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# GAIN Report

Global Agricultural Information Network

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## Indonesia

### Retail Foods

### Retail Foods Update

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**Report Highlights:**

The growing hypermarket, supermarket and minimarket sectors offer significant opportunities for U.S. food products. U.S. fresh fruit, fruit juices, frozen potato products, cheese, dried fruits and nuts, and pet food are prominently available in local retail outlets. Further growth and changes in consumer preferences, along with improved refrigeration and storage facilities, will 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 265 million in 2018. Around 50 percent of the population is between the ages of 5 and 34 years. Emerging middle class consumers have a growing interest in imported goods, particularly for processed foods. In 2017, about 28 percent of household consumption expenditures were spent on food items. The middle class now accounts for 57 percent, up from 37 percent just 10 years ago.

Hypermarkets, supermarkets, and minimarkets continue to develop as purchasing power increases and lifestyles change. However, the pace of development in retail outlets is not as rapid as in previous years. Development is primarily occurring in urban areas. While potential for further growth exists, land availability, local government permitting processes, and other regulatory requirements are still key constraints.

The following regulations affect modern retail development:

- 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 percent domestic products, except for specialty stores where product uniformity is required and cannot be sourced locally. 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. 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.
- 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. Only 9 of 514 cities have land use plans.
- 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.

- MOT Regulation No 22/2016 prohibits importers from distributing goods directly to retailers. However, an importer who also acts as a distributor may sell goods directly to a retailer.
- MOF Regulation No. 116/2017 exempts rice, corn, sago, soybeans, salt, meat, eggs, milk, fruits, vegetables, tubers, spices, and sugar from the value added tax.

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 requirement to obtain product registration numbers (ML) for imported products also affects retail sales. All imported retail-packaged foods must obtain an ML number (domestically produced retail-packaged foods must obtain an MD number). 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 to the 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 rising as a result of 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 retail sector began rapid expansion in 1999, when Presidential Decrees No.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 sector became more competitive, benefitting consumers and taking market share from traditional retail outlets. Foreign retailers now 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, Lawsons, Family Mart, and GS Supermarket (Korean). 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 BSD City, Tangerang Selatan and owned by PT. Aeon Mall Sinar Mas Land Indonesia (PT. AMSL Indonesia). Aeon's second location opened in Cakung, North Jakarta, in September 2017, and will be followed by another supermarket in Sentul-Bogor and other suburbs of Jakarta. SaveMax Super Grosir, owned by PT. Emporium Indonesia (Gunung Sewu Group), has opened supermarkets outside the Jakarta region. PT. Ramayana Lestari Sentosa Tbk (Ramayana) and SPAR International B.V. (entered Indonesia in September 2014) have opened 23 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, Cibubur and Balikpapan, East Kalimantan. Matahari Group opened its first “smart club” in Tangerang on December 17, 2015 and currently has 4 outlets. 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 and in BSD City, Tangerang Selatan in September 2017. Lulu hypermarkets are also scheduled to open Sentul-Bogor in the near future. GS-Supermarket from Korea opened two supermarkets in Cibubur in October 2016 and Jatiasih in March 2017. Additional GS Supermarket outlets will open in Tangerang at the end 2017.

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. However, in June 30, 2017, Seven Eleven ceased operations due to several business and economic factors. Convenience stores differ from minimarkets in that they offer fewer SKUs, 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 compete 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; shop.hypermart.co.id by Hypermart; and PT Supra Boga Lestari (Ranch Market group) by Kesupermarket.com and tokopedia.com. Ranch Market, Farmers Market, Transmart, Grand Lucky, Superindo, Papaya Supermarket, Total Buah Segar, Loka Supermarket, Prima Freshmart, Hokky and Groovy Petshop use happyfresh.com online shopping and delivery order facility.

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

Type of Outlets	Value Growth (%)		Number of Outlets (,000) in 2016	No. Outlets Growth (%)	
	2015/2016	2011-2016 (CAGR)		2015/2016	2011-2016 (CAGR)
Convenience Stores	17.7	22.5	29.6	12.5	15.6
Hypermarkets	6.0	8.2	0.3	11.6	11.3
Supermarkets	6.0	9.9	1.4	1.9	5.1
Traditional Grocery Retailers	6.8	7.6	4,589.8	-0.1	0.0

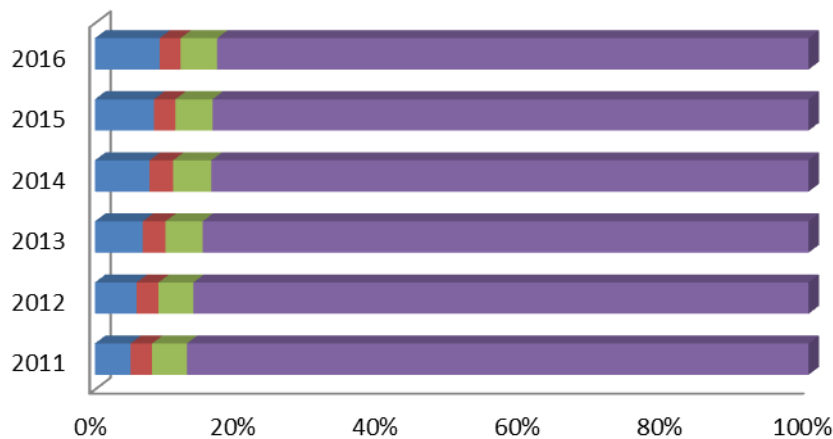
Source: Euromonitor;

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. The Kalbe E-store offers online retail and home delivery services for grocery and health products.

