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Indonesia

Exporter Guide

Exporter Guide Update

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Report Highlights:
In Calendar Year (CY) 2011, Indonesia was the 8th largest export market for U.S. agricultural, fish and forest products, reaching $2.9 billion. Indonesia maintained a relatively healthy macroeconomic environment in 2011, as GDP growth reached an estimated 6.5 percent. GDP growth is projected to remain strong at 6.7 percent in 2012. Despite expanded levels of trade, market access issues continue to exist. Also, Indonesia's uneven enforcement of existing regulations combined with new regulations, which are often not properly notified to trading partners, create uncertainty for U.S. exporters.

Post:

Jakarta

Executive Summary:
SECTION I. MARKET OVERVIEW

Economic Situation

During the 2008-2009 global recessions, Indonesia managed to maintain a relatively healthy macroeconomic environment, with positive growth rates of 6.1 percent in 2010 and 6.5 percent in 2011. This is mainly attributed to high and inclusive growth of domestic investment and consumption. According to the Indonesian Central Bureau of Statistics (BPS), GDP growth in 2011 reached 6.5 percent. Economic growth in 2011 came primarily from the petroleum, the processing and industrial sectors, as well as agriculture, livestock, forestry, and fishing, tourism and hospitality, transportation, mining, construction and telecommunications. The role of the industrial sector in economic growth is becoming more significant. The Bank of Indonesia projects that in 2012 Indonesian GDP growth will reach between 6.4 - 6.9 percent. A combination of more progressive economic policies, ongoing structural reforms, and good debt management also contributed to Indonesia's macroeconomic performance and economic stability.

Rupiah performance was further propped up by a positive perception regarding Indonesia's economy. Rupiah appreciation during 2010 and 2011 was moderate. A stable rupiah is expected to help insulate pressure from higher commodity prices and provide room towards lowering inflation. Going forward in 2012, apart from uncertainties in food prices, inflationary pressures could also be driven by government plans to reduce fuel subsidies, which will lead to higher prices at the fuel pump, and more scarcity of beef and horticulture products due to major restrictions on imports. Inflation and more protectionist policies are likely to create challenges for the expansion of U.S. food products in Indonesia.

Significantly, Indonesia is now considered as the most stable democracy in Southeast Asia. In 2001, Indonesia embarked on an ambitious and challenging decentralization effort. Today Indonesia is one of the most decentralized countries in the world with substantial funds and authorities devolved to the regional levels.

As of December 2011, Indonesia maintains free trade agreements (FTA) with Japan, ASEAN, ASEAN-South Korea, ASEAN-Australia and New Zealand, ASEAN-Japan; ASEAN-China; and ASEAN-India. However beside the gradual reduction in tariffs and quotas following trade agreements, exporters and importers still continue face lengthy and cumbersome custom procedures and non-tariff measures.

Key Demographics and Customer Expenditures

Indonesia is the 4th most populous nation in the world with a population of 237 million people in 2010. Over 50 percent of the population is between the ages of 5 - 34 years. A growing and more affluent middle class accounts for approximately 70 percent of GDP. The emerging middle class and consumers from the Indonesian middle class broadly support domestic industry and imported goods, particularly for consumer products including processed foods.

The latest Nielsen surveyed in September 2010 confirmed that Consumers in Indonesia remained optimistic, reaching an index of 115 Nielsen Global Consumer Confidence Index. Consumer Confidence Index levels above and below the baseline of 100 indicate degrees of optimism and pessimism.

Based on BPS data, in 2010 the monthly average expenditure per capita for food was Rp 254,520 ($28). This averaged to be about 51.4 percent of total monthly expenditures per capita.

U.S. Food Product Exports to Indonesia

The U.S. food and agricultural exports to Indonesia continues to grow and remained the 8th-largest export market for U.S. agricultural products. Calendar Year 2011 BICO data showed that the U.S. agricultural, fishery, and forest product exports to Indonesia reached a record-level $2.9 billion. In the consumer-oriented product category, fresh fruit, processed fruit & vegetables, red meat, pet foods and fresh vegetable reached record levels. Dairy products remained the largest export in this category and other consumer oriented products also reached record level. This mainly came from other food preparation (HS 2106907090) and HS 2106906575 (Coffee Whiteners Non Dairy), and the latest product up significantly from FY 2010.

Market Access Issues

Despite the growth in trade, a number of market access issues continue to exist. Uneven enforcement of existing regulations combined with new regulations that are frequently not properly notified to trading partners or to the World Trade Organization (WTO). In general terms, market access barriers are a result of a combination of protectionism, nationalism, corruption, and lack of soft infrastructure among inspection agencies.

The Government of Indonesia (GOI) has made efforts to address some concerns. Since December 2007, GOI has implemented the National Single Window (NSW) to push the movement of exported and imported products at the port. The NSW system requires all related government institutions to coordinate the process to clear exported & imported goods through an electronic system. The NSW system is planned to link with the ASEAN Single Window (ASW) in 2009 and all ASEAN countries will link completely in 2012. However, the electronic system creates additional problems for Indonesian traders as confusion continues with the requirements include the unclear classification of HS code for the online documentation.

Meanwhile, long lasting imported food package product registration number issue remains unresolved though progress has been made. The food labeling issue announced in September 2010 has further complicated this issue. See GAIN attaché report ID 1028 in www.fas.usda.gov to get more information on these issues.

Market Opportunities

- Indonesia's population of 237 million in 2010 is relatively young with almost 18 percent of the population between 15-24 years, and another 17 percent is between 25-34 years. Nearly 58 percent of the population lives on Java (60% of households). Java also has the best infrastructure although urban areas in Sumatera, Bali, and Sulawesi are developing. There are 118 million people living in urban areas in 2010.

- Based on World Bank data published in 2010, media reports indicate that that 38.5 percent of the population spends $2-4/day, 11.7 percent spends $4-6, and 1.3 percent spends $10-20/day. Nielsen reports that 29 million people are classified as premium middle class (income per capita $3,000/year), mostly in urban areas. A major multinational bank published a report that indicated Indonesia's middle class (based on annual per capita income of $3,000) was 1.6 million in 2004; 50 million in 2009; and a projected 150 million by 2014. These domestic consumers, along with a large expatriate community, consume a wide array of imported products.

Table1. Population number in major urban areas in 2010

City	Island	Population (million)
Jakarta, Depok, Bogor, Tangerang Bekasi	Java	17.7
Surabaya	Java	2.8
Bandung & Cimahi	Java	2.9
Medan & Binjei	Sumatera	2.3
Semarang	Java	1.6
Palembang	Sumatera	1.5
Makassar	Sulawesi	1.3
Samarinda & Balikpapan	Kalimantan	1.3
Yogyakarta & Solo	Java	0.9
Batam	Riau Island	0.9
Pekanbaru	Sumatera	0.9
Bandar Lampung	Sumatera	0.9
Padang	Sumatera	0.8
Malang	Sumatera	0.8
Denpasar	Bali	0.8
Banjarmasin & Banjarbaru	Kalimantan	0.8
Pontianak	Kalimantan	0.6

Source: Indonesia Central Bureau of Statistic (BPS)

- The population has become increasingly literate and Westernized during the past decade, due to the number of Indonesians who have studied and traveled abroad; easier access to international media to include the internet and cable television; increased numbers of smart phone and internet users (more lap top and WiFi locations); expansion of modern malls in major urban areas; and dramatic growth of major international hotel, restaurants, quick serve restaurants, and bakery chains; and continued growth of foreign tourists.

- Indonesians generally tend to be internet savvy and there is widespread use of social media. Thus, Facebook and Twitter could be used a as a medium to share the information, especially among teenagers and young adults from the growing and rapidly expanding middle class.

- Demand for imported food ingredients is growing. Food manufacturers are continually developing new snack products. Snacking is popular in Indonesian culture and is promoted in the media.

- The Indonesian consumers tend to be price conscious and susceptible to economic swings, particularly the middle and lower level income consumers. Overall, customers tend to prefer purchasing imports in smaller, less expensive packaging.

- An interest in healthy and organic products is growing. The trend includes digestive health, immune system, fortification, all natural products, weight management, cardiovascular health, oral and skin health.

- More urban women are entering the workforce and are choosing to keep working after marrying and having children. With less time available for shopping and cooking, more urban women are basing purchasing decisions on convenience.

- The number of kitchen appliances throughout the country is relatively low. In 2010, 26 percent of households had a refrigerator; about 41.51 percent of Indonesians used liquid petroleum gas (LPG), and 1.53 percent use electricity for cooking. The remaining households used kerosene stoves (12.11 percent) and fire wood (42.46 percent). Following GOI reduction of the fuel subsidy in 2008, more households switched from kerosene to LPG.

