Indonesia

Food Processing Ingredients

Food Processing Ingredients Report Update

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Garrett McDonald
Prepared By:
Novi Yuningsih

Report Highlights:
The Indonesian food and beverage industry is comprised of over 5,000 large and medium size companies and is valued at an estimated $188 billion. Nearly 70 percent of food ingredients are imported. Urbanization and a growing middle-class are driving demand for packaged foods, leading to increased production capacity among food and beverage processors.
**Post:** Jakarta

**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 2018, Indonesia’s GDP reached $1,041 billion and GDP/capita reached $3,927 (est.). Indonesia is a major producer of rubber, palm oil, coffee and cocoa. In 2018, agricultural imports reached $21.2 billion ($5.9 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, 2018 ($million)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Value ($million)</th>
<th>U.S. Share</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>$1,600</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>$1,190</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>$173</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>$315</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>$301</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>$450</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>$495</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>$631</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>$506</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>$1,190</td>
<td>20%</td>
<td></td>
</tr>
</tbody>
</table>

**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 $118 billion.

**Food Retail Industry**

Indonesian grocery retail sales reached $108.84 billion in 2018 (Traditional Grocery Retailers held 83 percent share). The sales growth for 2019 is forecast at 8.9 percent. 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 foodservice activity’s total contribution to GDP was about $22 billion (Rp317 trillion) in 2018, and registered about 7.2 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 2018**

**Agricultural Product Imports:** $21.2 billion

- U.S. Share (16%) – $3.3 billion

**Consumer-Oriented Product Imports:** $5.9 billion

- U.S. Share (9%) – $505 million

**Edible Fish & Seafood Products Imports:** $311 million

- U.S. Share (8%) – $24 million

**Top 10 Growth Products:**

- Baked goods, baby food, 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, Alfa Midi, Hypermart, Giant, Hero, Lotte Mart, Superindo, Giant, Hypermart, Alfa Midi, Superindo, Lotte Mart, Food Mart, Hero

**GDP/Population**

- 2018 Population (millions): 265
- 2018 GDP: $1,041 Billion
- 2018 GDP per capita: $3,927

**Economic Growth**

- 2018: 5.17%
- 2017: 5.07%

Source: Indonesia Statistics, GTA and Euromonitor

**Strength/Weakness/Opportunities/Challenge**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Consumer Base</td>
<td>Inadequate infrastructure, including ports and cold storage facilities outside of the main island of Java</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid growth of retail sector; Japanese, Korean, and Western restaurant chains; bakeries, growing HRI and tourism sectors.</td>
<td>Challenging business climate, and unpredictable regulatory environment.</td>
</tr>
</tbody>
</table>

Contact: FAS Jakarta, Indonesia

AgJakarta@fas.usda.gov / www.usda-indonesia.org
SECTION I. MARKET SUMMARY

According to the Ministry of Industry, the food and beverage industry grew at 7.9 percent in 2018, and was one of the main sectors driving the national economic growth. Overall growth in the industry is supported by increasing consumer purchasing power, changing demand towards modern packaged food products, influence of western food and the emergence of major global companies (e.g. Mayora and Indofood). Indonesia’s food processing sector relies on imports for nearly 70 percent of its ingredients, including 100 percent of wheat or wheat flour, 80 percent of dairy and 70 percent of juice concentrates.

Establishing a new product in the market can take considerable time and exporters are encouraged to work closely with their importer or agent to ensure that appropriate registration, label and food safety requirements are met.

Table 1: Advantages and Challenges

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>The U.S. ingredients are well accepted due to their high quality and safety standards</td>
<td>Competitor prices may be lower, including countries benefiting from preferential import duties from Free Trade Agreements.</td>
</tr>
<tr>
<td>Indonesian consumers knowledge of and demand for healthier ingredients has increased.</td>
<td>This typical consumer is only concentrated in urban areas.</td>
</tr>
<tr>
<td>Increased western influences through fast-food chains have stimulated local restaurants to use imported ingredients on menus.</td>
<td>Lack of awareness of the U.S. ingredients in most of local restaurants.</td>
</tr>
<tr>
<td>Approximately 70% ingredients are imported.</td>
<td>Most of the ingredients require halal-certified products, especially for dairy products.</td>
</tr>
</tbody>
</table>

Source: FAS Jakarta

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

Exporters are encouraged to do extensive market research prior to entering the Indonesian market. FAS Jakarta GAIN Market Reports provide useful information on regulations, market outlook and product registration requirements. New and current exporters are encouraged to visit Indonesia for face-to-face meetings with importers and processors. Attending food ingredient trade shows, such as Food Ingredients Asia - Indonesia 2020 (held alternately between

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1 Neraca newspaper, Feb 20, 2019 p.10
2 Neraca newspaper, Jan 8, 2019 p.11, sales in 2018
Jakarta and Bangkok), is considered as one of the best strategies to both enter the market and maintain business in Indonesia.

