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Indonesia

Food Processing Ingredients

Food Processing Ingredients Report Update

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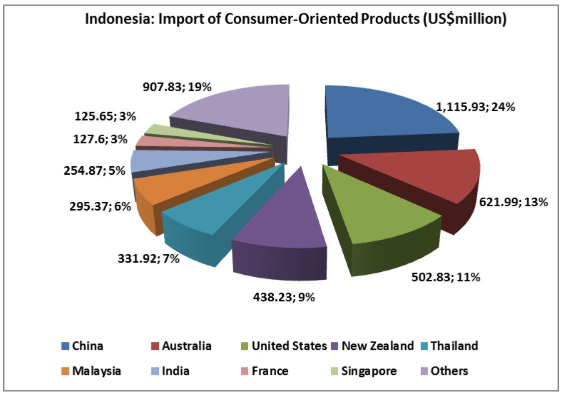
Report Highlights:
Indonesia offers significant opportunities for U.S. ingredient suppliers to meet the demand for raw materials for its food processing industry. In 2017, U.S. exports of condiments, flavorings, protein bases, vegetable oils, syrups, sweeteners, and other ingredients totaled about $250 million.

Market Fact Sheet: Indonesia

Executive Summary

Indonesia is the 4th most populous nation in the world, with a population of approximately 265 million in 2018. The island of Java is home to 60 percent of Indonesians and one of the most densely populated areas in the world. In 2016, Indonesia's GDP reached US $932.605 billion (IDR 12,406.8). It has vast natural resources, including petroleum and natural gas, lumber, fisheries and iron ore. Indonesia is a major producer of rubber, palm oil, coffee and cocoa. Like most economies in the region, the country has progressively shifted from a primarily agrarian economy towards stronger reliance on industry and services. As a result, economic activity is now dominated by the industrial sector. In 2016, Indonesia's import of agricultural products reached US$17.42 billion (US$4.7 billion was consumer-oriented products). In addition to consumer-oriented products, wheat and soybean are also imported. Food Processing, Hotel & Restaurant and Retail Sector are growing in line with rising income that are driving an expansion of the middle class and changing lifestyle. Agricultural self-sufficiency is a stated goal of the Indonesian government, and is often used to justify trade barriers and restrictions.

Import of Consumer – Oriented Products



Food Processing Industry

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

Food Retail Industry

Indonesian Grocery retail sales reached US$ 102.67 billion (IDR 1,368.7 trillion) in 2016 (Traditional Grocery Retailers took 82% share). The sales growth for 2018 is forecasted at 2.7%. Despite decreasing purchasing power reported by retailers in 2017, Hypermarkets, supermarkets, and minimarkets continue to expand in Indonesia. There are four players in the hypermarket group including wholesalers (**Carrefour/ Trans Mart, Giant, Hypermart, and Lotte Mart)** and five in the supermarket segment (**Alfa Midi, Hero**, **Superindo**, **Ranch Market & Farmers Market, Food Mart)** Major Convenience stores are Indomart and Alfamart.

Quick Facts CY 2018

Import of Consumer-Oriented Products US$4.72 billion

List of Top 10 Growth Products:
Ice cream & frozen dessert; breakfast cereals; confectionery; processed meat & seafood; ready meals; soup; sauce/dressing/condiment; spreads; baby food; dairy; baked goods

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

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

Food Industry Gross Sales (US$ billion) 2015
Food Industry Revenues
- Food (Domestic market): $93.01 billion

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

GDP/Population
2018 Population (millions): 265
2016 GDP (billion USD): $932.605
2016 GDP per capita (USD): $3,475

Source: Indonesia Statistic and Euromonitor

Strength/Weakness/Opportunities/Challenge

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

I. MARKET SUMMARY

The Indonesian food processing industry offers significant market potential for U.S. food and ingredient suppliers. The value of the food and beverage processing industry is estimated $92.3 billion (IDR1, 238 trillion), with the raw materials accounting for $59.0 billion (IDR 791.8 trillion) 2015, the most recent year for data from Indonesia National Statistic Agency (BPS).