- During both Muslim and Chinese holiday seasons, consumer spending increases. The most important holiday seasons are Ramadan (the month-long Muslim fasting period in which food consumption goes up significantly), Lebaran or Idul Fitri (Muslim celebration at the end of Ramadhan), and Chinese New Year. Indonesians consume significantly greater amounts of flour, sugar, eggs, baking ingredients, poultry, meats, cheeses, cakes, cookies, pastries, and fresh and dried fruits during these holidays.

- Although Christmas is celebrated by less than 10 percent of the population, stores take advantage of the season and decorate and promote festive foods such as special fruits, sweets, and pastries. Western celebrations, including Valentine's Day, U.S. Independence Day, and Halloween have also become trendy among upper-scale restaurants in Indonesia.

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS IN INDONESIA	
Advantages	**Challenges**

Market size - Indonesia has a population of around 237 million people.	Weak purchasing power of the majority of the population.
An expatriate population in 2010 of about 102, 000 (18.7 percent China followed by Japanese, Korean, Malaysia, India, U.S., and Australian) in Indonesia buys imported goods. 62 percent are in Jakarta, followed by Riau, Banten, Bali and East Java.	Muslims, who account for almost 90% of the population, requires halal-certified products.
Applied duties on most food and agricultural products are 5%.	Import regulations are often complex and non-transparent, thus requiring close business relationships with a local agent. Getting an ML number (registration number) for imported retail packaged food products is also complicated but required. Label should use Indonesian language
US Fresh Food of Plant Origin (FFPO) safety control system has been recognized.	The GOI expect that the recognition will be reviewed every two years. Current regulations stipulate that only three sea port and one airport are allowed as an horticultural entry points.
GOI approved several U.S. meat establishments to export products to Indonesia	Animal based food must have an import recommendation from Indonesian Ministry of Agriculture Director-General of Livestock and Animal Health Service or The National Agency of Food and Drug Control (BPOM) and also import permit from Ministry of Trade before imported to Indonesia.
The distribution system on the island of Java is improving, providing increased access to a population of 136.6 million.	Infrastructure outside of the main island of Java, including ports and cold storage facilities, is poorly developed.
U.S. food products have a reputation for quality.	Third-country competition and promotion remains strong, especially from Australia, New Zealand and China. Food product imports from Malaysia, Philippines, and Thailand are also growing.
Indonesia also does not produce sufficient quantities of beef, dairy products, tree nuts, temperate zone fresh fruit and vegetables, and pet food	
The food processing industry is constantly creating new products to accommodate Indonesian taste preferences. More ingredients are needed.	Bilateral free trade agreements with other countries encourage the use of more lower-priced ingredient products, particularly from China
Distribution and availability of imported products is expanding due to the rapid growth of the modern supermarket sector, western restaurant chains and bakeries, a well-developed tourism industry	Consumers tend to require smaller package sizes and importers tend to require smaller shipment sizes, making it difficult for some companies to ship to Indonesia

II. EXPORTER BUSINESS TIPS

Local business customs

1. Agents/importers are only allowed to register imported package products for retail purpose in order to obtain an import registration (ML) number to the BPOM. So choosing a local agent is a very important decision. Several principles to keep in mind when choosing a local agent are:

- Conduct careful, detailed research in order to confirm claims. Prospective representatives who claim connections to important people should be treated with extreme caution. Such connections are not necessary - commercial acumen is of greater value in the market.
- Do not grant exclusive rights to a local representative until after working with them in order to gain a clear understanding of their capabilities.
- Pay attention to accounting standards applied in the preparation of reports supporting the financial standing of a potential representative or partner.

2. Most importers also act as distributors, whether as exclusive agents or as consolidators, and have offices or local distributors in major cities all over Indonesia.

3. Educate the importer, the retailer, and the consumer about your product. Exporters should not assume that Indonesian companies know how to promote, handle, and prepare imported products. Food processors often require assistance developing products using imported food ingredients. Support your importer, distributor, and agent by maintaining product quality.

4. Market research, especially for product testing, price comparison, and adjusting the product for local tastes is important. Importers, distributors, food service providers, and retailers can help with market research as well as understanding government regulations, which is critical.

5. While quality and price are important, they are secondary to the personal interaction with business partners. Face-to-face meetings are very important to Indonesians, though younger importers are more comfortable with establishing their relationships via electronic communication. Exporters usually must visit Indonesia 2-3 times before details are finalized.

6. Product should be packed and shipped for a tropical climate and have clear storage instructions. Few cold storage or air-conditioned facilities and delivery trucks exist. Sometimes stores turn off cold storage facilities at night to conserve energy.

General consumer tastes and preference

- The majority of consumers prefer fresh foodstuffs, which are readily available in their neighborhood at affordable prices. Healthy eating is becoming more popular among educated consumers and is featured by newspaper, magazine, and television. Fresh foods, fruit juices, fruit concentrated-based beverages, organic foods, sugar-free confectionary, packaged food with higher fiber content, dairy products, vitamin and calcium fortified packaged food and beverages are also preferred by middle to upper-income consumers.

- Traditional and modern snack foods, such as confectionaries, pastries, cakes, biscuits, ice cream, or sweet and savory snacks are very popular among Indonesians.

- Local flavors are preferred and local food manufacturers are exploring opportunities to produce new products using a combination of local and imported flavors.

- Frozen foods and instant noodles, which are easy to prepare for children, are popular among working mothers.

- Smaller package sizes are preferred due to convenience, price considerations, and weight management concern.

- Consumers are showing a concern to food additive, high amount of MSG, fat, sugar, salt, and preservatives in packaged food.

Food Standards and Regulations & Export Certificates

- According to Indonesian regulations, imported products packaged for retail sale must be registered with the BPOM to obtain a ML number. The registration process can be lengthy, bureaucratic, and costly, so it is best to use a local agent.

- Food labeling is required. Requirements for labeling of food products are broad in scope. At the end of 2003, the head of BPOM published guidelines food labeling. The labeling regulation just enforced recently and per March 1, 2011, label must use Indonesian language (see recent GAIN Reports). However, due to the different perception among government institutions and the difficulties in the implementation of this requirements, this issue is still pending. Halal certification is not mandatory at this time but these guidelines are also under review. Given that almost 90 percent of the population professes the Islamic faith, it is highly recommended that halal certification be obtained. U.S. Islamic Centers must approved by the Indonesian Muslim Council (MUI) to issue halal certificates.

- All beef and poultry products and animal-based food products must be certified halal by Halal certifying body in the country of origin approved by MUI and the products must originate from slaughterhouses that have been approved by Directorate General of Livestock and Animal Health Service (DGLS), Ministry of Agriculture. Also, each imported meat shipment requires prior approval by the Ministry of Agriculture and Ministry of Trade. The Indonesian government does not issue permits for imports of U.S. chicken.

- Imported table grapes must be produced in a pest free area. In the United States, only the state of California has been declared by the government of Indonesia as an area determined to be free from *Ceratitis capitata*. Fresh fruit and vegetables, except table grapes originating in California, must be treated prior to shipment or subjected to in-transit cold treatment. In addition, the U.S. Fresh Fruit of Plant Origin (FFPO) safety control system of country of origin has been recognized by GOI. All imported the U.S. FFPO do not need Certificate of Analysis (COA) of Pesticide Residue.

General import and inspection procedures

- At the end of 2007, GOI established its National Single Window (NSW) program to improve the process for reviewing export and import documentations at the port. The NSW system requires all related government institutions to coordinate the process to clear exported & imported goods through an electronic system. The NSW system is planned to link with ASW in 2009 and all ASEAN countries will link completely in 2012.

- At the end of 2008, the Indonesian Ministry of Trade issued a regulation increasing the requirements for imported products that fall under 505 Indonesian 10-digit harmonized tariff codes, including food and beverages under 188 lines. The regulation limits the ports of entry, requires importer registration, and requires surveys by government-approved companies before export (see **New Requirements for Selected Food & Beverages Report (ID9001).** This regulation was amended and the latest was in December 2010. HS Code 1604192000 (Horse mackerel – type of fish in airtight containers) was added to this regulation.

- Indonesia's Customs uses a schedule of arbitrary "check prices" rather than actual transaction prices on importation documents to assess duties on food products import.

