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# Indonesia

# Retail Foods

# Retail Foods Update

**Approved By:**
Garrett McDonald
**Prepared By:**
Fahwani Y. Rangkuti

**Report Highlights:**
The growth of modern retail outlets throughout Indonesia provides significant opportunities for U.S. food products. As Indonesia's emerging middle-class continues to look outside of traditional markets for healthy and unique options, U.S. fresh fruit, processed vegetables, dairy, tree nuts, beef, non-alcoholic beverages and a variety of snack foods stand to benefit. Market challenges remain, including increased competition from ASEAN neighbors and China as well as overall market access issues.

**Post:** Jakarta

## MARKET FACT SHEET: INDONESIA 2018

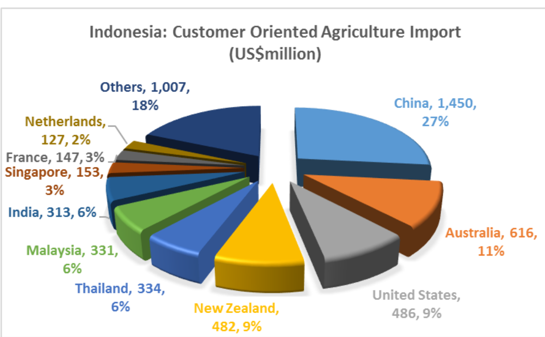
Executive Summary

Indonesia is the fourth most populous nation in the world, with a population of approximately 265 million in 2018. The island of

# SECTION 1: MARKET SUMMARY

Java is home to 60 percent of Indonesians and one of the most densely populated areas in the world. In 2017, Indonesia's GDP reached US $1 trillion and GDP/capita reached US$3, 876.8. It has vast natural resources, including petroleum and natural gas, lumber, fisheries and iron ore. Indonesia is a major producer of rubber, palm oil, coffee and cocoa. Like most economies in the region, the country has progressively shifted from a primarily agrarian economy towards stronger reliance on industry and services. In 2017, Indonesia's import of agricultural products reached US$18.94 billion (US$5.4 billion was consumer-oriented products). In addition to consumer-oriented products, wheat and soybean are also imported. Agricultural self-sufficiency is a stated goal of the Indonesian government, and is often used to justify trade barriers and restrictions.

## Import of Consumer – Oriented Products




## Food Processing Industry

The Indonesian food industry is comprised of approximately 5,700 large and medium-sized producers with 765,000 employees, and 1.61 million micro and small-scale producers with 3.75 million employees. Most of the products are consumed domestically (mostly retail) and the market is considered very competitive. The value of the food and beverage processing industry is estimated at US $92.3 billion (IDR1, 238 trillion) while only US$4.03 billion of export sales were reported during 2015, the most recent year for data from Indonesia National Statistic Agency (BPS).

## Food Retail Industry

Indonesian Grocery retail sales reached US$109.17 billion (IDR 1,462.7 trillion) in 2017 (Traditional Grocery Retailers held 83% share). The sales growth for 2019 is forecasted at 2.5%. Despite decreasing purchasing power
reported by retailers in 2017, Hypermarkets, supermarkets, and minimarkets continue to expand in Indonesia. There are four players in the hypermarket group including wholesalers (**Carrefour/Trans Mart, Giant, Hypermart, and Lotte Mart)** and six in the supermarket segment (**Alfa Midi, Hero**, **Superindo**, **Ranch Market & Farmers Market, Food Mart,The Food Hall).** Major Convenience stores include Indomart and Alfamart.

**Quick Facts CY 2018**

**Import of Consumer-Oriented Products in 2017:** US$5.4 billion

**List of Top 10 Growth Products:**
Baby food, baked goods, dairy products, confectionery, processed meat & seafood, savory snacks, sauces, dressing & condiments, sweet biscuit, snack bars & fruit snack, and ice cream & frozen dessert

**Food Industry by Channels (U.S. billion) 2015**

| | |
|---|---|
| Food Industry Output | $92.32 |
| Food Export | $4.03 (Customer-oriented products) |
| Food Imports | $4.72 Customer-oriented products)<br>$0.37 (semi-finished products) |
| Inventory | $93.01 |
| Domestic market | N/A |
| Retail | N/A |
| Food Service | N/A |
| Wet Market | |

**Top 10 Host Country Retailers 2016**
Indomart, Alfamart, Transmart/Carrefour, Giant, Hypermart, Alfa Midi, Superindo, Lotte Mart, Food Mart, Hero

