

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 12/31/2013

GAIN Report Number: ID1365

Indonesia

Exporter Guide

Exporter Guide Update 2013

Approved By:

Thom Wright

Prepared By:

Fahwani Y. Rangkuti &
Thom Wright

Report Highlights:

Indonesia faces economic challenges moving into 2014, with the World Bank forecasting declining growth at 5.3 percent. Despite expanding levels of trade, ambiguous trade regulations, elections, and a trade policy with a nationalistic food sovereignty outlook inhibit exports. Opportunities exist for products to service an increasingly urban and time sensitive population, as well as inputs for Indonesia's growing food processing industry.

Post:
Jakarta

Executive Summary:

MARKET OVERVIEW

Economic Situation

Indonesia maintained a relatively healthy macroeconomic environment with positive growth rates above 6.0 percent from 2007 to 2012. There are a number of risks and challenges expected in the coming year due to domestic economic policies, however, and as a result, the World Bank estimates Indonesian economic growth at 5.6 percent in 2013 and 5.3 percent in 2014. An economic structure with a high dependency on imports, especially imports of capital goods, raw and intermediate materials will affect the balance. Domestic demand will continue to be the major driver for economic growth.

A November 2013 Bank Indonesia survey confirmed that Indonesian consumers are optimistic regarding economic conditions for the upcoming six months in terms of income, job availability and business activity. The Consumer Confidence Index and Consumer Expectation Index support this, reaching 114.3 and 121.4, respectively. Consumer Confidence Index levels above and below the baseline of 100 indicate degrees of optimism and pessimism.

Gross National Product per capita in 2007 was \$1,843, while 2012 is \$3,459. The Indonesian middle class is growing, incomes are rising, and a new generation seeking western food products and brand names is evolving. Middle class consumers have easier access to media and internet facilities, further exposing Indonesian consumers to various international products, activities and lifestyles. These domestic consumers, along with a large expatriate community, consume a wide array of imported products. In 2012, consumption accounted for 55 percent of GDP growth in Indonesia. GDP distribution at current prices showed that household consumption expenditures was 24.5 percent on food and 30.5 percent on non-food items (2012 GDP was \$875 billion/IDR 8,241 trillion). The 2012 monthly average expenditure per capita for food was Rp 323,478 (\$34.32). This averaged to be about 51.0 percent of total monthly expenditures per capita.

The Indonesian Rupiah has weakened against the dollar since July 2013. Strong domestic demand and slower exports have increased Indonesia's trade deficit and import growth, encouraging the Government of Indonesia (GOI) to strictly limit food imports. These measures resulted in dramatic price increases for beef and horticultural products. The GOI also reduced certain fuel subsidies in June 2013, which led to higher fuel prices and electricity rates. Inflation and protectionist policies are likely to create challenges for the expansion of U.S. food product exports to Indonesia.

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.

U.S. Food Product Exports to Indonesia

In Calendar Year (CY) 2012, Indonesia was the 8th largest export market for U.S. agricultural products, with exports at \$2.49 billion. This actually reflects an 11.37 percent decrease from the previous year, mostly due to higher commodity prices and market access challenges for imported products. Exports to Indonesia in the consumer-oriented product category reached record levels between 2008 and 2012 (fresh fruit, prepared foods, processed vegetables, processed fruit, tree nuts, dog & cat food, condiment in sauces, fresh vegetables, and pork & pork products). Dairy products remained the largest export in this category, followed by fresh fruit.

[Exporter Guide 2012](#) information remains valid for information on trade agreements, key demographics, market access issue, market opportunities, local business customs, general consumer tastes and preferences, food standards and regulations & export certificates.

For more information please refer to the 2013 sector reports on [Retail Foods](#), Food Services, and Food Processing Ingredients.

Table 1. Indonesia: Advantages and Challenges Facing U.S. Product in Indonesia

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS MARKET	
ADVANTAGES	CHALLENGES
Large Consumer Base: Indonesia has a population of 240 million people, with 150 million people projected to join the middle class by 2014.	Weak purchasing power of the majority of the population.
The distribution system on the island of Java is improving, providing increased access to a population of 136.6 million.	Infrastructure, including ports and cold storage facilities outside of the main island of Java, are poorly developed.
The availability of imported products will be accommodated by the rapid growth of the modern retail sector; Japanese, Korean, and Western restaurant chains; bakeries and a well-developed tourism industry.	Import regulations are often complex and non-transparent, thus requiring close business relationships with a local agent. Getting an ML number for imported retail packaged food products is complicated, but required. Labels must be written in Indonesian and attached before entering Indonesia. 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
Many Indonesian consumers are aware of the quality and safety of the U.S. products.	Prices of imported products are relatively high compared to locally produced products.
Low Duties: Duties on most food are 5%	Consolidated shipments with products from several suppliers are often more cost effective for Indonesian retailers. This increases documentation problems.
More urban women entering the workforce with less time available for shopping and cooking increasingly focusing on	Product shelf life should be considered for shipments to Indonesia due to the extended transportation and inconsistent (non-transparent & unpredictable)

convenience.	custom clearance procedures & time.
Some multinational companies have commissary and catering services that need imported products. Besides that food processing industry is constantly creating new products to accommodate Indonesian taste preferences. More ingredients are needed.	Third-country competition and promotion remains strong, especially from Australia, New Zealand and China. Food product imports from Malaysia, Philippines, and Thailand are growing. Bilateral free trade agreements provide opportunities to competitors.
U.S. Fresh Food of Plant Origin (FFPO) safety control system has been recognized. The U.S. horticulture products are allowed to enter Tanjung Priok – port of Jakarta.	The GOI intends to review FFPO recognition every two years. Current regulations stipulate that only three sea ports and one airport are allowed as a horticultural entry points. Approximately 39 horticultural products must have an import recommendation from Indonesian Ministry of Agriculture, and import permit from Ministry of Trade before imported to Indonesia.
GOI approved a number of several U.S. meat and many U.S. dairy establishments to export products to Indonesia. GOI lifted the ban on imported U.S. bone-in meat on June 17, 2013.	Animal-based processed food must be certified “halal”. Import recommendations from MOA are required to obtain an ML. Besides that, animal based processed food must have an import recommendation from BPOM and MOA and also import permit from MOT before imported to Indonesia.
Indonesia also does not produce sufficient quantities of beef, dairy products, tree nuts, temperate zone fresh fruit and vegetables, and pet food.	U.S. freight costs are high relative to competing origins

