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## Indonesia

### Food Processing Ingredients Sector

### Report

### 2003

**Approved by:**

Chris Rittgers  
US ATO

**Prepared by:**

Paulina Gandakusuma

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**Report Highlights:**

Indonesia, the world's fourth most populous nation, offers significant market potential for U.S. suppliers of food and agricultural ingredients into the local food processing sector. Processed food sales in 2002 grew approximately 15% reaching IDR. 61,000 billion (US\$ 6.67 billion). The food-processing sector is expected to grow positively over the next five years, on the assumption that external factors and economic conditions continue to improve. Growth is expected to be about 8% per year. Best market prospects include wheat, food-use soybeans, beef, dairy products, flavorings, and processed potato products, fruit concentrates.

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Includes Trade Matrix: No  
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## I. INDONESIA IN PROFILE

Indonesia, the world's fourth most populous nation, offers significant market potential for U.S. suppliers of food and agricultural ingredients the local food processing sector. AN estimated 10 million Indonesians earn at least US\$ 5,000 a year; thus, Indonesia still ranks as one of the world's most promising emerging markets.

In 2002, Indonesia was still struggling to implement major ongoing economic reforms after it was hit hard by the Asian financial crisis of 1997/1998. However, GDP per capita in 2002 was estimated at US\$ 818.4, up from US\$ 609.4 in 2001. Economic growth was about 3.5 %, supporting a positive average food processing industry growth rate of 5%. Indonesia has about a 100 million labor force working in the following sectors: agriculture (45%), industry (15%), and services (40%), which build an economic structure of agriculture (20%), industry (40%), services (40%).

## II. MARKET SUMMARY

### II.1. Indonesia's food processing sector in overview

Indonesian's food and beverage processing industry is worth over US\$ 10 billion, and is comprised of 4,681 businesses, ranging from family owned business to multinational companies, and over 900,000 traditional home industries. Processed food sales in 2002 grew approximately 15%, reaching sales of over IDR. 61,000 billion (US\$ 6.67 billion). Unfortunately inflation played a significant role in driving up current value growth. Thus in constant value terms, food processing sector was estimated to grow by only 5% in average last year. For example, the modern snack industry has tripled sales compare to the pre-crisis level in value. However, in terms of volume, it is just at the pre-crisis level. Price increases for electricity, telephones, rice, and other basic necessity items in 2002 drove up end product prices.

Other factors such political and security uncertainties are continuing to inhibit the economic growth. Nonetheless, consumer sophistication, growing health consciousness, the introduction of new food products, and growth of modern retail outlets should lead to a positive growth in the food-processing sector over the next five years. Growth is expected to range from 4-11% in volume terms and increase by close to 8% in value terms.

<b>Food &amp; Beverage Industries 1998-2001</b>				
	1998	1999	2000	2001
Total Industry	4,573	4,666	4,661	4,681
Total Labor	600,390	571,230	597,373	593,880
Gross Value (USD Billion)	6.74	9.27	9.68	10.14
Input (USD Billion)	4.74	6.29	6.47	7.06
Value Added (USD Billion)	2.00	2.98	3.21	3.08
Exchange rate	10,013.00	7,855.00	8,421.00	10,260.00
Source: Central Bureau of Statistic, industry interviews, trade sources				

Total Indonesian food product imports for 2002 were US\$ 3.3 billion, up from US\$ 2.9 billion in 2001. Almost 30% of those products were imported as Processed Food and Beverages, while the rest was consumed directly by end consumers or by food processing as ingredients.

Consumption of imported processed food and beverages has risen to close to pre-crisis level. Furthermore export of processed food and beverage have surpassed pre-crisis level at over one billion US\$.

The establishment of the AFTA trade zone in 2003 should also expand opportunities in the ASEAN region for processed food products from Indonesia. Under AFTA, most products manufactured in the Association of Southeast Asian Nations' 10 member states can be shipped to any other at a 5% duty or less.

Despite the reputation for risk, Indonesia is still considered an attractive location for multinationals operating in the processed food sector. Companies such as Unilever, Nestlé, Kraft, Danone, Cadbury, Heinz, Campbells, and Nabisco all maintain active operations in Indonesia.

## II.2. Advantages and challenges for US exporters

The following table summarizes the advantages and challenges for US products in the Indonesian food-processing sector.

<b>ADVANTAGES AND CHALLENGES FACING U.S. FOOD INGREDIENTS IN INDONESIA</b>	
<b>Advantages</b>	<b>Challenges</b>
Indonesian's economy has slowly improved towards pre-crisis levels	The Indonesian political and economic uncertainties create a degree of risk.
Market scale - over two hundred million people in the population	Weak purchasing power of the majority of the population
Operations by multi-nationals requiring world standard ingredients	Global purchasing organizations buy from the cheapest acceptable source
Trends & consumer preferences create demand and stimulate product innovation using new ingredients	Ingredients for new product and market trial doesn't fulfill the minimum amount required by US Supplier while there is no regional depot to facilitate first time and smaller quantity buyer
Lesser developed food processing sector presents great potential for importing new technology and ingredients	Cumbersome import documentation requirements such as: Certificate of Halal, GMO, radiation, import registration, expiration date, etc.
Local ingredients unavailable or insufficient, while of US products is considered high quality	Competitor's products from the region and other developed countries considered equivalent to US products and/or have better pricing
AFTA creates opportunities for regional	AFTA also allows food ingredients from the region to

export strategies that may favor Indonesia.	enter Indonesia at lower price, while food ingredients from U.S. have higher & longer shipping cost and time. Plus, location & cultural differences present difficulties in negotiations
The US Government offers export credit guarantees.	US exporters are reluctant to offer extended terms of credit.

