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GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 4/8/2019

GAIN Report Number: ID1906

Indonesia

Food Processing Ingredients

Food Processing Ingredients Report Update

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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.

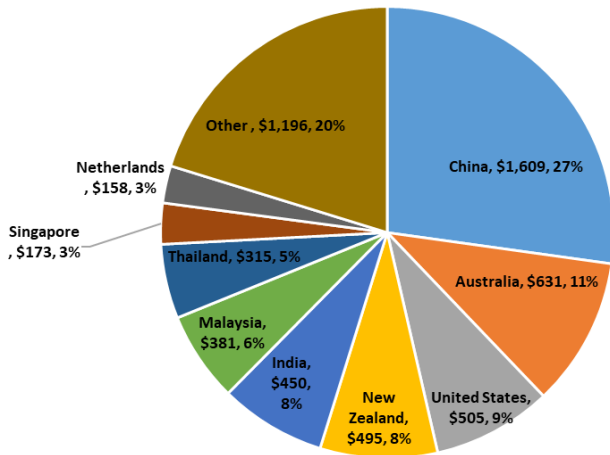
Post: Jakarta

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)



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	
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.

Contact: FAS Jakarta, Indonesia

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SECTION I. MARKE SUMMARY

According to the Ministry of Industry¹, 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.²

Establishing a new product in 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

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

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

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.

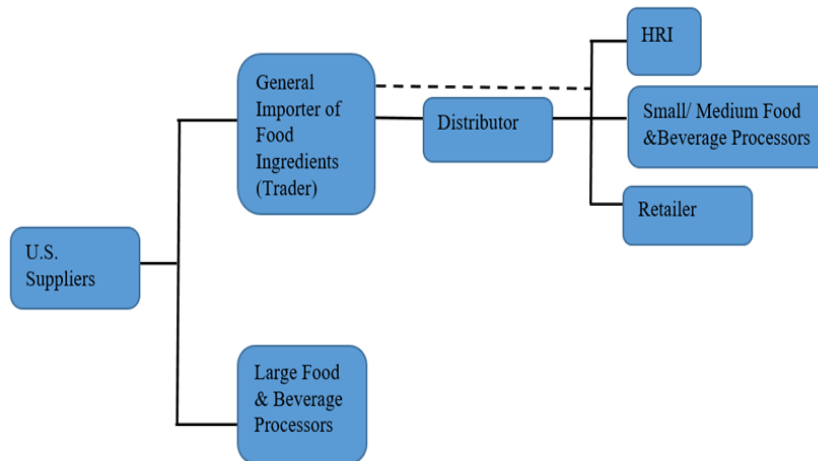
Import Procedure

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.



Market Structure

Although there are more than 5,000 large and medium-sized food and beverage manufacturers 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 2019³. 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

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)

Packaged Food	2016	2017	2018	Share (2018)
Dairy	2,934.6	3,096.3	3,289.5	15.87%
Baby Food	2,782.6	2,794.6	2,784.4	13.43%
Baked Goods	2,322.1	2,362.6	2,386.1	11.51%
Noodles	2,323.4	2,357.7	2,385.6	11.51%
Confectionery	2,063.9	2,009.7	2,014.1	9.72%
Processed Meat and Seafood	1,621.0	1,693.1	1,716.2	8.28%
Sauces, Dressings and Condiments	1,516.6	1,582.2	1,602.1	7.73%
Savory Snacks	1,568.1	1,588.9	1,586.9	7.66%
Sweet Biscuits, Snack Bars and Fruit Snack	1,335.1	1,356.8	1,369.6	6.61%
Edible Oils	837.6	865.4	888.7	4.29%
Ice Cream and Frozen Dessert	430.2	429.4	430.0	2.07%
Sweet Spread	106.4	111.0	112.0	0.54%
Breakfast Cereals	74.5	77.2	78.3	0.38%
Processed Fruit and Vegetables	40.7	41.7	41.9	0.20%
Pasta	26.1	26.9	27.3	0.13%
Ready Meals	10.5	10.7	10.8	0.05%
Soup	6.2	6.4	6.4	0.03%
Total Packaged Food	19,999.4	20,410.6	20,729.8	

Source: [Euromonitor International](#)

Table 3: Company Profiles & Company Products⁴

Company Name	Products	Sales in 2017 (5US\$)	End-Use Channels
Ultrajaya Milk Industry	UHT fresh milk, UHT tea drink, UHT health drink, sweet condensed cream	\$359 million	Retail
Mayora Indah	Biscuits, ready to drink tea and coffee, mineral water, candy, chocolate bar, cereal	\$1,535 million	Retail
Indofood	Noodles, dairy, snack foods, food seasonings, nutrition and special foods,	\$2,626 million	Retail, food processors