EXPORTER BUSINESS TIPS

General import and inspection procedures

- The Indonesian Ministry of Trade issued regulations 83/2012 and 61/2013, limiting ports of entry and requiring importer registration and pre-shipment inspection for imported products falling under 505 Indonesian 10-digit harmonized tariff codes, (including 219 food and beverage lines).
- Horticultural products that arrive in Indonesian after November 28, 2012, should be inspected by a surveyor at the country of origin prior to shipment.
- 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
- Duties applied to all imported alcoholic beverages effectively changed from an ad valorem tariff to a specific tariff in April 2010. Sales tax is 2.5 percent and excise for alcoholic beverage and alcoholic concentrate ranges between Rp.14,000-125,000/liter (approximately \$1.32 to \$11.85), depending on the percentage of ethyl alcohol content. Additional information on the alcoholic beverages can be found at the following links: ([ID9029](#)), ([ID1011](#)) and ([ID1019](#)).

- 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.
- Import documents should be concise, simple and complete. If all documentation is complete, customs clearance can be finished in two days (green line) and 5-7 days (red line and yellow line). Incomplete documentation can result in long delays.

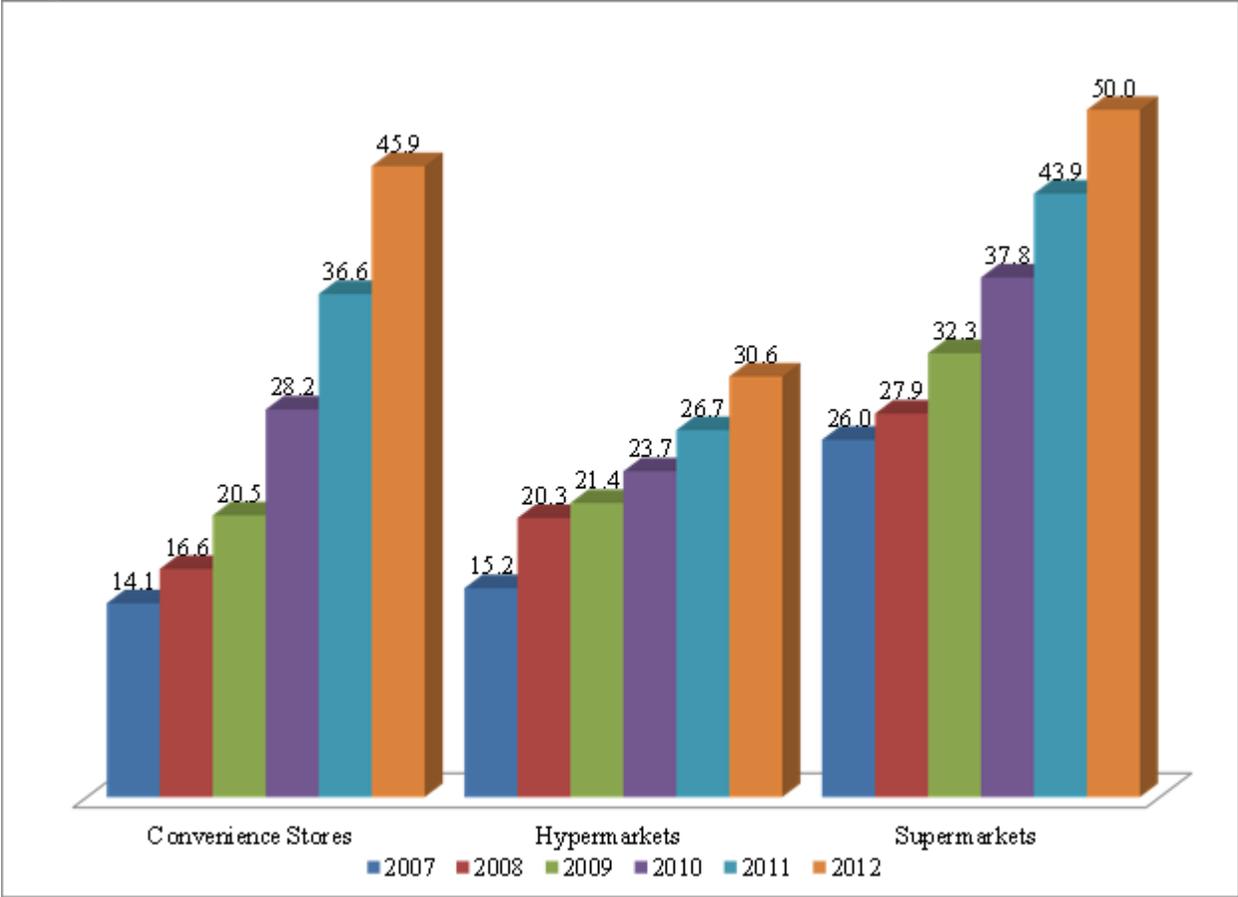
MARKET SECTOR STRUCTURE AND TRENDS

A. Retail Sector

Market Overview

Hypermarkets, supermarkets, and minimarkets are developing rapidly in Indonesia as purchasing power increases. Development is primarily occurring in urban areas, and the prospects for the continued retail sector expansion throughout Indonesia remain promising. Land availability and permitting are a constraint to retail expansion.