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

## Indonesia: Retail Sales Value Share



	2011	2012	2013	2014	2015	2016
■ Convenience Store/Minimarket	5.00	5.86	6.71	7.66	8.29	9.06
■ Hypermarket	3.01	3.05	3.18	3.30	2.98	2.92
■ Supermarket	4.88	4.90	5.20	5.36	5.21	5.13
■ Traditional Grocery	87.12	86.19	84.91	83.68	83.52	82.88

Source: Euromonitor

**Table 2. Indonesia: Modern Retail Value Share in 2016**

Type of Product	Sales Value Share (%)			
	Minimarket	Supermarket	Hypermarket	Others
Beverages	64	24	9	3
Fresh food	23	66	9	2

Source: Bisnis Indonesia/Snapcart

**Table 3. Indonesia Internet Retailing for Food and Drink Category**

	2011	2012	2013	2014	2015	2016
Value (IDR billion)	-	6.4	45.2	203.9	586.7	762.7
Value growth 2015/2016	30%					
Value growth 2016/2017	20%					
Forecast Value growth 2016-2021 (CAGR)	15%					

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 4. Sales of Packaged Food in 2016**

Product	Volume (000 ton)		Value (IDR Trillion)
	Total	Growth 2015/2016 (%)	
Baby food	310.35	4.95	36.57
Baked Goods	615.50	4.19	30.79
Breakfast Cereals	10.41	8.19	0.97
Confectionery	290.47	8.07	25.26
Dairy	968.55	4.68	28.10
Ice cream and frozen desserts	75.40	9.42	5.65
Edible Oils	551.23	1.05	10.51
Processed Fruit and Vegetables	10.65	3.20	0.53
Processed Meat and Seafood	248.33	7.77	19.34
Ready Meals	1.17	6.44	0.81
Noodles	1,356.86	1.74	30.48
Pasta	6.41	7.0	0.34
Sauces, dressings and condiments	556,42	5.82	16.60
Soup	0.69	6.32	0.08
Spreads	19.13	5.76	1,39
Savory Snacks	312.02	3.31	18.81
Sweet Biscuit, Snack bars and Fruit Snacks	236,69	3.10	14.27

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 with family (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, drinking water subscribers, cable TV, internet provider, motorcycle and home 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. Like small grocers, they rely on personalized services, local product offerings, and location to remain competitive.

**Table 5. Indonesia: Retail (Off trade and On-trade) Beverage Sales in 2016**

<b>Product</b>	<b>Volume (million liters)</b>	<b>Value (IDR Trillion)</b>	<b>Volume Growth (%) 2015/2016 Off-trade)</b>
Bottle Water	20,440.8	45.80	11.6
Carbonates	1,065	16.01	3.4
Concentrates	108.6	8.92	- 1.5
Juice	661.3	9.53	7.8
RTD Coffee	94.2	2.49	20.5
RTD Tea	2,752.8	30.74	9.6
Sport and Energy Drinks	661.1	10.10	4.5

Source: Euromonitor

Note: Most of the products by volume (93%) are sold off-trade

Local consumers tend to favor traditional retailers for the following reasons:

- Price: Consumers tend to believe that traditional retail has lower costs across all categories except dairy and processed food.
- Quality & Safety: 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: Consumers 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)**



### Modern Retail Market Growth

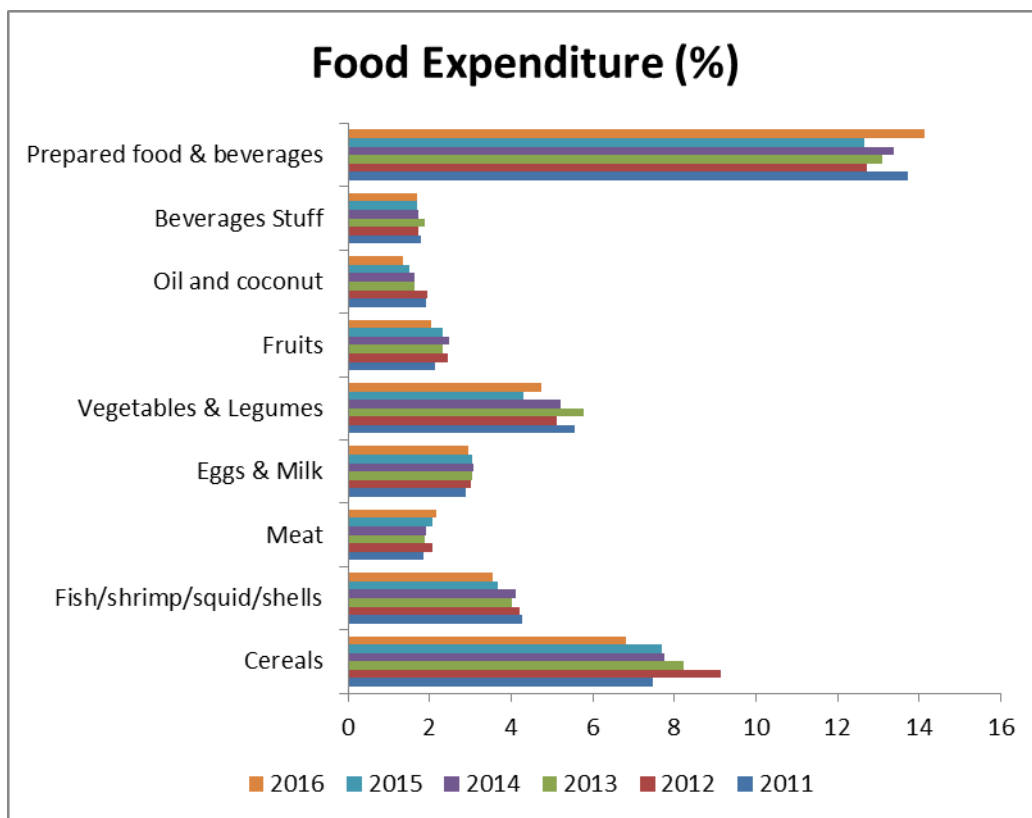
Indonesian supermarkets/hypermarkets experience their peak hours during weekends, with 34 to 45 percent of shopping occurring at these times. Minimarket peak hours are usually at night. Traditional outlets such as neighborhood stores and wet markets experience heaviest traffic on weekday mornings. Consumers 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, 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.

