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Indonesia

Retail Foods

Retail Foods Update

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Report Highlights:

While traditional markets still account for the majority of retail food sales in Indonesia, modern retail holds a significant share and is growing. The burgeoning hypermarket, supermarket and minimarket sectors offer opportunities for U.S. food products. U.S. apples, table grapes, oranges, lemons, processed vegetables (french fries), processed fruits (dates, raisins, jams, nut paste), snack foods and juices enjoy a prominent position in Indonesia's retail outlets and traditional markets. Further growth and changes in consumer preferences, along with improved refrigeration and storage facilities, will also create additional opportunities for U.S. exporters.

Post:
Jakarta

Trends and Outlook

Indonesia is the 4th most populous nation in the world, with a population of approximately 261 million in 2017. Around 50 percent of the population is between the ages of 5 and 34 years. Emerging middle class consumers are well educated and have a growing interest in imported goods, particularly for consumer products such as processed foods. In 2015, GDP distribution at current market prices showed that about 26 percent of household consumption expenditures were spent on food items and 29 percent on non-food items (2015 GDP was \$860 billion or IDR 11,540 trillion). The middle class population expanded to 56.7 percent of the total population (2013) from 37 percent (2004). (The middle class is defined as the segment of the population able to spend \$2 to \$20 a day, as per the “Satu Dasawarsa Membangun Untuk Kesejahteraan Rakyat – A Decade of Development for People Welfare,” (Cabinet Secretary April 2014)).

Hypermarkets, supermarkets, and minimarkets continue to develop in Indonesia as purchasing power increases. However, the development of modern retail outlets is not as extensive as in previous years due to weakening economic growth. Development is primarily occurring in urban areas, and the prospects for the continued retail sector expansion throughout Indonesia remain promising. However, land availability and the local government permitting process can be a constraint.

Several Indonesian regulations play an important role in modern retail expansion:

- Presidential Regulation No. 112/2007 (in addition to Ministry of Trade 145/1997 and Ministry of Domestic Affairs and No. 57/1997), covers urban planning rules for traditional markets, shopping centers and modern outlets. These regulations include regional planning, types of retail outlets and permitted goods, operating hours, distribution and supply, fees, private labelling and others.
- Ministry of Trade Regulation (MOT) No. 53/2008 (replaced by MOT No 70/2013) regulates the number, and distance of new modern outlets from traditional markets. The regulation also provides guidelines defining modern retail outlets based on floor area, sales system, goods traded, listing fees, discounts, and promotional costs.
- MOT Regulation No. 70/2013 and its amendment, Regulation No. 56/2014, “Guidelines for Structuring and Development of Traditional Markets, Shopping Malls, and Modern Stores/Outlets” limits private label items sold in modern outlets to only 15 percent of stock keeping units (SKU). Stores must sell a minimum of 80% domestic products, except for specialty stores where product uniformity is required and cannot be sourced from a brand with a production base in Indonesia. Minimarkets are not allowed to sell fresh products in bulk. Alcoholic beverages cannot be sold at minimarkets located near housing complexes, places of worship, bus and train stations, hospitals, youth centers, and schools). Ownership of retail outlets is limited to 150 stores. Companies exceeding this cap must franchise outlets exceeding 150. Retailers operating more than 150 stores prior to regulation’s implementation (MOT 56/2014 implemented September 17, 2014) are permitted to continue operating with that number of stores. Stores that sell less 80% locally produced products have been provided a grace period of

two years to adapt.

- The Empowerment and Protection of Farmer Law 19/2013 could potentially limit the expansion of modern retail outlets that are not owned or developed in cooperation with Farmer Groups and Associations, Cooperatives, and/or other Farmer Economic Institutions in their Agricultural commodity production district. Post notes that as of December 2015, this regulation has not been enforced.
- MOT circular letter 1310/2014 dated December 22, 2014 instructs local authorities (governors, regents, and provincial/regional/district mayors in areas that have not created a land use plans to suspend the establishment of new retail outlets. However, Economic Reform Package I, issued in September 2015, allows local authorities to issue temporary permits.
- Presidential Regulation No 44/2016 states that supermarkets smaller than 1,200 square meters and minimarkets (including convenience and community stores) smaller than 400 square meters require 100 percent Indonesian ownership. This provision has been regulated since 2007.

Local government bodies have also limited permits for new convenience stores due to protests from traditional market retailers. They enforce zoning and operating hour rules on convenience stores and minimarket franchises (Presidential Decree No 112/2007 regulates the operating hours from 10 am – 10 pm Monday to Friday and 10 am to 11 pm on Saturday and Sunday).

The food retail sector is concerned by issues surrounding the issuance of imported product registration numbers (ML). All imported retail-packaged foods must obtain an ML number (Domestically produced retail-packaged foods must obtain an MD number). Importers report that obtaining the ML number is time consuming, and that requirements can be confusing and excessive. A number of other persistent market access issues, such as import recommendations, import permits, quotas, entry permits (SKI) and frequently changing trade regulations continue to threaten U.S. food exports intended for the Indonesian retail sector.

Enforcement of food product regulations often lacks transparency and consistency. The lack of infrastructure, including, but not limited to poor port facilities, supply chain management, and cold chain facilities also creates a drag on the wider distribution of food products throughout Indonesia.

Grocery prices are growing as a result of the weakening of Indonesian Rupiah (IDR), increasing regional wages, and restrictive import laws. Farmer access to training, technology and credit remains limited, thus limiting agricultural productivity growth (relative to demand growth) and driving up prices. Supply chain challenges and logistical barriers further inhibit production growth and add to production costs.

I. MARKET SUMMARY

The Indonesian retail sector began its rapid expansion in 1999, when Presidential Decrees 96/2000 and 118/2000 on negative and positive lists of businesses for capital investment) allowed Carrefour, a French retailer, to expand retail operations to 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, under the name Trans Mart), Giant, Lotte Mart (formerly Makro), Lion

Superindo, Spar, Aeon, Lulu, Circle K, Seven Eleven, Lawsons, and Family Mart. Some modern retail chains have multi-format outlets. Hypermarkets, supermarkets, convenience shops and minimarkets are all present in Jakarta.

The first Aeon supermarket opened at the end of March 2015 in Jakarta (BSD City, Tangerang Selatan) and is owned by PT. Aeon Mall Sinar Mas Land Indonesia (PT. AMSL Indonesia). Aeon’s second location will be opened in North Jakarta in early 2017 and followed by another supermarket in Sentul-Bogor. SaveMax Super Grosir, owned by PT. Emporium Indonesia (Gunung Sewu Group), has opened two supermarkets located in the Jakarta region (Tangerang City and Cibubur). PT. Ramayana Lestari Sentosa Tbk (Ramayana) and SPAR International B.V. (entered Indonesia in September 2014) have opened 15 SPAR Supermarkets in Jakarta and its surrounding areas. Jason Supermarkets (owned by Hero Group), launched supermarkets in Jakarta, while Loka Supermarkets (owned by Mega Mahadana Hadiya – Trakindo Group) has opened supermarkets in Malang - East Java, Tangerang, and Cibubur. Matahari Group opened its first “smart club,” Trader Wholesale, in Tangerang on December 17, 2015. Lulu Group International of Abu Dhabi, managed by PT EK Prima Ekspor Indonesia, launched a hypermarket and department store in East Jakarta (Cakung) in May 2016. Lulu hypermarkets are also scheduled to open in BSD – Tangerang Selatan and Sentul-Bogor in the near future.

Convenience stores are expanding rapidly in Indonesia. Following the introduction of 7-Eleven in 2009, the stores have grown in popularity amongst young consumers and students. 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.

In 2012, PT. Sumisho E-Commerce Indonesia (a joint venture company between Sumitomo Corporation –Tokyo and PT. Sumitomo Indonesia) launched Sukamart as an on-line grocery store in Jakarta. Currently, several retailers offer on-line shopping. These include Klikindomart.com by Indomaret; Alfacart.com by Alfamart and MatahariMall.com by Matahari group (Hypermart). PT Supra Boga Lestari (Ranch Market group) will launch Kesupermarket.com soon.

Table 1. Indonesia: Growth of Grocery Retail Outlets and Sales

Type of Outlets	Value Growth (%)		Number of Outlets (,000) in 2015	No. Outlets Growth (%)	
	2014-2015	2010-2015 (CAGR)		2014-2015	2010-2015 (CAGR)
Convenience Stores	15.7	30.0	26.7	15.3	16.8
Hypermarkets	9.7	12.4	0.3	7.7	11.8
Supermarkets	4.6	11.9	1.4	2.0	4.1
Traditional Grocery Retailers	7.5	10.3	4,593.5	0.2	-0.1

Source: Euromonitor;

Note: CAGR: Compound Annual Growth Rate

There are a variety of specialty food stores serving high-end consumers in major urban areas. Ranch

Market, The FoodHall, Grand Lucky, etc. provide premium grocery shopping and imported goods.