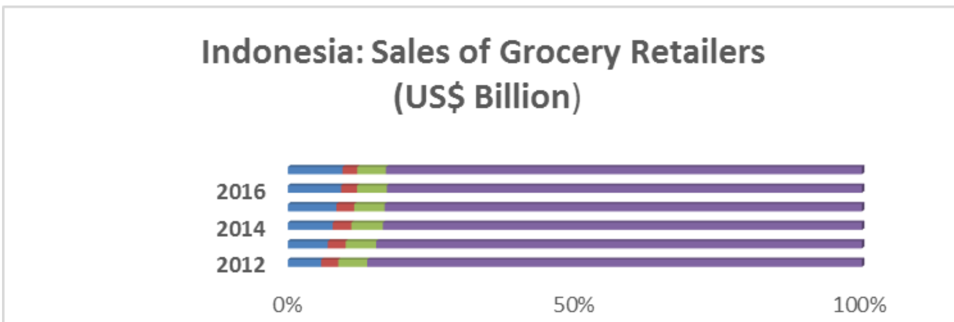
**GDP/Population**
2018 Population (millions): 265
2017 GDP (billion USD): $1,014
2017 GDP per capita (USD): $3, 876.8
Source: Indonesia Statistic, GTA and Euromonitor

| Strength/Weakness/Opportunities/Challenge | |
|---|---|
| **Strengths** | **Weaknesses** |
| Large Consumer Base | Inadequate infrastructure, including ports and cold storage facilities outside of the main island of Java |
| **Opportunities** | **Threats** |
| Rapid growth of the modern retail sector; Japanese, Korean, and Western restaurant chains; bakeries, a growing tourism industry as well as food industry. | Difficult business climate, and a dysfunctional regulatory environment |

Contact: FAS Jakarta AgJakarta@fas.usda.gov

Indonesia's emerging middle class consumers have a growing interest in imported goods, particularly for processed foods. Although they still only account for less than 20 percent of the total market, hypermarkets, supermarkets, and minimarkets continue to develop in Indonesia as purchasing power increases and lifestyles change. 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). Development is primarily occurring in urban areas and catering to Indonesia's young population (nearly 50 percent is between the ages of 5 and 34 years).

All imported retail-packaged foods must obtain an ML (*Makanan Luar*) number (domestically produced retail-packaged foods must obtain an MD or *Makanan Dalam* number) issued by The National Agency for Drug and Food Control (BPOM). The registration process can be cumbersome, especially for products deemed "high-risk", such as those containing animal products. Additionally, many retail imports face a number of other market access issues, such as import recommendations, import permits, quotas, entry permits (SKI), and other frequently changing trade regulations.




| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| Convenience Store/Minimarket | 6.26 | 7.29 | 7.76 | 8.05 | 9.51 | 10.38 |
| Hypermarket | 3.24 | 3.26 | 3.22 | 2.94 | 2.87 | 2.81 |
| Supermarket | 5.43 | 5.57 | 5.46 | 5.04 | 5.32 | 5.45 |
| Traditional | 93.24 | 88.72 | 83.02 | 79.14 | 85.05 | 90.48 |

**Table 1. Advantages and Challenges for U.S. Suppliers of Consumer-Oriented Products**

| ADVANTAGES | CHALLANGES |
|---|---|
| World's 4th largest 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 60 % of the population. | Infrastructure, including ports and cold storage facilities outside of the main island of Java, is poorly developed. |
| Imported products will continue to gain in popularity along with the growth of the modern retail sector; Japanese, Korean, and Western restaurant chains are experiencing high growth; bakeries and a well-developed | 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 packaging is complicated but required. Labels must be written in Indonesian and attached before |

| | |
|---|---|
| tourism industry | entering Indonesia. |
| 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 products 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 adds an increasing focusing on convenience and opportunity or processed foods. | 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 seaports 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 (MOA regulation No 38/2017). |
| 32 U.S. meat (including beef, pork and lamb) and over 90 U.S. dairy establishments are approved to export products to Indonesia. | Beef and dairy must be certified "halal". Import recommendations and permit from MOA and MOT are required. |
| Indonesia requires significant imported volumes of beef, dairy products, tree nuts, temperate zone fresh fruit and vegetables, and pet food to meet demand. | U.S. freight costs are high relative to competing origins. |

## SECTION II. ROAD MAP FOR MARKET ENTRY

### Entry Strategy

Most exporters will benefit from working with a local agent to enter the Indonesian market. In addition to assisting in navigating the complex product registration requirements, an agent may help assure a wider product distribution as well as undertake marketing efforts necessary to build product awareness. Initial sales efforts in Indonesia should include visits with potential agents as well as with key retailers to gain an understanding of the market. We encourage the U.S. companies seeking to export goods to Indonesia to consider visiting Food and Hotel Indonesia exhibition held in Jakarta every odd numbered year or participate in Trade Mission held by State Regional Trade Group (SRTG) or other U.S. commodity trade association.