- Indonesian bound tariff rates on major food and agricultural items generally range from 5 to 40 percent. Import duties for a number of processed food products mostly range from 5 to 10 percent. The duty applied to all imported alcoholic beverages effectively changed from ad valorem tariff to a specific tariff in April 2010 **(see New Import Duty on Beverages content Certain Ethyl Alcohol report (ID1019) at www.fas.usda.gov).** To find other regulation on the alcoholic beverage, **please see New Regulation on Alcoholic Beverages report (ID9029).**

- The government levies a 10 percent value-added tax on the sale of all domestic and imported goods. For imports, these taxes are collected at the point of import and are calculated based on the landed value of the product, including import duties. Sales tax is 2.5 percent and excise for alcoholic beverage and alcoholic concentrate ranges between Rp.11,000-130,000/liter (approximately $1,25 cents to $14,60), depending on the percentage of ethyl alcohol content. **Please see New Regulation on Alcoholic Beverages Excise report (ID1011) at www.fas.usda.gov.**

- Import documents should be concise, with simple language, and complete. If all documentation is complete, customs clearance can be finished as early as two days (green line) and 5-7 days (red line and yellow line). Incomplete documentation could result in delays of several weeks.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

A. **Retail Sector**

Market Overview

The Indonesian retail sector began its rapid expansion in 1999, when a Presidential Decree allowed Carrefour, a French retailer, to increase its outlet numbers in Jakarta. Growth of these retailers includes foreign retail giants such as Giant, Lotte (formerly Makro), and Lion Superindo as well Carrefour. The competition among these retailers is strong and the Indonesian consumers benefit from it. Modern retail businesses such as hypermarkets, supermarkets, and mini-markets are replacing more traditional retail outlets, including wet markets and independent small grocers. Presidential Decree No 111/2007 stated that only supermarkets under 1,200 square meters and mini-markets under 400 square meters should be owned by domestic investor. Some of them have multi-format outlets.

PT Midi Utama Indonesia just opened Lawson (Japan retail chain) convenience store in 2011. This format competes directly with 7-Eleven that already widely distribute all over Jakarta although just opened end of 2009 through a master Franchise agreement with PT. Modern Putra Indonesia (PT Modern) Jakarta. Family Mart, also a Japan retail chain, plans to open convenience outlets in 2012.

In addition, Metro Cash & Carry will open in 2012. Metro Group has partner with the Jakarta-based Sintesa Group-an affiliate of the publicly traded Tigaraksa Satria.

The development of information technology and changing life styles due to the increasing middle class consumers impacts consumers’ perception of the value and quality of food products, as well as the way they purchase daily necessities. Related to food, the product that offer convenience, healthy, and feeling good became a trend. National modern retail chains generally start in Jakarta, then spread to other Javanese cities, and finally become established in other areas outside of Java. Foreign and national chains compete directly with existing regional modern outlets in these areas. AC Nielsen said that seventy eight percent (78 percent) of modern trade outlets are located in Java. During 2010, number of modern retail outlet in Sumatera grown 55 percent, other Island was 42 percent, and Java itself was 35 percent in 2010.

Despite the growth in the modern retail sector, the majority of Indonesians continue to shop at traditional stores conveniently located near their homes or places of work. These stores sell conventional food and beverage products familiar to the majority of consumers. Nielsen reported that consumers visit the traditional markets 25 times per month for traditional grocery, 12 times per month for wet market and 19 times in vegetable vendors.

Table2. Number of modern retail outlets

Description	2005	2006	2007	2008	2009	2010
Supermarket	1,140	1,310	1,379	1,571	1,146	1,076
Hypermarket	83	105	121	127	141	154
Mini market	6,465	7.356	8,889	10,289	11,927	16,922

Source: Nielsen

Weekends are the preferred time to visit the Hypermarkets and Supermarkets as 34 percent and 45 percent consumers respectively choose to visit both channels during the weekend time, probably while doing their 'recreation' as well, as they also choose afternoon time to visit the store.   For mini markets, consumers usually visit at night (43percent during the workdays (19 percent.   For traditional outlets (traditional stores and wet markets), consumers opt to visit in the morning with around 40% visit the channels on weekdays. Lately, more and more consumers go shopping in the minimarket because the expansion of this outlet approaches mostly the residential areas, kids request, promotion, and display of the product.

The 'recreation' function of modern outlets is also important, as 79 percent of consumers visit these outlets with their families. With traditional markets, more than 65 percent of consumers prefer to go alone.

According to AC Nielsen, in 2010, shoppers go to traditional market mostly to buy fresh vegetables (53 percent), fresh meat (70 percent), and fresh fish (67 percent).

Domestic Industry Concentration

Modern retailers are concentrating on improving their marketing of quality fresh produce, a substantial portion of which is imported, as is exemplified by the emergence of a number of fruit boutiques. Beside the growing specialty stores to serve high end customers, dairy, poultry, and frozen fish products one-stop shopping stores (as an example: Toko Susu Oke and Bel Mart) are also starting in Jakarta and surrounding areas. Kalbe-e store just launched and selling milk too and start to serve Jakarta and Surabaya customers.

In addition, mini-markets, convenience stores, and other shops carry a wide range of convenience food items such as ready meals includes bakery products: processed food: package food includes ice cream, beverages: and fresh fruits. These stores are found throughout Indonesia's major urban centers and are also co-located with gasoline stations, such as Bright, Circle –K, Surya, Bonjour, and now Indomaret and Alfamart. Franchising is also driving the rapid growth of mini-markets and convenient stores. Some outlets open for 24 hours, such as 7-Eleven, Circle-K, Alfamart and Indomaret convenience stores.

Nielsen reported that consumers select different channels for different categories. Consumers make their purchase for commodity goods like instant noodles, cooking oil, soy sauce in traditional channels. More 50 percent of consumers purchase milk, vitamins and personal care products in modern outlets.

In 2010, the average per capita monthly expenditure in Indonesia was about $54.00 (Rp. 494,845) and 51.0 percent of it goes for food. A typical break down of these expenditures is as follows:

Table3. Monthly Expenditure per Capita in 2010

2009	2010
• 17.5 percent for cereals	• 17.3 percent for cereals
• 8.5 percent for fish	• 8.4 percent for fish
• 3.7 percent for meat	• 4.1 percent for meat
• 6,5 percent for milk & eggs	• 6.2 percent for milk & eggs
• 10.8 percent for vegetables & legumes	• 10.4 percent for vegetables & legumes
• 4.0 percent for fruit	• 4.8 percent for fruit
• 4.0 percent for beverages	• 4.4 percent for beverages
• 3.9 percent for oil & fats	• 3.7 percent for oil & fats
• 25 percent for miscellaneous food items	• 24.9 percent for miscellaneous food items
• The rest for other food products (tubers, spices, and tobacco & betel)	• the rest for other food products (tubers, spices, and tobacco & betel)

Source: Indonesia Central Bureau of Statistic (BPS)

Table4. Growth of Retail Package Food Sales in 2005-2015

Product	Value Growth		Volume sales in 2010 (thousand tons)	Value sales in 2010 (Rp. Billion)
	2005-10 CAGR	2010-15 CAGR		
Baby Food	-	-	-	17,876.57
Bakery	5.38	3.99	655.78	25,282.34

Canned/Preserved Food	11.56	9.44	71.96	3,142.08
Chilled Processed Food	8.51	6.52	12.34	784.04
Confectionery	6.44	4.15	221.79	15,492.42
Dairy	-	-	-	18,419.83
Dried Processed Food	9.25	7.02	7,330.90	59,226.53
Frozen Processed Food	12.16	6.81	55.59	3,993.81
Ice Cream	6.01	5.63	89.27	3,232.17
Meal Replacement	11.10	7.49	0.73	191.10
Noodles	3.68	4.46	1.213.64	18,169.60
Oils and Fats	6.10	4.27	659.30	9,440.89
Pasta	7.49	5.70	4.35	155.51
Ready Meals	5.24	6.03	0.8 7	47.61
Sauces, Dressings and Condiments	4.97	3.61	296.11	5,932.53
Snack Bars	-	9.98	0.2 1	38.02
Soup	15.80	5.43	0.46	35.87
Spreads	6.52	4.36	13.30	746.00
Sweet and Savory	5.59	4.54	315.88	9,580.53

Source: Euromonitor

Western cuisine is becoming more common and western products are often consumed, to include breakfast cereals, spreads and baked goods, which often replace traditional breakfasts of rice and noodles. Changing dietary habits also push the consumption of milk, yoghurt, cheese, pasta, meat nuggets, sausages, and red meats.

Opportunities for Foreign-Supplied Products

The local industry dominates the markets for baked goods, noodles, and other wheat-based products, snacks, frozen poultry and fish products, processed dairy products, canned fish, soft drinks, and bottled and packaged teas, tropical fruits and vegetables, and fresh sea food.

While businesses featuring fresh produce compete on their ability to supply competitively priced locally-grown products, businesses featuring processed food and beverages compete based on brand name. There are several multinational companies in this sector, including Unilever, Nestle, Kraft, Danone, Heinz, Frito Lay, and Effem.

Temperate fresh fruit, fruit juice, beef, frozen french fries, confectionaries, tree nuts, cheese, and pet foods are mostly imported. Primary competing suppliers include Australia, New Zealand, Netherlands, South Africa, Canada, Brazil, China, Japan, Korea, Taiwan, Pakistan, Thailand, Malaysia, and Singapore.

Imported items continue to face burdensome registration requirements, making business difficult. This is particularly true for specialty stores carrying a higher percentage of imported food products or stores that want to test the market for new products. Since September 2008, BPOM has enforced the ML number regulation for all imported package food for retail purpose. All non-ML products displayed in supermarket shelves and storages are subject to being confiscated. Furthermore, non-transparent and unpredictable customs clearance procedures, besides being costly and administratively cumbersome, create problems when products with limited shelf-life are unexpectedly held at port.