Monthly average per capita expenditure for food is about IDR 460,639 (\$34.55). This is approximately 50 percent of total monthly expenditures. A breakdown of average expenditures is as follows:

**Figure 3. Food Expenditure (%)**





Source: Statistic Indonesia

### Distribution Channels

Wholesale and hypermarket outlets procure from domestic suppliers, distributors, and importers.

Ministry of Agriculture (MOA) Regulation No. 34/2016 revised beef imports regulations to include the import of most muscle cuts, manufacturing meat, and variety meats (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.

<b>Table 6: ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS MARKET</b>	
<b>ADVANTAGES</b>	<b>CHALLENGES</b>
Large Consumer Base: Indonesia has a population of 265 million people in 2018	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	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

restaurant chains; bakeries and a well-developed tourism industry	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 three years. Current regulations stipulate that only three sea ports and one airport are allowed as a horticultural entry points (MOA No. 15/2012). Approximately 28 horticultural products must have an import recommendation from Indonesian Ministry of Agriculture, and import permit from Ministry of Trade before imported to Indonesia ( MOA regulation No 38/2017).
GOI approved 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 process 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 (the latest is regulation No. 4/2017) 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***

The Ministry of Agriculture issued a new regulation on animal and animal product imports on July 15, 2016. MOA Regulation No. 34/2016 (which replaces MOA Regulation 58/2015, No 139/2014 and No 2/2015), allows secondary cuts and offal imports for general importers and producer importers. Import recommendation applications for animal products can be submitted to MOA at any time. Import permits issued by MOT (regulation No. 59/2016) remain valid for six months from the date of the import recommendation issuance. Similar to the previous regulation, MOA Regulation No.34/2016 and MOT Regulation No.59/2016 do not establish an official quota, but import quantities are constrained via other means. This regulation opens the market for imported beef to traditional market and modern retail outlets (the GOI had prohibited selling imported meat to retailers since 2011).

MOA issued a new regulation, No. 38/2017, on horticulture imports (replaces MOA Regulation No. 16/2017 which issued on May 2017). The regulation covers 28 fresh horticulture commodities (previously covered 54 products included processed horticulture products). Importers can apply for

import licenses twice per year. MOT issues import permits and specifies quantities permitted to import based on an MOT's estimate of an importer's cold storage capacity.

### **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. By 2019 all companies have to comply with the new law. The government established a new institution called the Halal Product Guarantee Agency (BPJPH) under the Ministry of Religious Affairs. This new agency launched on October 11, 2017. BPJPH will oversee the collection of fees and issuance of halal certificates for specific products. However, as of December 2017, BPJPH had not issued any implementing regulations. Therefore, businesses are expected to follow existing MUI rules and procedures.

### **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. In 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 7. Indonesia: Excise Tax for Ethyl Alcohol and Products Containing Ethyl Alcohol**

Type	Ethyl Alcohol content	Excise Tax (IDR per liter)	
		Domestic Product	Import
I. Ethyl alcohol or ethanol			
All kinds of ethyl alcohol, level content, and type		20,000	20,000
II. Beverages containing ethyl alcohol			
A	5% or less	13,000	13,000
B	More than 5% up to 20%	33,000	44,000
C	More than 20%	80,000	139,000
III. 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	100,000

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.

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 2201.10.10, 2853.90.10 and 2201.10.10, 2201.90.90). The provision was implemented on March 14, 2012
- Instant coffee (HS Code 2101.11.10) 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 1101.00.11). The provision was implemented on October 27, 2015
- Cacao powder (HS Code 1805.00.00.) The products should comply with cacao powder SNI (3747:1995).