Figure 1. Indonesia: Modern Retailer Sales (IDR Trillion)



Source: Euromonitor

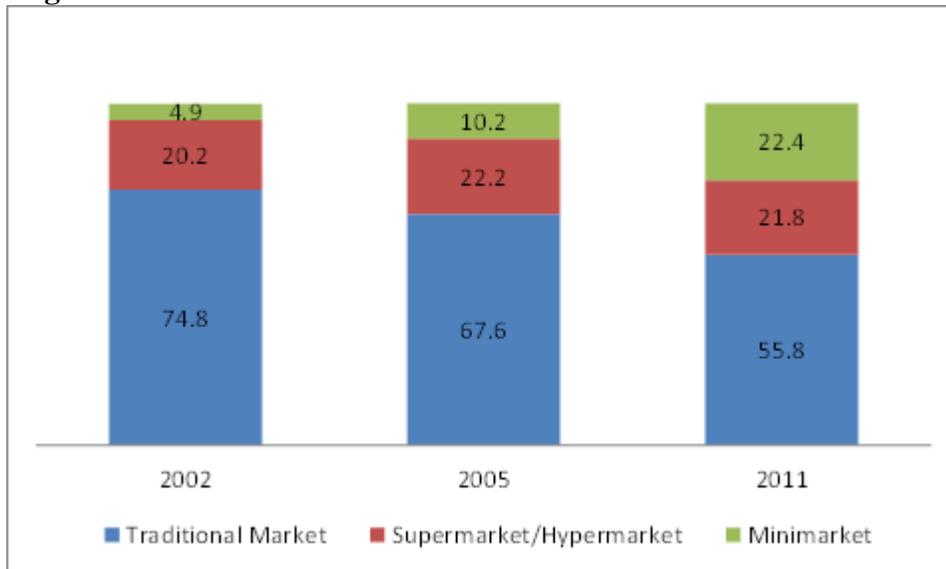
The Indonesian retail sector began to expand in 1999, when a Presidential Decree (No. 96/2000 and

118/2000) allowed Carrefour, a French retailer, to expand retail operations in Jakarta. Current foreign retailers in Indonesia include Carrefour (operated by CT Corp/PT Trans Retail), Giant, Lotte Mart (formerly Makro), Lion Superindo, Circle K, Seven Eleven, Lawson, Family Mart and Ministop. Some modern retail chains have multi-format outlets. Hypermarket, supermarkets, convenience shops and minimarkets are all present in Jakarta.

Convenience stores are growing in Indonesia. Following the introduction of 7-Eleven in 2009, the stores have grown in popularity amongst young consumers and students. Convenience stores differ from Indonesian minimarkets in that they offer fewer Stock Keeping Units (SKU) than minimarkets while offering ready to eat foods and a dining area. Locally owned minimarkets are progressively expanding to residential and office areas throughout Java, Bali and other provinces. Minimarkets are in direct competition with traditional independent small grocers (warungs), on the basis of price, cleanliness, food safety, and comfort. Independent small grocers face this challenge by offering personalized, flexible services to their community.

There are a variety of specialty stores serving high-end consumers in major urban areas. These businesses specialize in imported goods, fruit boutiques, dairy, fish, and poultry products (owned by integrated poultry companies). Western-style bakeries are also growing due to new consumer awareness of western style breads and pastries. The Kalbe E-store offers online retail and home delivery services for grocery and health products. Many of these stores have suffered from import registration number (ML) requirements for processed food and retail packaging issues.

Figure 2. Indonesian Retail Sales Value Share



Source: Kontan March 4-10, 2013

Modern Retail Market Growth

Modern retail sales in urban areas across Indonesia are expected to grow an average of 7.3 percent/year during 2012 to 2017 (Euromonitor). Hypermarkets and supermarkets offer a wide range of food and beverage products and are generally located as anchor stores in shopping centers. One way they differentiate themselves from local retailers is by marketing high-quality fresh produce, a substantial portion of which is imported. Indonesian middle and upper income level consumers are increasingly

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

Domestic Industry Concentration

Local businesses dominate the market for baked goods, noodles and wheat-based products, snacks, frozen poultry products, processed dairy products such as cheese and yogurt, processed seafood products, canned fish, soft drinks, teas, coffee mix, tropical fruits and vegetables, and fresh sea food. Businesses featuring fresh produce compete on their ability to supply competitively priced locally grown products, while businesses featuring processed food and beverages compete on brand name. There are several multinational companies in this sector, including Unilever, Nestle, Kraft, Danone, Heinz, and Frito Lay.

Local food producers are largely specialized on conventional Asian staples. As a result, many premium categories and western-style foods are underserved in Indonesia. Indonesian consumers also associate quality and safety with U.S. food products. These two points are possible advantages for U.S. businesses seeking to export to Indonesia.

Opportunities for Foreign-Supplied Products

Temperate fresh fruit, processed fruits and vegetables, beef, french fries, tree nuts, and pet foods are mostly imported. 60 percent of fresh fruit sold in hypermarkets is imported.

Western cuisine is becoming more common and western products such as breakfast cereals, spreads and baked goods are often consumed in the place of traditional rice or noodle breakfasts. Changing dietary habits are driving consumption growth of milk, yoghurt, cheese, pasta, meat nuggets, sausages, and red meats.

U.S. food products are sometimes less competitive in Indonesia due to high freight costs relative to competing origins and locally produced products. Consolidated shipments with products from several suppliers are highly favored and are often more cost effective for Indonesian importers. Competition remains strong from countries in the region, especially Australia, New Zealand and China. Food product imports from ASEAN countries such as Malaysia, Philippines, and Thailand are also growing.