Fruit boutiques, such as Total Buah and All Fresh, are common and western & Japanese style bakeries are also growing due to new consumer awareness of their breads and pastries. The Kalbe E-store offers online retail and home delivery services for grocery and health products. Many of these stores have suffered from import registration number (ML) requirements for processed food and retail packaging issues.

Figure 1. Indonesia: Retail Sales Value Share (%)



Source: Euromonitor

Food Products and Service Offered by Retailers

Hypermarkets and supermarkets offer a wide range of food and beverage products and are generally located as anchor stores in shopping centers. One way supermarkets differentiate themselves from traditional 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.

Table 2. Indonesia: Sales of Packaged Food in 2015

Product	Volume (000 ton)		Value (IDR Trillion)
	Total	Growth 2014/2015 (%)	
Baby food	295.71	5.91	33.28
Baked Goods	590.77	4.52	28.43
Breakfast Cereals	9.62	9.42	0.85
Biscuits	282.08	3.79	15.66
Confectionery	297.39	4.32	25.46
Dairy	1,004.08	5.92	26.03

Ice cream and frozen desserts	68.91	9.45	4.82
Oils and Fats	766.30	0.40	16.04
Processed Fruit and Vegetables	10.31	3.34	0.49
Processed Meat and Seafood	230.43	8.84	16.92
Ready Meals	1.09	6.20	0.72
Noodles	1,506	4.01	30.25
Pasta	5.99	6.8	0.30
Sauces, dressings and condiments	525.82	6.00	14.90
Snack Bar	0.88	15.00	0.16
Soup	0.64	6.51	0.71
Spreads	18.08	6.23	1.26
Sweet and Savory Snacks	305.29	6.30	17.02

Source: Euromonitor

Hypermarket and supermarket retailers usually contain in-store bakeries, cafés and restaurants, and prepared meals, with grocery products typically contributing about 65 percent of total sales. Additional in-store services beyond typical food retailing are expected to grow. These include credit and debit card services, ATMs, floral departments, laundry services, home delivery services, in house bakery production, and delis/restaurants. Indonesian hypermarkets/ supermarkets also offer pre-paid mobile phone credits, liquefied petroleum gas (LPG), and store credit cards in cooperation with banks.

Retailers are expanding their restaurant and playground areas to attract customers (for example, Trans Retail and Lotte Mart).

Minimarkets, convenience stores, and other shops carry a wide range of convenience food items such as readymade meals, bakery products, processed foods, ice cream, and beverages. They sometimes carry a limited offering of fresh fruits and are open 24 hours. These stores are found throughout Indonesia's major urban centers and are also co-located with gasoline stations, such as Bright, Circle K, Bonjour, Indomaret and Alfamart; and railway station. In addition to food and beverages, minimarkets also provide train tickets, concert and sporting event tickets, pre-paid mobile phone vouchers, ATMs, e-money top ups, airline tickets (such as Citilink, Garuda Indonesia, etc.), laundry, bill payment services (electricity, motorcycle loan payments), BNI bank and Western Union remittances, taxi ordering, courier services, money changers, online shopping and delivery (within the Jakarta region) as well as payment transaction for on-line shopping in other on-line shops (BukaLapak.com) and GOI health on-line insurance premium counters (BJPS). Franchising is driving the rapid growth of minimarkets and convenient stores.

While traditional small grocers (warungs) may not be able to offer varieties of products and services offered by minimarkets, they do sell local food and beverage products familiar to the majority of consumers. This differentiation, along with location, helps them remain competitive against organized retail. Traditional markets also remain an important retailer in Indonesia. A 2010 Nielsen Shopper trends survey showed that buyers purchased 53 percent of fresh vegetables, 70 percent of fresh meat, and 67 percent of fresh fish in traditional markets. Like small grocers, they rely on personalized services, local product offerings, and location to remain competitive.

Table 3. Indonesia: Retail (Off trade and On-trade) Beverage Sales in 2015

Product	Value	Volume	Volume growth (%)
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	(IDR Trillion)	(million liters)	2014-2015 (Off-trade)
Bottle Water	25.42	18,157	4.3
Carbonates	16.06	1,034	4.0
Concentrates	9.29	106.6	1.8
Juice	3.12	179.6	7.0
RTD Coffee	0.48	17.9	11.0
RTD Tea	28.86	2,262	5.5
Sport and Energy Drinks	9.30	655.9	6.4

Source: Euromonitor

Note: Most of the products by volume (97%) are sold off-trade

A University of Adelaide study (Hery Toiba, 2011) showed that quality perceptions amongst Indonesian consumers also favor traditional markets in several categories. For example:

- Price: Indonesian consumers tend to believe that traditional retail has lower costs across all categories except dairy and processed food.
- Quality & Safety: Indonesian consumers tend to believe that quality & food safety is better assured by traditional retailers for meat and seafood, while modern retail is perceived to provide safer fruits, dairy and processed foods.
- Product information: Indonesian consumers reported that they regard modern retail as more transparent and forthcoming with product information across all categories except vegetables

Figure 2. Indonesia: Modern Retail Outlet Sales (IDR Trillion)



Source: Euromonitor

Modern Retail Market Growth

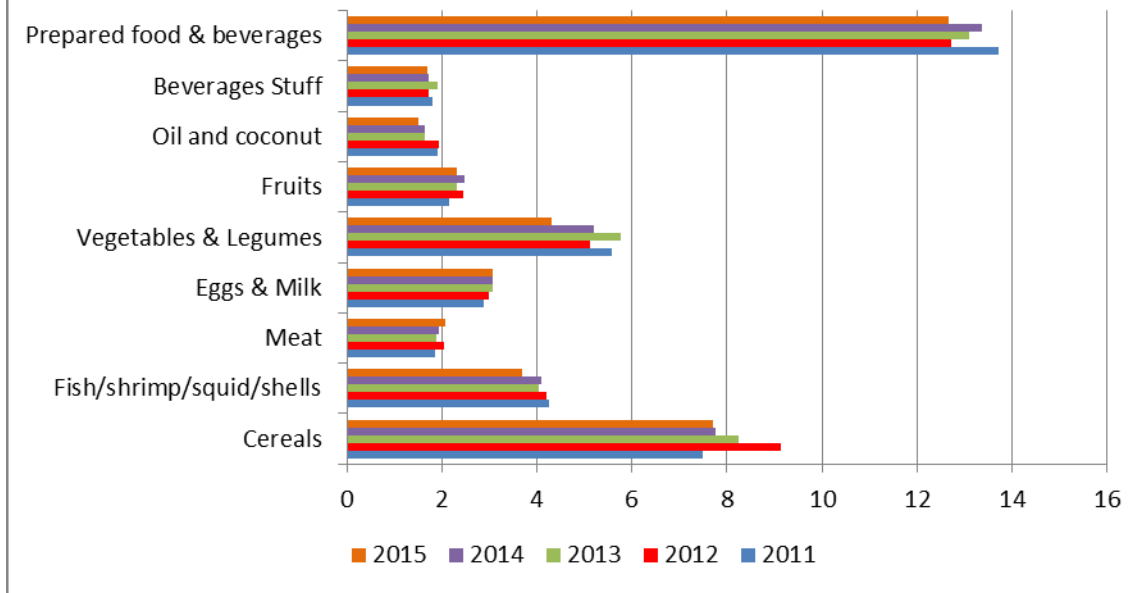
Indonesian supermarkets/hypermarkets experience their peak hours during weekends with 34 to 45 percent of shopping occurring at these times. Minimarket peak hours are usually at night. Traditional outlets such as neighborhood stores and wet markets experience heaviest traffic on weekday mornings. A Nielsen report claims that Indonesian consumers prefer to purchase certain specialty items from the organized sector (dairy, vitamin and personal care products), while commodity goods (instant noodles, cooking oil, soy sauce) continue to be procured from traditional sources.

The 'recreation' function of modern outlets is important in Indonesia, with 79 percent of consumers visiting supermarkets/hypermarkets with their families. This trend is encouraged by Jakarta's numerous shopping malls and growing mall culture. Conversely, more than 65 percent of consumers prefer to visit traditional markets alone. As a relatively new concept, consumers continue to familiarize themselves with modern retail, indicating potential for future growth of the sector.