## **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**



***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 have to procure most imported supplies through importers who also act as

distributors. 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 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 about 20 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 8. Indonesia: Wholesale, Hypermarket and Supermarket outlets**

<b>Retail Name &amp; Market Type</b>	<b>Ownership</b>	<b>Sales /Year 2016</b>	<b>No. of Outlets 2016/2017</b>	<b>Locations (city/region )</b>	<b>Purchasing Agent Type</b>
<b>Carrefour/Trans Mart</b>	Trans Retail Indonesia, PT  (Local own per November 2012)	N/A	24 Transmart-Carrefour outlets,  6 Transmart outlets,  70 Carrefour outlets  as of October 2017	Nation wide	Direct Agent/ Importer, Distributor
<b>Giant</b>	Hero Supermarket Tbk, PT  (Dairy Farm – Hongkong)	Net Revenue of Hero retail group in 2016: IDR 13.67 trillion	56 Hypermarket Giant Extra outlets,  109 Giant Express outlets,  as of September	Nation wide	Direct Agent/ Importer, Distributor

			2017		
<b>Hypermart</b>	Matahari Putra Prima Tbk, PT  (Local – Temasek, Singapore)	Sales of PT. Matahari Putra Prima Tbk in 2016: IDR 13.52 trillion	117 outlets and  4 SMART Club  as of June 2017	73 cities at 30 provinces	Direct Agent/ Importer, Distributor
<b>Indogrosir</b>	Indomarco Prismaatama , PT  (Local)	N/A	18 outlets  as of October 2017	Jakarta, Bogor, Tangerang, Bekasi, Bandung, Semarang, Yogyakarta, Surabaya, Palembang, Jambi, Pekanbaru, Medan, Samarinda, Pontianak, Banjarmasin , Makassar, Manado	Direct Agent/ Importer, Distributor
<b>Lotte Mart (former Makro Wholesale)</b>	Lotte Shopping Indonesia, PT  (South Korea per Oct 2008)	N/A	27 wholesaler outlets  15 hypermarket outlets  2 Lotte Super outlets  as of July 2017	Jakarta, Tangerang, Serang, Bekasi, Bandung, Semarang, Yogyakarta, Solo, Surabaya, Medan, Pekanbaru, Palembang, Bali, Makassar, Banjarmasin , Balikpapan, Cirebon, Bogor, Batam,, Tasikmalaya , Lampung	Direct Agent/ Importer, Distributor
<b>Save Max Super Grocer</b>	Emporium Indonesia, PT (Gunung Sewu	N/A	1outlet  as of October 2017	Cibubur	Agent/ Importer, Distributor



	Group) (Local)				
<b>AEON</b>	AMSL Indonesia, PT  (Japan)	N/A	2 outlet  as of October 2017	Jakarta, Tangerang Selatan	Agent/ Importer, Distributor
<b>Alfa Midi (bigger than minimarket but smaller than supermarket)</b>	Midi Utama Indonesia Tbk, PT  (Local)	Net revenue in 2016: IDR 8.49 trillion from Alfamidi, Alfa Supermarket & Lawson	1,300 outlets  as of March 2017	Sumatera, Java, Kalimantan and Sulawesi	Direct Agent/ Importer, Distributor
<b>Food Mart group/Food Mart Gourmet</b>	Matahari Putra Prima Tbk, PT  (Local- Temasek, Singapore)	Sales of PT. Matahari Putra Prima Tbk in 2016: IDR 13.52 trillion	26 Food mart Primo and Foodmart Fresh)  as of June 2017	Jakarta, Tangerang, Bogor, Krawang, Cirebon, Klaten, Purwokerto, Yogyakarta, Surabaya, Jember, Bali, Balikpapan, Samarinda, Ambon, Padang, Medan, Palembang	Direct Agent/ Importer, Distributor.
<b>Hero</b>	Hero Supemarket Tbk, PT  (Dairy Farm – Hongkong)	Net revenue from Hero retail group in 2016: IDR 13.67 trillion	32 Hero Supermarke t outlets  2 Jason supermarket outlets  As of September 2017	Jakarta, Bekasi, Bogor District, Tangerang, Tangerang Selatan, Bandung, Yogyakarta, Surabaya, Sidoarjo, Mataram, Tembaga Pura, Timika, Makassar, Balikpapan,	Direct Agent/ Importer, Distributor.
<b>Superindo</b>	Lion Superindo –	N/A	145 outlets  as of	Jakarta, several cities in	Direct Agent/ Importer, Distributor

	Gelael, PT (Local and Ahold Delhaize Belgium)		October 2017	Banten, West Java, Central Java & East Java; Palembang	
<b>Farmers Market</b>	Supra Boga Lestari Tbk, PT (Local)	Net revenue in 2016 from Framers Market & Ranch Market: IDR2.06trillion	19 outlets As of October 2017	Jakarta, , Tangerang, Bekasi, Cikarang, Balikpapan	Direct Agent/ Importer, Distributor
<b>SPAR</b>	Ramayana Lestari Sentosa Tbk	Sales in 2015 form Ramayana Dept Store and SPAR supermarket: IDR 8.23 trillion	23 outlets as of December 2016	Bogor, Cibubur, Cibitung, Jakarta, Cilegon, Serang,	Agent/Importer, Distributor
<b>GS Supermarket</b>	GS Retail Indonesia, PT	N/A	2 outlets as Of October 2017	Cibubur, Jatiasih (Bekasi)	Direct, Agent/Importer/Distributor
<b>Lulu Hypermarket</b>	Lulu Group Retail, PT		2 outlets as of October 2017	Jakarta (Cakung), Tangerang Selatan	Agent/Importer/Distributor