### III. ROAD MAP FOR MARKET ENTRY

#### III.1. Market structure

Inputs for food processing can be categorized as follows:

- Primary materials such as frozen boned beef, wheat or skimmed milk powder.
- Essential complementary ingredients such as flavoring, or preservatives.

Primary materials are most commonly imported directly by the food processor. Complementary ingredients are usually bought from a local importing agent because they are used in smaller quantities and often have limited shelf life.

Some “local suppliers” are agents in Singapore, some producers find useful as a regional distribution point. Food processors buy from local agents in some cases because the agent has exclusive sales agreement. Some companies would import directly if an alternative source were located.

Many multinational food processors operating in Indonesia must follow global product specifications. These companies have central purchasing offices, often in the U.S. or in Europe.

#### III.2. Consumer & Product Trends

Customer profile of Indonesia, 2003

- over 220 million population
- 18,110 islands
- 65% rural, 35% urban
- 87% Moslem
- 55% < 25 years old
- 300 ethnic groups
- 58% live in Java, 21% in Sumatra
- More than 30 types of food cuisine
- Rice as staple food

Indonesian Expenditure Profile	Annual Perkapita value, IDR		
	2001	2002	% change
Total food & beverage expenditure (BPS)	1,123,308	1,448,400	29%
Total non food & beverage expenditure (BPS)	626,340	1,028,220	64%
Total expenditure (BPS)	1,749,648	2,476,620	42%
Total processed food & beverage consumed (GAPMI)	280,827	362,100	29%

Total processed food consumed (Euromonitor)	n/a	282,293	
Total imported processed food & bev consumed (GAPMI)	32,450.23	21,258.71	-34%
Total imported food & beverages items (BPS)	138,892.44	141,132.03	2%
GAPMI (Indonesian Food & Beverage Association), BPS (Central Bureau of Statistic), Euromonitor data			
Population estimated	215 million	220 million	
Echange rate, 1 US\$	10,260 IDR	9,311 IDR	

Overall, consumption of processed food in Indonesia is still low. Approximately 20% of the Indonesian population is still living below the poverty line and the remaining population is largely low income. The majority of people still prefer fresh foodstuffs, which are readily available in their neighborhood at affordable prices. With rice as the staple food, processed food mainly consumed as “lauk” (topping or side dish) or snack.

Food is generally a priority in Indonesian expenditure as Indonesian people spent about 60% of its total expenditure on food. Out of that 60%, only 25% was spend for processed food & beverage or about US\$ 8.55 billion annually, in which US\$ 6.67 was for processed food only.

Commodity Group Food	Average Per-capita Annual Expenditure Structure						
	2001			2002			%growth 01-02
	IDR	USD	% of tot food	IDR	USD	% of tot food	
Cereals	241,344.00	23.52	21%	309,264.00	33.21	21%	28.14%
<b>Prepared food &amp; beverages</b>	<b>138,528.00</b>	<b>13.50</b>	<b>12%</b>	<b>240,144.00</b>	<b>25.79</b>	<b>17%</b>	<b>73.35%</b>
Tobacco	149,940.00	14.61	13%	168,492.00	18.10	12%	12.37%
Fish	114,768.00	11.19	10%	128,100.00	13.76	9%	11.62%
<b>Vegetables</b>	<b>79,500.00</b>	<b>7.75</b>	<b>7%</b>	<b>117,000.00</b>	<b>12.57</b>	<b>8%</b>	<b>47.17%</b>
Egg & Milk	64,932.00	6.33	6%	81,120.00	8.71	6%	24.93%
Meat	59,868.00	5.84	5%	70,836.00	7.61	5%	18.32%
<b>Fruits</b>	<b>42,444.00</b>	<b>4.14</b>	<b>4%</b>	<b>70,416.00</b>	<b>7.56</b>	<b>5%</b>	<b>65.90%</b>
Beverage Stuffs	58,632.00	5.71	5%	67,068.00	7.20	5%	14.39%
Oils & fats	47,832.00	4.66	4%	55,704.00	5.98	4%	16.46%
Legumes	48,624.00	4.74	4%	49,932.00	5.36	3%	2.69%
Spices	32,772.00	3.19	3%	38,424.00	4.13	3%	17.25%
Miscellaneous food items	26,364.00	2.57	2%	33,912.00	3.64	2%	28.63%
Tubers	15,780.00	1.54	1%	15,948.00	1.71	1%	1.06%
Alcoholic beverages	1,980.00	0.19	0%	2,040.00	0.22	0%	3.03%
Total of food	1,123,308.00	109.48	64%	1,448,400.00	155.56	58%	28.94%
Total of non-food	626,340.00	61.05	36%	1,028,220.00	110.43	42%	64.16%
Total expenditure	1,749,648.00	170.53	100%	2,476,620.00	265.99	100%	41.55%
Exh. Rate	1 USD = 10,260 IDR			1 USD = 9,311			
Source: Central Bureau of Statistic							

Convenience processed food products are affordable only for higher income groups. The urban middle class, comprising 20 percent of the population, are the main consumers of processed food.

