary cities such as Surabaya, Bogor, Bandung, Yogyakarta, Semarang, Malang, Medan, Batam, Balikpapan, Lombok, Makassar and Manado.

There were around 2,387 star-rated, boutique and resort hotels with roughly 233,000 rooms in Indonesia in 2016. These hotels are primarily located in Bali (317 hotels), West Java (314 hotels), Jakarta (232 hotels), Central Java (217 hotels), East Java (158 hotels), North Sumatera (116 hotels), DI Yogyakarta (94 hotels), South Sulawesi (93 hotels), Riau (88 hotels), West Nusa Tenggara (75 hotels), and South Sumatera (64 hotels). International hotels chains include Pullman, Sofitel, Fairmont, Raffles, Mercure, Novotel, Aston, Westin, Sheraton, Le Meredien, JW Marriot, The Ritz-Carlton, St Regis, W Hotel, Hyatt, Four Season, Conrad, Hilton, Crown, Intercontinental, Kempinski, Mandarin, Oberoi, and Swiss Bel. Locally-owned boutique & resort hotels and state-owned company’s hotels are also expanding.

Table5. Indonesia: Tourism Indicators

| Description | Year | | | | | |
|--|---------|---------|---------|---------|---------|---------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| No. of foreign tourists (mil) | 7.6 | 8.0 | 8.8 | 9.4 | 10.2 | 11.5 |
| Revenue (US \$bill) | 8.55 | 9.12 | 10.05 | 11.16 | 11.62 | 11.3 |
| Occupancy Rate (%) - rated hotels | 51.2 | 51.5 | 52.2 | 51.8 | 53.9 | 54.3 |
| Number of hotel rooms - rated & non rated hotels | 381,457 | 405,778 | 430,793 | 469,277 | 507,201 | 527,176 |

Source: Statistic Indonesia

Bali remains the most visited tourist destination in Indonesia, followed by Jakarta, Batam, Tanjung Uban (Bintan island), Surabaya, Bandung and Yogyakarta. A total of 11.5 million tourists visited Indonesia in 2016. GOI data indicates that in 2016, China, Malaysia, Singapore, Australia, Japan, India, South Korea, and Philippines accounted for the highest numbers of tourists from the Asia Pacific region. These were followed by arrivals from The United Kingdom, United States, France, Taiwan, Germany and Netherlands. Tourist arrivals are expected to reach 15 million in 2017, 17 million in 2018, and 20 million in 2019.

The rapid expansion of the airline sector and low cost carriers provides effective and efficient access to MICE destination cities such as Medan, Padang/Bukit Tinggi, Batam, Palembang, Jakarta, Bandung, Yogyakarta, Surabaya, Bali, Makassar, Manado, Palembang, Lombok and Balikpapan.

Indonesians are also traveling more domestically. During long weekends and holiday seasons, transportation modes such as airlines and trains are frequently fully booked. This trend has led to growth in the HR sector in outlying cities.

Business meetings and socializing in the large cities often occurs in specialty coffee and tea shops. Consumers demand high levels of hygiene, food quality, and health consciousness from management. Eating out is a common activity across all socio-economic levels and especially as families during weekends.

Indonesia will host the 18th ASIAN GAMES which will be held in Jakarta and Palembang in August 18 – September 2018 (Indonesia is hosting the event for the first time in 1962). Participants from more than 40 countries will participate in this event. This is a good opportunity for HRI industry promotion.

Domestic Industry Concentration

Fast food outlets continue to thrive, despite the dominance of roadside stalls and vendors in the food service industry. The most prevalent fast food outlets include KFC (588 outlets as of December 2016), A&W (230 outlets as of March 2016), California Fried Chicken (256 outlets as of December 2016), McDonald's (177 outlets as of September 2017), and Pizza Hut (224 outlets of October 2017). These outlets will remain popular due to affordable prices, high standards and quality, and a pan-Indonesia footprint. Burger restaurants (Burger King, Carl's Junior, MOS Burger, Fat burger, Wendy's) and pizza outlets (Domino's pizza, Pizza Marzano, Pizza Hut) from different companies have opened in Jakarta and its surrounding area. Korean fast food such as Chick 'n Roll (former BonChon Chicken) and Kyochon are also growing. Coffee shops are also growing (Starbucks, Excelso Cafe, The Coffee Bean & Tea Leaf, Maxx Coffee, Kopi Tiam, etc). Chain fast food outlets and specialty coffee shops are spreading from mixed retail locations to stand-alone shops.

Food trucks are a new trend appearing in Jakarta. Like in the United States, food trucks move around to serve a variety of consumers and update their position via social media.

Opportunity for Foreign-Supplied Products

Four and five star hotels catering to tourists and up-scale diners are more likely to serve imported food products. Cafés and bars specializing in Western and other non-Indonesian cuisine are also significant users of imported food products. Western style fast food outlets purchase imported foods, but variety is limited. Restaurants serving noodles, Japanese food, pizza, and fried chicken, as well as bakery product outlets and coffee houses are prominent and tend to use imported beef, fresh and canned fruits, frozen potatoes and vegetables, dressing, sauces, bakery ingredients, juice and mixed drinks, whipping cream, bakery ingredients and mixes, delicatessen products, and various coffee ingredients, such as creamer, honey, and flavorings. Irreplaceable food ingredients for French, Italian, Japanese and Korean restaurants depend greatly on imported products (cheese, condiments, oils, sauces, rice, and canned foods).

