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Report Highlights:

Shipment delays due to congestion in U.S. ports and container availability constrained U.S. dairy exports despite lower and competitive prices for U.S. SMP, cheese, and whey products.

Production

Most of Indonesia's fresh milk is produced by 76,685 members of 59 dairy cooperatives that generates 634,000 tons of milk. Despite averaging just three cows per farmer with reportedly 13 liters of daily production per head, these smallholder farmers still account for more than 79 percent of Indonesia's fresh milk production. Meanwhile, several modern dairy farms with daily yields exceeding 20 liters per head are producing the remaining 21 percent, thus, bringing total production to 800,000 tons of fresh milk in 2021.

The majority of Indonesian dairy cattle are of Friesian Holstein breed. Currently, the Government of Indonesia (GOI) is contemplating the introduction of Jersey dairy cattle to the industry. Officials hope the new breed has better adaptability to Indonesia's hot and tropical climate, less feed intake, and will produce better milk quality and breeding performance.

Genetic quality and feed availability remain enormous challenges for the Indonesian dairy sector. Thus, the government has encouraged modern integrated dairy farmers to develop partnerships with farmers to overcome the fodder supply problem and assist dairy cooperatives to develop feed silage, particularly during drought season. Several large dairy processors already have long-standing partnerships with dairy cooperatives and they play an important role in assisting farmers to manufacture feed and provide other essential farming services.

Currently, only Australian dairy cattle can be imported into Indonesia for dairy production as it is the only country with a GOI approved import protocol. In order to strengthen local dairy genetics, the government routinely conducts progeny tests search for superior bulls from the local stock and subsequently distributes their semen through artificial insemination centers located in West and East Java Provinces.

Around 98.5 percent of Indonesia's dairy cow population is located on Java Island, while small dairy cattle populations can also be found in the North Sumatera and Lampung provinces. Several pioneering dairy cattle populations have been founded in South Sulawesi, Jambi, and West Sumatera Provinces with each population under 100 heads.

Consumption

Comprised 15 percent of the market, most dairy cooperatives and a few vertically integrated dairy farm-processors sell their milk as fresh pasteurized milk, yogurt or in small quantities of cheese. The rest of domestic fresh milk production is processed by dairy processors, predominantly as whole milk powder (WMP) for their internal use.

Indonesia does not produce skimmed milk powder (SMP) while the majority of imported SMP is recombined with local milk and other imported ingredients to form reconstituted milk. This product is generally cheaper than fresh pasteurized milk. SMP, along with lactose, are used as ingredients in food

manufacturing and producing powdered milk beverages. Most of the imported whole milk powder (WMP) is repackaged and used in Indonesia’s retail market.

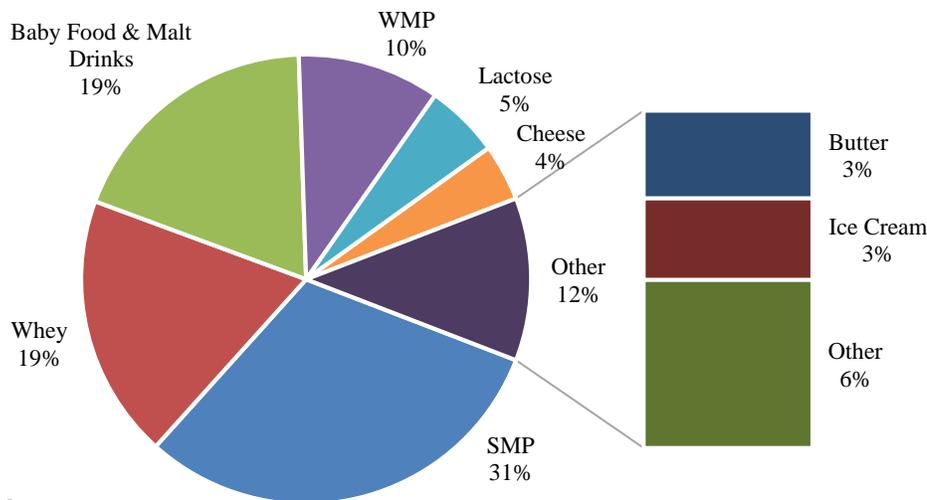
During the COVID-19 pandemic, Indonesian consumers generated a positive image of dairy products, which helped push liquid milk sales up by 13.1 percent in 2020 and are expected to continue to grow by 9.7 percent in 2021. Correspondingly, retail dairy product sales are expected to grow by 5.3 percent in 2021.