Yet, post crisis, processed food industries are facing changing consumer profiles. There are a growing number of more sophisticated, critical and educated consumers. Consumers are increasingly familiar with fortified food, ie products with added vitamins and minerals in milk, biscuits and ice cream. These sophisticated consumers gained knowledge not only from living, studying, and working abroad but also from the media, which plays an important role in educating the consumers. However, the majority of consumers remain price-conscious. When product offerings are similar, price is the determining factor.

To address price concern smaller pack sizes and no frill products and cost are being reduce to lead to more affordable products.

In contrast, relatively new categories, such as ready meals, meal replacement drinks, and snack bars will have limited potential. Many consumers are unaware of these products and since the price is expensive, the penetration rate remains low. Ready meals will not be a necessity since affordable ready-to-eat or cooked food is available at eating outlets of all sizes throughout Indonesia.

### **Wheat flour based food products as the alternate of Indonesian staple food**

Wheat flour is the primary ingredient of the second and third most important staple foods in Indonesia, which are noodles and baked goods. Wheat flour industry still has huge growth potential as Indonesian flour consumption per capita is still among the lowest in the world at 14 kg per year. Now flour sales IDR 6 trillion in 2002 were estimated.

About half the total flour produced and imported is used for noodle production. Noodles have become the second staple food after the crisis as they are affordable, adaptable and convenient meal for many of the lower income consumers. Competition among instant noodle manufacturers is fierce; thus, each manufacturer tries to gain market share by offering more value added such as various flavors and more net weight content. Noodle sales in 2002 grew about 10%, and accounted for 13% of processed food's value

Bakeries use 30% of total flour produced and imported. Baked goods, have also emerged as another major food staple for Indonesians. In terms of per capita consumption, bakery products was estimated at only 3.1kg in 2002, one of the lowest in Asia-Pacific, which indicates the huge potential for further market development. Influence of Taiwanese and Japanese bakery style has become the major trend since 2002. This Oriental influence is indicated by the growth of oriental modern bakery outlets such as Eaton, Bread Talk, Q&A, and Vanilla. Most of these bakeries are Singapore franchise based.

On the other hand, Continental bakeries continue to dominate hotels and food service, with pastries, cakes, and European breads catering to middle to upper income groups and expatriates communities.

Acceptance of baked goods as a substitute for rice and/or noodles has also increased bread consumption in middle to lower income groups. This demand increase was generated when major lay-offs during the crisis pushed ex-employees of the bakery industry to start their own bakeshops at home. Currently, more than 30,000 bakeshops provide low cost baked goods in both urban and rural areas. Convenience stores also often have their own in-house bakeries, which are a popular

addition to the main store; those outlets are another major distribution channel for bakery products.

### **Snacking as part of Indonesian Culture**

The increasing habit of snacking as part of Indonesian culture has resulted in continuous growth of total snacks sales. Traditional snack industry has been growing as the middle-income group, which previously consumed modern snack, has to cut cost and looked for cheaper alternatives.

Chocolate confectionery sales are also growing, and is expected to grow 20% over the next five years. A product, which is still in the growing stage, chocolate confectionary has benefited from packaging innovation such as sachets and the 'mini' formats, which has allowed chocolate confectionery to penetrate the lower-middle class segment and raised awareness of chocolate. Most Indonesians have a sweet tooth and love snacking, which translates into ready demand for chocolate confectionery.

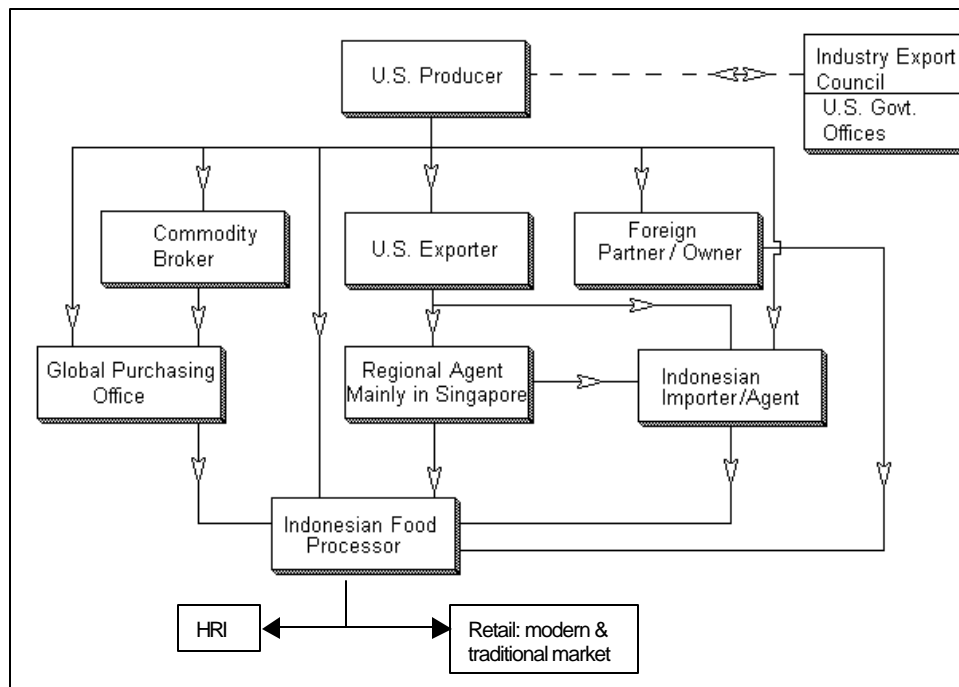
### **Positive growth of dairy product sales**