Specialty and high value retail stores serving expatriates from western countries, as well as other Asian nations, such as Korea, Japan, have been negatively impacted because of ML issue.

In addition to that, labeling issues that came up in late 2010 also will hamper the imported products. All imported package food products must use complimentary labels that include ingredient information. Although this regulation was supposed to be fully implanted by March 1, 2011, at the time of writing the Bahasa labeling requirement were not being fully enforced. The additional issue related to the label issue is when and where the complimentary label should be attached to the products.

Indonesian halal concerns continue to challenge U.S. food exporters. According to Indonesian regulations, halal products shall be foods, beverages, drugs, cosmetics, biochemistry products, genetically modified products composed of halal elements to be consumed, drank, used, or worn that have undertake process of halal products in accordance with Islamic Law.

Trends in Promotion and Marketing Strategies

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

Social media marketing is increasingly targeting children, teenagers and young adults. Small serving size packaging is also rising because most of the Indonesian consumer is not a big eater and it is affordable.

The latest Nielsen survey found that Indonesian consumer purchasing decision for food is 19 percent influenced by online reviews, consumer researching is 23 percent influenced by online reviews, and 17 percent will not buy without consulting online reviews. In Indonesia, about 30 percent of consumers will share a negative product experience online.

Modern retailers use television and print media for regular and seasonal promotions.

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

Food in retail sale mostly goes to domestic consumers. Indonesian people tend to buy food for their family, relatives, neighbor, friends, and colleagues especially after travel and during holidays. Anecdotally, in the last few years, the GOI prohibited holiday gifts for GOI official to support an anticorruption campaign.

Although the Indonesian consumers have begun to use the internet to buy products, it is not commonly used to buy food products at this point.

Best Product Prospects

For U.S. products currently available in the Indonesian market, fresh fruit continues to have the best sales prospects. U.S. cheese and processed fruits & vegetables have also started to increase in market share. Some of the best selling processed foods include frozen french fries, frozen and canned vegetables, breakfast cereals, snack foods, biscuits, crackers, popcorn, baby food, dressings, sauces, seasonings, cooking and salad oils, fruit juices and beverages.

There are also good opportunities for sales of other U.S. high value items. Many of these are not yet in the market in significant quantities. These include refrigerated frozen foods such as frozen pizza, frozen meats, delicatessen meats, organic foods, and specialty fruits, particularly certain types of berries.

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

Market Overview

Over the past view years, the HRI sector - especially hotels, restaurants, bars and cafés - has expanded into the major secondary cities in Java and the bigger cities in other islands. This is driven by business visitors and cultural events: Meeting, Incentive, Convention, and Event (MICE)-and the opening of new modern shopping malls in those cities.

Bali remains the most visited tourist destination in Indonesia followed by Jakarta and Batam. A total of 7.6 million tourist visited Indonesia in 2011. Data 2010 shows that Singapore, Malaysia, Australia, Japan, China, South Korea, and Taiwan accounted for the highest numbers of tourists by nationality, followed by Philippines, Swiss, the United States, France, India, and Germany.

Table5. Indonesian Tourism Indicators

Description	Year					
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
No. of foreign tourists (mil)	5.0	4.9	5.5	6.2	6.3	7.0
Revenue (US $bill)	4.5	4.4	5.3	7.3	6.3	7.6
Occupancy Rate (%)	45	46	47	48	48	49
Number of hotel rooms	280,433	285,530	303,376	325,218	334,817	353.138

Source: Indonesia Central Bureau Statistic (BPS)

There were around 1,306 star rated, boutique and resort hotels with 124,789 rooms in Indonesia as per 2010. Major concentrations of the five star hotels/resorts were in West Java (Bandung and greater

Jakarta, 174 hotels), Jakarta itself (160 hotels) and in Bali (170 hotels). Currently more and more budget hotel has built in the big cities all over Indonesia for business people. The hotels in the main cities other than Bali depend very much on Meeting Incentive Convention and Exhibition (MICE) business.

Indonesia's growing middle class has resulted in higher incomes, more middle class communities, and a new generation of people that demand socializing after hours, western food products and brand names. Middle class consumers also have easier access to media and internet facilities. These mediums further expose Indonesian consumers to various international products, activities and lifestyles.

In 2010, there are 2,916 large and medium chain and independent restaurants in Indonesia, increase 7.84 % from 2009 (totally 2,704). The rapid growth of Western-style, specialized coffee shops, café, bars and wine lounges as well as bakeries have also resulted in an increase of imported specialty and gourmet food and beverage products.

Table6. Number of Large and Medium Chain and Independent Chain Restaurant in 2010

Province	Number of Large and Medium Chain and Independent Restaurants
Jakarta	1,359
West Java	286
East Java	231
Bali	225
North Sumatra	167
Banten	98
Riau	75
Central Java	74
Riau Island	55
Yogyakarta	52
South Sulawesi	47
Other Provinces	247

Source: BPS

Fast food outlets continue to thrive, despite the domination of roadside stalls and vendors in the food service industry. Currently, over thirty percent of Indonesia's urban population eats fast food once a week. The most prevalent fast food outlets include Kentucky Fried Chicken (417 outlets as of 2011), McDonald's (112 outlets as of 2010), A&W (207 outlets as of May 2011) and Pizza Hut (227 outlets as of August 2011). These outlets will remain popular due to affordable prices, high standards and quality, and their widespread throughout Indonesia. More and more burger (ex: Burger King, Carl's Junior, MOS Burger, Wendy's) and pizza (ex: Domino pizza, Marzano Pizza) outlets from different companies open in Jakarta and its surrounding in the last few years.

Tabel7. Food Service Outlets

Description	2010	% Growth 2009/2010	Annual Forecast % Growth 2010-15 CAGR

	No of Outlets	Value (Rp. billion)	No of Outlets	Value	No of Outlets	Value
Cafes and bars (Chain & Independent)						
Specialist Coffee Shop	448	1,370.5	11.4	14.4	7.7	6.7
Other Cafe	3,027	28,725.8	4.4	7.6	3.4	2.1
Full-service restaurants (Chain & Independent)						
Asian	96,803.0	243,594.1	1.0	7.1	0.5	2.5
European	333	2,785.3	3.7	7.6	2.7	2.1
Latin American	40	242.2	5.3	12.0	4.6	5.0
Middle Eastern	29	141.8	3.6	10.5	3.2	3.8
North American	742	3,696.7	5.2	8.1	3.7	2.8
Pizza	429	3,115.5	5.9	12.0	4.5	6.3
Others	460	3,327.1	3.8	8.2	3.1	3.9
Fast Food (Chain & Independent)						
Asian	1,557.0	4,611.3	5.0	8.1	3.7	3.8
Bakery products	894.0	1,033.9	3.6	14.4	2.8	5.9
Burger	429	2,177.8	11.1	15.5	9.5	10.5
Chicken	1,035.0	4,047.1	3.8	16.2	3.1	6.8
Convenience Store	274	69.5	45.7	48.1	18.5	15.7
Ice cream	252	171.1	28.6	36.5	16.8	18.0
Middle Eastern	26	39.7	4.0	5.0	3.6	2.5
Traditional food seller						
Street Stalls and Kiosks	90,607.0	12,003.4	1.5	5.1	1.1	1.2

Source: Euromonitor

Opportunity for Foreign-Supplied Products

Hotels in tourist areas like Bali and main urban centers such as Jakarta, Bandung, Surabaya, and Medan are more likely to serve imported food products in their fine dining restaurants, bars and wine lounges. Imported foods are also used by airlines, mining and petroleum companies, international standard catering services, and star rated hotels and independent restaurants for outside-catering to serve private social events and weddings. Other non-Indonesian food restaurants are also dominant users of imported food products.

However, three-star or lower budget hotels, independent medium and small-scale caterers (over 6,500) that serve factories, offices, schools, hospitals, and majority outer island mining and oil operations use only local food items. The main imported items used at this level of service tends to include beef offal and trimmings, fresh and canned fruits, frozen potatoes and vegetables, dressing, sauces, and bakery ingredients.

Western style fast food outlets purchase imported foods, but the variety is limited to such items as frozen french fries, mozzarella cheese, and condiments. Restaurants serving noodles, Japanese food, pizza, and fried chicken, as well as bakery product outlets and coffee houses are prominent and tend to use imported beef offal/trimming, fresh and canned fruits, frozen potatoes and vegetables, dressing, sauces, bakery ingredients, juice and mixed drinks, whipping cream, bakery ingredients and mixes, delicatessen products, and various coffee ingredients, such as creamer, honey, and flavorings.

Australia still holds the largest market share of dairy products, meat, cheese, fresh fruits and vegetables, wine and processed products. New Zealand's main exports are dairy products, cheese, and meat. Geographically, both countries have the advantage of shorter shipping time in comparison to U.S. which effects in lower price with equally great quality products.