Total dairy consumption in 2021 is expected to increase 3.9 percent to 4.19 billion liters or 4.31 million tons. Approximately 60 percent (2.51 billion liters or 2.59 million tons) of the dairy products consumption is in the form of liquid fresh pasteurized milk, UHT milk, flavored/fermented milk, and evaporated/condensed milk. The remaining 40 percent of consumption includes powdered milk, cheese, and food service uses. Post estimates total dairy consumption will increase 7.4 percent in 2022 based on continuing strong retail demand and the easing of social distancing measures, which is expected to help assist restaurants and the food service sectors rebound from Covid’s adverse effects.

Trade

Indonesia relies on imported dairy products to meet its domestic demand. Approximately 81 percent of all dairy products consumed are imported such as SMP, whey, baby food, WMP, lactose and cheese.

Chart 1. Global Dairy Products Export to Indonesia, Jan-Aug 2021



Source: TDM

Despite the pandemic conditions and local dairy production challenges, demand for dairy products continue to increase. As a result, the market share for imports of Indonesia’s overall dairy market has grown. Imports increased 11 percent between January and August 2021 compared with the same period of 2020. All exporting countries increased their trade volume, except for Singapore and the United States due to shipping constrains. Currently, the top exporters of dairy products to Indonesia are the EU (30%), New Zealand (21%), US (20%), Australia (8%), and Malaysia (8%).

Chart 2. Global Dairy Product Exports to Indonesia, Jan-Aug 2021

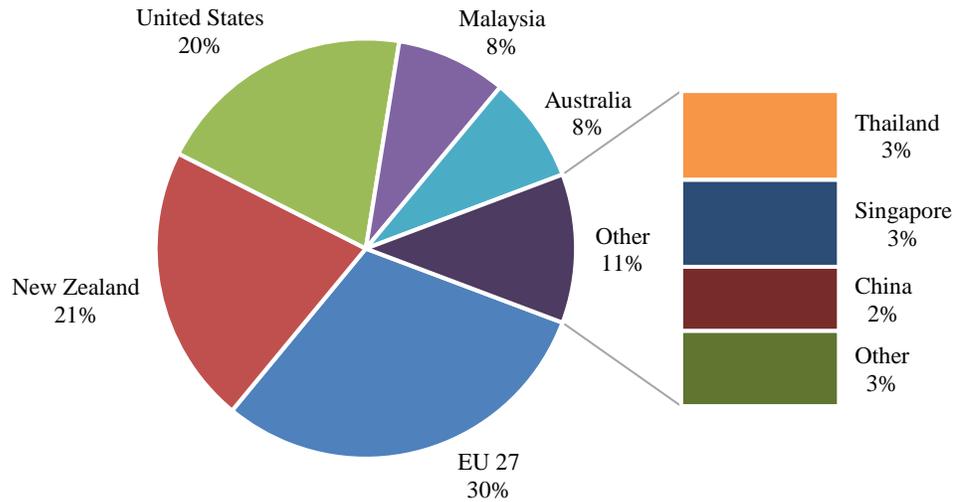
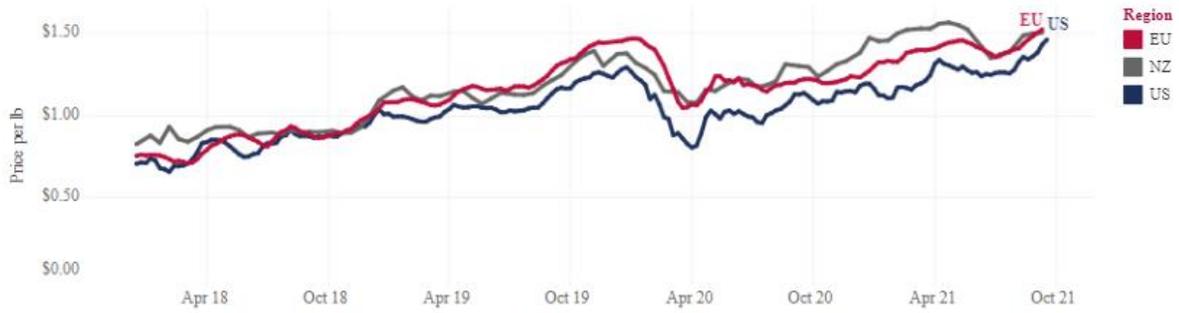