Since September 2008, BPOM has enforced the ML number regulation for all imported package food for retail purpose. As of January 2013, supplementary labels should be affixed prior to customs clearance (before arriving in Indonesia). Statements or claims on the benefit of the food product shall only be included if they are supported by scientific facts which can be accounted for. In addition, the new regulation on imported horticultural products will reduce availability of imported fresh fruit, fruit juice, frozen French fries. Since 2011, Ministry of Agriculture (MOA) and Ministry of Trade (MOT) limit the sale of imported beef to the hotel and restaurant industry.

Indonesian halal concerns continue to challenge U.S. food exporters. According to Indonesian regulations, halal products include foods, beverages, drugs, cosmetics, biochemistry products, and genetically modified products, prepared accordance with Islamic Law, to be consumed, drunk, used, or

worn.

Trends in Promotion and Marketing Strategies

Expatriates and high-income Indonesian consumers are not as price sensitive as the Indonesian middle class and often look for branded, gourmet, and imported items. Organic, healthy and convenience products are starting to become more popular. Younger consumers from middle and upper income families are less cost conscious and seek variety. Small serving size packaging is rising due to price concerns. Modern retailers use television and print media for regular and seasonal promotions while social media marketing is increasingly targeting children, teenagers and young adults. A Nielsen survey found that Indonesian consumer purchasing decisions 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.

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

Indonesian consumers tend to buy food gifts during holidays or after travel. 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

Fresh fruits demonstrate better growth potential than any U.S. product categories already present in the Indonesian market. U.S. processed fruit and vegetables products, as well as snack foods, have also shown growth. Some of the best-selling processed foods include frozen french fries, popcorn, corn chips, mixed fruit juices, frozen and canned vegetables, ice cream, raisins, jams, almonds, baking mixes, dressings, sauces, and seasonings.

There are good opportunities for high-value U.S. items that are not yet imported in significant quantities. These include potato chips, breakfast cereals, baby foods, organic foods, and specialty fruits (especially berries).

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

Market Overview

The Indonesian Hotel Restaurant Institutional (HRI) sector is extremely diverse, consisting of high-end hotels and restaurants that serve local and international cuisine, fast food outlets, cafés and bars, bakery, and low-end small restaurants, street-side restaurants known as *warungs*, and vendors that sell food to customers on the street. Catering operations serve airlines, factories, private social functions, cruise and military ships, offshore mining and oil operations with expatriate staffs, prisons, and hospitals.

The HRI sector for high end customers is concentrated in Bali and urban areas. Bali has the highest number of food service outlets in Indonesia, followed by Jakarta, Surabaya, Bandung, Surabaya, Yogyakarta, Semarang, Medan, Bogor, Malang, Tangerang, and Solo.

There are around 1,600 star rated, boutique and resort hotels with roughly 155,000 rooms in Indonesia. These hotels are concentrated in Bali (218 hotels), West Java (208 hotels), Jakarta (175 hotels), Central Java (139 hotels), East Java (98 hotels), North Sumatera (83 hotels), Riau island (70 hotels), South

Sulawesi (57 hotels) and Yogyakarta (52 hotels). International hotel chains include Pullman, Intercontinental, Crown, The Ritz-Carlton, Le Meridien, Kempinski, J.W. Marriot, Ascot, Four Season, Grand Hyatt, Mandarin, Conrad, Westin, Novotel, Oberoi and St Regis, as well as locally-owned boutique and resort hotels.

Table 2. Indonesia: Tourism Indicators

Description	Year				
	2008	2009	2010	2011	2012
No. of foreign tourists (mil)	6.2	6.3	7.0	7.6	8.0
Revenue (US \$bill)	7.3	6.3	7.6	8.6	9.1
Occupancy Rate (%)-rated hotels	48	48	49	51	50
Number of hotel rooms-rated & non rated hotels	325,218	334,817	353.138	381,457	405,778

Source: National Statistical Agency (BPS)

The GOI has assigned 10 main cities for Meeting, Incentive, Conference and Exhibition (MICE) destinations. They are Medan, Padang/Bukit Tinggi, Batam, Jakarta, Bandung, Yogyakarta, Surabaya, Bali, Makassar and Manado. The rapid expansion of the airline sector and low cost carriers provides effective and efficient access to MICE destination cities.

There are approximately 6,000 restaurants in Indonesia. Bali is home to around 2,600 restaurants, Jakarta 2,082, Bandung 377, Surabaya 324, Yogyakarta 215, Semarang 122, Medan 116, Bogor 73, Malang 62, Tangerang 51 and Solo 41.

Business meetings and socializing in the large cities often occurs in specialty coffee and tea shops.

Consumers demand high levels of hygiene, food quality, and health consciousness from management. Eating out is a common activity across all socio-economic levels, and especially as families during weekends.

Domestic Industry Concentration

Fast food outlets continue to thrive, despite the domination of roadside stalls and vendors in the food service industry. The most prevalent fast food outlets include Kentucky Fried Chicken (450 outlets as of October 2013), A&W (240 outlets as of October 2013), California Fried Chicken (270 outlets as of October 2013), McDonald's (133 outlets as of October 2013), and Pizza Hut (215 outlets plus 70 outlets for delivery as of early 2013). These outlets will remain popular due to affordable prices, high standards and quality, and widespread distribution throughout Indonesia. Burger and pizza restaurants are increasingly present in Jakarta (ex: Burger King, Carl's Junior, MOS Burger, Fatburger, Wendy's, Domino pizza, Marzano Pizza). 2012 BPS data stated that 51.32 percent of the restaurants serve Indonesia food, 23.60 percent serve Western food, 10.29 percent serve Chinese food, 7.13 percent serve Japanese food and 0.99 percent serve Korean food. BPS statistics indicate that 78.20 percent are independent and 21.80 percent are franchises.