Statistics Indonesia reports that the 2015 monthly average per capita expenditure for food was IDR 412,462 (\$30.73). This averages approximately 48 percent of total monthly expenditures per capita. A breakdown of average expenditures is as follows:

Figure 3. Indonesia: Food Expenditure (%)

Indonesia: Food Expenditure (%)



Source: Statistic Indonesia

Distribution Channels

Wholesale and hypermarket outlets procure from domestic suppliers or directly from manufacturers and importers. Suppliers of small retail outlets deliver the products to retailer's distribution centers.

Ministry of Agriculture (MOA) Regulation No. 34/2016 revises beef imports regulations to include the import of most muscle cuts, manufacturing meat, and variety meat (heart, liver and lungs). Regulation No.34/2016 also allows the sale of imported beef through both traditional and modern retail outlets. Indonesian regulations still prohibit retailers from purchasing imported horticultural products directly from importers, limiting product availability and increasing prices.

Table 4: ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS MARKET

ADVANTAGES	CHALLENGES
Large Consumer Base: Indonesia has a population of 261 million people in 2017	Weak purchasing power of the majority of the population.
The distribution system on the island of Java is improving, providing increased access to 57 % 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 well-developed tourism industry	Import regulations are often complex and non-transparent, thus requiring close business relationships with a local agent. Obtaining a registration number (ML) for imported food products in retail packaged is complicated but required. Labels must be written in Indonesian and attached before entering 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 food are 5% except for 153 value added food product items (GAIN report ID1530)	Consolidated shipments with products from several suppliers are often more cost effective for Indonesian retailers. However, this increases import documentation problems.

More urban women entering the workforce with less time available for shopping and cooking 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.	Third-country competition and promotion remains strong, especially from Australia, New Zealand and China. Food product imports from Malaysia, Philippines, Thailand and Vietnam are growing. Bilateral free trade agreements provide opportunities to competitors.
U.S. Fresh Food of Plant Origin (FFPO) safety control system has been recognized. FFPO recognition provides expedited access to Indonesian ports and Quarantine for U.S. foods of plant origin.	The GOI intends to review FFPO recognition every two years. Current regulations stipulate that only three sea ports and one airport are allowed as horticultural entry points (MOA NO. 15/2012). Approximately 39 horticultural products must have an import recommendation from Indonesian Ministry of Agriculture, and import permit from Ministry of Trade before imported to Indonesia.
GOI approved a number of several U.S. meat and many U.S. dairy establishments to export products to Indonesia.	Animal-based food must be certified "halal". Import recommendations from MOA and MOT are required to obtain a ML.
Indonesia also 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. ROAD MAP FOR MARKET ENTRY

Entry Strategy

An effective way to enter the Indonesian market is to appoint an agent. An agent can help assure the widest product distribution as well as undertake the marketing efforts necessary to build product awareness. In some situations, it may make sense to sell directly to supermarkets and/or to appoint them as an exclusive distributor. This is particularly recommended for specialty products which are unlikely to generate volumes sufficient to merit the interest of an agent. Initial sales efforts in Indonesia should nevertheless include visits with potential agents as well as with key retailers to gain an understanding of the market.

Market Access for Imported Food Products

Labeling

Requirements for food product labeling (primarily for packaged food for retail sale) are broad in scope. The National Agency for Drug and Food Control (BPOM) regulations require labels to be written in Indonesian and to note GMO-derived ingredients. As of January 2013, supplementary labels should be affixed prior to customs clearance (before arriving in Indonesia). 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. In addition to BOPM labeling regulations, exporters are expected to comply with the new Food Law 18/2012, and the Consumer Protection Act of 1999.

Imported Product Registration Number (ML)

All processed food products imported in retail packaging must be registered with BPOM before they are allowed to be imported. The registration process should be conducted by a local agent or importer. The process for registration of food is complex, often non-transparent, costly, and time consuming due to the detailed requirements regarding supporting documentation that should be carried out before shipping.

However, the ML registration processed has improved slightly by the implementation of the E-registration for low risk processed food since early 2013.

BPOM regulations require importers to apply for an import recommendation for animal based food products, including processed products, from the Director General of Livestock Services, Ministry of Agriculture. This recommendation must be obtained before an exporter applies for an ML number.

Entry Permit (SKI)

In March 2008, BPOM released a regulation (amended in 2013 and replaced by BPOM regulations No.12 & 13/2015) which stated that all imported food material/ingredients, including processed foods, must obtain an entry permit (SKI) from the head of BPOM for every shipment. The SKI is needed to release the products from customs. To obtain the permit, an importer must provide supporting data and documents.

Horticultural and Animal-Based Food Products

MOA and MOT regulations state that the GOI will allocate import permits for imported horticultural and meat products every six months. MOA will open the application submission for horticultural import recommendations starting in both mid-May and mid-November for 15 working days. The GOI will accept applications for meat import recommendations anytime. The GOI determines the import volume allocation for horticultural imports based on storage capacity, previous import data and distribution plans. Indonesian beef imports, however, are not officially subject to quantity controls, although importers report some ambiguities.

Halal

In September 2014, Indonesia passed a law governing halal products (33/2014). The law makes halal certification mandatory for all food, beverage, drugs, cosmetics, chemicals, organic and genetically modified products sold in Indonesia, as well as machinery and equipment used in processing these products. Companies have two to five years (from October 2014) to comply with the new law. In the meantime, companies have been instructed to follow existing Indonesia Ulama Council (MUI) halal certification procedures. The new law also states that the Indonesian government will establish a new institution called the Halal Product Guarantee Agency (Badan Penyelenggara Jaminan Produk Halal - BPJPH) to issue halal certificates. Once formed, the BPJPH will assume the role currently fulfilled by the MUI. As of July 2016, this new agency has not yet been established and the implementation of the halal law remained uncertain, partly due to resource restraints.

Duties and Taxes

Although most food and agricultural product import duties are 5 percent, most imported products are also assessed a value added tax of 10 percent and a sales tax of 2.5 percent. On July 2015, The Ministry of Finance (MOF) issued a regulation on tariff changes to value-added goods. The regulation covered 153 products including coffee, tea, sausages/processed meat/fish/other fish products, sugar and confectionery items, chocolate, pasta, bread, pastry, biscuits ,preserved vegetables/fruit/nuts, sauces, ice cream, tempeh, wine, fermented beverages, and liqueurs. New tariffs vary from 10 to 30 percent although fermented beverage and liquor (alcoholic beverages) tariffs are 90 percent (HS Code 2204, 2205, 2206) and 150% (HS Code 2208). Alcoholic beverages are imported based on a quota set by MOT every April.

In January 2014, MOF implemented a new excise tax for ethyl alcohol, beverages, and concentrates containing ethyl alcohol.

Table 5. Indonesia: Excise Tax for Ethyl Alcohol and Products Containing Ethyl Alcohol

Type	Ethyl Alcohol content	Excise Tax (IDR per liter)		Tariff	VAT + Sales Tax	Example: cost of product + excise tax + Tariff + 12.5% VAT and Sales Tax (assuming one liter costs IDR 100,000/\$7.70)	
		Domestic Product	Import	Import (not applied to domestic)	Domestic and Import	Domestic Product (No Tariff)	Import
Ethyl alcohol or ethanol							
All kinds of ethyl alcohol, level content, and type		20,000 (\$1.53)	20,000 (\$1.53)	90% or 150%, depending on alcohol level.	10%+2.5%	(100,000+20,000) + 12,000* + 3,000 ** = <u>135,000 (\$10.40)</u>	(90% Tariff) (100,000+ 90,000+ 20,000) +21,000*+ 5,250** = <u>236,250 (\$18.17)</u> (150% Tariff) (100,000+150,000+20,000) +27,000 *+ 6,750 ** = <u>303,750 (\$23.36)</u>
Beverages containing ethyl alcohol							
A	5% or less	13,000 (\$1)	13,000 (\$1)	90%	10%+2.5%	(100,000+13,000)+ 11,300*+ 2,825** = <u>127,125 (\$9.77)</u>	(100,000+90,000+13,000)+ 20,300* + 5,075** = <u>228,375 (\$17.56)</u>
B	More than 5% up to 20%	33,000 (\$2.53)	44,000 (\$3.38)	90%	10%+2.5%	(100,000+33,000) + 13,300* + 3,325** = <u>149,625 (\$11.50)</u>	(100,000+90,000+44,000)+ 23,400*+5,850** = <u>263,250 (\$20.25)</u>
C	More than 20%	80,000 (\$6.15)	139,000 (10.69)	150%	10%+2.5%	(100,000+80,000)+ 18,000* + 4,500** = <u>202,500 (\$15.57)</u>	(100,000+150,000+139,000) + 38,900*+9,725** = <u>437,626 (\$33.66)</u>
Concentrate containing ethyl alcohol							
All concentrates, content level and type, as a raw material or processing aid in beverages contain ethyl alcohol production		100,000 (\$7.69)	100,000 (\$7.69)	90% or 150%, depending on alcohol level.	10%+2.5%	(100,000+100,000) + 20,000* +5,000** = <u>225,000 (\$17.30)</u>	(90% Tariff) (100,000+90,000+100,000) +29,000* +7,250** = <u>326,250 (\$25.09)</u> (150%) (100,000+150,000+100,000) + 35,000* + 8,750** = <u>393,750 (\$30.28)</u>

Note: * VAT
 ** Sales Tax
 \$1=IDR13,000

Starting mid-April 2015, MOT 6/2015 prevents “A-category alcoholic beverages” (alcohol content <5 percent) from sale in minimarkets. A-category beverages are still allowed to be sold in Supermarkets and Hypermarkets.