Table 1. Global Export of All Dairy Products to Indonesia

| Origin | Unit | 2018 | 2019 | 2020 | Jan-Aug 2020 | Jan-Aug 2021 | Share | Δ |
|---------------|----------|----------------|----------------|----------------|----------------|----------------|-------|------|
| EU 27 | T | 176,822 | 194,027 | 153,535 | 102,838 | 140,235 | 30% | 36% |
| New Zealand | T | 92,219 | 102,167 | 130,366 | 83,228 | 99,702 | 21% | 20% |
| United States | T | 96,435 | 116,770 | 161,454 | 112,901 | 93,141 | 20% | -18% |
| Malaysia | T | 51,339 | 47,991 | 61,677 | 37,928 | 39,374 | 8% | 4% |
| Australia | T | 54,751 | 47,512 | 52,553 | 36,237 | 38,135 | 8% | 5% |
| Thailand | T | 14,323 | 16,894 | 17,796 | 12,615 | 15,010 | 3% | 19% |
| Singapore | T | 27,279 | 24,111 | 25,986 | 17,724 | 14,680 | 3% | -17% |
| China | T | 25,197 | 10,609 | 15,260 | 9,106 | 10,841 | 2% | 19% |
| Others | T | 10,250 | 11,300 | 11,384 | 6,805 | 12,694 | 3% | 87% |
| TOTAL | T | 548,613 | 571,382 | 630,011 | 419,381 | 463,813 | | 11% |

