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Indonesia

Food Service - Hotel Restaurant Institutional

Hotel Restaurant Institutional Update

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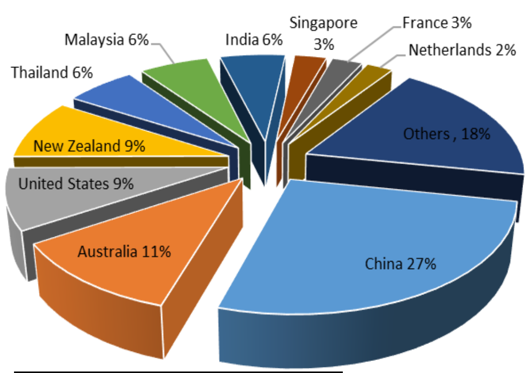
Report Highlights:
Indonesia offers excellent opportunities for U.S. exporters of consumer-oriented agricultural products. Despite import licensing and distribution challenges, U.S. exports of consumer-oriented products reached over $450 million in 2017. Over 50 percent of Indonesia's 265 million people reside in urban areas and a growing middle class are driving demand for new products, tastes, and ingredients. Key U.S. exports to the sector include meat, dairy products, fresh fruit, frozen potatoes, condiments, and bakery ingredients.

Market Fact Sheet: Indonesia

Executive Summary

Indonesia is the fourth most populous nation in the world, with a population of approximately 265 million in 2018. Sixty percent of the population is on Java, one of the most densely populated areas in the world. In 2017, Indonesia's GDP reached $1 trillion and GDP/capita reached $3,876. Indonesia is a major producer of rubber, palm oil, coffee and cocoa. In 2017, agricultural imports reached $18.9 billion ($5.4 billion was consumer-oriented products). In addition to consumer-oriented products, soybeans and wheat are top U.S. exports. 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 to Indonesia, 2017



Food Processing Industry

The 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 $92.3 billion (IDR1, 238 trillion), with exports at only about $4 billion annually.

Food Retail Industry

Indonesian grocery retail sales reached $109.17 billion (IDR 1,462.7 trillion) in 2017 (Traditional Grocery Retailers held 83 percent share). The sales growth for 2019 is forecasted at 2.5 percent. 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. (**Carrefour/Trans Mart, Giant, Hypermart, and Lotte Mart),** and six in the supermarket segment (**Alfa Midi, Hero**, **Superindo**, **Ranch Market & Farmers Market, Food Mart, The Food Hall).** Major Convenience stores include Indomaret and Alfamart.

Food Service Industry

The food service activity's total contribution to GDP was about $22.1 billion (2.18 percent of GDP) in 2017 and registered about 6.9 percent growth. The sector is dominated by small restaurants, street-side restaurants known as warungs, and vendors that sell food to customers on the street.

Quick Facts for 2017

Agricultural Product Imports: $18.9 billion
U.S. Share (17%) – $3.2 billion
Consumer-Oriented Product Imports: $5.4 billion
U.S. Share (9%) – $480 million
Edible Fish & Seafood Products Imports: $300 million
U.S. Share (6%) – $200 million
Top 10 Growth Products:
Baby food, baked goods, dairy products, confectionery, processed meat & seafood, savoury snacks, sauces, dressing & condiments, sweet biscuit, snack bars & fruit snack, and ice cream & frozen dessert
Top 10 Retailers
Indomart, Alfamart, Transmart/Carrefour, Giant, Hypermart, Alfa Midi, Superindo, Lotte Mart, Food Mart, Hero
GDP/Population
2018 Population (millions): 265
2017 GDP: $1,014 Billion
2017 GDP per capita: $3,876.8
Source: Indonesia Statistics, GTA and Euromonitor

Strength/Weakness/Opportunities/Challenge

Strengths	**Weaknesses**
Large Consumer Base	Inadequate infrastructure, including ports and cold storage facilities outside of the main island of Java
Opportunities	**Challenges**
Rapid growth of retail sector; Japanese, Korean, and Western restaurant chains; bakeries, growing HRI and tourism sectors.	Challenging business climate, and unpredictable regulatory environment.

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SECTION I. MARKET SUMMARY

Market Overview

Indonesia's Hotel, Restaurant, and 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, bakeries, 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.

A thriving tourism industry, growing middle class, and millennials' preference for convenience, and socializing in malls is driving growth in the HRI sector. High-end HRI businesses are concentrated in Bali, Jakarta, Surabaya, Medan, and other rapidly growing urban areas. Hotels and restaurants specializing in Western and other non-Indonesian cuisines are dominant users of imported food products. Local caterers and restaurants tend to purchase local products.