Opportunity for Foreign-Supplied Products

Four and five-star hotels cater to the tourist industry and up-scale diners. Cafés and bars specializing in Western and other non-Indonesian cuisine are dominant users of imported food products. Local caterers and restaurants tend to purchase local products. Western style fast food outlets purchase imported foods,

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

Table 3. Indonesia: Variety of Imported Food Products in the Indonesian Market for HRI Industry

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

Caterers typically use local products, although they are likely to use imported beef offals, fresh and canned fruits, frozen potatoes and vegetables, dressings, bakery ingredients and mixes. Higher-end consumers, such as airlines, mining and petroleum companies, international-standard catering services,

and hotels tend to use higher quantities of imported goods.

Due to existing food import regulations, post expects more local food products in retail markets. Local foods are largely limited to Asian food types.

MOT Regulation No. 7/2013 regulates the expansion of franchise restaurants, limiting the number of outlets owned by a single company to 250. Companies with more than 250 outlets prior to the regulation must, divest the remainder to a third party within five years. The regulation also requires outlets to use a minimum 80 percent of local equipment and ingredient products. In addition to franchising rules, Ministry of Health (MOH) regulation No. 30/20013 requires quick service restaurants to provide sugar, salt, and fat content information, as well as post the health message “Consuming more than 50 grams of sugar, 2,000 milligrams of Natrium, or 67 grams of fat per person per day increases the risk of hypertension, stroke, diabetes, and heart attack.” Quick service restaurants have been given three years to conform to the regulation.

Trends in Promotion and Marketing Strategies

The Indonesian Board of Tourism is promoting new tourism destinations in Indonesia, and flight frequencies are increasing. Tourism and business travel growth are expected to improve ground transportation infrastructure, hotel & restaurant services. Eastern Indonesia has become a marine tourism destination.

Social networking sites such as Facebook and Twitter are growing in importance as a marketing tool for food and dining, especially in areas with high-quality internet connections. Food service operators also use social media networking to update product offerings and reach new customers. Television culinary programming is increasing in popularity. Handbills, Facebook and billboards promote home delivery and takeaway services are growing as lifestyles demand time-saving services.

Best Product Prospects

The HRI industry will continue as a leading consumer of imported food items.

Opportunities for high-value U.S. food items include alcoholic beverages (beer and wine), egg yolks, dehydrated potatoes, and specialty fruits (such as berries). Many of these items are not yet present in significant quantities due to a lack of customer knowledge (dehydrated & mashed potatoes) availability (specialty fruits), and regulatory hurdles (there is a complicated procedure to import and distribute the alcoholic beverages and egg yolk products).

GOI import regulations on animal-based foods and horticultural products limit availability of those products for the HRI industry. For example, there is demand for U.S. chicken parts, processed poultry products and fresh potatoes, but MOA and MOT regulations prevent their import.

C. Food Processing Sector

Market Overview

In 2012, the product value of the Indonesian large and medium food processing industry was IDR 676,283 billion (\$71.76 billion), up 6 percent from 2011. According to National Statistical Agency (BPS) figures, there are about 5,800 large and medium-size producers with 832,000 employees and

there are 1.2 million micro and small scale producers with 3.4 million employees. Micro and small scale producer's revenue is estimated at IDR 197,404 (\$18.7 billion),

Food processing industry growth is attributable to several factors, including the introduction of new flavors and products, aggressive promotional activities, modern retail expansion, and growing health awareness. According to Euromonitor, packaged food growth ranged from 3.97 to 11.44 percent in volume (except for snack bars at 57.87 percent) in 2012 and is expected to continue. Urban women entering the workforce prefer the convenience of processed food products and will help drive this trend.

Educated consumers are increasingly seeking healthier options. Food manufacturers are responding by fortifying their products with vitamin, providing organic products, marketing healthier ingredients, and providing lower sugar, cholesterol, and fat options. Wheat flour, dairy products, noodles, cookies, and frozen processed chicken fortified with minerals and vitamins are available in the market.

Soft drink industry growth is focused on new to market products, variants with attractive packaging, and sport and energy drinks. Consumers seeking healthier options are driving demand for fruit juice, tea, sport and energy drink expansion, while demand for convenience is driving the development of instant coffee products.

Food processors are developing different branding and packaging for different market segments. For example, small packs cater to low income consumers, while packaging for the food service industry is also available. Private labels are growing and are easily found on supermarket shelves.

The Government of Indonesia is encouraging the growth of food processing industry. Imports can benefit from this, as the GOI recognizes that some ingredients are not available locally. Elections, food safety scares, efforts to curb illegal imports, and the global financial crisis, however, lead to protectionism. Import permitting issues are responsible for trade constraints with animal and horticultural products.

Domestic Industry Concentration

Food and beverage manufactures frequently target Indonesia's 66.8 million children and teenagers (4-19 years old) as a key market. Additionally, marketers are looking to the growing health-conscious consumer base.