Indonesian milk consumption is relatively low at 6 to 7 liters, compare to Thailand (22), Philippines (25), or India (75) liters per capita per year. Dairy consumption increased 10% in 2002 at 193,000 MT, compared to 178,000 MT in 2001, and is forecasted to grow 15% with further targeted product segmentation such as baby to toddler formula, pregnant & lactating woman formula, elder formula, high calcium, low-fat milk and introduction of multi flavor milk such chocolate, honey, banana, strawberry, melon, and orange. Since local fresh milk production only fulfills 30% of industry needs, in 2003, Indonesia is expected to import 125,000 MT of skim milk and 35,000 MT of whole milk powder.

### **Chicken nuggets gain wide acceptance**

In general, Indonesian people's protein sources are mainly fish, tahu & tempe (soybean based food). Consumption of meat and poultry are very low and limited to middle to upper income group. Poultry processing companies have established a cold chain infrastructure to market their processed poultry products. Chicken nuggets have gained a wide acceptance and become very popular as they have a wide and close-to-customer distribution system. Currently, other frozen products such as meatballs & fish stick are marketed the same way.

### **III.3. Distribution channels**



Sales of food products to a majority of Indonesian consumers remain dominated by the traditional or village-level wet markets. However, convenience and retail stores are becoming increasingly important in the Indonesian distribution channels. Hypermarkets, supermarkets, and minimarts, which offer very wide range of products in very competitive prices, have gained popularity among middle to upper income groups. Leading hypermarkets and supermarkets include: Carrefour, Hero & Giant, Alfa, Matahari, Lyon Super Indo, Makro. Indomaret dominates minimarket with its 700 outlets, followed by 304 outlets of Alfa minimarket. Supermarkets and hypermarkets accounted for 29% of packaged food value sales in 2002.

The rise of large retailers has hurt smaller businesses, such as warung (kiosk) and toko kelontongan (a local name for independent food stores or provision stores). Although still small compared with other channels, convenience stores will likely slowly replace the traditional distribution channel in urban areas. However, warung and toko kelontongan remain the backbone of processed food distribution channel for the middle to lower income group consumers, especially in rural areas, servicing 65% of total population.

There are over 900,000 home industries producing mostly unbranded and often unpackaged food products. Although small in individual size, this segment is extremely important in the Indonesian food-processing sector. A key example is savoury snacks. Unbranded savoury snacks produced by small-scale home industries reached 80% market share. While unbranded nuts sales amounted to over IDR700 billion or approximately 32% of entire nuts sales in 2001. These unbranded items compete strongly against small registered businesses and large-scale manufacturers producing branded food items.

Although cold chain facilities are generally available in urban areas (especially with the presence of the hyper, super, and mini market); many food items are sold without any temperature control in the traditional distribution channels. Limited capital, low awareness of the benefit of cold



chain, plus the practice of buy-sell-consume food items daily are still very common and tend to limit development if a cold chain network.

### Retail Sales of Packaged Food by Sector: Value 1998-2002

IDR billion	1998	1999	2000	2001	2002
Confectionery	2,887.5	2,838.6	3,395.3	4,399.7	5,285.8
Bakery products	5,936.4	6,207.0	6,776.1	7,993.4	9,615.3
Ice cream	672.9	681.2	761.3	928.6	1,107.6
Dairy products	4,589.4	4,815.7	5,523.1	6,401.3	7,793.6
Savoury snacks	2,340.6	2,408.1	2,768.6	3,605.4	4,398.2
Snack bars	—	—	—	—	—
Meal replacement drinks	15.6	19.8	26.4	35.0	45.2
Ready meals	175.8	173.7	190.6	211.3	240.6
Soup	7.8	7.9	8.3	9.3	10.4
Pasta	56.6	60.0	64.8	71.6	78.8
Noodles	6,156.8	6,199.6	6,629.4	7,448.8	8,078.4
Canned food	1,946.4	1,923.8	2,100.0	2,319.8	2,634.0
Frozen food	588.9	567.7	594.8	638.6	701.9
Dried food	18,115.4	15,938.3	16,228.6	17,551.1	18,900.1
Chilled food	245.1	232.9	238.8	257.9	281.2
Oils and fats	3,353.6	3,405.2	3,465.5	3,695.8	4,050.6
Sauces, dressings and condiments	2,323.1	2,494.5	2,681.5	2,959.3	3,229.3
Baby food	1,446.7	1,740.7	1,902.6	2,262.7	2,750.4
Spreads	197.4	232.6	252.3	283.4	328.0
Packaged food	44,661.3	43,508.6	46,717.6	53,334.8	61,124.2