Source: Various

**Table 9. Indonesia: High-end Supermarkets and Specialty Stores**

<b>Retail Name &amp; Market Type</b>	<b>Ownership</b>	<b>Sales /Year 2016</b>	<b>No. of Outlets 2016/2017</b>	<b>Locations (city/region)</b>	<b>Purchasing Agent Type</b>
<b>Bali Deli – specialty store</b>	Cipta Adi Karsa, PT (Local)	N/A	1 outlet as of October 2017	Bali	Agent/Importer, Distributor
<b>Dijon Food Specialties</b>	Alamboga Internusa, PT (Local)	N/A	1 outlet as of October 2017	Bali	Direct, Agent/Importer, Distributor
<b>The Food Hall (formerly Sogo) –specialty store</b>	Swalayan Sukses Abadi, PT (Local)	N/A	14 food hall outlets 14 daily food hall	Jakarta, Tangerang Depok, Bekasi, Bandung, Bali,	Agent/Importer, Distributor

			outlets as of October 2017	Cikarang	
<b>Kemchicks – specialty store</b>	Boga Catur Rata, PT (Local)	N/A	2 outlets  as of October 2017	Jakarta	Agent/Importer, Distributor
<b>Lucky Supermarket Group</b>	(Local)	N/A	5 Grand Lucky outlets, 4 Berastagi outlets, 7 Rejeki fruit boutiques, 3 Hokky outlets  as of October 2017	Jakarta, Surabaya, Medan, Bali	Direct,  Agent/ Importer, Distributor
<b>Pepito – Speciality store</b>	Sentral Retailindo Dewata, PT (Local)	N/A	8 outlets  Plus 8 Pepito Express outlets,  3 Popular Market outlets and  1 Popular Express  as of October 2017	Bali	Agent/Importer, Distributor
<b>Ranch Market – specialty store</b>	Supra Boga Lestari Tbk, PT (Local)	Net revenue 2016 from Framers Market & Ranch Market: IDR2.06 trillion	13 outlets  as of October 2017	Jakarta, Surabaya, Tangerang Selatan	Direct,  Agent/Importer, Distributor.
<b>Setiabudhi – specialty store</b>	(Local )	N/A	1 outlet  as of October 2017	Bandung	Agent/Importer, Distributor.
<b>Loka</b>	Mega	N/A	3 outlets	Malang, Cibubur,	Agent/Importer,

	Mahadana Hadiya, (Mahadya), PT (Local)		as of October 2017	Balikpapan	Distributor
<b>Major Fruit Boutique</b>					
<b>All Fresh</b>	(Local)	N/A	10 outlets as of October 2017	Jakarta, Bogor, Bekasi, Tangerang	Agent/Importer, Distributor.
<b>Jakarta Fruit Market</b>	(Local)	N/A	3 outlets as of October 2017	Jakarta	Agent/Importer, Distributor.
<b>Total Buah</b>	(Local)	N/A	18 outlets as of October 2017	Jakarta, Bogor, Tangerang, Bekasi, Bandung, Surabaya	Agent/Importer, Distributor.
<b>Rumah Buah</b>	(Local)	N/A	7 outlets as of October 2017	Jakarta, Cibubur,, Tangerang, Bandung	Agent/Importer, Distributor.
<b>Japanese</b>					
<b>Papaya Fresh Gallery – Japan specialty store</b>	Masuya Graha Trikenca, PT Group (Local)	N/A	10 outlets as of October 2017	Jakarta, Bandung, Surabaya, Bali, Cikarang	Agent/Importer, Distributor.
<b>Korean</b>					
<b>Hanil Mart – Korean specialty store</b>	(Local)	N/A	2 outlets as of October 2017	Jakarta, Tangerang	Agent/Importer, Distributor.
<b>Mu Gung Hwa – Korean specialty store</b>	(Local)	N/A	5 outlets as of October 2017	Jakarta, Tangerang, Cikarang, Surabaya	Agent/Importer, Distributor.
<b>New Seoul Super- Korean specialty store</b>	(Local)	N/A	1 outlet as of October 2017	Jakarta	Agent/Importer, Distributor.
<b>K- Mart</b>	(Local)	N/A	1 outlet as of October 2017	Jakarta	Agent/Importer, Distributor.

Source: Various

**Table 10. Indonesia: Some Regional Supermarkets**

<b>Retail Name &amp; Market Type</b>	<b>Owner ship</b>	<b>Sales /year 2016</b>	<b>No. of Outlets 2016/2017</b>	<b>Locations (city/region)</b>	<b>Purchasing Agent Type</b>
<b>Toserba Borma</b>	Harja Gunatama Lestari, PT (Local)	N/A	25 outlets as of July 2016	Bandung, Cimahi	Agent/Importer, Distributor.
<b>Hari-Hari Supermarket</b>	Sinar Sahabat Inti Makmur, PT (Local)	N/A	9 outlets as of October 2017	Jakarta, Tangerang Selatan, Bekasi	Agent/Importer, Distributor.
<b>Hardy's Supermarket</b>	Hardy's Retailindo, PT (Local)	N/A	13 Hardy's Supermarket outlets (includes 2 Hardy's gourmet outlets) as of October 2017	Bali	Agent/Importer, Distributor.
<b>Luwes Group</b>	(Local)	N/A	19 outlets as of November 2015	Cities in Central Java	Agent/Importer, Distributor.
<b>Maju Bersama</b>	Pasar Swalayan Maju Bersama, PT (Local)	N/A	10 Supermarket outlets as of October 2017	Medan	Agent/Importer, Distributor.
<b>Rita Supermarket</b>	Rita Ritelindo, PT (local)	N/A	9 outlets as of October 2017	Tegal, Purwokerto, Wonosobo, Cilacap, Kebumen, Kroya	Agent/Importer, Distributor.
<b>Sabar Subur</b>	Sabar Subur Makmur Sentosa, PT (Local)	N/A	4 outlets as of November 2015	Tangerang	Agent/Importer, Distributor.
<b>Sri Ratu</b>	Sri Ratu Group Semarang, PT (Local)	N/A	7 outlets as of October 2017	Tegal, Pekalongan, Purwokerto, Semarang, Madiun, Kediri	Agent/Importer, Distributor.
<b>Suzuya Supermarket</b>	(Local)	N/A	13 outlets as of October 2017	North Sumatera, Aceh, Padang, Pekanbaru	Agent/Importer, Distributor.
<b>Tiara Dewata Group</b>	Tiara Dewata Bali, PT	N/A	3 outlets as of October 2017	Bali	Agent/Importer, Distributor..