**Import Procedure**

For information on imported food standards, regulations, import procedures, and import tariffs please refer to the following reports:

1. Food and Agricultural Import Regulations and Standards - Export Certificate 2019
2. Food and Agricultural Import Regulations and Standards - Annual Report 2019
3. Tariffs and FTAs Information - Based on HS Code

**Distribution Channels**

The majority of large food and beverage processors directly import food ingredients. General importers (traders) usually may sell through distributors or directly to HRI, small-medium food & beverage processors and retailers.

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**Market Structure**

Although there are more than 5,000 large and medium-sized food and beverage manufactures in Indonesia, the market dominated by few large modern companies, which operate end-to-end supply chains from innovation to final distribution.

As demand for packaged food continues to increase, food processors have reported plans for expansion in 2019. Companies planning new factories and increased capacity include Indofood (flour factory), Mayora Indah (biscuit and wafer factory), Garuda Food Group, and Nippon Indosari (bread factory). According to Euromonitor, in 2018 Indofood continued to lead Indonesian packaged food in retail market with its multiple lines of food and beverage products. For additional information, please refer to Food Processing Ingredients Update 2018, page 3

**Share of Major Segments in the Food Processing Industry**

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3 Bisnis Indonesia Newspaper, Dec 18, 2018 P.15
Major food processing industries include dairy, baby food, baked goods and noodles. Expanding consumer preferences for milk, yoghurt and cheese have increased the sales of dairy-based packaged foods. Other processed food such as baked goods and noodles, confectionary and condiments have led to increased demand for wheat, nuts, dried fruits and ground or powdered spices.

Table 2: Indonesia: Sales of Packaged Food 2016 - 2018 (in US$ million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy</td>
<td>2,934.6</td>
<td>3,096.3</td>
<td>3,289.5</td>
<td>15.87%</td>
</tr>
<tr>
<td>Baby Food</td>
<td>2,782.6</td>
<td>2,794.6</td>
<td>2,784.4</td>
<td>13.43%</td>
</tr>
<tr>
<td>Baked Goods</td>
<td>2,322.1</td>
<td>2,362.6</td>
<td>2,386.1</td>
<td>11.51%</td>
</tr>
<tr>
<td>Noodles</td>
<td>2,323.4</td>
<td>2,357.7</td>
<td>2,385.6</td>
<td>11.51%</td>
</tr>
<tr>
<td>Confectionery</td>
<td>2,063.9</td>
<td>2,009.7</td>
<td>2,014.1</td>
<td>9.72%</td>
</tr>
<tr>
<td>Processed Meat and Seafood</td>
<td>1,621.0</td>
<td>1,693.1</td>
<td>1,716.2</td>
<td>8.28%</td>
</tr>
<tr>
<td>Sauces, Dressings and Condiments</td>
<td>1,516.6</td>
<td>1,582.2</td>
<td>1,602.1</td>
<td>7.73%</td>
</tr>
<tr>
<td>Savory Snacks</td>
<td>1,568.1</td>
<td>1,588.9</td>
<td>1,586.9</td>
<td>7.66%</td>
</tr>
<tr>
<td>Sweet Biscuits, Snack Bars and Fruit Snack</td>
<td>1,335.1</td>
<td>1,356.8</td>
<td>1,369.6</td>
<td>6.61%</td>
</tr>
<tr>
<td>Edible Oils</td>
<td>837.6</td>
<td>865.4</td>
<td>888.7</td>
<td>4.29%</td>
</tr>
<tr>
<td>Ice Cream and Frozen Dessert</td>
<td>430.2</td>
<td>429.4</td>
<td>430.0</td>
<td>2.07%</td>
</tr>
<tr>
<td>Sweet Spread</td>
<td>106.4</td>
<td>111.0</td>
<td>112.0</td>
<td>0.54%</td>
</tr>
<tr>
<td>Breakfast Cereals</td>
<td>74.5</td>
<td>77.2</td>
<td>78.3</td>
<td>0.38%</td>
</tr>
<tr>
<td>Processed Fruit and Vegetables</td>
<td>40.7</td>
<td>41.7</td>
<td>41.9</td>
<td>0.20%</td>
</tr>
<tr>
<td>Pasta</td>
<td>26.1</td>
<td>26.9</td>
<td>27.3</td>
<td>0.13%</td>
</tr>
<tr>
<td>Ready Meals</td>
<td>10.5</td>
<td>10.7</td>
<td>10.8</td>
<td>0.05%</td>
</tr>
<tr>
<td>Soup</td>
<td>6.2</td>
<td>6.4</td>
<td>6.4</td>
<td>0.03%</td>
</tr>
<tr>
<td>Total Packaged Food</td>
<td>19,999.4</td>
<td>20,410.6</td>
<td>20,729.8</td>
<td></td>
</tr>
</tbody>
</table>