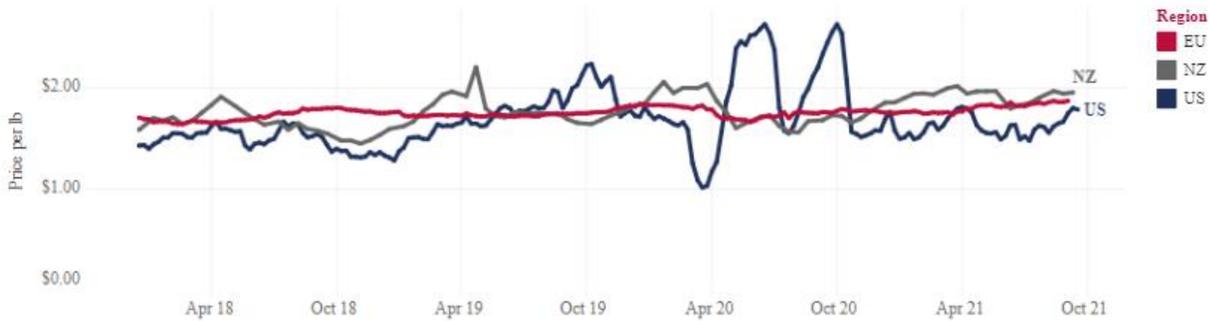
Source: TDM

Chart 3. Average SMP Price Over Time



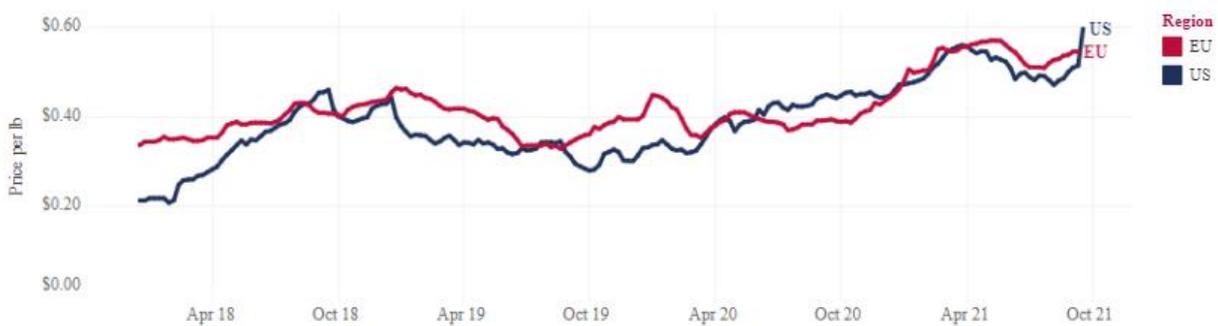
Source: USDEC

Chart 4. Average Cheese Price Over Time



Source: USDEC

Chart 5. Average Whey Price Over Time

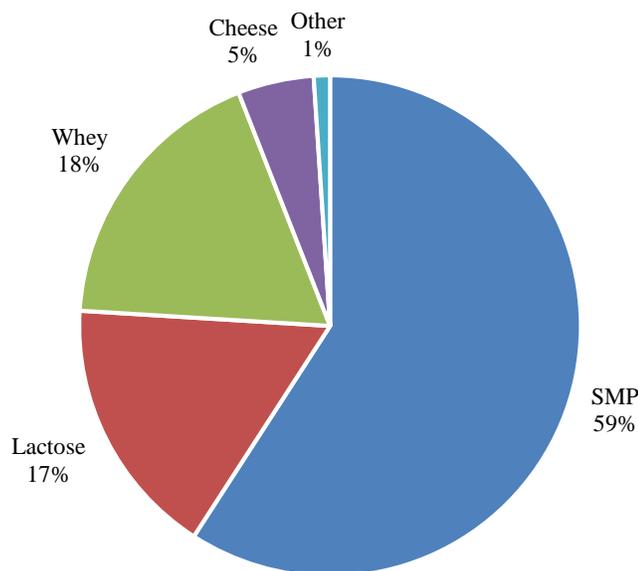


Source: USDEC

U.S. dairy exports to Indonesia are declining despite the lower and competitive prices for U.S. SMP, cheese, and whey products. Exports are constrained by congestion at U.S. ports and limited container availability, including feeder vessel capacity shortages in Southeast Asia. Congestion in the U.S. Pacific and Atlantic seaports contribute to longer waiting times and result in longer shipment lead time. Importers report the lead time can be as long as 60 to 70 days. Shipping companies expect these conditions to continue for the remainder of 2021. Despite trucking problems, European seaports reportedly do not face the same shipping issues and are operating smoothly.

Importers and processors are reportedly switching their source of dairy products from the U.S. to sources in Europe and Oceania to capitalize on cost efficiency and meeting production demand. Thus, dairy products exports to Indonesia from both regions have increased significantly.