Irreplaceable food ingredients for French, Italian, Japanese and Korean restaurants depend greatly on imported products (cheese, condiments, oils, sauces, rice, and canned foods).

South Africa has gained stronger market share in fresh fruits, juices, and wine. China is another U.S. competitor in fresh fruits sector, to include products such as apples and oranges.

Canadian frozen potatoes/french fries are the only main competitor of U.S. products, Indonesia's highest consumption in fast foods, restaurants and cafes.

U.S. dairy and non-dairy based beverage mixes for cafes, fast foods, and beverage vendors have done well during the past five years. Main U.S. competitors in these products include Taiwan and Korea.

France and Chile have become very competitive in the Indonesian wine market. The past few years, local wine makers have also begun to produce varieties of wine from both local grapes and imported Australian grape must to avoid the high taxes on imported alcoholic beverage. These wines become readily available and more affordable for all HRI industry type throughout the country.

The U.S. market share remain strong with high potential in fresh fruits, frozen potatoes, dairy, bakery ingredients, and beverage ingredients since 80 percent fast food, restaurant, and café industries are U.S. franchise holders.

As incomes rise and the retail sector modernizes, demand for quality food products increases concomitantly. However, haphazard enforcement of government regulations limits the ability of importers and retailers to fully meet that increased demand. This limits consumer choices and tends to add to higher costs and prices.

Table8. Growth of Food Service Package Food Sales in 2005-2015 (volume)

Product	Annual Forecast % Growth		Volume sales in 2010 (000 tonnnes)
	2005-10 CAGR	2010-15 CAGR	
Baby Food	-	-	-

Bakery	8.07	5.18	465.56
Canned/Preserved Food	6.39	4.00	4.29
Chilled Processed Food	6.16	4.50	1.04
Confectionery	3.95	2.79	8.41
Dairy	-	-	-
Dried Processed Food	7.88	5.70	2,435.44
Frozen Processed Food	13.20	10.89	8.25
Ice Cream	9.38	7.51	59.89
Meal Replacement	-	-	-
Noodles	2.20	2.59	231.12
Oils and Fats	9.24	6.70	975.23
Pasta	12.00	8.99	2.96
Ready Meals	-	-	-
Sauces, Dressings and Condiments	6.51	5.80	279.29
Snack Bars	-	-	-
Soup	3.72	2.98	0.03
Spreads	3.87	2.88	3.54
Sweet and Savory	4.46	5.92	72.76

Source: Euromonitor

Domestic Industry Concentration

Business meetings and socializing in the large cities take place in specialist coffee shops, tea shops, as well as franchise and independent cafes. In addition, new international franchise food service is predicted to take an opportunity to have a business in Indonesia inviting by entrepreneur families graduated from abroad.

These changes dynamics require the HRI industry to improve at all level of management, hygiene, food quality, and healthy food awareness which will set the future trend of Indonesian eating culture among the upper class society.

The latest trends in café business for high-end consumers in Jakarta is those joining forces/collaborating with bookstores for a café-reading style. They serve mainly pastries and desserts, sandwiches, salads, light pasta dishes, and long list of coffee drinks and blends, and fresh juices.

Frozen yogurt boutiques or bars have taken off in the past four years as a new trend in Jakarta, Surabaya and Bandung. Each year an average of four new outlets of a single brand open up in malls for high-end consumers. The plan is to expand the business to Medan, Makassar, Banjarmasin, and Semarang.

In addition, some fast foods like KFC and McDonald’s have opened cafés for young adults with internet free Wi-Fi service following the trend-setter cafés all over the country. The U.S. franchises such as KFC, McDonald’s, Wendy’s, A&W, Texas Fried Chicken, as well as local California Fried Chicken provide more services to their family type outlets with *Kids Program* or *Party Club* packages, safe playgrounds for children, free Wi-Fi and computers for youth. These outlets along with the other market leaders like Dunkin Donut, Starbucks, and local franchise Solaria started to open their outlets in gas stations and/or rest areas on the main inter-province highways along Java, which most likely to be followed by other islands like North Sumatera, South Kalimantan and South Sulawesi.

Throughout Bali, the 24 hour convenience store like Circle K provide tourists and expatriates with hot coffee, tea, cold beverages, burgers, hotdogs, freshly baked pastries, healthy bread and cookies. This sector shows a great deal of improvement in the future and the consumption of imported standard food ingredients and products, and beverage (soft drinks, local and imported beer/liquor) products will increase. In Jakarta, 7-Eleven convenience stores are popular and widely distribute in Jakarta. This trend is followed by Indomaret, Alfamart, and Starmart.

Trend in Promotion and Marketing Strategies

Promotion efforts by the Indonesian Board of Tourism around the country for example *Visit Musi* Palembang in Sumatera, *Laskar Pelangi* Belitung, *Tanah Toraja Festival* in South Sulawesi, *Wakatobi Festival* in Southeast Sulawesi, *Sasando Music Festival* in Kupang-Nusa Tenggara, and *Sultra Vista Vaganza Bali* in conjunction with Bali travel industry are expected to increase the flight frequencies, ground transportation improvement, hotel and restaurant services that attracted more domestic and foreign visitors.

Regular exposure of Bali in documentary National Geography, Discovery Channel, BBC Knowledge films, and Hollywood movies provide an even more positive impact on the growth of tourism and HRI industry in the eastern part of Indonesia.

Currently, comments and information about food and restaurants are commonly spread through smart phones and social networking sites like Facebook and Twitter. This trend is widely use by users in big cities in line with improvement of internet connection. In addition, more and more program related to culinary experience also is found in Television.

In addition, flyer distribution, Facebook and billboards to promote home delivery and takeaway service are increasing to support busy life style demand such as student, the office workers, and young families.

Best Product Prospects

The HRI industry will continue to demand a number of food items, such as chicken, beef, processed meats, seafood, and frozen potatoes.

Best market prospects for U.S. suppliers include duck, turkey, seafood, french-fries, bakery ingredients, sauces and seasonings, oil and vinegars, cereals, seafood, canned food, fresh fruits, soft drinks, juices, tree nuts, ice cream, snacks, beer, reasonably-priced wines, liquor, beef and beef offals.

USDA choice meat, processed meat, chicken, salmon, cheeses, and wine are among the products that have potential, but lack of availability due to complicated procedures.

The demand for U.S. dairy and non-dairy based beverage mixes/blends for cafés, fast foods, and beverage vendors (*Pop Ice*) will continue to grow.

Imported healthy flavored ice drinks like green-tea and fruit ice blends, pure chocolate and non-fat milk drinks, fresh and concentrated fruit juices are expected to increase dramatically in the next few years.

Table9. Variety of Imported Food Products in Indonesia Market for HRI Industry

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

Source: FAS Jakarta interview

C. Food Processing Sector

Market Overview

In 2010, the value of goods produced by large and medium sized Indonesian food processors was $58.9 billion, 33.9 percent increase over 2009. Meanwhile, raw material inputs during the year were $34.9 billion, up 29 percent from 2009.

The industry consists of businesses of all sizes. In 2010, about 5,864 large and medium-sized, as well as 929,910 small-scale producers were found all over Indonesia. The large and medium-size food industry accounts for around 90 percent of output. However the total employees of those processors are only around 25 percent out of total employees for all type processor which reached 2.87 million. The remaining 10 percent of processed food is produced by home industries. Food products produce at this level is typically sold on the street vendors and by small, outdoor restaurants. These small roadside restaurants are called *warungs*, and street vendors who sell food in small carts called *kaki limas*. *Warungs*, small restaurants along the road, and *kaki limas* are ubiquitous in Indonesia and provide a variety of meals and popular snacks for Indonesians. In Indonesia, giving food as a gift is a popular tradition. Snacking is also very popular.

Several medium and large-scale Indonesian snack food manufactures have merged over the past several years. The results of these mergers include lower production costs, and an increased use of more modern manufacturing methods and equipment. This has ultimately led to higher quality, and more consistent products that are less expensive for consumers. Also, large scale Indonesian snack food manufacturers are developing more creative ways to compete with imports in the domestic market.

Other than beef, chicken, fish, and soybean-based foods (e.g. *tofu* and *tempe*), processed meat and products are an alternative protein source for over 50 percent of the Indonesian population – namely among the middle and lower income consumers. Processed meat products include delicatessen products, burger patties, meatballs, sausages, and nuggets. These products are more affordable to the middle and lower income consumers than beef or poultry meat.

Meatballs have always been a significant source of meat protein for the total population. Hamburger patty, sausage, and nugget production took off after the financial and political crises in 1998. The meat processing industries require consistent supplies of quality meat as basic ingredients; this demand cannot be met locally and are totally reliant on meat imports.

In the last few years, more and more processed meat and fish products have been available in the market. The availability of freezer in traditional wet markets supports the supply of those products to the wet markets customers.