⁴ Company website

⁵ \$1 = Rp13,555

	beverages, flour, pasta, edible oils and fats.		and HRI
Garuda Food Group	Peanut, biscuit, ready to drink tea and coffee, chocolate, snack, UHT milk	\$546 million	Retail
Sekar Group	Frozen marine products (shrimp, fish, value-added seafood), shrimp crackers, seasonings, cashew nuts, etc.,	\$67 million	Retail
Orang Tua Group	Wafer, biscuit, candy, chocolate, ready to drink tea, jelly, mineral water, health drink, etc.,	⁶ \$760 million	Retail
Nippon Indosari	Bread	\$184 million	Retail
Wings Group	Instant Noodle, sauce, powder drink, ready to drink coffee, etc.,	⁷ \$981 million	Retail
Diamond Cold Storage	UHT fresh milk, cheese, ice cream, yoghurt, chocolate, juice, etc.,	\$57 million	Retail and HRI

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 agreements⁸.

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

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

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> to check the FTA's list based on the HS Code.

<p>Growth (Qty):12.7% Quantity Imported: 228,431 MT Value Imported: \$506,167,796</p> <p><i>HS code: 040221; 040229; 040210; 040299; 040291</i></p>	<ol style="list-style-type: none"> 2. U.S. (21%) 3. Australia (14.5%) 	<p>from New Zealand and Australia due to reduced import duty⁹.</p>	<p>increase, but local production of fresh milk remains low and of poor quality.</p>
<p>Tree Nuts (almonds, pistachios, walnuts, hazelnut)</p> <p>Growth (Qty): 43.8% Quantity Imported: 2,428 MT Value Imported: \$ 151,141,037</p> <p><i>HS Code: 08021; 08025; 08022; 08023</i></p>	<ol style="list-style-type: none"> 1. U.S. (76.3%) 2. Australia (17.4%) 3. China (4.7%) 	<p>The U.S. is the leading supplier of almonds and pistachios. China has price advantages for walnuts.</p>	<p>There are no local productions of almonds, pistachios, walnuts and hazelnuts, while awareness of healthy ingredient is increased.</p>
<p>Odoriferous Substances (to be used in the food and beverage industries to influence the smell)</p> <p>Growth (Qty): 35% Quantity Imported: 5,128 MT Value Imported: \$83,896,387</p> <p><i>HS Code: 330210</i></p>	<ol style="list-style-type: none"> 1. Singapore (41.1%) 2. U.S. (11.4%) 3. Netherlands (9.7%) 	<p>Price competition from Singapore due to 0% tariff and strategic geographical advantages.</p>	<p>Indonesia food and beverage industry is growing especially for ice cream, RTD tea, juice, etc.</p> <p>Despite local production, imports continue to increase.</p>
<p>Glucose (dextrose), under 20% containing fructose in dry form</p> <p>Growth (Qty): 47.5% Quantity Imported: 194,417 MT Value Imported: \$82,882,144</p> <p><i>HS Code: 170230</i></p>	<ol style="list-style-type: none"> 1. China (81%) 2. India (12.5%) 3. France (3%) 4. U.S. (1.3%) 	<p>Price competition from China and India due to 0% tariff and low price.</p>	<p>Well-established food/ beverage manufacturers in Indonesia mainly use imported glucose rather than local product.</p>
<p>Textured Vegetable Protein/ Soy Protein</p> <p>Growth (Qty): 5% Quantity Imported: 15,060 MT Value Imported: \$35,357,26</p> <p><i>HS Code: 210610</i></p>	<ol style="list-style-type: none"> 1. China (64.7%) 2. U.S. (22.5%) 3. Singapore (2.7%) 	<p>China offers competitive price but low quality.</p>	<p>Local production is almost zero due to technology, knowledge and lack of raw materials.</p> <p>Mainly used as ingredient for sausage, meatball, nuggets, which have increasing consumer demand.</p>

⁹ Dairy and Products Annual Indonesia 2018, Page 6

<p>Garlic Powder</p> <p>Growth (Qty): 35%</p> <p>Quantity Imported: 4,946 MT</p> <p>Value Imported: \$10,431,264</p> <p>HS Code: 07129010</p>	<ol style="list-style-type: none"> 1. China (95%) 2. U.S. (5%) 	<p>Price competition from China due to 0% tariff and low price.</p>	<p>Local production of garlic is low.</p>
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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 Barriers

- 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/>

- 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/>
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/>
Products regulated; animal and animal-based food

- Agency for Agricultural Quarantine (IAQA)
Building E, 1st, 3rd, 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/>
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

Homepage: www.kemendag.go.id

- 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

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