Source: Euromonitor International

Table 3: Company Profiles & Company Products4

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Products</th>
<th>Sales in 2017 (US$)</th>
<th>End-Use Channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ultrajaya Milk Industry</td>
<td>UHT fresh milk, UHT tea drink, UHT health drink, sweet condensed cream</td>
<td>$359 million</td>
<td>Retail</td>
</tr>
<tr>
<td>Mayora Indah</td>
<td>Biscuits, ready to drink tea and coffee, mineral water, candy, chocolate bar, cereal</td>
<td>$1,535 million</td>
<td>Retail</td>
</tr>
<tr>
<td>Indofood</td>
<td>Noodles, dairy, snack foods, food seasonings, nutrition and special foods,</td>
<td>$2,626 million</td>
<td>Retail, food processors</td>
</tr>
</tbody>
</table>

4 Company website
5 $1 = Rp13,555
beverages, flour, pasta, edible oils and fats.

<table>
<thead>
<tr>
<th>Garuda Food Group</th>
<th>Peanut, biscuit, ready to drink tea and coffee, chocolate, snack, UHT milk</th>
<th>$546 million</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sekar Group</td>
<td>Frozen marine products (shrimp, fish, value-added seafood), shrimp crackers, seasonings, cashew nuts, etc..</td>
<td>$67 million</td>
<td>Retail</td>
</tr>
<tr>
<td>Orang Tua Group</td>
<td>Wafer, biscuit, candy, chocolate, ready to drink tea, jelly, mineral water, health drink, etc.,</td>
<td>$860 million</td>
<td>Retail</td>
</tr>
<tr>
<td>Nippon Indosari</td>
<td>Bread</td>
<td>$184 million</td>
<td>Retail</td>
</tr>
<tr>
<td>Wings Group</td>
<td>Instant Noodle, sauce, powder drink, ready to drink coffee, etc.,</td>
<td>$981 million</td>
<td>Retail</td>
</tr>
<tr>
<td>Diamond Cold Storage</td>
<td>UHT fresh milk, cheese, ice cream, yoghurt, chocolate, juice, etc.,</td>
<td>$57 million</td>
<td>Retail and HRI</td>
</tr>
</tbody>
</table>

For additional information on Indonesian companies, please see the Food Processing Ingredients Update 2018, page 5.

**Sector Trends**
Health conscious consumers are driving demand for healthy packaged food products, including snacks, noodles, and baked goods. Other trends include mixes and quick preparation meals that cater to busy urban lifestyles as well increased demand for frozen foods.

**SECTION III. COMPETITION**

The U.S. remains Indonesia’s top supplier of total agricultural products, however for some types of food ingredients such as sweeteners, flavors, emulsifiers, and stabilizers or thickeners face strong competition from China and other Southeast Asian countries. Competitor advantages include geographic proximity, competitive pricing and lower import tariffs through bilateral or multi-lateral free trade agreements.