According to the National Statistical Agency (BPS), there are approximately 5,700 large and medium-sized producers with 765,000 employees, and 1.61 million micro and small scale producers with 3.75 million employees. In 2016, the large and medium-sized sector grew 6.9 percent, while the small-scale sector grew 11.5 percent. Small-scale producers include home industries and small roadside restaurants, retail kiosks, and pushcarts.

Despite decreasing purchasing power reported by retailers in 2017, several factors are contributing to food processing industry growth: 1) the introduction of new products, flavors and package sizes (single serve); 2) a growing middle class; 3) aggressive promotional activities, with extensive use of social media; 4) the growth of modern retail outlets; 5) and growing health and physical fitness awareness.

Increasingly Indonesians are consuming more processed and packaged foods, including frozen desserts, processed fruits and vegetables and various chips and snacks. As more women in urban areas enter the workforce the market for convenient, processed food products is expected to grow.

Table 1. Indonesia: Advantages and Challenges for U.S. Food Ingredients

Advantages	Challenges
US products are considered high quality, safe and in consistent consistence in supply.	Quantities of ingredients for new product and market trials are usually not enough to fulfil the minimum required by U.S. suppliers.
Indonesian food industry is constantly creating new products based on consumer preferences and trends, which often require ingredients unavailable domestically.	Non-U.S. origin products are often less expensive, and are used equivalently to U.S. products.
Indonesia does not produce sufficient quantities of beef, dairy products, tree nuts, temperate zone fresh fruit and vegetables, as well as raw material for industry such as wheat and soybean.	Food ingredients from the region enter Indonesia at lower prices due to the ASEAN Free Trade Area, while food ingredients from the U.S. have higher shipping costs.
Modern retail outlets, hotels and restaurants are growing, requiring a wider variety of food products.	Import regulations are often complex and non-transparent. Permits can be difficult to obtain, requiring a close relationship with a local agent.
Applied duties on most food and agricultural products are 5 percent.	Average purchasing power of the majority of the population is weak and 87% of the population require halal-certified products.

II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

The best way to overcome the hurdles associated with exporting to Indonesia is to work with an agent. An agent should be chosen based on his/her ability to assure the widest distribution of products, ability to undertake the marketing efforts necessary to create awareness for products among consumers and their overall experience managing the often bureaucratic regulatory frameworks of various Government agencies.. Price, quality, and continuous supply are important to Indonesian agents, but personal interaction with potential business partners is as well. A face-to-face meeting will likely be needed, though younger importers maybe more comfortable with establishing relationships via electronic communication.

Market research for product testing, price comparison and adjusting the product for local tastes is important. Agents and distributors can help with market research and their assistance has proved to be an effective strategy in expanding sales since they understand the regulatory system and can bridge cultural differences.

We strongly suggest participating in food ingredient shows, such as Food Ingredient Asia, to introduce your products to a large audience and to meet with potential importers.

Import Procedure

Importation of food ingredients as a raw material or food products for further processing requires approval from government institutions, such as Badan Pengawas Obat dan Makanan (BPOM-Indonesian National Agency of Drug and Food Control), Ministry of Agriculture (MOA), Ministry of Trade (MOT), and Ministry of Industry (MOI). Additionally, some products require pre-shipment inspection Please find more information in FAIRS Country Report and FAIRS Export Certificate Report 2017