Functional or 'health foods' are currently seeing a surge in popularity. Functional beverage products currently popular in the Indonesian market are beverages that contain vitamin C, minerals, polyphenols, ginseng, fruit juice extract, and are 'low calorie'. The rapid expansion of convenience stores and mini-markets support the distribution channel those variety beverage products.

Table10. Beverage Sales in 2005-2010

Product	Sales in 2010				Off Trade -% Volume Growth	
	Volume (million liters)		Value (Rp. Billion)		**2005-10 CAGR**	**2010-15 CAGR**
	Off-trade	On-trade	Off-trade	On-trade		
Bottle Water	13,548.7	959.7	13,866.7	5,247.0	6.2	3.7
Carbonates	618.5	100.5	6,326.8	2,542.4	4.3	4.0
Concentrates	75.7	-	6,388.8	293.6	4.4	5.0
Fruit/Vegetable Juice	114.2	9.5	1,010.2	215.9	7.7	6.7
RTD Coffee	9.2	0.5	169.2	13.8	15.0	15.5
RTD Tea	1,177.0	389.4	11,317.7	5,418.1	8.3	7.2
Sports & Energy Drinks	411.9	4.9	5,148.6	126.0	23.5	14.8
Asian Specialty Drinks	1,172.8	384.3	11,614.6	5,360.7	8.0	7.0
Soft Drinks	16,068.0	1,466.6	45,153.7	13,889.0	6.6	4.4

Source; Euromonitor

Domestic industry Concentration

Indonesia's 63 million children and teenagers are often targeted consumers for snack manufactures.

Medium and low-end manufactures produce snack foods almost exclusively for traditional markets, as these outlets have lower quality and packaging requirements. About five to ten percent of these products go to modern retailers.

Currently, they are fifteen large-scale snack manufactures in Indonesia. About six of these companies are manufacturing savory snacks. The numbers of medium and small manufactures are estimated to be in the thousands; mostly located on Java. The number of these manufactures has increased over sixty percent during the past five years. Also, many medium-scale snack food manufactures produce bulk plain snacks, which they sell to larger snack companies for further processing. The large manufactures add flavoring and then packed the products. The finished products are sold under their brand names to the retail stores and traditional markets.

The medium and large scale snack food manufactures distribute their products directly to retailers' warehouses, hypermarkets, supermarkets, and minimarkets, and traditional markets. Small vendors purchase branded snacks from agents, sub-agents, or wholesalers.

Despite energy supply and infrastructure problems, there are a number of trends contributing to the growth of the food processing industry. These include the introduction of new flavors and products, aggressive promotional activities, growth of modern retail outlets, and a growing awareness of the benefits of healthier products, which is particularly strong among consumers who were educated in the west.

Smaller ready-to-eat packages are popular because of lower prices and the variety offered. Popular products include frozen poultry, frozen seafood, sausages, sugar confectionery, instant noodles, sweet and savory snacks, dairy drinks, and soft drinks. New brands and products with local flavors are also growing. All ages and income levels enjoy extruded snacks and other snacks of all kinds.

More processors are adding value by fortifying their products. Currently wheat flour, dairy products, noodles, cooking oil, cookies, and frozen processed chicken fortified with minerals and vitamins are for sale in the market. Other products that are growing in popularity include functional packaged foods, breakfast cereals, fresh and pasteurized milk, yogurt, pasta, and frozen snacks, such as Chinese snacks, chicken and shrimp puffs, spring rolls, dumplings, and croquettes. Since the majority of Indonesians are Muslim, most foods are produced to meet halal requirements. The ASEAN free trade agreement creates opportunity to supply food products produce domestically to other ASEAN countries.

Opportunity for Foreign-Supplied Products

Indonesia offers significant potential for U.S. suppliers of ingredients to the local food processing sector. Forecasted increases in U.S. sales are attributed to more aggressive marketing, GOI efforts to promote the local food processing industry, concerns about the safety of Chinese ingredients, and opportunities to differentiate their products with U.S. ingredients.

Medium and large scale snack food manufactures generally use between 20 percent and 40 percent of imported ingredients. The remaining ingredients generally consist of locally sourced products.

The demand for processed meat is year round, the survey indicates that most products (65 percent) go to the wet/traditional markets, while 30 percent go to modern retailers. The remaining 5 percent is absorbed by high-end meat products for foodservice industries and upscale retailers.

Rice is a staple food product and is typically eaten at every meal. However, noodles from imported wheat are a popular substitute and use of wheat continues to grow. Dairy products continue to offer opportunities for U.S. milk powder to be mixed with fresh milk and as an ingredient. Indonesia currently only produces about 25 percent of milk production needs.

Most importers prefer to work directly with U.S. suppliers in obtaining ingredients for snack manufactures, rather than work through agents or traders. However, in recent years it has been more difficult for Indonesian importers to find responsive U.S. suppliers. Demand of imported food ingredient includes food additive, other food chemical for fortification, and processing aid.

Future food products trend is food that are able to enhance health, convenience, indulgence, ethics, and environment.

Trend in Promotion and Marketing Strategies

The growing number of more sophisticated, critical and educated Indonesian consumers is leading to an expanding market for more high value food ingredients and for more value added end products. Emphasizing of the superiority of food ingredients utilized in the food product advertisements in the media has proven to be an effective tool in educating the consumers especially children and mother in TV. Small packaging with nice package design and good quality package is common for children breakfast or lunch box.

With the growth of modern retail outlets, consumers have better access to a wider variety of foods in general, and package food in particular, leading to positive growth in the food processing sector.

Consumers with higher levels of education and income seek to consume healthy bread products containing oats, rye, sunflower seeds, pistachios, walnuts, cranberries, blueberries, and other berries as they become more health conscious and are exposed to western trends and lifestyles through cable TV and internet.

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

The preferred breads for typical Indonesian consumers include sliced white bread, and bread rolls stuffed with chocolate, cheese, or meat. Middle and upper income consumers, to include international tourists and expatriates, demonstrate a growing interest in wheat bread, pastries made with almonds and other tree nuts, pastries and doughnuts made with blueberries, blackberries, and fresh-fruits tarts. This segment of the population is eager to try any new bakery products including cheese cakes, muffins, brownies, cupcakes, fruitcakes, and other western pastries. Those products are usually bought by the Indonesian for their family, relatives, friends, and colleagues especially after travel and special day includes holiday season.

The volumes of ingredients required may increase three to five times more prior to and during the Ramadan period. In addition, snacks are popular during the fasting month and are exchanged as gifts during Ramadan among most Indonesians.

Best Product Prospects

Sweet snack foods, which generally include items like sweet biscuits, creamed layered biscuits, butter cookies, chocolate and cheese wafers, and different types of extruded snacks, to include chocolate and vanilla rolls, *chiki* chocolate balls, chocolate filling squares, and chocolate coated square.

Beside for baby food and drinking milk products, the manufactures add imported skim milk powder, sweet whey, full cream, and demineralized whey to the ingredient mixture and/or as additional ingredients for chocolate coating and filling. Other imported products, such as egg powder, malt extract, emulsifier, flavoring, vitamin premix (B1, B2, B6, B12) are used in smaller amounts. Primary ingredients include wheat flour (although milled from imported wheat), vegetable fats and oils, sugar, and cocoa powder.

Savory snacks consists of potato chips, corn chips, extruded cheese balls, short sticks (*Cheetos*), square/roll stick with cheese filling and/or cheese coating or other fillings. The primary imported ingredients are mostly corn starch, potato starch, sweet whey, cheese powder, and cream cheese. These imported items are used in smaller quantities when compared to the primary local ingredients, like corn powder and dried corn kernel for extruded snack food production.

Various secondary cut, variety meat, offal, chicken meat, and isolated soy protein (ISP) are needed by processed meat manufacturers.