### Table 4: Competitive Situation for Selected Food Ingredients (2018)

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Total Indonesia Import</th>
<th>Main Suppliers in Percentage</th>
<th>Strengths of Key Supply Countries</th>
<th>Advantages and Disadvantages of Local Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dry Whole Milk and Cream</td>
<td>1. New Zealand (36.7%)</td>
<td>Price competition</td>
<td>Dairy-based products demand has continued to</td>
<td></td>
</tr>
</tbody>
</table>

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6 Sales of packaged food and soft drinks only, by Euromonitor
7 Sales of packaged food and soft drinks only, by Euromonitor
8 Indonesia has signed free trade agreements with ASEAN and other countries, for additional information please visit [http://eservice.insw.go.id/regulations.php?id=16](http://eservice.insw.go.id/regulations.php?id=16) to check the FTA’s list based on the HS Code.
<table>
<thead>
<tr>
<th>Product Description</th>
<th>Growth (Qty)</th>
<th>Quantity Imported</th>
<th>Value Imported</th>
<th>HS Code</th>
<th>Country 1</th>
<th>Country 2</th>
<th>Country 3</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tree Nuts (almonds, pistachios, walnuts, hazelnut)</td>
<td>43.8%</td>
<td>2,428 MT</td>
<td>$151,141,037</td>
<td>08021; 08025; 08022; 08023</td>
<td>U.S. (76.3%)</td>
<td>Australia (17.4%)</td>
<td>China (4.7%)</td>
<td>The U.S. is the leading supplier of almonds and pistachios. China has price advantages for walnuts. There are no local productions of almonds, pistachios, walnuts and hazelnuts, while awareness of healthy ingredient is increased.</td>
</tr>
<tr>
<td>Odoriferous Substances</td>
<td>35%</td>
<td>5,128 MT</td>
<td>$83,896,387</td>
<td>330210</td>
<td>Singapore (41.1%)</td>
<td>U.S. (11.4%)</td>
<td>Netherlands (9.7%)</td>
<td>Price competition from Singapore due to 0% tariff and strategic geographical advantages. Indonesia food and beverage industry is growing especially for ice cream, RTD tea, juice, etc. Despite local production, imports continue to increase.</td>
</tr>
<tr>
<td>Glucose (dextrose), under 20% containing fructose in dry form</td>
<td>47.5%</td>
<td>194,417 MT</td>
<td>$82,882,144</td>
<td>170230</td>
<td>China (81%)</td>
<td>India (12.5%)</td>
<td>France (3%)</td>
<td>U.S. (1.3%)</td>
</tr>
<tr>
<td>Textured Vegetable Protein/ Soy Protein</td>
<td>5%</td>
<td>15,060 MT</td>
<td>$35,357,26</td>
<td>210610</td>
<td>China (64.7%)</td>
<td>U.S. (22.5%)</td>
<td>Singapore (2.7%)</td>
<td>China offers competitive price but low quality. Local production is almost zero due to technology, knowledge and lack of raw materials. Mainly used as ingredient for sausage, meatball, nuggets, which have increasing consumer demand.</td>
</tr>
</tbody>
</table>

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9 Dairy and Products Annual Indonesia 2018, Page 6
Garlic Powder

Growth (Qty): 35%
Quantity Imported: 4,946 MT
Value Imported: $10,431,264
HS Code: 07129010

1. China (95%)
2. U.S. (5%)

Price competition from China due to 0% tariff and low price.
Local production of garlic is low.

Source: GTA for data

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market, which have Good Sales Potential:

- Wheat
- Soybean
- Specialty Rice
- Garlic
- Corn starch
- Peanuts
- Glucose
- Milk and cream powder
- Whey
- Wheat starch
- Fortified wheat flour
- Lactose
- Textured soy protein
- Meats
- Sugar
- Cheese
- Proc. fruit & veg
- Non-dairy creamer
- Yoghurt powder
- Wheat starch
- Potato starch
- Dehydrated potatoes
- Onion powder
- Garlic powder

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

- Tree nuts
- Bakery dough
- Breakfast cereals
- Dried eggs
- Natural honey
- Spices: thyme, bay leaves, curry, ginger, etc. crushed or grounded.
- Yeast
- Gelatin
- Dried fruit