Chart 6. U.S. Dairy Products Export to Indonesia, Jan- Aug 2021



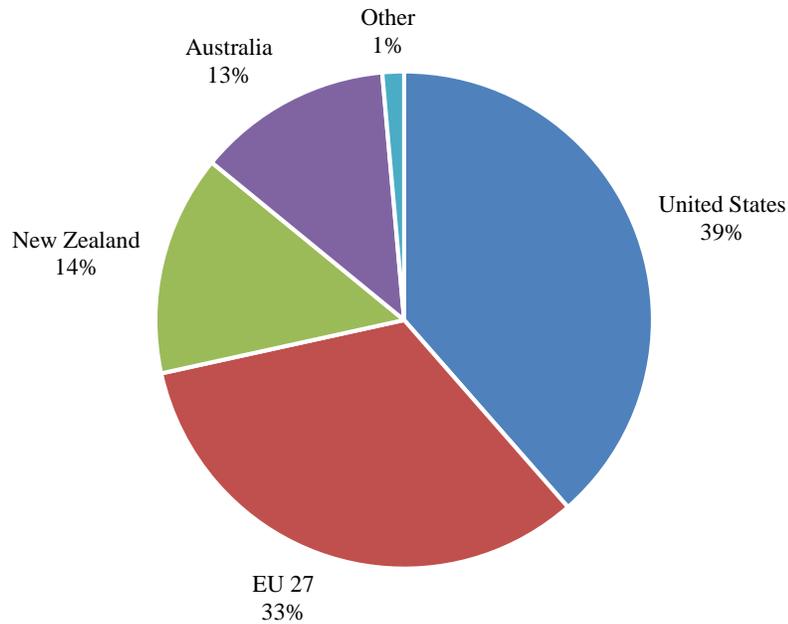
Source: TDM

Table 3. U.S. Dairy Exports to Indonesia

| HS Code | Products | Unit | 2020 | Jan-Aug 2020 | Jan-Aug 2021 | Share | Δ |
|--------------|----------|----------|----------------|----------------|---------------|-------|-------------|
| 040210 | SMP | T | 97,383 | 68,352 | 55,081 | 59% | -19% |
| 170211/19 | Lactose | T | 23,502 | 16,320 | 15,680 | 17% | -4% |
| 0404 | Whey | T | 30,391 | 20,912 | 16,847 | 18% | -19% |
| 0406 | Cheese | T | 8,543 | 6,020 | 4,560 | 5% | -24% |
| | Other | T | 1,634 | 1,297 | 974 | 1% | -25% |
| Total | | T | 161,454 | 112,901 | 93,141 | | -18% |

Source: TDM

Chart 7. Global SMP Export to Indonesia, Jan-Aug 2021



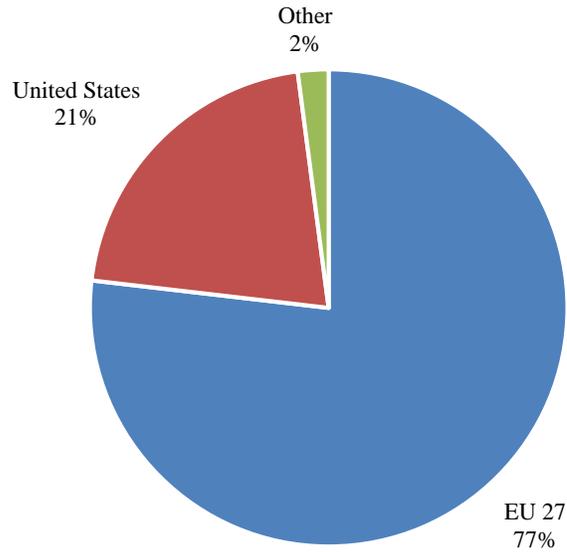
Source: TDM

Table 4. Global SMP Export to Indonesia

| Origin | Unit | 2018 | 2019 | 2020 | Jan-Aug 2020 | Jan-Aug 2021 | Share | Δ |
|---------------|----------|----------------|----------------|----------------|----------------|----------------|-------|-----------|
| United States | T | 55,684 | 67,283 | 97,383 | 68,352 | 55,081 | 39% | -19% |
| EU 27 | T | 55,812 | 70,841 | 45,044 | 29,084 | 47,131 | 33% | 62% |
| New Zealand | T | 20,600 | 19,977 | 33,896 | 22,582 | 20,528 | 14% | -9% |
| Australia | T | 32,864 | 25,109 | 28,109 | 19,731 | 18,093 | 13% | -8% |
| Other | T | 3,665 | 3,503 | 2,313 | 2,165 | 2,011 | 1% | -7% |
| Total | T | 168,626 | 186,713 | 206,746 | 141,913 | 142,844 | | 1% |