SECTIONIV. BEST CONSUMER ORIENTED PRODUCT PROSPECT

Best market prospects for imported product, as identified by FAS Jakarta based on The Indonesian Statistic Global Trade Atlas website:

Product Category	**2010 Total Import ($mil)**	**2010 Import from US ($mil)**	**5Yr. Avg Annual Import (Value) Growth (%)**	**Import Tariff Rates**	**Key Constraints to Market Development**	**Market Attractiveness for USA**
Dairy Products excl cheese	932	137 (Mainly Non fat dry milk, whey, Lactose)	18.6	5% except Yogurt & SCM - 10%	Competition from New Zealand, Australia, Netherlands, France, Singapore, Japan, Philippines, Belgium, and	Demand for dairy processors, food & beverage industries, and bakeries are increasing

					Ireland	
Other consumer oriented food products	812	79 (Mainly coffee whitener, enzyme, edible preparation containing sugar, mayonnaise, yeast, coffee, honey, cocoa powder, soup, mix seasoning, salad dressing)	23.5	5%	Competition from China, Malaysia, Thailand, Netherlands, Singapore, South Korea , Ireland, Australia, Brazil, New Zealand, United Kingdom	Food processors and Food Service need more and consistent supply of products due to growth
Fresh fruit	639	73 (Mainly Apples, Grapes, and oranges)	25.9	5% except mandarin and mangoes 20%	Competition from China, Thailand, Australia, Argentina, South Africa, New Zealand, Egypt. United Arab Emirates, Tunisia	Health awareness pushes the demand for quality fresh products
Red meats fresh, chilled, frozen	401	24	40.4	5%	Competition from Australia, New Zealand, Singapore and Canada. GOI regulations only allowed certain US plan to export beef to Indonesia	High demand of prime beef for high-end restaurants ; variety meat and offal for the lower to mid-class food service industry
Fish & Sea food	224.8	4.5 (Mostly shrimp, squid, flat fish, cod & other seafood)	49	10% for cod and flat fish, fish canning - 10% other s5%	Competition from China, Thailand, Malaysia, Japan, Vietnam, Taiwan, Canada, Pakistan, Singapore, Norway and local products	Raw material for fish manufacturer and non-tropical seafood products needed by high-end restaurant
Processed fruit & Vegetables	105	39 (Mainly French fries, onion powder, raisin, potato flakes, tomato paste, sauce, dates, garlic powder, jam)	15.0	Mostly 5%	Competition from China, Malaysia, Germany, Thailand, France, Singapore, India	Increased consumption by food service and food processor

Snack food excl nuts	73.8	0.5 (Mainly popcorn, corn chip, sweet confectionery, food prep containing cocoa)	13.1	chocolate & other food prep containing cocoa 15%; sweet biscuit, waffle & wafer 10%, and sugar confectionary not containing cocoa 10%	Competition from Malaysia, China, Thailand, Singapore, Australia, South Africa, Switzerland, United Kingdom, Germany, Italy, Philippines, India and also Import registration number problem	Retail industry development pushes sales of snack food products
Cheese	69	12 (fresh cheese, all kind cheese)	21.6	5%	Competition New Zealand, Australia, Philippines, France	Demand from the food processing industry, and food service includes bakeries are increasing
Pet foods	19	5 (Mostly dog & cat food)	25.3	5%	Competition from Thailand , Australia and France	Demand exists for niche market
Tree nuts	10	4 (Mostly Almonds)	54,4	5%	Competition from Thailand, Cote d' Ivory, Turkey, Ghana, and India	Demand from fast-growing bakery industry

SECTIONV. KEY CONTACTS AND FURTHER INFORMATION

Organization	Contact Person	Address	Phone	Fax
Government of Indonesia Contacts for Food & Beverage Control				

BPOM (National Agency for Drug and Food Control)	**Dra. Lucky S. Slamet, MSc.**	Jl. Percetakan Negara 23, Jakarta Pusat, Indonesia	62-21-424-4688; 424-4691	62-21-425-0764
Ministry of Agriculture - Department of Agriculture-Directorate General of Livestock and Animal health Services	**Ir. Syukur Iwantoro MS., MBA**	Central Office of Agriculture, , C Bld, 6th Floor, Departemen, Jl. Harsono R.M. No.3, Jakarta 12550, Indonesia	62-21-781-5580	62-21-781-5581
Ministry of Agriculture – Agency for Agricultural Quarantine	**Ir. Banun Harpini, M.Sc.**	1st Floor, Building E, Jl. Harsono RM. No. 3, Ragunan, Jakarta 12550	62-21 781-6481, 780-5641 to 44 ext 1103	62-21-781-6481/ 6483
Indonesian Trade Association Contact List				
APRINDO (Indonesian Retail Merchants Association)	**Mr. Tutum Rahanta – Mr. Benjamin Mailool Chairman**	Jl. M. H. Thamrin No 11, Gedung Sarinah, Lantai 13 Jakarta 10350	62-21-315-4241, 392-8545, 316-1596	62-21-392-8545 Email: aprindo@cbn.net.id
ASSIBSINDO (Indonesian Fruit & Vegetables Exporters & Importers Association)	**Kafi Kurnia - Chairman**	Jl. Senopati 20, Kebayoran Baru, Jakarta	62-21-7280-0343	62-21-720-0670 E-mail: biangpenasaran@cbn.net.id
ASPIDI (Association of Indonesian Meat Importers)	**Mr. Thomas Sembiring - Chairman**	Wisma BNI 46, 9th Floor Suite 9.05 Jakarta	62-21-574-2103	62-21-574-2104 Email: asp_1984@cbn.net.id
NAMPA (National Meat Producers Association)	**Ir. Haniwar Syarif**	Jl. Pembangunan II No. 27 Jatibening I, Pondok gede Bekasi 17412	62-21-9290-7948	62-8499-8279

APIKI (Indonesian Fish Cannery Association)	**Hendri Sutandinata, MBA, Chairman**	Jl. Cipinang Indah Raya No. 1, Jakarta 13420, Indonesia	62-21-819-6910	62-21-850-8587
IPS (Dairy Processor Association)	**Mr. Sabana, Director & Mr. Syahlan Siregar (Secretary)**	Wisma Nestle,5th. Arcadia Office Park, Jl. Letjen T.B. Simatupang Kav 88, Jakarta 12520	62-21-7883-6000 ext 1501	62-21- 7883-6001
GAPMMI (Indonesian Food & Beverage Association)	**Mr. Adhi S. Lukman - Chairman**	Kantor Pusat Kementerian Pertanian F Building, 2nd Floor, Room 224-A Jl. Harsono RM No. 3 Ragunan, Pasar Minggu Jakarta 12550	62-21-7032-2626-27	62-21-780-4347 E-mail: gapmmi@cbn.net.id; Homepage: http://www.gapmmi.or.id/
Indonesian Cold Chain Association (ARPI/Assoc Rantai Pendingin Indonesia)	**Ir. Hasanuddin Yasni, MM Executive Director**	Jl. Pasanggrahan Raya No. 2B Kebon Jeruk Jakarta 11620	62-21-5890-3307;	6221-7369-1872; 587-3492 E-mail: arpi@arpionline.org; arpi@cbn.net.id hsyasni@arpionline.org
U.S. Cooperator and MAP Participants				
Organization	**Contact Person**	**Address**	**Phone**	**Fax**
AgriSource Co., Ltd Regional representative for USA Dry Peas, Lentils & Chickpeas	**Tim Welsh, Managing Director**	Ambassador's Court, 4th Floor, No. 416, 76/1 Soi Lang Suan, Ploenchit Road, Bangkok, Thailand 10330	(66-2) 251-8655 /6	(66-2) 251-0390 E-mail: agsource@loxinfo.co.th
Lieu Marketing Assoc. Pte. Ltd Regional representative for: California Table	**Richard Lieu, Director**	48 Toh Guan Road East # 02-129 Enterprise Hub Singapore	(65) 6515-6113	(65) 6278-4372 E-mail: gabaric@singnet.com.sg

Grape Commission, Pear Bureau Northwest, Raisin Administrative Committee, United States Potato Board, US Apples		608586		
Peka Consult, Inc. Country representative for Washington Apple Commission, California Table Grape Commission, Pear Bureau Northwest, Sun-maid Raisin, Sunkist Growers, US Potato Board.	**Kafi Kurnia, Leonard Tjahjadi**	Wijaya Grand Center Blok F-62B; Jl. Wijaya II; Jakarta 12160	(62-21) 723--1608	(62-21) 723-1609 E-mail: peka@indo.net.id
PacRim Assoc. Ltd Regional Representative for the U.S. Dairy Export Council	**Dan Fitzgerald, Director**	P.O. Box 1492, Nana Post Office, Bangkok 10112, Thailand	(66-2) 254-3768	(66-2) 254-3769 E-mail: usdec@pacrim.asia
U.S. Meat Export Federation	**Joel Haggard _ Senior Vice President, Asia Pacific Region**	101 Leighton Road, 8th Floor, Zoroastrian Building, Causeway Bay, Hong Kong	(852) 2890-7408	(852) 2576-7345 E-mail: hongkong@usmef.org www.usmef.org
	Sabrina, ASEAN Director	627A Aljuned Road, 04-04, Biztech Centre, Singapore 389842	(65)-6733-4255/6	(65)-6732-1977 Email: singapore@usmef.com.sg
USA Poultry & Egg Export Council	**Margaret Say Regional Director**	# 15-04 Liat Towers, 541 Orchard Road, Singapore 238881	(65) 6737-1726	(65) 6737-1727 E-mail: usapeec_sing@pacific.net.sg
U.S. Wheat	**Michael M**	# 15-02 Liat	(65)	(65) 6737-9359