Table 6. Indonesia: Variety of Imported Food Products for the HRI Industry

| Products | Description | Type of HRI Industry |
|---|---|--|
| Fruits | fresh, frozen, canned, dried | All types |
| Vegetables | fresh, frozen, canned, preserved | All types |
| Potatoes | Frozen | All types |
| Dairy products | milk, cheese, butter, whipping cream, yogurt, ice cream | High-end |
| Bakery ingredients | baking mix, dried fruits & nuts, fillings, chocolate, whey, NFDM, yeast, food coloring, etc | Middle & high-end |
| Soup, soup bases, broth | canned, dried/powder | Middle & high-end |
| Condiments | mayonnaise, salad dressings, sauces (barbeque, chili, soy, marinating), mustard, spices, etc. | Middle & high-end |
| Seafood | fresh/chilled/ frozen salmon, crab, scallop, tuna | High-end |
| Preserved fruit, jam, spread | | Middle & high-end |
| Cooking ingredients | vinegar, cider, vegetable oil (corn, sunflower, soybean, canola, olive), tomato paste and puree, etc. | Middle & high-end |
| Non-alcoholic beverage | juices, coffee, tea, and soft drinks | Middle & high-end |
| Alcoholic beverage | liquor, beer and wine | High end |
| Mixed drinks, blends | dried/powder | Middle & high-end |
| Beef (first grade) | fresh, chilled, frozen | High-end |
| Beef of secondary cuts/trimming, oxtail, tongue | frozen | All types |
| Beef offal/heart/liver | frozen | Small restaurants, street-side vendors and small catering services |
| Pork | frozen | Chinese and non-halal restaurants |
| Poultry | frozen duck, turkey | High-end |
| Delicatessen | processed meat and poultry | High-end |

Source: FAS Jakarta

Caterers typically use local products, although they are likely to use imported beef offals, fresh and canned fruits, frozen potatoes and vegetables, dressings, bakery ingredients and mixes. Airlines, mining and petroleum companies, as well as star-rated hotels and independent restaurants serving private social events and weddings are more likely use more imported food products.

MOT Regulation No. 7/2013 regulates the expansion of franchise restaurants, limiting the number of outlets owned by a single company to 250. The regulation is amended by MOT regulation No. 58/2014 and states that companies with more than 250 outlets prior to the regulation are allowed to continue operations if their number of outlets exceeds 250. The regulation also requires outlets to use a minimum 80 percent of local equipment and ingredient products.

In addition to franchising rules, Ministry of Health (MOH) regulation No. 30/20013 requires quick service restaurants to provide sugar, salt, and fat content information, as well as post the health message “Consuming more than 50 grams of sugar, 2,000

milligrams of Natrium, or 67 grams of fat per person per day increases the risk of hypertension, stroke, diabetes, and heart attack”. This provision will be implemented in 2019.

Trends in Promotion and Marketing Strategies

The GOI passed a number of regulations to support the tourism industry and promote new tourism destinations. Currently, the government has identified 10 priority locations for tourism development in 2016-2019. They are Danau Toba-North Sumatera, Kepulauan Seribu-Jakarta, Bromo-East Java, Labuan Bajo-East Nusa Tenggara, Yogyakarta, Wakatobi- Southeast Sulawesi, Belitung-Bangka Belitung, Morotai, North Maluku, Mandalika-West Nusa Tenggara, and Tanjung Lesung-Banten. Tourism development will be supported, in part, by increasing flight destinations and frequencies.

In August 2015, the Ministry of Transportation issued regulation PM No. 121/2015, permitting foreign flagged cruise ships to transit the ports of Tanjung Priok, Tanjung Perak, Belawan, Makassar and Benoa Bali. Passengers may embark or disembark at these locations. Furthermore, Indonesia extended its visa waiver program to 169 countries per President Regulation No. 21/2016. In September 2015, Indonesia issued Presidential Regulation 105, opening 18 ports to foreign yachts and improving infrastructure for yachts. The GOI continues to prioritize the development of transportation infrastructure (roads, seaports and airports).

Social networking sites such as Facebook and Instagram are growing in importance as a marketing tool for food and dining, especially in areas with high-quality internet connections. Food service operators also use social media networking to update product offerings and reach new customers. Television culinary programming is increasing in popularity. Handbills, Facebook and billboards promote home delivery and takeaway services are growing as lifestyles demand time-saving services. Customer is also able to browse comments regarding restaurants and food through several applications such as Qraved, Zoomato, Pergikuliner and Tasty.

In addition to home delivery services provided by various restaurants, similar to retail sector, the growth of home delivery using motorcycle taxis -“Go-jek”, a motorcycle service similar to Uber -)has grown in recent years. While providing rides to paying passengers, it has become even more popular as a low-cost delivery service, used primarily as a means to save time in Jakarta’s gridlocked traffic. Following the success of Go-jek, several other businesses have copied the concept, including GrabBike and Blu-Jek. Gojek services are currently available in the Jakarta region (Jakarta, Tangerang, Bekasi, Depok, and Bogor), as well as Bandung, Surabaya, Bali, Medan, and Makassar.