Table 4. Indonesia: Popular processed food products in retail outlets, 2012

Product type	Processed food
Baby food	Powder toddler milk formula (Nestle lead to 25% share baby food)
Baked goods	Bread, and filled pastry
Biscuit	Chocolate coated biscuit and sandwich biscuit
Breakfast cereal	Children breakfast cereal and hot cereal
Canned/preserved food	Canned sardines in chili sauces, corned beef and sausages
Cheese	Unspreadable processed cheddar cheese
Chilled processed food	Sausages and meat ball
Chocolate	Fill chocolate tablets (range of nut filled) and plain milk chocolate.

confectionery	
Dried processed food	Package rice and instant noodle
Milk products	Flavored powder milk, flavored UHT milk drinks, fresh & pasteurized milk, condensed & evaporated milk
Frozen processed food	Frozen processed poultry (chicken nugget, seasoned chicken wings , karaage), frozen processed beef (meat ball, sausages, beef patty), frozen processed fish (breaded fish fingers, coated prawns, crabsticks), frozen Chinese snack (dim sum, spring rolls, chicken/fish/shrimp dumpling, croquettes)
Ice cream	Chocolate, strawberry, vanilla, blueberry, mocha, coffee flavor
Yogurt	Drinking yogurt, spoonable yogurt with fruit flavor
Pasta	Dried pasta (spaghetti and fettuccini)
Sauces, dressing, and condiments	Soy sauces, chili sauces, mayonnaise, salad dressing, ketchup, pasta sauces, and ethnic cooking sauces.
Spreads and preserve	Chocolate, srikaya (egg and coconut milk based), fruit flavor/strawberry, honey
Sweet and Savory Snacks	Chips, extruded snacks, nuts, non-microwave pop corn, ethnic Indonesian snack, and cup jelly

Source: Euromonitor

Although cold chain facilities are generally available in urban areas, many food items are sold without temperature control in traditional distribution channels. Limited capital, low awareness of the benefits of refrigeration, and the practice of buying and consuming meals on the spot are still very common and limit the development of a cold chain network.

Table 5. Indonesia: Popular soft drink products during 2012

Product type	Soft drink
Asian specialty drinks	Ready to drink tea, cooling water (larutan penyegar)
Concentrate	Sachet fruit-based powder concentrate, liquid concentrate (squash and syrup)
Carbonates	Non-cola carbonates
Fruit/vegetable juice	100% juice (fruit, vegetable or mix), nectars, fruit flavored drinks.

Source: Euromonitor

The government strictly controls alcoholic beverage production, distribution, sale, consumption, and advertisement in Indonesia. Alcoholic beverages are subject to specific import and excise duties.

Opportunity for Foreign-Supplied Products

Indonesia offers significant potential for U.S. ingredient suppliers. Forecasted increases in U.S. sales are attributed to continued marketing efforts, GOI support for the local food processing industry, safety concerns about competing imported ingredients, and opportunities to differentiate and promote Indonesian products with high-quality U.S. ingredients. Additionally, ingredient demand will grow as new manufacturers enter the market and existing manufacturers expand their operations. Food manufacturing expansion is expected in baking, food service, and retail sectors.

The ASEAN Economic Community (AEC) will be integrated in 2015. AEC envisages: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy. Indonesia may not optimize the full economic benefit of the AEC if it fails to adopt measures to fully integrate with the AEC.

Trends in Promotion and Marketing Strategies

The growing number of more sophisticated, critical and educated Indonesian consumers is expanding the market for high value food ingredients and value-added products. Television advertisements emphasizing superior ingredients are proving to be efficient tools to reach consumers. Social media are increasingly used as a marketing tool. Live events, such as food festival provide hands-on exposure and samples to visitors.

With the growth of modern retail outlets, consumers have better access to a wider variety of foods in general, and packaged food in particular, leading to growth in the food processing sector. Products for children’s breakfasts and lunch boxes are popular, and feature affordability and convenience.

Trends 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, (including tourists and expatriates), seek wheat breads and pastries made with tree nuts and fruits. These consumers are eager to try new bakery products including cheese cakes, muffins, brownies, cupcakes, fruitcakes, red velvet cakes and other western pastries. Indonesian consumers typically purchase these products as gifts during holidays or following travel. Ingredient demand may increase three to five times prior to the Ramadan period. Snacks are popular during the fasting month and are exchanged as gifts.

Best Product Prospects

Primary ingredients such as wheat, refined sugar, soybeans, dairy, fresh fruit, and processed fruit have high demand and are frequently imported. Blending products used for enriching products such as corn starch, potato starch, dehydrated potato, garlic powder, onion powder, and chili powder are also demanded.

The frozen processed beef and poultry industry is growing. Imports of these items are regulated by the GOI and can be challenging. There is also a possibility to supply alcoholic preparations used by alcoholic beverages manufacturers, although the GOI has set strict import regulations and high tariffs for alcoholic products.

BEST CONSUMER ORIENTED PRODUCT PROSPECT

Best market prospects for imported consumer oriented products, based on import statistics:

Table 6. Indonesia: Best Consumer Oriented Products that Offer Outstanding U.S. Export Opportunities

Product	2012	2012	2012	5Yr.	Import	Key	Market
---------	------	------	------	------	--------	-----	--------

Category	Import (Volume, T)	Import (\$mil)	Import from U.S. (\$mil)	Avg Annual Import (Volume) Growth (%)	Tariff Rates (%)	Constraints to Market Development	Attractiveness for USA
Fresh fruit	776,679	824	109.4 (mainly apples, grapes & orange)	10.7	5 20% for mandarin & mangoes	Competition from China, Thailand, Australia, South Africa, Vietnam, Egypt, Argentina Current GOI regulations inhibit some U.S. fresh fruit imports	Health awareness and rising middle class pushes the demand for quality fresh products. Lack of supply and quality domestic fruit products.
Fresh Vegetable	690,218	384	1.9 (mainly potato and onion)	7.9	5 20% for fresh/chilled potatoes other than seed, shallot other than seed and carrot	Competition from China, India, Vietnam, Thailand, New Zealand, Australia, Canada, Netherlands Current GOI regulations inhibit some U.S. fresh	Lack of supply and quality domestic products and huge demand of other vegetable types.