Indonesia: Advantages and Challenges for U.S. HRI Food Products

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS IN INDONESIA	
Advantages	Challenges
U.S. food products have good reputation.	Imported products are more expensive.
Large consumer base.	Products should be halal certified.
Thriving bakery outlet segment.	Difficult import licensing requirements.
Specialized HR outlets are increasing.	Slow customs clearance and distribution.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

U.S. exporters are encouraged to appoint a local importer/agent to obtain import licenses and permits and to be the product distributor for Indonesia. The agent can also help the U.S. exporter stay current on import requirements and regulations, which frequently change.   Exporters should also visit and research the market, and consider attending a trade show (e.g. Food and Hotel Indonesia, Food Hotel Tourism Bali). Understanding the complexity and weaknesses of the distribution system, observing local tastes, and learning about local pricing and market promotion strategies is also important.

B. Market Structure

A small number of importers focus on supplying imported products to the HRI sector. Some handle both dry and frozen goods. Post can supply a list of these importers upon request.

Foodservice Outlets	2016		2017		Outlet Growth 2016/17	Value Growth 2016/17
	Number of outlets	Sales Value (in USD million)	Number of outlets	Sales Value (in USD million)		
Full- Service Restaurants	100,540	30,212	100,798	32,070	0.3%	6.2%
Street Stalls/ Kiosks	92,400	1,224	92,539	1,275	0.2%	4.1%
Fast Food	6,178	1,608	6,150	1,699	-0.5%	5.6%
Cafés/ Bars	5,113	2,271	5,261	2,446	2.9%	7.7%
Self- Service Cafeterias	590	185	604	197	2.4%	6.2%
100% Home Delivery	224	75	280	85	25.0%	13.1%
Total	205,045	35,576	205,632	37,771	0.3%	6.2%

Source: Euromonitor

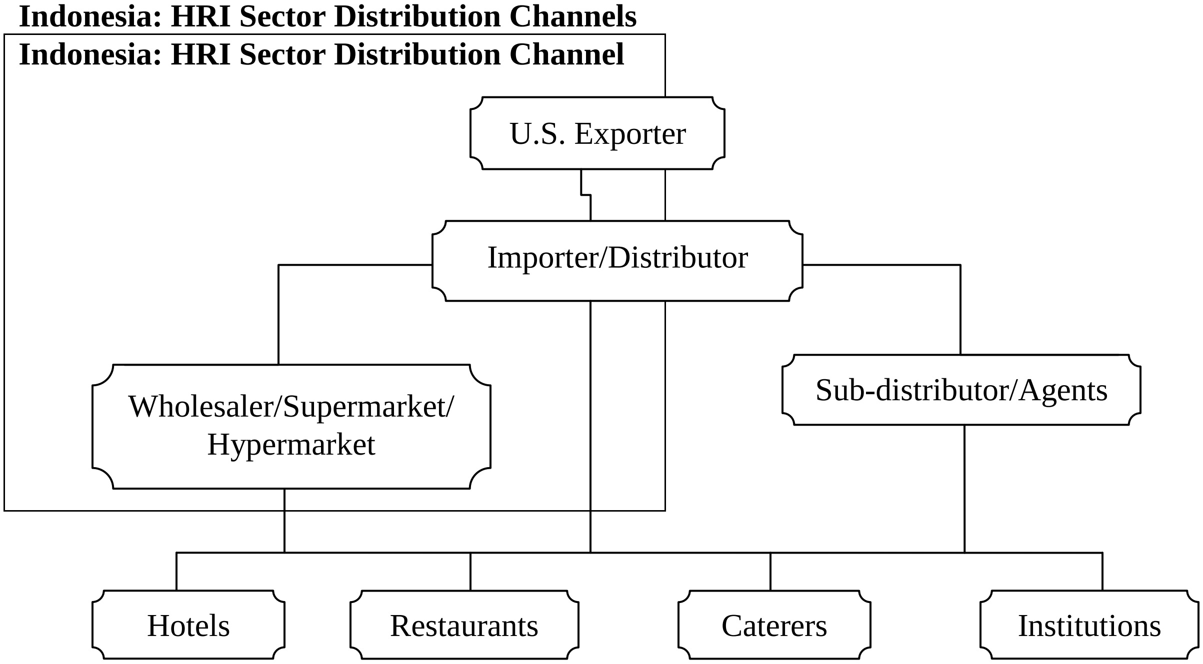
Note: Self-Service Cafeterias: ready-to-eat food from food and beverage areas in grocery outlets

Distribution and Sub- Sector Profiles

Most imported products reach HRI buyers through importers' distributors (see distribution chart below). Some U.S. chains and upscale HRI operators import items directly from U.S. exporters. Quick service restaurants/fast food operators have exclusive contracts with importers/distributors to ensure that the products meet strict international franchise standards. In rural areas, supermarkets, hypermarkets, and small-scale agents play a more important role in distribution.