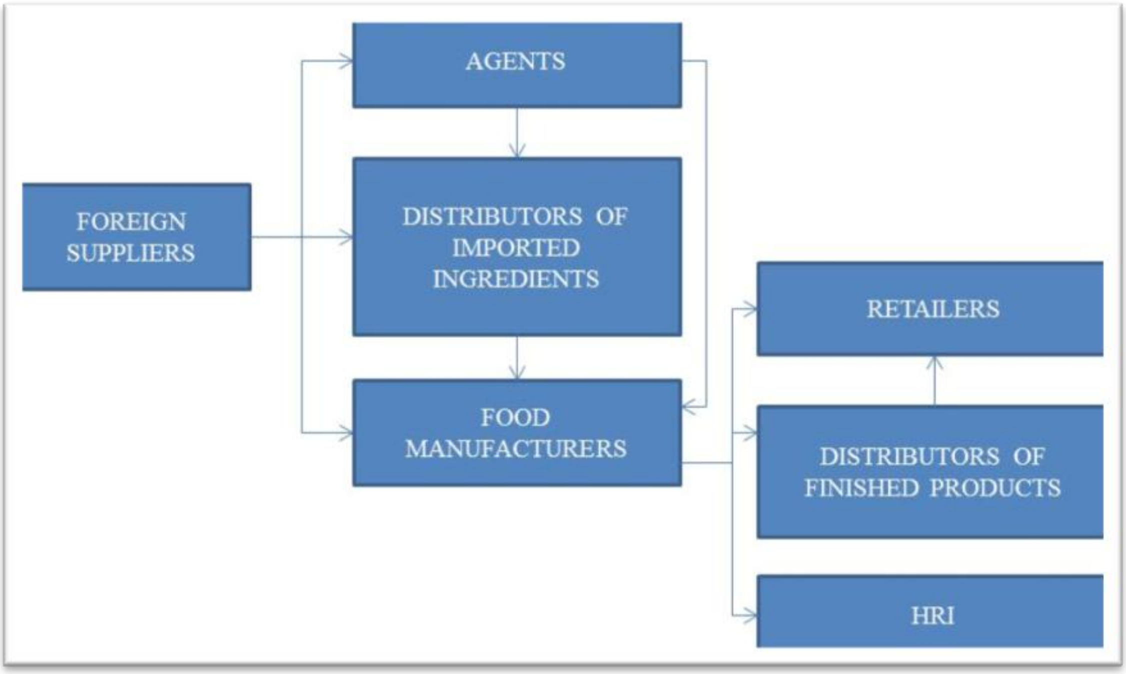
Indonesian bound tariff rates on major food and agricultural items generally range from 5 to 40 percent. Import duties for a number of processed food products mostly range from 5 to 10 percent except for 153 high-value products (GAIN ID1530). The government levies a 10 percent value-added tax on the 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. However, Customs values imported products based on their own calculation, known as the “Check Price”.

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. A presidential initiative was introduced in 2015 to reduce port dwelling times, though results have been mixed.

Distribution Channels

Food ingredients can be imported by agents, distributors, or food manufacturers. The diagram below provides an overview of common distribution channels.

Figure1. Indonesia: Distribution Channels



Market Structure

Food and beverage processors commonly import primary inputs, such as skim milk powder, whey powder, frozen manufacturing meat, and fruit concentrate Essential complementary inputs/food additives like flavorings, preservatives, emulsifiers, and vitamins are often purchased from a local agent or distributor due to the need for smaller quantities and limited shelf life.

Food and beverages processors that depend on a consistent supply of a product may have an exclusive sales agreement with a local agent. Some processors may choose to act as an importer if they find a better-priced alternative. Many multinational food and beverage processors operating in Indonesia must follow global product specifications. These companies have central purchasing offices, often in the United States, Europe or other Asian countries.

Larger, modern retail companies usually have an exclusive agreement with the processors. Processors will reach an agreement with the retail company to supply specified quantities at agreed upon intervals and prices. In return, the retailer agrees to display products attractively and at agreed upon quantities. On the other hand, smaller independent retail stores and traditional markets get products mostly from distributors.

Although cold chain facilities are generally available in urban areas, many food items are sold without any 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.

Share of major Segments in the Food processing Industry

Data on packaged food sales and beverage sales show a diverse market

Figure2. Indonesia: Packaged Food 2016

Source: Euromonitor

Figure3. Indonesia: Beverage Sales 2016

Source: Euromonitor

Company Profiles & Company Products

Domestic companies and a number of multinational companies have food and beverage manufacturing plants in Indonesia.   Some multinational companies were acquisitions of existing companies while others are joint ventures.

Major domestic producers are: Diamond Cold Storage, PT; Indofood Sukses Makmur Tbk, PT; Kalbe Farma Tbk, PT; Ultrajaya Milk Industry & Trading Co Tbk, PT; Marizarasa Sarimurni, PT; Dua Kelinci, PT; Garuda Food Group; Khong Guan Indonesia, PT; Mayora Indah Tbk, PT; Orang Tua group; Sekar group; Siantar Top Tbk, PT; Sayap Mas Utama, PT/Wingscorp); So Good Food, PT; Sinar Sosro,PT; Kapal Api group; Canning Indonesia Products, PT; BT Cocoa; and Gandum Mas Kencana, PT