Source: Official statistics (Ministry of Industry and Trade), trade associations (The Indonesian Food & Beverages Association), trade press (Reuters, Kompas, Indonesian Business Magazine, SWA), company research, store checks, trade interviews, Euromonitor estimates

Notes: Sum of sectors does not equal total packaged food because of double counting (for example canned soup is included in soups and canned food)  
Volumes can not be consolidated due to different unit measurements (eg confectionery in tonnes and ice cream in litres)

2002 provisional data

### Retail Sales of Packaged Food by Sector: Volume 1998-2002

	1998	1999	2000	2001	2002
Confectionery ('000 tonnes)	92.39	96.26	106.13	116.84	124.70
Bakery products ('000 tonnes)	509.25	545.11	578.40	624.84	671.64
Ice cream (million litres)	44.52	46.17	49.71	52.67	54.64
Dairy products (Not calculable)	—	—	—	—	—
Savoury snacks ('000 tonnes)	138.81	145.44	162.63	182.65	197.35
Snack bars ('000 tonnes)	—	—	—	—	—
Meal replacement	—	—	—	—	—

drinks ('000 tonnes)	0.24	0.27	0.31	0.36	0.42
Ready meals ('000 tonnes)	5.62	5.78	6.29	6.88	7.57
Soup ('000 tonnes)	0.20	0.20	0.22	0.23	0.25
Pasta ('000 tonnes)	3.12	3.20	3.41	3.60	3.78
Noodles ('000 tonnes)	633.57	675.24	738.42	809.75	880.48
Canned food ('000 tonnes)	65.06	66.92	72.36	78.74	86.45
Frozen food ('000 tonnes)	22.01	23.40	25.70	28.60	31.04
Dried food ('000 tonnes)	3,103.91	3,202.91	3,330.36	3,469.20	3,625.12
Chilled food ('000 tonnes)	5.14	5.41	5.71	6.08	6.45
Oils and fats ('000 tonnes)	292.96	308.89	335.81	368.52	405.55
Sauces, dressings and condiments ('000 tonnes)	162.09	170.15	183.39	195.26	207.64
Baby food ('000 tonnes)	30.39	34.16	36.61	40.37	45.04
Spreads ('000 tonnes)	7.37	7.02	7.30	7.76	8.26
Packaged food (Not calculable)	–	–	–	–	–

*Source:* Official statistics (Ministry of Industry and Trade), trade associations (The Indonesian Food & Beverages Association), trade press (Reuters, Kompas, Indonesian Business Magazine, SWA), company research, store checks, trade interviews, Euromonitor estimates

*Notes:* Sum of sectors does not equal total packaged food because of double counting (for example canned soup is included in soups and canned food)

Volumes can not be consolidated due to different unit measurements (eg confectionery in tonnes and ice cream in litres) 2002 provisional data

### III.4 Entry strategy

U.S. Commercial Service, Department of Commerce, wrote a chapter on “Marketing U.S. Products and Services” in their 2003-2004 American Businesses in Indonesia. Below are several key points for marketing U.S. products in Indonesian market.

#### Distribution Channels

Foreign firms are allowed to operate retail outlets in major urban areas, although some restrictions remain in provinces. Many foreign firms use franchising, licensing and technical service agreements to distribute their goods. While foreign companies may distribute local & imported goods at wholesale level and conduct retail operation.

#### Representatives and agents

Foreign firms may open local representative office with the permission of Department of Industry and Trade. The representative(s) may be an Indonesian company, individual, or foreign national. Trade representatives may not engage in direct sales nor conclude deals, but they may assist in sales promotion, marketing, market research, and provide technical advice.

While for private sector, the appointment of sole Indonesian agent is not required by law. However, the assistance of Indonesian agent or distributor has been proved to be an effective strategy in expanding sales as they could bridge the cultural differences and understand the regulation system, which could be very ambiguous.

Patience and presence are the other key success in entering Indonesian market. Companies that have made a commitment by having a representative in the region or in the country will have higher chance of penetrating Indonesian market. The regional presence will also ensure more customer support and after-sales service, which are very important for the importers.

Indonesian customers are very price conscious, and currency and interest rates fluctuations create uncertainty. Therefore, importers will tend to make purchases based primarily on pricing and financing terms.

Nevertheless, brand loyalty and name recognition is highly valued by Indonesian customers, therefore buying missions, participation in regional shows, and advertising in local media are great ways to expose new products and gain consumer acceptance.

### III.5. Policy and Regulation

Deregulation of the market in the recent past has removed most import barriers.

- The majority of ingredients for food processing may be readily imported after satisfying Health Department regulations.
- An important requirement for food imports is certification acceptable to the Muslim association of Indonesia (MUI) that the product is *Halal*.
- Import documentation must be complete and in accordance with Government regulations to avoid costly delay.
- Import duties on most food impediments, with the exception of sugar and rice, are five percent.
- Some ingredients may require certain documentations for import product registration at the Indonesian Food and Drug Administration (Badan Pengawas Obat-obatan dan Makanan / BPPOM), and in some cases to the Indonesian Department of Agriculture.

### III.6. Profiles of Major Food Processing Companies

There are at least 4,681 modern food-processing companies and over 900,000 traditional home industries in Indonesia, but less than ten major groups dominate the market. The great majority of traditional home industry is small-scale family owned businesses. Major groups are typically vertically integrated, owning primary production, processing and distribution facilities.