Best Product Prospects

The HRI industry will continue as a leading consumer of imported food items. Popular products with growth potential include meat, dairy products, fresh fruit, frozen potatoes, condiments, and bakery ingredients.

Opportunities for high-value U.S. food items include alcoholic beverages (beer and wine), egg yolks, dehydrated potatoes, and specialty fruits (such as berries). Many of these items are not yet present in significant quantities due to a lack of customer knowledge (dehydrated & mashed potatoes) availability (specialty fruits and pea flour), and regulatory hurdles (there is a complicated procedure to import and distribute the alcoholic beverages and egg yolk products).

GOI import regulations on animal-based foods and horticultural products limit availability of those products for the HRI industry. For example, there is demand for U.S. chicken parts, processed poultry products and fresh potatoes, but MOA and MOT regulations prevent their import.

C. Food Processing Sector

Market Overview

In 2015, the product value of Indonesia's large and medium food and beverage processing industry was estimated at IDR 1,238 trillion (\$92.3 billion). The value of raw materials used by large and medium processors was IDR 791.8 trillion (\$59.0 billion). According to the National Statistical Agency (BPS), there were approximately 5,700 large and medium-sized producers with 765,000 employees and 1.61 million micro and small scale producers with 3.75 million employees.

Several factors are contributing to food processing industry growth: 1) the introduction of new products, flavors and package sizes (single serve); 2) a growing middle class; 3) aggressive promotional activities, with extensive use of social media; 4) the growth of modern retail outlets; 5) and growing health and physical fitness awareness. Packaged food sales growth in 2015/2016 varies depending on the products (the highest was ice cream and frozen dessert at around 9.4 percent). With more women in urban areas entering the workforce and preferring the convenience of processed food products, this growth is expect to continue in 2018.

Educated consumers are increasingly seeking healthier options. Food manufacturers are responding by fortifying their products with vitamins; providing organic products, lower sugar, cholesterol, and fat content as well as gluten and lactose free options, etc. Wheat flour, dairy products, noodles, cookies, and frozen processed chicken fortified with minerals and vitamins are available in the market.

Soft drink industry growth is focused on new-to-market products, with attractive packaging, and novel flavors. Consumers seeking healthier options are driving demand for fruit juice, package coconut water, tea, sport and energy drink expansion, while demand for convenience is driving the development of instant coffee products.

Food processors are developing different branding and packaging for different market segments. For example, small packs cater to low income consumers or price sensitive

consumer, while packaging for the food service industry is also available. Private labels are growing and are easily found on supermarket shelves. Ministry of Trade regulation in 2013 limits private label items to only 15 percent of stock keeping units (SKU).

The Government of Indonesia is encouraging the growth of the food processing industry. Imports can benefit from this, as the GOI recognizes that some ingredients are not available locally.

Domestic Industry Concentration

Food and beverage manufactures frequently target Indonesia’s 68.297 million children and teenagers (5-19 years old) as a key market. Additionally, marketers are looking to the growing health-conscious consumer base.

Table7. Indonesia: Popular processed food products in retail outlets, 2015

| Product type | Processed food |
|----------------------------------|--|
| Baby food | Lactose –free special baby formula powder |
| Baked goods | Bread, pastry, cakes and dessert mix |
| Biscuit | Bite-size packs and single serving consumption sweet biscuit; chocolate confectionery (chocolate-coated biscuit) |
| Breakfast cereal | Flakes, children’s breakfast cereal and hot cereal |
| Cheese | Un-spreadable processed cheese, cheddar and parmesan |
| Chocolate confectionery | Fill chocolate tablets (range of nut filled) and chocolate paste (in straw like plastic tube packaging) |
| Dried processed food | Package rice and instant noodle |
| Dairy products | Fortified flavored UHT milk drinks, fortified flavored powder milk, soymilk (non-dairy milk),condensed milk, |
| Processed meat and seafood | Frozen processed poultry (sausages, chicken nugget, seasoned chicken wings, karaage), frozen processed beef (meat ball, sausages, beef patty), frozen processed fish (breaded fish fingers, coated prawns, crabsticks), frozen Chinese snack (dim sum, spring rolls, croquettes), sardines in chili sauce, corned beef |
| Ice cream | Chocolate, vanilla, strawberry, and mix flavored |
| Yogurt | Drinking dairy-based yogurt |
| Sauces, dressing, and condiments | Soy sauces, chili sauces, mayonnaise and monosodium glutamate. |
| Spreads | Honey, srikaya (egg and coconut milk based), fruit flavor (strawberry, pine apple, mix fruits) jam, chocolate, peanut. |
| Sugar confectionery | Sugar confectionary, and mints. |
| Sweet and Savory Snacks | Chips, extruded snacks, cup jelly, crackers, nut, and ethnic Indonesian snack. |

Source: Euromonitor

Although cold chain facilities are generally available in urban areas, many food items are sold without temperature control in 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.