	(Local)				
<b>Bintang Supermarket</b>		N/A	2 outlets as of October 2017	Bali	Agent/Importer, Distributor.
<b>Tip Top</b>	Tip Top, PT (Local)	N/A	7 outlets as of October 2017	Jakarta, Tangerang, Bekasi, Depok, Tambun	Agent/Importer, Distributor.
<b>Yogya + Toserba Griya Supermarket (Yogya Group)</b>	Akur Pratama, PT (Local)	N/A	82 outlets as of July 2016	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. Seven Eleven also closed in June 2017.

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. Imported fruits are available in some of these stores.

Sales in minimarkets increased 7 percent in 2017; meanwhile, supermarket & hypermarket sales increased only 0.4 percent. One factor in the growing sales in minimarkets, especially in Jakarta and its surrounding areas, is traffic congestion, which forces customers to visit supermarket/ hypermarkets more conveniently located close to their neighbourhoods.

**Table 11. Convenience Store/Minimarket Outlets**

Retail Name & Market Type	Ownership	Sales/Year	No. of Outlets	Locations (city/region)	Purchasing Agent Type
Alfamart	Sumber Alfaria Trijaya, Tbk, PT (Local)	Net revenue 2016: IDR 56.10 trillion	12,710 outlets as of March 2017	North Sumatera, Riau, Jambi, South Sumatera, Lampung, Banten, Jakarta, West Java, Yogyakarta, Central Java, East Java, Bali, West	Agent/Importer /Distributor.

				Nusa Tenggara, West Kalimantan, South Kalimantan, South Sulawesi, Nirth Sulawesi	
Circle K (convenience)	Circleka Indonesia Utama, PT  (Franchise)	N/A	410 outlets  as of August 2017	Jakarta, Batam, Bandung, Bali, Yogyakarta, Surabaya, Makassar	Agent/Importer, Distributor.
Indomart	Indomarco Prismaatama, PT  (Local)	N/A	14,200 outlets  as of March 2017	Java , Madura, Bali, Sumatera	Agent/Importer, Distributor.
Mini-mart (Convenience Store)	(Global Retailindo Pratama, PT PT)  (Local )	N/A	54 outlets  as of November 2015	Bali, Lombok	Agent/Importer, Distributor.
Yomart	Yomart Rukun Selalu, PT & Griya Pratama, PT  (Local)	N/A	211 outlets  as of November 2014	West Java	Agent/Importer, Distributor.
Lawson (Convenience)	Midi Utama Indonesia Tbk, PT  (Franchise)	Net revenue in 2016: IDR 8.49 trillion from Alfamidi, Alfa Supermarket & Lawson	35 outlets  as of August 2017	Jakarta, Bogor, Depok, Tangerang, Bekasi, Bandung, Bali	Agent/Importer, Distributor.
Family Mart	(PT. Fadjar Mitra Indah – Wings Group)  (Franchise)	N/A	79outlets  as of October 2017	Jakarta, Bekasi, Depok, Tangerang	Agent/Importer, Distributor.
FMX & Minimarket/Convenience Store	Matahari Putra Prima Tbk, PT  (Local-Temasek, Singapore)	Sales of PT. Matahari Putra PrimaTbk in 2016: IDR 13.52 trillion	30Foodmart Xpress  as of June 2017	Kalimantan, Java	Agent/Importer, Distributor.

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Source: Various

### C. TRADITIONAL MARKETS – 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, table grapes, oranges, lemons 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/Mondelez, 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 12 Competition between Domestic Goods and Imports, 2016**

<b>Product Category</b>	<b>Major Supply Sources (% Volume)</b>	<b>Strengths of Key Supply Countries</b>	<b>Advantages and Disadvantages of Local Suppliers</b>
Fresh Fruit Net volume import: 471.99 thousand ton  Value: \$816.18 million	China 45.48 % Thailand 12.64 % The U.S. 11.84 % Australia 7.12 % Pakistan 3.67 % South Africa 2.99 % New Zealand 2.71%	China offers very competitive prices	Only tropical fresh fruits are produced locally and supplies are inconsistent