#### Packaged Food Company Shares: 2000-2001

% retail value rsp Company	2000	2001
Indofood Sukses Makmur Tbk PT	15.6	14.8
Nestlé SA	4.1	4.2
Unilever Group	3.0	3.2
Friesland Coberco Dairy Foods Holding NV (Zuivelcoöperatie de Zeven Provinciën UA)	2.7	3.0
Australian Indonesian Milk Industries PT	3.0	2.8
Heinz Co, HJ	2.3	2.3

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Garudafood Group	1.4	1.5
PepsiCo Inc	1.1	1.5
Royal Numico NV	1.3	1.4
SMART Corp PT – Sinar Mas Agro Resources & Technology	1.4	1.2
Philip Morris Cos Inc	1.1	1.2
Ultrajaya Milk Industry & Trading Co PT	1.1	1.1
Mayora Indah PT	1.1	1.1
Canning Foods Indonesia PT	1.1	1.0
Surya Jaya Abadi Perkasa PT	1.0	1.0
Wicaksana Overseas International PT	0.5	1.0
Khong Guan Holdings Malaysia Sdn Bhd	1.0	0.9
Fonterra Co-operative Group	–	0.9
Konimex PT	0.8	0.9
Kapal Api Group	0.7	0.7
Cadbury Schweppes Plc	0.5	0.7
Adijaya Guna Satwatama PT	0.6	0.7
Campbell Soup Co	0.5	0.7
Danone, Groupe	0.5	0.6
Monde Denmark Nissin Biscuit Corp	0.8	0.6
Perfetti Van Melle Group	–	0.6
Dwi Kelinci PT	0.4	0.6
Simplot Co, J R	0.2	0.6
Bina Karya Prima PT	0.5	0.6
Orang Tua Group	0.4	0.5
Nippon Indosari Corp PT	0.4	0.5
Ceres Indonesia PT	0.3	0.5
Diamond Cold Storage PT	0.4	0.4
Bristol-Myers Squibb Co	0.3	0.4
San Miguel Corp	–	0.3
Campina Melkunie BV, Zuivelcoöperatie	0.3	0.3
ABC President Enterprises PT	0.3	0.3
Nissin Food Products Co Ltd	0.3	0.3
Eloda Mitra PT	0.4	0.3
Van Houten & Zoon Holding AG, CJ	0.3	0.3
Sekar Group	0.3	0.3
Insan Makmur Sejati PT	0.1	0.3
Siantar Top Industry PT	0.2	0.3
Kemang Food Industries PT	0.3	0.3
Manna Dunia Boga PT	0.3	0.3
Kuala Pangan PT	0.2	0.2
Mitrasatrya Perkasautama PT	0.2	0.2
Delfi Chocolate Manufacturing SA	0.2	0.2
Marizarasa PT	0.2	0.2
Meiji Dairies Corp	–	0.2
Yupi Indo Jelly Gum PT	0.2	0.2
Mamee-Double Decker (M) Bhd	0.1	0.2
Mars Inc	0.2	0.2
Maya Muncar PT	0.2	0.2
Wijaya Abadi PT	0.2	0.2
Delifood Sentosa Corp PT	0.2	0.2
United Waru Biscuit Manufactory PT	0.2	0.2

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Pabrik Minyak Goreng Barco PT	0.2	0.2
Abbott Laboratories Inc	0.1	0.2
Lotte Group	0.1	0.2
Chupa Chups (Grupo) SA	0.2	0.2
Gabungan Koperasi Susu Indonesia GKSI	0.1	0.2
Ajinomoto Co Inc	0.2	0.2
Madusari	0.1	0.1
American Home Products Corp	0.2	0.1
Morinaga Milk Industry Co Ltd	0.1	0.1
Cereal Partners Worldwide	0.1	0.1
Rasa Murni Utama PT	0.2	0.1
Sasa Inti PT		
Miwon Indonesia Tbk PT	0.1	0.1
PSP Group – Putra Surya Perkasa PT	0.1	0.1
Goodman Fielder Ltd	0.1	0.1
New Zealand Dairy Board	0.8	–
Van Melle NV, Koninklijke	0.6	–
Sara Lee Corp	0.4	–
Ayala Corp	0.4	–
Meiji Milk Products Co Ltd	0.3	–
Sakura Citra Anekafood PT	0.1	–
Artisanal	3.9	4.3
Private Label	1.2	1.3
Others	35.1	33.0
TOTAL	100.0	100.0

Source: Trade associations (The Indonesian Food & Beverages Association), trade press (Reuters, Kompas, Indonesian Business Magazine, SWA), company research, store checks, trade interviews, Euromonitor estimates

#### PT. Indofood Sukses Makmur Tbk. (PT. ISM)

Indofood is the biggest group in the industry. The present company was founded in 1990. With 34 manufacturing plants, including 139 instant noodles production lines, Indofood is the largest processed food manufacturer in Indonesia, and also the largest instant noodles producer and flour miller in the world. Indofood has a 17.3% value share. Its operations are vertically integrated, including primary production, initial processing, final processing and distribution. Its products are distributed mainly through its subsidiaries, including Indomarco, independent distributors, and some cooperatives.