Source: TDM

Chart 8. Global Whey Export to Indonesia, Jan-Aug 2021



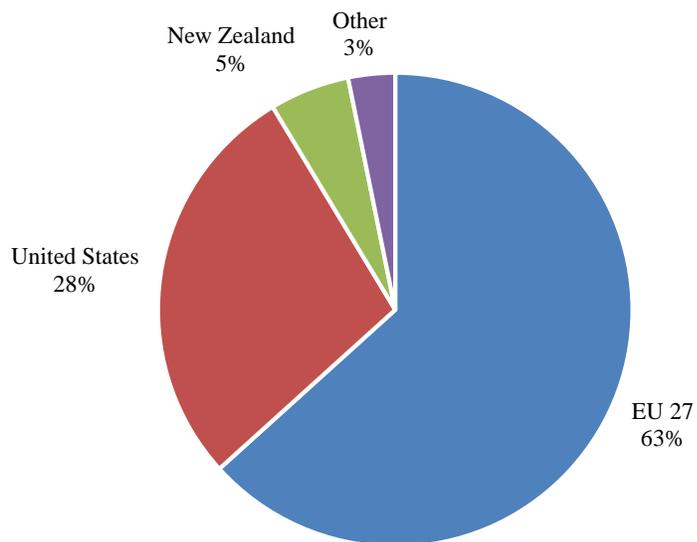
Source: TDM

Table 5. Global Whey Export to Indonesia, Jan-Aug 2021

| Origin | Unit | 2018 | 2019 | 2020 | Jan-Aug 2020 | Jan-Aug 2021 | Share | Δ |
|---------------|----------|----------------|----------------|---------------|---------------|---------------|-------|------------|
| EU 27 | T | 87,428 | 81,644 | 67,844 | 45,994 | 61,405 | 77% | 34% |
| United States | T | 18,027 | 24,298 | 30,391 | 20,912 | 16,847 | 21% | -19% |
| Other | T | 13,999 | 10,509 | 1,098 | 621 | 1,660 | 2% | 167% |
| Total | T | 119,455 | 116,451 | 99,333 | 67,527 | 79,912 | | 18% |

Source: TDM

Chart 9. Global Lactose Export to Indonesia, Jan-Aug 2021



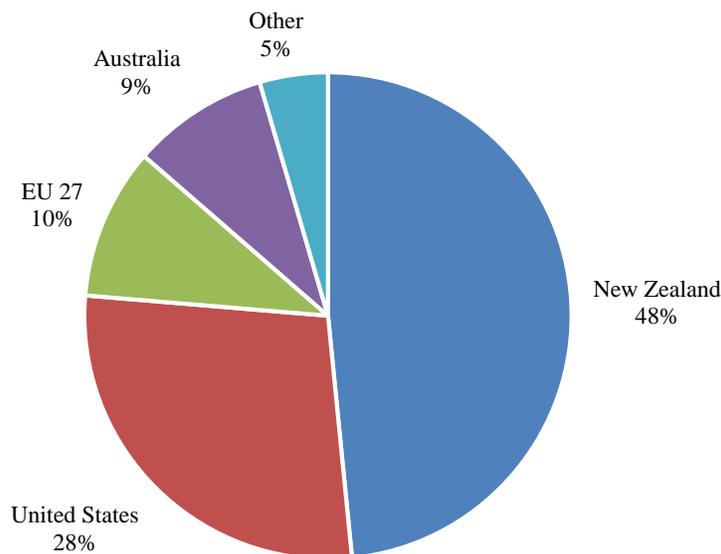
Source: TDM

Table 6. Global Lactose Export to Indonesia

| Origin | Unit | 2018 | 2019 | 2020 | Jan-Aug 2020 | Jan-Aug 2021 | Share | Δ |
|---------------|----------|---------------|---------------|---------------|---------------|---------------|-------|------------|
| EU 27 | T | 3,855 | 7,753 | 23,502 | 16,320 | 15,680 | 63% | -4% |
| United States | T | 15,713 | 16,862 | 12,731 | 9,206 | 6,950 | 28% | -25% |
| New Zealand | T | 1,646 | 1,302 | 1,378 | 990 | 1,350 | 5% | 36% |
| Other | T | 1,009 | 624 | 813 | 300 | 791 | 3% | 164% |
| Total | T | 22,222 | 26,541 | 38,424 | 26,815 | 24,771 | | -8% |