Standard National Indonesia (SNI)

The Government of Indonesia requires several food products to comply with SNI requirements. To prove compliance, the retail products must be labelled with the SNI mark and wholesale/bulk products must be

accompanied by the SNI certificate.

The following are the SNI mandatory products:

- Biscuits (HS Codes 1905.31.10.00; 1905.31.20.00; 1905.32.00.00; 1905.90.20.00; 1905.90.90.00). The provision has not yet been implemented. The Ministry of Industry (MOI) issued a circular letter dated July 25, 2016, postponing the implementation date of mandatory biscuit SNI. However, no implementation date has been set.
- Bottle water (HS Code 2201.10.00 .10 and 2201.90.90.10).
The provision was implemented on March 14, 2012
- Instant coffee (HS Code 2101.11.10.00) for retail packages and bulk.
The provision will be implemented on January 17, 2016
- Palm cooking oil (HS Code 1511.90.92.00, 1511.90.99.00, 1516.20.98.00).
The provision was implemented on March 27, 2015
- Wheat flour (HS Code 1101.00.10.10).
The provision was implemented on October 27, 2015

Competition

U.S. food products are sometimes less competitive in Indonesia due to high freight costs relative to competing origins and locally produced products. 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.

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.

Market Structure

Distribution System

Indonesia's distribution system is complex due to the geographic isolation of the Indonesian archipelago. Infrastructure is often inadequate, especially outside of Java and major cities. The ability to move frozen and refrigerated products is limited. There are several national distributors, generally subsidiaries of consumer goods and food manufacturers, who serve the whole country. There are also numerous agents and distributors with a more local reach. There are hundreds of wholesalers (traditional wholesalers) and millions of retailers.

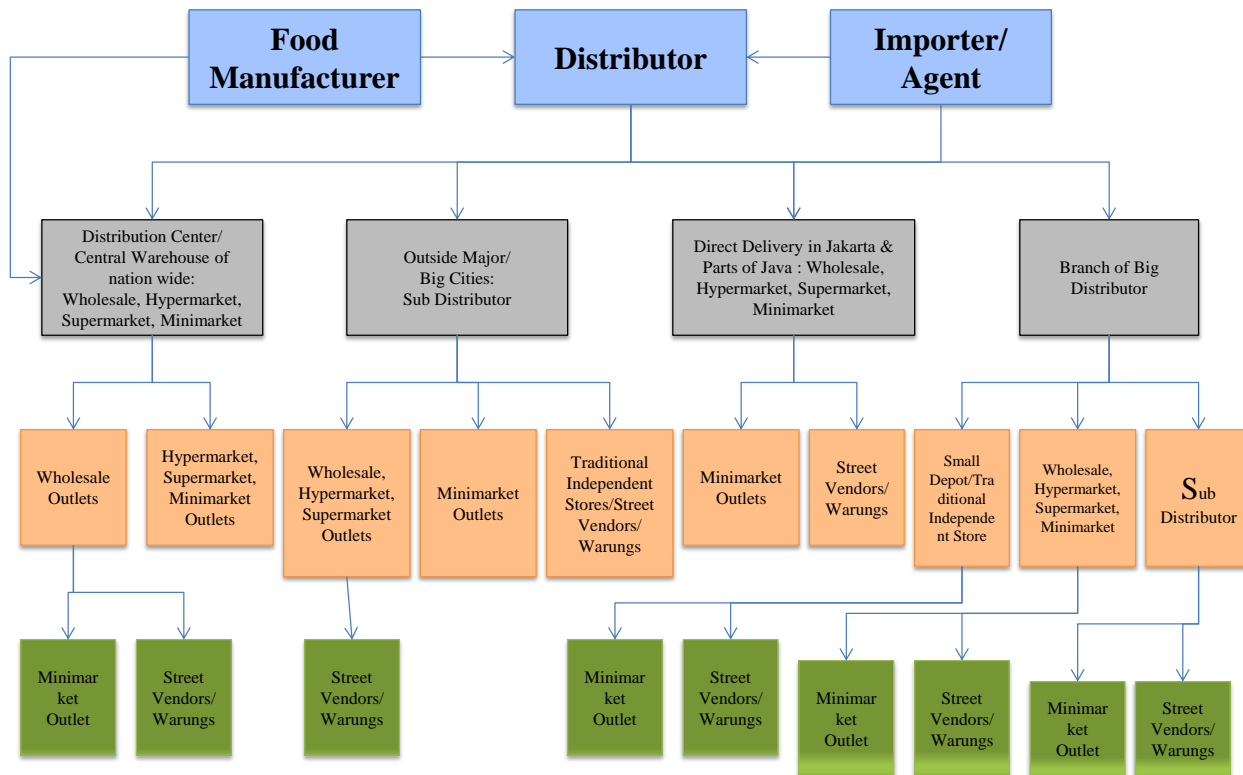
Inadequate port facilities are often cited as the single largest distribution constraint. Shallow drafts limit ports to small ships, and inadequate loading/unloading facilities and frequent congestion are frequently cited problems. Poor roads and bad traffic in and out of ports are also a constraint. Distribution firms also cite unreliable shipping schedules and an inadequate number of small ships serving Eastern Indonesia, particularly during bad weather periods. This can result in shortages and obligate firms to maintain large and costly inventories.

Most imported products are sold through the modern retail stores (hypermarkets, supermarkets, wholesalers, convenience stores, and minimarkets). Imported products often move to a distributor or agent, who in turn, sells directly to modern retail outlets. Delivery of the products may be direct to stores or to the warehousing facilities of the retailer. Only a few retailers buy directly from foreign suppliers and assume responsibility for logistics. There are about 16 major cities that serve as distribution hubs in Indonesia. They are Bandung, Cirebon,

Yogyakarta, Semarang, Surabaya, Makassar, Manado, Denpasar, Mataram, Balikpapan, Banjarmasin, Medan, Padang, Pekanbaru, Palembang, and Batam. Products moving through the traditional sector face a more extensive distribution process. Generally, products move to a distributor’s warehousing facilities in a hub city, then to sub-distributors and wholesalers for delivery to retailers.

Figure 4: Indonesia: Distribution Channels

Indonesian Retail Food Sector: Distribution Channels



Trends in Distribution

Although the modern retail sector is expanding rapidly, the traditional distribution systems are expected to remain prevalent in the short term. Over the long term, modern retail distribution channels are expected to become more efficient as direct procurement from suppliers increases. Under current regulations, retailers can procure most imported supplies directly, with the notable exception of imported horticultural products. Efficiencies will also be gained as central warehousing and distribution centers expand throughout the country. Inadequate infrastructure on several of the Islands hinders this expansion.

The success of big retailer chains, wholesalers, and hypermarkets in offering Indonesian consumers a wide variety of products at lower prices is expected to stimulate the growth of imported food sales. More middle and low-income consumers are using organized retail outlets. Increasing competition will force existing supermarkets and other modern retailers to focus on targeted consumer groups, to become more sophisticated in their marketing efforts, and to improve store operation efficiencies. The number of minimarkets and other small stores will continue to grow. The greatest expansion is on the islands of Java and Bali, in residential areas and cities outside of Jakarta.

A. SUPERSTORES, SUPERMARKETS, HYPERMARKETS OR SUPERCENTERS, CLUB AND

WAREHOUSE OUTLETS.