### Market Structure

Hypermarket and supermarket businesses are major retailers of 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. There are four players in the hypermarket group including wholesalers (**Carrefour/Trans Mart, Giant, Hypermart, and Lotte Mart)** and six in the supermarket segment (**Alfa Midi, Hero**, **Superindo**, **Ranch Market & Farmers Market, Food Mart, and The Food Hall).**

Additionally, two major Convenience Stores, Indomart and Alfamart, stock imported products at their outlets nationwide.

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, Pakanbaru, Palembang, and Batam. Products moving through the traditional sector face a more extensive distribution process.

**Indonesian Retail Food Sector: Distribution Channels**

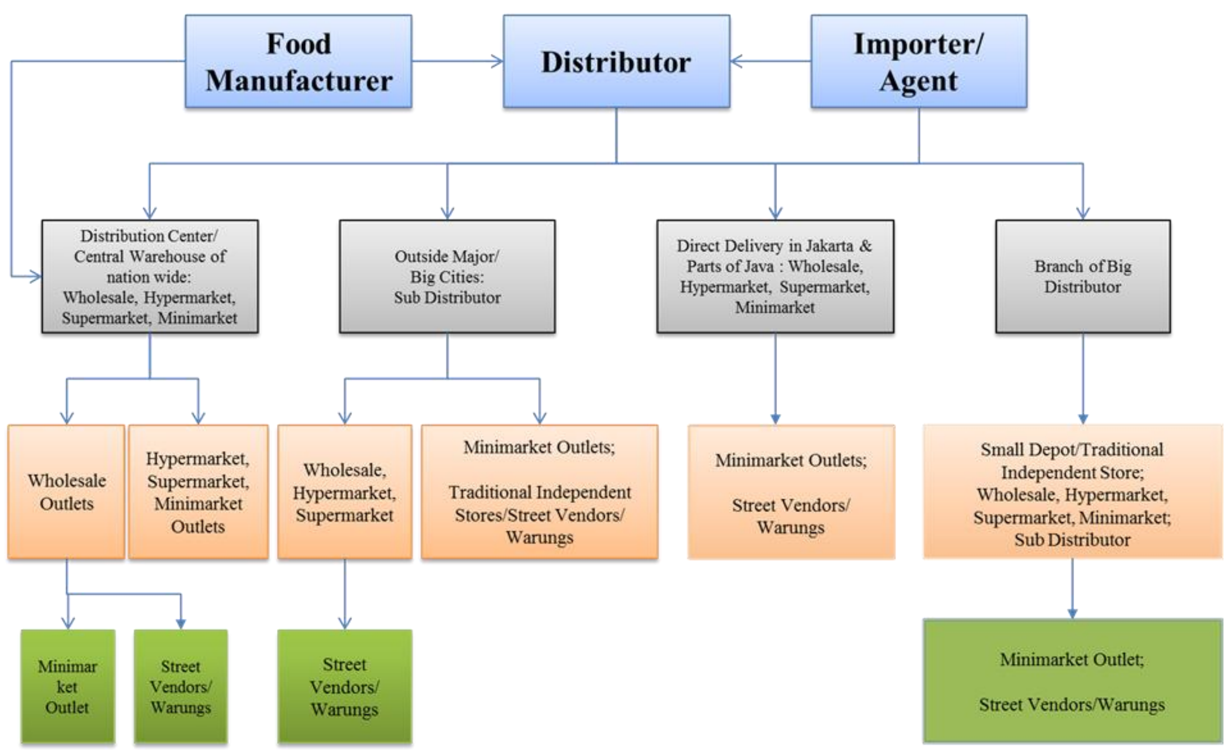



**Table 2. Profiles of Top Food Retailers in Indonesia**

| Retailer name and Outlet Type | Sales | No. of Outlets 2017 | Locations |
|---|---|---|---|
| Trans Retail Indonesia, PT<br>• Carrefour/Trans Mart | N/A | 110 | Nation wide |
| Hero Supermarket Tbk, PT<br>• Giant<br>• Hero | Sales of Hero retail group in 2017: US$973 million (IDR 13.034 trillion) | 198 | Nation wide |
| Matahari Putra Prima Tbk, PT | Net Sales of PT. Matahari Putra | 157 | Nation wide |