	Egypt 2.52%		
<p>Fresh Vegetables</p> <p>Net volume import: 642.28 thousand ton</p> <p>Value: \$570.95 million</p>	<p>China 76.34%</p> <p>India 7.22%</p> <p>New Zealand 5.12%</p> <p>Netherlands 3.60.6%</p> <p>Germany 3.15%</p> <p>The U.S minor supplier (0.22%)</p>	<p>China supplies: garlic, onions, shallots, carrots, chilies. China offers very competitive prices</p> <p>India supplies: onions, shallots, chili</p> <p>New Zealand supplies: onion</p>	<p>No garlic and onions are produced locally.</p> <p>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: 150.26 thousand ton</p> <p>Value: : \$574.75 million</p>	<p>Australia 54.49%</p> <p>India 26.30%</p> <p>New Zealand 10.37%</p> <p>The U.S. 8.48 %</p>	<p>New Zealand and Australia have a geographic proximity and competitive pricing and no reported cases of FMD and BSE.</p> <p>GOI just open market for Indian meat buffalo at second semester 2016. The price is cheaper than beef.</p>	<p>Shortage of domestic supply. Most domestic production is sold fresh to traditional markets and modern retail outlets</p> <p>Meat processing industry and food service sector rely on imports.</p>
<p>Processed fruit &amp; vegetables</p> <p>Net volume import: 152.06 thousand ton</p> <p>Value: \$203.63 million</p>	<p>China 31.06 %</p> <p>The U.S. 19.44 %</p> <p>Vietnam 8.68%</p> <p>Netherlands 8.243 %</p> <p>India 4.33%</p> <p>Thailand 4.01%</p> <p>Belgium 3.46%</p> <p>Canada 3.44%</p> <p>Brazil 3.40 %</p>	<p>China and Thailand supply processed fruit and vegetable products. Brands are well known and prices are competitive.</p> <p>U.S. and Canada 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: 57.68 thousand ton</p> <p>Value: \$188.27 million</p>	<p>China 34.28 %</p> <p>Malaysia 27.51%</p> <p>Thailand 8.40%</p> <p>Singapore 7.99%</p> <p>Belgium 3.93%</p> <p>Italy 3.79%</p> <p>The U.S.-minor supplier (0.47% share)</p>	<p>China, Malaysia, Thailand, and Singapore 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: 64.76 thousand ton</p> <p>Value: \$1.12 million</p>	<p>Thailand 55.60%</p> <p>France 30.43%</p> <p>The US 5.37%</p> <p>Australia 2.43%</p> <p>Brazil 1.76%</p>	<p>Thailand produces pet food under the U.S. pet food company licenses.</p>	<p>Local pet food is led by bird and aquaculture feed products. Lately domestic pet food products for dog and cat are also available.</p>
<p>Fruit &amp; vegetable juices</p> <p>Net Volume: 16.66 thousand ton</p> <p>Value: \$28.52 million</p>	<p>Brazil 43.88 %</p> <p>China 10.69%</p> <p>Switzerland 9;69%</p> <p>The U.S. 8.48%</p> <p>Austria 5.89%</p> <p>Thailand 4.12%</p> <p>Australia 3.63%</p> <p>United Arab Emirates 3.42%</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>Brazil supplies orange juice concentrate to Indonesia.</p>	<p>Domestic fruit juice production is growing.</p> <p>Local products have limited type of fruit juices due to limited fresh fruits supply</p>
<p>Breakfast Cereals/Pancake Mix</p> <p>Net volume import: 9.15 thousand ton</p> <p>Value:\$25.06 million</p>	<p>Malaysia 55.18 %</p> <p>China 15.10%</p> <p>Philippines 13.76%</p> <p>Thailand 4.69 %</p> <p>Australia 3.22%</p> <p>The U.S. minor supplier (1.10%)</p>	<p>Multinational companies established their production facilities in ASEAN countries (such as The Philippines, Malaysia and Thailand) to reach the market in surrounding countries.</p>	<p>Domestic manufactured produces limited variety of breakfast Cereals.</p>
<p>Tree nuts</p> <p>Net volume import: 4.03 thousand ton</p> <p>Value: \$23.24 million</p>	<p>Vietnam 31.39%</p> <p>The U.S. 31.65 %</p> <p>Thailand 14.61 %</p> <p>Australia 7.37%</p> <p>China 4.86%</p> <p>Philippines 3.32%</p>	<p>Thailand supplies repacked tree nuts from the U.S.</p> <p>Vietnam supplies cashew nut</p>	<p>Local tree nut production is limited to the cashew nut.</p>
<p>Wine &amp; Beer</p> <p>Net volume</p>	<p>n/a</p> <p>Major supplier</p>	<p>Singapore is a transit country for most of the imported products to</p>	<p>Population mostly Muslim.</p>

import: n/a  Value: \$7.87 million	are Singapore, Australia, Italy, Mexico, France, Chili. Belgium and The U.S.	Indonesia  Australia offers competitive pricing and geographic proximity.	Insignificant supply of domestic wine production and limited local beer manufacturers for the rest of population and tourists' consumption.
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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 are in retail outlets in Jakarta and surrounding areas, Bandung, Surabaya, Bali, and Medan. Potential also exists where foreign companies employ high numbers of expatriates, such as Balikpapan (Kalimantan), Pekanbaru (Sumatera), and Timika (West Papua). The expatriate community is diverse, with more expatriates to come 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.

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

Fresh fruits demonstrate the best sales of U.S. product category already present in the Indonesian market. U.S. processed vegetables products, processed fruit, dairy products, juice, snack food, tree nuts, and pet food have also shown growth. Some of the best-selling foods include apples, table grapes, lemons, oranges, frozen french fries, dates, raisins, jams, nut paste, cheese, ice cream, mix fruit juice, popcorn, potato chips, almond, and dog & cat food.