Source: TDM

Chart 10. Global Cheese Export to Indonesia, Jan-Aug 2021



Source: TDM

Table 7. Global Cheese Export to Indonesia

| Origin | Unit | 2018 | 2019 | 2020 | Jan-Aug 2020 | Jan-Aug 2021 | Share | Δ |
|---------------|----------|---------------|---------------|---------------|---------------|---------------|-------|------|
| New Zealand | T | 15,572 | 13,368 | 13,029 | 11,766 | 11,672 | 48% | -1% |
| United States | T | 5,016 | 6,926 | 8,543 | 7,191 | 6,726 | 28% | -6% |
| EU 27 | T | 2,688 | 3,428 | 1,930 | 1,468 | 2,424 | 10% | 65% |
| Australia | T | 3,785 | 4,640 | 2,257 | 1,452 | 2,189 | 9% | 51% |
| Other | T | 547 | 334 | 1,637 | 1,348 | 1,092 | 5% | -19% |
| Total | T | 27,608 | 28,696 | 27,396 | 23,225 | 24,102 | | 4% |

Source: TDM

Policy

Omnibus Legislation

The Government of Indonesia (GOI) issued Law Number 11 Year 2021 (11/2021) on November 2, 2020, which went into effect immediately. Law 11/2021 amends several laws including Number 18 Year 2009 (18/2009) and Number 41 Year 2014 (41/2014), which govern livestock and animal health issues. Law 11/2021 requires the import approval of animal products to be based on animal health and veterinary public health risk analysis, as well as requiring imports to observe the interest of local livestock farmers.

After the publication of Law 11/2021, the GOI issued Government Regulations (GR) Number 5 Year 2021 (5/2021) regarding “the Administration of Risk Based Business Licensing” on February 2, 2021. GR 5/2021 went into effect immediately and requires the business licensing of livestock and animal health sector, including export and import activities, to be based on risk analysis as well as requiring the submission of regular activity reports from the livestock and animal health related businesses.

On February 2, 2021, the GOI issued GR Number 26 Year 2021 (26/2021) regarding “the Administration of the Agricultural Sector” as the derivative of Law 11/2021. GR 26/2021 also went into effect immediately, but it does not include any provisions related to the trade of the food products of animal origin.

On April 1, 2021, the Ministry of Agriculture issued Regulation Number 15 Year 2021 (15/2021) which is the implementing regulation for all legislations mentioned above. Post submitted a voluntary GAIN report regarding the new dairy import requirements and can be found in GAIN report number ID2021-0038. The report also covers the issuance of a new questionnaire that must be completed to export to Indonesia.

Duties

Similar to last year, to improve economic growth and generate state revenues as well as maintaining economic stability, the GOI issued Ministry of Finance Regulation Number 68/2021 as a fiscal incentive. 68/2021 authorized the GOI to exempt import duties for several dairy products beginning June 21 until December 31, 2021. The following table list the respective duties.

| # | Tariff Post / HS Code | Description | Specification | Industry |
|---|-----------------------|---|--|--|
| 1 | 0402.10.41 | Milk and cream, not containing additive or other sweetening matter, in containers of a net weight of 20 kg or more | In powder form, of humidity not exceeding 5 % | Biscuits |
| | | Milk and cream, not containing added sugar or other sweetening matter, in containers of a net weight of 20 kg or more | In powder, granules, or other solid forms, of a fat content, by weight, not exceeding 1.5% | Dairy processing, Fruit Processing and Soft Drink, and Coffee Processing |
| 2 | 0402.10.91 | Milk and cream, containing added sugar or other sweetening matter, in containers of a net weight of 20 kg or more | In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5% | Dairy processing |
| 3 | 0402.21.20 | Milk and cream, not | In powder, granules or | Dairy processing |

| # | Tariff Post / HS Code | Description | Specification | Industry |
|---|-----------------------|--|--|--|
| | | containing added sugar or other sweetening matter, in containers of a net weight of 20 kg or more | other solid forms, of a fat content, by weight, exceeding 1.5% | |
| 4 | 0403.90.10 | Buttermilk | - | Dairy processing |
| 5 | 0404.10.10 | Whey and modified whey, concentrated or, whether containing added sugar or other sweetening matter | In powder form, of humidity not exceeding 5% | Biscuits |
| | | Whey and modified whey, concentrated or, whether containing added sugar or other sweetening matter | In powder form | Dairy processing, Fruit Processing and Soft Drink, and Coffee Processing |
| 6 | 0405.10.00 | Butter | In block form, of humidity not exceeding 16% | Biscuits |
| | | | Unsalted butter | Dairy processing |
| 7 | 0406.10.10 | Fresh (un-ripened or uncured) cheese, including whey cheese | in block form, of humidity not exceeding 35% | Biscuits |
| 8 | 1702.11.00 | Lactose, containing by weight 99 % or more lactose, expressed as anhydrous lactose, calculated on the dry matter | In powder form, of humidity not exceeding 5.5% | Biscuits |
| | | Lactose | Containing, by weight, 99% or more lactose, expressed as anhydrous lactose, calculated on the dry matter | Pharmacy |
| 9 | 1702.19.00 | Lactose | Containing, by weight, less than 99% or more lactose, expressed as anhydrous lactose, calculated on the dry matter | Pharmacy |