| | | | |
|---|---|---|---|
| • Hypermart<br>• Food Mart<br>• Smart Club<br>• FMX Convenience Store | Prima Tbk in 2017: US$940 million (IDR 12.6 trillion) | | |
| Lotte Shopping Indonesia, PT<br><br>• Lotte Grosir<br>• Lotte Mart<br>• Lotte Supermarket | N/A | 46 | Nation wide |
| Midi Utama Indonesia, Tbk, PT<br><br>• Alfa Midi<br>• Alfa Midi Super<br>• Lawson | Net revenue in 2017: US$729 million (IDR 9.767 trillion) from Alfa Midi, Alfa Midi Super & Lawson | 1,444 | Java, Sumatera, Sulawesi and Kalimantan |
| Lion Super Indo, PT<br><br>• Superindo | N/A | 157 | Jakarta, West Java, Central Java, Yogyakarta, East Java, Bandar lampung and Palembang |
| Supra Boga Lestari Tbk, PT<br><br>• Ranch Market<br>• Farmers Market | Net revenue in 2017 from Framers Market & Ranch Market:US$210 million (IDR2.819 trillion) | 34 | Jakarta and its surroundings, Cikarang, Surabaya, Malang, Balikpapan and Samarinda |
| Swalayan Sukses Abadi, PT<br><br>• The Foodhall<br>• Daily Foohalll | N/A | 26 | Jakarta and its surrounding |
| Sumber Alafaria Trijaya, Tbk. PT<br><br>• Alfamart | Net revenue 2017: US$4.58 billion (IDR 61.464 trillion) | 13.477 | Nation wide |
| Indomarco Prismatama, PT<br><br>• Indomart | N/A | 14,846 | Nation wide |

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. 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

Minimarkets/convenience stores have experienced rapid growth throughout urban and suburban Indonesia. They are located close to residential areas, office buildings, and areas with high foot traffic. They carry essential staple goods, readymade meals, bakery products, processed food, some frozen items, and fresh fruits.

The traditional sector continues to maintain a large majority market share in Indonesian food retailing. This sector includes *warungs* or small food stalls, often found in traditional markets. Distribution channels are long and complex. These outlets, with the exception of fresh fruit, carry few imported products. Imported apples, table grapes, oranges, lemons and pears are commonly found in traditional markets.

## SECTION III. COMPETITION

U.S. food products are sometimes less competitive in Indonesia due to high freight costs relative to competing origins, higher duties compared to some countries with Free Trade Agreements and locally produced products. Consolidated shipments with products from several suppliers are highly favored and are often more cost effective for Indonesian importers. However, Indonesian consumers associate quality and safety with U.S. food products, providing a marketing advantage for U.S. businesses seeking to export to Indonesia.

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.

**Table 3. Competitive Situation for Consumer-Oriented Products**

| **Product Category – Indonesian Import** | **Main Suppliers in percentage (Volume)** | **Strengths of Key Supply Countries** | **Advantages and Disadvantages of Local Suppliers** |
|---|---|---|---|
| Fresh Fruit<br>Volume: 616,574 T<br>Value: US$1.1 billion | China 55%<br>Thailand 16%<br>Pakistan 8%<br>The United States 7%<br>Australia 4% | China offers very competitive prices | Only tropical fresh fruits are produced locally and supplies are inconsistent |
| Fresh Vegetables<br>Volume: 782,040 T<br>Value: US$687 million | China 71%<br>India 14%<br>New Zealand 5%<br>Germany 3%<br>Netherlands 3%<br>The United States minor supplier | China mostly supplies garlic and India supplies shallot. | No domestic onion production. Shortage of domestic garlic and shallots |
| Beef & Beef Products<br>Volume: 163,068 T<br>Value: US$585 million | Australia 54%<br>India 28%<br>The United States 9%<br>New Zealand 8% | New Zealand and Australia have a geographic proximity and competitive pricing and no reported cases of FMD and BSE. GOI just open market for Indian buffalo meat second semester 2016. The price is cheaper than beef. | Shortage of domestic supply. Most domestic production is sold fresh to traditional markets and modern retail outlets<br><br>Meat processing industry and food service sector rely on imports. |
| Processed Vegetables | China 29%<br>The United States | Canned and frozen vegetables from China are well known and | Limited processed vegetable products produced locally. |