Table8. Indonesia: Popular soft drink products during 2015

| Product type | Soft drink |
|-----------------------|---|
| Carbonates | Cola and non-cola carbonates |
| Concentrate | liquid concentrate (squash and syrup); sachet energy drink and fruit-based powder concentrate, |
| Fruit/vegetable juice | Homemade juice, single fruit-flavored (orange, lemon, apple, grape, mango) and multi fruit-flavored drink |
| RTD Coffee | Fresh coffee brewed from instant packaged coffee drinks |
| RTD Tea | Bottle tea (black and green tea) and UHT packaged tea (black tea) |

Source: Euromonitor

Opportunity for Foreign-Supplied Products

Indonesia offers significant potential for U.S. ingredient suppliers. Forecasted increases in U.S. sales are attributed to continued marketing efforts, GOI support for the local food processing industry, safety concerns about competing imported ingredients, and opportunities to differentiate and promote Indonesian products with high-quality U.S. ingredients. Additionally, ingredient demand will grow as new manufacturers enter the market and existing manufacturers expand their operations. For example, medium and large scale snack food manufacturers generally use 20 to 40 percent imported ingredients. Dairy processors mostly depend on imported dairy ingredients because Indonesia is only able to supply only around 25 percent of the demand. Food manufacturing expansion is expected in baking, food service, and retail sectors.

Trends in Promotion and Marketing Strategies

The growing number of more sophisticated, critical and educated Indonesian consumers is expanding the market for high value food ingredients and value-added products. Television advertisements emphasizing superior ingredients are proving to be efficient tools to reach consumers. Social media are increasingly used as a marketing tool. Live events, such as food festival provide hands-on exposure and samples to visitors.

With the growth of modern retail outlets, consumers have better access to a wider variety of foods in general and packaged food in particular, this lead the growth of the food processing sector. Products for children’s breakfasts and lunch boxes are popular, and feature affordability and convenience.

Trends in Tourism Sales, Holiday Gift Sales, and Internet Sales

The preferred breads for typical Indonesian consumers include sliced white bread, and bread rolls stuffed with chocolate, cheese, or meat. Middle and upper income consumers (including tourists and expatriates) seek wheat breads and pastries contain tree nuts and fruits. These consumers are eager to try new bakery products including cheese cakes, muffins, brownies, cupcakes, and other western pastries. Indonesian consumers typically purchase these products as gifts during holidays or following

travel. Ingredient demand may increase three to five times prior to the Ramadan period. Snacks are popular during the fasting month and are exchanged as gifts. On-line order and purchase of food products using smart phone application is growing recently.

Best Product Prospects

Primary ingredients such as wheat, refined sugar, soybeans, dairy, fresh fruit, and processed fruit have high demand and are frequently imported. Blending products used for enriching products such as corn starch, potato starch, dehydrated potato, garlic powder, onion powder, and chili powder are also demanded.

The frozen processed beef and poultry industry is growing. Imports of these items are regulated by the GOI and can be challenging. There is also a possibility to supply alcoholic preparations used by alcoholic beverages manufacturers, although the GOI has set strict import regulations, impose high tariffs and also limit the place of selling alcoholic beverages products.

IV. BEST CONSUMER ORIENTED PRODUCT PROSPECT

Best market prospects for imported consumer oriented products, based on import statistics:

Table 9. Indonesia: Best Consumer Oriented Products that Offer Outstanding U.S. Export Opportunities

| Product Category | 2016 Import (Volume, T) | 2016 Import (\$mil) | 2016 Import from U.S. (\$mil) | 5Yr. Avg Annual Import (Volume) Growth (%) | Import Tariff Rates (%) | Key Constraints to Market Development | Market Attractiveness for USA |
|-------------------------|--------------------------------|----------------------------|--|---|--|--|--|
| Fresh fruit | 471 | 816 | 127.05 (mainly apples, grapes, lemon & orange) | -7.84 | 5% for all fruit except Mandarins and mangos (20%) | Competition with China. Current Government of Indonesia regulations inhibit fresh fruit imports, including U.S. fresh fruit | Health awareness and rising middle class pushes the demand for quality fresh products. Lack of supply and low quality of domestic fruit products. |

| | | | | | | | |
|---------------------------------|--------|--------|---|-------|---|--|---|
| Dairy excl. cheese | 404 | 802 | 116.61 (NFD, lactose, whey, ice cream) | 4.75 | 5 | Price competition with Australia, New Zealand and European countries. | Domestic dairy processing industry demand is growing. |
| Processed fruit & Vegetables | 152 | 203 | 51.24 (raisin, dates, maraschino cherry, prunes, jam, nut paste french fries, onion powder, potato flakes, tomato paste, dried garlic) | 6.3 | 5 and 10% depend on the products 20% for products preserved by sugar | Complicated import permitting process | Lack of processed fruit and vegetable produced locally. Food service sector, bakery and biscuit industry are growing and need processed fruit/vegetables. |
| Red Meats, Fresh/Chilled/Frozen | 150.26 | 574.75 | 41.58 (mainly frozen beef carcasses, and offal to includes heart, liver and tongue) | 38.55 | 5 30% for processed meat | Competition with Australia and New Zealand and lately with Indian buffalo meat. Importer has to obtain an import recommendation from Ministry of Agriculture (MOA) then an import permit from Ministry of Trade before importing the products Meat establishment must be approved by MOA before they can ship to Indonesia | Lack of domestic supply |