There are four players in the hypermarket group (including wholesalers) and five in the supermarket group in Indonesia. Hypermarket and supermarket businesses are the most likely to sell imported products. Imports account for 5 to 30 percent of the food items sold in each store, increasing to 60 percent for specialty retailers catering to high-end consumers. ML number registration issues limit the variety of brands that importers can choose from, making small consignments and mixed containers more difficult.

Table 6. Indonesia: Wholesale, Hypermarket and Supermarket outlets

Retail Name & Market Type	Ownership	Sales /Year 2015	No. of Outlets 2015/2016	Locations (city/region)	Purchasing Agent Type
Carrefour/Trans Mart	Trans Retail Indonesia, PT (Local own per November 2012)	N/A	As of February 2016: 90 Carrefour & Transmart outlets; 2 Groserindo outlet	Jakarta and its surrounding , several cities in Medan, Batam, Palembang, Jakarta, Serang, Depok, Bekasi, Tangerang, Cikarang, Karawang, Cibinong, Bandung, Cirebon, Yogyakarta, Solo, Pekalongan, Semarang, Madiun, Surabaya, Jember, Malang, Makassar, Denpasar, Singaraja, Pontianak, Mojokerto, Magelang, Palu, Cimahi and Pasuruan.	Direct Agent/ Importer, Distributor
Giant	Hero Supemarket Tbk, PT (Dairy Farm –Hongkong)	Net Revenue of Hero retail group in 2015: IDR 14.35 trillion	As of August 2016: 55 Giant Extra outlets 117 Giant Express (supermarket type) outlets	Jakarta, several cities in Banten, West Java, Central Java, East Java; Bali, Bandar Lampung, Bengkulu, Jambi, Pakanbaru, Banjarmasin, Balikpapan, Samarinda, Batam, Kupang, Medan, Binjai, Palembang	Direct Agent/ Importer, Distributor
Hypermart	Matahari Putra Prima Tbk, PT (Local – Temasek,	Sales of PT. Matahari Putra Prima Tbk in 2015: IDR 13.9	As of December 2015:	Jakarta, Bogor, Tangerang, Bekasi, Serang, Cirebon, Bandung, Semarang, Solo, Yogyakarta,	Direct Agent/ Importer, Distributor

	Singapore)	trillion	112 Hypermart outlets	Madura, Surabaya, Bali, Lombok, Binjai, Medan, Pekanbaru, Padang, Jambi, Bengkulu, Palembang, Lampung, Batam, Bangka, Pontianak, Palangkaraya, Pangkalanbun, Banjarmasin, Balikpapan, Samarinda, Manado, Gorontalo, Palu, Palopo, Makassar, Kendari, Bau bau, Kupang, Ternate, Ambon, Jayapura.	
Indogrosir	Indomarco Prismatama, PT (Local)	N/A	As of June 2016: 16 outlets	Jakarta, Tangerang, Bekasi, Bandung, Semarang, Yogyakarta, Surabaya, Palembang, Pakanbaru, Medan, Samarinda, Pontianak, Bogor, Banjarmasin, Manado	Direct Agent/ Importer, Distributor
Lotte Mart (former Makro Wholesale)	Lotte Shopping Indonesia, PT (South Korea per Oct 2008)	N/A	As of June 2016: 27 wholesaler format outlets 14 hypermarket format outlets 2 supermarket outlets	Jakarta, Tangerang, Serang, Bekasi, Bandung, Semarang, Yogyakarta, Solo, Suarabya, Medan, Pakanbaru, Palembang, Bali, Makassar, Banjarmasin, Balikpapan, Cirebon, Bogor, Batam,, Tasikmalaya	Direct Agent/ Importer, Distributor
Save Max Super Grocer	Emporium Indonesia, PT (Gunung Sewu Group) (Local)	N/A	As Of June 2016: 2 outlet	Tangerang, Cibubur	Agent/ Importer, Distributor

AEON	AMSL Indonesia, PT (Japan)	N/A	As of June 2016: 1 outlet	Tangerang	Agent/ Importer, Distributor
Alfa Midi (bigger than minimarket but smaller than supermarket)	Midi Utama Indonesia Tbk, PT (Local)	Net revenue in 2015: IDR 7.17 trillion from Alfamidi, Alfa Supermarket & Lawson	As of December 2016: 1023 Alfamidi outlets 2 Afla Supermarket	Jakarta, Bogor, Tangerang, Surabaya, Makassar, Samarinda, Medan, Malang, Bali	Direct Agent/ Importer, Distributor
Food Mart group/Food Mart Gourmet	Matahari Putra Prima Tbk, PT (Local- Temasek, Singapore)	Sales of PT. Matahari Putra Prima Tbk in 2015: IDR 13.9 trillion	As of Dec 2015: 23 food mart Primo and Foodmart Fresh) and 48 Foodmart Xpress	Jakarta, Tangerang, Bogor, Krawang, Cirebon, Klaten, Purwokerto, Yogyakarta, Surabaya, Jember, Bali, Balikpapan, Samarinda, Ambon, Padang, Medan, Palembang	Direct Agent/ Importer, Distributor.
Hero	Hero Supermarket Tbk, PT (Dairy Farm –Hongkong)	Net revenue from Hero retail group in 2015: IDR 14.35 trillion	As of August 2016: Hero: 33 outlets Jason supermarket 2 outlets	Jakarta, Bekasi, Bogor District, Tangerang, Tangerang Selatan, Bandung, Yogyakarta, Surabaya, Sidoarjo, Mataram, Tembaga Pura, Timika, Makassar, Balikpapan,	Direct Agent/ Importer, Distributor.
Lion Superindo	Lion Superindo – Gelael, PT (Local and Ahold Delhaize Belgium)	N/A	As of August 2016 136 outlets	Jakarta, several cities in Banten, West Java, Central Java & East Java; Palembang (18 cities)	Direct Agent/ Importer, Distributor
Farmers Market	Supra Boga Lestari Tbk, PT (Local)	Net revenue in 2015 from Framers Market & Ranch Market: IDR1.92 trillion	As of Dec 2015: 15 outlets	Jakarta, , Tangerang, Bekasi, Kerawang, Balikpapan	Direct Agent/ Importer, Distributor

SPAR	Ramayana Lestari Sentosa Tbk	Sales in 2015 form Ramayana Dept Store and SPAR supermarket: IDR 7.78 trillion	As of July 2016: 17 outlets	Bogor, Cibubur, Cibitung, Jakarta, Cilegon, Serang,	Agent/Importer, Distributor
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Source: Various

Table 7. Indonesia: High-end Supermarkets and Specialty Stores

Retail Name & Market Type	Ownership	Sales /Year 2015	No. of Outlets 2015/2016	Locations (city/region)	Purchasing Agent Type
Bali Deli – specialty store	Cipta Adi Karsa, PT (Local)	N/A	As of July 2016: 1 outlet	Bali	Agent/Importer, Distributor
Dijon Food Specialties	Alamboga Internusa, PT (Local)	N/A	As of July 2016: 1 outlet	Bali	Direct, Agent/Importer, Distributor
The Food Hall (formerly Sogo) –specialty store	Panen Lestari Internusa, PT (Local)	N/A	As of July 2016: 11 food hall outlets 14 daily food hall outlets 1 “The Market” outlets	Jakarta, Tangerang Depok, Bekasi, Bandung, Bali, Cikarang	Agent/Importer, Distributor
Kemchicks – specialty store	Boga Catur Rata, PT (Local)	N/A	As of July 2016: 2 outlets	Jakarta	Agent/Importer, Distributor
Lucky Supermarket Group	(Local)	N/A	As of July 2016: 5 Grand Lucky outlets, 3 Berastagi outlets, 7 Rejeki fruit boutiques 3 Hokky outlets	Jakarta, Surabaya, Medan, Bali	Direct, Agent/ Importer, Distributor
Pepito –	Sentral	N/A	As of July	Bali	Agent/Importer,