Distribution Channels

Indonesia: HRI Sector Distribution Channels



Imported products mostly arrive in the Jakarta, Surabaya or Belawan seaports, and are then de-consolidated for shipment to other cities. Limited quantities of fresh fruit, seafood, and meat are imported by airfreight.

C. Sub-sector Profiles

Hotels

In 2016, there were around 2,387 star-rated (including boutique and resort hotels), with Bali having the largest concentration. In 2017, the number of domestic and foreign guest at hotels in Indonesia grew 8.4 percent and 9 percent respectively; this has led to growth in the HR sector.

Number of	2016			2017		
	Star Hotel	Non-Star Hotel	Total	Star Hotel	Non-Star Hotel	Total
Foreign Guest	11,466,720	2,545,096	14,011,816	12,414,940	2,861,243	15,276,183
Domestic Guest	63,227,570	55,164,582	118,392,152	70,380,700	57,996,100	128,376,800
Hotel	2,387	16,442	18,829	N/A	N/A	-
Room	233,007	294,169	527,176	N/A	N/A	-

Source: Statistics Indonesia/ BPS

Major Hotel Operators in Indonesia:

1. Accor
2. Archipelago International
3. Starwood Hotels
4. InterContinental Hotels Group
5. Swiss-Belhotel

Restaurants

Western style fast food outlets purchase imported foods, but the 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).

Major Full-Service Restaurants

No	Brand	Website	Market Share in 2017
1	Pizza Hut	www.pizzahut.co.id	17.70%
2	Restaurant Sederhana	www.restaurantsederhana.id	8.30%
3	Solaria	n/a	7.10%
4	D'Cost Seafood	www.dcostseafood.com	6.70%
5	Fish & Co	www.fish-co.co.id	2.20%

Source:Euromonitor for data 2017

Major Chained Fast Food

No	Brand	Website	% Share Sales Value in 2017
1	KFC	www.kfcku.com	27.10%
2	McDonald's	www.mcdonalds.co.id	16.90%
3	J Co Donuts & Coffee	www.jcodonuts.com	7.10%
4	HokBen	www.hokben.co.id	5.40%
5	Es Teller 77	www.esteller77.com	5.30%

Source:Euromonitor for data 2017

SECTION III. COMPETITION

The U.S. exported $450 million of consumer-oriented products to Indonesia in 2017, making it the third largest exporter after China and Australia. U.S. market share for the segment reached nearly 9 percent in 2017, an increase of 0.6 percent from the previous year.

Indonesia: Imports Verses Domestically Produced Goods Competition, 2017

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Fruits and Vegetables Net Value: $1,192 million	1. China 47.4% 2. Thailand 13.2% 3. The U.S. 9.7% 4. Australia 7.5% 5. Pakistan 4.9%	Prices and transport	Only tropical fresh fruits are produced locally and supplies are inconsistent
Red meats fresh, chilled, frozen Value: $591 million	1. Australia 52.6% 2. India 28.1% 3. The U.S. 9.7% 4. New Zealand 8.0% 5. Spain 0.7%	New Zealand and Australia have geographic proximity and competitive.	Domestic supply shortage. Domestic meat is sold fresh.
Cheese Net Value: $133 million	1. New Zealand 53.7 % 2. The U.S. 19.3 %	New Zealand and Australia have competitive pricing and geographic proximity.	Domestic cheese production is growing but still use imported dairy ingredients.

	3. Australia 16.5% 4. Denmark 2.9% 5. French 2.4%		

Source: Data from GTA

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market which have Good Sales Potential

Product Category	2017 Imports ($ mil)	U.S. Imports (US$ mil)	Growth (2014-17)	Growth U.S. (2014-17)	U.S. Market Share	Attractiveness for U.S.
Fresh Fruit	1,100.8	100.3	14.8%	-5.9%	9.1%	U.S. fruit has strong reputation.
Dairy Products	1,167.8	142.6	-8.4%	-21.2%	12.2%	U.S. cheese is competitive.
Beef and Beef products	585.7	55.9	9.7%	28.2%	9.5%	Demand for U.S. beef is growing.