						vegetables imports	
Dairy excl cheese	338,282	1,070	190.4 to include cheese (mainly NFDM, whey, lactose, cheese, buttermilk, and ice cream)	3.7	5	Price competition with Australian, New Zealand, and European Countries	Domestic dairy production is insufficient. Imported ingredients are required.
Processed fruit & Vegetables	126,514	154	46.3 (mostly french fries, onion powder, citrus fruit prep, potato flakes, raisin, dates, sauces,)	13.1	Mostly 5%,	Competition from China, Thailand, Netherlands, New Zealand, Canada, India, Myanmar, Germany, Malaysia, Vietnam, Singapore, Belgium	Lack of local processed fruits and vegetables.
Red Meats, Fresh/Chilled/Frozen	41,857	165.8	19.3 (boneless frozen meat)	-4.8	5	Competition from Australia and New Zealand Quota and regulations inhibit meat imports.	Lack of domestic supply
Snack food excluding nuts	28,769	104	10.5 (mainly popcorn, corn chip, confectionary)	7.5	5 10 % for sweet biscuit waffle and	Competition from China, Malaysia, Belgium, Thailand, Korea,	Expansion of modern retail outlets creates opportunity to

					wafer	India, Germany. The procedure for obtaining an Import Registration Number (ML) is complicated.	introduce and sell snack food products. Snacking is very popular in Indonesian culture
Pet foods	28,212	31	5.1 (mainly dog & cat food)	21.0	5	Competition from Thailand, France, Australia, Brazil	Demand exists as a niche market No domestic supply
Fruit & vegetable Juices	14,008	29.7	3.5 (mainly mixed fruit juice)	10.8	Mostly 10%	Competition from Brazil, Thailand, China, Austria, Australia, Taiwan Obtaining Import Registration Number (ML) procedure is complicated	Health awareness and a growing middle class drive demand for fruit-based products.
Breakfast Cereals/Pancake Mix	6,554	19.4	0.9 (mainly mix dough and cereals)	1.1	5	Competition from Philippines, China, Malaysia	Health awareness, a growing middle class, and

						Obtaining Import Registration Number (ML) procedure is complicated	changing lifestyles drive demand for healthy, western and convenience food products.
Tree nuts	4,016	\$12.6	5.4 (mainly almond)	6.4	5	Price concern	Snacking is very popular in Indonesian culture Growing bakery sector uses tree nuts.

Source: GTA

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)	Dr. Roy Sparringa	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, 6 th 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	Ir. Banun Harpini, M.Sc.	1 st Floor, Building E, Jl. Harsono RM. No. 3,	62-21-781-6481, 780-5641 to 44 ext	62-21-781-6481/ 6483

Quarantine		Ragunan, Jakarta 12550	1103	
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
ASEIBSSINDO (Indonesian Fruit & Vegetables Exporters & Importers Association)	Mr. Hendra Yowono - Chairman	Gd. Graha Antero Lt 5, Jl. Tomang Raya No. 27, Jakarta 11440	62-21-5695-8893	62-21-5695-8892 E-mail: info@aseibssindo
ASPIDI (Association of Indonesian Meat Importers)	Mr. Thomas Sembiring - Chairman	Jl. Penjerniha I No. 50, Pejompongan, Jakarta 10210	62-21-7033-0972	62-21-573-9553 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
AIPS (Dairy Processor Association)	Mr. Sabana, Director & Mr. Syahlan Siregar (Secretary)	Wisma Nestle, 5 th . 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	Gedung Annex Lantai 2 (Kompleks PPM Manajemen) Jl. Menteng	62-21-7032-2626	62-21-7032-2627 E-mail: gapmmi@cbn.net.id ; Homepage: http://www.gapmmi.or.id/

		Raya No. 9-19, Jakarta 10340		
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, 4 th 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 Grape Commission, Pear Bureau Northwest, Raisin Administrative Committee, United States Potato Board, US Apples	Richard Lieu, Director	48 Toh Guan Road East # 02-129 Enterprise Hub Singapore 608586	(65) 6515- 6113	(65) 6278-4372 E-mail: gabaric@singnet.com.sg
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	Dan Fitzgerald,	P.O. Box 1492, Nana Post	(66-2) 254-3768	(66-2) 254-3769

Regional Representative for the U.S. Dairy Export Council	Director	Office, Bangkok 10112, Thailand		E-mail: usdec@pacrim.asia
U.S. Meat Export Federation	Joel Haggard _ Senior Vice President, Asia Pacific Region	101 Leighton Road, 8 th 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 Associates	Michael M Spier Vice President for South Asia	# 15-02 Liat Towers, 541 Orchard Road, Singapore 238881	(65) 6737-4311	(65) 6737-9359 E-mail: mspier@uswheat.org
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: asagrains@indosat.net.id
U.S. Grains Council	Adel Yusupov - Regional	Suite 3B-7-3A, Block 3B	(60-3) 2273	(60-3) 2273 2052

	Director	Level 7, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia	6826	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)		
	2010	2011	2012	2010	2011	2012
Agricultural Products	12,932	18,894	17,764	17	17	14.8
Consumer-Oriented Agr.	3,432	4,546	4,200	11	11	11.3
Edible Fish & Seafood Products	225	261	219	2	5.6	8.9
Demographic Information: Indonesia						
2010, Total Population (million)	240			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	
2012, Per Capita Gross Domestic Product**	Rp. 33,748.3 (\$ 3,581.1)					
2012 Unemployment Rate	6.14%					
2012, Per Capita Average Food Expenditures *	Rp. 3,881,736 (\$411.89)					
2010, Female workforce (million)	39.5					
2010, Percent of Female Population Employed	91%					
*Middle Class: 56.5% of the population						
** Average US \$1=IDR 9,424 (2012)						