Speciality store	Retailindo Dewata, PT (Local)		2016 : 15 outlets		Distributor
Ranch Market – specialty store	Supra Boga Lestari Tbk, PT (Local)	Net revenue 2015 from Framers Market & Ranch Market: IDR1.92 trillion	As of December 2015: 11 outlets	Jakarta, Surabaya, Balikpapan, Tangerang Selatan	Direct, Agent/Importer, Distributor.
Setiabudhi – specialty store	(Local)	N/A	As of July 2016: 1 outlet	Bandung	Agent/Importer, Distributor.
Loka	Mega Mahadana Hadiya, (Mahadya), PT (Local)	N/A	As of July 2016: 4 outlets	Malang, Tangerang Selatan, Cibubur, Balikpapan	Agent/Importer, Distributor
Major Fruit Boutique					
All Fresh	(Local)	N/A	As of July 2016: 10 outlets	Jakarta, Bogor, Bekasi, Tangerang	Agent/Importer, Distributor.
Jakarta Fruit Market	(Local)	N/A	As of July 2016: 5 outlets	Jakarta	Agent/Importer, Distributor.
Total Buah	(Local)	N/A	As of July 2016: 21 outlets	Jakarta, Bogor, Tangerang, Bekasi, Bandung, Surabaya	Agent/Importer, Distributor.
Rumah Buah	(Local)	N/A	As of July 2016: 5 outlets	Jakarta, Cibubur,, Tangerang, Bandung	Agent/Importer, Distributor.
Japanese					
Papaya Fresh Gallery – Japan specialty store	Masuya Graha Trikenca, PT Group (Local)	N/A	As of July, 2016 : 9 outlets	Jakarta, Bandung, Surabaya, Bali, Cikarang	Agent/Importer, Distributor.
Korean					
Hanil Mart – Korean specialty store	(Local)	N/A	As of July 2016: 2 outlets	Jakarta, Tangerang	Agent/Importer, Distributor.
Mu Gung Hwa – Korean specialty store	(Local)	N/A	As of July 2016 : 5 outlets	Jakarta, Tangerang, Bekasi, Surabaya	Agent/Importer, Distributor.
New Seoul Super- Korean	(Local)	N/A	As of July 2016 :	Jakarta	Agent/Importer, Distributor.

specialty store			1 outlets		
Wijaya Mart/K-Mart Wijaya	(Local)	N/A	As of July 2016: 1 outlets	Jakarta	Agent/Importer, Distributor.

Source: Various

Table 8. Indonesia: Some Regional Supermarkets

Retail Name & Market Type	Ownership	Sales /year 2015	No. of Outlets 2015/2016	Locations (city/region)	Purchasing Agent Type
Toserba Borma	Harja Gunatama Lestari, PT (Local)	N/A	As of July 2016: 25 outlets	Bandung, Cimahi	Agent/Importer, Distributor.
Hari-Hari Supermarket	Sinar Sahabat Inti Makmur, PT (Local)	N/A	As of July 2016: 9 outlets	Jakarta, Tangerang Selatan, Bekasi	Agent/Importer, Distributor.
Hardy's Supermarket	Hardy's Retailindo, PT (Local)	N/A	As of July 2016: 10 Hardy's Supermarket outlets (includes 2 Hardy's gourmet outlets)	Bali	Agent/Importer, Distributor.
Luwes Group	(Local)	N/A	As of November 2015: 19 outlets	Cities in Central Java	Agent/Importer, Distributor.
Maju Bersama	Pasar Swalayan Maju Bersama, PT (Local)	N/A	As of July 2016: 9 Supermarket outlets	Medan	Agent/Importer, Distributor.
Rita Supermarket	Rita Ritelindo, PT (local)	N/A	As of November 2015: 9 outlets 4 minimarkets	Tegal, Purwokerto, Wonosobo, Cilacap, Kebumen, Kroya	Agent/Importer, Distributor.
Sabar Subur	Sabar Subur Makmur Sentosa, PT (Local)	N/A	As of November 2015: 4 outlets	Tangerang	Agent/Importer, Distributor.
Sri Ratu	Sri Ratu Group Semarang, PT (Local)	N/A	As of November 2015 : 7 outlets	Tegal, Pekalongan, Purwokerto, Semarang Madiun, Kediri	Agent/Importer, Distributor.
Suzuya Supermarket	(Local)	N/A	As of July 2016:	North Sumatera, Aceh, Padang,	Agent/Importer, Distributor.

			13 outlets	Pakanbaru	
Tiara Dewata Group	Tiara Dewata Bali, PT (Local)	N/A	As of August 2016: 4 outlets	Bali	Agent/Importer, Distributor..
Bintang Supermarket		N/A	As of July 2016: 2 outlets Bintang Mart 1 outlet	Bali	Agent/Importer, Distributor.
Tip Top	Tip Top, PT (Local)	N/A	As of July 2016: 7 outlets	Jakarta, Tangerang, Bekasi, Depok, Tambun	Agent/Importer, Distributor.
Yogya + Toserba Griya Supermarket (Yogya Group)	Akur Pratama, PT (Local)	N/A	As of July 2016: 82 outlets	Jakarta, West Java, Majenang, Tegal, Pemalang, Brebes	Agent/Importer, Distributor.

Source: Various

B. COVENIENCE STORES/MINIMARKETS, GAS MARTS, KIOSKS

Minimarkets experienced rapid growth throughout urban and suburban Indonesia. As competition in the segment has grown, however, the segment has experienced a wave of consolidation. For example, Star Mart (owned by Hero Group) sold off the majority of its shops to Family Mart (PT. Fadjar Mitra Indah). Japanese-owned Ministop exited the Indonesian market in 2016.

Indonesian minimarkets carry essential staple goods, some frozen items, and fresh fruits. They are located close to residential areas, office buildings, and areas with high footfalls. Most minimarket chains have their own distribution facilities. Purchasing from manufacturers, importers or distributors is centralized and items can be delivered to a central warehouse or directly to stores. Imported fruits are available in some of these stores.

Table 9. Indonesia: Convenience Store/Minimarket Outlets

Retail Name & Market Type	Ownership	Sales/Year 2014	No. of Outlets 2014/2015	Locations (city/region)	Purchasing Agent Type
Alfa Minimarket	Sumber Alfaria Trijaya, Tbk, PT (Local)	Net revenue 2015: IDR 48.26 trillion	As of Dec June 2015 11,115 outlets	Jakarta, Bogor, Bekasi, Tangerang, Java, Bali, Sumatera, Kalimantan, Sulawesi, Lombok	Agent/ Importer, Distributor.
Circle K (convenience)	Circleka Indonesia Utama, PT (Franchise)	N/A	As of April 2016: More than 500 outlets	Jakarta, Batam, Bandung, Bali, Yogyakarta, Surabaya, Makassar	Agent/ Importer, Distributor.
Indomaret	Indomarco Prismaatama, PT	N/A	As of June 2016: 13,099	Java , Madura, Bali, Sumatera	Agent/ Importer, Distributor.

	(Local)		outlets		
Mini-mart (Convenience Store)	(Global Retailindo Pratama, PT PT) (Local)	N/A	As of November 2015: 54 outlets	Bali	Agent/Importer, Distributor.
Yomart	Yomart Rukun Selalu, PT & Griya Pratama, PT (Local)	N/A	As of November 2014: 211 outlets	West java	Agent/Importer, Distributor.
Lawson (Convenience)	Midi Utama Indonesia Tbk, PT (Franchise)	Net revenue in 2015: IDR 7.17 trillion from Alfamidi, Alfa Supermarket & Lawson	As of December 2015: 38 outlets	Jakarta, Bogor, Depok, Tangerang, Bekasi, Bandung, Bali	Agent/Importer, Distributor.
Seven Eleven	Modern Sevel Indonesia, PT (Franchise)	Sales of PT Modern International Tbk (Parent Company) in 2015: IDR 1.22 trillion	As of Aug 2016: 188 outlets	Jakarta, Tangerang, Depok	Direct Agent/Importer, Distributor.
Family Mart	(PT. Fadjar Mitra Indah – Wings Group) (Franchise)	N/A	As of December 2016 73 outlets	Jakarta, Bekasi, Depok, Tangerang	Agent/Importer, Distributor.

Source: Various

C. TRADITIONAL MARKETS – “MOM AND POP” SMALL INDEPENDENT GROCERY STORES AND WET MARKETS

The traditional sector maintains a majority market share in Indonesian food retailing. This sector includes warungs and small stalls, often found in traditional markets. Distribution channels are long and complex. Few imported products are carried by these outlets, with the exception of fresh fruit. Imported apples, mandarins, oranges, table grapes and pears are commonly found in wet markets.

III. COMPETITION

Local companies have strong position in the food and beverage market

Local industry dominates the markets for baked goods, noodles and wheat-based products, snacks, frozen poultry & meat products, processed dairy products such as UHT milk, cheese and yogurt, canned fish, soft drinks, teas, coffee, 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, Danone, Heinz, Frito Lay, and Mars.