| | | | | | | | |
|---------------------------|-----------|---------------|---|-------|---|---|---|
| Cheese and curd | 24.2 7 | 92 .9 9 | 10.55 (fresh cheese, cheddar cheese, and other kind of cheese) | 7.20 | 5 | Cheese manufacture rs in the country of origin must be approved by the GOI before they are able to export to Indonesia. | Cheese applications in food processing industry are growing. |
| Tree nuts | 4.03 | 23.28 | 10.74 (mainly almond, mixture of nuts and pistachio s) | -6.35 | 5 | Price concern | Snacking is very popular in Indonesian culture Bakery and food industry sector are growing and use tree nuts as one of the ingredient. |
| Pet foods | 64.76 | 61.12 | 5.9 (mainly dog & cat food) | 27.96 | 5 | There is a certain procedure to follow in obtaining an import approval for new plant from MOA | Demand exists as a niche market One poultry and feed meal integrated industry produces pet foods |
| Fruit & vegetable Juices | 16.66 | 28.52 | 3.14 (mainly mixed fruit juice and grape juice) | 5.5 | Mostly 10 | Obtaining Import Registration Number (ML) procedure for retail package products is complicated | Health awareness and a growing middle class drive demand for fruit- based products. Domestic industry mostly produces tropical fruit juice. |
| Fresh Vegetable | 642.28 | 570.95 | 0.75 (mainly potato) | -3.88 | 5 20% for fresh/chil led potatoes shallot and carrot | Price concern Government of Indonesia regulations inhibit some U.S. fresh vegetables imports | Lack of supply, low quality domestic products and demand of other vegetable types. |
| Snack food excluding nuts | 57.68 | 188.27 | 1.16 (mainly popcorn, | 19.13 | 5 15-20% | The procedure for | Expansion of modern retail outlets |

| | | | | | | | |
|--|--|--|--|--|---|---|--|
| | | | corn chips, corn chip, potato chip, confectionery) | | for sugar confectionery, chocolate & food containing chocolate, bread, pastry, cakes, and biscuit | obtaining an Import Registration Number (ML) for package food products is complicated | creates opportunity to introduce and sell snack food products Snacking is very popular in Indonesian culture and Indonesian eager to try new products |
|--|--|--|--|--|---|---|--|

Source: Global Trade Atlas (GTA)

V. KEY CONTACTS AND FURTHER INFORMATION

| Organization | Contact Person | Address | Phone | Fax |
|---|--|--|--|---|
| Government of Indonesia Contacts for Food & Beverage Control | | | | |
| BPOM (National Agency for Drug and Food Control) | Dr. Ir. Penny Kusumastuti Lukito MPC | Jl. Percetakan Negara 23, Jakarta Pusat, Indonesia | 62-21-424-4688; 424-4691 | 62-21-425-0764 |
| Ministry of Agriculture - Directorate General of Livestock and Animal Health Services | Drh. I Kut Diarmita MP | Central Office of Agriculture, , C Bld, 6 th Floor, Departemen, Jl. Harsono R.M. No.3, Jakarta 12550, Indonesia | 62-21-781-5580 | 62-21-781-5581 |
| Ministry of Agriculture – Agency for Agricultural Quarantine | Ir. Banun Harpini, M.Sc. | 1 st Floor, Building E, Jl. Harsono RM. No. 3, Ragunan, Jakarta 12550 | 62-21-781-6481, 780-5641 to 44 ext 1103 | 62-21-781-6481/ 6483 |
| Indonesian Trade Association Contact List | | | | |
| APRINDO (Indonesian Retail Merchants Association) | Mr. Roy N. Mandey-Chairman; Mr. Tutum Rahanta – Deputy Chairman | Jl. M. H. Thamrin No 11, Gedung Sarinah, Lantai 13 Jakarta 10350 | 62-21-315-4241, 392-8545, 316-1596 | 62-21-392-8545 Email: aprimdo@cbn.net.id aprimdo2013@gmail.com aprimdo@ymail.com |
| ASEIBSSINDO (Indonesian Fruit & Vegetables Exporters & Importers Association) | Mr. Hendra Yowono - Chairman | Gd. Graha Antero Lt 5, Jl. Tomang Raya No. 27, Jakarta | 62-21-5695-8893 | 62-21-5695-8892 E-mail: info@aseibssindo.org |