| | | | |
|---|---|---|---|
| Volume:94,546 T<br>Value: US$134 million | 27%<br>Netherlands 16%<br>Belgium 9%<br>Canada 5%<br>Vietnam 4%<br>Thailand 3% | prices are competitive.<br><br>Other countries supply frozen French fries and frozen vegetables | No french fries and frozen vegetables produced locally |
| Processed Fruit<br>Volume: 77,346 T<br>Value: US$119 million | China 19%<br>Egypt 18%<br>United Arab Emirates 13%<br>India 9%<br>Tunisia 7%<br>Brazil 7%<br>The United States 4%<br>Iran 4%<br>Thailand 3% | Most products are dates and raisin from Middle East.<br><br>Canned fruit from China and Thailand are well known. | Limited processed fruit products produced locally. |
| Snack Food<br>Volume: 34,657 T<br>Value: US$100 million | China 37%<br>Malaysia 28%<br>Thailand 12%<br>Italy 8%<br>Vietnam 4%<br>The United States minor supplier | China, Malaysia, and Thailand origin food snacks have a large market share due to price competitiveness, taste, and geographic proximity. | Local products are also abundant but consumers are willing to try new products. |
| Dog & Cat Food<br>Volume: 78.322 T<br>Value: US$80 million | Thailand 60%<br>France 22%<br>China 4%<br>The United States 4%<br>Australia 3% | Thailand produces pet food under U.S. pet food company licenses.<br><br>Lately, China has offered products with competitive prices. | Local pet food mostly bird and aquaculture feed products. Recently domestic pet food products for dog and cat are also available. |
| Non-Alcoholic Beverages (juices, coffee, tea)<br>Volume: 77,4545 T<br>Value: US$53 million | Malaysia 72%<br>Thailand 22%<br>South Korea 5%<br>The United States minor supplier | Indonesia looks for a variety of products with competitive prices.<br><br>Geographic proximity gives Malaysia and Thailand advantage for products with short product shelf life. | Domestic fruit juice production is growing.<br><br>Local products have limited type of fruit juices due to limited fresh fruits supply. |
| Tree Nuts<br>Volume: 18,612 T<br>Value: US$50 million | China 68%<br>Vietnam 8%<br>The United States 7%<br>Thailand 3% | China supplies pistachios and almonds with competitive prices. | Local tree nut production is limited to the cashews. |

## SECTION IV. BEST PRODUCT PROSPECTS

**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 retail market. U.S processed vegetables, processed fruit, tree nuts, non-alcoholic beverages, pet food, dairy products, and snacks have also shown growth. Some of the best-selling foods include apples, table grapes, oranges, lemons, frozen french fries, dates, raisins, almonds, instant tea, fruit juices, ice cream, popcorn, and sauces.

**Products Not Present in Significant Quantities but which 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).

**Product Not Present Because They Face Significant Barriers**
Alcoholic beverage 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. Poultry parts and processed poultry products have enormous potential in Indonesia; however, these products either are banned outright (parts) or face a defacto ban due to requirements such as halal hand slaughtering.

## SECTION V. KEY CONTACTS AND FURTHER INFORMATION

### Government Source Data
Statistic Indonesia: https://www.bps.go.id/
Ministry of Agriculture: http://www.pertanian.go.id/
Ministry of Trade: http://www.kemendag.go.id/id/economic-profile
Ministry of Industry: http://www.kemenperin.go.id/statistik/exim.php
National Agency of Drug and Food Control: http://www.pom.go.id/new/index.php/home/en
Ministry of Marine Affairs and Fishery: http://kkp.go.id/
Ministry of Finance – Directorate General of Customs and Excise: http://www.beacukai.go.id/btki.html; http://www.beacukai.go.id/arsip/cuk/cukai.html

### Government Regulatory Agency/Food Policy Contact
Please see Indonesia FAIRS Country Report.

### Other Import Specialist/ Trade Association Contacts
Please see Indonesia FAIRS Country Report

### Post Contact
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