Competition in the import market

Temperate fresh fruit, french fries, beef, tree nuts, and pet foods are mostly imported. Primary competing suppliers include China, Thailand, Australia, New Zealand, Canada, Malaysia, Philippines, Vietnam, India and France.

Table 10. Indonesia: Competition between Domestic Goods and Imports, 2015

Product Category	Major Supply Sources (% Volume)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>Fresh Fruit</p> <p>Net volume import: 427.56 thousand ton</p> <p>Value: \$640.82 million</p>	<p>China 50.5%</p> <p>Thailand 12.2%</p> <p>U.S. 9.45%</p> <p>Australia 7.0%</p> <p>Pakistan 4.7%</p>	<p>China supplies: Fuji apples, Yalie pears, Shandong pears, red globe table grapes, mandarins, oranges, lemons. China offers very competitive prices</p> <p>Thailand supplies: longans, durians, mangos</p> <p>U.S. supplies: apples, table grapes and oranges</p> <p>Australia supplies: pears, red globe table grapes, oranges</p> <p>Pakistan supplies orange</p>	<p>Only tropical fresh fruits are produced locally and supplies are inconsistent</p>
<p>Fresh Vegetables</p> <p>Net volume import: 639.25 thousand ton</p> <p>Value: \$459.60 million</p>	<p>China 84.1%</p> <p>New Zealand 3.3%</p> <p>Netherlands 2.6%</p> <p>India 2.5%</p> <p>U.S minor supplier (1.1%)</p>	<p>China supplies: garlic, onions, shallots, carrots, chilies. China offers very competitive prices</p> <p>New Zealand supplies: onion</p> <p>India supplies: onions, shallots</p>	<p>No garlic and onions are produced locally. Local shallot and chili production cannot meet domestic demand during the rainy season</p> <p>Only tropical fresh vegetables are produced locally. Supplies are inconsistent</p>
<p>Red meats fresh, chilled, frozen</p> <p>Net volume import: 54.22 thousand ton</p>	<p>Australia 78.1%</p> <p>New Zealand 16.8%</p> <p>U.S. 4.5%</p>	<p>Australia and New Zealand offer competitive pricing and no reported cases of FMD and BSE</p>	<p>Shortage of supply. Most domestic production is sold fresh to traditional markets and modern retail outlets</p>

Value: \$257.90 million			
<p>Processed fruit & vegetables</p> <p>Net volume import: 126.11 thousand ton</p> <p>Value: \$170.53 million</p>	<p>China 30.9%</p> <p>U.S. 21.7%</p> <p>Netherlands 7.6%</p> <p>Canada 5.0%</p> <p>Belgium 4.3%</p> <p>Thailand 4.3%</p> <p>India 3.9%</p> <p>Vietnam 3.7%</p> <p>Brazil 3.3%</p> <p>Germany 3.0%</p>	<p>China and Thailand supply processed fruit and vegetable products. Brands are well known and prices are competitive.</p> <p>U.S., Canada, Netherlands and Germany supply French fries and frozen vegetables</p>	<p>Limited processed fruit and vegetable products are produced locally.</p>
<p>Snack food excluding nuts</p> <p>Net Volume import: 43.55 thousand ton</p> <p>Value: \$162.19 million</p>	<p>China 32.1%</p> <p>Malaysia 28.1%</p> <p>Thailand 8.7%</p> <p>Singapore 6.4%</p> <p>Belgium 6.1%</p> <p>U.S.-minor supplier (0.6% share)</p>	<p>China, Malaysia, Thailand, Singapore, and Vietnam origin food snacks have a large market share due to price competitiveness, taste, and geographic proximity.</p> <p>Belgium supplies mostly chocolate based snack products</p>	<p>Local products are also abundant but consumers are willing to try new products.</p> <p>Domestic snack producers use imported food ingredients such as potato flakes, dairy, and corn grits.</p>
<p>Pet foods</p> <p>Net Volume import: 47.56 thousand ton</p> <p>Value: \$55.74 million</p>	<p>Thailand 76.7%</p> <p>US 9.9%</p> <p>France 5.2%</p> <p>Brazil 2.8%</p> <p>Australia 1.7%</p>	<p>Thailand produces pet food under U.S. pet food company licenses.</p>	<p>Local pet food is led by bird and aquaculture feed products.</p>
<p>Fruit & vegetable juices</p> <p>Net Volume: 14.95 thousand ton</p> <p>Value: \$26.10 million</p>	<p>Brazil 38.4%</p> <p>United Arab Emirates 15.8%</p> <p>Thailand 10.2%</p> <p>China 9.2%</p> <p>U.S. 6.9%</p> <p>Austria 6.1%</p> <p>Australia 4.5%</p>	<p>Indonesia looks for variant of products with competitive prices.</p> <p>Geographic proximity gives Australia, China and Thailand advantage for products with short product shelf life.</p>	<p>Local fruit juices are limited due to limited and inconsistent fresh fruit supply (only tropical fruit)</p>
<p>Breakfast Cereals/Pancake Mix</p>	<p>Malaysia 60.4%</p> <p>Philippines 10.3%</p>	<p>Multinational companies established their production facilities in ASEAN</p>	<p>Domestic manufactured produces limited variety of breakfast Cereals.</p>

Net volume import: 6.39 thousand ton Value:\$18.26 million	China 10.0% Thailand 7.9% Singapore 2.5% Australia 2.2% U.S. minor supplier (1.6%)	countries (such as The Philippines, Malaysia and Thailand) to reach the market in surrounding countries.	Breakfast cereals consumer still limited to high end consumer
Tree nuts Net volume import: 3.14 thousand ton Value: \$16.89 million	U.S. 35.1% Thailand 21.2% Vietnam 20.7% China 10.6%	Thailand supplies repacked tree nuts from the U.S. Vietnam supplies cashew nut	Local tree nut production is limited to the cashew nut.
Wine & Beer Net volume import: n/a Value: \$2.28 million	n/a Major suppliers are France, Australia, Singapore, Italy, Chile, Portugal, U.S.	Australia offers competitive pricing and geographic proximity. Singapore is a transit country for most of the imported products to Indonesia	Population mostly Muslim. Insignificant supply of domestic wine production and limited local beer manufacturers for the rest of population and tourists' consumption.

Source: Global Trade Atlas (GTA)

IV. BEST PRODUCT PROSPECTS

Many U.S. food items have strong sales potential in Indonesia. This is especially true of those for which no local substitutes are available. The best opportunities for imported food products in retail packaging exist in modern retail outlets in Jakarta & surrounding areas, Bandung, Surabaya, Bali & Lombok (tourism), and Medan (Sumatera). Potential also exists where foreign companies employ high numbers of expatriates, such as Balikpapan (Kalimantan), Pekanbaru (Sumatera), and Timika (West Papua). The Indonesian expatriate community is diverse, with more expatriates to coming to Indonesia from Asian countries.

There is typically at least one supermarket that caters to the expatriate community in every major city, supplying imported products. Good opportunities exist for good quality, moderately priced items with brand names well-known to expatriates. Because importers purchase in small quantities and transportation costs can be high, products are expensive compared to what expatriates pay at home.

A. *Products Present in the Market which have Good Sales Potential*

Fresh fruits demonstrate the best growth potential of any U.S. product category already present in the Indonesian market. U.S processed fruit and vegetables products, as well as snack foods, have also shown growth. Some of

the best-selling processed foods include frozen french fries, corn chips, potato chips, mixed fruit juices, grape juice, frozen and canned vegetables, ice cream, raisins, dates, jams, nuts paste, almonds, baking mixes, dressings, sauces, and seasonings. MOA and MOT regulation changes are expected to improve U.S. meat exports to Indonesia.