Its brands include household names such as Indomie and Bimoli. Other well known brands include Supermi, Sarimi and Sakura instant noodles, Bimoli and Sunrise cooking oil, Royal Palmia and Simas margarine, Chiki, Chitato and Jet-Z svaoury snacks, Promina and Sun baby food products, and the Indofood and Piring Lombok food seasonings.

IS Comdty	Import Value, \$Billion			Import Value, MT		
	201	202	% Change	201	202	% Change
01 Live Animals	\$710	\$592	-21%	47,385	42,385	-11%
02 Meat & Edible Meat Offal	\$308	\$309	2%	4,627	4,874	2%
03 Skins	\$257	\$275	9%	2,661	2,889	15%
04 Day Hens & Eggs	\$266	\$268	-3%	12,230	12,096	-6%
07 Veggie	\$23	\$16	2%	3,397	3,147	51%
08 Furs	\$124	\$147	3%	2,225	2,609	92%
09 Offal, Tails & Pies	\$15	\$29	-7%	451	353	-44%
10 Cattle (excl. Meat, Furs)	\$1,177	\$1,087	3%	44,258	72,637	38%
12 Other Cattle (excl. Slaughter and Furs)	\$208	\$362	18%	127,041	152,377	15%
15 Pigs & Qu	\$38	\$92	18%	4,25	5,966	20%
17 Sheep & goats (excl. wool)	\$268	\$244	-14%	149,75	117,14	-30%
Other	\$525	\$873	2%	28,943	26,921	56%
Totals	\$8,684	\$2,515	1%	109,613	139,23	
22 Eggs, Pits & Viscera	\$124	\$25	-6%	2,680	1,977	-53%
24 Tallow	\$223	\$97.4	-1%	5,627	4,45	-15%
Totals	\$1,080	\$51.4	1%	10,990	13,845	
Source: Global Branding						

**PT Nestlé Indonesia**

PT Nestlé Indonesia is one of the leading International food companies in Indonesia. Their production line includes dairy (Dancow, Nan, Lactogen, Milkmaid, Carnation, Bear brand), coffee (Nescafe), tea (Nestea), other beverages (Milo, Nesquik), sauces (Maggi), chocolate and candies (Kit-kat & Polo), Baby food and cereals. Nestle's existence in Indonesia was started in 1971 when Nestle built a milk processing plant in East Java. Currently, Nestle has three milk processing plants in Java and employs about 2,000 workers. Nestle expecting 15% growth in 2003.

Production capacity, including a recent processing plant opened in June 2, 2003, is reached 200,000 MT sweet condensed milk and 100,000 MT milk powder. 70% out of these volume is to fulfill local demand, while the other 30% is exported to the region as well as middle eastern countries. Nestle dominates the dairy products market where they secured the leading position with over 25% of value sales in 2001 (includes sweetened condensed milk, milk powder, baby formula, and liquid milk). Nestlé also came in second in baby food with 12% value share.

**PT Unilever Indonesia, Tbk**

Unilever Group is a well-known as consumer goods producer in Indonesia. Food product line include oils and fats (Blue Band), ice cream (Walls), sauces, dressings and condiments (Best foods). The products very popular among Indonesian consumers.

Walls ice cream, which dominate the market with over 40% market share, compete with local brand ice cream such as Diamond and Campina. While the margarine spread, Blue band, has strong competition from local brand Simas in the retail market.

**PT. Sari Husada Tbk.**

- Manufacturer of nutritious food and drinks for babies, children, and adults.
- Has 30 percent market share for infant formula
- Operates in two factories in Central Java with capacity of 35,000 tons of end product

**PT. Arnott's Indonesia**

- The second largest biscuit manufacturer with 13% market share for biscuit products.
- Total sales for 2002 were US\$ 225 million with 5-10% growth per year.
- Campbells soup bought majority company share in 1997.
- Thirty percent of production for export to ASEAN region, Australia, Europe and United States
- Thirty percent of the input to production is from local origin.

**PT. Sierad Produce Tbk.**

- PT. Sierad Product Tbk., a locally owned business, is a major poultry producing company.
- Sierad produce has developed and expanded the breadth and depth of its businesses to include all aspects in integrated poultry production of day old chicken, poultry feeds, final stock growing, and the production of dressed chicken, value added poultry products and poultry equipments.
- Sierad produce also holds the franchise for Wendy's Restaurants and Hartz Chicken.

#### IV. Competition

Comments from the industry regarding U.S. exporters as compared to exporters from other nations included:

- Prices are higher in many cases.
- Contract terms and conditions are often more limiting or demanding.
- Minimum order quantities are frequently higher needed.
- Response to requests is sometimes slow, or in some cases no response is received.
- Communications are difficult due to the 12 to 15 hour time zone difference.
- Special requirements, such as the Halal certificate, sometimes cause difficulty.
- No representative office in the region