Some of multinational companies active in Indonesia are: ABC President Indonesia, PT; Ajinomoto Indonesia, PT; Amerta Indah Otsuka, PT; Arnott's Indonesia, PT; Coca-Cola Bottling Indonesia, PT; Danone Group Indonesia; Frisian Flag Indonesia; PT; Heinz ABC Indonesia, PT; Mondelez Indonesia Manufacturing, PT; Multi Bintang Indonesia Tbk, PT ; Nippon Indosari Corporindo Tbk, PT; Nissin Mas, PT; Pepsi-Cola Indo Beverages; and PT; Unilever Indonesia, Tbk, PT

Please find additional information in Food Processing Ingredient Update 2017.

Sector Trends
Recent trends in the food and beverage industry include: health awareness, processed frozen food products, private label, new snack flavors (chocolate, barbeque, cheese), and alternative staple foods (noodles and bread products).

III. COMPETITION

Competition among food and beverage processors is expected to intensify. As companies grow, it is expected that food processors will slowly integrate their operations, expanding their businesses upstream and working with farmers to procure raw material directly. Several processors have expanded their businesses to the baking sector, food service, and retail.

Indonesia maintains free trade agreements (FTA) with ASEAN-China, ASEAN-South Korea, ASEAN-Australia and New Zealand, ASEAN-India, Indonesia-Japan and Indonesia-Pakistan. Despite the gradual reduction in tariffs and quotas following these agreements, exporters and importers still continue to face lengthy and cumbersome custom procedures and non-tariff measures. In addition to Free Trade and Bilateral Agreements already implemented, Indonesia and ASEAN are working on the several Trade Agreements that will conclude in the near future, such as Chile, Europe, Hong Kong, Iran, Peru, Taiwan, and Canada. Please find more information in Exporter Guide Update 2017.

Indonesian import and export data can be accessed through Indonesia Statistic website.

IV. BEST PRODUCT PROSPECTS CATEGPORIES

Products present in the market which have good sales potential include: wheat, sugar, soybean, dairy, corn starch, wheat flour, coffee extract, potato starch, dehydrated potatoes, chili powder, garlic powder, onion powder, bakery dough, non-dairy creamer, processed fruit & vegetables, tree nuts, non-alcoholic preparation used in beverages manufacturers.

Products not present in the market but which have good sales potential include expanded varieties of breakfast cereals, dried eggs, and yogurt powder.

Product not present because the face significant barriers includes poultry meat and products.

V. KEY CONTACTS AND FURTHER INFORMATION

Government Source Data
Statistic Indonesia: https://www.bps.go.id/
Ministry of Agriculture: http://www.pertanian.go.id/
Ministry of Trade: http://www.kemendag.go.id/id/economic-profile
Ministry of Industry: http://www.kemenperin.go.id/statistik/exim.php
National Agency of Drug and Food Control: http://www.pom.go.id/new/index.php/home/en
Ministry of Marine Affairs and Fishery: http://kkp.go.id/

Social Media Info
Statistic Indonesia:
Facebook: https://www.facebook.com/Badan-Pusat-Statistik-1394866840805957/
Ministry of Agriculture:
Facebook: https://www.facebook.com/kementanRI/
Instagram: https://www.instagram.com/kementerianpertanian/
Twitter: https://twitter.com/@kementan
YouTube: https://www.youtube.com/channel/UC757MLmzhe5QXlr9yWyHcpQ
Ministry of Trade:
Facebook: https://id-id.facebook.com/Kementerian-Perdagangan-608925165792115/
Ministry of Finance
Facebook: https://www.facebook.com/KemenkeuRI
Instagram: https://www.instagram.com/KemenkeuRI/
Twitter: https://twitter.com/KemenkeuRI
You Tube: https://www.youtube.com/KemenkeuRI
National Agency of Drug and Food Control:
Facebook: https://www.facebook.com/BadanPengawasObatdanMakananRI
Instagram: https://www.instagram.com/bpom_ri/
Twitter: https://twitter.com/bpom_ri
You Tube: https://www.youtube.com/channel/UCO5Oi2m_M-uQhTaKDyGA0nA
National Standard Agency
Twitter: https://twitter.com/BSN_SNI

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

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

Post Contact
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