Table 11. Indonesia: Products Present in the Market That Have Good Sales Potential

Product Category	2015 Import (Volume, thousand MT)	2015 Import (\$mil)	2015 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	427	640	93.7 (mainly apples, grapes, orange & lemon)	-5	5 20% for mandarin & mangoes	Competition with China, Thailand, Australia, and Pakistan 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.
Fresh Vegetable	639	459	3.26 (mainly potato)	4.56	5 20% for fresh/chilled potatoes other than seed, shallot other than seed and carrot	Competition with China, New Zealand, Netherlands, India Enforcement of Government of Indonesia regulations inhibit some U.S. fresh vegetables imports	Lack of supply, low quality domestic products and demand of other vegetable types.
Red Meats, Fresh/Chilled/Frozen	54	257	12.6 (mainly frozen beef carcasses)	-2.1	0 5% and 30% for processed meat	Competition with Australia and New Zealand Importer has to obtain an import recommendation from Ministry of Agriculture (MOA) then an import permit from Ministry of	Lack of domestic supply

						Trade before importing the products Meat establishment must be approved by MOA before they can ship to Indonesia	
Snack food excluding nuts	43	162	1.1 (mainly popcorn, confectionery, corn chip, potato chip)	24	5 15-20% for sugar confectionery, chocolate & food containing chocolate, bread, pastry, cakes, and biscuit	Competition with China, Malaysia, Thailand, Singapore and Belgium, The procedure for obtaining an Import Registration Number (ML) is complicated	Expansion of modern retail outlets creates opportunity to introduce and sell snack food products Snacking is very popular in Indonesian culture and Indonesian eager to try new products
Processed fruit & Vegetables	126	170	47 (raisin, dates, citrus fruit prep, cherry maraschino s, prunes, jam, nut paste french fries, onion powder, tomato paste, dried garlic)	9.3	Mostly 5% 20% for products preserved by sugar	Complicated import permitting process	Lack of processed fruit and vegetable produced locally.
Pet foods	47	55	7.4 (mainly dog & cat food)	24.2	5	Competition from Thailand, France, Brazil, and Australia There is a certain procedure to follow in obtaining an import approval for new plant from MOA	Demand exists as a niche market

Fruit & vegetable Juices	14	26	2.8 (mainly mixed fruit juice and grape juice)	5.1	Mostly 10	Competition with Brazil, United Arab Emirates, Thailand, China, Austria and Australia. Obtaining Import Registration Number (ML) procedure is complicated	Health awareness and a growing middle class drive demand for fruit-based products.
Breakfast Cereals/Pancake Mix	6	18	0.39 (mainly cereals without sugar)	4.5	20	Competition with Malaysia, Philippines, China, Thailand, Singapore and Australia Obtaining Import Registration Number (ML) procedure is complicated	Health awareness, a growing middle class, and changing lifestyles drive demand for healthy, western and convenience food products.
Tree nuts	3	16	10 (mainly almond, walnut and mixture of nuts)	-4.8	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.

Note: Source Global Trade Atlas (GTA) and no data on the size of the market

B. Products Not Present in Significant Quantities but That Have Good Sales

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). Challenges to entering the Indonesian market include complicated import and distribution procedures.

C. Products Not Present because They Face Significant Barriers

Alcoholic beverages access is greatly limited due to quotas imposed by the GOI. The GOI has created excessively high barriers to entry for new alcohol importers, ensuring market control to a limited number of importers. Chicken parts, poultry processed products and fresh potatoes have a potential market in Indonesia. However,

these products are banned from the Indonesian market.

Table 12. Indonesia: Products Not Present in Significant Quantities but with Good Sales.

Product Category	2015 Import (Volume, thousand MT)	2015 Import (\$mil)	5Yr. Avg Annual Import (Volume) Growth (%)	Import Tariff Rates (%)	Key Constraints to Market Development	Market Attractiveness for USA
Fresh Potatoes	38	17	33.88	20	MOA enforces strict protocols on exporting countries to prevent the use of imported fresh potatoes as seeds	Limited variety of fresh potatoes for table potatoes and chips potatoes industry
Poultry Meat	2	3	42,65	5 except 20 % for chicken thighs 5% and 30% for processed meat	MOA has not issued any import recommendations for poultry products (including duck and turkey) since January 2014. MOA has to approve the poultry establishment for export to Indonesia. MOA requires that poultry exported to Indonesia must be slaughtered manually and halal.	Domestic chicken prices are high and no turkey is produced locally
Wine & Beer	N/A	2	N/A	ad valorem tariff: 90 and 150%	Competition from France, Australia, Singapore, Italy, Chile, and Portugal Government of Indonesia sets a quota and regulations inhibit alcoholic beverage import, production, and distribution	No significant domestic wine supply and limited domestic beer supply

Note: Global Trade Atlas (GTA)

V. POST CONTACT AND FURTHER INFORMATION

The Foreign Agricultural Service (FAS), 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 to the Indonesian market. Questions or comments regarding this report should be directed to FAS Jakarta at the following local or U.S. mailing address:

International Post: Foreign Agricultural Service

U.S. Embassy Jakarta
Sarana Jaya Building, 8th Floor
Jl. Budi Kemuliaan I No. 1
Jakarta 10110
Tel: +62 21 3435-9161
Fax: +62 21 3435-9920
E-mail: agjakarta@fas.usda.gov

U.S. mail: **Foreign Agricultural Service**
FAS
Unit 8200 Box 436
FPO, AP 96520-0436

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

VI. OTHER RELEVANT REPORTS

1. [Ministry of Trade Updates Beef Import Regulation \(ID1625\)](#)
2. [Indonesia Expands U.S. Plants Products Eligible for Recognition \(ID1624\)](#)
3. [Indonesia Eases Import Rules for Meat Products \(ID1623\)](#)
4. [Indonesia Amends Import Regulations for Livestock Products \(ID1618\)](#)
5. [Indonesia Amends Export Procedures for Plant Products \(ID1615\)](#)
6. [Ministry of Trade Changes Horticulture Import Regulations \(ID1533\)](#)
7. [Indonesia Raises Import Tariffs on Value-Added Goods \(ID1530\)](#)
8. [California Recognized as Fruit Fly Free Area \(ID1522\)](#)
9. [Indonesia Revises Seafood Import Rules \(ID1501\)](#)
10. [FAIRS Export Certificate Report 2015 \(ID1545\)](#)
11. [Exporter Guide Update 2015 \(ID1548\)](#)
12. [New Regulation on Animal Quarantine Measures \(ID1429\)](#)
13. [New Regulation on Alcoholic Beverage Distribution \(ID1411\)](#)
14. [Alcohol Beverages Excise Tax Update \(ID1408\)](#)
15. [Indonesian Government Explain New Horticulture Import Permit Reg. \(ID1352\)](#)
16. [Unofficial Translation of Ministry of Agriculture Decree No 4390/2013 \(ID1335\)](#)
17. [Indonesia Extends Import Requirements on Food and Beverage Products \(ID1304\)](#)
18. [Phytosanitary Requirement for Fresh Bulb \(ID1303\)](#)
19. [Minister of Agriculture Regulations No 42 and 43 Year 2012 \(ID1218\)](#)
20. [Prior Notice-Application of Imported Fresh Food of Plant Origin \(FFPO\) \(ID1206\)](#)
21. [Market Brief-Wine \(ID1113\)](#)
22. [Mandatory Labeling of Imported Food and Beverage Products \(ID1028\)](#)
23. [Indonesian Market Brief on Functional Beverage Ingredients \(ID1041\)](#)
24. [Processed Meat-Chicken and Fish Products Ingredient \(ID1039\)](#)
25. [Snack Food Ingredient \(ID1037\)](#)
26. [Bakery Products Ingredient \(ID1036\)](#)

Table 13. Indonesia: Exchange Rate (Rp./1U.S. \$) on Period Month Ending Basis

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2006	9,369	9,280	9,117	8,826	9,212	9,353	9,124	9,119	9,205	9,110	9,165	9,020	9,158
2007	9,090	9,160	9,118	9,083	8,828	9,054	9,186	9,410	9,137	9,379	9,376	9,419	9,187
2008	9,304	9,051	9,199	9,234	9,318	9,225	9,118	9,153	9,378	10,995	12,151	10,950	9,756
2009	11,330	11,975	11,575	10,713	10,340	10,225	9,920	10,060	9,681	9,545	9,480	9,400	10,354
2010	9,365	9,335	9,070	9,012	9,180	9,038	8,952	9,041	8,952	8,928	9,013	9,014	9,075
2011	9,057	8,823	8,709	8,574	8,537	8,597	8,508	8,578	8,823	8,835	9,055	9,170	8,772
2012	9,000	9,158	9,188	9,180	9,565	9,468	9,485	9,573	9,588	9,605	9,605	9,670	9,424
2013	9,680	9,713	9,745	9,722	9,811	9,929	10,277	10,936	11,532	11,076	11,997	11,946	10,542
2014	12,226	11,675	11,404	11,589	11,611	11,969	11,591	11,717	12,212	12,163	12,196	12,436	11,899
2015	12,625	12,863	13,084	12,922	12,937	13,332	13,481	14,027	14,657	13,563	13,747	13,794	13,419
2016	13,846	13,395	13,276	13,204	13,615	13,180	13,094	13,300	12,998	13,051	13084		13,227

Source: Business Indonesia Daily Newspaper & Bank Indonesia