| | | | | |
|--|--|---|---------------------------|---|
| | | 11440 | | |
| ASPIDI (Association of Indonesian Meat Importers) | Mr. Thomas Sembiring - Chairman | Jl. Penjernihan I No. 50, Pejompongan, Jakarta 10210 | 62-21-7033-0972 | 62-21-573-9553 Email: asp_1984@cbn.net.id |
| NAMPA (National Meat Producers Association) | Mr. Ishana Mahisa - Chairman; Ir. Haniwar Syarif – Executive Director | Perkantoran Grand Wijaya Center , Jl. Wijaya 2, Blok F No. 83, Kebayoran Baru, Jakarta 12180 | 62-21-7248 455; 9290 7948 | 62-21-726 2087 |
| APIKI (Indonesian Fish Cannery Association) | Mr. Hendri Sutandinata, MBA, Chairman; Mr. Ady Sutra – Executive Director | Inti Utama Building, Jl. Cipinang Indah Raya No. 1, Jakarta 13420, | 62-21-819-6910 | 62-21-850-8587 |
| AIPS (Dairy Processor Association) | Mr. Sabana – Chairman; Ms. Yulita Basri – Executive Director | Wisma Nestle, 5th . Arcadia Office Park, Jl. Letjen T.B. Simatupang Kav 88, Jakarta 12520 | 62-21-7883-6000 ext 1501 | 62-21- 7883-6001 |
| GAPMMI (Indonesian Food & Beverage Association) | Mr. Adhi S. Lukman - Chairman | ITS Office Tower, 8 th Floor, Unit 16 Niffaro Park Jl. Raya Pasar Minggu Km 18 Jakarta 12510 | 62-21-2951-7511 | 62-21-2951-7511 E-mail: gapmi@cbn.net.id Homepage: www.gapmmi.or.id |

U.S. Cooperator and MAP Participants

| Organization | Contact Person | Address | Phone | Fax |
|--|-------------------------------------|---|--------------------|---|
| AgriSource Co., Ltd Regional representative for USA Dry Peas, Lentils & Chickpeas; US Dry Bean Council | Tim Welsh, Managing Director | Ambassador's Court, 4 th Floor, No. 416, 76/1 Soi Lang Suan, Ploenchit Road, Bangkok, Thailand 10330 | (66-2) 251-8655 /6 | (66-2) 251-0390 E-mail: agsource@loxinfo.co.th |
| Lieu Marketing Assoc. Pte. Ltd Regional representative for: California Table Grape | Richard Lieu, Director | 48 Toh Guan Road East # 02-129 Enterprise Hub | (65) 6515-6113 | (65) 6278-4372 E-mail: gabaric@singnet.com.sg |

| | | | | |
|--|--|---|---------------------------|---|
| Commission, Pear Bureau Northwest, Raisin Administrative Committee, USA Apple Export Council, Wine Institute of California, WUSATA | | Singapore 608586 | | |
| Peka Consult, Inc. Country representative for Washington Apple Commission, California Table Grape Commission, Pear Bureau Northwest, Sun-maid Raisin, Sunkist Growers, Potato USA, Bard Valley Natural Delights Medjool Dates, US Highbush Blueberry Council, Food Export Assoc. of the Midwest USA and Food Export USA North-East | Kafi Kurnia, Leonard Tjahjadi | Jalan Prapanca Raya 18 A Kemang Jakarta 12160 | (62-21) 721-1358 | (62-21) 721-1357 E-mail: peka@indo.net.id |
| Agribusiness-Connect Asia – representative for U.S. Dairy Export Council | Tony Emms, Dalilah Ghazalay | 1 North Bridge Road, #06-10 High Street Centre, Singapore 179094 | (65)-6334-7030; 6822-7030 | (65)-6248-4531 E-mail: tony@dairyconnect.biz ; dali@dairyconnect.biz |
| U.S. Meat Export Federation | Joel Haggard Senior Vice President, Asia Pacific Region | 101 Leighton Road, 8 th Floor, Zoroastrian Building, Causeway Bay, Hong Kong | (852) 2890-7408 | (852) 2576-7345 E-mail: hongkong@usmef.org www.usmef.org |
| | Sabrina, ASEAN Director | 627A Aljuned Road, 04-04, Biztech Centre, Singapore 389842 | (65)-6733-4255/6 | (65)-6732-1977 Email: Singapore@usmef.com.sg |
| USA Poultry & Egg Export Council | Margaret Say Regional Director | # 15-04 Liat Towers, 541 Orchard Road, Singapore 238881 | (65) 6737-1726 | (65) 6737-1727 E-mail: usapec_sing@pacific.net.sg |

| | | | | |
|--|---|---|---|---|
| U.S. Wheat Associates | Matt Weimar Regional Vice President for South Asia | # 15-02 Liat Towers, 541 Orchard Road, Singapore 238881 | (65) 6737-4311 | (65) 6737-9359 E-mail: mweimar@uswheat.org |
| US Soybean Export Council (USSEC) | Timothy Loh Regional Director | #11-03 Liat Towers, 541 Orchard Rd., Singapore 238881 | (65) 6737-6233 | (65) 6 737-5849 E-mail: asaspore@pacific.net.sg |
| PT Swaco Prima Windutama Country representative for US Soybean Export Council | A. Ali Basry, Director | Jl. Grand Galaxi Boulevard Blok RGG no. 19, Perum. Grand Galaxi City, Kel. Jakasetia, Kec. Bekasi Selatan, Bekasi 17147 | (62-21) 2210-3640, 9561-8444, 9196-8444 | (62-21) 2210-3640 E-mail: asagrain@indosat.net.id |
| U.S. Grains Council | Manuel Sanchez, <u>SEA Regional Director</u> | 50 Jalan Dungun Damansara Heights 50490 Kuala Lumpur, Malaysia | (60-3) 2093 6826 | E-mail: usgkl@usgc.com.my |