Source: GTA & Indonesia Statistical Agency (BPS)

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)		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
CONSUMER-ORIENTED AGRICULTURAL TOTAL	3,432	4,546	4,200	382	509	474	11	11	11.3
Snack Foods (Excl. Nuts)	74	91	104	0.5	0.5	1.1	0.7	0.5	1.0
Breakfast cereals & Pancake Mix	13	15	19	0	0	0.3	0.7	0.6	1.8
Red Meats, Fresh/Chilled/Frozen	401	330	165	2	26	7	5.9	8	4.5
Red Meats, Prepared/Preserved	5	7	11	0	0	0.1	1	4	1.0
Poultry Meat	1	1	1	0.2	0.7	0.4	19	49	37.6
Dairy Products (Excl. Cheese)	932	1,109	1,070	137	191	146	15	17	13.6
Cheese	36	37	56	9	12	14	25	32	25
Eggs & Products	7	6	7	0.7	0	0.3	10	3	4
Fresh Fruit	639	793	824	73	82	80	11	10	9
Fresh Vegetables	348	471	384	1.9	2.4	5.5	0.5	0.5	1.4
Processed Fruit & Vegetables	105	141	154	39	49	46	37	34	30
Fruit & Vegetable Juice	20	25	29	5.6	4.7	4.8	28	18	16
Tree Nuts	10	21	12	4	3.6	4.8	41	17	38
Wine & Beer	2	2	3	0	0	0	0	0.4	2.6
Nursery Products & Cut Flowers	2	3	5	0	0	0	0.8	0	0.5
Pet Foods (Dog & Cat Food)	19	23	31	5	5	5	27	22	18.5
Other Consumer-Oriented Products	812	1,417	1,278	79	121	148	10	8	11.5
FISH & SEAFOOD PRODUCTS	225	261	219	5	15	19.6	2	5.6	8.9
Salmon	4	5	4	0	0.4	0.4	1	8	9.6
Surimi	0	0	0	0	0	0	0	0	0
Crustaceans	26	56	66	2	9	16	7	16	24.7
Groundfish &	24	13	4	0	0	0.1	1	1	3.1

Flatfish									
Mollusks	10	9	7	1	2	0.9	13	23	12.3
Other Fishery Products	161	178	137	1	2	1.8	0	1	1.3
AGRICULTURAL PRODUCTS TOTAL	12,932	18,894	17,764	2,251	3,165	2,632	17	17	14.8
AGRICULTURAL, FISH & FORRESTRY TOTAL	13,516	19,620	18,517	2,304	3,240	2,717	17	16	14.6

Source: Global Trade Atlas (GTA)

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

CONSUMER-ORIENTED AGRICULTURAL TOTAL - 400				FISH & SEAFOOD PRODUCTS-700			
(\$1,000)	2010	2011	2012	(\$1,000)	2010	2011	2012
China (Peoples Republic of)	850,728	1,001,618	928,135	China (Peoples Republic of)	83,818	107,172	65,386
United States	382,403	509,275	474,783	United States	4,486	14,646	19,680
New Zealand	495,530	497,748	436,882	India	6,342	13,330	18,285
Thailand	245,966	340,189	368,599	Canada	7,384	15,087	17,004
Australia	417,497	456,880	358,059	Japan	19,362	26,379	15,290
Malaysia	211,062	294,499	311,861	Indonesia	4,274	6,128	12,949
Singapore	88,884	130,169	203,043	Malaysia	19,237	13,620	12,506
Netherlands	151,974	136,957	138,170	Pakistan	4,037	6,682	6,436
France	99,627	103,346	119,138	Papua New Guinea	58	23	5,938
Madagascar	229	267,230	84,360	Vietnam	18,099	7,775	5,899
Germany	37,524	56,759	70,239	Russia	51	9,677	4,973
Belgium	30,758	45,704	65,604	Taiwan	8,263	4,092	4,907
India	38,764	55,805	61,274	Philippines	1,196	940	3,878
South Korea	29,839	47,360	52,675	Thailand	28,504	12,954	3,837
Philippine	46,072	60,613	52,603	Singapore	4,559	3,694	3,807

s								
Vietnam	24,968	59,786	49,171		Greenland	0	1,210	3,236
					Norway	3,456	5,363	3,138
Other	340,509	646,844	425,699		Other	12,817	12,865	12,371
World	3,432,033	4,546,189	4,200,303		World	224,774	261,388	219,531

Source: Global Trade Atlas (GTA)

APPENDIX II. CALENDAR OR TRADE SHOWS IN INDONESIA

Name of Event: **FOOD & HOTEL INDONESIA 2014**
Event Location : Bali International Convention Center, Nusa Dua - Bali, Indonesia
Industry theme: The 9th International Exhibition for Equipment, Food, Beverages and Services to Support Indonesia's Tourism and Hospitality Industries; the 9th International Retail Equipment, Display, and Storage Exhibition
,
Dates of Event: **March 6-8, 2014**
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 2014**
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: **September 24-26, 2014**
Type of Event: International Exhibition
Name of Organizer: UBM Asia
Phone of Organizer: (62-21) 729-2662; (66-2) 642-6911
Fax of Organizer: (62-21) 729-3539
E-mail of Organizer: fiasia@ubm.com; Nongnaphat.J@ubm.com;
Maria.Lioe@ubm.com
Web site: www.fiasia-indonesia.com

Name of Event: **FOOD & HOTEL INDONESIA 2015**

Event Location: Jakarta International Exhibition Center, Kemayoran, Indonesia
Industry theme: The 13th International Hotel, Catering Equipment, Food and Drink Exhibition; The 10th International Retail Technology, Equipment, Display, and Storage Exhibition
Dates of Event: **April 15-18, 2015**
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