HS Code	Commodity	Import Value, 'USD million			Import Volume , MT		
		2001	2002	% change	2001	2002	% change
01	Live Animals	\$74.30	\$59.92	-24%	47,758,305	42,934,815	-11.23%
02	Meat & Edible Meat Offal	\$43.08	\$43.91	2%	43,627	44,874	2.78%
03	Seafood	\$29.57	\$27.15	-9%	26,561	26,989	1.59%
04	Dairy Produce & Eggs	\$326.66	\$246.43	-33%	172,230	162,096	-6.25%
07	Vegetable	\$92.38	\$94.64	2%	323,947	341,407	5.11%
08	Fruits	\$142.04	\$214.67	34%	242,225	267,019	9.29%
09	Coffee, tea, mate, & spices	\$40.55	\$22.90	-77%	49,531	34,533	-43.43%
10	Cereals (eq. Wheat, Rice)	\$664.77	\$1,098.71	39%	4,422,558	7,226,327	38.80%
12	Oil Seeds (eq. Soybean) and Fruits	\$290.28	\$356.12	18%	1,277,041	1,512,377	15.56%
15	Fats & Oils	\$33.68	\$39.52	15%	47,235	59,566	20.70%
17	Sugar & sugar confectionary	\$276.78	\$242.44	-14%	1,491,715	1,147,144	-30.04%
	Other	\$862.75	\$848.73	-2%	2,819,463	2,668,921	-5.64%
	Total food items	\$2,876.84	\$3,295.15	13%	10,916,133	13,491,253	
22	Beverages, Spirits, & Vinegar	\$11.24	\$8.25	-36%	26,680	19,717	-35.31%
24	Tobacco	\$220.23	\$197.74	-11%	56237	47445	-18.53%
	Total	\$3,108.30	\$3,501.14	11%	10,999,050	13,558,415	

Source: Central Bureau of Statistic



HS Code	Commodity	Origin (2002 % value)
01	Live Animals	Australia (80), US (5), France (5)
02	Meat & Edible Meat Offal	Australia (56), US (20), New Zealand (19)
03	Seafood	China (21), singapore (10), Malaysia (9)
04	Dairy Produce & Eggs	Australia (30), New Zealand (25), Netherlands (11), Phillipines (7), US (4)
07	Vegetable	China (59), US (8), Myanmar (7), Australia (5)
08	Fruits	China (40), US (21), Thailand (13), Australia (8)
09	Coffee, tea, mate, & spices	China (18), Vietnam 15), Bulgaria (14), India (12)
10	Cereals (eq.Wheat, Rice)	Australia (30), China (14), India (12), Canada (11), Vietnam (10), Thailand (9), US (6)
12	Oil Seeds (eq. Soybean) and Fruits	US (59), India (5, Argentina (5), China (4), Malaysia (4)
15	Fats & Oils	Malaysia (21), Singapore (19), Thailand (12)
17	Sugar & sugar confectionary	Thailand (38), Brazil (9, Australia (8), China (7), India (7)
22	Beverages, Spirits, & Vinegar	Malaysia (14), Singapore (11), South Africa (11), Australia (10)
24	Tobacco	Malaysia (46), China (20), US (7)

Source: Central Bureau of Statistic

## V. Best product prospects

### A. Products Present in The Market Which Have Good Sales Potential

- Wheat, Wheat Flour.
- Beef (meat and offal) - tough competition among lower grade Australian beef.
- Poultry (whole, cuts, and processed) - poultry ban from GOI.
- Dairy products (whey, skim & whole milk powder) - local production cannot meet demand or lack the processing knowledge and technology.
- Fruit - temperate climate fruit cannot be grown successfully in Indonesia.
- Flavorings & coloring - "modern" flavors & coloring meet international standards for industry.
- Soybean & soybean products (ISP, Soy Flakes, Soy Flour).
- Food additives (enzyme, fortification, emulsifier) and preservatives.
- Potato (chilled, frozen, processed) - locally grown potato is not suited to processing
- Tomato for tomato sauce processing.
- Fruit concentrates.
- Peas, lentils, edible nut.
- Bakery ingredients (dry fruits & nuts, yeast, bread improver, chocolate).

### B. Products Not Present in Significant Quantities but Which Have Sales Potential

- Turkey - MDM might replace other meats for processing.
- Non-alcoholic wine - the majority of consumers do not use alcohol.

### C. Products Not Present because They Face Significant Barriers

Ham and pork may be eaten by only 13% of the population. Their presence in a food

processing plant would result in loss of pure food certification. There is a niche market for expatriate and non-Muslim consumers.

#### **VI. Post contact and further information**

The U.S. Agricultural Trade Office in 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 Indonesia market. Questions or comments regarding this report should be directed to the U.S. ATO in Jakarta at the following address:

U.S. Commercial Center  
Wisma Metropolitan II, 3rd Floor  
Jalan Jenderal Sudirman Kav.29-31  
Jakarta 12920 - Indonesia  
Tel: +62215262850, Fax: +62215711251  
e-mail:atojkt@cbn.net.id  
Homepage:<http://www.usembassyjakarta.org/fas>

Please contact our home page for more information on exporting U.S. food products to Indonesia, including "Hotel and Restaurant Industry: Bali", "Market Brief: Imports of U.S. Fresh Fruit: Indonesia", Market Brief: " Indonesian Meat Processing Industry", "Market Brief - Indonesian Bakery Industry", Market Brief - Indonesian Beverage Industry", "Market Brief - Beef Liver & Chicken Leg Quarter in Indonesia", and "Market Brief-Furniture Industry in Indonesia". As of January 2003, the following updated reports are available; "The Retail Sector Report: Indonesia", "The HRI Food Service Sector Report: Indonesia" and specific commodity reports.

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