APPENDIX I- STATISTIC

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

| Item | Import from the World (\$ millions) | | | U.S. Market Share (% value) | | |
|--|--|--------|--------|---|-------|-------|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| Agricultural Products | 18,975 | 15,997 | 17,422 | 16.5 | 16.0 | 15.3 |
| Consumer-Oriented Agr. | 4,921 | 4,067 | 4,722 | 12.9 | 12.1 | 10.64 |
| Edible Fish & Seafood Products | 233 | 217 | 260 | 6.0 | 6.5 | 9.4 |
| Demographic Information: Indonesia | | | | | | |
| 2018, Total Population (million) estimated | 265 | | | Annual Growth Rate in 2010-2016 | 1.36% | |
| 2015, Urban Population (million) | 136 (53.3%) | | | Average Annual Growth Rate in 2010 -2015 (UN) | 2.7% | |
| 2010, Number of Major Metropolitan Areas (>1 mil population) | 15 | | | | | |
| 2013, Size of the Middle Class (millions) * | 140.85 | | | Growth Rate in 2013 | N/A | |
| 2016, Per Capita Gross Domestic Product** | IDR 46,333,6 (\$3,475) | | | | | |
| 2017 Unemployment Rate (Aug) | 5.50% | | | | | |

| | | | |
|---|--------------------------|--|--|
| 2016, Per Capita Average Food Expenditures ** | IDR 5,527,668 (\$414.67) | | |
| 2017 (February), Female workforce (million), above 15 years old | 2.17 | | |
| 2017 (February), Percent of Female Population Employed , above 15 years old | 55.84% | | |
| *Middle Class: 56.7% of the population (2013) | | | |
| ** Average US \$1=IDR 13,330 (2016) | | | |

Source: Global Trade Atlas & Statistic Indonesia

TABLE B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

| Indonesian Imports (in millions of dollars) | Import from the World | | | Import from U.S. | | | U.S. Market Share (% value) | | |
|---|-----------------------|--------|--------|------------------|-------|-------|-----------------------------|------|------|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| CONSUMER-ORIENTED AGRICULTURAL TOTAL | 4,921 | 4,067 | 4,722 | 637 | 494 | 502 | 12.9 | 12.1 | 10.6 |
| Snack Foods (Excl. Nuts) | 156 | 162 | 188 | 1.0 | 1.1 | 1.1 | 0.6 | 0.7 | 0.6 |
| Breakfast cereals & Pancake Mix | 20 | 18 | 25 | 0.29 | 0.39 | 0.40 | 1.4 | 2.1 | 1.6 |
| Red Meats, Fresh/Chilled/Frozen | 445 | 257 | 574 | 29.9 | 12 | 41.5 | 6.2 | 4.8 | 7.2 |
| Red Meats, Prepared/Preserved | 20 | 24 | 23 | 0.5 | 0.6 | 0.5 | 2.7 | 2.7 | 2.2 |
| Poultry Meat | 2 | 3 | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dairy Products (Excl. Cheese) | 1,337 | 879 | 802 | 244 | 134 | 116 | 18.3 | 15.2 | 14.5 |
| Cheese | 60 | 53 | 57 | 15 | 12 | 9 | 24.8 | 24 | 15.5 |
| Eggs & Products | 9 | 16 | 24 | 0.1 | 7.9 | 11.9 | 1.6 | 48 | 49 |
| Fresh Fruit | 764 | 640 | 816 | 121 | 93 | 127 | 15.9 | 14.6 | 15.5 |
| Fresh Vegetables | 492 | 459 | 570 | 3.1 | 3.2 | 0.7 | 0.6 | 0.7 | 0.1 |
| Processed Fruit & Vegetables | 164 | 170 | 203 | 48 | 47 | 51 | 29.5 | 27.5 | 25.1 |
| Fruit & Vegetable Juice | 30 | 26 | 28 | 3.2 | 2.8 | 3.1 | 10.8 | 11 | 11 |
| Tree Nuts | 16 | 16 | 23 | 8.7 | 10.0 | 10.7 | 52.7 | 59.5 | 46 |
| Wine & Beer | 3 | 2 | 7 | 0 | 0 | 0 | 1.1 | 3.6 | 3.7 |
| Nursery Products & Cut Flowers | 2 | 2 | 4 | 0 | 0 | 0 | 0 | 3.5 | 0.6 |
| Pet Foods (Dog & Cat Food) | 44 | 55 | 61 | 6.8 | 7.4 | 5.9 | 15.4 | 13.3 | 9.7 |
| Other Consumer-Oriented Products | 1,313 | 1,243 | 1,269 | 146 | 157 | 120 | 11.1 | 12.6 | 9.5 |
| FISH & SEAFOOD PRODUCTS | 233 | 217 | 260 | 14 | 14 | 24 | 6.0 | 6.5 | 9.4 |
| Salmon | 7 | 12 | 22 | 0.1 | 0 | 0.1 | 2.6 | 0.6 | 0.4 |
| Surimi | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Crustaceans | 66 | 53 | 75 | 11 | 12 | 19 | 17.3 | 22.6 | 25.7 |
| Ground fish & Flatfish | 12 | 21 | 9 | 0.4 | 0 | 0 | 3.2 | 0.3 | 0 |
| Molluscs | 8 | 7 | 6 | 0.6 | 0.6 | 0.9 | 8.0 | 9.0 | 13.4 |
| Other Fishery Products | 138 | 123 | 146 | 1.2 | 1.2 | 4 | 0.8 | 0.9 | 2.7 |
| AGRICULTURAL PRODUCTS TOTAL | 18,975 | 15,997 | 17,422 | 3,131 | 2,559 | 2,674 | 16.5 | 16.0 | 15.3 |
| AGRICULTURAL, FISH & FORRESTRY TOTAL | 19,772 | 16,737 | 18,423 | 3,210 | 2,633 | 2,763 | 16.2 | 15.7 | 15.1 |