**Table 13. Products Present in the Market That Have Good Sales Potential**

Product Category	2016 Import (Volume, thousand MT)	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	Health awareness and rising middle class pushes the demand for quality fresh products.  Lack of

						U.S. fresh fruit	supply and low quality of domestic fruit products.
Fresh Vegetable	642.28	570.95	0.75 (mainly potato)	-3.88	5 20% for fresh/chilled 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.
Red Meats, Fresh/Chilled/Frozen	150.26	574.75	41.58 (mainly frozen beef carcasses, and offal to include 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
Snack food excluding nuts	57.68	188.27	1.16 (mainly popcorn, corn chips, corn chip, potato chip, confectionery)	19.13	5 15-20% for sugar confectionery, chocolate & food containing chocolate, bread, pastry, cakes, and biscuit	The procedure for obtaining an Import Registration Number (ML) for package food products 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 &	152	203	51.24	6.3	5 and 10%	Complicated	Lack of

Vegetables			(raisin, dates, maraschino s cherry, prunes, jam, nut paste french fries, onion powder, potato flakes, tomato paste, dried garlic)		depend on the products  20% for products preserved by sugar	import permitting process	processed fruit and vegetable produced locally. Food service sector, bakery is growing and need processed fruit/vegetables.
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.
Breakfast Cereals/Pancake Mix	9.15	25.06	0.40 (mainly cereals without sugar)	11.85	20	Obtaining Import Registration Number (ML) procedure for package food products is complicated	Health awareness, a growing middle class, and changing lifestyles drive demand for healthy, western and convenience food products.
Tree nuts	4.03	23.28	10.74 (mainly almond, mixture of nuts and pistachios)	-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.
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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 Potential**

There are good opportunities for high-value U.S. items that are not yet imported in significant quantities. These include baby foods and specialty fruits (especially berries). Challenges to entering the 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 14. Products Not Present in Significant Quantities but with Good Sales Potential.**

Product Category	2016 Import (Volume, thousand MT)	2016 Import (\$mil)	5Yr. Avg Annual Import (Volume) Growth (%)	Import Tariff Rates (%)	Key Constraints to Market Development	Market Attractiveness for USA
Fresh Potatoes	39.06	16.19	-10.37	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	3.50	4.87	52.73	5 except 20 % for chicken thighs 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	7.87	N/A	Beer IDR 14,000/l  Wine and spirit back to ad valorem tariff, 90 and 150%	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, 8<sup>th</sup> 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 439  
FPO, AP 96520-0439

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. [Indonesia Issues Local Content Requirement for Dairy Importers \(ID1722\)](#)
2. [Indonesia's Fees on Import Application \(ID1721\)](#)
3. [FAIRS Export Certificate Report 2016 \(ID1644\)](#)
4. [FAIRS Country Report 2016 \(ID1643\)](#)
5. [Exporter Guide Update 2016 \(ID1642\)](#)
6. [Food Service - Hotel Restaurant Institutional Update 2016 \(ID1640\)](#)
7. [Food Processing Ingredients Update 2016 \(ID1639\)](#)
8. [Indonesia Revises FFPO Import Procedures \(ID1637\)](#)
9. [Ministry of Trade Updates Beef Import Regulation \(ID1626\)](#)
10. [Indonesia Expands U.S. Plants Products Eligible for Recognition \(ID1624\)](#)
11. [Indonesia Eases Import Rules for Meat Products \(ID1623\)](#)
12. [Indonesia Amends Import Regulations for Livestock Products \(ID1618\)](#)
13. [Indonesia Raises Import Tariffs on Value-Added Goods \(ID1530\)](#)
14. [California Recognized as Fruit Fly Free Area \(ID1522\)](#)
15. [Indonesia Revises Seafood Import Rules \(ID1501\)](#)
16. [New Regulation on Alcoholic Beverage Distribution \(ID1411\)](#)
17. [Alcohol Beverages Excise Tax Update \(ID1408\)](#)
18. [Unofficial Translation of Ministry of Agriculture Decree No 4390/2013 \(ID1335\)](#)
19. [Indonesia Extends Import Requirements on Food and Beverage Products \(ID1304\)](#)
20. [Phytosanitary Requirement for Fresh Bulb \(ID1303\)](#)

21. [Minister of Agriculture Regulations No 42 and 43 Year 2012 \(ID1218\)](#)
22. [Prior Notice-Application of Imported Fresh Food of Plant Origin \(FFPO\) \(ID1206\)](#)
23. [Market Brief-Wine \(ID1113\)](#)
24. [Mandatory Labeling of Imported Food and Beverage Products \(ID1028\)](#)
25. [Indonesian Market Brief on Functional Beverage Ingredients \(ID1041\)](#)
26. [Processed Meat-Chicken and Fish Products Ingredient \(ID1039\)](#)
27. [Snack Food Ingredient \(ID1037\)](#)
28. [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	11,234	11,977	12,189	10,562
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	13,563	13,436	13,330
2017	13,343	13,347	13,321	13,327	13,321	13,319	13,323	13,351	13,492	13,572	13,514	13,558	13,399

Source: Business Indonesia Daily Newspaper & Bank Indonesia