Products Not Present Because They Face Significant Barries

- Poultry and eggs

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

Government Data Sources
Statistic Indonesia

Website & Social Media Info of Government Agency
Website: Ministry of Agriculture; Ministry of Trade; Ministry of Industry; National Agency of Drug and Food Control; Ministry of Marine Affairs and Fishery; Indonesia Customs
Facebook: Statistic Indonesia; Ministry of Agriculture; Ministry of Trade; Ministry of Finance; National Agency of Drug and Food Control
You Tube: Ministry of Agriculture; Ministry of Finance; National Agency of Drug and Food Control; Ministry of Industry; Statistic Indonesia; National Standardization Agency of Indonesia - BSN SNI
Twitter: Ministry of Agriculture; Ministry of Finance; Ministry of Industry; National Agency of Drug and Food Control; National Standardization Agency of Indonesia_BSN SNI
Instagram: Ministry of Agriculture; National Agency of Drug and Food; Ministry of Industry; Ministry of Trade

**Government Regulatory Agency/Food Policy Contacts**

- **Ministry of Agriculture Directorate General of Food Crops**
  Jalan AUP No. 3 Pasar Minggu Jakarta 12520
  Tel: +6221-782-4669 Fax: +6221-780-6309
  Homepage: [http://tanamanpangan.pertanian.go.id/](http://tanamanpangan.pertanian.go.id/)

- **Directorate General of Horticulture**
  Jl. AUP No.3 Pasar Minggu Jakarta 12520
  Tel: +6221-7883-2048; Fax: +6221-780-5580
  Homepage: [http://hortikultura.pertanian.go.id/](http://hortikultura.pertanian.go.id/)
  Products regulated; horticulture products

- **Directorate General for Livestock and Animal Health Services (DGLAHS)**
  Building C, 6th -9th Floor Jalan Harsono RM No. 3, Ragunan Pasar Minggu, Jakarta 12550
  Tel: +6221-781-5580 to 83, 784 -7319; Fax: +6221-781-5583
  Homepage: [http://ditjenpkh.pertanian.go.id/](http://ditjenpkh.pertanian.go.id/)
  Products regulated; animal and animal-based food

- **Agency for Agricultural Quarantine (IAQA)**
  Building E, 1st, 3nd, 5th, 7th Floor Jalan Harsono R.M No. 3 Ragunan, 47 Jakarta 12550
  Tel: +6221-781-6840 to 84 Fax: +6221-781-6481/4
  Homepage: [http://karantina.pertanian.go.id/](http://karantina.pertanian.go.id/)
  Products regulated; animal and fresh fruit & vegetable – based food

- **Ministry of Trade (MOT)**
  Directorate General for Foreign Trade
  Main Building 9th Floor Jl. M.I Ridwan Rais No. 5 Jakarta 10110
  T: +6221-2352-8560; 385-8171 ext. 35900 Fax: +6221-2352-8570
Ministry of Industry (MOI) Directorate General for Agro Industry
Jalan Gatot Subroto No. 52-53, 18th Floor Jakarta 12950
Tel: +6221-525-2713; 525-5509 ext 2625/4062  Fax: +6221-525-2450
Homepage: www.kemenperin.go.id
Product regulated: refined sugar, wheat flour, cocoa powder, bottle water, biscuit, instant coffee

Ministry of Religious Affair
Halal Product Guarantee Agency (BPJPH)
Jl. Raya Pondok Gede No. 13 Pinang Ranti Jakarta 13560 Tel: +6221-8087-7955

National Agency of Drugs & Food Control (BPOM)
Jl. Percetakan Negara No. 23 Jakarta 10560 Tel: +6221-425-3857  Fax: +6221-425-3857
Homepage: https://www.pom.go.id/new/
Products regulated: package food for retail and further processed includes food additive and processing aids

National Standardization Agency (BSN)
Gedung I BPPT Lt 9 Jalan M.H. Thamrin No. 8, Jakarta 10340
Tel:+6221-392-7422 ext. 101/102 Fax: +6221-392-7527
Homepage: http://sispk.bsn.go.id/SNI/DaftarList
Products regulated: products standardization

The Indonesian Council of Ulama (MUI)
Jl. Proklamasi No. 51 Menteng Jakarta Pusat Tel/Fax: +6221-3910-2666; 3910-5266
Homepage: www.halalmui.org
Products regulated; halal-certified food

Other Import Specialist/ Trade Association Contacts
Please see Indonesia FAIRS Country Report 2019, Page 48 - 49

Post Contact
FAS/ Jakarta
U.S Embassy
Jl. Medan Merdeka Selatan 5 Jakarta
Web: www.usdaindonesia.org  www.fas.usda.gov
Tel: +62 21 50831162, Email Agjakarta@fas.usda.gov