Source: Global Trade Atlas (GTA)

TABLE C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

| CONSUMER-ORIENTED AGRICULTURAL TOTAL - 400 | | | | FISH & SEAFOOD PRODUCTS-700 | | | |
|--|----------------|----------------|----------------|-----------------------------|---------------|---------------|---------------|
| (\$1,000) | 2014 | 2015 | 2016 | (\$1,000) | 2014 | 2015 | 2016 |
| China (Peoples Republic of) | 974,211 | 905,681 | 1.115,936 | China (Peoples Republic of) | 65,685 | 51,672 | 47,884 |
| Australia | 657,157 | 491,819 | 621,990 | Norway | 13,514 | 19,848 | 34,972 |
| United States | 637,195 | 494,219 | 502,838 | United States | 14,067 | 14,156 | 24,589 |
| New Zealand | 566,831 | 385,791 | 438,232 | Japan | 11,337 | 18,478 | 21,525 |
| Thailand | 336,562 | 309,962 | 331,992 | Malaysia | 19,893 | 17,214 | 20,978 |
| Malaysia | 336,376 | 296,628 | 295,371 | Canada | 24,394 | 21,309 | 19,028 |
| India | 104,104 | 82,672 | 254,876 | Micronesia | 0 | 1,660 | 9,767 |
| France | 187,614 | 142,863 | 127,604 | Russia | 6,662 | 2,350 | 8,685 |
| Singapore | 174,863 | 140,121 | 125,654 | Taiwan | 11,216 | 9,577 | 7,527 |
| Netherlands | 143,529 | 94,888 | 108,566 | Senegal | 0 | | 6,882 |
| Germany | 88,421 | 71,395 | 75,301 | Latvia | 0 | 0 | 6,501 |
| South Korea | 55,873 | 57,754 | 70,491 | Indonesia | 9,460 | 5,358 | 5,845 |
| Belgium | 95,068 | 76,201 | 61,725 | Pakistan | 8,812 | 6,965 | 5,543 |
| Vietnam | 76,727 | 59,501 | 53,165 | Australia | 4,254 | 5,712 | 5,512 |
| Brazil | 47,575 | 52,039 | 50,410 | Vietnam | 4,341 | 3,312 | 3,750 |
| Madagascar | 663 | 555 | 47,776 | Seychelles | 158 | 1,428 | 3,573 |
| Poland | 44,974 | 56,068 | 45,631 | Marshall Island | 0 | 1,118 | 2,986 |
| | | | | | | | |
| | | | | | | | |
| Other | 581,686 | 1,140,382 | 1,510,637 | Other | 39,609 | 36,760 | 25,438 |
| World | 4,921,815 | 4,067,989 | 4,722,259 | World | 233,402 | 217,526 | 260,985 |
| | | | | | | | |

Source: Global Trade Atlas (GTA)

APPENDIX II. CALENDAR OR TRADE SHOWS IN INDONESIA

Name of Event: **FOOD, HOTEL & TOURISM BALI 2018**
Event Location : Bali International Convention Center, Nusa Dua - Bali, Indonesia
Industry theme: The 11th International Exhibition for Equipment, Food, Beverages and Services to Support Indonesia's Tourism and Hospitality Industries;

Dates of Event: **March 1-3, 2018**
Type of Event: International Exhibition
Name of Organizer: P.T. Pamerindo Buana Abadi
Phone of Organizer: (62-21) 252 5320
Fax of Organizer: (62-21) 252 5032/018
E-mail of Organizer: wiwiek@pamerindo.com
Web site: www.pamerindo.com

Name of Event: **FOOD INGREDIENT ASIA 2018**
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: **October 3-5, 2018**
Type of Event: International Exhibition
Name of Organizer: UBM Asia
Phone of Organizer: (62-21) 729-2662; (66-2) 642-6911
Fax of Organizer: (62-21) 729-3539
E-mail of Organizer: fiasia@ubm.com; Nongnaphat.J@ubm.com; Maria.Lioe@ubm.com
Web site: www.fiasia-indonesia.com

Name of Event: **FOOD & HOTEL INDONESIA 2019**
Event Location: Jakarta International Exhibition Center, Kemayoran, Indonesia
Industry theme: The 15th International Hotel, Catering Equipment, Food and Drink Exhibition;

Dates of Event: **April 10-13, 2019**
Type of Event: International Exhibition
Name of Organizer: P.T. Pamerindo Buana Abadi
Phone of Organizer: (62-21) 252 5320
Fax of Organizer: (62-21) 252 5032/018
E-mail of Organizer: wiwiek@pamerindo.com
Web site: www.pamerindo.com