Associates	**Spier Vice President for South Asia**	Towers, 541 Orchard Road, Singapore 238881	6737-4311	E-mail: mspier@uswheat.org
	Mr. Husein Sutadisastra Indonesian Representative	C/O HBS & Associates Jl. Saung Gintung No. C-2, Cirendeu Jakarta 15419	62-21-749-1455	62-21-749-1455 Email: hbsuta@indo.net.id
American Soybean Association	**John Lindblom Regional Director**	#11-03 Liat Towers, 541 Orchard Rd., Singapore 238881	(65) 6737-6233	(65) 6 737-5849 E-mail: asaspore@pacific.net.sg
PT Swaco Prima Windutama Country representative for American Soybean Association	**A. Ali Basry, Director**	Wisma Mitra Sunter #201, Blok C-2, Blvd Mitra Sunter, Jl. Yos Sudarso Kav 89, Jakarta, Indonesia 14350	(62-21) 651-4752/53	(62-21) 6583-1087 E-mail: asagrain@indosat.net.id
U.S. Grains Council	**Adel Yusupov - Regional Director**	Suite 3B-7-3A, Block 3B Level 7, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia	(60-3) 2273 6826	(60-3) 2273 2052 E-mail: usgkl@usgc.com.my

APPENDIX I- STATISTIC

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

Item	Import from the World ($ millions)			U.S. Market Share (% value)		
	2008	2009	2010	2008	2009	2010
Agricultural Products	10,798	9,533	12,932	23	18	17
Consumer-Oriented Agr.	2,844	2,560	3,461	13	10	11
Edible Fish & Seafood Products	118	156	225	2	2	2

Demographic Information: Indonesia			
2010, Total Population (million)	237	Annual Growth Rate in 2000-2010	1.49%
2010, Urban Population (million)	118	Annual Growth Rate in 2005-2010 (predicted)	3.8%
2010, Number of Major Metropolitan Areas (>1 mil population)	11		
2010, Size of the Middle Class (millions) *	134	Growth Rate in 2010	N/A
2010, Per Capita Gross Domestic Product *	Rp. 27,027.8 ($ 2,977.6)		
2011 Unemployment Rate (February)	6.80%		
2010, Per Capita Average Food Expenditures *	Rp. 3,054,240 ($336.48)		
2010, Percent of Female Population Employed	91%		
*Middle Class: 56.5% of the population ** Average US $1=IDR 9,077 (2010)			

Source: Indonesia Statistic (BPS)

Exchange Rate (Rp./1US $) on Period Month Ending Basis

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2005	9,149	9,235	9,518	9,682	9,467	9,649	9,826	10,097	10,250	10,020	10,067	9,850	9,734
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
200	9,090	9,160	9,118	9,083	8,828	9,054	9,18	9,410	9,137	9,379	9,376	9,419	9,187

7							6						
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

Source: Indonesia Statistic (BPS-Badan Pusat Statistik) and Business Indonesia Daily Newspaper

TABLE B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

Indonesian Imports (in millions of dollars)	Import from the World			Import from U.S.			U.S. Market Share (% value)		
	2008	**2009**	**2010**	**2008**	**2009**	**2010**	**2008**	**2009**	**2010**
CONSUMER-ORIENTED AGRICULTURAL TOTAL	2,845	2,560	3,462	379	250	382	13	10	11
Snack Foods (Excl. Nuts)	56	44	74	0.7	0.7	0.5	1.2	1.6	0.7
Breakfast cereals & Pancake Mix	13	14	13	1	0	0	7	1.3	0.7
Red Meats, Fresh/Chilled/Frozen	202	273	401	3	3	2	1.4	1	5.9
Red Meats, Prepared/Preserved	7	5	5	0.5	0	0	7.8	0	1
Poultry Meat	10	5	1	5	3	0.2	54	62	19
Dairy Products (Excl. Cheese)	857	578	932	171	63	137	20	11	15
Cheese	55	49	69	16	5	12	30	11	17
Eggs & Products	7	8	7	0.6	0	0.7	10	0	10
Fresh Fruit	442	591	639	44	65	73	10	11	11
Fresh Vegetables	245	235	348	1	1.5	1.9	0	0.6	0.5
Processed Fruit & Vegetables	89	91	105	31	29	39	35	31	37
Fruit & vegetable Juice	15	17	20	5	5	5.6	34	29	28
Tree Nuts	6	10	10	2	2.7	4	35	28	41
Wine & Beer	1	0	0	0	0	0	0	5	0
Nursery Products & Cut Flowers	1	1	2	0	0	0	0	0	0.8
Pet Foods (Dog & Cat Food)	13	15	19	4.6	4.7	5	30	25	27
Other Consumer-Oriented Products	827	623	812	93	66	79	11	11	10
FISH & SEAFOOD PRODUCTS	118	156	225	3	3	5	2	2	2
Salmon	3	3	4	0	0	0	0	4	1
Surimi	4	0	0	0	0	0	4	0	0
Crustaceans	17	17	26	1	1	2	8	6	7
Groundfish & Flatfish	10	13	24	0	0	0	3	3	1
Mollusks	9	11	10	0	0.6	1	5	6	13
Other Fishery Products	76	113	161	0	1	1	0	1	0
AGRICULTURAL PRODUCTS TOTAL	10,798	9,533	12,932	2,445	1,734	2,251	23	18	17
AGRICULTURAL, FISH & FORRESTRY TOTAL	11,303	9,960	13,545	2,510	1,772	2,304	22	18	17

Source: Global Trade Atlas

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

CONSUMER-ORIENTED AGRICULTURAL TOTAL - 400					FISH & SEAFOOD PRODUCTS-700			
($1,000)	**2008**	**2009**	**2010**		**($1,000)**	**2008**	**2009**	**2010**
China (Peoples Republic of)	549,747	624,430	850,926		China (Peoples Republic of)	25,103	63,270	83,818
New Zealand	420,196	342,182	495,530		Thailand	10,557	16,432	28,504
Australia	300,437	337,226	417,497		Japan	23,753	11,128	19,363
United States	**378,740**	**249,523**	**382,403**		Malaysia	12,814	11,346	19,237
Thailand	237,992	234,640	246,002		Vietnam	3,574	11,135	18,099
Malaysia	170,844	145,029	211,062		Taiwan	4,122	5,497	8,263
Netherlands	112,238	116,112	151,974		Canada	132	395	7,384
France	56,926	51,275	99,643		India	1,415	1,693	6,342
Singapore	108,174	79,049	88,887		Singapore	5,800	3,570	4,559
Philippines	99,985	45,487	46,072		**United States**	**2,606**	**3,342**	**4,486**
Japan	14,332	15,785	39,462		Indonesia	3,795	6,032	4,274
Ireland	33,438	23,418	38,867		Pakistan	7,132	2,456	4,037
India	28,019	22,573	38,830		Norway	1,523	1,687	3,457
Germany	35,017	25,470	37,352		Myanmar	2,245	1,559	1,800
Belgium	16,076	13,677	30,758		South Korea	1,547	6,638	1,689
Other	282,510	234,206	286,253		Other	12,994	9,996	9,462
World	2,844,671	2,560,082	3,461,518		World	118,227	156,176	224,774

Source: Global Trade Atlas

APPENDIX II. CALENDAR OR TRADE SHOWS IN INDONESIA

Name of Event:	**FOOD & HOTEL INDONESIA 2012**
Event Location :	Bali International Convention Center, Nusa Dua - Bali, Indonesia
Industry theme:	The 8th International Exhibition for Equipment, Food, Beverages and Services to Support Indonesia's Tourism and Hospitality Industries; the 8th International Retail Equipment, Display, and Storage Exhibition
Dates of Event:	**March 1-3, 2012**
Type of Event:	International Exhibition
Name of Organizer:	P.T. Pamerindo Buana Abadi
Phone of Organizer:	(62-21) 316-2001
Fax of Organizer:	(62-21) 316-1983/4
E-mail of Organizer:	wiwiek@pamerindo.com
Web site:	www.pamerindo.com

Name of Event:	**FOOD INGREDIENT ASIA 2012**
Event Location:	Jakarta International Exhibition Center, Kemayoran, Indonesia
Industry theme:	The only exhibition that unites the growing ASEAN food ingredients community in one place and alternate with FiA Bangkok. The fair encompasses all ingredients which makes the food and beverage we consume today, such as sweeteners, emulsifiers, flavoring, coloring, etc
Dates of Event:	**October 3-5, 2012**
Type of Event:	International Exhibition
Name of Organizer:	P.T. Media Artha Sentosa
Phone of Organizer:	(62-21) 7060-8638
Fax of Organizer:	(62-21) 5830-1097
E-mail of Organizer:	maria@excomindo.com
Web site:	www.ingredientsnetwork.com

Name of Event:	**FOOD & HOTEL INDONESIA 2013**
Event Location:	Jakarta International Exhibition Center, Kemayoran, Indonesia
Industry theme:	The 12th International Hotel, Catering Equipment, Food and Drink Exhibition; The 9th

	International Retail Technology, Equipment, Display, and Storage Exhibition
Dates of Event:	**April 10-13, 2013**
Type of Event:	International Exhibition
Name of Organizer:	P.T. Pamerindo Buana Abadi
Phone of Organizer:	(62-21) 316-2001
Fax of Organizer:	(62-21) 316-1983/4
E-mail of Organizer:	wiwiek@pamerindo.com
Web site:	www.pamerindo.com