Source: GTA

A. Top Consumer- Oriented Products Imported from the World

No	Product Category	Total Indonesia Imports 2017 ($ mil)	Total Indonesia Imports from the U.S. (US$ mil)	Growth Indonesia Imports (2014 -17)	Growth Indonesia Imports from the U.S (2014 -17)	U.S. Market Share
1	Meat	467	34	10.4%	31.1%	7.3%
2	Butter	137	0	9.4%	0.0%	0.0%
3	Cheese	133	26	11.1%	2.2%	19.4%
4	French Fries	53.8	24.8	12.6%	8.2%	46.1%
5	Bread, Pastry, Cakes and Puddings	43.4	1.04	19.5%	21.9%	2.4%
6	Mixes and Dough for Preparation of	11.4	0.2	23.9%	21.2%	4.5%

	Bakers					

Source: GTA

B. Top Consumer-Oriented Products Imported from the U.S.

The top products are meat, cheese, French fries, coffee roasted, bread/pastry/cakes, and mixed and dough.

C. Products Not Present in Significant Quantities but which have Good Sales Potential

No	Product Category	Total Indonesia Imports 2017 (US$ mil)	Total Indonesia Imports from the U.S. (US$ mil)	Growth Indonesia Imports (2014 - 2017)	Growth Indonesia Imports from the U.S. (2014 - 2017)	U.S. Market Share
1	Yogurt	4.11	0.00	158.3%	0.0%	0.00%
2	Raisins	6.2	3.85	24.6%	14.6%	62.1%
3	Apricots	2.50	0.68	133.8%	183.0%	27.20%
4	Beer	2.19	0.08	48.0%	100.0%	3.69%
5	Prunes	0.37	0.37	69.3%	77.3%	100%
6	Flaxseed	0.32	0.27	47.9%	71.5%	82.66%

Source: GTA

D. Products Not Present in Significant Quantities Because They Face Significant Barriers

Chicken parts, poultry processed products and fresh potatoes have a potential market in Indonesia. However, GOI regulations prevent U.S. suppliers from serving the market.

Product Category	2017 Import (Volume, thousand MT)	2017 Import ($mil)	3Yr. Avg Annual Import (Volume) Growth)	Import Tariff Rates (%)	Key Constraints to Market Development	Market Attractiveness for USA
Fresh Potatoes	66	29	6.8%	20%	MOA doesn't allow fresh potatoes imports	Limited variety and production of fresh potatoes for table potatoes and chipping potatoes
Poultry Meat	0.6	1	-20%	5% except 20% for chicken thighs and 30% for processed meat	MOA has not issued any import recommendations for poultry products (including duck and turkey) since January 2014. MOA has to approve the poultry establishment for export to Indonesia. MOA	Domestic chicken prices are high and no turkey is produced locally

					requires that poultry exported to Indonesia must be Halal slaughtered.	

Source: Data from GTA

V. POST CONTACT AND FURTHER INFORMATION

The Foreign Agricultural Service (FAS), U.S. Embassy Jakarta, maintains up-to-date information covering food and agricultural import opportunities in Indonesia and would be pleased to assist in facilitating U.S. exports and entry to the Indonesian market. Questions or comments regarding this report should be directed to FAS Jakarta at the following addresses:

International Post: Foreign Agricultural Service
U.S. Embassy Jakarta
Jl. Medan Merdeka Selatan 5 Jakarta 10110, Indonesia
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Fax: +62 21 310 6045
e-mail:agjakarta@fas.usda.gov

U.S. mail: Foreign Agricultural Service
Foreign Agricultural Service
FAS
Unit 8200 Box 439
DPO, AP 96520-0439

For more information on exporting U.S. agricultural products to Indonesia and other countries, please visit the Foreign Agricultural Service's Home Page: http://usdaindonesia.org and http://www.fas.usda.gov.

VI. OTHER RELEVANT REPORTS

1. FAIRS Export Certification Report 2017 (ID1737)
2. FAIRS Country Report 2017 (ID1736)
3. Exporter Guide Update 2017 (ID1735)
4. Food Processing Ingredients Update 2017 (ID1809)
5. Retail Foods Update 2017 (ID1816)