Stocks

Dairy manufacturers import powder on an as-needed basis, and any inventory can be considered pipeline stocks. All locally produced WMP or its equivalent are used in country. As a result, WMP and SMP stocks are expected to remain low and unchanged.

Production, Supply and Demand Data Statistics:

PSD: Skimmed Milk Powder

| Dairy, Milk, Nonfat, Dry | 2020 | | 2021 | | 2022 | |
|--|------------------|----------|------------------|----------|------------------|----------|
| Market Begin Year | Jan 2020 | | Jan 2021 | | Jan 2022 | |
| Indonesia (000 MT) | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Beginning Stocks | 11 | 11 | 11 | 11 | 0 | 11 |
| Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 197 | 207 | 210 | 214 | 0 | 220 |
| Total Imports | 197 | 207 | 210 | 214 | 0 | 220 |
| Total Supply | 208 | 218 | 221 | 225 | 0 | 231 |
| Other Exports | 1 | 1 | 1 | 2 | 0 | 1 |
| Total Exports | 1 | 1 | 1 | 2 | 0 | 1 |
| Human Dom. Consumption | 196 | 206 | 209 | 212 | 0 | 219 |
| Other use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 196 | 206 | 209 | 212 | 0 | 219 |
| Total Use | 197 | 207 | 210 | 214 | 0 | 220 |
| Ending Stocks | 11 | 11 | 11 | 11 | 0 | 11 |
| Total Distribution | 208 | 218 | 221 | 225 | 0 | 231 |
| CY Imp. from US | 0 | 0 | 0 | 0 | 0 | 0 |
| CY Exp. to US | 0 | 0 | 0 | 0 | 0 | 0 |
| TS = TD | 0 | 0 | 0 | 0 | 0 | 0 |
| Note: Number in the last column of each year is not official USDA figure | | | | | | |

PSD: Whole Milk Powder

| Dairy, Dry Whole Milk Powder | 2020 | | 2021 | | 2022 | |
|--|---------------|----------|---------------|----------|---------------|----------|
| Market Begin Year | Jan 2020 | | Jan 2021 | | Jan 2022 | |
| Indonesia (000 MT) | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Beginning Stocks | 5 | 5 | 5 | 5 | 0 | 5 |
| Production | 87 | 85 | 91 | 96 | 0 | 100 |
| Other Imports | 51 | 51 | 70 | 71 | 0 | 70 |
| Total Imports | 51 | 51 | 70 | 71 | 0 | 70 |
| Total Supply | 143 | 141 | 166 | 172 | 0 | 175 |
| Other Exports | 2 | 2 | 1 | 1 | 0 | 1 |
| Total Exports | 2 | 2 | 1 | 1 | 0 | 1 |
| Human Dom. Consumption | 136 | 134 | 155 | 166 | 0 | 169 |
| Other use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 136 | 134 | 155 | 166 | 0 | 169 |
| Total Use | 138 | 136 | 156 | 167 | 0 | 170 |
| Ending Stocks | 5 | 5 | 5 | 5 | 0 | 5 |
| Total Distribution | 143 | 141 | 166 | 172 | 0 | 175 |
| CY Imp. from US | 0 | 0 | 0 | 0 | 0 | 0 |
| CY Exp. to US | 0 | 0 | 0 | 0 | 0 | 0 |
| TS = TD | 0 | 0 | 0 | 0 | 0 | 0 |
| Note: Number in the last column of each year is not official USDA figure | | | | | | |

Attachments:

No Attachments